



**Annual Financial Report**  
**as of 31<sup>st</sup> December 2017**



TABLE OF CONTENTS

GENERAL INFORMATION .....	6
<b>FOREWORD</b> .....	8
Reference economic framework .....	10
The gas market: the Italian scenario .....	13
Gas sale .....	15
Gas distribution .....	15
The regulatory framework .....	16
National regulations .....	16
Reference regulatory framework .....	18
Efficiency and energy saving obligations .....	30
Ascopiave S.p.A. share trend on the Stock Exchange .....	33
Control of the Company .....	34
<b>Corporate Governance and Code of Ethics</b> .....	34
<b>Transactions with related and affiliated parties</b> .....	35
<b>Significant events during FY 2017</b> .....	36
<b>Other important events</b> .....	41
Sale of natural gas and electricity .....	41
Distribution of natural gas .....	43
Energetic efficiency and saving .....	47
Litigations .....	50
Distribution of dividends .....	58
Own shares .....	59
Outlook for the Year .....	59
Goals and policies of the group and risk description .....	60
Human resources .....	63
Research and Development .....	64
Additional information .....	65
Remuneration given to the managing and controlling organs, managing directors and directors with strategic responsibilities and stakes held .....	65
Security of personal data .....	66
Sustainability .....	66
List of Company Headquarters .....	66
Owned offices .....	66
Rented offices .....	67
Performance Indicators .....	68
Comments on the economic-financial results of the year 2017 .....	69
General operational performance and indicators .....	69
General operational performance - The Group's economic results .....	71
General operational performance – Financial situation .....	73
General operational performance - Investments .....	75
Schedule of reconciliation of the of individual net shareholders' equity with the consolidated net	
Shareholders' Equity .....	76
Consolidated assets and liabilities statement .....	78
Comprehensive consolidated income statement .....	79
Statement of changes in consolidated shareholders' equity .....	80
Consolidated financial statements .....	81
<b>EXPLANATORY NOTES</b> .....	82
Company information .....	82
The activities of the Ascopiave Group .....	82
General drafting criteria and declaration of conformity with IFRS .....	82
Financial statements representation .....	83
Accounting principles, amendments and interpretations applied from 1 <sup>st</sup> January 2017 .....	83
IAS/IFRS accounting standards and respective IFRIC interpretations approved and applicable to financial statements for financial years beginning after 1 <sup>st</sup> January 2017 .....	84
Accounting standards, amendments and interpretations already issued but not yet approved and applicable to annual periods beginning on or after 1 <sup>st</sup> January 2017 .....	85
Consolidation principles .....	87
Consolidation scope and principles .....	89

<b>Synthesis data of fully consolidated companies and jointly controlled companies consolidated through the equity method</b> .....	90
<b>Measurement criteria</b> .....	90
<b>COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS</b> .....	104
<b>Non-current assets</b> .....	104
<b>Current assets</b> .....	115
<b>Consolidated Shareholders' Equity</b> .....	119
<b>Non-current liabilities</b> .....	120
<b>Current liabilities</b> .....	126
<b>COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS</b> .....	131
<b>Revenues</b> .....	131
<b>Costs</b> .....	132
<b>Financial income and expense</b> .....	137
<b>Taxes</b> .....	138
<b>Non-recurrent components</b> .....	138
<b>Transactions deriving from unusual and/or atypical operations</b> .....	139
<b>OTHER COMMENTS ON THE ANNUAL FINANCIAL REPORT AS OF 31<sup>st</sup> DECEMBER 2017</b> .....	140
<b>Business combinations</b> .....	140
<b>Commitments and risks</b> .....	142
<b>Risk and uncertainty factors</b> .....	142
<b>Management of Capital</b> .....	146
<b>Representation of financial assets and liabilities by categories</b> .....	147
<b>Remuneration of Auditing Company</b> .....	148
<b>Business segment reporting</b> .....	148
<b>Earnings per share</b> .....	149
<b>Transactions with related parties</b> .....	150
<b>Financial statements representation pursuant to Consob resolution 15519/2006</b> .....	152
<b>Significant events subsequent to the end of 2017</b> .....	154
<b>Goals and policies of the group</b> .....	155
<b>Synthesis data as of 31 December 2017 of jointly controlled companies consolidated through the equity method</b> .....	156

Annexes:

- Individual Financial Statement of Ascopiave S.p.A. as of 31<sup>st</sup> December 2017.

In-Company Control:

- Declaration by the Manager - Certification of the Consolidated Financial Statements pursuant to Article 81-ter of Consob regulation no. 11971;
- Report on Corporate Governance and Company Structure;
- Consolidated non-financial disclosure for 2017.

Statutory Auditors:

- Report of the Board of Statutory Auditors on Financial Statements as of 31<sup>st</sup> December 2017.

Auditing Company:

- Independent Auditors' Report on the Consolidated Financial Statements as of 31<sup>st</sup> December 2017;
- Independent Auditors' Report on the Financial Statements as of 31<sup>st</sup> December 2017;
- Independent Auditors' Report on the Consolidated non-financial disclosure for 2017.

*GENERAL INFORMATION*

**Directors, Officers and Company information**

*Board of Directors and Board of Statutory Auditors*

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

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

<b>Name</b>	<b>Office</b>	<b>Duration of office</b>	<b>From</b>	<b>To</b>
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

<b>In-Company Control Committee</b>	<b>From</b>	<b>To</b>	<b>In-Company Control Committee</b>	<b>From</b>	<b>To</b>
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*

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## Main economic and financial data of the Ascopiave Group

### Economic figures

(Thousands of Euro)	Financial year 2017	% of revenues	Financial year 2016	% of revenues
Revenues	532,792	100.0%	497,689	100.0%
Gross operative margin	84,409	15.8%	95,255	19.1%
Operating result	59,939	11.3%	72,137	14.5%
Net result for the period	49,252	9.2%	56,942	11.4%

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

### Capital data

(Thousands of Euro)	31.12.2017	31.12.2016
<b>Net working capital</b>		
Fixed assets and other non current assets	553,397	522,574
Non-current liabilities (excluding loans)	(49,411)	(48,151)
<b>Net invested capital</b>	<b>503,987</b>	<b>474,423</b>
Net financial position	(53,487)	(30,214)
Total Net equity	(450,500)	(444,209)
<b>Total financing sources</b>	<b>(503,987)</b>	<b>(474,423)</b>

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

### Monetary flow data

(thousands of Euro)	FY 2017	FY 2016
<b>Net income of the Group</b>	47,135	53,635
Cash flows generated (used) by operating activities	50,549	68,461
Cash flows generated/(used) by investments	(31,983)	(18,348)
Cash flows generated (used) by financial activities	(11,833)	(69,593)
<b>Variations in cash</b>	<b>6,733</b>	<b>(19,479)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8,822</b>	<b>28,301</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>15,555</b>	<b>8,822</b>

## **REPORT ON OPERATIONS**

### ***FOREWORD***

The Ascopiave Group closed 2017 with a net consolidated profit of Euro 49.3 million (Euro 56.9 million as of 31<sup>st</sup> December 2016), with a decrease of Euro 7.7 million, -13.5% compared to the previous year.

The consolidated net assets at year-end amount to Euro 450.5 million, (Euro 444.2 million as of 31<sup>st</sup> dicembre 2016) and the net capital invested to Euro 570.4 million (538.3 million as of 31<sup>st</sup> December 2016).

In 2017, the Group accomplished investments for Euro 23.6 million (Euro 20.8 million as of 31<sup>st</sup> December 2016), mainly in the development, maintenance and modernization of the networks and plants of gas distribution and the installation of electronic meters.

### ***Activities***

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

The Group currently holds concessions and direct assurances for the supply of the service in 230 municipalities (208 municipalities as of 31<sup>st</sup> December 2016) and has a distribution network extending for over 9,780 Km<sup>1</sup>, (over 8,380 km as of 31<sup>st</sup> December 2016) and providing a service to a catchment area bigger than 1 million inhabitants.

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

In the gas sale segment, Ascopiave is one of the main National operators with about 939 million cubic meters<sup>1</sup> of gas sold in 2017 (934 million cubic meters<sup>1</sup> as of 31 December 2016).

### ***Strategic objectives***

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

The Group intends to consolidate its leadership position in the gas sector on a regional level and is looking to reach a prominent position also at the national level, taking advantage of the liberalization process currently underway. In this respect, Ascopiave follows a development strategy whose main guiding principles are dimensional growth, diversification in other divisions of the energy sector in synergy with the core business and the improvement of operative processes.

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<sup>1</sup> 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.



### ***Management trend***

The volumes of gas sold in 2017 are equal to 938.7 million cubic meters<sup>2</sup>, marking an increase of 0.4% compared to the previous year.

The volumes of electrical energy sold were 440.5 GWh<sup>2</sup>, marking an increase of 12.1% compared to the previous year.

The customers portfolio managed at the reporting date included 741.3 thousand customers, marking an increase of 0.8% compared to the previous year.

As to the activity of gas distribution, the volumes distributed through the networks managed by the Group were 1,020.4 million cubic meters, marking an increase of 16.8% as compared to 2016 (105.0 million cubic meters relate to the extension of the consolidation scope to Ap Reti Gas Vicenza S.p.A.). The distribution network as of 31<sup>st</sup> December 2017 has an extension of 9,780 Km<sup>2</sup>, an increase of 1,398 km compared to the previous year (1,370 km relate to the extension of the consolidation scope to Ap Reti Gas Vicenza S.p.A.).

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

Consolidated revenues in 2017 of the Ascopiave Group equal Euro 532.8 million, compared to Euro 497.7 million of the previous year. The increase in the turnover is mainly due to the growth in revenues recorded for contributions connected to energy efficiency targets (Euro +22.4 million) and the extension of the scope of consolidation (Euro 14.3 million).

The Operating Result of the Group equals Euro 59.9 million, marking a decrease compared to Euro 72.1 million in 2016. The decrease was mainly explained by the recognition, in 2016, of the compensation allocated to the Group after adopting the mechanism for the promotion of the renegotiation of long-term procurement agreements envisaged by ARERA resolution 447/2013/R/gas (Euro 11.1 million).

The Net Result, equaling Euro 49.3 million, marks a decrease compared to Euro 56.9 million of 2016. The lower fiscal charges on income taxes have partially offset the reduction in the pre-tax result.

The Net Financial Position of the Group as of 31<sup>st</sup> December 2017 is equal to Euro 119.9 million, with an increase of Euro 25.7 million as compared to Euro 94.1 million as of 31<sup>st</sup> December 2016.

The increase in financial indebtedness is determined by the cash flow of the period (Euro +73.7 million, given by the sum of the net result, provisions, amortizations and depreciations) and by the management of current assets, which has used financial resources for Euro 23.2 million. The investment activity has absorbed financial resources for Euro 39.3 million, whereas the management of the working capital (distribution of dividends and dividends received from the companies consolidated using the equity method) has absorbed resources for Euro 37.0 million.

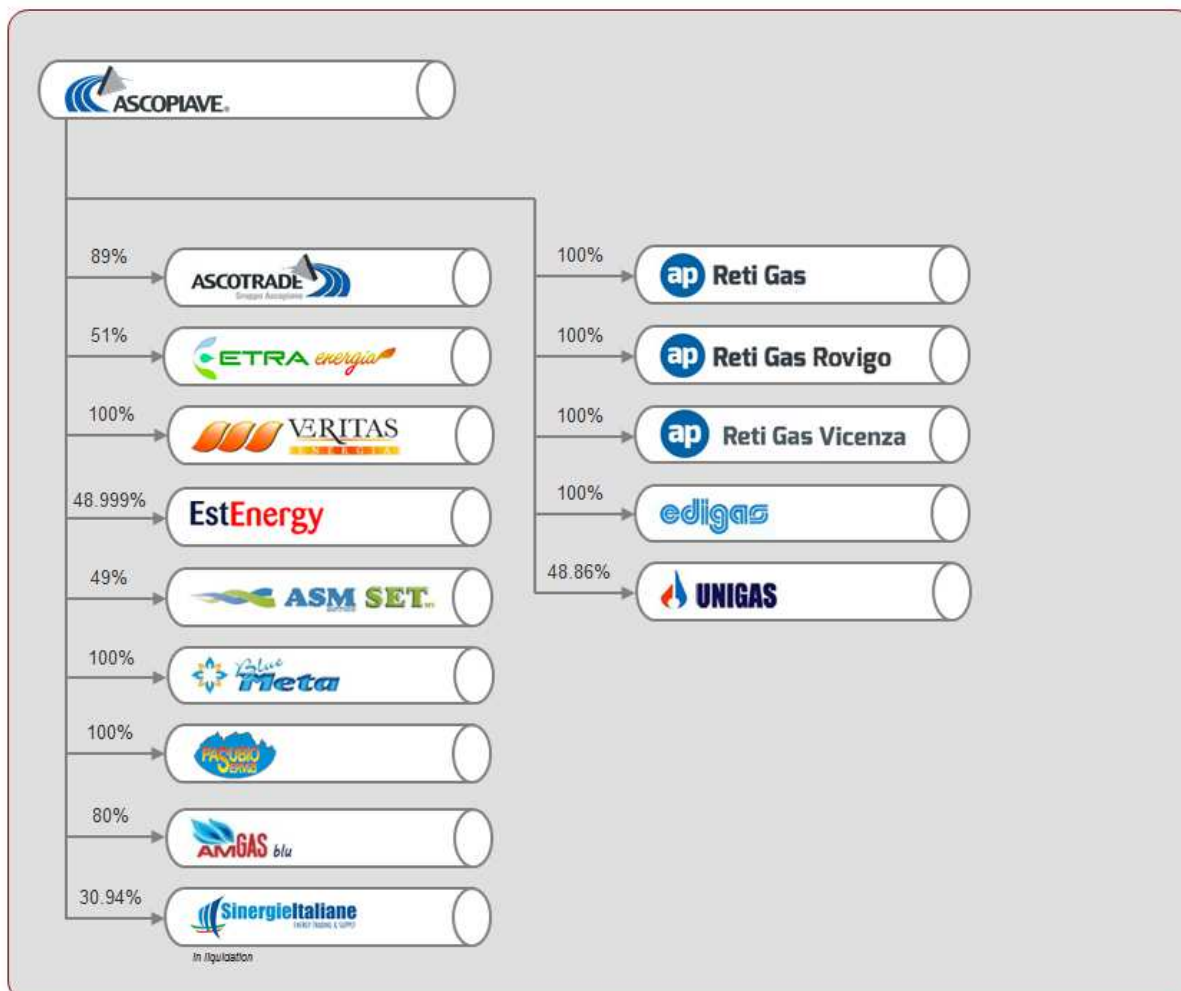
The ratio between Net financial position and Net equity as of 31<sup>st</sup> December 2017 is equal to 0.27 (0.21 as of 31<sup>st</sup> December 2016).

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<sup>2</sup> 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 31<sup>st</sup> December 2017.



### Reference economic framework

The global economy in 2017 continued to expand in a solid and widespread manner, despite the persistence of a general underlying weakness in inflation. The outlook for the short term remained favorable even if a possible downward adjustment of the prices of financial activities could pose a risk to the growth of the economic activity, as well as a sudden intensification of geopolitical tensions (in particular as concerns North Korea) and uncertainty about economic policies could negatively affect the confidence of families and businesses. In addition, the tax reform introduced in the United States in December, which provides for a reduction in tax rates for households and enterprises, could foster the growth of the global economy. Recent OECD projection suggest that in 2017 the worldwide domestic product increased by 3.6% on average compared to the previous year, and in 2018 it could register a slightly positive trend, growing by 3.7%.

In 2017, the main advanced economies continued their growth, contributing significantly to the acceleration of the global GDP in the last two years: in the United States, the most recent data indicate a significant growth (+2.2% in 2017, estimated +2.5% in 2018), in the United Kingdom private consumption shows signs of recovery (+1.5% in 2017,

2018 forecast: +1.2%) and in Japan the most up-to-date economic data show an acceleration of the economic activity (+1.5% in 2017, estimated +1.2% in 2018). At the same time, the economic recovery also continued in the emerging countries, characterized by stable growth in China (+6.8% in 2017, estimated +6.6% in 2018) and an acceleration of the economic activity in India (+6.7% in 2017, estimated +7.0% in 2018) and Brazil (+0.7% in 2017, 2018 forecast: +1.9%).

In 2017, the economic performance in the Euro area continued at a brisk pace (+ 2.4% in 2017, estimated at 2.3% in 2018), driven by a rather buoyant foreign demand and to a lesser extent by consumption. The monetary policy implemented by the ECB, which maintained very favorable financing conditions, continued with the aim of bringing inflation back to values close to 2%. The average inflation rate in 2017 was 1.5%, compared to 0.2% in 2016. The underlying price trend was limited also due to the moderate wage growth in many European economies.

As far as the Italian economic situation is concerned, in 2017 the economic activity continued its favorable growth trend (GDP grew by +1.5% overall in 2017), albeit below the European average. Both the domestic demand, driven mainly by investments in capital goods, and the foreign demand contributed to the expansion of the GDP.

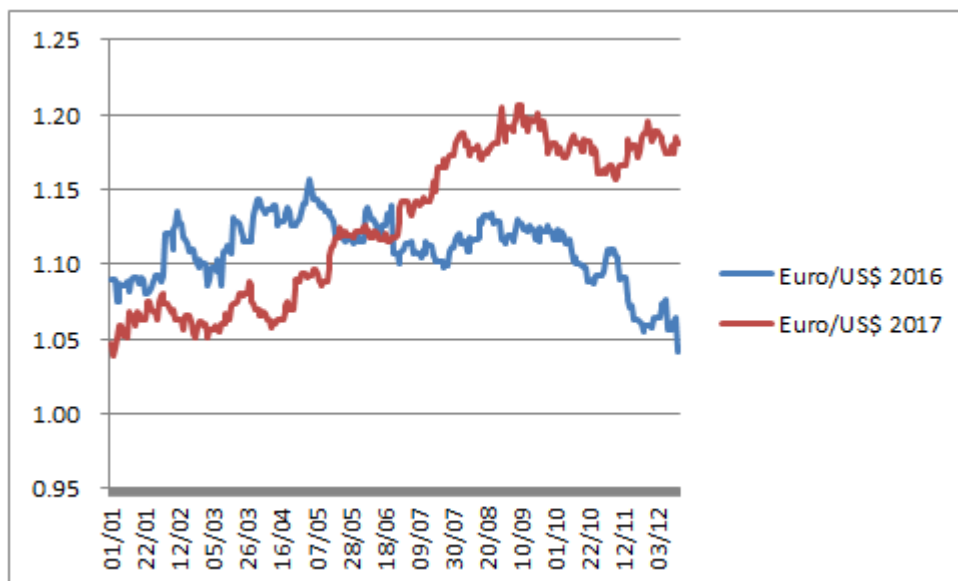
The expectations on the labor market are also improving. The growth in employment mainly reflected the favorable trend in the economic activity and the unemployment rate in December, equal to +10.8% net of seasonal factors, showed a decrease compared to the previous year (+12.8% in 2016), while on a yearly basis there is a decrease in the unemployed (-8.9%, -273 thousand) and a simultaneous increase in the number of people in employment (+0.8% +173 thousand compared to December 2016).

Consumer price inflation remained weak, although there was a recovery in prices at the source and there were some positive signs that affected the labor market. In 2017, inflation stood on average at 1.3% (-0.1% in 2016) and values around 1.1% are expected for 2018.

#### Evolution of international energy prices

In 2017, the Euro/Dollar exchange rate recorded an annual average equal to 1.13 USD per Euro (in line with the 2016 average), achieving a maximum of 1.21 USD per Euro (September 2017) and a minimum value of 1.04 USD per Euro (January 2017). The euro/dollar exchange rate recorded a gradual appreciation of the Community currency until the month of September, and then stabilized within the range of 1.15 - 1.20 USD per Euro in the final months of 2017.

Euro/Dollar exchange rate trend in 2016 and 2017



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

During 2017, the costs of raw oil increased compared to the previous year. The price of oil (Brent) recorded a decrease in the first half of 2017, attaining its lowest annual point in June (43.98 \$/barrel), and then continued with a positive trend until the end of the year, reaching the highest annual value in late-December (66.8 \$/barrel).

As far the Euro prices are concerned, the decreased was less impactful due to the depreciation of the Euro against the US Dollar.

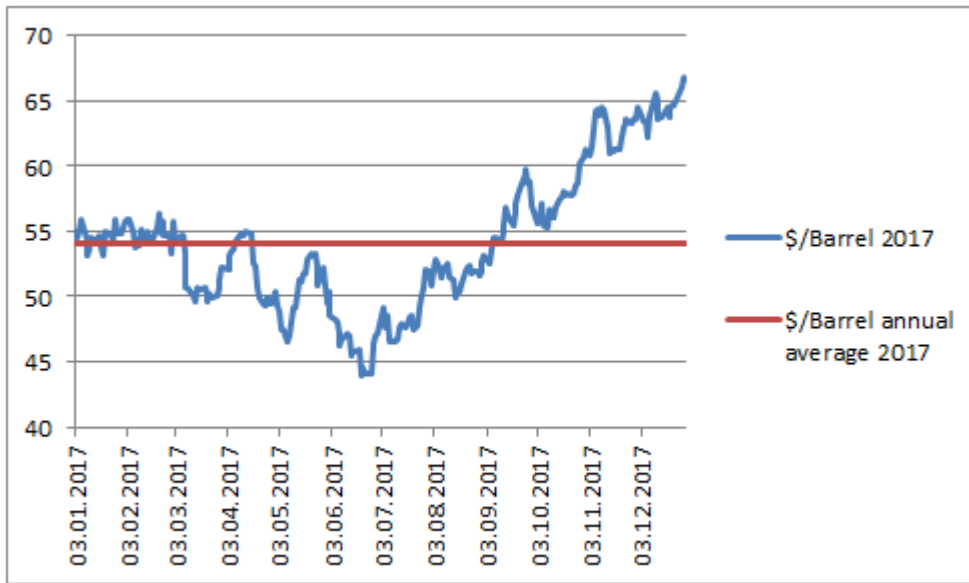
Quotations	2017	2016	2015	2014
Annual average Brent quotation (Dollars per barrel)	54.12	43.64	52.32	98.97
Annual average Exchange rate Dollar/Euro	1.13	1.11	1.11	1.33
Annual average Brent quotation (Euro per barrel)	47.91	39.31	47.13	74.41

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

In the second half of 2017, oil costs increased, supported by the growth in global demand and by the successful agreement regarding the containment of the supply among the main oil producing countries. Furthermore, the reabsorption of global oil stocks and the emergence of some geopolitical tensions in the Middle East and in Venezuela also contributed to the growth of Brent values.

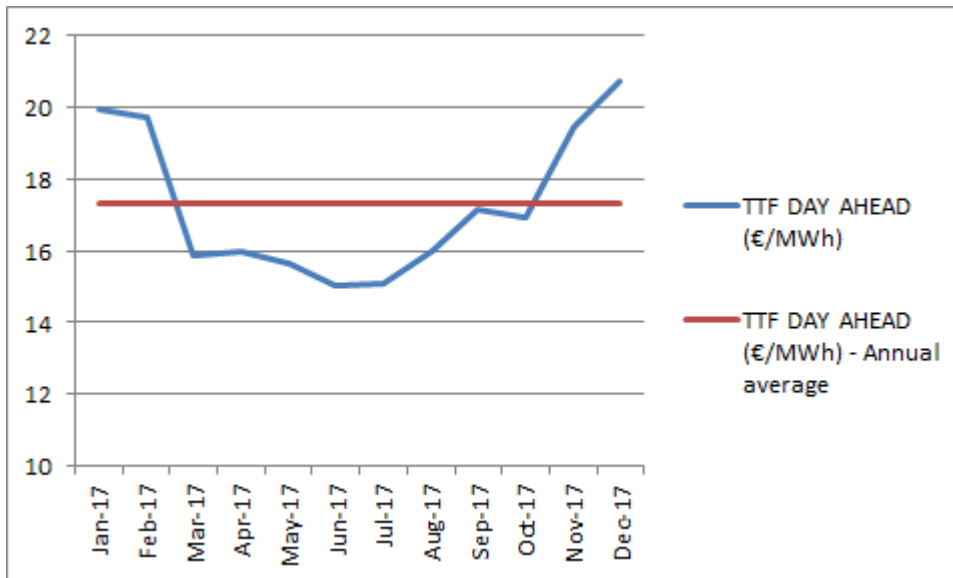
Even though OPEC and Russia announced the extension of their agreement in terms of production also to 2018, following the US decision to continue with a new increase in production from unconventional sources (at historic highs last November) oil prices are expected to decrease slightly in the medium term.

Brent trend year 2017



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

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



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

### The gas market: the Italian scenario

#### Gas demand in Italy and its coverage sources

In the solar year 2017, the gross domestic consumption of gas in Italy recorded an increase of 6.0 as compared to 2016, reaching 75.91 billion cubic meters (source: Ministry of Economic Development).

Demand highlights an improvement as compared to the previous year, marking an increase of 4.24 billion cubic meters, significantly influenced by the indirect effect of the slight economic recovery and driven by the growth in demand from the thermoelectric and the industrial sectors and, marginally, by consumption in the residential segment.

The coverage of gas demand was performed mainly through the recourse to import sources that in 2017 achieved a level of 69.65 billion cubic meters, an increase of 4.37 billion cubic meters compared to 2016 (+6.7%). The main gas supplier remains Russia, with an increase in gas amount that arrived through the Tarvisio interconnection point (+6.8%). The second supplier is now Algeria (Mazara del Vallo), whose volumes are in line with the previous year, and Northern Europe (Passo Gries) with an increase in the quantities injected (+8.2%).

The gas amounts through the GNL Panigaglia terminal and the GNL Livorno terminal both increased (+204.9% and +85.2 compared to 2016, respectively).

#### National production of natural gas

In 2017, the Italian gas production totaled 5.54 billion cubic meters and decreased by 4.3% compared to 2016. It covers 7.4% of national gas requirements.

Gas deposits in Italy are dwindling. Their contribution to the national requirement will become increasingly marginal.

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

In the current global scenario, two projects are being developed. TAPI, a pipeline that will have a capacity of over 30 billion Scm, which will convey the gas from the deposits of Turkmenistan to Pakistan and India through Afghanistan, and TANAP (Trans-Anatolian pipeline), which will supply Turkey and Europe with the raw material coming from the gas fields of Azerbaijan, (over 30 billion Scm; completion is expected for 2020).

TANAP will convey the Turkmen gas to Europe by joining the TAP (Trans Adriatic Pipeline).

The latter pipeline will transport 10 billion Scm; it will cross northern Greece, Albania and the Adriatic Sea and arrive in southern Italy where it will connect to the national network (at the end of 2017 the project was 95% completed). Another important project in Europe is “East Med”, a gas pipeline that will cross Israel, Cyprus, Crete, the Peloponnese, Greece and Italy, becoming the longest gas pipeline in the world with its 1,300 kilometers offshore and 600 kilometers onshore. The Italian portion of the project is called ITGI, a submarine section that will connect the compression facility located on the Greek coast with the measurement facility in Otranto, thus transporting 10 billion Scm to Italy with a possible increase up to 15 billion Scm of natural gas per year.

With regard to the current import infrastructure, in December 2017 a critical issue affected the Trans-Austria gas pipeline (TAG). On 12<sup>th</sup> December 2017, subsequent to the explosion in Baumgarten, the gas pipeline that connects to the Italian national transport system at the Tarvisio entry point interrupted the gas flows to Italy. Regular operations were however resumed the following day.

As concerns re-gasification plants, which have become a seriously competitive supply alternative to methane pipelines, able to bypass the obstacles presented by the limited shipment capacity available on the import gas pipelines networks, in Italy three plants are in operation: Panigaglia in La Spezia, Porto Levante in Rovigo and Livorno Offshore in Livorno. Our Country has at its disposal at least a dozen of projects regarding the realization of new LNG terminals. Because of the bureaucratic difficulties, the litigations filed by the local bodies, the technical setbacks and, above all, the decisions taken by the potential investors following the development prospects of the industry and the profitability of the investments, we believe that not all of them can be realized.

### **Gas sale**

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

### **Gas distribution**

Gas distribution is the second activity of the Group in terms of contribution to company revenues.

This activity is carried out as a concession or direct allocation and, as such, is subject to strict regulation by the public authorities, with regards to both management methods and tariffs.

As it is known, Legislative Decree no. 164/00 introduced the compulsory allocation of the gas distribution service through a call for tenders, assuming that a competition mechanism involving the selection of the provider would allow for a limitation of costs for the end customer and an improvement in the quality of the service supplied.

Law Decree 159/2007 (Law 222/2007) has introduced, for the first time, the concept of Minimum Territorial Tender (Atem) for the management of the service, establishing that the tenders shall be invited in minimum territorial areas. The Atem tender was adopted as a basic rule for the sector with Legislative Decree 93/2011, which has forbidden, commencing June 2011, the launch of invitations to tender in the single Municipalities, ratifying the obligation to launch tenders exclusively in minimum territorial areas.

Therefore, as to the distribution activity, the majority of analysts foresee, in the medium term, a strong concentration in the offer, with a reduction in the number of operators and an enlargement of the average size of the companies.

From 2011, with special reference to calls for tenders in territorial areas, the regulatory framework of the industry was In particular:

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

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

The Ascopiave Group favorably welcomed the emerging regulatory framework, believing that it actually creates important opportunities for investments and development to qualified operators of medium size, going in the direction of a positive rationalization of the offer.

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

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

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

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

## **The regulatory framework**

### **National regulations**

The **Annual Market and Competition Act, dated 4<sup>th</sup> August 2017, no. 124** introduced a set of provisions aimed at promoting the development of competition and guaranteeing the protection of consumers, implementing the principles of the European Union regarding the circulation and opening of markets.

The main innovations envisaged by the Act, as far as the energy sector is concerned, are the following:

- complete liberalization of the electricity and gas markets, commencing 1<sup>st</sup> July 2019;
- creation of a public portal for the comparison of the offers existing on the market addressed to households, enterprises connected in low voltage and companies whose annual consumption does not exceed 200,000 Scm;
- the obligation for sellers to send the Regulatory Authority for Energy, Networks and the Environment (ARERA) at least one fixed-price and one variable-price offer for electricity and natural gas addressed to the users mentioned in the previous point;
- obligation for the Authority to define the set of minimum disclosures, at least equal to the essential clauses of the contract, and the requirements that operators must fulfill in order to guarantee the comparison of the offers and their homogeneity;
- the adoption by the Authority of guidelines to promote commercial offers for the benefit of purchasing groups;
- monitoring of energy markets by the Authority and transmission of related reports to the Italian Ministry of Economic Development (MISE);



- adoption by the MISE of measures aimed at guaranteeing the termination of regulated prices and that the end customers enter the market consciously;
- obligation for sellers to provide customers with specific and adequate information in relation to the termination of the price protections schemes;
- simplification of the methods by which the customer can change his/her supplier;
- reform of the bonus for financially struggling families and people suffering from serious health conditions;
- payment in installments of the so-called maxi-bills due to delays or interruptions in invoicing or the prolonged unavailability of real consumption data, in cases where the adjustment is not attributable to the end customer;
- creation of the “List of subjects authorized to sell electricity” compiled at the MISE: being included and remaining in such list are necessary conditions for the sales activity itself;
- mandatory participation of the sellers in the fraud prevention system of the consumer credit sector (so-called Scipafi);
- validity and effectiveness of the “close-out netting” clauses envisaged in wholesale energy products even in the event of filing of a reorganization, economic-financial restructuring or liquidation procedure, of an insolvency or pre-insolvency nature, with or without divestment of the debtor, vis-à-vis one of the parties, with the exception of contracts concluded with end customers, irrespective of their consumption capacity;
- revision of the procedures for issuing energy efficiency certificates.

By **EU Regulation 2016/679**, which will take effect on 25<sup>th</sup> May 2018, the European legislator modified the regulations concerning the protection of natural persons with regard to the processing of their personal data.

By that date, as required by the “2016-2017 European Delegation Law”, the Government shall issue one or more legislative decrees to adapt the national legislation to the new European Regulation on privacy.

National rules shall reflect the following guiding principles and criteria:

- repeal of the provisions of the Privacy Code which are incompatible with those of the European Regulation;
- the Privacy Code shall be amended solely to the extent necessary to implement the provisions of the Regulation which are not directly applicable;
- the provisions in force concerning the protection of personal data shall be coordinated with those of the Regulation;
- introduction of specific implementing and supplementary measures adopted by the Privacy Guarantor in the context of and for the purposes stated in the Regulation;
- introduction of criminal and administrative sanctions which are effective, dissuasive and proportionate to the seriousness of the violation of the provisions of the Regulation.

By **Decree Law no. 50 dated 24<sup>th</sup> April 2017, converted with amendments by Law no. 96 dated 24<sup>th</sup> June 2017**, the scope of the so-called “Split Payment” was extended. This is the mechanism for splitting payments, introduced by the Stability Law for the year 2015 (Law 190/2014) according to which for the sale of goods and the provision of services to some subjects, VAT should be paid directly by the latter to the Treasury.

Starting from the transactions invoiced since 1<sup>st</sup> July 2017, the “Split Payment” applies to the Public Administration, to companies controlled by the State and local entities and those controlled by the latter and to the listed companies included in the FTSE MIB index of the Italian Stock Exchange.

A subsequent **Decree of the Minister of Economy and Finance dated 13<sup>th</sup> July 2017**, which amended the **Decree dated 27<sup>th</sup> June 2017** implementing the legislation on split payment, identified the Public Administrations required to apply the “Split Payment” regulation.

Furthermore, it was established that, commencing 1<sup>st</sup> January 2018, the definitive list of the companies required to comply with the “Split Payment” regulation be published by the Department of Finance by 15<sup>th</sup> November of each year with effects valid for the following year.

Finally, with **Decree Law no. 148 dated 16<sup>th</sup> October 2017, converted with amendments into Law no. 172 dated 4<sup>th</sup> December 2017**, the “Split Payment” regulation was also extended to all the companies controlled by the Public Administration.

Therefore, with effect from 1<sup>st</sup> January 2018, the Group’s Sales Companies, excluding Etra Energia S.r.l., are subject to the “Split Payment” regulation.

## **Reference regulatory framework**

### **Provisions of the Regulatory Authority for Energy, Networks and the Environment (ARERA)**

The main provisions of the Regulatory Authority for Energy, Networks and the Environment in 2017 include:

### **Update of the supply economic conditions**

#### **2<sup>nd</sup> Quarter 2017**

##### **Natural Gas**

By virtue of **Resolution 203/2017/R/gas dated 30<sup>th</sup> March 2017** the Authority updated the economic supply conditions for the consumer protection service for the April - June 2017 quarter.

With **Resolution 200/2017/R/com dated 30<sup>th</sup> March 2017**, the Authority approved the update of the tariff components for the coverage of general charges of the electric sector and additional components.

The Authority calculated that, starting 1<sup>st</sup> April 2017, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic meters of gas) would be 73.23 Euro Cents for cubic meter, including taxes, divided as follows: 33.44 % for natural gas supply and for the activities related to it; 0.78 % for the gradual application of the reform on economic conditions of the customer protection services; 6.90 % for retail sales; 17.10 % for distribution, metering, transportation and distribution services, and quality; 2.95 % for the general system costs, set by law, and taxes for 38.83 %. As calculated by the Authority, commencing 1<sup>st</sup> April 2017, the cost of gas for the average customer has decreased by -2.7%.

##### **Electricity**

With **Resolution 202/2017/R/eel dated 30<sup>th</sup> March 2017**, the Authority approved the update, for the quarter April - June 2017, of the economic conditions for the supply also applicable to the Protected Customers.

With **Resolution 200/2017/R/com dated 30<sup>th</sup> March 2017**, the Authority approved the update of the tariff components for the coverage of general charges of the electric sector and additional components.

The Authority calculated that, starting 1<sup>st</sup> April 2017, the reference price for Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a usage of 3 kW) would be 19.183 Euro Cents for kilowatt/hour,

including taxes, divided as follows: 38.55 % for supply costs, 8.65 % for retail commercialization, 20.61 % for distribution, metering, transportation and distribution services, and quality, 18.89 % for the general system costs and taxes for 13.30 %, including VAT and power taxes. As calculated by the Authority, commencing 1<sup>st</sup> April 2017, the cost of electricity for the average customer has increased by +2.9%.

### 3<sup>rd</sup> Quarter 2017

#### Natural Gas

With **Resolution 492/2017/R/gas dated 28<sup>th</sup> June 2017**, updated the economic supply conditions for the consumer protection service for the July - September 2017 quarter.

With **Resolution 480/2017/R/com dated 28<sup>th</sup> June 2016** the values of the components for the coverage of general costs as well as other components have been updated.

The Authority calculated that, starting 1<sup>st</sup> July 2017, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic meters of gas) would be 71.08 Euro Cents for cubic meter, including taxes, divided as follows: 30.99 % for the natural gas supply and for the activities related to it; 0.80 % for the gradual application of the reform on economic conditions of the customer protection services; 7.11 % for retail sales; 18.52 % for distribution, metering, transportation and distribution services, and quality; 3.04 % for the general system costs; 39.54% for taxes. As calculated by the Authority, commencing 1<sup>st</sup> July 2017, the cost of gas for the average customer has decreased by -2.9%.

#### Electricity

With **Resolution 493/2017/R/eel dated 28<sup>th</sup> June 2016**, the Authority approved the update for the quarter July – September 2016, of the economic conditions for the supply of the Protected Customers.

With **Resolution 480/2017/R/com dated 28<sup>th</sup> June 2016**, the Authority approved the update as of 1<sup>st</sup> July 2017 of the tariff components for the coverage of general charges as well as other components of the gas and electricity sector.

The Authority calculated that, starting 1<sup>st</sup> July 2017, the reference price for Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a usage of 3 kW) would be 19.723 Euro Cents for kilowatt/hour, including taxes, divided as follows: 39.99 % for energy supply costs; 8.41 % for retail sales; 20.05 % for distribution, metering, transportation and distribution services, and quality; 18.37 % for the general system costs; 13.18 % for taxes.

As calculated by the Authority, commencing 1<sup>st</sup> July 2017, the cost of electricity for the average customer has increased by +2.8%.

### 4<sup>th</sup> Quarter 2017

#### Natural Gas

With **Resolution 658/2017/R/gas dated 28<sup>th</sup> September 2017**, the Authority updated the economic supply conditions for the consumer protection service for the October - December 2017 quarter.

With **Resolution 656/2017/R/com dated 28<sup>th</sup> September 2016** the values of the components for the coverage of general costs as well as other components of the gas and electricity sector have been updated.

The Authority calculated that, starting 1<sup>st</sup> October 2017, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic meters of gas) would be 73.05 Euro Cents for

cubic meter, including taxes, divided as follows: 31.65 % for the natural gas supply and for the activities related to it; 0.78 for the gradual application of the reform on economic conditions of the customer protection services; 6.92 % for retail sales; 18.39 % for distribution, metering, transportation and distribution services, and quality; 3.38 % for the general system costs; 38.88 % for taxes.

As calculated by the Authority, commencing 1<sup>st</sup> October 2017, the cost of gas for the average customer has increased by +2.8%.

### **Electricity**

With **Resolution 657/2017/R/eel dated 28<sup>th</sup> September 2017**, the Authority approved the update for the quarter October - December 2017, of the economic conditions for the supply of the Protected Customers.

With **Resolution 656/2017/R/com dated 28<sup>th</sup> September 2017**, the Authority approved the update as of 1<sup>st</sup> October 2017, of the tariff components for the coverage of general charges as well as other components of the gas and electricity sector.

The Authority calculated that, starting 1<sup>st</sup> October 2017, the reference price for Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a usage of 3 kW) would be 19.589 Euro Cents for kilowatt/hour, including taxes, divided as follows: 39.18 % for energy supply costs; 8.47 % for retail sales; 20.18 % for distribution, metering, transportation and distribution services, and quality; 18.96 % for the general system costs; 13.21 % for taxes.

As calculated by the Authority, commencing 1<sup>st</sup> October 2017, the cost of electricity for the average customer has decreased by -0.7%.

## **1<sup>st</sup> Quarter 2018**

### **Natural Gas**

With **Resolution 925/2017/R/gas dated 28<sup>th</sup> December 2016**, the Authority updated the economic supply conditions for the consumer protection service for the January - March 2018 quarter.

With **Resolution 923/2017/R/com dated 28<sup>th</sup> December 2017** the values of the components for the coverage of general costs as well as other components of the gas and electricity sector have been updated.

Additionally, starting from 1<sup>st</sup> January 2018, the updates to the QVD component as envisaged by the **Resolution 916/2017/R/gas dated 28<sup>th</sup> December 2017** have also been applied.

The Authority calculated that, starting 1<sup>st</sup> January 2017, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic meters of gas) would be 76.69 Euro Cents for cubic meter, including taxes, divided as follows: 34.23% for the natural gas supply and for the activities related to it; 6.62 % for retail sales; 18.17 % for distribution, metering, transportation and distribution services, and quality; 3.22 % for the general system costs; 37.76 % for taxes.

As calculated by the Authority, commencing 1<sup>st</sup> January 2018, the cost of gas for the average customer has increased by +5%.

### **Electricity**

With **Resolution 924/2017/R/eel dated 28<sup>th</sup> December 2017**, the Authority approved the update for the quarter January - March 2018 of the economic conditions for the supply of the Protected Customers.

With **Resolution 923/2017/R/com dated 28<sup>th</sup> December 2017** the values of the components for the coverage of general costs as well as other components of the gas and electricity sector have been updated.

With **Resolution 927/2017/R/eel dated 28<sup>th</sup> December 2017** the tariff components for covering the costs incurred by the operators of the protected market and the DISPBT component were updated for 2018.

The Authority calculated that, starting 1<sup>st</sup> January 2018, the reference price for Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a usage of 3 kW) would be 20.626 Euro Cents for kilowatt/hour, including taxes, divided as follows: 40.48 % for energy supply costs; 8.12 % for retail sales; 18.75 % for distribution, metering, transportation and distribution services, and quality; 19.65 % for the general system costs; 13.00% for taxes. As calculated by the Authority, commencing 1<sup>st</sup> January 2018, the cost of electricity for the average customer has increased by +5.3%.

### **Other resolutions concerning Economic conditions**

With **Resolution 108/2017/R/gas dated 3<sup>rd</sup> March 2017** - *“Methods for determining the economic conditions of the natural gas protection service, commencing 1<sup>st</sup> January 2018”* - the economic conditions of the natural gas protection service effective from 1<sup>st</sup> January 2018 were determined, and the criteria already used for the previous thermal years were maintained. In particular, the reference market for the determination of the CMEM component, covering the cost of gas procurement, was identified starting from 1<sup>st</sup> January 2018 and the levels of the CCR component, for the coverage of the costs of activities and their related risks connected to gas procurement methods, were defined.

With **Resolution 126/2017/R/eel dated 9<sup>th</sup> March 2017** - *“Confirmation of the values of the tariff components for the coverage of general charges to non-household users in 2016 and in the first quarter of 2017, subsequent to the conversion into law of Decree Law 244/16”* - the Authority, on the basis of the provisions of Decree-Law 244/16, which amended the effective date of the reform of the general system charges for non-household users, setting it at 1<sup>st</sup> January 2018 instead of 1<sup>st</sup> January 2016, definitively confirmed the rates of the general system charges for the same users already approved in 2016 and starting from 1<sup>st</sup> January 2017.

With **Resolution 227/2017/R/gas dated 6<sup>th</sup> April 2017** - *“Obligations subsequent to the transfer of the storage capacity for the thermal year 2017/2018 - determination of the CCR component and the variable unit consideration CRV<sup>OS</sup>”* - the levels of the CCR component and of the CRV<sup>OS</sup> consideration were defined for the thermal year 2017/2018.

With **Resolution 481/2017/R/eel dated 28<sup>th</sup> June 2017** - *“Tariff structure of general system charges for the electricity sector applicable from 1<sup>st</sup> January 2018. Definition of the groupings of general system charges”* - the tariff structure of the general charges for the electricity sector was defined with effect from 1<sup>st</sup> January 2018.

With **Resolution 656/2017/R/com dated 28<sup>th</sup> September 2017** - *“Update, commencing 1<sup>st</sup> October 2017, of the tariff components for the coverage of the general charges as well as other components of the gas and electricity sector. Update, effective from 1<sup>st</sup> January 2018, of a tariff component stated in RTTG”* - the values of components intended to cover general system charges and additional tariff components were updated with effect from 1<sup>st</sup> October 2017 and the update of the CVFG component was advanced.

With **Resolution 867/2017/R/eel dated 14<sup>th</sup> December 2017** – *“Deferment of the completion of the reform of the tariff components for the coverage of general system charges for electricity household customers, pursuant to the resolution of the Authority 582/2015/R/eel”* - the Authority postponed the implementation of the reform of the tariff components for the coverage of general charges for electricity household customers; the current tariff structures for the components covering general charges and for the DISPBT component, applied to customers in the protected market, shall be maintained until 31<sup>st</sup> December 2018.

With **Resolution 882/2017/R/eel dated 21<sup>st</sup> December 2017** – *“Update, for the year 2018, of the mandatory tariffs for electricity distribution and metering services for non-household customers and of the economic conditions for the provision of the connection service”* - the mandatory tariffs for electricity distribution and metering services were defined for non-household end customers, for the year 2018, and the economic conditions for the service of connection to the electricity grids were updated.

With **Resolution 907/2017/R/eel dated 27<sup>th</sup> December 2017** – *“Update, for the year 2018, of the tariffs for the supply of electricity network services (transmission, distribution and metering) for household customers”* - the tariffs for electricity transmission, distribution and metering services for household customers were updated for the year 2018.

With **Resolution 922/2017/R/eel dated 27<sup>th</sup> December 2017** – *“Completion of the reform of the tariff structure of general system charges for non-household users of the electricity sector and coordination with the new system for awarding subsidies to enterprises with high electricity consumption. Amendments and additions to the TIT, also applicable to household users”* - the Authority completed the reform of the tariff structure of general system charges for non-household customers in the electricity sector, coordinating it with the new mechanism for awarding subsidies to enterprises with high electricity consumption and approved the new unified text of the regulations for the provision of electricity transmission and distribution services (TIT), effective from 1<sup>st</sup> January 2018.

## **Other resolutions**

### **Natural gas and Electricity Sector**

With **Resolution 94/2017/R/com dated 3<sup>rd</sup> March 2017** - *“Amendments and additions to the Unified text of the application methods of the schemes for compensating the expense incurred by disadvantaged household customers for the supply of electricity and natural gas”* - the Authority, implementing the Decree of the Minister of Economic Development dated 29<sup>th</sup> December 2016, modified the text of the TIBEG, with effect from 1<sup>st</sup> June 2017.

Specifically, the condition according to which only the supply active at the residence of the subject entitled to the bonus can be subsidized was removed, it being understood that each family unit can obtain the bonus for one supply only. In addition, the Authority definitively confirmed the provision that allows citizens to apply for the renewal of the bonus by 28<sup>th</sup> February of each year if the current subsidized period expires on 31<sup>st</sup> January or 28<sup>th</sup> February.

With **Resolution 129/2017/R/com dated 9<sup>th</sup> March 2017** - *“Bolletta 2.0: amendments and additions to the resolutions of the Authority 501/2014/R/com and 200/2015/R/com for non-household customers powered by low voltage”* - the

Authority modified the regulations governing Bolletta 2.0. Specifically, the data of the contract power capacity and the maximum power used in the last 12 months and for each month must be made available not only to household customers, but also to non-household customers. In addition, the measure excluded the indication of the available power from the minimum information required by Bolletta 2.0 and updated the Glossary texts in order to take into account the new provisions introduced, starting with the new definition of “Contract power capacity and Maximum level of power used”.

The provisions of Bolletta 2.0 were subsequently complemented by **Resolution 279/2017/R/com dated 18<sup>th</sup> April 2017** – “*Bolletta 2.0: incentive mechanism for increasing the number of electronic bills addressed to the customers served in protection schemes and changes to Bolletta 2.0*” - with which an incentive mechanism was introduced, addressed to the Sellers, aimed at encouraging the activation of bills in electronic format and the reintegration of the difference between the discount applied to customers in the protected market (with electronic bill and direct debit) and the cost saved by the seller for non-issuance of the bill.

Finally, with **Resolution 532/2017/R/com dated 13<sup>th</sup> July 2017** – “*Bolletta 2.0: urgent provisions on the evidence in the bill of the reimbursement of the television license fee for private use and information requirements related to the non-payment of the fee*” - further changes were made to the methods for representing the item for the reimbursement of the television license fee for private use and specific disclosure obligations were introduced in favor of end customers who failed to pay the fee with the electricity bill.

With **Resolution 228/2017/R/com dated 6<sup>th</sup> April 2017** – “*Adoption of the Unified text on the preparatory measures for the confirmation of the contract for the supply of electricity and/or natural gas and voluntary restorative procedure – TIRV*” - the new regulations, effective from 1<sup>st</sup> May 2017, were introduced. They are applicable in cases of contracts concluded remotely and outside the seller’s business premises.

This resolution unified in one single text the provisions stated in the previous resolutions 153/2012/R/com and 266/2014/R/com, introducing a preventive tool which complements the one already guaranteed by the Consumer Code. Furthermore, the voluntary restorative procedure was approved, both for the customer and the seller, which can be activated when the mandatory preventive measures introduced by the TIRV are breached during the confirmation of the contract.

Specifically, the unified text has: distinguished the measures applicable in relation to the type of end customer; identified the requirements and timing for the customer to access the resolution procedure; introduced more stringent information requirements for the sellers; confirmed the automatic application of the restorative measures in favor of non-household customers in case of acceptance of the complaint by the participating sellers; made the implementation of these measures for household customers dependent on an explicit acceptance.

This regulation was subsequently amended with effect from 1<sup>st</sup> September 2017 by **Resolution 543/2017/R/com dated 20<sup>th</sup> July 2017** which established that, in the event that the claim of an end household customer is accepted, the seller is required to inform the customer in advance, in the response to the complaint, also on the measures that the seller intends to adopt in the event that the terms for adopting the restorative procedure expire, if the customer does not adopt the procedure.

As far as non-household customers are concerned, the Resolution established that the confirmation letter can also be sent to the customer’s e-mail address, if the latter has given his/her consent and if the seller indicates in the text of the e-mail the date when it was sent.

With **Resolution 375/2017/R/com dated 25<sup>th</sup> May 2017** – *“Launch of a procedure for the definition of a framework of existing regulatory instruments and for the promotion of new regulatory instruments for the information and awareness of household end customers and small enterprises in the retail markets of electricity and natural gas”* - a process was initiated for the definition of a project aimed at developing information and awareness initiatives for household customers and small enterprises in the retail markets of electricity and natural gas.

With **Resolution 376/2017/R/com dated 25<sup>th</sup> May 2017** – *“Refinements of the regulations governing delinquency in retail electricity markets, in compliance with the judgment of the Regional Administrative Court of Lombardy, Sec. II., 1629/16, as well as additions to the same regulations in the retail markets of electricity and natural gas”* - the regulations governing delinquency in the retail electricity and natural gas markets were amended.

The amendments introduced to TIMOE and TIMG concern in particular the extension of the regulations governing the compensations to be borne by the distribution company and the suspension of the invoicing of the transport service in the presence of non-fulfillments deemed to be more serious, as well as the subsequent invoicing for the period of delay in the execution of the intervention.

Furthermore, the regulations governing the intervention of *“Interruption to the supply of the withdrawal point on supply activation requests”* were also defined, establishing that any activations of a redelivery point owned by the customer for whom an intervention of interruption was performed are subject to the payment of the outstanding costs. Finally, the Resolution revised the method for granting the compensations in case of failure to communicate the results of the closing intervention, with particular reference to the withdrawal points served in the protected market, and introduced new information obligations to be included in the contracts with the end customers.

With **Resolution 495/2017/R/com dated 28<sup>th</sup> June 2017** - *“Simplification of the information obligations of retail monitoring: first interventions”* - the Authority, considering the level of consolidation of the data contained in the Integrated Information System (SII), started the process for updating the retail monitoring system, thus relieving the operators of the annual communication activity aimed at identifying the obliged subjects and the number of electrical switching commencing the second half of 2017.

With **Resolution 504/2017/E/com dated 6<sup>th</sup> July 2017** - *“Launch of a fact-finding investigation on the obligations to disclose the activation and availability of out-of-court dispute resolution procedures for sellers in the electricity and natural gas sectors”* - an investigation was launched on the obligations to disclose the activation and availability of out-of-court dispute resolution procedures for sellers, pursuant to art. 3, paragraph 3.5, and art. 11, paragraph 11.1, letter j) of the Code of Business Conduct, mainly by monitoring the websites of sellers serving more than 50,000 withdrawal points and/or redelivery points.

With **Resolution 555/2017/R/com dated 27<sup>th</sup> July 2017** - *“Free-Price and Equivalent Protection Conditions offers (P.L.A.C.E.T. offers) and minimum contractual conditions for supplies to household end customers and small enterprises in the free markets of electricity and natural gas”* - Confirming the guidelines outlined in the DCO 204/2017, the Authority approved the regulations governing the Free-Price and Equivalent Protection Conditions offers (P.L.A.C.E.T. Offers) and the mandatory contractual conditions applicable in the free market for commercial offers other than PLACETs addressed to the same recipient customers.



The provision introduced the obligation for all the sellers of the Free Market to include in their package the so-called. PLACET offers, of which at least one featuring a fixed price and one featuring a variable price, which will be applied to household and non-household customers connected in low voltage (electricity) and to household and non-household customers with consumption of less than 200,000 Scm/year (gas), excluding Public Administration users.

These offers, in order to guarantee maximum comparability, will be characterized by general supply conditions defined by the Authority with the exception of the economic conditions, whose levels, although in accordance with a predefined fee structure, will be freely defined between the parties.

PLACET Offers cannot include additional services, nor be dual fuel, nor can price discriminations be made at the local level and between customers belonging to the same contractual type.

The provision also states that the SIMILE protection contracts that come to their natural term, in the absence of a different option by the customer, will be renewed for an additional year under the same contractual and economic conditions, without the application of the one-off discount and that, at the end of the second year, in the absence of a different choice of the end customer, a PLACET Offer will be applied according to procedures that will be defined by the Authority.

As regards the definition of the minimum mandatory contractual conditions for all offers on the free market other than the PLACET offers, the provision identified the same scope of application as small-sized customers.

The entry into force of the regulations governing the PLACET Offers, initially scheduled for 1<sup>st</sup> January 2018, was then extended with **Resolution 848/2017/R/com dated 5<sup>th</sup> December 2017** – “*Identification of the instrument for comparing Free-Price and Equivalent Protection Conditions offers (PLACET Offers) and elucidations on Authority Resolution 555/2017/R/com*”.

The effective date was aligned with the date on which the Authority approved the form of the general conditions of supply of the PLACET Offers.

The aforementioned resolution also identified the *Web portal*, set forth in the Annual Competition and Market Act (Law No. 124/2017), as a tool for collecting and publishing the current offers on the retail market and for comparing PLACET offers. Furthermore, the Sellers are required to send Acquirente Unico (AU) the information on the PLACET Offers.

Elucidations have also been provided on how to properly implement certain provisions of Resolution 555/2017/R/com which concern in particular: the scope of application of the regulations; the methods for calculating the supply price in case of renewal; the methods for applying the  $\alpha$  parameter; the methods for applying and the level of the discount in case of electronic bill and direct debit; the elements that must necessarily appear in the commercial name of the PLACET offers, in order to favor their comparability; the prohibition on the introduction of any additional products and/or services in PLACET offer contracts; the obligation of the sellers to send a notification to the customer separately from the bill, within three months of the expiry of the economic conditions.

With **Resolution 610/2017/R/com dated 30<sup>th</sup> August 2017** - “*Start of three proceedings for the implementation of the first interventions required by law dated 4<sup>th</sup> August 2017, no. 124 (Annual Market and Competition Act) concerning the further development of the retail market and the termination of price protection schemes for household customers and small enterprises in the electricity and natural gas sectors*” – the first three procedures were launched for the removal of the price protection schemes in the retail energy markets scheduled for 1<sup>st</sup> July 2019.

These procedures are aimed at the creation and management by Acquirente Unico (AU) of the IT portal for the collection and publication in open-date mode of the offers in force in the retail market that sellers are required to

transmit for publication; the definition of the guidelines for promoting the electricity and gas commercial offers to the purchasing groups; the formulation of the proposal by the Authority to the Minister of Economic Development, concerning the identification of the criteria and methods and technical, financial and honorability requirements for the registration to the List of the subjects authorized to sell electricity to end customers.

**With Resolution 639/2017/E/com dated 21<sup>st</sup> September 2017** - *“Approval of the regulations governing the decision-making procedure for the settlement of disputes between customers or end users and operators or providers in the sectors regulated by the Authority for electricity, gas and the water system”* - the Authority approved the regulation, with effective date as of 1<sup>st</sup> January 2018, for the settlement of disputes between customers or end users and operators or providers, not settled at the mediation stage (so-called Third level of protection) in which the settlement of the dispute takes place with an administrative decision taken by the Authority.

In accordance with this procedure, at least during the first implementation, applications may only be submitted to the Authority in cases where the operator or provider does not participate in the compulsory attempt at mediation, in cases where, for the same facts, the same parties have not applied to the judicial authority, in cases where the dispute does not concern either the issue of debt collection, nor the matter of tax or fiscal profiles. The application must be submitted within thirty days of the date of conclusion of the compulsory attempt at mediation.

Finally, the provision states that the dispute shall be settled by the Authority’s Board, it being understood that the parties may claim greater damage in the courts.

**With Resolution 746/2017/R/com dated 10<sup>th</sup> November 2017** - *“Information requirements, on the part of the sellers, set forth in the 2017 Competition Act in relation to the termination of the price protection schemes in 2019, in the electricity and natural gas sectors. Further initiatives of awareness for the benefit of small end customers”* - the Authority defined the information requirements stated in the Competition Act (Law dated 4<sup>th</sup> August 2017 No. 124) on the part of the sellers vis-à-vis their customers served under the protection schemes.

Specifically, the three texts of the disclosures relating to the termination of the price protection schemes published by the Authority shall be included in the summary bills. The first text must be reported in two invoices issued in the first half of 2018, the second in all of the bills issued in the second half of 2018, the third in all of the invoices sent in the first half of 2019.

Finally, the measure introduced an obligation that requires the Sellers to publish on the homepage of their website the link to the Authority’s web page titled “Evolution of the retail markets” and to direct the customer who contacts the call center for information on the termination of the price protection schemes to the website of the Authority and the call center of Sportello per il consumatore, providing the specific contacts.

**With Resolution 783/2017/R/com dated 24<sup>th</sup> November 2017** - *“Provisions regarding the revision of the implementation procedures related to the regulations governing the withdrawal from contracts for the supply of electricity and gas”* – the Authority approved the provisions aimed at the management of the withdrawal process for changing the supplier through the Integrated Information System (SII) with reference to both the electricity sector and the gas sector.

In order to exercise the withdrawal, the incoming seller shall send the switching request to the Integrated Information System (SII), whereas in the case of withdrawal due to termination of the supply, the withdrawal can be exercised directly by the customer vis-à-vis the outgoing seller.

The resolution states that, in cases where the switching is unsuccessful, the current seller is maintained, unlike the previous regulation which in these cases envisaged the activation of last resort services.

With **Resolution 849/2017/R/com dated 5<sup>th</sup> December 2017** - *“Amendments to Bolletta 2.0 and the Business Code of Conduct, resulting from the new tariff structure for general system charges in the electricity sector, applicable to end customers commencing 1<sup>st</sup> January 2018”* – the Authority introduced changes to Bolletta 2.0 and the related Glossary, as well as to the Business Code of Conduct in order to reflect the reform of the tariff for the coverage of network services and the new tariff structure for general system charges in the electricity sector.

With the same resolution, the informative text set forth in Resolution 256/2016/R/eel, promoted by the Guarantor for the protection of personal data, was updated subsequent to the provision of the Decree of the Ministry of Economic Development dated 13<sup>th</sup> May 2016 (“TV license fee” Decree), regarding the fact that the data collected upon executing the contract are also used for charging the television license fee.

With **Resolution 920/2017/a dated 27<sup>th</sup> December 2017** – *“Name change from “Sportello per il consumatore di energia” to “Sportello per il consumatore Energia e Ambiente”* - the name of the “Sportello per il consumatore energia” (“Office for energy consumers”) was changed, because the definition was not exhaustive as to the matters addressed by the service, considering that the water sector is also involved. The new name of the office is “Sportello per il consumatore Energia e Ambiente” (“Office for Energy consumers and the Environment”).

#### **Natural gas sector**

With **Resolution 434/2017/R/gas dated 15<sup>th</sup> June 2017** – *“Regulations on the management of measurement data in the Integrated Information System with reference to the gas sector”* - the Authority established provisions regarding the start of the probationary period for making available through the SII the measurement data with reference to the gas sector.

With **Resolution 574/2017/R/gas dated 3<sup>rd</sup> August 2017** - *“Start of a procedure for the definition of the standard costs including installation and commissioning costs to be applied to gas metering groups, for the years 2018 and 2019”* - The Authority initiated a procedure for the definition of the standard costs including installation and commissioning costs to be applied to the gas metering groups for the years 2018 and 2019. The provision states that, in the context of this procedure, the sharing percentage of the higher/lower investment costs incurred by the companies can be redefined as compared to the standard cost.

With **Resolution 850/2017/R/gas dated 5<sup>th</sup> December 2017** - *“Provisions regarding the extension and updating of the data contained in the official central register of the Integrated Information System, with reference to the natural gas sector”* - The Authority extended and updated the data contained in the RCU (official central register) of the Integrated Information System (SII) with reference to the gas sector.

The purpose of this provision is to simplify the information required to terminate contracts, to make available the data required to start the supply and to activate the protection and default services managed in the transfer and switching processes within the Integrated Information System (SII).

It is worth mentioning in particular the implementation, with effect from January 2018, of the data related to the distinction between the redelivery points served in the free market and in the protection service, in order to support the obligations pursuant to law 124/17.

### **Electricity Sector**

With **Resolution 01/2017/R/eel dated 12<sup>th</sup> January 2017** - *“Redetermination of the compensation for the costs incurred for the supply of electricity by financially struggling customers, applicable from 1<sup>st</sup> January 2017, implementing the Decree of the Minister of Economic Development dated 29<sup>th</sup> December 2016”* - the Authority, implementing the provisions issued by the decree of the Minister of Economic Development dated 29<sup>th</sup> December 2016, redefined for the year 2017 the amounts of the compensation for the expenses incurred for the electricity supply by economically disadvantaged customers (so-called Electricity social bonus). The value of the discount applied to these customers has increased to such an extent as to allow a 30% reduction in average user spending, before taxes.

The provision also updated the ISEE value, set at Euro 8,107.5, below which families with less than four dependent children are entitled to the bonus, and eliminated the condition according to which the subsidy can only be requested for the supply active at the residence of the subject.

Finally, in implementation of the same decree, the first amendments and additions were made to the text of the TIBEG.

With **Resolution 130/2017/R/eel dated 9<sup>th</sup> March 2017** - *“Provisions for updating the information contained in the Official central register of the Integrated Information System, subsequent to the tariff reform pursuant to the Authority’s Resolution 782/2016/R/eel”* - the Authority defined the provisions regarding the updating of the information contained in the Official central register (RCU) of the Integrated Information System (SII) consequent to the tariff reform pursuant to resolution 782/2016/R/eel dated 22<sup>nd</sup> December 2016 (*Reform of network tariffs and tariff components for the coverage of general system charges for household electricity customers*), and revised the procedures for updating the same data, in order to allow the correct application of the “TD” tariff structure to the withdrawal points.

With **Resolution 229/2017/R/eel dated 6<sup>th</sup> April 2017** - *“Provisions on the first configuration of 2G meters for their commissioning and related information requirements for the benefit of end customers”* - the Authority defined the first configuration of second-generation low-voltage energy meters (2G meters) for their commissioning and introduced the obligation according to which the sellers are required to report in Bolletta 2.0, which illustrates the consumption detected by the 2G meter, a specific communication that will be defined by the Authority.

With **Resolution 248/2017/R/eel dated 13<sup>th</sup> April 2017** - *“2G metering Systems: Amendment to the obligations to detect and make available 2G metering data and provisions for updating data in the official central register of the integrated information system”* - the Authority defined the procedures and deadlines for making available to the Integrated Information System (SII) and to the users of transportation the 2G metering data, as well as the methods for updating the official central register following the installation of a 2G smart metering system.

With **Resolution 291/2017/R/eel dated 28<sup>th</sup> April 2017** - *“Criteria for the distribution of the lump-sum contribution to be paid by Agenzia delle entrate, to cover the costs incurred by electricity sellers for charging the fee upon invoicing,*

for the years 2016 and 2017” - the Authority defined the criteria for the allocation of the lump-sum contribution to cover the charges incurred by the electricity companies for charging the fee upon invoicing for the years 2016 and 2017.

With **Resolution 594/2017/R/eel dated 3<sup>rd</sup> August 2017** - *“Provisions regarding the management of metering data within the Integrated Information System, with reference to the electricity sector”* - the Authority introduced new provisions to implement the process for making available metering data within the Integrated Information System (SII), including those exchanged during transfers and switching.

With **Resolution 762/2017/R/eel dated 16<sup>th</sup> November 2017** - *“Proposal to the Minister of Economic Development regarding the List of subjects authorized to sell electricity to end customers”* - the Authority approved the proposal to the Minister of Economic Development regarding the criteria, requirements and procedures for including the subjects that sell electricity in the List set forth in the Competition Act.

With **Resolution 921/2017/R/eel dated 28<sup>th</sup> December 2017** - *“Implementing provisions for the recognition of subsidies for energy-intensive companies pursuant to the decree of the Minister of Economic Development dated 21<sup>st</sup> December 2017. Update of TISDC and TISSPC in relation to the new regulation of energy-intensive companies”* - the Authority issued the measures needed to implement the new subsidy mechanism for energy-intensive companies, effective as of 1<sup>st</sup> January 2018, in line with the tariff structure of the new groupings of electricity general system charges defined by Resolution 481/2017/R/eel.

## **Other provisions**

With **Resolution 905/2017/R/gas dated 27<sup>th</sup> December 2017**- *“Implementation of the provisions of law 124/2017 (annual market and competition act), on the simplification of the procedure for the evaluation of reimbursement values and calls for tender relating to the assignment of the natural gas distribution service”* – the Authority approved Annex A, provisions of the Authority regarding the determination and verification of the reimbursement value of the distribution networks, and Annex B, containing the provisions of the Authority governing calls for tenders for the natural gas distribution service for the purpose of territorial tenders.

With **Resolution 904/2017/R/gas dated 27<sup>th</sup> December 2017** - *“Provisions on the recognition of costs related to the metering activity on the natural gas distribution networks and on the effective date of the application of investment evaluation criteria on the basis of standard costs”* - the Authority outlined the procedures for recognizing the costs related to the remote metering/remote management systems and the costs of the concentrators, and reviewed the methods for recognizing the costs related to the metrological checks for the tariff years 2018-2019.

With **Resolution 859/2017/R/gas dated 14<sup>th</sup> December 2017**- *“Update of tariffs for gas distribution and metering services, for the year 2018”* - the Authority approved, for the year 2018, obligatory tariffs for the services of distribution, metering and sale of natural gas; the tariff options for gases other than natural gas; and the bimonthly advance equalization amounts relating to the natural gas distribution service.

With **Resolution 670/2017/R/gas dated 5<sup>th</sup> October 2017** – *“Provisions regarding the implementation of the adjustment sessions with reference to the years from 2013 until the entry into force of the new regulations governing gas settlement”* – the Authority approved the 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 effective date of the new regulations.

With **Resolution 625/2017/R/gas dated 13<sup>th</sup> September 2017** – the Authority updated the percentage values required for the definition of the standard withdrawal profiles for the thermal year 2017-2018, pursuant to paragraph 5.3 of the TISG.

With **Resolution 522/2017/R/gas dated 13<sup>th</sup> July 2017** - *“Regulation of the metering performance for the redelivery points connected to the natural gas distribution networks (amendments to resolution 574/2013/R/gas)”* - the Authority updated the regulation on the performance of the metering service for the redelivery points connected to the distribution networks upon the actual collection of measurement data.

With **Resolution 521/2017/E/gas dated 13<sup>th</sup> July 2017** – the Authority communicated the technical checks on gas quality for the period 1<sup>st</sup> October 2017 – 30<sup>th</sup> September 2018.

With **Resolution 389/2017/R/gas dated 1<sup>st</sup> June 2017** – *“Recognition of operating costs for the natural gas metering service, relating to remote reading/remote management systems and concentrators for the years 2011-2013, incurred by natural gas distribution companies that have adopted “buy” solutions”* - the Authority established the recognition of the operating costs related to remote reading/remote management systems and concentrators, incurred in the years 2011-2013 by the distribution companies that have adopted “buy” solutions.

With **Resolution 239/2017/R/gas dated 13<sup>th</sup> April 2017** – the Authority initiated the process for updating the directives for the connection of biomethane facilities to natural gas networks.

With **Resolution 138/2017/E/gas dated 16<sup>th</sup> March 2017** – the Authority approved the program of telephone checks and inspections to be conducted on the gas distribution companies, as concerns emergency services, for the year 2017.

### **Efficiency and energy saving obligations**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

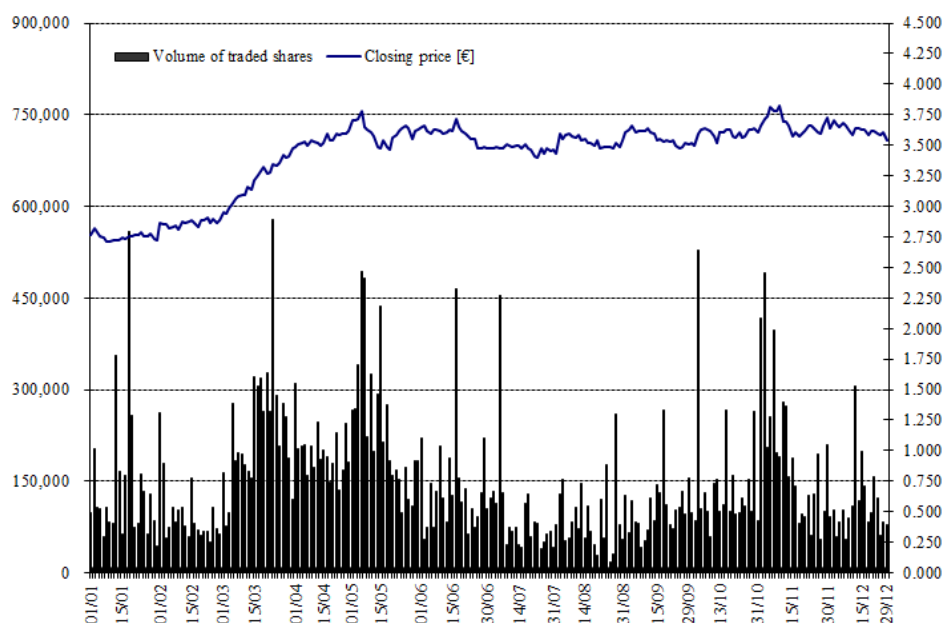
For further information on efficiency and energy saving relating to the companies of the Group, please see paragraph “Efficiency and energy saving”.



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

As of 29<sup>th</sup> December 2017, the Ascopiave share has registered a quotation of Euro 3.546 per share, marking an increase of 28.2 percentage points as compared to the listing at the beginning of 2017 (Euro 2.724 per share, referred to the quotation of 31<sup>st</sup> December 2016).

Capitalization of the Stock Exchange as at 29<sup>th</sup> December 2017 was equal to Euro 840.37 million <sup>3</sup> (Euro 638.10 million as of 31<sup>st</sup> December 2016).



During 2017, the quotation of the shares shows a positive performance (+28.2%), higher than the trend of the main national indexes FTSE Italia Servizi di Pubblica Utilità (+19.9%) and FTSE Italia All Share (+13.6%). However, the index FTSE Italia Star shows a better performance (+32.1%).

In the following table, we report the main shares and stock-exchange data as of 30<sup>th</sup> December 2017:

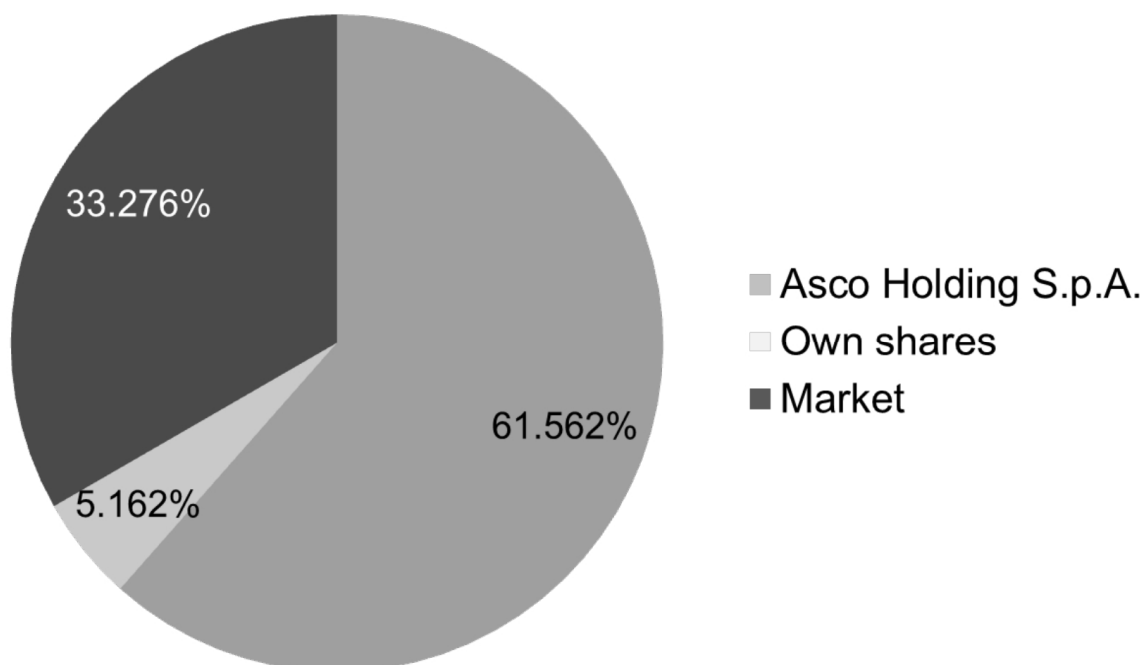
Share and stock-exchange data	29.12.2017	30.12.2016
Earning per share (Euro)	0.22	0.26
Net equity per share (Euro)	1.92	1.89
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.546	2.724
Maximum annual price (Euro)	3.828	2.910
Minimum annual price (Euro)	2.710	2.010
Stock-exchange capitalization (Million of Euro)	840.37	638.10
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

<sup>3</sup> The Stock exchange capitalization of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 29<sup>th</sup> December 2017 equaled Euro 15.6 billion. Official data from Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

### Control of the Company

As of 31<sup>st</sup> December 2017, Asco Holding S.p.A. directly controls 61.562% of the Ascopiave S.p.A. share capital.

The share composition of Ascopiave S.p.A., according to the number of shares held, is as follows:



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

### Corporate Governance and Code of Ethics

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

### Internal audit

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

### Appointed Manager

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

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

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

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

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

The 231 Model and the Code of Ethics can be read in the corporate governance section at [www.gruppoascopiave.it](http://www.gruppoascopiave.it).

### **Transactions with related and affiliated parties**

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

- ✓ Purchase of IT services from 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 favor of ASM Set S.r.l., jointly controlled company;
- ✓ Administrative services for ASM Set S.r.l., jointly controlled company;
- ✓ Purchase of gas from the affiliate company Sinergie Italiane S.r.l., in liquidation;
- ✓ Administrative and staff services from Unigas Distribuzione S.r.l., jointly controlled company;
- ✓ Expense from participation in national tax consolidation with Asco Holding S.p.A.;

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

- ✓ Leasing of owned real properties to the subsidiary ASCO TLC S.p.A.;
- ✓ Leasing of owned real properties to the affiliate Sinergie Italiane S.r.l. in liquidation;
- ✓ Relations of active current accounts correspondence to ASM Set S.r.l. jointly controlled company;
- ✓ Administrative and staff services from Ascopiave S.p.A. to 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 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 adhered to the consolidation of tax relations held by the Parent company Asco Holding S.p.A., highlighted in the current assets and liabilities.

We would like to point out that these relations are characterized by the highest transparency and by market conditions. 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	9,601		3,539	0		0	0	34	0
<b>Total parent company</b>	<b>1</b>	<b>9,601</b>	<b>0</b>	<b>3,539</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>0</b>
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	53	0	76	0	0	585	0	323	81	57
SEVEN CENTER S.R.L. in liquidation	40	0	45	0	1	117	1	0	28	0
<b>Total affiliated companies</b>	<b>94</b>	<b>0</b>	<b>121</b>	<b>0</b>	<b>1</b>	<b>702</b>	<b>1</b>	<b>323</b>	<b>109</b>	<b>57</b>
<i>Subsidiary companies</i>										
SINERGIE ITALIANE S.R.L. in liquidation	44	7,510		0	58,238	53	0	0	61	0
<b>Total subsidiary companies</b>	<b>44</b>	<b>7,510</b>	<b>0</b>	<b>0</b>	<b>58,238</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>61</b>	<b>0</b>
<b>Total</b>	<b>138</b>	<b>17,111</b>	<b>121</b>	<b>3,539</b>	<b>58,239</b>	<b>755</b>	<b>1</b>	<b>323</b>	<b>203</b>	<b>57</b>

### Significant events during FY 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 16<sup>th</sup> January 2017 filed an appeal before the Council of State.

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

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

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

On 3<sup>rd</sup> 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 31<sup>st</sup> 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 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 31<sup>st</sup> December 2015 to the share transfer date. In compliance with the agreements, Pasubio Distribuzione S.r.l. paid the municipalities which sold their stakes a portion of the one-off amount to which they were entitled, equal to € 5.1 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The bid for the tender awarding the natural gas distribution service in the Belluno Territorial Area was submitted on 1<sup>st</sup> September.

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

With deed dated 18<sup>th</sup> January 2016 Ascopiave had filed an appeal before the Council of State, against AEEGSI, for the cancellation of Judgment no. 2221 dated 19<sup>th</sup> October 2015, by which the Regional Administrative Court of Lombardy – Milan had rejected the appeal for the cancellation of Resolution ARG/gas 367/2014. This Resolution envisages different methods for recognizing the value of the V.I.R.-R.A.B. delta for incumbent (no reimbursement) and non-incumbent (full reimbursement).

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

By Judgment no. 4198/2017, published on 5<sup>th</sup> September 2017, the Council of State rejected the appeal, thus confirming the previous Judgment 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), recognized to the winner of the territorial tender, will be equal to:

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

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

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

The two groups recognize the affinity of their guiding principles, as well as the similarities in terms of history, business model and market approach, characterized, 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.



## **Other important events**

### **Sale of natural gas and electricity**

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

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

#### The Gas and Electricity market

In 2017, gas consumption in Italy reached around 75 billion Scm (+4.3 billion Scm as compared to 2016) supported by the demand of power plants, which have to make up for the low hydroelectric production and the reduction in imports, by consumption in the industrial sector, and by the increase in consumption in the civil sector, which benefited from average winter temperatures that were lower than in the previous year.

With a view to the termination of the Greater Protection scheme pursuant to the Competition Act, the Regulatory Authority for Energy, Networks and the Environment (ARERA) is proceeding with the fulfillment of the regulatory provisions in order to facilitate and prepare the transition commencing 1<sup>st</sup> July 2019. The Retail Monitoring report of the Authority for Energy shows that a still significant proportion of consumers (about 68% of household consumers), both in the gas and electricity sectors, still have supplies at protected prices, although it is possible now to choose between different purchase proposals (since 2003 for the gas market and since 2007 for electricity).

In the market of gas and electricity sales, today there is a wide range of offers on the free market, evaluated and appreciated by non-household customers, and still overlooked by household customers. In this regard, we must understand to what extent this factor depends on a certain “laziness” that prevents the customers from exploring these new proposals, often because they are not used to comparing different offers and evaluating their cost-effectiveness, or rather if the end customers have not achieved an adequate level of understanding of the market.

The measure adopted by the Authority for Energy (Resolution 555/2017/R/com, and subsequent 848/2017/R/com) aims to address this issue. In order to enhance the decision-making abilities of small consumers, the Authority has introduced free-price offers and minimum contractual conditions for both the electricity and the natural gas markets (Placet offers). These proposals, characterized by general supply conditions set by the Authority for Energy with the exception of the economic conditions, shall be offered by each operator to its end customers as early as the first months of 2018, and they will supposedly incentivize the exit of consumers from the protected market, allow companies to acquire significant portions of the market by adopting aggressive pricing policies, and at the same time favor the entry of new players on the market.

We can therefore assume that, in an increasingly competitive market, where the company’s size is more and more important in order to improve the company’s “cost to serve” and characterized by a contraction in company margins, it will be necessary to implement sales policies linked to the territory, able to offer customers new products and services, such as post-meter services which, with the advent of the new 2G meters for the electric sector and smart meters for the gas sector, are expected to expand and grow more and more. Customers will supposedly play an active role towards the company, and no longer just passive, providing information on their energy needs and much more. Utility companies will have to adapt quickly to a new energy system that is progressing ever faster and that will lead to a progressive proliferation of electric vehicles, energy exchanges between end customers, new systems for managing household consumption and an increasingly massive use and management of renewable sources.

In 2017, as compared to 2016, there was an increase in natural gas prices in the main European hubs. Spot prices at the Title Transfer Facility (TTF) grew by around 24% compared to the previous period, while spot prices at the Italian Virtual Trading Point (PSV) grew by 25% on average. The value of the DA MID Heren TTF also increased from 17.63 €/MWh in December 2016 to 20.75 €/MWh in December 2017, the highest figure since July 2015.

As regards the DA MID Heren VTP, the increase was even more significant, from 19.54 €/MWh in December 2016 to 25.81 €/MWh in December 2017, even if the latter value takes into account the critical issues following the accident in Baumgarten in December. Subsequent to the explosion in Baumgarten, the Trans-Austria pipeline (TAG) which connects to the SnamReteGas transport facility at the Tarvisio national entry point and which covers approximately 30% of the Italian daily consumption requirement in winter, interrupted the gas flows to Italy and the Ministry of Economic Development announced the “State of Emergency”.

The Ascotrade Group company, dealing with the import at the Tarvisio entry point, was directly affected by the accident. Subsequent to this exceptional event, the prices of the Italian market, fearing that this issue could persist over time, reached approximately 80 €/MWh. Fortunately, given the rapid resumption of regular operations, prices decreased to pre-accident levels as early as the day after the event.

Electricity prices in 2017 showed an increase of about 27% compared to the trend of the Single National Electricity Price (PUN) of 2016. This increase is mainly due to an appreciation of the price of natural gas at the PSV (which exceeded once again 20 €/MWh), to the difficulties of the French nuclear sector that affected the market until February 2017 (month in which all the plants were restarted) and finally the crisis of the Italian hydroelectric sector because less water is available.

The wholesale electricity market also began to grow again in 2017 (PUN at 54 €/MWh), re-aligning with the values of the two-year period 2014-2015.

Finally, we point out that the Authority, in compliance with the decision of the Council of State 4825/2016 that annuls Resolution ARG/GAS 89/10, issued Resolution 737/2017/R/gas in order to determine *nunc pro tunc* the value of the raw material gas for the period October 2010 - September 2012.

With Resolution ARG/GAS 89/10 the Authority redefined the value of the raw material component by introducing the reduction coefficient K which decreased the procurement costs recognized in the tariff. With the latter Resolution the Authority updated the value of the coefficient K bringing it to a value equal to 0.952, (higher than the values previously defined), and this will therefore result in an increase in the raw material component recognized in the tariff. The methods for allocating the amounts relating to the economic differences deriving from the application of the Resolution mentioned above will be defined by another measure within the end of July.

### **Ascopiave Group: performance of volumes of natural gas and electricity sold**

The volumes of gas sold to the end market in 2016 by 100% consolidated companies are equal to 803.8 million cubic meters, marking an increase of 0.4% as compared to 2016 (800.3 million cubic meters as of 31<sup>st</sup> December 2016). To these volumes, we must sum the volumes sold by the proportionally consolidated companies (Estenergy S.p.A. and ASM Set S.r.l.), which in 2017 in total sold 275.2 million cubic meters of gas, marking a 0.4% increase compared to the previous year (274.1 million cubic meters as of 31<sup>st</sup> December 2016).

Regarding the electricity sale activity, in 2017 the amount of electricity sold by the 100% consolidated companies was equal to 383.4 GWh, marking an increase of 12.8% as compared to 2016 (339.9 GWh as of 31<sup>st</sup> December 2016). To these volumes, we must sum the volumes sold by the proportionally consolidated companies (Estenergy S.p.A. and

ASM Set S.r.l.), which in 2017 in total sold 116.6 GWh, marking an increase of 7.7% as compared to 2016 (108.2 GWh as of 31<sup>st</sup> December 2016).

### **Ascopiave Group: performance of the gas and electricity customer portfolio**

As of 31<sup>st</sup> December, the gas customer portfolio of the companies consolidated on a line-by-line basis consisted of 546.6 thousand customers and recorded a decrease of 5.8 thousand units compared to the previous year (552.4 thousand as of 31<sup>st</sup> December 2016). The companies consolidated using the equity method (Estenergy S.p.A. and ASM Set S.r.l.) at the end of the year, and proportionate to the Group's stake in the companies, had a portfolio of 114.3 thousand customers, registering a decrease of 1.2% compared to the previous year (115.6 million units as of 31<sup>st</sup> December 2016).

The decrease in the gas portfolio was more than offset by the increase in electricity customers which, at the end of the year, for the companies consolidated on a line-by-line basis, recording 68.3 thousand customers, showed an increase of 10.9 thousand units. The companies consolidated using the equity method, at the end of the period considered, had an electric customer portfolio of 12.2 thousand units, proportionate to the Group's stake in the companies, recording an increase of 2.4 thousand units.

### **Distribution of natural gas**

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

### **Activity of distribution of natural gas**

#### AP Reti Gas S.p.A.

The development of technological innovation projects as well as the effective and flexible organization of resources and processes, has allowed AP Reti Gas to evolve towards objectives of efficiency and operating savings while reducing operating costs and confirming, at the same time, an excellent quality of the service offered, whose levels are higher than the standards set by the regulator.

In support of this efficiency process, a review of the organizational structure was started with the introduction of new resources, aimed at simplifying the operational processes and implementing a new model of territorial management with the aim of optimizing the use of resources and synergistic actions with the other distribution companies of the Group.

The company continues enjoying the benefits resulting from the use of the Work Force Management system, for the execution of on-site activities, which has contributed to a significant improvement in the quality standards of the service. The improvement of efficiency has entailed a reduction in average execution times compared to the minimum levels set by the regulator.

In 2017, AP Reti Gas continued investing in the extension and modernization of the distribution network, installing approximately 33 km of new network. The company performed extraordinary maintenance interventions, which had been planned to overcome the gradual obsolescence of the plants and improve the transmission capacity of the networks with the replacement of 62 reduction groups and 4 km of out-of-date network, which has been completely depreciated.

All the design and project management activities for the construction of networks and facilities were performed with internal resources.

The emergency service carried out over 4,300 interventions with times of arrival largely lower than the 60 minutes envisaged by the regulator. During the year, the company inspected 74% of the distribution network with a leak detection device in order to detect uncontrolled gas leaks due to deterioration or damage to the facilities. The activity was performed with internal resources, exceeding the minimum standards required.

Confirming the particular attention paid to the issue of service safety, the correct odorization of the gas was continuously monitored. The checks on the odorization level in 2017 amounted to thrice as many as those provided for by the Authority. All first stage gas pressure reduction stations use remotely-controlled injection systems that allow direct and accurate dosage of the odorization contents.

The schedule of operation and maintenance activities was respected, and performed almost exclusively by internal staff, only minimally using third-party companies.

In 2017, the process for replacing the meters continued with the achievement of all the main objectives set by the regulation in force; in particular as concerns mass market meters, over 33% of smart meters were commissioned.

Finally, during the course of 2017, the company continued working to meet the requests of the municipalities for the provision of the plants' condition assessment and for the determination of the residual industrial values (VIR) and reimbursement values. All requests received were processed within the deadlines set by the regulations in force.

#### AP Reti Gas Rovigo S.r.l.

AP Reti Gas Rovigo S.r.l. manages the gas distribution network in the municipality of Rovigo thanks to the use of management tools and procedure made available by the Parent Company and the other companies of the Group, first of all AP Reti Gas S.p.A.. Important synergies are implemented in all administrative and technical activities, as well as in those regarding process control and HR management.

In 2017, the investments for the maintenance of distribution network were significant: many segments of obsolete city network were replaced and many outdated or deteriorated connections were rebuilt. Major investments were made to move the redelivery points outside the buildings or in locations accessible to public places.

The activity of maintenance of the distribution network and of the plants in order to maintain proper levels of safety, quality and continuity in the service, is partly performed through the intervention of internal personnel and partly using other companies.

The indicators of safety (time of arrival at the place of call for the emergency service, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, with respect of the obligation of service prefixed by the AEEGSI.

In 2017, the corporate emergency department performed about 450 interventions; the arrival time was largely lower than the 60 minutes envisaged by the regulator. During the year, 100% of the distribution network was inspected with the aim of identifying uncontrolled leaks of gas due to deterioration or damage to the systems.

Confirming the particular attention paid to the issue of service safety, the correct odorization of the gas was continuously monitored. The checks on odorization in 2017 amounted to thrice as many as those provided for by the Authority. All first stage gas pressure reduction stations use automatic injection systems that allow timely dosage of the odorization contents.

The schedule of operation and maintenance activities was respected, and performed almost exclusively by internal staff, only minimally using third-party companies.

In 2017, the process for replacing the meters continued with the achievement of all the main objectives set by the regulation in force with the introduction of smart meters communicating in radio frequency in order to reduce operating costs resulting from a lower expected consumption of batteries.

#### Edigas Esercizio Distribuzione Gas S.p.A.

Edigas Esercizio Distribuzione Gas S.p.A. manages the gas distribution activity in 27 municipalities in Lombardy, Piedmont and Liguria, thanks to the use of management tools and procedure made available by the Parent Company and the other companies of the Group, first of all AP Reti Gas S.p.A.. Important synergies are implemented in all administrative and technical activities, as well as in those regarding process control and HR management.

The company carries out the activity of maintenance of the distribution network and of the plants in order to maintain proper levels of safety, quality and continuity in the service, partly through the intervention of internal personnel and partly using other companies.

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

In 2017, the company's emergency service carried out about 400 interventions and the arrival time was on average largely less than the 60 minutes envisaged by the regulator. During the year, 100% of the distribution network was inspected with the aim of identifying uncontrolled leaks of gas due to deterioration or damage to the systems.

Confirming the particular attention paid to the issue of service safety, the correct odorization of the gas was continuously monitored. The checks on odorization in 2017 amounted to thrice as many as those provided for by the Authority.

The schedule of operation and maintenance activities was respected, and performed almost exclusively by internal staff, only minimally using third-party companies.

In 2017, the process for replacing the meters continued with the achievement of all the main objectives set by the regulation in force with the introduction of smart meters also for the mass market.

#### Unigas Distribuzione S.r.l.

In 2017, the investments for the extension, upgrade and maintenance of distribution network have been significant. They involved 6.4 km, of distribution network, enhancing, renewals and new extensions.

Unigas Distribuzione S.r.l. performs maintenance activities on the distribution systems in order to maintain adequate safety levels, ensure quality and continuity of service, in part through the work of internal personnel, and in part using third-party services. On the first stage decompression systems (so-called Re.Mi.), on final reduction (GRF) and on reduction and measurement stations (GRM), preventive and corrective maintenance required under the regulations in force are performed for the most part by internal staff. With the aim of controlling the correct operation of plants and of reducing the probability of damage or malfunction, ordinary maintenance is carried out through operations of Programmed Preventive Maintenance (MPP), i.e. partial or total disassembly of the apparatus, cleaning, control of the component parts and replacement of the parts subjected to wear and tear and of Functional Verification.

The indicators of safety (time of arrival at the place of call for the emergency service, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, in full compliance with the obligation of service set by the AEEGSI. In 2017, the company's emergency intervention service, active 365 days a year, 24/7 can be contacted by means of the dedicated free-phone

number throughout the territory managed, performed 933 interventions, and the arrival time was on average largely less than the 60 minutes envisaged by the Authority. In total the calls received by the call center were 2,955 (a decrease of 10% compared to the previous year) of which 1,019 calls were handled and 1,936 did not concern reasons attributable to emergency intervention.

Over the course of 2017, inspection of approximately 50% of the distribution network was carried out, with the aim of reducing risks coming from the uncontrolled loss of gas due to deterioration or damage to the systems. The inspection program carried out exceeds the minimum standards required by the AEEG for distribution systems, and demonstrates the attention paid by Unigas to the safety of its services.

In particular, 124 Km of medium-pressure distribution network and 462 Km of low-pressure distribution network were inspected, and 40 leakages were removed on the networks.

Proper odorization of the gas is monitored in two sessions, one in summer and one in winter, via a third party that carried out approximately 234 chromatographic analyses (the effective measure of odorization); all measurements suited the current technical regulations.

The activities carried out on the counting meters, supplied exclusively by the accredited trading companies, are subject to the specific standards identified in the Service Charter and are the following: new activations, transfers, cancellations, reactivations. The services supplied in 2017 are in line with those supplied in the previous years. The services were carried out pursuant to the standards identified in the corporate Service Charter.

During the year, the adjustment of the G10 caliber meters continued pursuant to 631/13 Resolution, by installing equipment and systems with remote reading and dedicated, battery powered modems.

As of 31<sup>st</sup> December 2017, 93% of installed meters were adequate. In the last months of 2016, G4 caliber meters have also been installed (5,300 units); as for G6 meters, 400 units were installed. Overall, about 6,200 electronic meters with class up to G6 are installed to date, a result that significantly approaches the minimum target of 10,500 meters to be installed by 31<sup>st</sup> December 2018.

#### AP Reti Gas Vicenza S.p.A.

AP Reti Gas Vicenza S.p.A. manages the natural gas distribution network which belonged to the Pasubio group, acquired by Ascopiave in the first months of 2017. The new management started identifying the possible synergies in all the activities, be they administrative or technical or relating to process control or management of human resources. The systems and procedures used by the other companies of the group were also applied to AP Reti gas Vicenza. Particular attention was paid to staff training and the upgrade of vehicles and equipment in order to guarantee the same quality and safety standards already met in the other companies of the Ascopiave group.

#### **Ascopiave Group: performance of the volumes of natural gas distributed and network extension**

In 2017, the volumes of natural gas distributed through the networks managed by the Group were 1,020.4 million cubic meters (801.7 million cubic meters in 2016, +18.1%), of which 105.0 million cubic meters pertaining to the extension of the scope of consolidation to the company Ap Reti Gas Vicenza S.p.A. and 73.5 million cubic meters relating to Unigas Distribuzione S.r.l.. The gas volumes of the latter are proportional to the share interest of the company of which the Group owns a share equal to: 48.86%.

The distribution network in 2017 has an extension of 9,780 km (over 8,380 km in 2016), of which 1,370 km pertaining to the extension of the scope of consolidation to the company Ap Reti Gas Vicenza S.p.A..

### **Ascopiave Group: number of redelivery points managed**

As of 31<sup>st</sup> December, the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 489.2 thousand and records an increase of 90.8 thousand units compared to the previous year (398.5 thousand as of 31<sup>st</sup> December 2016). The increase is mainly explained by the extension of the scope of consolidation which led to an increase in the number of redelivery points managed of 88.5 thousand units. The number of redelivery points managed by the companies consolidated using the equity method (Unigas Distribuzione S.r.l.), proportionate to the Group's stake in the company, at the end of 2017 were 46.2 thousand (46.2 at the end of 2016).

### **Co-generation**

In 2017, the co-generation activity of the Ascopiave Group S.p.A. was carried out by the Research and Development Department of the Ascopiave Group on behalf of Veritas Energia S.p.A.

As far as the activity of heat generation plants in co-generation is concerned, in 2017 four plants were managed:

- The plant "Le Cime a Mirano (VE)": its remote heating network was extended to connect a new condominium consisting of 51 apartments thanks to which the saturation level of connected household customers increased from 93% to 120%. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients and in summer to supply the absorber to produce cooling for air conditioning of connected users;
- The plant "Bella Mirano a Mirano (VE)": the saturation level of household customers is unchanged (115%). The saturation above 100% is since, in addition to the original project, in 2014 two new condos were connected to the remote heating network, which did not belong to the initial project, but connected subsequent to a contribution, which fully covers the costs, paid by the builders of the two new condominiums. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients;
- The saturation for the connected household clients of the plant "Cà Tron a Dolo (VE)" increased from 33% to 35%. It is however specified that as of today only 50% of the new urban area envisaged in the agreement has been built. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients;
- The plant "Ponte Tresa a Ponte Tresa (VA)" did not register significant variations in saturation for the connected household clients. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients. This facility will be managed until October 2018, when the current agreement for the management of the plant will expire.

As far as the activities on thermal plants are concerned, in 2017 the Group managed six plants.

### **Energetic efficiency and saving**

The Group's distribution companies, which are fully consolidated and required to achieve the energy saving objectives, received a notification from the GSE informing them of the quantity envisaged by the objective. The number of energy efficiency certificates (TEE) to be delivered by 31<sup>st</sup> May 2016 for the 2015 target amounted to 98,487 white certificates (of which 14,430 pertaining to Ap Reti Gas Vicenza S.p.A.).

This obligation was achieved to the extent of 75%. In May 2017, 19% of the 2015 objective was canceled and approximately 73% of the 2016 target was delivered, for a total amount of 120,551 energy efficiency certificates. The targets set for 2017 amount to 85,274 white certificates.

At the end of November 2017, within the limits established by law, the Group delivered a portion of the certificates of the 2017 objective (about 34%) and almost completed the outstanding 2016 target (89%).

As far as Unigas Distribuzione S.r.l. is concerned, the goal for 2015 was quantified by the GSE in 19,116 TEE, handed in 61% by 31<sup>st</sup> May 2016. In 2016, the company has a 22,737 TEE obligation. This requirement was fulfilled by delivering just over 60% of the obligation in May 2017; at the end of November 2017 the Company delivered, within the limits established by law, a portion of the certificates of the 2015-2016-2017 target consisting of 15,535 certificates. The 2017 target comprises 15,334 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 have replaced each other over the past years and in particular the legislation which provided for the selection of the operator of the distribution service through the so-called “territorial calls for tenders” tool, have led to, among other things, the need to determine the Residual Industrial Value (RIV) of the plants owned by the Operators.

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

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

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

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

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

Legislative Decree no. 164/2000 as well, until the recent amendment introduced in the first place with Law Decree 145/2013, and then Law 9/2015, merely referred to Royal Decree 2578/1925 which, however, ratified the method of the industrial estimate without setting precise assessment parameters.

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

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

It is evident that, as deeds of assignment, a real regulation concerning the purchase and/or the termination of the



management was not and could not be envisaged.

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

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

The expert has written a report on the “*Fundamental criteria to calculate the RIV of the natural gas distribution plants located in the Municipalities currently serviced by Ascopiave S.p.A.*” which was approved on 2<sup>nd</sup> Dec. 2011 by Ascopiave’s Board of Directors and then by all 92 Local Bodies by City Council Resolution.

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

To date, following the outcome of the technical cross-examination, 86 Municipalities (unchanged since 31 December 2015) have approved the residual value.

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

In particular:

- Euro 3,869 thousand in 2010;
- Euro 4,993 thousand in 2011;
- Euro 5,253 thousand in 2012;
- Euro 5,585 thousand in 2013;
- Euro 5,268 thousand in 2014;
- Euro 5,258 thousand in 2015.
- Euro 5,079 thousand in 2016;
- Euro 5,190 thousand in 2017;

were paid for a total amount of Euro 40,495 thousand.

During 2015, Ascopiave S.p.A. made available to the Municipalities belonging to the Minimum Territorial Areas of Treviso 2 - Nord and Venezia 2 – Entroterra and Veneto Orientale (69 municipalities out of 92), an update of the valuations of the plants as of 31<sup>st</sup> December 2014. Subsequently, in the two-year period 2016-2017, the municipalities belonging to the Treviso 2 - Nord area and some municipalities belonging to the Treviso 1 - Sud area were provided with an update as of 31<sup>st</sup> 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 ARERA 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 31<sup>st</sup> December 2017, the following are pending:

#### MUNICIPALITY OF COSTABISSARA:

An arbitration is pending before the Court of Appeal of Venice filed by Costabissara. The Municipality, by a deed notified on 12<sup>th</sup> December 2015, appealed the Award dated 25-26 May 2015. At the hearing held on 19<sup>th</sup> May 2016, the Court scheduled the pre-trial hearing for 7<sup>th</sup> 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 31<sup>st</sup> December 2017, the following are pending:

#### MUNICIPALITY OF CREAZZO:

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

The Company would prefer to reach a negotiation agreement.

Regarding this, on 1<sup>st</sup> 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 installments 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 20<sup>th</sup> April 2017, following the filing of the Statements of Defense and their counter-argument, the last oral hearing was held.

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

By final award dated 18<sup>th</sup> 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.

The term for appealing against the Award is still pending.

## ADMINISTRATIVE LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 31<sup>st</sup> December 2017, the following are pending:

### GUIDELINES – MINISTERIAL DECREE 22<sup>nd</sup> 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 Judgment 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.

As concerns the appeal filed by Ascopiave, the merit hearing is scheduled for 20<sup>th</sup> September 2018.

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.

In this regard, please note that, compared to a similar appeal filed by other distribution companies, the Council of State decided to refer the matter (of the legitimacy of the primary regulations) to the examination of the European Court of Justice, thereby agreeing on the fact that such matter is not irrelevant/ungrounded.

### ARERA RESOLUTIONS ARG/GAS 310/2014 and ARG/GAS 414/2014

An appeal to the Regional Administrative Court of Lombardy – Milan against the ARERA, 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.

Resolutions 310 and 414 were repealed by Resolution 905/2017 which, however, essentially reiterated the same regulation. The legal/procedural assessments are underway for appealing against this last Measure (with “additional grounds”).

### CONTESTATION OF PASUBIO GROUP S.P.A. CONTRACT DOCUMENTS:

2i Rete Gas S.p.A. filed an appeal before the Regional Administrative Court of Veneto against the Town of Schio and Ascopiave S.p.A. (notified on 10<sup>th</sup> October 2016), demanding annulation, subject to protective orders, of the temporary award of the tender to Ascopiave S.p.A., or the call for tenders and all subsequent acts, requesting that the tender be awarded to the appellant or, subordinately, be republished.

The Administrative Court of Veneto (hearing dated 9<sup>th</sup> 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 2<sup>nd</sup> 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 3<sup>rd</sup> 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 31<sup>st</sup> December 2017, the following are pending:

##### ASCOPIAVE – UNIT B:

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

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

All the Parties regularly appeared before the Court.

The Court, by Order dated 22<sup>nd</sup> December 2014, decided the complete renewal of the expert witness board, appointing an assessor. The appointment was confirmed in the hearing held on 13<sup>th</sup> March 2015. Ascopiave S.p.A. 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 29<sup>th</sup> March 2016 an attempt was made to reach settlement in court, during which the company requested, in addition to the amount determined by the Court-appointed Expert witness, the reimbursement of the costs incurred due to the litigation. The attempt failed basically because an agreement was not reached regarding the subdivision of the amount between the debtors.

On 10<sup>th</sup> June 2016, the Judge, deciding on the issue, scheduled the pre-trial hearing for 26<sup>th</sup> 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.

The term for appealing is still pending.

##### ASCOPIAVE – SIDERA/FAJ COMPONENTS:

A civil lawsuit (possession action) before the Court of Treviso (RG 7655/2015), filed by Ascopiave S.p.A. against two abutting companies, subsequent to the construction, by the latter, 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 formalized yet due to the absence of an adequate insurance guarantee in favor of Ascopiave S.p.A..

The experts' activities ended on 11<sup>th</sup> July 2016.

The Court-appointed Expert Witness filed his report on 31<sup>st</sup> March 2017. The report was analyzed during the hearing held on 17<sup>th</sup> October 2016.

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

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

On 23<sup>rd</sup> 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 authorization, 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.

In December 2017, the disputed artifact was removed. Therefore, the lawsuit will be abandoned for the cessation of the matter of dispute.

#### FORCED ENTRY – DEFAULT SERVICE

Pursuant to the regulation obligation (specifically about Art. 40.2 letter A of the Integrated Text for the Sale of Gas), the company may, pursuant to Art. 700 of the Civil Procedural Code, obtain forced entry to private property in order to disconnect utilities (when the meter is located in a private property) of Default Service clients that are in default.

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

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

The procedure also envisages to close any controversy via ordinary methods, collection of information, gathering of previous date and/or efforts to contact the involved final customers, notification of delays, past due notifications and, if all of the above prove unsuccessful, the opening of a judicial procedure, normally as an urgent appeal pursuant to Art. 700 of the Civil Procedural Code.

For this purpose, Ascopiave S.p.A. has granted Attorney Sernaglia a power of attorney (limited to urgent appeals and their execution), formalized on 12<sup>th</sup> January 2015 and renewed by AP Reti Gas S.p.A. on 27<sup>th</sup> July 2016 and expired on 31<sup>st</sup> December 2017.

The selection procedure for the renewal of the appointment until 31<sup>st</sup> December 2020 has started.

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.).

Currently:

- 0 procedures are in progress (they have been sent to the Legal Office and are awaiting filing);
- 1 procedure has been filed (hearings already scheduled/under scrutiny);
- 2 procedures are in execution of judgment;
- 27 procedures are being initiated (their appeals are being drafted and sent to the Legal Office);
- 4 procedures have been suspended (for various reasons);
- 148 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 preliminary phase have resulted in a significant reduction in legal actions, compared to the extent originally envisaged. As of 31<sup>st</sup> December 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 163 thousand. For the other companies of the Group these costs amount approximately to Euro 93 thousand (including Unigas Distribuzione S.r.l.costs).

#### ARERA RESOLUTIONS 670/2017/R/GAS and 782/2017/R/GAS

Ascotrade S.p.A. filed an appeal before the Regional Administrative Court of Lombardy (with deed dated 4<sup>th</sup> December 2017) against ARERA for the annulment of Resolution 670/2017/R/GAS dated 5<sup>th</sup> October 2017, and 782/2017/R/GAS dated 23<sup>rd</sup> November 2017, which governs the execution of the adjustment sessions for the years from 2013 until the entry into force of the new regulation on gas settlement, and the completion of the regulatory framework governing the execution of the adjustment sessions.

#### **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 5<sup>th</sup> 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 Judgment is pending.

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

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

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

On 26<sup>th</sup> June 2013, the company Ascopiave S.p.A. was notified about the appeal in Cassazione (Court of Cassation) by the Inland Revenue Agency and joined proceedings because of the result of previous judgments. The directors, encouraged by the opinion of the professionals consulted, are confident about a positive result of the litigation; 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 4<sup>th</sup> 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 6<sup>th</sup> 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 19<sup>th</sup> January 2011 issued by the Ministry for economic Development in agreement with the Ministry for the Relationship with Regions and Territorial Cohesion, the territorial areas for issuing calls for tenders to entrust the gas distribution service were identified; with subsequent Decree dated 18<sup>th</sup> December 2011, the municipalities belonging to each territorial area were also identified (the so-called Territorial Areas Decree);
- 2) the Decree issued by the Ministry for Economic Development and the Ministry of Employment and Social Policies on 21<sup>st</sup> April 2011 contained provisions ruling the social effects connected to the assignment of the new gas distribution concessions, thus implementing paragraph 6 of art. 28 of Legislative Decree no. 164 issued on 23<sup>rd</sup> May 2000 (the so-called Workforce Protection Decree);
- 3) with Decree no. 226 issued by the Ministry for Economic Development on 12<sup>th</sup> 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, rationalizing 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 21<sup>st</sup> June 2013, no. 69, converted, with amendments, by Law dated 9<sup>th</sup> 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 21<sup>st</sup> June 2013, no. 69, converted, with amendments, by Law dated 9<sup>th</sup> August 2013, no. 98, are extended by four months and that the deadlines illustrated in Attachment 1 to the regulations of the Minister for Economic Development Decree dated 12<sup>th</sup> 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 6<sup>th</sup> June 2014 the Decree of the Minister of Economic Development dated 22<sup>nd</sup> 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 12<sup>th</sup> February 2012 (date of entry into force of Ministerial Decree 226/2011) are believed to be ineffective.

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

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

Lastly, by Resolution 310/2014/R/gas - “Provisions for determining the reimbursement value of natural gas distribution networks”, published on 27<sup>th</sup> June 2014, the Authority for Electricity, Gas and Water approved provisions for determining the reimbursement value of the gas distribution networks, implementing the provisions of Article 1,



paragraph 16 of Law Decree dated 23<sup>rd</sup> December 2013, no. 145, converted with amendments by Law dated 21<sup>st</sup> February 2014, no. 9.

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

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

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

However, these postponements do not apply to those areas which, although they belong to the first six groups, are affected by earthquakes, because over 15% of the redelivery points are in the municipalities affected by the earthquakes of 20<sup>th</sup> and 29<sup>th</sup> May 2012, in compliance with the annex to the Decree of the Minister of economy and finance dated 1<sup>st</sup> June 2012.

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

On 14<sup>th</sup> July 2015, the Decree of the Minister of Economic Development and the Minister of Regional Affairs and Autonomies no. 106 dated 20<sup>th</sup> May 2015 was published in the Official Gazette, amending the decree dated 12<sup>th</sup> 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 standardization of the tender process envisaged by the law is encountering serious difficulties, to the extent that the procedures may freeze due to a major litigation.

The Law dated 4<sup>th</sup> August 2017 no. 124 (Annual Market and Competition Act) introduced some legislative innovations concerning the natural gas distribution sector.

Specifically, article 1, paragraph 93, amends the provisions of article 15, paragraph 5, of legislative decree 164/00, exempting local authorities from the obligation to send detailed assessments to the Authority if all the following conditions are met jointly:

- the local tender authority can also certify through a suitable third party that the reimbursement value has been determined by applying the provisions contained in the Guidelines dated 7<sup>th</sup> April 2014;
- the aggregated territorial VIR-RAB gap does not exceed 8%;
- the VIR-RAB gap of the individual Municipality does not exceed 20 percent.

Article 1, paragraph 93 states that, if the value of the net fixed assets is not in line with the sector averages according to the definitions of the Authority, the value of the net fixed assets relevant to the calculation of the gap is determined by applying the parametric valuation criteria defined by the Authority (see article 23, paragraph 1, RTDG).

Finally, article 1, paragraph 94, states that the Authority, with its own resolutions, shall define simplified procedures for the evaluation of the invitations to tender, applicable in cases where such invitations have been compiled in compliance with the standard invitation to tender, the standard book of conditions and the standard service contract, specifying that in any case, the tender documentation cannot deviate from the maximum scores envisaged for the tender criteria and sub-criteria by articles 13, 14 and 15 of the aforementioned decree 226/11, except within the limits set by the same articles with regard to some sub-criteria.

The Authority has implemented the provisions of Law no. 124/2017 with Resolution 905/2017/R/gas dated 27<sup>th</sup> December 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. In September 2017 the Group company AP Reti Gas S.p.A. participated in the tender, submitting its bid.

## **Distribution of dividends**

On 28<sup>th</sup> April 2017, the Shareholders' Meeting approved the yearly statement and decided the distribution of dividends for an amount equal to Euro 0.18 per share with dividend date on 8<sup>th</sup> May 2017, record date on 9<sup>th</sup> May 2017 and payment on 10<sup>th</sup> May 2017.

## Own shares

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

## Outlook for the Year

As far as the gas distribution activities are concerned, in 2018 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 has expired. If the tender authorities issue calls for tenders in 2018, 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 2018.

Thus, the activity perimeter of the Group will likely not change compared to today, if we exclude the combination of Pasubio Group S.p.A. (which changed its name to AP Reti Gas Vicenza S.p.A. on 28<sup>th</sup> April 2017) and the possibility of winning the tender for the assignment of the natural gas distribution service in the Minimum Territorial Area of Belluno, provided that the winner is selected by the end of 2018.

As regards the economic results, the tariff adjustment for the year 2018 is completely defined and should ensure revenues substantially in line with those of 2017.

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; therefore, the positive margin achieved in 2017 (Euro 3.6 million) may not be repeated in 2018.

As far as gas sale is concerned, assuming normal weather conditions, trade margins are expected to decrease compared to 2017, due to the competitive pressure in the retail market and the tariff measures issued by ARERA (change in the gradualness component).

As regards electricity sales, the fiscal year 2018 could confirm 2017 results.

However, these results could be influenced, in addition to the possible tariff provisions by the ARERA – 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 2018 could differ compared to those announced depending on various factors amongst which: the evolution of supply and demand and gas and electricity prices, the actual operational performance, the general macroeconomic conditions, the impact of regulations in the energy and environmental fields, success in the development and application of new technologies, the changes in stakeholder expectations and other changes in business conditions.

## **Goals and policies of the group and risk description**

### **Credit and liquidity risk**

The main financial instruments in use by our Group are represented by liquidity, bank debt and other forms of financing. It is maintained that the Group is not exposed to credit risks greater than the product sector average, considering the numerous customers and the low physical risk in the service of gas and electricity delivery. To keep residual credit risks under control, there is in any case a bad debt provision equal to approximately 6.8% (10.7% as of 31<sup>st</sup> December 2016) of the total gross credit of third parties. Significant commercial operations take place in Italy.

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

The main payment obligations opened as of 31<sup>st</sup> December 2017 are associated with contracts for natural gas supply.

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

As of 31<sup>st</sup> December 2017, with the acquisition of the companies of the Pasubio Group, the Ascopiave Group holds a portfolio of 230 (208 as of 31<sup>st</sup> December 2016) natural gas distribution concessions located throughout the country. In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19<sup>th</sup> January 2011 and 18<sup>th</sup> 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 12<sup>th</sup> 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 21<sup>st</sup> June 2013, no. 69, converted, with amendments, by Law dated 9<sup>th</sup> 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 12<sup>th</sup> 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, recognized to the outgoing operator in the first territorial concession, taking into account the depreciations and divestments recognized for tariff purposes in the concession period; b) the residual value of the new investments made in the concession period and existing at the end of the period, assessed based on the re-valued historical cost method for the period in which the investments are recognized in the final balance, as provided in Article 56 of the Tariff Regulation of Gas Distribution and Measurement Services, and as the average between the net value determined based on the re-valued historical cost method and the net value determined based on standard cost assessment methods, pursuant to paragraph 3.1 of Resolution 573/2013/R/GAS, for the next period.

#### **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 that, given their constant change, do not make it possible to suitably cover the interest rate risk.

Furthermore, the Group manages medium-long term financings at variable and fixed rates with primary bank institutions, with an outstanding debt as of 31<sup>st</sup> December 2017 of Euro 64,541 thousand and due dates between 1<sup>st</sup> December 2018 and 2<sup>nd</sup> August 2029.

Medium- and long-term loans at variable rates envisage repayment between 2018 and 2026, with a residual balance as of 31<sup>st</sup> December 2017 amounting to Euro 34.541 thousand (2016: Euro 43,828 thousand).

Medium- and long-term loans at variable rates mainly consist of the loan granted in August 2013 by the European Investment Bank with an outstanding debt of Euro 31,000 thousand as of 31<sup>st</sup> December 2017, and the loan granted in 2011 by Unicredit S.p.A., with an outstanding debt of Euro 2,857 thousand at the reporting date, subject to a securitization operation by the lender.

The loan taken out with BNL in August 2017, a 12-year loan with an outstanding debt as of 31<sup>st</sup> December 2017 of Euro 30,000 thousand, is not exposed to the interest rate risk, as it envisages the application of a fixed rate.

All loans are subjected to covenants that have been respected.

Please refer to Paragraph no. 17 “Medium and Long Term Loans” for additional details.

### ***Sensitivity analysis of the interest rate risk***

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

	January	February	March	April	May	June	July	August	September	October	November	December	
Net Financial Position 2017	(98,975)	(71,302)	(55,735)	(15,272)	(67,980)	(67,109)	(88,802)	(102,369)	(90,315)	(96,403)	(126,302)	(119,867)	
Positive average rate	0.01%	0.01%	0.01%	0.01%	0.02%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%
Negative average rate	0.32%	0.31%	0.29%	0.29%	0.28%	0.27%	0.27%	0.62%	0.62%	0.69%	0.67%	0.59%	
Positive average rate increased of 200 basis point	2.01%	2.01%	2.01%	2.01%	2.02%	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%	2.00%	
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%	2.69%	2.67%	2.59%	
Positive average rate decreased of 50 basis point	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Negative average rate decreased of 50 basis point	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.12%	0.12%	0.19%	0.17%	0.09%	
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)	(96,567)	(126,510)	(120,071)	
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)	(96,362)	(126,250)	(119,816)	Total
Effect to income before taxes with increase of 200 basis point	(168)	(113)	(95)	(25)	(115)	(110)	(151)	(174)	(148)	(164)	(208)	(204)	(1,675)
Effect to income before taxes with decrease of 50 basis point	42	28	24	6	29	28	38	43	37	41	52	51	419

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 1,675 thousand (2016: Euro 1,532 thousand) or positive for Euro 419 thousand (2016: Euro 383 thousand).

### **Risk of prices of raw materials**

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

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

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

### **Evolution of the adjustment sessions of natural gas allocations**

On 3<sup>rd</sup> August 2017, the Authority presented, with DCO 590/2017, the final guidelines on possible amendments and additions to the regulations in force governing Settlement, aimed at simplifying the doctrine and overcoming some of the issues emerged.

By resolution 670/2017/R/GAS dated 5<sup>th</sup> October 2017, the Authority for Electricity, Gas and Water approved the 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.

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 meters of raw material subject to economic adjustment between the Settlement Entity (Shipper) and the Settlement Manager (Snam Rete Gas).

The adjustment session for 2013-2016 is scheduled for June 2018.

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.

Due to the regulatory developments in settlement matters introduced in late-2017, the Group deemed it necessary to safeguard its interests by not accepting the retroactive effect of the future allocations of quantities of gas involving greater or lower purchase costs by filing an appeal before the Regional Administrative Court of Lombardy as better described in the paragraph “Litigations” of this financial report.

At the reporting date, the Group could be exposed to the negative or positive economic effects deriving from the modification of the allocated volumes as well as the volumetric differentials which naturally occur in the various points of the network in which natural gas is measured. Since the parameters needed to calculate the possible equalization are not available to the sales companies and because the appeal elements are deemed to be grounded with respect to the regulatory contents, the directors cannot estimate the future results of the recalculation of the volumes of natural gas consumed in the years from 2013 to 2016.

### Human resources

As of 31<sup>st</sup> December 2017, the Group had a workforce of 671 employees<sup>4</sup>, divided in the various companies as follows:

<b>Companies consolidated with full consolidation method</b>	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>Var.</b>
Ascopiave S.p.A.	91	92	(1)
AP Reti Gas S.p.A.	166	170	(4)
Ascotrade S.p.A.	87	83	4
AP Reti Gas Rovigo S.r.l.	18	18	0
Edigas Esercizio Distribuzione Gas S.p.A.	27	26	1
Pasubio Servizi S.r.l.	15	17	(2)
Etra Energia S.r.l.	6	6	0
Veritas Energia S.p.A.	44	40	4
Blue Meta S.p.A.	25	22	3
AP Reti Gas Vicenza S.p.A.	47	0	47
Amgas Blu S.r.l.	8	8	0
<b>Total companies consolidated with full consolidation method</b>	<b>534</b>	<b>482</b>	<b>52</b>

<b>Companies consolidated with net equity consolidation method</b>	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>Var.</b>
Estenergy S.p.A.	81	81	0
ASM Set S.r.l.	11	10	1
Unigas Distribuzione S.r.l.	45	45	0
<b>Total companies consolidated with net equity consolidation method</b>	<b>137</b>	<b>136</b>	<b>1</b>

<b>Ascopiave Group</b>	<b>671</b>	<b>618</b>	<b>53</b>
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Compared to 31<sup>st</sup> December 2016, the workforce of the Ascopiave Group grew by 53 units, of which +47 units due to the extension of the scope of consolidation (AP Reti Gas Vicenza and Pasubio Rete Gas) and +6 units for the change in the workforce against the previous scope of consolidation.

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

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

<b>Companies consolidated with full consolidation method</b>	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>Var.</b>
Executives	17	17	0
Office workers	393	362	31
Manual workers	124	103	21
<b>Companies consolidated with full consolidation method</b>	<b>534</b>	<b>482</b>	<b>52</b>

<b>Companies consolidated with net equity consolidation method</b>	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>Var.</b>
Executives	3	3	0
Office workers	116	115	1
Manual workers	18	18	0
<b>Companies consolidated with net equity consolidation method</b>	<b>137</b>	<b>136</b>	<b>1</b>

<b>Ascopiave Group</b>	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>Var.</b>
Executives	20	20	0
Office workers	509	477	32
Manual workers	142	121	21
<b>Ascopiave Group</b>	<b>671</b>	<b>618</b>	<b>53</b>

## Research and Development

### IT systems

In 2017, the Information Systems were significantly involved in the integration of the company AP Reti Gas Vicenza S.p.A into the application model of Ascopiave Group's gas distribution companies. The project, whose main stage was completed in September 2017, required several activities, pertaining to the changes to the system infrastructures, the creation of new installations and applications, data migration and verification, tests and launch of applications. Particular attention was paid to the definition of a module for handling the import of management data that can possibly be re-used in the future.

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

Additionally, during the year activities to allow communication with the Integrated Information System (SII) have continued, including the creation of a Communication Door pursuant to the specifications of Acquirente Unico, as well as the changes required to meet regulatory updates, internal process improvement needs and the communication standards defined by AEEGSI.

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

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



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

The development of CRM features continued, in particular those dedicated to the management of offers for the mass market and business customers, to the integration with the Loyalty program management system and the new reporting procedure for call center activities. The Group implemented a project for upgrading the business offer simulation tool which is integrated with the sales force automation system.

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

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

In 2017, the platform built to receive invoices with xml syntax from suppliers (already used for Public Administration e-invoicing) was enhanced, thus automating invoice entry into the accounting system.

A plan to upgrade the security of the Group's IT systems was completed. In particular, anti-virus and anti-malware systems were enhanced by introducing sandboxes and preventive analysis of executable code entering the network. The project also envisaged the introduction of a virtual patching system to prevent the malicious use of known vulnerabilities in systems where it is not possible to immediately apply all security updates for application issues. This project was followed by the activities of Vulnerability Assessment on some application areas and infrastructures in order to evaluate their security level and the effectiveness of the measures introduced.

Again with regard to infrastructure activities, the project for upgrading and updating the Microsoft platforms continued; the activity relating to the e-mail management platform was particularly challenging.

## **Additional information**

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

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

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

For further information pertaining remuneration members of administration and auditing bodies, general directors and executives with strategic responsibilities and their share participation please refer to the Remuneration Report drafted pursuant to Art. 123 – third paragraph of the Legislative Decree 58/1998 (Unified Finance Law), approved by the Board of Directors on 16<sup>th</sup> March 2015.

The aggregated remuneration to Managers, Statutory Auditors of the Group in 2017 amounts to Euro 471 thousand for Directors, Euro 98 thousand for Statutory Auditors and Euro 1,234 thousand for Top Managers, totaling Euro 1,803 thousand compared to Euro 1,628 thousand in the previous year. This variation is mainly attributed to the *management by objective plan*.

It is noted that no advance payments or payables have been issued to Directors or Statutory Auditors and no letters of credit in their favor have been granted.

### Security of personal data

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

### Declaration pursuant to Legislative Decree no. 196 dated 30<sup>th</sup> June 2003

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

### Sustainability

The Ascopiave Group's sustainable business model is illustrated in the Consolidated Non-financial Disclosure pursuant to articles 3 and 4 of Legislative Decree no. 254 of 2016, contained in the 2017 Financial Report.

### List of Company Headquarters

#### Owned offices

Entity	Intended use	District	Municipality	Street
AP RETI GAS VICENZA S.P.A.	Building hosting company offices and warehouse	Vicenza	Schio	Via Cementi, 37
ASCOPIAVE S.P.A.	Building leased to Ascotrade S.p.A.	Piacenza	Castel San Giovanni	Via Borgonovo, 44/A
ASCOPIAVE S.P.A.	Building hosting warehouse and workshop	Piacenza	Castel San Giovanni	Via Borgonovo, 44/A
ASCOPIAVE S.P.A.	Building hosting warehouse and gas cabin	Pordenone	Cordovado	Via Teglio
ASCOPIAVE S.P.A.	Building hosting company offices and representation	Milano	Milano	Via Turati, 6
ASCOPIAVE S.P.A.	Building leased to Sinergie Italiane S.r.l. in liquidation hosting offices	Milano	Milano	Via Turati, 6
ASCOPIAVE S.P.A.	Building hosting company offices	Treviso	Pieve di Soligo	Via Verizzo, 1030
ASCOPIAVE S.P.A.	Building hosting warehouse and workshop	Treviso	Pieve di Soligo	Via Verizzo, 1030
ASCOPIAVE S.P.A.	Building hosting company cars	Treviso	Pieve di Soligo	Via Verizzo, 1030
ASCOPIAVE S.P.A.	Building leased to Ascotrade S.p.A.	Treviso	Pieve di Soligo	Via Verizzo, 1030
ASCOPIAVE S.P.A.	Building leased to Asco TLC S.p.A.	Treviso	San Vendemiano	Via Friuli
ASCOPIAVE S.P.A.	Building hosting warehouse and workshop	Vicenza	Sandriago	Viale Galileo Galilei, 25-27
ASCOPIAVE S.P.A.	Building leased to Ascotrade S.p.A.	Vicenza	Sandriago	Viale Galileo Galilei, 25-27
ASCOPIAVE S.P.A.	Building leased to Ascotrade S.p.A.	Treviso	Treviso	Piazza delle Istituzioni, 34/A
ASCOPIAVE S.P.A.	Building hosting warehouse	Treviso	Treviso	Piazza delle Istituzioni, 34/A
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.P.A.	Building hosting warehouse	Biella	Salussola	Via Stazione, 38

**Rented offices**

Entity	Intended use	Municipality
ASM SET S.R.L.	ASM SET S.R.L. Front office of Adria Via Arzeron, 22	Adria
ASM SET S.R.L.	ASM SET S.R.L. Front office of Castelnuovo Bariano Via Argine Po, 4939	Castelnuovo Bariano
ASM SET S.R.L.	ASM SET S.R.L. Front office of Lendinara Via G.Garibaldi, 8	Lendinara
ASM SET S.R.L.	ASM SET S.R.L. Front office of Rovigo Via Dante Alighieri, 4	Rovigo
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Agordo Via IV Novembre, 2	Agordo
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Belluno Via Tiziano Vecellio, 27/29	Belluno
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Feltre Via C. Rizarda, 21	Feltre
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Montebelluna Via Schiavonesca Priula, 86	Montebelluna
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Pieve di Cadore Via degli Alpini, 28	Pieve di Cadore
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Trebaseleghe Piazza P. di Piemonte	Trebaseleghe
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Vittorio Veneto Viale Vittorio Emanuele II	Vittorio Veneto
BLUE META S.P.A.	BLUE META S.P.A. Front office of Albino Piazza Libertà, 1	Albino
BLUE META S.P.A.	BLUE META S.P.A. Front office of Alzano Lombardo Via Mazzini, 69	Alzano Lombardo
BLUE META S.P.A.	BLUE META S.P.A. Front office of Caravaggio Piazza Garibaldi, 9	Caravaggio
BLUE META S.P.A.	BLUE META S.P.A. Front office of Clusone Largo Locatelli, 5	Clusone
BLUE META S.P.A.	BLUE META S.P.A. Front office of Leffe Via Papa Giovanni XXIII, 8	Leffe
BLUE META S.P.A.	BLUE META S.P.A. Front office of Nembro Via Roma, 13	Nembro
BLUE META S.P.A.	BLUE META S.P.A. Front office of Sabbioneta, Piazza Ducale, 2	Sabbioneta
BLUE META S.P.A.	BLUE META S.P.A. Front office of Salussola Via Stazione, 38	Salussola
BLUE META S.P.A.	BLUE META S.P.A. Front office of Sotto il Monte Via Giudici Falcone Borsellino	Sotto il Monte
BLUE META S.P.A.	BLUE META S.P.A. Front office of Spirano Largo Europa	Spirano
BLUE META S.P.A.	BLUE META S.P.A. Front office of Treviglio Via dei Mille, 4	Treviglio
BLUE META S.P.A.	BLUE META S.P.A. Front office of Valbrembo Via Roma, 65	Valbrembo
PASUBIO SERVIZI S.R.L.	PASUBIO SERVIZI S.R.L. Front office of Malo c/o city Hall Via San Bernardino, 19	Malo

Entity	Intended use	Municipality
PASUBIO SERVIZI S.R.L.	PASUBIO SERVIZI S.R.L. Front office of Montecchio Maggiore Via Ceccato, 88	Montecchio Maggiore
PASUBIO SERVIZI S.R.L.	PASUBIO SERVIZI S.R.L. Front office of Thiene Via San Giovanni Bosco, 77/B	Thiene
PASUBIO SERVIZI S.R.L.	PASUBIO SERVIZI S.R.L. Front office of Valdagno Zona Ind.le di Piana, 2/B	Valdagno
VERITAS ENERGIA S.P.A.	VERITAS ENERGIA S.P.A. Front office of Cavallino-Treporti Via Fausta, 71/A	Cavallino-Treporti
VERITAS ENERGIA S.P.A.	VERITAS ENERGIA S.P.A. Front office of Chioggia Viale P.E. Venturini, 111	Chioggia
VERITAS ENERGIA S.P.A.	VERITAS ENERGIA S.P.A. Front office of Dolo Via Carducci, 5	Dolo
VERITAS ENERGIA S.P.A.	VERITAS ENERGIA S.P.A. Front office of Mogliano Veneto Via Pia, 1	Mogliano Veneto
VERITAS ENERGIA S.P.A.	VERITAS ENERGIA S.P.A. Operational headquarters of San Donà di Piave Via N.Sauro, 21	San Donà di Piave
VERITAS ENERGIA S.P.A.	VERITAS ENERGIA S.P.A. Front office of Mestre Via Dante, 5	Venezia-Mestre
VERITAS ENERGIA S.P.A.	VERITAS ENERGIA S.P.A. Front office of Venezia Santa Croce, 489	Venezia-Mestre
AMGAS BLU S.R.L.	AMGAS BLU S.R.L. Operational headquarters of Foggia Viale Manfredi	Foggia
AP RETI GAS S.P.A.	AP RETI GAS S.P.A. Operational headquarters of Castelfranco V.to Via della Cooperazione, 8	Castelfranco Veneto
AP RETI GAS S.P.A.	AP RETI GAS S.P.A. Operational headquarters of Marchirolo Via Cavalier Busetti, 7H	Marchirolo
AP RETI GAS S.P.A.	AP RETI GAS S.P.A. Operational headquarters of Portogruaro Via Giotto	Portogruaro
AP RETI GAS ROVIGO S.R.L.	AP RETI GAS ROVIGO S.R.L. Operational headquarters of Rovigo Viale della Tecnica, 7	Rovigo
ASM SET S.R.L.	ASM SET S.R.L. Front office of Occhiobello Via Roma Secondo Tronco, 20/22	Occhiobello
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Camposampiero Piazza Castello n.37	Camposampiero
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Casteggio Via Anselmi, 33	Casteggio
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Castel San Giovanni Corso Matteotti, 67	Castel San Giovanni
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Covered parking of Castelfranco V.to Piazza Serenissima, 80	Castelfranco Veneto
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Castelfranco V.to Piazza Serenissima, 34	Castelfranco Veneto
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Conegliano V.to Via S. Giuseppe, 38/A	Conegliano Veneto
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Lavena Ponte Tresa Via Valle n.3	Lavena Ponte Tresa
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Lentate sul Seveso Via Padova,35	Lentate sul Seveso
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Oderzo Via C.Battisti, 7/A- 7/C - Sub 42, 43	Oderzo
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Pordenone Viale Michelangelo Grigoletti, 2	Pordenone
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Porto Viro Piazza della Repubblica,14	Porto Viro
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Portogruaro Viale Trieste, 31	Portogruaro
ASCOTRADE S.P.A.	ASCOTRADE S.P.A. Front office of Vicenza Corso SS. Felice e Fortunato, 203	Vicenza
BLUE META S.P.A.	BLUE META S.P.A. Operational headquarters of Bergamo Via Galimberti, 6	Bergamo
BLUE META S.P.A.	BLUE META S.P.A. Front office of Santhià Corso Santo Ignazio, 25/A	Santhià
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.P.A.	Front office of Albenga Via Papa Giovanni XXIII, 160	Albenga
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.P.A.	EDIGAS DG S.P.A. Operational headquarters of Albenga Via Papa Giovanni XXIII, 166	Albenga
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.P.A.	EDIGAS DG S.P.A. Operational headquarters of Albenga hamlet Campochiesa Reg. Ciappe	Albenga
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.P.A.	EDIGAS DG S.P.A. Operational headquarters of Marcaria Viale Mons. Benedini	Marcaria
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.P.A.	EDIGAS DG S.P.A. Operational headquarters of Salussola via Stazione, 38	Salussola
PASUBIO SERVIZI S.R.L.	PASUBIO SERVIZI S.R.L. Front office of S. Pietro in Gù Via Cavour,1	San Pietro in Gù
VERITAS ENERGIA S.P.A.	VERITAS ENERGIA S.P.A. Front office of Mirano Via Macello, 6	Mirano
VERITAS ENERGIA S.P.A.	VERITAS ENERGIA S.P.A. Operational headquarters of Mestre Via Cappuccina, 36/38/40	Venezia-Mestre

*Performance Indicators*

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

- **Gross operative spread (Ebitda):** defined by the Group as the result of amortizations, credit depreciation, financial managing and taxes;
- **Operating result:** this indicator is accounted for by the accounting principles we refer to, and it is defined as operative spread (Ebit) minus the balance of costs and non-recurrent revenues. This last item includes extraordinary incomes and losses, appreciations and capital losses for alienation of assets, insurance reimbursements, taxes and others positive and negative components with less relevance.
- **Revenues from the tariff on the activity of gas distribution:** defined by the Group as the amount of revenue realized by the distribution companies of the Group for the implementation of tariffs for distribution and measurement of natural gas to their end customers, net of amounts equalization managed by 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 (realized by the Group's sale companies to end customers or final market within the business of trading and selling as a wholesaler) and the sum of the following costs: the cost of transmission service (gross of amounts subject to elimination and distribution tariffs applied by the distribution companies) and the purchase cost of gas sold;
- **First margin on electric power sale:** the Group defines it as the amount obtained from the difference between the proceeds of sale of electricity and the sum of the following costs: cost of transport services, dispatching and balancing cost and purchase of electricity sold.

## Comments on the economic-financial results of the year 2017

### General operational performance and indicators

<b>NATURAL GAS DISTRIBUTION</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>Var.</b>	<b>Var. %</b>
<b>Companies consolidated with full consolidation method</b>				
Number of concessions	198	176	22	12.5%
Length of distribution network (km)	9,240	7,843	1,397	17.8%
Number of PDR	489,217	398,452	90,765	22.8%
Volumes of gas distributed (cm/mln)	946.9	801.7	145	18.1%
<b>Companies consolidated with net equity consolidation method</b>				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,105	1,103	2	0.2%
Number of PDR	94,640	94,532	108	0.1%
Volumes of gas distributed (cm/mln)	150.5	146.7	3.8	2.6%
<b>Ascopiave Group*</b>				
Number of concessions	214	192	22	11.5%
Length of distribution network (km)	9,780	8,382	1,398	16.7%
Number of PDR	535,458	444,640	90,818	20.4%
Volumes of gas distributed (cm/mln)	1,020.4	873.4	147.0	16.8%

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

<b>NATURAL GAS SALES TO FINAL MARKET</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>Var.</b>	<b>Var. %</b>
<b>Totally consolidated companies</b>				
Number of customers	546,608	552,435	(5,827)	(1.1)%
Volumes of gas sold (cm/mln)	803.8	800.3	3.5	0.4%
<b>Proportionally consolidated companies</b>				
Number of customers	233,227	235,991	(2,764)	(1.2)%
Volumes of gas sold (cm/mln)	275.2	274.1	1.2	0.4%
<b>Ascopiave Group*</b>				
Number of customers	660,887	668,069	(7,181)	(1.1)%
Volumes of gas sold (cm/mln)	938.7	934.6	4.1	0.4%

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

<b>SALE OF ELECTRIC POWER TO FINAL MARKET</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>Var.</b>	<b>Var. %</b>
<b>Totally consolidated companies</b>				
Number of POD	68,259	57,327	10,932	19.1%
Volumes of electric power sold (GWh)	383.4	339.9	43.5	12.8%
<b>Proportionally consolidated companies</b>				
Number of POD	24,880	20,093	4,787	23.8%
Volumes of electric power sold (GWh)	116.6	108.2	8.4	7.7%
<b>Ascopiave Group*</b>				
Number of POD	80,450	67,172	13,278	19.8%
Volumes of electric power sold (GWh)	440.5	393.0	47.6	12.1%

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

<b>NATURAL GAS SALE - WHOLESALING AND TRADING</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>Var.</b>	<b>Var. %</b>
Volumes of gas sold (cm/mln)	19.9	0.0	19.9	n.a.

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 2017 the volumes distributed through the networks managed by the fully consolidated companies of the Group totaled 946.9 million cubic meters (of which 105.0 million cubic meters pertaining to the extension of the scope of consolidation to Ap Reti Gas Vicenza S.p.A.), marking an increase of 18.1% compared to the previous year.

The company Unigas Distribuzione S.r.l., consolidated through the equity method, distributed 150.5 million cubic meters, marking an increase of 2.6% as compared to 2016.

In 2017, the volume of gas sold by the 100% consolidated companies amounted to 803.8 million cubic meters, marking an increase of 0.4% compared to the previous year. In 2017, the companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 275.2 million cubic meters of gas (-0.4% compared to the previous year).

In 2017, the volume of electricity sold by the fully consolidated companies is equal to 383.4 GWh, marking an increase of 12.8% compared to the previous year. In financial year 2017, the companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 116.6 GWh of electrical energy (+7.7% compared to the previous year).

## General operational performance - The Group's economic results

(Thousands of Euro)	Financial year 2017	% of revenues	Financial year 2016	% of revenues
Revenues	532,792	100.0%	497,689	100.0%
Total operating costs	448,382	84.2%	402,434	80.9%
<b>Gross operative margin</b>	<b>84,409</b>	<b>15.8%</b>	<b>95,255</b>	<b>19.1%</b>
Amortization and depreciation	22,585	4.2%	20,227	4.1%
Provision for risks on credits	1,885	0.4%	2,891	0.6%
<b>Operating result</b>	<b>59,939</b>	<b>11.3%</b>	<b>72,137</b>	<b>14.5%</b>
Financial income	287	0.1%	247	0.0%
Financial charges	755	0.1%	791	0.2%
Evaluation of subsidiary companies with the net equity method	7,398	1.4%	7,750	1.6%
<b>Earnings before tax</b>	<b>66,869</b>	<b>12.6%</b>	<b>79,343</b>	<b>15.9%</b>
Taxes for the period	17,617	3.3%	22,401	4.5%
<b>Net result for the period</b>	<b>49,252</b>	<b>9.2%</b>	<b>56,942</b>	<b>11.4%</b>
Group's Net Result	47,135	8.8%	53,635	10.8%
Third parties Net Result	2,117	0.4%	3,307	0.7%

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

In fiscal year 2017, the Group incomes amounted to Euro 532,792 thousand, marking an increase of 7.1% compared to the previous year. The following table reports the details of income.

(Thousands of Euro)	Financial year 2017	Values of newly acquired companies	Net values of newly acquired companies	Financial year 2017
Revenues from gas transportation	34,084	8,675	25,409	25,409
Revenues from gas sale	382,951		382,951	382,951
Revenues from electricity sale	56,840		56,840	56,840
Revenues from connections	200	29	171	171
Revenues from heat supply	42		42	42
Revenues from distribution services	6,949	765	6,184	6,184
Revenues from services supplied to Group companies	3,663	9	3,654	3,654
Revenues from ARERA contributions	39,496	4,219	35,277	35,277
Revenues for forward sales of raw materials	1,941		1,941	1,941
Other revenues	6,625	616	6,009	6,009
<b>Revenues</b>	<b>532,792</b>	<b>14,313</b>	<b>518,479</b>	<b>518,479</b>

**Revenues from gas sale** increased from Euro 379,730 thousand to Euro 382,951 thousand, thus recording an increase of Euro 3,221 thousand (+0.8%) compared to the previous year.

**Revenues from electricity sales** decreased from Euro 58,691 thousand to Euro 56,840 thousand, thus recording a decrease of Euro 1,851 thousand (-3.2%), mainly due to a drop in unitary prices.

**The operating result** for 2017 amounts to Euro 59,939 thousand, thus recording a decrease of Euro 12,197 thousand (-16.9%) compared to the previous year.

The extension of the consolidation scope caused an increase in operating earnings to the tune of Euro 814 thousand, partially offsetting the decrease recorded with the same consolidation scope, which amounted to Euro 13,012 thousand (-18.0%).

The worsening is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 8,348 thousand (of which Euro 8,675 thousand due to the extension of the scope of consolidation);
- decrease in the first margin on the activity of gas sales, equal to Euro 17,706 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 836 thousand;
- negative change in other items of cost and revenues, equal to Euro 3,676 thousand (of which Euro 7,861 thousand due to the extension of the scope of consolidation);

The increase in the **revenues from tariffs in the gas distribution activity** (increasing from Euro 61,488 thousand to Euro 69,836 thousand) is mainly explained by the extension of the scope of consolidation, which has determined the recognition of Euro 8,675 thousand of higher revenues. The decrease recorded with the same consolidation scope is mainly attributable to the recognition, in 2016, of the non-recurring income due to the positive difference found – upon communicating the equalization balance – between the provisional and final tariffs for the year 2015, to the tune of Euro 1,174 thousand

The decrease in the **first margin on the activity of gas sale** (from Euro 78,517 thousand to Euro 60,811 thousand) is mainly explained by the recognition, in 2016, of the non-recurring income due to the compensation allocated to the Group after adopting the mechanism for the promotion of the renegotiation of long-term procurement agreements envisaged by ARERA resolution 447/2013/R/gas (Euro 11.1 million). Net of the effect described, the decrease recorded was equal to Euro 6,585 thousand and is explained by lower unit margins, although the volumes of gas sold remained basically stable.

The **first margin** resulting from **gas trading** at the end of the period was Euro 63 thousand. In 2017, 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 – March 2018 for the raw material, while the transport service is for the period October 2017 – September 2018 (2017/18 thermal year)

The revenue and cost components related to physical deliveries during the period October 2017 - December 2017, as well as the related transport costs, were recorded at contractual prices, whereas the various revenue and cost components related to physical deliveries for the period January 2018 - March 2018 and to the transport service for the period January 2018 - September 2018, since these are forward transactions, at the end of the financial year were booked at current value.

The increase **in the first margin on the activity of electricity sales**, from Euro 5,178 thousand to Euro 6,175 thousand is mainly explained by the higher volumes of electricity sold.

The negative variation in the item **other costs and revenues**, amounting to Euro 3,676 thousand, is due to:

- extension of the consolidation scope: negative change amounting to Euro 7,861 thousand;
- higher other revenues for Euro 22,977 thousand;
- higher material and service costs and other charges equaling Euro 18,518 thousand;
- higher personnel cost for Euro 193 thousand;
- higher amortization, depreciation and write-downs of fixed assets for Euro 1,088 thousand;



- lower bad debts provisions for Euro 1,006 thousand;

The **net consolidated profit** for 2017 amounts to Euro 49,252 thousand, thus recording a decrease of Euro 7,690 thousand (-13.5%) compared to the previous year.

This change is due to the following factors:

- a decrease in the operating result, as previously stated, for Euro 12,197 thousand;
- lower result of companies consolidated through the equity method for Euro 352 thousand;
- an increase in financial revenues for Euro 40 thousand;
- a decrease in financial charges for Euro 36 thousand;
- a decrease in taxes for Euro 4,784 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 normalizing the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreases from 31.3% to 29.6%.

### General operational performance – Financial situation

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

(Thousands of Euro)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
A Cash and cash equivalents on hand	17	1	17	19
B Bank and post office deposits	15,538	503	15,034	8,803
<b>D Liquid assets (A) + (B) + (C)</b>	<b>15,555</b>	<b>504</b>	<b>15,051</b>	<b>8,822</b>
F Payables due to banks	(70,123)	(1)	(70,122)	(55,110)
G Current portion of medium-long-term loans	(10,181)		(10,181)	(9,287)
H Current financial liabilities	(480)	0	(480)	(3,645)
<b>I Current financial indebtedness (F) + (G) + (H)</b>	<b>(80,785)</b>	<b>(1)</b>	<b>(80,784)</b>	<b>(68,042)</b>
<b>J Net current financial indebtedness (I) - (E) - (D)</b>	<b>(65,230)</b>	<b>503</b>	<b>(65,733)</b>	<b>(59,220)</b>
K Medium- and long-term bank loans	(54,360)		(54,360)	(34,541)
M Non-current financial liabilities	(277)		(277)	(357)
<b>N Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(54,637)</b>	<b>0</b>	<b>(54,637)</b>	<b>(34,899)</b>
<b>O Net financial indebtedness (J) + (N)</b>	<b>(119,867)</b>	<b>503</b>	<b>(120,370)</b>	<b>(94,119)</b>

In accordance with CONSOB resolution no. 15519 dated 27<sup>th</sup> 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 increased from Euro 94,119 thousand as of 31<sup>st</sup> December 2016 to Euro 119,867 thousand as of 31<sup>st</sup> December 2017, reporting an increase of Euro 25,748 thousand.

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

(Thousands of Euro)	FY 2017	FY 2016
Group's net income	49,252	56,942
Amortizations	22,585	20,227
Bad debt provisions	1,885	2,891
<b>(a) Auto-financing</b>	<b>73,722</b>	<b>80,060</b>
<b>(b) Adjustment to reconcile net income with the variation in financial position generated by operating management:</b>	<b>(23,174)</b>	<b>(12,160)</b>
<b>(c) Variation in financial position generated by operating activities = (a)+ (b)</b>	<b>50,549</b>	<b>67,900</b>
<b>(d) Variation in financial position generated by investments</b>	<b>(39,276)</b>	<b>(19,262)</b>
<b>(e) Other variation in financial position</b>	<b>(37,020)</b>	<b>(28,721)</b>
<b>Net variation in financial position = (c) + (d) + (e)</b>	<b>(25,748)</b>	<b>19,917</b>

The cash flow generated by the operating management (letters a + b), equal to Euro 50,549 thousand, was mainly due to self-financing for Euro 73,722 thousand and partially offset by other financial negative variations amounting to Euro 23,174 thousand, mainly related to the management of the net circulating capital for Euro 15,403 thousand and to the assessment of companies consolidated through the equity method for Euro 7,771 thousand.

The management of net circulating capital has absorbed financial resources amounting to Euro 15,403 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 absorbed financial resources for Euro 333 thousand, by the variation in VAT allocation, which has absorbed financial resources for Euro 1,526 thousand, and by the variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes, which has absorbed financial resources for Euro 7,441 thousand. The variation in the net operating capital has generated financial resources for Euro 3,587 thousand.

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

(Thousands of Euro)	FY 2017	FY 2016
Inventories	411	(734)
Trade receivables and payables	(7,650)	1,177
Operating receivables and payables	10,826	(9,529)
Severance pay fund and other found	(750)	1,003
Current taxes	17,617	22,401
Taxes paid	(29,097)	(20,420)
Tax receivables and payables	(6,760)	1,693
<b>Change in net working capital</b>	<b>(15,403)</b>	<b>(4,410)</b>

Investment activities have generated a cash requirement of Euro 39,276 thousand. Euro 22,976 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 period:

(Thousands of Euro)	FY 2017	FY 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 companies or jointly controlled companies	6,706	5,934
Other net equity operations	648	914
Expansion of the consolidation scope	(1,121)	0
<b>Other changes in financial position</b>	<b>(37,020)</b>	<b>(28,721)</b>

### General operational performance - Investments

During fiscal year 2017, the Group made investments for an amount of Euro 23,587 thousand, an increase compared to the previous year of Euro 2,750 thousand mainly due to the extension of the consolidation scope. With the same consolidation scope, investments increased by Euro 664 thousand due to the higher costs incurred for the construction of gas distribution facilities (Euro +828 thousand) offset by a decrease in other investments (Euro -164 thousand).

With the same consolidation scope, the costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 20,542 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 6,298 thousand, the creation of connections for Euro 4,837 thousand, and the installation of meters for Euro 9,407 thousand.

Due to the extension of the consolidation scope, the investments made in the last nine months by AP Reti Gas Vicenza S.p.A. were recognized; they amounted to Euro 1,916 thousand.

<b>INVESTMENTS (thousands of Euro)</b>	<b>FY 2017</b>	<b>FY 2016</b>
Connecting a gas users	4,837	4,952
Concessions	4,117	6,361
Expansions, reclamations and network upgrades	9,407	7,036
Flowmeters	2,181	1,365
Maintenance	1,916	0
<b>Raw material (gas) investments</b>	<b>22,458</b>	<b>19,714</b>
Land and buildings	486	534
Industrial and commercial equipment	37	21
Furniture	21	21
Vehicles	251	310
Customer lists	149	198
Hardware e Software	16	39
Other assets	169	0
<b>Other investments</b>	<b>1,129</b>	<b>1,123</b>
<b>Investments</b>	<b>23,587</b>	<b>20,837</b>

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

Schedule of reconciliation of the of net equity and result of the year	31.12.2017	31.12.2017	31.12.2016	31.12.2016
	Groups' Operating Result	Total net equity	Groups' Operating Result	Total net equity
<i>(Thousands of Euro)</i>				
<b>Net equity and results for the year as recorded in the statutory financial statements of the parent company</b>	43,618	398,437	33,700	394,246
<b>Net equity and results for the year obtained by subsidiary companies net of the book values of the shareholdings</b>	49,203	(20,675)	48,933	(22,985)
<b>Variations</b>				
Goodwill	(0)	56,176	(0)	56,176
Trade relation value, net of tax effects	(1,488)	4,183	(1,384)	5,704
Appreciation of gas distribution network, net of tax effects	(891)	9,846	(810)	10,737
Elimination of infra-group dividends	(42,939)	(0)	(24,980)	(0)
Effects of the evaluation of companies consolidated with the net assets method	564	(3,941)	1,157	(4,505)
Effects of the evaluation of joint companies consolidated with the net assets method	128	5,514	650	5,242
Other effects	1,057	960	(323)	(406)
<b>Total variations, net of tax effects</b>	<b>(43,568)</b>	<b>72,738</b>	<b>(25,691)</b>	<b>72,948</b>
<b>Net Shareholders' equity and result for the period as recorded in the consolidated financial statement</b>	<b>49,252</b>	<b>450,500</b>	<b>56,942</b>	<b>444,209</b>
<b>Minority interests and results</b>	<b>2,117</b>	<b>4,989</b>	<b>3,307</b>	<b>6,154</b>
<b>Operating result and net equity for the period as recorded in the consolidated financial statement</b>	<b>47,135</b>	<b>445,511</b>	<b>53,635</b>	<b>438,055</b>

# **Ascopiave Group**

Prospects of the consolidated financial statements  
as of 31<sup>st</sup> December 2017

## Consolidated assets and liabilities statement

(Thousands of Euro)		31.12.2017	31.12.2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	(1)	80,758	80,758
Other intangible assets	(2)	346,934	316,905
Tangible assets	(3)	32,334	32,364
Shareholdings	(4)	68,878	68,738
Other non-current assets	(5)	13,015	13,566
Non-current assets from derivative financial instruments	(6)		485
Advance tax receivables	(7)	11,479	9,758
<b>Non-current assets</b>		<b>553,397</b>	<b>522,574</b>
<b>Current assets</b>			
Inventories	(8)	4,072	4,311
Trade receivables	(9)	156,884	148,079
Other current assets	(10)	57,865	47,207
Tax receivables	(11)	2,645	1,007
Cash and cash equivalents	(12)	15,555	8,822
Current assets from derivative financial instruments	(13)	1,510	1,304
<b>Current assets</b>		<b>238,532</b>	<b>210,730</b>
<b>ASSETS</b>			
		<b>791,929</b>	<b>733,304</b>
<b>Net equity and liabilities</b>			
<b>Total Net equity</b>			
Share capital		234,412	234,412
Own shares		(17,521)	(17,521)
Reserves and result for the period		228,620	221,164
<b>Net equity of the Group</b>		<b>445,511</b>	<b>438,055</b>
<b>Net equity of Others</b>		<b>4,989</b>	<b>6,154</b>
<b>Total Net equity</b>	(14)	<b>450,500</b>	<b>444,209</b>
<b>Non-current liabilities</b>			
Provisions for risks and charges	(15)	5,913	6,992
Severance indemnity	(16)	4,836	4,077
Medium- and long-term bank loans	(17)	54,360	34,541
Other non-current liabilities	(18)	22,930	20,267
Non-current financial liabilities	(19)	277	357
Deferred tax payables	(20)	15,733	16,814
<b>Non-current liabilities</b>		<b>104,048</b>	<b>83,050</b>
<b>Current liabilities</b>			
Payables due to banks and financing institutions	(21)	80,304	64,397
Trade payables	(22)	117,653	103,052
Tax payables	(23)	625	1,231
Other current liabilities	(24)	38,312	33,691
Current financial liabilities	(25)	480	3,645
Current liabilities from derivative financial instruments	(26)	7	29
<b>Current liabilities</b>		<b>237,382</b>	<b>206,045</b>
<b>Liabilities</b>		<b>341,430</b>	<b>289,095</b>
<b>Net equity and liabilities</b>		<b>791,929</b>	<b>733,304</b>

In accordance with CONSOB resolution no. 15519 dated 27<sup>th</sup> 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

## Comprehensive consolidated income statement

(Thousands of Euro)		Financial year 2017	Financial year 2016
<b>Revenues</b>	(27)	532,792	497,689
<b>Total operating costs</b>		<b>450,268</b>	<b>405,325</b>
Purchase costs for raw material (gas)	(28)	252,492	231,029
Purchase costs for other raw materials	(29)	18,085	18,887
Costs for services	(30)	113,457	107,503
Costs for personnel	(31)	24,855	24,233
Other management costs	(32)	42,109	24,269
Other income	(33)	731	596
Amortization and depreciation	(34)	22,585	20,227
<b>Operating result</b>		<b>59,939</b>	<b>72,137</b>
Financial income	(35)	287	247
Financial charges	(35)	755	791
Evaluation of subsidiary companies with the net equity method	(35)	7,398	7,750
<b>Earnings before tax</b>		<b>66,869</b>	<b>79,343</b>
Taxes for the period	(36)	17,617	22,401
<b>Net result for the period</b>		<b>49,252</b>	<b>56,942</b>
Group's Net Result		47,135	53,635
Third parties Net Result		2,117	3,307
<b>Consolidated statement of comprehensive income</b>			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		(356)	1,786
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		63	(10)
<b>Total comprehensive income</b>		<b>48,959</b>	<b>58,718</b>
Group's overall net result		46,887	55,215
Third parties' overall net result		2,072	3,503
Base income per share		0.212	0.241
Diluted net income per share		0.212	0.241

In accordance with CONSOB resolution no. 15519 dated 27<sup>th</sup> 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
<b>Balance as of 1<sup>st</sup> January 2017</b>	<b>234,412</b>	<b>46,882</b>	<b>(17,521)</b>	<b>(108)</b>	<b>120,757</b>	<b>53,635</b>	<b>438,055</b>	<b>6,154</b>	<b>444,209</b>
Result for the period						47,135	47,135	2,117	49,252
Other operations					(310)		(310)	(46)	(356)
IAS 19 TFR actualization for the period				63			63	0	63
<b>Total result of overall income statement</b>				<b>63</b>	<b>(310)</b>	<b>47,135</b>	<b>46,887</b>	<b>2,072</b>	<b>48,959</b>
Allocation of 2016 result					53,635	(53,635)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(40,016)		(40,016)		(40,016)
Dividends distributed to third parties shareholders							(0)	(3,237)	(3,237)
Long-term incentive plans			(0)		584		584		584
<b>Balance as of 31<sup>st</sup> December 2017</b>	<b>234,412</b>	<b>46,882</b>	<b>(17,521)</b>	<b>(46)</b>	<b>134,649</b>	<b>47,135</b>	<b>445,511</b>	<b>4,989</b>	<b>450,500</b>

(thousands of Euro)	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
<b>Balance as of 1<sup>st</sup> January 2016</b>	<b>234,412</b>	<b>46,882</b>	<b>(17,522)</b>	<b>(99)</b>	<b>108,578</b>	<b>43,014</b>	<b>415,264</b>	<b>4,873</b>	<b>420,137</b>
Result for the period						53,635	53,635	3,307	56,942
Other operations					1,589		1,589	197	1,786
IAS 19 TFR actualization for the period				(9)			(9)	(1)	(10)
<b>Total result of overall income statement</b>				<b>(9)</b>	<b>1,589</b>	<b>53,635</b>	<b>55,214</b>	<b>3,503</b>	<b>58,718</b>
Allocation of 2015 result					43,014	(43,014)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(33,347)		(33,347)		(33,347)
Dividends distributed to third parties shareholders							(0)	(2,222)	(2,222)
Long-term incentive plans			(0)		923		923		923
<b>Balance as of 31st December 2016</b>	<b>234,412</b>	<b>46,882</b>	<b>(17,522)</b>	<b>(108)</b>	<b>120,757</b>	<b>53,635</b>	<b>438,055</b>	<b>6,155</b>	<b>444,209</b>



## Consolidated financial statements

(thousands of Euro)	FY 2017	FY 2016
<b>Net income of the Group</b>	<b>47,135</b>	<b>53,635</b>
<b>Cash flows generated (used) by operating activities</b>		
<b>Adjustments to reconcile net income to net cash</b>		
Third-parties operating result	2,117	3,307
Amortization	22,585	20,227
Bad debt provisions	1,885	2,891
Variations in severance indemnity	(15)	214
Current assets / liabilities on financial instruments and forward purchases and sales	271	(2,012)
Net variation of other funds	(735)	789
Evaluation of subsidiaries with the net equity method	(7,398)	(7,750)
Impairment losses / (gains) on shareholdings	(373)	0
Interests paid	(414)	(579)
Taxes paid	(29,097)	(20,420)
Interest expense for the year	618	678
Taxes for the year	17,617	22,401
<b>Variations in assets and liabilities</b>		
Inventories	411	(734)
Accounts payable	(3,333)	20,947
Other current assets	(4,309)	(689)
Trade payables	(4,317)	(19,770)
Other current liabilities	5,679	(9,763)
Other non-current assets	561	2,361
Other non-current liabilities	1,662	2,728
<b>Total adjustments and variations</b>	<b>3,414</b>	<b>14,827</b>
<b>Cash flows generated (used) by operating activities</b>	<b>50,549</b>	<b>68,461</b>
<b>Cash flows generated (used) by investments</b>		
Investments in intangible assets	(22,458)	(19,674)
Realisable value of intangible assets	609	1,574
Investments in tangible assets	(1,129)	(1,164)
Realisable value of tangible assets	2	2
Disposals / (Acquisition) of investments and advances	(9,655)	0
Other net equity operations	648	914
<b>Cash flows generated/(used) by investments</b>	<b>(31,983)</b>	<b>(18,348)</b>
<b>Cash flows generated (used) by financial activities</b>		
Net changes in debts due to other financiers	(80)	(64)
Net changes in short-term bank borrowings	(7,754)	(71,256)
Net variation in current financial assets and liabilities	(3,165)	2,863
Ignitions loans and mortgages	345,000	151,000
Redemptions loans and mortgages	(309,287)	(122,500)
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	5,934
<b>Cash flows generated (used) by financial activities</b>	<b>(11,833)</b>	<b>(69,593)</b>
<b>Variations in cash</b>	<b>6,733</b>	<b>(19,479)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8,822</b>	<b>28,301</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>15,555</b>	<b>8,822</b>

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

## **EXPLANATORY NOTES**

### **Company information**

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

As of 31<sup>st</sup> December 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 – organized and managed by Borsa Italiana S.p.A.

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

The publication of the Financial report as of 31<sup>st</sup> December 2017 of the Ascopiave Group was authorized by resolution of the Board of Directors on 14<sup>th</sup> March 2018. Ascopiave is a company with Italian domicile that was created in Italy.

### **The activities of the Ascopiave Group**

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

The Group owns concessions and direct entrusting for the management of the activity of gas distribution in 230 municipalities (208 municipalities in 2016), supplying the service to more than one million users. The group is the owner of the distribution network managed that is extended for more than 9,780 kilometers (8,946 kilometers as of 31<sup>st</sup> December 2016).

The activity of natural gas sale to end customers is carried out through different companies, some of which are controlled with majority shares, others are shared with other partners and on them the Group exercises a joint control with other shareholders. In the Gas sale sector Ascopiave is one of the main National operators, featuring approximately 939 million cubic meters<sup>5</sup> of gas sold (935 million in 2016).

### **General drafting criteria and declaration of conformity with IFRS**

The Ascopiave Group Consolidated Financial Statements as of 31<sup>st</sup> December 2017 have been prepared pursuant to IFRS, that is all the “International Financial Reporting Standards”, “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously “Standing Interpretations Committee” (SIC) adopted by the European Commission pursuant to the procedure set forth in Art. 6 of EC Directive no. 1606/2002 issued by the European Parliament and Council on 19<sup>th</sup> July 2002 as well as with the provisions issued for the implementation of Art. 9 of Legislative Decree no. 38/2005.

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

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<sup>5</sup> The data specified about the volumes of gas sold are obtained by adding each Group company’s data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

The accounting principles adopted are consistent with those used as of 31<sup>st</sup> December 2016, except as described in the following paragraph Accounting principles, amendments and interpretations effective from 1<sup>st</sup> January 2017. For comparative purposes, the consolidated profiles present the comparison with balance sheet figures as of 31<sup>st</sup> December 2016.

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

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

The values used for consolidation were gathered from income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data have been adjusted and reclassified, where necessary, to ensure compliance with international accounting standards and with the classification criteria applied throughout the Group. These consolidated financial statements as of 31<sup>st</sup> December 2017 were approved by the Board of Directors of the Company on 14<sup>th</sup> March 2018.

### **Financial statements representation**

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

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

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

### **Accounting principles, amendments and interpretations applied from 1<sup>st</sup> January 2017**

Hereby is a brief description of amendments, improvements and interpretations applicable to financial reports as of 31<sup>st</sup> December 2017, implemented on 1<sup>st</sup> January 2017. The application of said principles shall not have effects on the Company, as they relate to instances that are not present in our company or are sole financial reporting provisions:

#### **IAS 7 - Disclosure initiative**

On 29<sup>th</sup> January 2016 IASB issued some amendments to IAS 7 - Disclosure initiative. Their purpose is to improve presentation and circulation of financial information in financial reports and solve certain critical issues as reported by operators.

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

On 19<sup>th</sup> January 2016 IASB published some amendments to IAS 12 - *Recognition of Deferred Tax Assets for Unrealized Losses*. Said modifications clarify how to account for deferred tax assets for debt instruments calculated at fair value.

**IAS/IFRS accounting standards and respective IFRIC interpretations approved and applicable to financial statements for financial years beginning after 1<sup>st</sup> January 2017**

Please find below a brief description of the new standards and interpretations already issued and approved by the European Union but applicable to the financial statements of the financial years commencing after 1<sup>st</sup> January 2017.

**IFRS 15 – Revenue from Contracts with Customers**

On 28<sup>th</sup> May 2014, IASB issued the standard IFRS 15 - Revenues from contracts with customers, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To this end, the new recognition model defines a five-step process. The new standard also requires further additional information about the nature, the amount, timing and uncertainty about revenue and cash flows arising from a contract with a customer. The new standard is effective for annual periods beginning on or after 1<sup>st</sup> January 2018. Early adoption is envisaged. However, Ascopiave did not pursue the early adoption.

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

**IFRS 9 - Financial instruments:**

On 24<sup>th</sup> July 2014, IASB issued IFRS 9 - Financial Instruments. The series of changes introduced by the new standard replace the provisions of IAS 39 and introduce a logical approach for the classification and measurement of financial instruments driven by cash flow characteristics and the business model in which an asset is held, a single impairment model to be applied to all financial assets based on expected losses and a substantially reformed approach for hedge accounting. As concerns specifically the sales business conducted by the Group, the standard introduces a new method for measuring receivables that takes into account expected losses and involves the recognition of the write-down of the receivables on the basis of a predictive approach, based on the forecast of the counterparty's default and the ability to collect the receivables in the event of default. The new standard is effective for annual periods beginning on or after 1<sup>st</sup> January 2018. Early adoption as of 1<sup>st</sup> January 2016 is envisaged. However, Ascopiave did not pursue the early adoption. The Group is assessing the method of implementation and the impact of the new standard on its consolidated financial statements. Following a preliminary specifically on hedge accounting, the expected impact of the application of this new accounting standard on the Group's financial statements will be negligible.

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

In September 2016, IASB issued the amendments to IFRS 4: Regarding the implementation of IFRS 9 Financial Instruments. Their purpose is to resolve the issues deriving from the application of the IFRS 9, the new standard in financial instruments, before the implementation of the standard which will substitute the IFRS 4, currently under development by IASB. This amendment, approved in November 2017, will be applicable from years beginning on or after 1<sup>st</sup> January 2018.

### **IFRS 15 – Revenue from Contracts with Customers**

On 12<sup>th</sup> April 2016, IASB issued some further amendments to IFRS 15 - Revenue from Contracts with Customers, in order to provide in-depth clarifications on how to identify performance obligations, account revenues from licenses on intellectual property and value principal versus agent. These amendments, approved in October 2017, will be applicable from years beginning on or after 1<sup>st</sup> January 2018.

### **IFRS 16 - Leases**

On 13<sup>th</sup> January 2016, IASB published the IFRS 16 standard – Leases which replaces IAS 17 on leasing, with significant impact on Statements of lessees: the distinction between financial leases and operating leases has been eliminated, introducing a new single model for all leases which will result in an asset entry for the right of use and a liability entry for the lease. The new standard was approved on 31<sup>st</sup> October and is effective for annual periods beginning on or after 1<sup>st</sup> January 2019, with early adoption permitted provided that an entity also adopts IFRS 15- Revenue from Contracts with Customers.

### **IFRS 12 – Disclosure of Interests in Other Entities**

On 8<sup>th</sup> December 2016, IASB published some amendments to IFRS 12 - Disclosure of Interests in other Entities. When the interest in a subsidiary, joint arrangement or associate is classified as held for sale in accordance with the provisions of IFRS 5, it is not necessary to disclose in the financial statements a summary of the economic-financial data for this subsidiary, joint arrangement or associate.

## **Accounting standards, amendments and interpretations already issued but not yet approved and applicable to annual periods beginning on or after 1<sup>st</sup> January 2017**

Please find below a brief description of the new standards and interpretations already issued but not yet approved by the European Union but however applicable to financial statements beginning on or after 1<sup>st</sup> January 2017. The list does not include the standards and interpretations which by their nature are not adoptable by the Group.

### **IFRS 14 - Regulatory Deferral Accounts**

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

### **IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

On 8<sup>th</sup> December 2016 IASB published IFRIC 22 - Foreign Currency Transactions and Advance Consideration. The aim of this document is to set the exchange rate of to be used in foreign currencies transactions in case the payment is made or received in advance. This interpretation will be applicable from years beginning on or after 1<sup>st</sup> January 2018 but is not approved yet.

### **IFRIC 23 – Uncertainty over income tax treatments**

On 7<sup>th</sup> June 2017, IASB issued interpretation IFRIC 23 which provides indications as to how to recognize and measure deferred and current taxes in the event of uncertainty over the tax treatment due to IAS 12. The interpretation is applicable from 1<sup>st</sup> January 2019.

**IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in associates and joint ventures.**

On 11<sup>th</sup> September 2014, IASB issued amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in associates and joint ventures. The aim is to clarify the accounting method of the results related to the sale of assets between companies in a group and associated companies and joint ventures. The approval process of these amendments has been suspended and the application date has been postponed to a future date to be determined.

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

On 20<sup>th</sup> June 2016, IASB issued some amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions. The aim of these changes is to resolve some issue related to the accounting on share based payments. Specifically, the amendments improve considerably the following areas i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. These amendments will be applicable commencing 1<sup>st</sup> January 2018 and approved in the first quarter of 2018.

**Annual Improvements 2014-2016**

On 8<sup>th</sup> December 2016, IASB issued several amendments to the standards in order to clarify some provisions regarding IFRS 1, IFRS 12 and IAS 28, all applicable commencing 1<sup>st</sup> January 2018.

**IAS 40 – Transfers of Investment Property**

On 8<sup>th</sup> December 2016, IASB issued amendments to IAS 40 - Transfers of Investment to discipline transfer to/from investment property to other asset groups. Specifically, it is settled if a property under construction or development accounted in inventories may be reclassified in property investments if there was a change in its usage. These amendments will be applicable from years beginning on or after 1<sup>st</sup> January 2018.

**IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**

The amendment, issued by IASB in October 2017, concerns companies that finance associates and joint ventures with loans for which a short-term repayment is not expected. The amendment is applicable commencing 1<sup>st</sup> January 2019.

**IFRS 9 - Prepayment Features with Negative Compensation and modifications of financial liabilities (Amendments to IFRS 9)**

The amendment, issued by IASB in October 2017, aims to cover two main points. The first is to define which financial assets must be measured at amortized cost, allowing a higher number of assets to be measured at amortized cost than allowed by IFRS 9. The second involves the accounting of changes to a financial debt. The amendment is applicable commencing 1<sup>st</sup> January 2019.

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

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

## **Consolidation principles**

The consolidated financial statements include the financial statements of all the subsidiaries. The Group controls an entity when the Group is exposed, or is entitled, to the variability of results from such entities and has the possibility of influencing these outcomes through the exercise of power over the entity. The financial statements of the subsidiaries are included in the Consolidated financial statements commencing the date on which control is taken until the date such control ceases. The costs incurred in the acquisition process are expensed in the year they are incurred. The assets and liabilities, the charges and income of companies consolidated with the line-by-line method are fully included in the consolidated financial statements; the book value of investments is eliminated against the corresponding share of equity of the investee companies. Receivables and payables, as well as the costs and revenues arising from transactions between companies included in the consolidation area are entirely eliminated; the capital gains and losses arising from transfers of assets between consolidated companies, the gains and losses deriving from transactions between consolidated companies related to the sale of assets that remain as inventories of the purchasing company, the write-downs and write-backs of investments in consolidated companies, as well as intercompany dividends are also eliminated.

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

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

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

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

The value of goodwill is not amortized but is subject to, at least on an annual basis, an impairment test when facts or changes in the circumstances indicate that the carrying value cannot be realized. Goodwill is booked at cost, net of impairment losses. If the carrying value of the investments is lower than the net equity pro-quota value of the investees, the negative difference is recognized in the income statement. The acquisition costs are booked in the income statement. Associated companies are those over which a significant influence is exercised, which is presumed to exist when the shareholding is between 20% and 50% of the voting rights. Investments in associates are initially recorded at cost and subsequently accounted for using the equity method. The carrying value of these investments is in line with the Shareholders' equity and includes the recording of the higher values attributed to assets and liabilities and any goodwill identified upon acquisition. The unrealized gains and losses generated on transactions between the Parent

Company/Subsidiaries and the investee valued with the equity method are eliminated based on the value of the stake held by the Group in the investee; the unrealized losses are eliminated, except when they represent an impairment.

The financial statements of the Subsidiaries used for the purpose of preparing the Consolidated Financial Statements are those approved by the respective Boards of Directors. The data of the Consolidated companies are adjusted, where necessary, to harmonize them with the accounting standards used by the Parent company, which are pursuant to IFRSs adopted by the European Union.

### **Business combinations**

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

In the event of purchase of non-controlling interests, goodwill is only recognized for the portion attributable to the parent company. The minority interest amount is determined in proportion to the minority interests in the identifiable net assets of the acquiree. Incidental expenses related to the acquisition are recognized in profit or loss when the services are rendered.



## Consolidation scope and principles

The companies included in the consolidation scope as of 31<sup>st</sup> December 2017 and consolidated through the line-by-line, proportional method or equity method are the following:

Company name	Registered offices	Paid-up capital	Group interest	Direct controlling interest	Indirect controlling interest
<b>Parent company</b>					
Ascopiave S.p.A.	Pieve di Soligo (TV)	234,411,575			
<b>100% consolidated companies</b>					
Ascotrade S.p.A.	Pieve di Soligo (TV)	1.000.000	89.00%	89%	0%
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100%	0%
Etra Energia S.r.l.	Cittadella (PD)	100.000	51.00%	51%	0%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7.000.000	100.00%	100%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100%	0%
Amgas Blu S.r.l.	Foggia (FG)	10.000	80.00%	80%	0%
Blue Meta S.p.A.	Pieve di Soligo (TV)	606.123	100.00%	100%	0%
Pasubio Servizi S.r.l.	Schio (VI)	250.000	100.00%	100%	0%
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%
<b>Companies under joint control consolidated with net equity method</b>					
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%
<b>Subsidiary companies consolidated with net equity method</b>					
Sinergie Italiane S.r.l. in liquidazione	Milano (MI)	1.000.000	30.94%	30.94%	0%

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

(2) Joint control with Hera Comm S.r.l.;

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

As compared to the financial statements closed at 31<sup>st</sup> December 2016, on 3<sup>rd</sup> 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 26<sup>th</sup> 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 31<sup>st</sup> 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 1<sup>st</sup> 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 as of 31<sup>st</sup> December 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.	19,273	1,815	2,080	673	Ita Gaap
AP Reti Gas S.p.A.	93,829	19,289	318,021	(18,006)	IFRS
Ascopiave S.p.A.	61,732	43,618	398,437	139,969	IFRS
Ascotrade S.p.A.	299,368	14,484	29,737	(2,083)	IFRS
Blue Meta S.p.A.	64,744	4,634	9,475	(8,547)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	4,771	1,203	11,509	(1,211)	Ita Gaap
Estenergy S.p.A.	127,521	11,384	24,923	(12,821)	IFRS
Etra Energia S.r.l.	7,385	453	1,138	(1,229)	Ita Gaap
AP Reti Gas Vicenza S.p.A.	18,757	(135)	16,848	14,900	Ita Gaap
Pasubio Servizi S.r.l.	34,470	3,037	5,918	(7,319)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	4,431	1,470	15,526	(1,231)	Ita Gaap
ASM Set S.r.l.	26,560	1,937	2,206	(942)	Ita Gaap
Unigas Distribuzione S.r.l.	19,930	2,200	41,573	6,215	Ita Gaap
Veritas Energia S.p.A.	82,188	2,953	4,929	3,600	Ita Gaap

### Information on consolidated subsidiaries with minority interests

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

### Measurement criteria

The accounting principles adopted by the Group are reported below:

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

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

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

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

Units generating financial flows:

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

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

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

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

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

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

As concerns the write-off period:

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

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

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

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

**Duration and residual value of assets under concession:** The gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions,

Legislative Decree n. 164/00 (so-called Letta Decree) stated that all concessions should be put to tender by the end of the “transitional period” (for the Ascopiave Group, after 31<sup>st</sup> December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate.

In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value.

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

Lands - both free of constructions and annexed to civil and industrial buildings - were generally accounted for separately and are not depreciated since they are elements with an unlimited useful life.

Maintenance and repair costs that are not subject to valuing and/or extending the residual useful life of assets, are spent in the year in which they are borne. Otherwise, they are capitalized.

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

The main economical-technical rates used are as follows:

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

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

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

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

### **Shareholdings:**

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

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

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

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

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

**Shareholdings in other companies:** share interests in companies that are not subsidiaries, associates or joint ventures (normally with a share interest not exceeding 20%) are classified in non-current financial assets and entered at their fair value if it can be determined. If their fair value at the date of the balance sheet cannot be determined because the related shares are not listed, they are valued at their cost of purchase or subscription, minus any repayment of principal, and are subsequently adjusted for losses in value determined in the same manner previously described for the tangible assets.

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

### **Financial assets**

The Group classifies its financial assets into the following categories:

- assets at fair value through Profit or Loss;
- loans and receivables;
- financial assets held to maturity;
- financial assets available for sale.

**Financial assets at fair value through Profit or Loss:** this category includes financial assets acquired for the purpose of selling in the near term, as well as derivatives (for the latter, please refer to the specific paragraph below). The fair value of these instruments is determined regarding the market value at the closing date of the reporting period. The

changes in fair value of the instruments falling within this category are immediately recognized in the profit and loss account. The distinction between current and non-current reflects the directors' expectations regarding their trading.

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

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

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

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

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

#### **Inventories of stored natural gas**

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

**Trade receivables and other current assets:** trade receivables and other current assets, whose expiry is within normal commercial trading terms, are not discounted back and are booked at amortized cost net of the relevant value losses.

These are suited to their presumed realization value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Group will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement. Additionally, the Group sells some of its trade receivables through sale operations of receivables (“factoring”). Factoring transactions are with recourse.

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

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

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

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

The components of the defined benefits are recognized as follows:

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

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

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

Moreover, the Group has signed compensation plans partly based on Ascopiave S.p.A. shares and settled through the delivery of shares (stock option plans, long-term incentive plans), recognized as liabilities and measured at fair value at the end of each accounting period and up to the time of payment (approval of 2017 financial statements). Any subsequent change in fair value is recognized in the profit and loss statement.

The remaining part of the plan instead is paid in the form of options that can only be sold for cash. The cost of cash operations is evaluated initially at the fair value as of the date of allocation. In particular, the plans adopted by the

Group include the allocation of rights including acknowledgement in favor of the beneficiaries of an extraordinary payment linked to the reaching of pre-set objectives, the financial regulation of which is based on the trend of the share title. This fair value is spent in the period until maturation with reporting of a corresponding payable. The liability is recalculated upon each closure of the period, until the date of regulation, with all changes made to the fair value reported on the income statement.

In 2016, the compensation plans relating to the 2015 – 2017 three-year period accrued in part; as a consequence, reserves for the portions to be settled by share-based payments were established. Pursuant to the rules governing the plan, there were no other allotments in the period, since the benefits will accrue at the end of the financial year. These compensation plans are accounted for in compliance with the requirements set out in IFRS 2.

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

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

Provisions are reported when:

- i) There likely is a current obligation (legal or implicit) that derives from a past event;
- ii) an outlay of resources is likely in order to meet the obligation;
- iii) a reasonable estimate can be made as to the amount of the obligation.

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

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

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

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

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



**Trade payables and other payables:** trade payables, whose expiry is within normal commercial trading terms, refer to financial liabilities resulting from trade transactions and are recognized at amortized cost.

Payables in a currency differing from the account currency are booked at the exchange rate of the day of the operation and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported on the income statement.

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

**Derivative financial instruments:** The Group holds derivative instruments for the purposes of hedging its exposure to the risk of changes in methane gas and electricity prices. About such activity, the Group must manage the risks associated with the misalignment between the indexation formulas relating to the purchase of gas and electricity and the indexation formulas linked to the sale of the same commodities. The instruments used to manage the risk related to the volatility of goods prices basically consist in commodity-swap agreements, aimed at pre-establishing the effects on the sales margins irrespective of the changes in market conditions.

The transactions which, pursuant to risk management policies, satisfy the requirements of the international accounting standards for hedge accounting, are classified as “hedging transactions” (and recognized as set out below). On the contrary, those which, despite having hedging purposes, do not meet the requirements envisaged by the international standards, are classified as “trading transactions”. In this event, the changes in fair value of derivatives are recognized in the profit and loss account in the period in which they occur. The fair value is determined based on the reference market value.

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

The fair value measurement of the above-mentioned contracts is performed by using pricing models and based on market data as at 29<sup>th</sup> December 2017; specifically, for 2017 the following data were used:

- 6-month EUR rate used for discounting the expected cash flows of the instruments being measured (Source: Thomson Reuters);
- final prices, on the OTC market, of the “TTF Natural Gas” commodity (Source: ICIS Heren Report);
- forward prices, recorded on the OTC market, of the “TTF Natural Gas” commodity (Source: Argus Media Ltd Report).

### **Fair value hierarchy**

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

- (i) **Level 1**, financial instruments whose fair value is determined 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 31<sup>st</sup> December 2017, has only one type of financial instruments on commodities falling within the scope of level 2.

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

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

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

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

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

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

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

For the purpose of valuation of revenues for the supply of natural gas to end-customers, given the regulatory change and the adjustments that occur during the following year, the Group has deemed it reasonable, in order to determine the

revenues, to balance the cubic meters sold (except the cubic meters consumed by clients subject to monthly reading) with the cubic meters allocated by Snam Rete Gas S.p.A.

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

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

Following the decision above, the ARERA, with Resolution 276/2015/R/GAS dated 9<sup>th</sup> June 2015, suspended the payment of the invoices issued subsequent to the first multi-year adjustment session as well as the count of the invoices as part of the activities for monitoring the potential exposure of the system against the user, for the time necessary to conduct the required audits and, in any case, with timelines suitable to ensure the proper execution of the next adjustment session. The recent resolution has consequently outlined a scenario that exposes the Group to assume the positive and negative economic effects arising from the probable modification of the allocated volumes and the volumetric differences that are naturally formed in different parts of the network where natural gas is measured. In this regard, it should be noted that the economic effects that the Group has recorded because of the failure to perform the adjustment session affect the financial years 2013 and 2014 as well as the effects accrued in 2015. To represent consistently the results achieved by the Group, maintaining a conservative approach and safeguarding the correlation of costs incurred and revenues generated, the directors have considered it appropriate to balance the cubic meters sold during the reference year with the cubic meters allocated by the entity in charge of the balance; however, the economic effects of the measurement differentials of the previous years have been taken into consideration.

The coefficient used to separate the revenues generated by the measurement differential is the ratio between the cubic meters placed in the network by the leading distributor and the cubic meters read at the point of redelivery by the distributor itself. This percentage is believed to be a much more reliable estimate, by virtue of the significant amounts of readings recorded during the years being analyzed, which include real measurements of almost all the redelivery points. Once the effect resulting from the measurement factor was separated, the residual differential between the volumes allocated by the entity in charge of the balance and the volumes sold to end customers (billed based on actual measurements), will be a probably adjusted. These adjustments will be performed when the first valid correct adjustment session is completed.

Based on current regulations or conventions, it is not possible to establish when the results of the first valid adjustment session will be made available to the public.

At the end of financial year 2017, as in 2015 and 2016, the amounts of natural gas valued at purchase and sale may be less than the amounts of gas actually sold.

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

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

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

**Income taxes:** current taxes are calculated based on an estimate of the income before tax and are entered at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxation relating to elements reported directly under assets are reported directly as assets and under the other items of the comprehensive income statement.

As far as the Tax on Company Revenue is concerned (IRES), Ascopiave and the almost entirety of its subsidiaries benefited for a three-year period 2016 -2018 of the national fiscal consolidation regime pursuant to art. 117/129 of the Unified Law on Revenue Taxes (TUIR), respectively Ascopiave S.p.A., Ascotrade S.p.A., Pasubio Servizi S.r.l. and AP Reti Gas S.p.A for the three-year period 2016 – 2018 and Edigas Esercizio Distribuzione Gas S.p.A., AP Reti Gas Rovigo S.r.l., Blue Meta S.p.A. and Veritas Energia S.p.A. for the three-year period 2015 – 2017. This option enabled the calculation of IRES based on a taxable amount equaling to the mathematical sum of the positive and negative taxable amounts of the single companies that comprise the consolidation. Asco Holding S.p.A. acts as consolidating company and determines a single taxable amount for the entire group of companies that are part of the national consolidation regime.

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

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

- (i) when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- (ii) regarding taxable temporary differences associated with holdings in subsidiaries, associated companies and joint ventures, the deferred tax assets are reported only in the amount in which it is probable that the deductible temporary differences will reverse in the immediate future and that there is suitable tax income against which the temporary differences can be used.

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

#### **Use of estimates**

The preparation of the financial statements requires the management to provide estimates and assumptions based on complex and/or subjective judgments, estimates based on experience and assumptions deemed to be reasonable and realistic based on information available at the time of estimate. This affects the values of the assets and liabilities reported on the consolidated financial statements, as well as costs and revenues and information relating to potential assets and liabilities as of that date. If, in the future, such estimates and assumptions, which are based on the management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise.

Estimates are used to report:

- Duration and residual value of the goods in concession: the gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, between 31<sup>st</sup> December 2010 and 31<sup>st</sup> December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above-mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;
- Permanent reductions in the value of non-financial assets: At each balance sheet date, the Group assesses whether there are permanent reductions in the value of all non-financial assets. Goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting based on a suitable discount rate. As of 31<sup>st</sup> December 2016, the book value of goodwill amounts to Euro 80,758 thousand (2016: Euro 80,758 thousand). Further details can be found under Note 1;
- The valuation of the revenues from gas consumption for which the actual reading is not yet available;
- Provisions for risks on receivables, obsolete inventories, the useful lives of intangible and tangible fixed assets and related amortization, employee benefits and payment plans based on stock options (so-called phantom stock option), taxes and provisions for risks and charges.

The estimates and assumptions are reviewed periodically, and the variations are immediately reflected in the income statement. In applying the Group accounting principles, the Directors have taken decisions based on the stated discretionary evaluations, with a significant effect on the values reported on the statements. However, the uncertainty

surrounding these assumptions and estimates may determine results that, in the future, will need to be significantly adjusted at the book value of such assets and/or liabilities.

### **Impairment of assets**

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

As of 31<sup>st</sup> December 2017, the accounting value of the Goodwill is Euro 80,758 thousand (2016: Euro 80,758 thousand).

### **Recognition of Revenue**

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

### **Amortization and depreciation**

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

**Duration and residual value of assets under concession:** The gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (so-called Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, between 31<sup>st</sup> December 2010 and 31<sup>st</sup> December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry.

### **Provisions for risks**

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

### **Provision for doubtful accounts**

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

### **Deferred tax assets**

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

### **Benefits to employees**

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

## COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

**Non-current assets***1. Goodwill*

Goodwill, equal to Euro 80,758 thousand as of 31<sup>st</sup> December 2017, remains unchanged as compared to 31<sup>st</sup> December 2016. This amount refers in part to the surplus value created by the delivery of the gas distribution networks by partner municipalities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some company branches related to the distribution and sale of natural gas.

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

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	31.12.2017
Distribution of natural gas	24,396			24,396
Sales of natural gas	56,362			56,362
<b>Total goodwill</b>	<b>80,758</b>			<b>80,758</b>

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

The recoverable value of gas sale and distribution financial flow-generating units has been estimated using the Discounted Cash Flow method, discounting back the operating financial flows generated by the assets themselves at a discount rate representative of the cost of capital.

The financial flows used to calculate the recoverable value cover the forecasts formulated by the management in the Economic and Financial Plan for the period 2018-2020 approved with resolution of the Board of Directors dated 21<sup>st</sup> February 2018.

The current sector legislation establishes that the natural gas distribution service is awarded by means of tender procedures in the minimum territorial areas within pre-established time limits.

The tenders for the award of the service in the territorial areas where the Group currently holds most of its municipal concessions, if the deadlines for issuing the calls for tenders illustrated in the regulations had been respected, would have started in 2017. As of today, no invitations to tender were launched by the tender authorities of the minimum territorial areas in which the Ascopiave Group currently holds concessions. The Economic and Financial Plan - and consequently also the assessment methods adopted to determine the use value of the gas distribution CGU - assumes



that the Group, during the three-year period 2018-2020, will maintain the management of the current portfolio of concessions.

Regarding the activity of gas distribution, it was hypothesized that in the period 2018-2020 the management would generate financial flows in line with those envisaged in the Economic and Financial Plan 2018-2020 while, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the gas distribution CGU by hypothesizing two alternative scenarios:

- scenario 1: The Group obtains in 2020 the renewal of all the concessions and credits in effect on 31<sup>st</sup> December 2017;
- scenario 2: The Group ends the activity of gas distribution in 2020, realizing the return value of the plants as per Art. 15 of Legislative Decree no. 164/2000.

Regarding scenario 1, the terminal value has been estimated as an estimate of perpetuity as from the last year specified in the financial forecasts, and considering the economic terms and conditions of the renewals.

The growth factor (g) used for the purpose of calculating the terminal value, has been estimated at 1.40% (1.15% as of 31<sup>st</sup> December 2016), in line with the inflation rate forecasts elaborated for Italy by the International Monetary Fund.

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

- a) an average beta unlevered sector coefficient, as indicated by the ARERA in Attachment A of Resolution 583/2015/R/com dated 2<sup>nd</sup> December 2015;
- b) the level of financial leverage (ratio between financial debt and own means) is in line with the financial structure of reference presumed by the ARERA in Attachment A of Resolution 583/2015/R/com dated 2<sup>nd</sup> December 2015;
- c) an equity risk premium equal to 5.5% (5.5% as of 31<sup>st</sup> December 2016), based on authoritative academic sources, professional practices, market consensus and the guidance provided by Organismo Italiano di Valutazione (OIV);;
- d) the Risk-Free Rate adopted - equal to the annual average of net yields on 10-year government bonds as of 31<sup>st</sup> December 2017;
- e) the cost of debt equal to the annual average of 10-year Interest Rate Swap on Euribor, calculated as of 31<sup>st</sup> December 2017 and increased by a 3% spread (3% as of 31<sup>st</sup> December 2016);
- f) an additional risk premium in order to calculate the cost of equity (Ke) equal to 1% (1% as of 31<sup>st</sup> December 2016).

Based on these elements, the average weighted cost of the post-tax capital is equal to 5.20% (4.73% as of 31<sup>st</sup> December 2016). These rates have been used for updating cash flows in the period provided for by the 2018-2020 Plan.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 5.82% (5.36% as of 31<sup>st</sup> December 2016) and was calculated based on the above parameters and providing for an additional risk premium for the calculation of the cost of equity (Ke) of 2.0% (2% as of 31<sup>st</sup> December 2016)., to consider the uncertainty on the possible renewal of the concessions and their conditions of renewal.

On the basis of these elements, the recoverable value of the gas distribution CGU is higher than the accounting values and therefore the conditions are not met to write down the goodwill for impairment.

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

The Directors have identified - in scenario 1 - which discount rate value and which variation in EBITDA considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Distribution CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 7.3% (7.0% as of 31<sup>st</sup> December 2016), or an average decrease in EBITDA equal to 23.1% (24.7% as of 31<sup>st</sup> December 2016).

The Directors have finally identified - in scenario 2 - which discount rate value and which variation in plants reimbursement values considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Distribution CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 11.6% (12.5% as of 31<sup>st</sup> December 2016), or an average decrease in reimbursement values equal to 23.4% (27.1% as of 31<sup>st</sup> December 2016).

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

Regarding the activity of natural gas sale, it was hypothesized that in the period 2018-2020 the management would generate financial flows in line with those envisaged in the Economic and Financial Plan 2018-2020. The terminal value has been estimated as an estimate of a perpetuity based on results expected for 2020.

The growth factor (g) used for the purpose of calculating the terminal value, has been estimated at 1.40% (1.15% as of 31<sup>st</sup> December 2016), in line with the inflation rate forecasts elaborated for Italy by the International Monetary Fund.

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

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

- c) an equity risk premium equal to 5.5% (5.5% as of 31<sup>st</sup> December 2016), based on authoritative academic sources, professional practices, market consensus and the guidance provided by Organismo Italiano di Valutazione (OIV);
- d) the Risk-Free Rate adopted - equal to the annual average of net yields on 10-year government bonds as of 31<sup>st</sup> December 2017;
- e) the cost of debt equal to the annual average of 10-year Interest Rate Swap on Euribor, calculated as of 31<sup>st</sup> December 2017 and increased by a 3% spread (3% as of 31<sup>st</sup> December 2016);
- f) an additional risk premium in order to calculate the cost of equity (Ke) equal to 2% (2% as of 31<sup>st</sup> December 2016).

Based on these elements, the average weighted cost of the post-tax capital is equal to 5.84% (5.24% as of 31<sup>st</sup> December 2016). These rates have been used for updating cash flows in the period provided for by the 2018-2020 Plan.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 6.46% (5.82% as of 31<sup>st</sup> December 2016), and was calculated based on the above parameters and providing for a further additional risk premium or the calculation of the cost of equity (Ke) of 3% (3% as of 31<sup>st</sup> December 2016), to consider a fiercer competitive context.

On the basis of these elements, the recoverable value of the gas sale CGU is higher than the accounting values and therefore the conditions are not met to write down the goodwill for impairment.

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

The Directors have finally identified which discount rate value and which variation in EBITDA considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Gas Sale CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 28.0% (29.0% as of 31<sup>st</sup> December 2016), or an average decrease in EBITDA equal to 80.1% (82.3% as of 31<sup>st</sup> December 2016).

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

Upon transfer to AP Reti Gas S.p.A. of the gas distribution activities, Ascopiave S.p.A. became a share interest holding that carries out direction and strategic coordination activities in the Ascopiave Group. Pursuant to IAS 36 accounting standard, we verified the recoverability of the so-called “corporate assets” of Ascopiave S.p.A. i.e. the assets and liabilities related to the main Ascopiave S.p.A. assets that have not been allocated in the CGUs during the first level

impairment tests. The test has been carried out on a consolidation level (second level test) as prescribed in IAS 36. We verified the net invested consolidated capital of Ascopiave, net of un-consolidated share interests. Specifically, the recoverable amount has been determined as the sum of the following: i) recoverable amount of the CGUs gas distribution, gas sale and activities that were deemed as primary during the first level impairment test and ii) the recoverable amount of company Ascopiave. In both cases the value-in-use value configuration was used.

About the recoverable amount of Ascopiave, the cash flows used are consistent with the forecasts set forth by company management for the years 2018-2020. Terminal value was determined as the estimate of infinity starting from the results expected in 2020.

The (g) growth factor that was used for the calculation of the terminal value was set to 1.40% (1.15% as of 31<sup>st</sup> December 2016), consistent with the inflation estimate for Italy by the International Monetary Fund and below the inflation target of the Central European Bank.

The pondered cost of capital (WACC) was estimated as the pondered average of WACC amounts calculated for each CGU, where ponderation factors weight in percentage over the Operating Results of each CGU for the entire Operating Result of 2017.

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

## 2. Other intangible fixed assets

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

	31.12.2017			31.12.2016		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
(Thousands of Euro)						
Industrial patent and intellectual property rights	5,579	(5,366)	213	4,910	(4,524)	386
Concessions, licences, trademarks and similar rights	15,256	(8,302)	6,954	9,933	(4,835)	5,098
Other intangible assets	25,632	(19,398)	6,234	25,632	(17,300)	8,332
Tangible assets under IFRIC 12 concession	599,302	(271,714)	327,589	544,096	(243,789)	300,307
Intangible assets in progress under IFRIC 12 concession	5,945	0	5,945	2,783	0	2,783
<b>Other intangible assets</b>	<b>651,714</b>	<b>(304,780)</b>	<b>346,934</b>	<b>587,353</b>	<b>(270,448)</b>	<b>316,905</b>

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

	31.12.2016				31.12.2017		
	Net value	Values of newly acquired companies	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
(Thousands of Euro)							
Industrial patent and intellectual property rights	386	0	0		173		213
Concessions, licences, trademarks and similar rights	5,098	2,593	180		917		6,954
Other intangible assets	8,332	0	0	24	2,074		6,234
Tangible assets under IFRIC 12 concession	300,307	25,145	18,469	2,024	15,724	(1,416)	327,589
Intangible assets in progress under IFRIC 12 concession	2,783	378	2,786	2	0		5,945
<b>Other intangible assets</b>	<b>316,905</b>	<b>28,116</b>	<b>21,436</b>	<b>2,050</b>	<b>18,889</b>	<b>(1,416)</b>	<b>346,934</b>

The investments made during the financial year amount to Euro 21,436 thousand and refer to costs incurred for the

realization of the infrastructures for natural gas distribution. The extension of the scope of consolidation determined an increase in the item “other intangible assets” to the tune of Euro 28,116 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 amortization of the period.

#### Concessions, licenses, trademarks and similar rights

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

#### Other intangible fixed assets

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

The analysis of customers switching performed at the end of the year has not highlighted any switch-out percentages above the expected depreciation percentage, and therefore its useful life (10 years) has not required any changes or impairments.

#### 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 financial year, the increase amounts to Euro 27,281 thousand, mainly explained by the extension of the scope of consolidation and the investments made. Including the reclassifications of assets under construction, investments totaled Euro 18,469 thousand, whereas depreciation in the period amounted to Euro 15,724 thousand. Net divestments, equal to Euro 609 thousand, are mainly related to the mass replacement of meters.

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 ARERA 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 2,786 thousand (Euro 378 thousand due to the extension of the consolidation scope).

### *3 Tangible assets*

The changes in the historical cost and accumulated amortization of tangible assets at the end of the period under

examination are shown in the following table:

(Thousands of Euro)	31.12.2017			31.12.2016			
	Historic cost	Accumulated depreciation	Provision for impairment	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	40,108	(11,775)		28,333	37,169	(9,708)	27,461
Plant and machinery	2,737	(1,396)	(995)	346	2,599	(1,129)	1,470
Industrial and commercial equipment	3,428	(2,929)		499	3,192	(2,673)	519
Other tangible assets	17,107	(14,684)		2,423	15,871	(13,195)	2,676
Tangible assets in progress and advance payments	733	0		733	238	0	238
<b>Other tangible assets</b>	<b>64,113</b>	<b>(30,784)</b>	<b>(995)</b>	<b>32,334</b>	<b>59,071</b>	<b>(26,706)</b>	<b>32,364</b>

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

(Thousands of Euro)	31.12.2016				31.12.2017	
	Net value	Values of newly acquired companies	Change for the period	Amortizations during the period	Depreciations	Net value
Lands and buildings	27,461	1,987	99	1,214		28,333
Plant and machinery	1,470	2	1	132	995	346
Industrial and commercial equipment	519	14	48	82		499
Other tangible assets	2,676	217	409	879		2,423
Tangible assets in progress and advance payments	238	0	494	0		733
<b>Other tangible assets</b>	<b>32,364</b>	<b>2,220</b>	<b>1,051</b>	<b>2,307</b>	<b>995</b>	<b>32,334</b>

At the end of the reporting period, tangible fixed assets amounted to Euro 32,334 thousand. The change is mainly explained by the depreciation of the period and the extension of the consolidation scope.

The write-downs are related to the impairment test conducted on the financial flow generated by the management of the cogeneration and heat supply plants, the results of which have shown a permanent impairment of said facilities, totaling Euro 995 thousand.

#### Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. At the end of the period, the item, net of the change in the consolidation scope, increased by Euro 99 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 significant investments during the period and the change is mainly explained by the write-downs made following the results of the impairment test for Euro 995 thousand. The weighted average cost of capital after tax (WACC) used for discounting the cash flows generated by the plants’ industrial plan, and the benchmarks for determining the same, are described in scenario 1 of the distribution SBU in the paragraph “Goodwill” of this annual financial report.

#### Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 48 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity. The extension of the scope of consolidation determined the recognition of Euro 14 thousand.

Other assets

The investments made during financial year 2017 are equal to Euro 409 thousand and they mainly relate to the costs incurred for the purchase of corporate vehicles (Euro 251 thousand), hardware and phones (Euro 149 thousand).

Tangible assets under construction and advance payments

The item mainly includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the year, the item changed by Euro 494 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			31.12.2017	
	Net value	Increase	Decrease	Net value	
(Thousands of Euro)					
Shareholdings in jointly controlled companies	68,737	6,834	6,700	68,871	
Shareholdings in other companies	1	6		7	
<b>Shareholdings</b>	<b>68,738</b>	<b>6,840</b>	<b>6,700</b>	<b>68,878</b>	

*Shareholdings in joint companies*

Shareholdings in joint companies increase from Euro 68,738 thousand to Euro 68,871 thousand marking an increase of Euro 133 thousand 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 2017 for Euro 6,834 thousand of which Estenergy S.p.A. Euro 4,991 thousand, ASM Set S.r.l. Euro 879 thousand and Unigas Distribuzione S.r.l. Euro 964 thousand, net of discounting charges on Severance Indemnity for Euro 6 thousand.

The valuation of investments in joint ventures using the equity method and the economic and financial data of these companies are shown in the section “Synthesis data as of 31<sup>st</sup> December 2017 of jointly controlled companies consolidated using the equity method” of the Explanatory Notes.

*Shareholdings in affiliate companies*

**Sinergie Italiane S.r.l. in liquidation**

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

The scope of activity of the associate company during the financial year 2016-2017 only included the import of Russian gas and its transfer to the sales companies in which shareholders hold a stake as well as the management of agreements, transactions and disputes concerning the regulation of contractual relations, finalized before to the liquidation.

It should be noted that during the month of August 2013, the associate completed the renegotiation of natural gas purchase prices envisaged by the “Take or pay” agreements with the supplier “Gazprom Export LLC”; the economic

benefit resulting from the renegotiation will be extended to the two-year periods 2013-2014 and 2014-2015.

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

Based on the results of the financial statements for the year 2016-2017, as approved by the Shareholders' meeting on 18<sup>th</sup> December 2017 and on preliminary operating data of financial year 2016-2017 restated pursuant to international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 11,737 thousand, of which Euro 3,631 thousand attributable to the Ascopiave Group. Given that the capital deficit of the affiliate company as of 31<sup>st</sup> December 2016 amounted to Euro 13,561 thousand, of which Euro 4,196 thousand attributable to the Ascopiave Group, the Directors have adjusted the related provision for risks and charges allocated against the capital deficit of the affiliate company for Euro 564 thousand, with a positive impact on the profit and loss statement (Euro 1,157 thousand as of 31<sup>st</sup> December 2016).

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

(Values referred to pro-rata participation in Million of Euro)	Balance as of 30/09/2017	First quarter as of 31/12/2016	Balance as of 30/09/2016
Non-current assets	2.14	2.62	2.67
Current assets	7.46	9.01	6.72
Net equity	(3.48)	(4.03)	(4.35)
Non-current liabilities	0.00	0.00	0.00
Current liabilities	12.10	14.63	12.72
Revenues	59.17	15.36	53.32
Costs	(57.23)	(14.82)	(51.38)
Gross operative margin	1.94	0.54	1.94
Amortization and depreciation	(1.01)	(0.20)	(0.80)
Operating result	0.93	0.34	1.14
Net result	0.87	0.32	1.08
NFP	2.93	2.45	2.09

The figures at 30<sup>th</sup> September 2017 differ from those published in the interim report on operations at 30<sup>th</sup> September 2017 due to changes occurred upon closing and approving the associate's financial statements at 30<sup>th</sup> September 2017; the data at 31<sup>st</sup> December 2017 were not received soon enough for their inclusion in the consolidated statements.

#### *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)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Security deposits	8,877	10	8,867	9,438
Other receivables	4,138		4,138	4,128
<b>Other non-current assets</b>	<b>13,015</b>	<b>10</b>	<b>13,005</b>	<b>13,566</b>

Non-current assets are mostly made up of security deposits that the companies selling natural gas have issued for the monthly payments due for the import of gas from Russia and deposits paid to Gestore Mercati Energetici for the purchase of energy efficiency certificates. Other non-current assets decrease from Euro 13,566 thousand to Euro 13,015 thousand marking a decrease of Euro 551 thousand (Euro 561 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 whose balance as of 31<sup>st</sup> December 2017 was equal to Euro 7,510.

The item “Other receivables”, which decreases by Euro 10 thousand, is made up of:

- Receivables from the Municipality of Creazzo, for a value of Euro 1,678 thousand, which are written off for Euro 464 thousand as compared to 31<sup>st</sup> December 2006. The delivery of said infrastructures occurred following the date of expiry of the concession, on 31<sup>st</sup> 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 financial statements.
- Receivables from the Municipality of Santorso, for Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31<sup>st</sup> December 2006. The value of the receivables from the municipality corresponds to what the municipality of Santorso has been asked to retrocede as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.
- Receivables from the municipality of Costabissara, for Euro 1,537 thousand. This amount corresponds to the net book value of the distribution systems delivered on 1<sup>st</sup> October 2011.

As of 31<sup>st</sup> December 2016, there are on-going litigations with the municipalities mentioned above in order to define the value of compensation of the delivered distribution systems. The Group, also following the opinion of its legal advisors, believes that the result of the litigation and arbitration procedures is uncertain. The evolution of these disputes can be found in the paragraph “Litigations” of these financial statements.

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)	31.12.2017	31.12.2016
Non-current assets from derivative instruments		485
<b>Non-current assets from derivative instruments</b>		<b>485</b>

As of 31<sup>st</sup> December 2017, there are no assets on derivatives beyond 12 months.

7. Advance tax receivables

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

(Thousands of Euro)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Advance tax receivables	11,479	1,180	10,299	9,758
<b>Advance tax receivables</b>	<b>11,479</b>	<b>1,180</b>	<b>10,299</b>	<b>9,758</b>

Advance taxes increase from Euro 9,758 thousand to Euro 11,479 thousand, marking an increase of Euro 1,721 thousand (Euro 541 thousand on a comparable consolidation basis).

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31<sup>st</sup> December 2017 and at the time when it is estimated that any temporary differences will be carried forward.

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

Description	31 December 2017			31 December 2016		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	2,442	24.0%	586	3,180	24.0%	763
Allocation of inventory write-down	33	28.2%	9	33	28.2%	9
Amortizations IRES 24% + IRAP 4,2%	1,343	28.2%	379	1,355	28.2%	382
Risks fund	1,417	24.0%	340	1,588	24.0%	381
Exceeding amortizations within 2013	6,967	28.2%	1,965	6,838	28.2%	1,928
Other IRES 24% + IRAP 4,2%	1,037	28.2%	292	1,058	28.2%	298
PILT - Phatom stock option - risks fund	2,349	24.0%	564	1,386	24.0%	333
Risks fund	120	27.9%	33	59	27.9%	17
Other IRES 24%	4,291	24.0%	1,030	522	24.0%	125
IRES 24% exceeding amortizations	25,770	24.0%	6,185	22,290	24.0%	5,349
Other - gas sale IRES 24% + 3,9%	338	27.9%	94	579	27.9%	161
Other - gas distr. IRES 24% + irap 4,2%	5	28.2%	2	36	28.2%	10
<b>Total advance taxes</b>	<b>46,111</b>		<b>11,479</b>	<b>38,922</b>		<b>9,758</b>

## Current assets

### 8. Inventories

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

	31.12.2017			31.12.2016		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
<i>(Thousands of Euro)</i>						
Gas stockage	1,608	0	1,608	1,945	0	1,945
Fuels and warehouse materials	2,246	(33)	2,213	2,399	(33)	2,366
Values of newly acquired companies	257	(6)	252			
<b>Inventories</b>	<b>4,111</b>	<b>(39)</b>	<b>4,072</b>	<b>4,344</b>	<b>(33)</b>	<b>4,311</b>

As of 31<sup>st</sup> December 2017, inventories are equal to Euro 4,072 thousand and show an overall decrease equal to Euro 239 thousand as compared to 31<sup>st</sup> December 2016, mainly explained by the decrease in the amount of natural gas stored (- Euro 337 thousand), dal the decrease in goods in stock (- Euro 153 thousand) and material inventories of the newly acquired companies (+ Euro 252 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 39 thousand (of which Euro 6 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 (31<sup>st</sup> December 2017 equal to 20.00 €/MWh source MGS; 31<sup>st</sup> December 2016 equal to 20.55 €/MWh source MGS). At the end of the period, no depreciation of stocked gas price was necessary, as the market value was higher than the carrying amount of the stocked natural gas.

### 9. Trade receivables

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

	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
	<i>(Thousands of Euro)</i>			
Receivables from customers	78,998	1,700	77,298	66,882
Receivables for invoices to be issued	83,245	3,026	80,219	88,345
Bad debt provisions	(5,358)	(232)	(5,127)	(7,148)
<b>Trade receivables</b>	<b>156,884</b>	<b>4,495</b>	<b>152,390</b>	<b>148,079</b>

Trade receivables increased from Euro 148,079 thousand to Euro 152,390 thousand, marking an increase of Euro 4,311 thousand on a comparable consolidation basis.

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 lower provisions, equal to Euro 2,021 thousand on a comparable consolidation basis, 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 2017, 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)	<b>31.12.2017</b>	<b>31.12.2016</b>
Initial bad debt provisions	7,148	12,052
Bad debt provisions from acquisitions	295	(0)
Provisions	1,134	2,891
Use	(2,576)	(7,796)
<b>Final bad debt provisions</b>	<b>6,001</b>	<b>7,148</b>

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

(Thousands of Euro)	<b>31.12.2017</b>	<b>31.12.2016</b>
Gross trade receivables for invoices issued	78,998	66,882
(allowance for doubtful accounts)	(5,358)	(7,148)
<b>Net trade receivables for invoices issued</b>	<b>73,640</b>	<b>59,734</b>

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

- to expire	72,284	51,710
- expired within 6 months	548	6,574
- overdue by 6 to 12 months	1,945	3,047
- expired more than 12 months	4,221	5,551

*10. Other current assets*

The following table shows the breakdown of the item at the end of the period considered:

(Thousands of Euro)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Tax consolidation receivables	9,601		9,601	4,777
Annual pre-paid expenses	435	1	435	275
Advance payments to suppliers	7,589	787	6,802	9,837
annual accrued income	19	19	0	0
Receivables due from CSEA	29,362	7,626	21,736	25,819
VAT Receivables	7,183	1,893	5,290	4,096
UTF and Provincial/Regional Additional Tax receivables	912		912	2,353
Assets for forward sales	597		597	
Other receivables	2,167	310	1,857	50
<b>Other current assets</b>	<b>57,865</b>	<b>10,635</b>	<b>47,230</b>	<b>47,207</b>

Other current assets increase from Euro 47,207 thousand to Euro 57,865 thousand, marking an increase of Euro 10,658 thousand. The change is largely explained by the extension of the scope of consolidation, whereas on a comparable consolidation basis the decrease is equal to Euro 23 thousand.

The change, on a comparable consolidation basis, is mainly explained by the increase in tax consolidation receivables from Asco holding for Euro 4,824 thousand, the decrease in advance payments to suppliers for Euro 3,035 thousand, the increase in receivables from Cassa per i Servizi Energetici e Ambientali for Euro 4,083 thousand, the increase for Euro 1,194 thousand in VAT receivables, the decrease in receivables for gas and electricity excise duties for Euro 1,441

thousand, the valuation of assets for forward sales of the raw material gas for Euro 597 thousand and the increase in other receivables for Euro 1,807, relating to the tender costs paid to the entities for tenders on the concessions of the distribution networks.

In November, the companies of the Ascopiave Group delivered energy efficiency certificates for a total value of Euro 14,640 thousand, for which a contribution was received from Cassa Servizi Energetici e Ambientali to the tune of Euro 9,264 thousand. As per current regulations, the contribution allocated in December corresponds to the forecast amount; such contribution will be adjusted on 31<sup>st</sup> May 2018 subsequent to the determination of the final 2017 amount.

In 2017, 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 – March 2018 for the raw material, while the transport service is for the period October 2017 – September 2018 (2017/18 thermal year).

The item “assets for forward sales” represents the current value of the contract for the period January 2018 - March 2018 for physical deliveries of raw materials, and January - October 2018 for the transportation service relating to the transport and export capacity from the Austrian network via the TAG pipeline.

#### 11. Tax receivables

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

(Thousands of Euro)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Receivables related to IRAP	1,467	76	1,391	655
Receivables related to IRES	888	628	260	0
Other tax receivables	290	47	244	352
<b>Tax receivables</b>	<b>2,645</b>	<b>751</b>	<b>1,894</b>	<b>1,007</b>

Tax receivables increased from Euro 1,007 thousand to Euro 2,645 thousand and, net of the change in the scope of consolidation, increase by Euro 887 thousand as compared to 31<sup>st</sup> December 2016. The item includes the residual credit, minus the taxes for 2017, of the IRAP advances paid and the IRES advances for the companies that do not adhere to the Group tax consolidation system. The significant increase is explained by the high capacity of the tax advances paid in financial year 2017 compared to the decrease in the pre-tax result in the two comparative years.

#### 12. Cash and cash equivalents

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

(Thousands of Euro)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Bank and post office deposits	15,538	503	15,034	8,803
Cash and cash equivalents on hand	17	1	17	19
<b>Cash and cash equivalents</b>	<b>15,555</b>	<b>504</b>	<b>15,051</b>	<b>8,822</b>

Cash and cash equivalents increased from Euro 8,822 thousand to Euro 15,555 thousand and, net of the change in the scope of consolidation, increased by Euro 6,229 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 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)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Cash and cash equivalents	15,555	504	15,051	8,822
Current financial liabilities	(406)	0	(406)	(3,552)
Payables due to banks and financing institutions	(80,304)	(1)	(80,304)	(64,397)
Payables due to leasing companies within 12 months	(74)		(74)	(93)
<b>Net short-term financial position</b>	<b>(65,230)</b>	<b>503</b>	<b>(65,733)</b>	<b>(59,220)</b>
Medium- and long-term bank loans	(54,360)		(54,360)	(34,541)
Non-current financial liabilities	(277)		(277)	(357)
<b>Net medium and long-term financial position</b>	<b>(54,637)</b>	<b>0</b>	<b>(54,637)</b>	<b>(34,899)</b>
<b>Net financial position</b>	<b>(119,867)</b>	<b>503</b>	<b>(120,370)</b>	<b>(94,119)</b>

For comments on the main dynamics that caused changes in the net financial position, please refer to the analysis of the Group's financial data reported under the paragraph "Comments on the economic and financial results of financial year 2017" of the report on management and under the paragraph "Medium- and long-term loans" of these Annual 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)	31.12.2017	31.12.2016
Current assets from derivative instruments	1,510	1,304
<b>Current assets from derivative instruments</b>	<b>1,510</b>	<b>1,304</b>

Assets from derivatives are represented by the fair value of the following commodity derivatives as of 31<sup>st</sup> December 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	19513462	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	14-Apr-16	1-Oct-17	30-Sep-18	Long/Buy	180,912 MWh	698
2	22531817	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	10-Apr-17	1-Oct-17	31-Mar-18	Long/Buy	17,040 MWh	34
3	22540592	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	11-Apr-17	1-Oct-17	30-Sep-18	Long/Buy	41,520 MWh	70
4	22743649	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	12-May-17	1-Jan-18	30-Sep-18	Long/Buy	39,168 MWh	90
5	22753473	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	15-May-17	1-Oct-17	30-Sep-18	Long/Buy	63,912 MWh	116
6	22795284	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	19-May-17	1-Jan-18	30-Sep-18	Long/Buy	11,616 MWh	22
7	22795714	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	19-May-17	1-Jan-18	30-Sep-18	Long/Buy	9,420 MWh	19
8	22843947	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	26-May-17	1-Oct-17	30-Sep-18	Long/Buy	43,668 MWh	81
9	21422501	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	16-May-17	1-Oct-17	31-Mar-18	Long/Buy	14,566 MWh	16
10	399474425	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	4-Jul-17	1-Nov-17	31-Dec-17	Long/Buy	14,760 MWh	3
11	399474825	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	4-Jul-17	1-Feb-18	31-Mar-18	Long/Buy	18,220 MWh	49
12	23087709	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	4-Jul-17	1-Apr-18	30-Sep-18	Long/Buy	33,480 MWh	71
13	23145776	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	12-Jul-17	1-Oct-17	30-Sep-18	Long/Buy	20,016 MWh	47
14	23170149	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	17-Apr-17	1-Oct-17	30-Sep-18	Long/Buy	9,084 MWh	21
15	23197768	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	20-Jul-17	1-Oct-17	30-Sep-18	Long/Buy	7,284 MWh	14
16	21625708	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	7-Jul-17	1-Oct-17	30-Apr-18	Long/Buy	12,264 MWh	24
17	23302956	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	1-Aug-17	1-Oct-17	31-Dec-17	Long/Buy	22,090 MWh	27
18	404653234	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	4-Oct-17	1-Jan-18	31-Mar-18	Long/Buy	72,210 MWh	74
19	23681386	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	5-Oct-17	1-Mar-18	31-Mar-18	Long/Buy	14,860 MWh	13
20	406645041	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	7-Nov-17	1-Jan-18	31-Mar-18	Long/Buy	24,955 MWh	6
21	21923394	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	4-Oct-17	1-Jan-18	30-Jun-18	Long/Buy	12,960 MWh	13
<b>Total</b>									<b>684,005</b>	<b>1,510</b>

## Consolidated Shareholders' Equity

### 14. Shareholders' equity

Ascopiave S.p.A. share capital as of 31<sup>st</sup> December 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 analyzed in the following table:

	31.12.2017	31.12.2016
<b>(Thousands of Euro)</b>		
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,521)	(17,521)
Reserves	134,603	120,648
Group's Net Result	47,135	53,635
<b>Net equity of the Group</b>	<b>445,511</b>	<b>438,055</b>
Net equity of Others	2,872	2,847
Third parties Net Result	2,117	3,307
<b>Net equity of Others</b>	<b>4,989</b>	<b>6,154</b>
<b>Total Net equity</b>	<b>450,500</b>	<b>444,209</b>

During FY 2017, the variations in the consolidated net equity, excluding the result achieved in the period, were due to the distribution of dividends for Euro 43,253 thousand and a negative variation for Euro 356 thousand related to a Cash

Flow Hedge reserve against the valuation at fair value of derivatives as of 31<sup>st</sup> December 2017, partially offset by the recognition of actuarial values on employee severance indemnity (TFR) and incentive plans for a total amount of Euro 647 thousand as better illustrated in the statement of changes in shareholders' equity of these financial statements.

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:

<b>(Thousands of Euro)</b>	
Opening balance as of 1 <sup>st</sup> January 2017	1592
Effectiveness gained during the year	(1,091)
Effectively released in the income statement during the year	1002
<b>Closing balance</b>	<b>1,503</b>

The value of the cash flow hedge reserve as of 31<sup>st</sup> December 2017 refers to the expected supply flows which will be recognized 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 year-end, upward and downward, there would be, respectively, an improvement and a worsening of approximately Euro 990 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 analyzed.

#### *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 item is broken down for each period considered:

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>Values of newly acquired companies</b>	<b>Net values of newly acquired companies</b>	<b>31.12.2016</b>
Provision for pension for gas sector employees	1,740	17	1,724	1,089
Other provisions for risks and charges	4,172		4,172	5,903
<b>Provisions for risks and charges</b>	<b>5,913</b>	<b>17</b>	<b>5,896</b>	<b>6,992</b>

Reserves for risks and charges decreased from Euro 6,992 thousand to Euro 5,913 thousand and, net of the change in the scope of consolidation, they decreased by Euro 1,096 thousand.

The variation is mainly explained by the use of the provision for employment-related litigations with employees by the subsidiary Veritas Energia S.p.A. for Euro 1,166 thousand (posted to the income statement under contingent assets) and the decrease in the provisions for risks related to Sinergie Italiane S.r.l. in liquidation, for Euro 601 thousand. The use pertaining to Veritas Energia S.p.A. is due to the positive outcome because of the desistance of Istituto della Previdenza Sociale subsequent to the positive decision of the Court.



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

<b>(Thousands of Euro)</b>	
Reserves for risks and charges as of 1 <sup>st</sup> January 2017	6,992
Reserves for risks and charges from acquisitions	17
Provisions for risks hedging losses of associates with the equity method	(564)
Provisions for risks and charges	648
Use of provisions for risks and charges	(1,180)
<b>Provisions for risks and charges as of 31<sup>st</sup> December 2017</b>	<b>5,913</b>

During the period 1<sup>st</sup> April – 31<sup>st</sup> December 2017, the risks and charges recognized by the newly acquired companies increased by Euro 17 thousand relating to the severance indemnity fund for employees.

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

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Cover losses associated companies	3,632	4,196
Risks on litigation with dealers	232	232
Funds on just working causes	309	1,475
Retirement fund and similar obligations	1,740	1,089
<b>Total</b>	<b>5,913</b>	<b>6,992</b>

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

#### 16. Severance indemnity

Severance indemnity increases from Euro 4,077 thousand as of 1<sup>st</sup> January 2017 to Euro 4,836 thousand as of 31<sup>st</sup> December 2017 with an increase of Euro 759 thousand.

<b>(Thousands of Euro)</b>	
Severance indemnity as of 1 <sup>st</sup> January 2017	4,077
Values of new companies acquired	653
Retirement allowance	(1,297)
Payments for current services and work	1,418
Actuarial loss/(profits) of the period (*)	(16)
<b>Severance indemnity as of 31<sup>st</sup> December 2017</b>	<b>4,836</b>

\* including the interest cost booked in the income statement.

The liabilities for employee severance indemnities are measured using an actuarial method, its value is therefore sensitive to changes in assumptions. The main assumptions used in the measurement of severance indemnities are the discount rate, the annual average percentage of outgoing employees and the maximum retirement age of employees.

The discount rate used for the measurement of the liability resulting from employee severance indemnity is determined regarding the market yields of high quality fixed-income securities for which the due dates and amounts correspond to the due dates and amounts of future payments envisaged. For this plan, the average discount rate that reflects the estimated due dates and amounts of future payments relating to the 2017 plan is 1.30% (1.31% as of 31<sup>st</sup> December 2016).

The main hypotheses of the model are:

- mortality rate: survival table ANIA IPS55
- invalidity rate: INPS tables year 2000
- personnel turnover rate: 3.00%
- increase in remuneration rate: 1.50%
- inflation rate: 1.00%
- anticipation rate: 2.00%

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

The cost of work activities has been included in the costs of personnel, while the interest cost, equal to Euro 32 thousand, has been accounted in “Other financial costs”.

#### 17. Medium- and long-term loans

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

(Thousands of Euro)	31.12.2017	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	
<b>Medium- and long-term bank loans</b>	<b>54,360</b>		<b>54,360</b>	<b>34,541</b>
Current portion of medium and long-term loans	10,181		10,181	9,287
<b>Medium- and long-term loans</b>	<b>64,541</b>		<b>64,541</b>	<b>43,828</b>

Medium and long term loans, mainly represented as of 31<sup>st</sup> December 2017 by the payables of the Parent Company to the European Investment Bank for Euro 31,000 thousand and to BNL for Euro 30,000 thousand, increase from Euro 43,828 thousand to Euro 64,541 thousand, marking an increase of Euro 20,713 thousand, explained by a new 12-year loan taken out in August 2017 with BNL and the payment of the installments in 2017.

Concerning the loan issued by the European Investment Bank, paid in two tranches in 2013 equaling Euro 45,000 thousand, its outstanding debt as of 31<sup>st</sup> December 2017 is equal to 31,000 thousand, with Euro 4,750 thousand classified in due to banks and short-term loans.

The first loan tranche, whose original amount was Euro 35,000 thousand, will be reimbursed in 12 constant six-month installments between 27<sup>th</sup> February 2018 and 28<sup>th</sup> August 2023; an interest rate equal to the six-month Euribor plus a 95.5 basis points spread will be applied. The second loan tranche, whose original amount was Euro 10,000 thousand, will be reimbursed in 16 constant six-month installments, the first expiring on 27<sup>th</sup> February 2018 and the last expiring

on 27<sup>th</sup> August 2025; an interest rate equal to the six-month Euribor plus a 71.5 basis points spread will be applied, in addition to the annual cost of 135 basis points related to the guarantee issued by Cassa Depositi e Prestiti S.p.A..

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

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

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

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

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

At the end of 2017, the covenants envisaged by the contract were respected since:

- a) the Ebitda / net financial expenses ratio was equal to 180,36, calculated as the ratio between the Ebitda consolidated on that date, amounting to Euro 84,409 thousand, and the consolidated net financial expenses, amounting to Euro 468 thousand;
- b) the net financial position / Ebitda ratio was 1.42, calculated as the ratio between the net financial position consolidated on that date, amounting to Euro 119,867 thousand, and the consolidated Ebitda, amounting to Euro 84,409 thousand.

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 instalment for the capital portion and interest calculated by applying a fixed rate equal to 1.92%.

As a guarantee of the fulfillment 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:

- a) Net financial position/Ebitda ratio  $\leq 3.5$ ;
- b) RAB  $\geq$  Euro 300,000 thousand.

At the end of 2017, the covenants envisaged by the contract were respected since:

- a) The Net financial position/Ebitda ratio was 1.42, calculated as the ratio of consolidated Net financial position at that date, in the amount of Euro 119,867 thousand, to consolidated Ebitda, amounting to Euro 84,409 thousand;
- b) the consolidated RAB is equal to Euro 433,932 thousand.

The medium long-term loan with Unicredit S.p.A. was signed by the Parent Company in 2011, to finance important company aggregation operations. The original amount of the loan was Euro 40,000 thousand, and the loan has a seven-

year duration. The prepayment of the loan is set on six-month postponed installments, from 31<sup>st</sup> December 2011 to 30<sup>th</sup> June 2018.

During 2017 two installments of said loan have been paid for Euro 2,857 thousand each, leading to a decrease in the loan itself for Euro 5,714 thousand and to an outstanding debt amounting to Euro 2,857 thousand at the end of the financial year.

The interest rate is variable, and it involves a three-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the “spread” parameter. The value of the fixed margin is apt to increase based on the value of the ratio between the consolidated net financial position and the consolidated gross operative margin at the end of each financial year, as reported in the following table:

Value of N.F.P./G.O.M.	ratio Spread value
Index > 2.5	125 basis point
2 < Index < 2.5	90 basis point
Index < 2	75 basis point

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

- a) the value of the index described above cannot be higher than 3.5 (covenant modified with notary deed dated 22<sup>nd</sup> December 2014, this limit was previously equal to 2.75);
- b) R.A.B.’s value (Regulatory Asset Base, i.e. the value of the gas network) cannot be lower than Euro 270,000 thousand;
- c) the stake of ASCO HOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

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

Subsequent to an agreement reached with Unicredit S.p.A. on 20<sup>th</sup> November 2015, the annual verification of compliance with financial and operating covenants under a) and b), since 2015 is no longer performed on the Group’s consolidated data prepared pursuant to the IFRSs, but on the pro-forma consolidated data based on the sum of the consolidated financial statements and the pro-rata share of the jointly controlled companies.

As of 31<sup>st</sup> December 2017, having complied with the index under letter a), equal to 1.19, calculated as the ratio of the pro-forma net debt on that date, amounting to Euro 116,160 thousand, to the pro-forma EBITDA, equal to Euro 97,822 thousand and with the ratio under letter b), amounting to Euro 465,904 thousand, the spread applied as from 1<sup>st</sup> January 2018 will be 75 basis points.

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

(Thousands of Euro)	<b>31.12.2017</b>
Financial year 2018	10,181
Financial year 2019	7,326
Financial year 2020	7,328
Financial year 2021	7,329
After 31 <sup>st</sup> December 2021	32,377
<b>Total medium and long-term loans</b>	<b>64,541</b>

18. Other non-current liabilities

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

(Thousands of Euro)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Security deposits	11,599	92	11,508	12,052
Multi-annual passive prepayments	11,330	1,164	10,166	8,215
<b>Other non-current liabilities</b>	<b>22,930</b>	<b>1,256</b>	<b>21,674</b>	<b>20,267</b>

Other non-current liabilities increased from Euro 20,267 thousand to Euro 22,930 thousand with an increase, net of the change in the scope of consolidation, of Euro 1,407 thousand.

Security deposits refer to deposits of gas and electricity users.

Long-term deferred income was recognized against revenues on connections to the gas network and related to the useful life of the gas distribution plants and against revenues on contributions for the construction of distribution network. The suspension of revenues is explained by the content of Law no. 9/2014 which envisages the full deduction of contributions from private individuals from the value of technical assets held under concession within the scope of gas distribution.

19. Non-current financial liabilities

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

(Thousands of Euro)	31.12.2017	31.12.2016
Payables due to leasing companies (over 12 months)	277	357
<b>Non-current financial liabilities</b>	<b>277</b>	<b>357</b>

Non-current financial liabilities decreased from Euro 357 thousand as of 31<sup>st</sup> December 2016 to Euro 277 thousand, marking a decrease of Euro 80 thousand, and mainly include payables to leasing companies due after 12 months; the relating current portion is classified in Current financial liabilities.

The table below shows the due dates of the financial lease installments:

(Thousands of Euro)	31.12.2017
Financial year 2018	74
Financial year 2019	78
Financial year 2020	82
Financial year 2021	86
Financial year 2022	32
<b>Total payables due to leasing companies (over 12 months)</b>	<b>351</b>

20. *Deferred tax payables*

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

(Thousands of Euro)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Deferred tax payables	15,733		15,733	16,814
<b>Deferred tax payables</b>	<b>15,733</b>		<b>15,733</b>	<b>16,814</b>

Payables for deferred taxation decrease from Euro 16,814 thousand to Euro 15,733 thousand, marking a decrease of Euro 1,081 thousand, mainly due to the dynamics of amortizations in the client lists and amortization on gas distribution networks.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31<sup>st</sup> December and at the time when it is estimated that any temporary differences will be carried forward.

The total value of the temporary differences and the related amounts on which liabilities for deferred tax were recognized are as follows:

Description	31 December 2017			31 December 2016		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations	26,751	24.0%	6,420	27,954	24.0%	6,709
Severance indemnity	28	24.0%	7	31	24.0%	7
Exceeding amortizations	14,612	28.2%	4,121	15,598	28.2%	4,399
Goodwill deductibility for tax purposes - gas sale	2,458	27.9%	686	2,236	27.9%	624
Other	305	24.0%	73	266	24.0%	64
Customer list after 2016	5,826	28.2%	1,643	7,900	28.2%	2,228
Goodwill deductibility for tax purposes	9,872	28.2%	2,784	9,872	28.2%	2,784
<b>Total deferred tax payables</b>			<b>15,733</b>			<b>16,814</b>

**Current liabilities**

21. *Amounts due to banks and current portion of medium- / long-term loans*

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

(Thousands of Euro)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Payables due to banks	70,123	1	70,122	55,110
Current portion of medium-long-term loans	10,181		10,181	9,287
<b>Payables due to banks and financing institutions</b>	<b>80,304</b>	<b>1</b>	<b>80,304</b>	<b>64,397</b>

Payables to banks increase from Euro 64,397 thousand to Euro 80,304 thousand, marking an increase of Euro 15,907 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

The following table shows the allocation of Group's credit lines used and available and related rates applied as of 31<sup>st</sup> December 2017.

Bank	Type of credit line	Credit line at 31/12/2017	Rate at 31/12/2017	Use of credit line at 31/12/2017
Banca di Credito Cooperativo delle Prealpi	Cash loan	5,000	n.d.	-
Banca di Credito Cooperativo delle Prealpi	Long-term mortgage	684	2,10%	684
Banca Europea per gli Investimenti	Long-term mortgage	21,000	0,68%	21,000
Banca Europea per gli Investimenti	Long-term mortgage	10,000	0,44%	10,000
Banca Monte dei Paschi di Siena	Endorsement loan	20,000	0,30%	9,700
Banca Nazionale del Lavoro	Cash loan	20,000	0,00%	-
Banca Nazionale del Lavoro	Long-term mortgage	30,000	1,92%	30,000
Banca Nazionale del Lavoro	Endorsement loan	10,000	0,30%	1,190
Banca Popolare dell'Emilia Romagna	Cash loan	10,000	n.d.	-
Banca Popolare Friuladria	Cash loan	11,000	n.d.	-
Banca Popolare Friuladria	Endorsement loan	2,000	n.d.	-
Banca Sella	Cash loan	5,000	n.d.	-
Banco BPM	Cash loan	20,000	n.d.	-
Banco BPM	Endorsement loan	9,485	0,40%	3,012
Banco di Desio e della Brianza	Cash loan	5,000	n.d.	-
Credito Emiliano	Cash loan	25,000	0,00%	25,000
Intesa SanPaolo	Cash loan	80,500	0,00%	30,000
Intesa SanPaolo	Endorsement loan	2,500	n.d.	-
Large Corporate One	Long-term mortgage	2,857	0,75%	2,857
Unicredit	Cash loan	48,702	0,00%	15,000
Unicredit	Endorsement loan	42,000	0,30%	13,860
Unione di Banche Italiane	Cash loan	30,000	n.d.	-
Banca Nazionale del Lavoro	Endorsement loan	1,000	0,30%	202
Banco BPM	Endorsement loan	515	0,40%	515
Intesa SanPaolo	Endorsement loan	200	0,30%	200
Unicredit	Cash loan	1,801	n.d.	-
Unicredit	Endorsement loan	10,800	0,30%	7,700
Unicredit	Derivatives line	3	n.d.	3
Banca Alto Vicentino	Endorsement loan	1,527	2,00%	1,527
Cassa di Risparmio del Veneto	Cash loan	150	n.d.	-
Cassa di Risparmio del Veneto	Endorsement loan	300	0,50%	150
Intesa SanPaolo	Cash loan	50	n.d.	-
Intesa SanPaolo	Endorsement loan	2,599	1,00%	2,307
Unione di Banche Italiane	Endorsement loan	50	n.d.	-
Banca Monte dei Paschi di Siena	Endorsement loan	32	n.d.	-
Cassa di Risparmio del Veneto	Endorsement loan	189	0,40%	189
Unicredit	Cash loan	1,100	n.d.	-
Unicredit	Endorsement loan	1,410	n.d.	-
Banca Popolare Friuladria	Endorsement loan	2,000	0,40%	1,996
BNP Paribas Lease Group	Cash loan	351	n.d.	351
		<b>434,805</b>		<b>177,443</b>

Note: the total use of credit lines is not equal to the total bank loan because this not include the use of endorsement loan

The higher uses existing as of 31<sup>st</sup> December 2017 compared to the previous year depend mainly on the medium/long-term loan taken out with Banca Nazionale del Lavoro S.p.A. and the particularly advantageous rates applied to short-term loans.

## 22. Trade payables

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

(Thousands of Euro)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Payables to suppliers	44,843	157	44,685	25,100
Payables to suppliers for invoices not yet received	72,810	12,153	60,657	77,952
<b>Trade payables</b>	<b>117,653</b>	<b>12,310</b>	<b>105,342</b>	<b>103,052</b>

Trade payables increase from Euro 103,052 thousand to Euro 105,342 thousand, marking a decrease, net of the change in the scope of consolidation, of Euro 2,290 thousand.

23. Payables to tax authorities

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

(Thousands of Euro)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
IRAP payables	625		625	1,029
IRES payables				202
<b>Tax payables</b>	<b>625</b>		<b>625</b>	<b>1,231</b>

Trade payables decrease from Euro 1,231 thousand to Euro 625 thousand, marking a decrease of Euro 606 thousand and include payables accrued at the end of year 2017 for IRAP.

24. Other current liabilities

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

(Thousands of Euro)	31.12.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Advance payments from customers	3,386	22	3,364	2,519
Amounts due to parent companies for tax consolidation	4,550		4,550	6,382
Amounts due to social security institutions	1,604	114	1,490	1,451
Amounts due to employees	5,240	244	4,996	4,679
VAT payables	4,694		4,694	2,650
Payables to revenue office for withholding tax	1,119	74	1,045	936
Annual passive prepayments	988	32	957	627
Annual passive accruals	471		471	368
UTF and Provincial/Regional Additional Tax payables	3,534		3,534	6,500
Liabilities for short-term purchase commitments	611		611	
Other payables	12,114	2,449	9,665	7,579
<b>Other current liabilities</b>	<b>38,312</b>	<b>2,935</b>	<b>35,377</b>	<b>33,691</b>

Other current liabilities increased from Euro 33,691 thousand to Euro 38,312 thousand, marking an increase, net of the change in the scope of consolidation, of Euro 1,686 thousand.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realization of thermal plants in progress as of the end of the financial period as of 31<sup>st</sup> December 2017.

Tax consolidation payables

This heading includes the accrued payables to parent company Asco Holding S.p.A., as part of the National Consolidation regime contracts signed by the Group companies with Asco Holding S.p.A. The balance of the IRES payables accrued for taxation up to 31<sup>st</sup> December 2017 is with a decrease of Euro 1,832 thousand as compared to 31<sup>st</sup> December 2016.

Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employers and



managers, accrued as of 31<sup>st</sup> December 2017 but not yet paid as of year-end.

#### Payables to personnel

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31<sup>st</sup> December 2017 but not paid out on that date. This item increased from the previous year by Euro 317 thousand, mainly due to the payables accrued as of year ended due to the incentive plan.

#### VAT payables

VAT payables increased, net of the change in the scope of consolidation, by Euro 2,044 thousand as compared to 31<sup>st</sup> December 2016. The increase in VAT payables is explained by the quarterly compensation of the tax, granted to the subsidiaries selling natural gas and electricity, 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 revenues from cogeneration/heat supply.

#### Annual accrued liabilities

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

#### UTF payables and Additional Regional/Provincial Tax

They relate to amounts payable to the technical department of finance and to the payment of excise duty and additional taxes on natural gas. The balance is explained by the different timing of billing gas consumption to users, in contrast with the monthly payments carried out by the sales company regarding the previous year. As of 31<sup>st</sup> December 2017, the Group's total amount of payables is Euro 3,534 thousand as compared to Euro 6,500 thousand in the previous year.

#### Liabilities for forward sales

In 2017, 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 – March 2018 for the raw material, while the transport service is for the period October 2017 – September 2018 (2017/18 thermal year).

At the end of the year, the item represents the current value of the contract for the period January 2018 - March 2018 for physical deliveries of raw materials, and January - October 2018 for the transportation service relating to the transport and export capacity from the Austrian network via the TAG pipeline.

#### Other payables

These figures increase by Euro 2,086 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 2,001 thousand, and higher payables to the Tax Authority for the introduction of the Rai television license fee in the electricity bill for Euro 44 thousand.

The item also includes payables for staff charges accrued as of 31<sup>st</sup> December 2017.

Benefits based on financial instruments

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

The plans adopted by the Group include the allocation of rights including acknowledgement in favor 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)	31.12.2017	31.12.2016
Financial payables within 12 months	406	3,552
Payables to leasing companies within 12 months	74	93
<b>Current financial liabilities</b>	<b>480</b>	<b>3,645</b>

Current financial liabilities decrease by Euro 3,645 thousand to Euro 480 thousand, marking a decrease of Euro 3,165 thousand mainly due to the bank account balance for the joint control subsidiary ASM SET S.r.l. for Euro 279 thousand and payables of the subsidiary Bluemeta S.p.a. to the Region of Lombardy.

Payables to leasing companies includes the current installment 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 Yearly Financial Report.

*26. Current liabilities from derivative financial instruments*

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

(Thousands of Euro)	31.12.2017	31.12.2016
Current liabilities from derivative financial instruments	7	29
<b>Current liabilities from derivative financial instruments</b>	<b>7</b>	<b>29</b>

Liabilities on derivatives are represented by the fair value of the following commodity as of 31<sup>st</sup> December 2017, which will have financial manifestation between 1<sup>st</sup> January 2018 and 31<sup>st</sup> December 2018:

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	396355849	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	16-May-17	1-Oct-17	31-Dec-17	Long/Buy	50,508 MWh	2
2	409554449	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	22-Dec-17	1-Apr-18	30-Apr-18	Long/Buy	10,800 MWh	1
3	22076671	BNP Paribas	Commodity Swap	Gas TTF Month Ahead	15-Dec-17	1-Jan-18	31-Jan-18	Long/Buy	7,440 MWh	4
<b>Total</b>									<b>68,748</b>	<b>7</b>

## 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:

(Thousands of Euro)	Financial year 2017	Values of newly acquired companies	Net values of newly acquired companies	Financial year 2017
Revenues from gas transportation	34,084	8,675	25,409	25,409
Revenues from gas sale	382,951		382,951	382,951
Revenues from electricity sale	56,840		56,840	56,840
Revenues from connections	200	29	171	171
Revenues from heat supply	42		42	42
Revenues from distribution services	6,949	765	6,184	6,184
Revenues from services supplied to Group companies	3,663	9	3,654	3,654
Revenues from ARERA contributions	39,496	4,219	35,277	35,277
Revenues for forward sales of raw materials	1,941		1,941	1,941
Other revenues	6,625	616	6,009	6,009
<b>Revenues</b>	<b>532,792</b>	<b>14,313</b>	<b>518,479</b>	<b>518,479</b>

At the end of the period considered, the Ascopiave Group's revenues amounted to Euro 532,792 thousand, as compared to Euro 497,689 thousand in the previous year; on a comparable consolidation basis, revenues amounted to Euro 518,479 thousand, increasing by Euro 20,790 thousand.

The change is mainly explained by higher revenues from ARERA contributions (Euro +18,211 thousand), partially offset by the decline in revenues from electricity sales (Euro – 1,801 thousand).

The *transportation of natural gas* to the distribution network, on a comparable consolidation basis, generated revenues for Euro 25,409 thousand, with a decrease as compared to the previous year of Euro 3,558 thousand, involving the transport of 946.9 million cubic meters distributed to the sales companies (801.7 million as of 31<sup>st</sup> December 2016). The Restriction on total revenues is determined, year after year, based on the number of redelivery points the Company served during the reference period, as well as on the reference price, whose values are established and published by the Authority.

The revenues from *natural gas sale*, equaling Euro 382,951 thousand, record an increase totaling Euro 3,221 thousand as compared to 2016. During 2017, 803.8 million cubic meters of natural gas were sold as compared to 800.3 million in the same period in the previous year.

At the end of the year, the revenues deriving from the sale of natural gas to wholesalers or at the virtual trading point (so-called VTP) were booked totaling Euro 60,521 thousand (Euro 50,623 thousand as of December 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.

At the end of the reference year, the revenues from *electricity sales* amounted to Euro 56,890 thousand (Euro 58,691 thousand in 2016). The GWhs sold in 2017 amount to 383.4 million (339.9 million in 2016).

The revenues from *connection services to the distribution network*, on a comparable consolidation basis, are equal to

Euro 171 thousand, with a decrease of Euro 106 thousand as compared to 2016. The revenues from the distribution companies of the Group are fully recognized among the non-current liabilities and posted to the profit and loss statement based on the useful life of the plants built.

On a comparable consolidation basis, the revenues derived from *services provided by distributors*, being equal to Euro 6,184 thousand, show an increase of Euro 1,317 thousand compared to the previous year.

The revenues from contributions made by the Authority for Electricity, Gas and Water amount to Euro 35,277 thousand at the end of the year, recording an increase of Euro 18,211 thousand as compared to the previous year. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the obligated distributors. The contributions recognized as of 31<sup>st</sup> December 2017 are calculated by evaluating at the fair value as of 31<sup>st</sup> December 2017 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 fulfillment of the obligation is equal to the fair value of the forecast contribution announced by GSE measured as of 31<sup>st</sup> December 2017 and amounting to Euro 302.48 (source: STX Euro 166.7 as of 31 December 2017; source GSE).

The revenues from trading activities in the gas market at the end of the year amounted to Euro 1,941 thousand. During the year, 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 – March 2018. The revenue components related to physical deliveries during the period October 2017 - December 2017 were recorded at contractual prices, whereas the revenue components related to physical deliveries for the period January 2018 - March 2018, since these are forward transactions at the reporting date, were booked at current value.

The item “*Other revenues*” decreased from Euro 6,696 thousand in 2016, to Euro 6,009 thousand in the period considered, showing a decrease of Euro 687 thousand. The decrease is mainly due to higher contingent assets recognized in 2016. In 2017, the item includes 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 in February.

## 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)	Financial year 2017	Financial year 2016
Purchase costs for raw material (gas)	252,492	231,029
<b>Purchase costs for raw material (gas)</b>	<b>252,492</b>	<b>231,029</b>

At the end of the reference year, the costs for natural gas procurement amounted to Euro 252,492 thousand, showing an

increase of Euro 21,463 thousand compared to the previous year. 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 803.8 million cubic meters (800.3 million in 2016).

In the period considered, gas inventories amount to Euro 1,036 thousand as compared to Euro 1,945 thousand as of 31<sup>st</sup> December 2016.

The costs from trading activities in the gas market at the end of the year amounted to Euro 1,897 thousand. During the year, 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 – March 2018. The cost components related to physical deliveries during the period October 2017 - December 2017, were recorded based on the contract clauses signed, whereas the revenue and cost components related to physical deliveries for the period January 2018 - March 2018, since these are forward transactions at the reporting date, were booked at current value.

The accounting of the economic effects of the hedging derivatives accrued during the period considered has determined the recognition of lower costs totaling Euro 1,182 thousand, with a significant increase as compared to Euro 34 thousand in the previous year.

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:

(Thousands of Euro)	Financial year 2017	Values of newly acquired companies	Net values of newly acquired companies	Financial year 2016
Purchase of electricity	16,060		16,060	16,894
Purchase of other raw material	2,025	92	1,934	1,991
<b>Purchase costs for other raw materials</b>	<b>18,085</b>	<b>92</b>	<b>17,994</b>	<b>18,887</b>

At the end of the period considered, the costs incurred for the purchase of other raw materials are equal to Euro 18,085, marking a decrease of Euro 802 thousand compared to the previous year. On a comparable consolidation basis, the costs incurred for the purchase of other raw materials registered a decrease equal to Euro 893 thousand, mainly explained by the lower costs incurred to procure electricity.

The costs incurred for the *purchase of electricity* showed a decrease of Euro 834 thousand, from Euro 16,894 thousand in 2016, to Euro 16,060 thousand in 2017. The GWh sold increased by 43.5 GWh, from 339.9 in 2016 to 383.4 in 2017 (+12.8%).

The costs incurred for the *purchase of other materials* register an increase equal to Euro 34 thousand (on a comparable consolidation basis the change is equal to Euro 57 thousand), from Euro 1,991 thousand in 2016, to Euro 2,025 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 analyzed in the following table:

(Thousands of Euro)	Financial year 2017	Values of newly acquired companies	Net values of newly acquired companies	Financial year 2016
Costs of conveyance on secondary networks	70,049		70,049	73,821
Costs for counting meters reading	706	91	614	675
Costs for mailing bills	1,374		1,374	563
Mailing and telegraph costs	119	1	118	1,164
Maintenance and repairs	3,484	308	3,176	2,253
Consulting services	5,659	457	5,202	4,982
Commercial services and advertisement	3,129		3,129	2,061
Sundry suppliers	1,706	105	1,601	1,436
Directors' and Statutory Auditors' fees	1,304	2	1,301	1,303
Insurances	619	89	530	1,182
Personnel costs	1,003	39	963	999
Other managing expenses	7,877	65	7,812	6,533
Costs for use of third-party assets	15,879	5,685	10,194	9,902
Storage services	571		571	629
Forward costs for the transportation of raw materials	(19)		(19)	
<b>Costs for services</b>	<b>113,457</b>	<b>6,843</b>	<b>106,614</b>	<b>107,503</b>

The costs for services incurred during the financial year increase from Euro 107,503 thousand in 2016 to Euro 113,457 thousand in 2017, showing an increase of Euro 5,954 thousand (on a comparable consolidation basis they decrease by Euro 889 thousand).

On a comparable consolidation basis, this variation is mainly explained by the lower costs incurred for the carriage of electricity and natural gas on the primary and secondary networks (Euro – 3,772 thousand) and by the increase in costs incurred for marketing and advertising services (Euro + 1,068 thousand), in other working expenses (Euro + 1,279 thousand) and maintenance and repairs (Euro + 922 thousand).

The costs incurred for the transportation of *natural gas* on the secondary and primary networks amount to Euro 34,734 thousand in 2017 and refer to 803.8 million cubic meters of volumes of natural gas injected into the network of distribution companies owned or managed by companies not belonging to the Group (800,3 million in 2016).

Costs incurred for transportation of *electricity* amount to Euro 35,315 thousand and refer to amounts of electricity marketed during the reference period totaling 383.4 GWh (339.9 GWh in 2016).

At the end of 2017, the costs incurred for consultancy amounted to Euro 5,659 thousand, an increase as compared to the previous year of Euro 676 thousand. The increase is mainly explained by the extension of the consolidation scope, which resulted in the recognition of Euro 457 thousand. The change recorded on a comparable consolidation basis, equal to Euro 219 thousand, is mainly due to the higher costs booked during the period considered for participating in the territorial tender in the area of Belluno and for the acquisition of Pasubio Group (now AP Reti Gas Vicenza); they were partially offset by the costs incurred in 2016 in order to comply with unbundling regulations.

At the end of 2017, the costs incurred for marketing and advertising services increased by Euro 1,068 thousand, from Euro 2,061 thousand in 2016 to Euro 3,129 thousand in 2017.

On a comparable consolidation basis, other operating costs increased by Euro 1,279 thousand, mainly explained by the higher costs incurred for services provided by distributors (Euro + 309 thousand), for invoicing (Euro + 421 thousand), for the call center and sales offices (Euro + 212 thousand) and for collection of invoices (Euro + 106 thousand).

The costs of transport of the raw materials from trading activities in the gas market, at the end of the year, amounted to Euro -19 thousand. During the year, contracts for the transport and export capacity from the Austrian raw material market were signed. The contractual commitments signed for the transport service were related to the period October 2017 – September 2018 (thermal year 2017/2018). The cost and revenue components related to the transport costs executed in the fourth quarter were recorded at contractual prices, whereas the revenue and cost components related to the transport service for the period January 2018 – September 2018, since these are forward transactions at the reporting date, were booked at current value. The measurement of forward transactions showed a positive balance higher than the costs incurred in the period October – December 2017.

### 31. Costs for staff

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

(Thousands of Euro)	Financial year 2017	Values of newly acquired companies	Net values of newly acquired companies	Financial year 2016
Wages and salaries	22,650	1,184	21,466	21,040
Social security contributions	6,607	382	6,225	6,294
Severance indemnity	1,510	91	1,418	1,375
Other costs	61		61	28
<b>Total personnel costs</b>	<b>30,827</b>	<b>1,657</b>	<b>29,170</b>	<b>28,737</b>
Capitalized personnel costs	(5,972)	(1,228)	(4,744)	(4,504)
<b>Personnel costs</b>	<b>24,855</b>	<b>429</b>	<b>24,426</b>	<b>24,233</b>

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

Costs for staff increase from Euro 28,737 thousand in 2016 to Euro 30,827 thousand in 2017, showing an increase of Euro 2,090 thousand. The effect, on a comparable consolidation basis, is an increase of Euro 433 thousand.

Pursuant to IFRS 2, the cost of the long-term incentive scheme was offset by a provision in the Shareholders' Equity for Euro 584 thousand for shares and in the Pension Funds for the cash amount of Euro 659 thousand. The amounts accounted for the long-term incentive plans refer to the last year of the 2015-2017 three-year period, which is the period for the accrual of the incentive. At the end of 2016, the costs accrued during the first two years were entered. Such costs had determined the recognition of Euro 1,452 thousand.

For additional details please refer to "Section II" of the Remuneration Report, as envisaged by Art. 123 – par. 3 of the Legislative Decree no. 58/1998 (so-called Unified Financial Text). The increase is mainly explained by wage increases paid during the period considered due to personal rewards and increases provided for by contract.

Capitalized personnel cost registered an increase of Euro 1,468 thousand, from Euro 4,504 thousand in the previous year, to Euro 5,972 thousand in the period considered; on a comparable consolidation basis the increase in capitalized personnel cost is equal to Euro 240 thousand.

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

<b>Type</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Variation</b>
Managers (average)	17	17	0
Office workers (average)	377	362	15
Manual workers (average)	114	103	11
<b>No. of personnel employed</b>	<b>507</b>	<b>483</b>	<b>26</b>

### 32. Other operating costs

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

	<b>Financial year 2017</b>	<b>Values of newly acquired companies</b>	<b>Net values of newly acquired companies</b>	<b>Financial year 2016</b>
<i>(Thousands of Euro)</i>				
Provision for risks on credits	1,885		1,885	2,891
Membership and AREPA fees	741	49	692	697
Capital losses	599		599	886
Extraordinary losses	324	123	200	819
Other taxes	1,001	38	964	948
Other costs	756	24	731	681
Costs of contracts	391	(47)	438	641
Energy efficiency certificates	36,412	5,087	31,325	16,705
<b>Other management costs</b>	<b>42,109</b>	<b>5,274</b>	<b>36,835</b>	<b>24,269</b>

Other operating costs, increasing from Euro 24,269 in 2016, to Euro 42,109 in 2017, on a comparable consolidation basis, show an increase of Euro 12,566 thousand.

This change is mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +14,620 thousand), partially offset by lower allowances for doubtful accounts (Euro -1,006 thousand), made possible thanks to the appropriate capacity of the bad debt provision, and lower costs for contracts (Euro -250 thousand).

The costs recognized as of 31<sup>st</sup> December 2017 for the purchase of energy efficiency certificates are calculated by evaluating the total requirement as of 31<sup>st</sup> December 2017 at the fair value of the prices recorded in the relevant market, calculated at the end of 2017, estimated at Euro 347.51 (source: STX; Euro 156.70 as of 31<sup>st</sup> December 2016).

### 33. Other operating revenues

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

	<b>Financial year 2017</b>	<b>Values of newly acquired companies</b>	<b>Net values of newly acquired companies</b>	<b>Financial year 2016</b>
<i>(Thousands of Euro)</i>				
Other income	731	409	322	596
<b>Other income</b>	<b>731</b>	<b>409</b>	<b>322</b>	<b>596</b>

At the end of the reference period, on a comparable consolidation basis, the item “other operating income” shows a decrease of Euro 274 thousand, from Euro 596 thousand in 2016, to Euro 322 thousand. The surplus value amounting to



Euro 373 thousand deriving from the acquisition of Ap Reti gas Vicenza S.p.A. is recognized among the values of the newly acquired companies.

### 34. Amortization, depreciation

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

(Thousands of Euro)	Financial year 2017	Values of newly acquired companies	Net values of newly acquired companies	Financial year 2016
Intangible fixed assets	19,443	1,196	18,247	17,853
Tangible fixed assets	2,338	74	2,265	2,397
<b>Amortization and depreciation</b>	<b>22,585</b>	<b>1,270</b>	<b>21,315</b>	<b>20,227</b>

Amortization and depreciation increase by Euro 2,358 thousand, from Euro 20,227 thousand in 2016, to Euro 22,585 thousand in the period considered.

## 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)	Financial year 2017	Values of newly acquired companies	Net values of newly acquired companies	Financial year 2016
Interest income on bank and post office accounts	43	0	43	11
Other interest income	239	9	229	232
Other financial income	5	0	5	4
<b>Financial income</b>	<b>287</b>	<b>9</b>	<b>277</b>	<b>247</b>
Interest expense on banks	5	0	4	90
Interest expense on loans	549	34	515	511
Other financial expenses	201	39	163	190
<b>Financial charges</b>	<b>755</b>	<b>73</b>	<b>682</b>	<b>791</b>
Evaluation of subsidiary companies with net equity method	564		564	1,157
Result quota from jointly controlled companies	6,834		6,834	6,593
<b>Evaluation of subsidiary companies with the net equity method</b>	<b>7,398</b>		<b>7,398</b>	<b>7,750</b>
<b>Total net financial expenses</b>	<b>6,930</b>	<b>(64)</b>	<b>6,994</b>	<b>7,206</b>

At the end of 2017, the balance between financial income and expenses showed a loss of Euro 468 thousand, a decrease from the previous year of Euro 76 thousand.

The item “*Evaluation of associated companies using the equity method*” amounts to Euro 564 thousand and includes the use of a portion of the bad debt provision for the coverage of the capital deficit of the affiliate company Sinergie Italiane S.r.l. in liquidation following the profit achieved during the period as detailed in the section “Shareholdings” of these explanatory notes. The item registers a decrease as compared to the same period of the previous year equal to Euro 593 thousand.

The item “*Result quota from jointly controlled companies*” includes the net results achieved by the jointly controlled companies in the reference period; they increased by Euro 241 thousand, totaling Euro 6,834 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:

	Financial year 2017	Values of newly acquired companies	Net values of newly acquired companies	Financial year 2016
<i>(Thousands of Euro)</i>				
IRES current taxes	16,418	52	16,366	20,870
IRAP current taxes	2,825	8	2,817	2,714
(Advance)/Deferred taxes	(1,626)	6	(1,632)	(1,182)
<b>Taxes for the period</b>	<b>17,617</b>	<b>66</b>	<b>17,551</b>	<b>22,401</b>

Taxes accrued, on a comparable consolidation basis, decrease from Euro 22,401 thousand in 2016, to Euro 17,551 thousand in the period considered, thus registering a decrease of Euro 4,850 thousand. This is mainly explained by the lower taxable income as well as 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:

	Financial year 2017	Financial year 2016
<i>(Thousands of Euro)</i>		
Earnings before tax	66,869	79,343
Taxes for the period	17,617	22,401
<b>Percentage of income before taxes</b>	<b>26.3%</b>	<b>28.2%</b>

The tax-rate as of 31<sup>st</sup> December 2017 is equal to 26.3% decreasing as compared to 31<sup>st</sup> December 2016 by 1.8. This is mainly explained by the drop in the IRES rate which was partially offset by non-deductible income components.

### Non-recurrent components

Pursuant to CONSOB communication no. 15519/2005 it is noted that no non-recurrent economic components exist as of 31<sup>st</sup> December 2017.

It is noted that in 2016 the Group included in the item “cost for the purchase of gas raw materials” Euro 11,122 thousand accounted to subsidiary Ascotrade S.p.A. by the Regulatory Authority for Energy, Networks and the Environment for the balance of the APR system.

It is also noted that, in 2016, revenues of company Ap Reti Gas S.p.A. for natural gas distribution services benefitted from the positive effect of Euro 1,173 thousand deriving from the differential between preliminary estimates and balance of 2015 revenues.

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

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

**OTHER COMMENTS ON THE ANNUAL FINANCIAL REPORT AS OF 31<sup>st</sup> DECEMBER 2017**

***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 3<sup>rd</sup> 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 30<sup>th</sup> 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 finalization of the exchange of shares, have seen fit to represent the acquisition of control commencing 1<sup>st</sup> 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 31<sup>st</sup> December 2015 to the share transfer date. Subsequent to the determination of the price on 27<sup>th</sup> July 2017, Ascopiave S.p.A. paid the balance of the price deriving from the comparison between the net financial position at 31<sup>st</sup> December 2015 and the net financial position at 31<sup>st</sup> 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 31<sup>st</sup> March 2017, that the Directors have conservatively recognized in other revenues in Ascopiave Group's profit and loss statement.

The business combination was temporarily recognized on 30<sup>th</sup> 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:

<b>Values detected at 31<sup>st</sup> March 2017</b>									
(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	
<b>Non-current assets</b>	<b>23,595</b>	<b>8,533</b>	<b>106</b>	<b>32,234</b>	<b>23,545</b>	<b>7,158</b>	<b>106</b>	<b>30,809</b>	
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	
<b>Current assets</b>	<b>7,904</b>	<b>11,911</b>	<b>2,653</b>	<b>22,468</b>	<b>7,904</b>	<b>10,506</b>	<b>2,344</b>	<b>20,754</b>	
<b>Assets</b>	<b>31,499</b>	<b>20,444</b>	<b>2,759</b>	<b>54,702</b>	<b>31,449</b>	<b>17,664</b>	<b>2,450</b>	<b>51,563</b>	
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	
<b>Non-current liabilities</b>	<b>4,381</b>	<b>529</b>	<b>525</b>	<b>5,434</b>	<b>4,381</b>	<b>529</b>	<b>525</b>	<b>5,434</b>	
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	
<b>Current liabilities</b>	<b>10,350</b>	<b>23,369</b>	<b>950</b>	<b>34,670</b>	<b>7,452</b>	<b>21,047</b>	<b>957</b>	<b>29,456</b>	
<b>Liabilities</b>	<b>14,731</b>	<b>23,898</b>	<b>1,475</b>	<b>40,104</b>	<b>11,833</b>	<b>21,576</b>	<b>1,481</b>	<b>34,890</b>	
<b>Total assets/liabilities of acquired companies</b>	<b>16,768</b>	<b>3,454</b>	<b>1,284</b>	<b>14,598</b>	<b>19,617</b>	<b>3,912</b>	<b>968</b>	<b>16,673</b>	
Difference between the assets and the price of the acquisition								1,257	
<b>Total cost of acquisition</b>								<b>17,930</b>	
Net liquidity of companies								6,646	
Payments								16,300	
<b>Net liquidity absorbed by the acquisition as of 31<sup>st</sup> December 2017</b>								<b>9,655</b>	

The lower value of Euro 373 thousand was recognized in other revenues. For further details on the acquisition, please see the section “Significant events during financial year 2017” of this Annual Financial Report.

## Commitments and risks

### Guarantees given

As of 31<sup>st</sup> December 2017, the Group provided the following bank guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2016
On credit lines	8,400	6,400
Guarantees on credit lines (letter of comfort)	127	231
On execution of works (letter of comfort)	1,128	903
Agreements on incentives art. 4 of Law no. 92/2012	0	43
On UTF offices and regions for taxes on gas (letter of comfort)	5,737	4,157
On UTF offices and regions for taxes on electricity (letter of comfort)	319	119
On distribution concession (letter of comfort)	6,097	3,414
On the sale of company share	500	0
On conveyance agreements (letter of comfort)	10,010	12,841
On agreements for transport of electricity (letter of comfort)	17,751	16,751
On purchase of gas agreements (letter of comfort)	22	22
On purchase of electricity agreements (letter of comfort)	3,000	2,000
On storage of natural gas service	410	410
<b>Total</b>	<b>53,501</b>	<b>47,290</b>

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 favor 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)	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2016
On credit lines	26,665	26,665
On execution of works (letter of comfort)	142	8
Agreements on incentives art. 4 of Law no. 92/2012	495	495
On UTF offices and regions for taxes on gas (letter of comfort)	928	928
On UTF offices and regions for taxes on electricity (letter of comfort)	68	68
On distribution concession (letter of comfort)	210	180
On conveyance agreements (letter of comfort)	872	1,128
On agreements for transport of electricity (letter of comfort)	100	216
On leases	117	114
<b>Total</b>	<b>29,597</b>	<b>29,801</b>

The letters of comfort on lines of credit and gas purchase contracts issued in favor of the subsidiary Sinergie Italiane S.r.l. in liquidation amount as of 31<sup>st</sup> December 2017 to Euro 26,665 thousand, unchanged since 31<sup>st</sup> December 2016.

### Risk and uncertainty factors

#### Information pertaining agreements that are not stated in the income statement

Pursuant to Art. 2427, first paragraph, item 22-ter of the Italian Civil Code, introduced with Legislative Decree 173 dated 23<sup>rd</sup> November 2008, it is noted that the company does not subscribe to agreements that are not included in the income statement.

## Management of financial risk: objectives and criteria

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

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

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

## Interest rate risks

Because of the seasonality of the natural gas business cycle, the Group aims at managing the need for cash by means of temporary credit lines and short-term loans at variable rates that, given their constant change, do not make it possible to suitably cover the interest rate risk.

Furthermore, the Group manages medium-long term financings at variable rates with primary bank institutions, with an outstanding debt as of 31<sup>st</sup> December 2017 of Euro 64,541 thousand and due dates between 1<sup>st</sup> December 2018 and 2<sup>nd</sup> August 2029.

Medium and long term loans at variable rate envisage reimbursement between 2018 and 2026, with residual balance as of 31<sup>st</sup> December 2017 of Euro 34,541 thousand (2016 Euro 43,828 thousand).

Medium and long term loans at variable rate 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 31<sup>st</sup> December 2017, and the loan granted in 2011 by Unicredit S.p.A., with an outstanding debt of Euro 2,857 thousand at the end of the year, subject to a securitization operation by the lender.

The loan taken out with BNL in August 2017, a 12-year long-term fixed-rate loan with an outstanding debt as of 31<sup>st</sup> December 2017 of Euro 30,000 thousand, as it envisages the application of a fixed rate.

All loans are subjected to covenants that have been respected.

Please refer to Paragraph no. 17 “*Medium and Long Term Loans*” for additional details.

## Sensitivity analysis of the interest rate risk

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

	January	February	March	April	May	June	July	August	September	October	November	December
Net Financial Position 2017	(98,975)	(71,302)	(55,735)	(15,272)	(67,980)	(67,109)	(88,802)	(102,369)	(90,315)	(96,403)	(126,302)	(119,867)
Positive average rate	0.01%	0.01%	0.01%	0.01%	0.02%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%
Negative average rate	0.32%	0.31%	0.29%	0.29%	0.28%	0.27%	0.27%	0.62%	0.62%	0.69%	0.67%	0.59%
Positive average rate increased of 200 basis point	2.01%	2.01%	2.01%	2.01%	2.02%	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%	2.00%
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%	2.69%	2.67%	2.59%
Positive average rate decreased of 50 basis point	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Negative average rate decreased of 50 basis point	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.12%	0.12%	0.19%	0.17%	0.09%
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)	(96,567)	(126,510)	(120,071)
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)	(96,362)	(126,250)	(119,816)
Effect to income before taxes with increase of 200 basis point	(168)	(113)	(95)	(25)	(115)	(110)	(151)	(174)	(148)	(164)	(208)	(204)
Effect to income before taxes with decrease of 50 basis point	42	28	24	6	29	28	38	43	37	41	52	51
												419

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 1,675 thousand (2016: Euro 1,532 thousand) or positive for Euro 419 thousand (2016: Euro 383

thousand).

### **Receivable risk**

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

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

### **Liquidity risk**

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

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

### **Risk of prices of raw materials**

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

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

The risk is therefore connected to possible volume mismatches 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 stabilizing 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 fulfills 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 31<sup>st</sup> December 2017, the existing derivative instruments, detailed in sections no. 13 "*Current assets from derivative financial instruments*" and no. 26 "*Current liabilities from derivative financial instruments*" whose mark to market totals Euro +1,503 thousand (Euro 1,760 thousand as of 31<sup>st</sup> December 2016), 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 recognized 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 Regulatory Authority for Energy, Networks and the Environment 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>	<b>31.12.2017</b>	<b>31.12.2016</b>
Financial position in the short term	(65,230)	(59,220)
financial position in the medium-long term	(54,637)	(34,899)
<b>Financial gross debt</b>	<b>119,867</b>	<b>94,119</b>
Share capital	234,412	234,412
Own shares	(17,521)	(17,521)
Reserves	186,475	173,684
Undistributed net profit	47,135	53,635
<b>Total Net equity</b>	<b>450,500</b>	<b>444,209</b>
<b>Total capital and gross debt</b>	<b>570,367</b>	<b>538,328</b>
<i>Debt/Net assets ratio</i>	<i>0.27</i>	<i>0.21</i>

The debt/net equity ratio as of 31<sup>st</sup> December 2017 was equal to 0.27, and increasing as compared to 31<sup>st</sup> December 2016, when it amounted to 0.21.

The trend of this indicator is related to the combined effect of the change in the Net financial position, which worsened by Euro 25,748 thousand in 2017, and the Shareholders' equity, which increased by Euro 6,284 thousand.

The worsening of the net financial position is explained by the investment made upon purchasing some companies in the gas distribution sector.

## Representation of financial assets and liabilities by categories

The breakdown of financial assets and liabilities by categories and their fair value (IFRS 13) as of 31<sup>st</sup> December 2017 and 31<sup>st</sup> December 2016 is as follows:

								31.12.2017	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value	
Other non-current assets				12,840			12,840	12,840	
Non-current assets from derivative instruments							0	0	
Trade receivables and other current assets	597			206,129			206,725	206,725	
Cash and cash equivalents				15,555			15,555	15,555	
Current assets from derivative instruments		1,510					1,510	1,510	
Medium- and long-term bank loans						54,360	54,360	54,360	
Other non-current liabilities						11,599	11,599	11,599	
Non-current financial liabilities						277	277	277	
Payables due to banks and financing institutions						80,304	80,304	80,304	
Trade payables and other current liabilities	611					150,979	151,590	151,590	
Current financial liabilities						480	480	480	
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 recognized in the Profit and Loss Account
- B - Assets and liabilities at fair value directly recognized in Equity (including hedging derivatives)
- C - Investments held to maturity
- D - Assets for granted loans and receivables (including cash equivalents)
- E - Assets available for sale
- F - Financial liabilities recognized at amortized cost

## Remuneration of Auditing Company

Pursuant to Art. 149-duodecies of Consob Issuers' Regulation, hereby a full overview of remuneration of the Auditing Company for 2016 is provided. Payment includes both the auditing service and additional services as well.

Type of services	Entity providing the service	Recipient	Fees (Thousands of Euro)
Audit	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	97
	PricewaterhouseCoopers S.p.A.	Controlled companies	215
Audit and other services	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	7
	PricewaterhouseCoopers S.p.A.	Controlled companies	59
Other services	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	13
	PricewaterhouseCoopers S.p.A.	Controlled companies	0
<b>Total</b>			<b>392</b>

## Business segment reporting

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

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

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

The following tables show the information on revenues, financial results and balance sheet items concerning the business segments of the Group for the years 2017 and 2016.

Financial year 2017 (Thousands of Euro)	Gas Distribution	Gas Sale	Trading gas	Electricity sale	Other	31.12.2017 values		Total
						from new companies acquisitions	Cancellations and adjustments	
Net revenues of third-party customers	49,493	406,431	1,941	56,840	3,773	14,313		532,792
Intra-group revenues among the segments	53,538	5,237	0	36,978	8,604	52	(104,409)	0
<b>Segment revenues</b>	<b>103,031</b>	<b>411,668</b>	<b>1,941</b>	<b>93,818</b>	<b>12,377</b>	<b>14,365</b>	<b>(104,409)</b>	<b>532,792</b>
Operating result before amortization	45,648	33,334	63	5,767	(4,396)	2,136	(29)	82,524
Amortization	16,253	3,252	0	0	1,809	1,270		22,585
<b>Operating result</b>	<b>29,394</b>	<b>30,082</b>	<b>63</b>	<b>5,767</b>	<b>(6,205)</b>	<b>867</b>	<b>(29)</b>	<b>59,939</b>
<b>Result before taxes</b>	<b>30,936</b>	<b>36,256</b>	<b>63</b>	<b>5,767</b>	<b>6,768</b>	<b>614</b>		<b>66,869</b>
Assets	400,179	244,528	0	10,927	155,995	63,689	(83,389)	791,929
Liabilities	(101,408)	(124,297)	0	(11,915)	(168,659)	(18,539)	83,389	(341,430)

Financial year 2016 (Thousands of Euro)	Gas Distribution	Gas Sale	Trading gas	Electricity sale	31.12.2016 values			Total
					Other	from new companies acquisitions	Cancellations and adjustments	
Net revenues of third-party customers	37,558	399,279	0	59,044	1,808	0		497,689
Intra-group revenues among the segments	51,431	5,452	0	31,546	18,797	0	(107,226)	0
<b>Segment revenues</b>	<b>88,989</b>	<b>404,731</b>	<b>0</b>	<b>90,590</b>	<b>20,605</b>	<b>0</b>	<b>(107,226)</b>	<b>497,689</b>
Operating result before amortization	37,535	52,596	0	4,943	(2,684)	0	(27)	92,363
Amortization	16,708	2,599	0	0	920	0		20,227
<b>Operating result</b>	<b>20,828</b>	<b>49,997</b>	<b>0</b>	<b>4,943</b>	<b>(3,605)</b>	<b>0</b>	<b>(27)</b>	<b>72,137</b>
<b>Result before taxes</b>	<b>23,361</b>	<b>55,550</b>	<b>0</b>	<b>4,943</b>	<b>(4,511)</b>	<b>0</b>		<b>79,343</b>
Assets	398,344	237,296	0	10,719	156,882	0	(69,938)	733,304
Liabilities	(81,859)	(145,568)	0	(11,667)	(119,939)	0	69,938	(289,095)

## Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The basic earnings per share is calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares, net of own shares.

For the purposes of calculating the profit per base share, the numbering used the financial result of the period less the share attributable to third parties.

There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company.

Diluted profits for shares result as equal to those for shares in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

The result and the number of ordinary shares used to calculate base earning per share, identified according to the method forecast by IAS 33 are reported below:

(Thousands of Euro)	Amount at 31 <sup>st</sup> December 2017	Amount at 31 <sup>st</sup> December 2016
<b>Net profit attributable to parent company shareholders</b>	<b>47,135</b>	<b>53,635</b>
<b>Weighted average number of ordinary share including own shares, for the purpose of earnings per share</b>	<b>234,411,575</b>	<b>234,411,575</b>
<b>Weighted average number of own share</b>	<b>12,100,873</b>	<b>12,100,873</b>
<b>Weighted average number of ordinary share excluding own shares, for the purpose of net income per share</b>	<b>222,310,702</b>	<b>222,310,702</b>
<b>Earning per share (in Euro)</b>	<b>0.212</b>	<b>0.241</b>

## 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	9,601		3,539	0		0	0	34	0
<b>Total parent company</b>	<b>1</b>	<b>9,601</b>	<b>0</b>	<b>3,539</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>0</b>
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	53	0	76	0	0	585	0	323	81	57
SEVEN CENTER S.R.L. in liquidation	40	0	45	0	1	117	1	0	28	0
<b>Total affiliated companies</b>	<b>94</b>	<b>0</b>	<b>121</b>	<b>0</b>	<b>1</b>	<b>702</b>	<b>1</b>	<b>323</b>	<b>109</b>	<b>57</b>
<i>Subsidiary companies</i>										
SINERGIE ITALIANE S.R.L. in liquidation	44	7,510		0	58,238	53	0	0	61	0
<b>Total subsidiary companies</b>	<b>44</b>	<b>7,510</b>	<b>0</b>	<b>0</b>	<b>58,238</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>61</b>	<b>0</b>
<b>Total</b>	<b>138</b>	<b>17,111</b>	<b>121</b>	<b>3,539</b>	<b>58,239</b>	<b>755</b>	<b>1</b>	<b>323</b>	<b>203</b>	<b>57</b>

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

As far as the jointly controlled companies are concerned:

- Estenergy S.p.A.:
  - 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 recognized 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 30<sup>th</sup> September 2017 (Euro 34,333 thousand as of 30<sup>th</sup> 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 Center S.r.l. in liquidation 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 Italian Legislative Decree no. 58 of 24<sup>th</sup> 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.

On 24<sup>th</sup> November 2010, the Board of Directors approved a procedure for operations with related parties (the "Procedure"). Said Procedure disciplines the operations with related parties by the Company, directly or by proxy of subsidiary companies, as set forth by Art. 2391-bis of the Italian Civil Code pursuant to the National Commission for Publicly Traded Companies (CONSOB) Decision no. 17221 dated 12<sup>th</sup> March 2010 and subsequent modifications.

The Procedure was implemented on 1<sup>st</sup> January 2011 and took the place of the previous regulation regarding the issue of operation with related parties, approved by the Board of Directors of the Company on 11<sup>th</sup> September 2006 (and following modifications).

For the contents of the Procedure, please refer to the document, available online on the Company website at the following URL: <http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf>.

In order to implement correctly the Procedure, a periodic map of all the so-called Related Parties is drafted, to delimit and apply to them the control provisions and the contents of the document. Company Directors are required to declare, when applicable, possible conflicts of interest in the performance of the afore-mentioned transactions.

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

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

### Consolidated assets and liabilities statement

(Thousands of Euro)	31.12.2017	Of which related parties						31.12.2016	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
<b>ASSETS</b>														
<b>Non-current assets</b>														
Goodwill	(1)	80,758						80,758						
Other intangible assets	(2)	346,934						316,905						
Tangible assets	(3)	32,334						32,364						
Shareholdings	(4)	68,878		68,871		68,871	100.0%	68,738		68,737		68,737	100.0%	
Other non-current assets	(5)	13,015		7,510		7,510	57.7%	13,566		8,193		8,193	60.4%	
Non-current assets from derivative instruments	(6)							485						
Advance tax receivables	(7)	11,479						9,758						
<b>Non-current assets</b>		<b>553,397</b>		<b>76,464</b>		<b>76,464</b>	<b>13.8%</b>	<b>522,574</b>		<b>86,320</b>		<b>86,320</b>	<b>16.5%</b>	
<b>Current assets</b>														
Inventories	(8)	4,072						4,311						
Trade receivables	(9)	156,884	1	94	1,712	1,807	1.2%	148,079	36	150	1,739	1,925	1.3%	
Other current assets	(10)	57,865	9,601			9,601	16.6%	47,207	4,925			4,925	10.4%	
Tax receivables	(11)	2,645						1,007						
Cash and cash equivalents	(12)	15,555						8,822						
Current assets from derivative instruments	(13)	1,510						1,304						
<b>Current assets</b>		<b>238,532</b>	<b>9,602</b>	<b>94</b>	<b>1,712</b>	<b>11,408</b>	<b>4.8%</b>	<b>210,730</b>	<b>4,961</b>	<b>150</b>	<b>1,760</b>	<b>6,872</b>	<b>3.3%</b>	
<b>ASSETS</b>		<b>791,929</b>	<b>9,602</b>	<b>94</b>	<b>78,176</b>	<b>87,872</b>	<b>11.1%</b>	<b>733,304</b>	<b>4,961</b>	<b>150</b>	<b>88,080</b>	<b>93,191</b>	<b>12.7%</b>	
<b>Net equity and liabilities</b>														
<b>Total Net equity</b>														
Share capital		234,412						234,412						
Own shares		(17,521)						(17,521)						
Reserves and result for the period		228,620						221,164						
<b>Net equity of the Group</b>		<b>445,511</b>						<b>438,055</b>						
<b>Net equity of Others</b>		<b>4,989</b>						<b>6,154</b>						
<b>Total Net equity</b>	(14)	<b>450,500</b>						<b>444,209</b>						
<b>Non-current liabilities</b>														
Provisions for risks and charges	(15)	5,913						6,992						
Severance indemnity	(16)	4,836						4,077						
Medium- and long-term bank loans	(17)	54,360						34,541						
Other non-current liabilities	(18)	22,930						20,267						
Non-current financial liabilities	(19)	277						357						
Deferred tax payables	(20)	15,733						16,814						
<b>Non-current liabilities</b>		<b>104,048</b>						<b>83,050</b>						
<b>Current liabilities</b>														
Payables due to banks and financing institutions	(21)	80,304						64,397						
Trade payables	(22)	117,653		121	2,415	2,536	2.2%	103,052		69	2,627	2,697	2.6%	
Tax payables	(23)	625						1,231						
Other current liabilities	(24)	38,312	4,550			4,550	11.9%	33,691	7,738			7,738	23.0%	
Current financial liabilities	(25)	480			279	279	58.1%	3,645		3,412		3,412	93.6%	
Current liabilities from derivative financial instruments	(26)	7						29						
<b>Current liabilities</b>		<b>237,382</b>	<b>3,539</b>	<b>121</b>	<b>2,694</b>	<b>6,354</b>	<b>2.7%</b>	<b>206,045</b>	<b>7,738</b>	<b>69</b>	<b>6,040</b>	<b>13,847</b>	<b>6.7%</b>	
<b>Liabilities</b>		<b>341,430</b>	<b>3,539</b>	<b>121</b>	<b>2,694</b>	<b>6,354</b>	<b>1.9%</b>	<b>289,095</b>	<b>7,738</b>	<b>69</b>	<b>6,040</b>	<b>13,847</b>	<b>4.8%</b>	
<b>Net equity and liabilities</b>		<b>791,929</b>	<b>3,539</b>	<b>121</b>	<b>2,694</b>	<b>6,354</b>	<b>0.8%</b>	<b>733,304</b>	<b>7,738</b>	<b>69</b>	<b>6,040</b>	<b>13,847</b>	<b>1.9%</b>	

#### Legend for the Related parties column heading:

*A* Parent companies

*B* Associates

*C* Affiliates and Jointly controlled companies

*D* Other related parties



## Income statement and Comprehensive consolidated income statement

(Thousands of Euro)	Note	FY	Of which related parties						FY	Of which related parties					
		2017	A	B	C	D	Total	%	2016	A	B	C	D	Total	%
Revenues	(27)	532,792	34	489	11,770		12,293	2.3%	497,689	61	505	7,247		7,813	1.6%
<b>Total operating costs</b>		<b>450,268</b>		<b>705</b>	<b>68,541</b>	<b>1,803</b>	<b>71,049</b>	<b>15.8%</b>	<b>405,325</b>	<b>790</b>	<b>67,302</b>	<b>1,628</b>		<b>69,720</b>	<b>17.2%</b>
Purchase costs for raw material (gas)	(28)	252,492			58,238		58,238	23.1%	231,029		58,165			58,165	25.2%
Purchase costs for other raw materials	(29)	18,085		1			1	0.0%	18,887		2	6		8	0.0%
Costs for services	(30)	113,457		702	10,304	569	11,575	10.2%	107,503		781	9,131	568	10,481	9.7%
Costs for personnel	(31)	24,855				1,234	1,234	5.0%	24,233				1,060	1,060	4.4%
Other management costs	(32)	42,109		1			1	0.0%	24,269		6			6	0.0%
Other income	(33)	731							596						
Amortization and depreciation	(34)	22,585							20,227						
<b>Operating result</b>		<b>59,939</b>	<b>34</b>	<b>(215)</b>	<b>(56,771)</b>	<b>(1,803)</b>	<b>(58,756)</b>	<b>-98.0%</b>	<b>72,137</b>	<b>61</b>	<b>284</b>	<b>60,055</b>	<b>1,628</b>	<b>61,907</b>	<b>-85.8%</b>
Financial income	(35)	287			1		1	0.2%	247			3		3	1.1%
Financial charges	(35)	755			7		7	0.9%	791		0	9		9	1.1%
Evaluation of subsidiary companies with the net equity method	(35)	7,398	0	4	(0)		4	0.1%	7,750	0	(12)	0		(12)	-0.2%
<b>Earnings before tax</b>		<b>66,869</b>	<b>34</b>	<b>(211)</b>	<b>(56,778)</b>	<b>(1,803)</b>	<b>(58,758)</b>	<b>-87.9%</b>	<b>79,343</b>	<b>61</b>	<b>296</b>	<b>60,061</b>	<b>1,628</b>	<b>61,925</b>	<b>-78.0%</b>
Taxes for the period	(36)	17,617							22,401						
<b>Result for the period</b>		<b>49,252</b>	<b>(15,631)</b>	<b>(211)</b>	<b>(56,778)</b>	<b>(1,803)</b>	<b>(74,423)</b>	<b>-151.1%</b>	<b>56,942</b>	<b>40,807</b>	<b>296</b>	<b>60,061</b>	<b>1,628</b>	<b>102,793</b>	<b>-180.5%</b>
<b>Net result for the period</b>		<b>49,252</b>	<b>(15,631)</b>	<b>(211)</b>	<b>(56,778)</b>	<b>(1,803)</b>	<b>(74,423)</b>	<b>-151.1%</b>	<b>56,942</b>	<b>40,807</b>	<b>296</b>	<b>60,061</b>	<b>1,628</b>	<b>102,793</b>	<b>-180.5%</b>

### 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)	FY 2017	Of which related parties					Total	FY 2016	Of which related parties					Total
		A	B	C	D			A	B	C	D			
<b>Net income of the Group</b>	<b>47,135</b>						<b>53,635</b>							
<b>Cash flows generated (used) by operating activities</b>														
<b>Adjustments to reconcile net income to net cash</b>														
Third-parties operating result	2,117						0	3,307					0	
Amortization	22,585						0	20,227					0	
Bad debt provisions	1,885						0	2,891					0	
Variations in severance indemnity	(15)						0	214					0	
Current assets / liabilities on financial instruments	271						0	(2,012)					0	
Net variation of other funds	(735)						0	789					0	
Evaluation of subsidiaries with the net equity method	(7,398)	0			(6,839)		(6,839)	(7,750)	0		(6,593)		(6,593)	
Losses / (gains) on disposal of fixed assets	(373)						0	0					0	
Losses / (gains) on disposal of fixed assets	(414)						0	(579)					0	
Interests paid	(29,097)						0	(20,420)					0	
Taxes paid	618						0	678					0	
Interest expense for the period	17,617						0	22,401					0	
<b>Variations in assets and liabilities</b>														
Inventories	411						0	(734)					0	
Accounts payable	(3,333)	35	56	26	0		118	20,947	(4,925)	(52)	(9,900)	0	(14,877)	
Other current assets	(4,309)	(4,676)	0	0	0		(4,676)	(689)	0	0	0	0	0	
Trade payables	(4,317)	0	52	(213)	0		(161)	(19,770)	0	0	0	0	0	
Other current liabilities	5,679	(3,188)	0	0	0		(3,188)	(9,763)	0	0	3,163	0	3,163	
Other non-current assets	561	0	0	683	0		683	2,361	0	0	(8,193)	0	(8,193)	
Other non-current liabilities	1,662	0	0	0	0		0	2,728	0	0	0	0	0	
<b>Total adjustments and variations</b>	<b>3,414</b>	<b>(7,829)</b>	<b>108</b>	<b>(6,343)</b>	<b>0</b>	<b>(14,064)</b>	<b>14,827</b>	<b>(4,925)</b>	<b>(52)</b>	<b>(21,522)</b>	<b>0</b>	<b>(26,499)</b>		
<b>Cash flows generated (used) by operating activities</b>	<b>50,549</b>	<b>(7,829)</b>	<b>108</b>	<b>(6,343)</b>	<b>0</b>	<b>(14,064)</b>	<b>68,461</b>	<b>(4,925)</b>	<b>(52)</b>	<b>(21,522)</b>	<b>0</b>	<b>(26,499)</b>		
<b>Cash flows generated (used) by investments</b>														
Investments in intangible assets	(22,458)						0	(19,674)					0	
Realisable value of intangible assets	609						0	1,574					0	
Investments in tangible assets	(1,129)						0	(1,164)					0	
Realisable value of tangible assets	2						0	2					0	
Disposals / (Acquisition) of investments and advances	(9,655)						0	0					0	
Other net equity operations	648						0	914					0	
<b>Cash flows generated (used) by investments</b>	<b>(31,983)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(18,348)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Cash flows generated (used) by financial activities</b>														
Variation in non-current financial liabilities	(80)	0	0	0	0		0	(64)	0	0	0	0	0	
Net changes in short-term bank borrowings	(7,754)						0	(71,256)					0	
Net variation in current financial assets and liabilities	(3,165)	0	0	(3,133)	0		(3,133)	2,863	0	0	0	0	0	
Ignitions loans and mortgages	345,000						0	151,000					0	
Redemptions loans and mortgages	(309,287)						0	(122,500)					0	
Dividends distributed to Ascopiave S.p.A. shareholders	(40,016)						0	(33,347)					0	
Dividends distributed to other shareholders	(3,237)						0	(2,222)					0	
Dividends distributed from subsidiary companies	6,706				6,706		6,706	5,934		5,934			5,934	
<b>Cash flows generated (used) by financial activities</b>	<b>(11,833)</b>	<b>0</b>	<b>0</b>	<b>3,573</b>	<b>0</b>	<b>3,573</b>	<b>(69,593)</b>	<b>0</b>	<b>0</b>	<b>5,934</b>	<b>0</b>	<b>5,934</b>		
<b>Variations in cash</b>	<b>6,733</b>						<b>0</b>	<b>(19,479)</b>					<b>0</b>	
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8,822</b>						<b>0</b>	<b>28,301</b>					<b>0</b>	
<b>Cash and cash equivalents at the end of the period</b>	<b>15,555</b>						<b>0</b>	<b>8,822</b>					<b>0</b>	

### Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

## Consolidated net debt

(migliaia di Euro)	31.12.2017	Of which related parties					31.12.2016	Of which related parties								
		A	B	C	D	Total		%	A	B	C	D	Total	%		
A Cash and cash equivalents on hand	17						19									
B Bank and post office deposits	15,538						8,803									
C Securities held for trading																
<b>D Liquid assets (A) + (B) + (C)</b>	<b>15,555</b>						<b>8,822</b>									
E Current financial assets	0						0									
F Payables due to banks	(70,123)						(55,110)									
G Current portion of medium-long-term loans	(10,181)						(9,287)									
H Current financial liabilities	(480)			(279)	(279)	58.1%	(3,645)		(3,412)	(3,412)	93.6%					
<b>I Current financial indebtedness (F) + (G) + (H)</b>	<b>(80,785)</b>			<b>(279)</b>	<b>(279)</b>	<b>0.3%</b>	<b>(68,042)</b>		<b>(3,412)</b>	<b>(3,412)</b>	<b>5.0%</b>					
<b>J Net current financial indebtedness (I) - (E) - (D)</b>	<b>(65,230)</b>			<b>(279)</b>	<b>(279)</b>	<b>0.4%</b>	<b>(59,220)</b>		<b>(3,412)</b>	<b>(3,412)</b>	<b>5.8%</b>					
K Medium- and long-term bank loans	(54,360)						(34,541)									
L Non current financial assets																
M Non-current financial liabilities	(277)						(357)									
<b>N Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(54,637)</b>						<b>(34,899)</b>									
<b>O Net financial indebtedness (J) + (N)</b>	<b>(119,867)</b>			<b>(279)</b>	<b>(279)</b>	<b>0.2%</b>	<b>(94,119)</b>		<b>(3,412)</b>	<b>(3,412)</b>	<b>3.6%</b>					

### 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 – Affiliates:

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

#### Group C – Associates and jointly controlled companies:

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

#### Group D – other related parties:

- Board of Directors
- Auditors
- Strategic managers

## Significant events subsequent to the end of 2017

On 25<sup>th</sup> January 2018, the Parent Company Ascopiave S.p.A. took out a 12-year unsecured syndicated loan to the amount of € 10,000 thousand with Cassa Centrale Banca and Banca di Credito Cooperativo delle Prealpi, to which a 1.83% fixed rate is applied. The loan does not envisage the verification of financial covenants.

By Resolution 72/2018/R/GAS dated 8<sup>th</sup> February 2018, the Regulatory Authority for Energy, Networks and the Environment approved the reform of the gas settlement regulatory framework, which will take effect commencing 1<sup>st</sup> January 2020. By this measure, the Authority simplified the procedures for determining the items attributable to the settlement entity, which will be required to supply the REMI with the quantities determined according to the actual measurements for the redelivery points of the distribution network based on monthly measurements or daily details of the expected consumptions, and on the basis of the application of the expected withdrawal profile with climate correction for the withdrawal points measured less frequently than once a month. The Authority also entrusted the settlement manager with the task of supplying the difference between the quantities withdrawn at the REMIs and the sum of the expected consumptions attributable to the settlement entities for the REMIs served and assigned the SII (Integrated Information System) the responsibility of making available to the settlement manager the withdrawal data of the PDR (Redelivery Points for end customers).

### **Goals and policies of the group**

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

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

## Synthesis data as of 31<sup>st</sup> December 2017 of jointly controlled companies consolidated through the equity method

### Estenergy S.p.A.

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

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

#### Balance sheet - summary data

(Thousands of Euro)	31.12.2017	31.12.2016
<b>Current assets</b>	<b>63,213</b>	<b>56,707</b>
of which		
Cash and cash equivalents	12,953	4,014
<b>Non-current assets</b>	<b>67,147</b>	<b>71,240</b>
<b>Current liabilities</b>	<b>34,801</b>	<b>31,905</b>
of which		
Current financial liabilities	132	11
<b>Non - current liabilities</b>	<b>4,577</b>	<b>5,280</b>
	<b>90,982</b>	<b>90,762</b>
Group inteterest	48.999%	48.999%
<b>Net profit for the period attributable of the Group</b>	<b>44,580</b>	<b>44,472</b>

#### Income Statement - summary data

(Thousands of Euro)	Financial year 2017	Financial year 2016
Revenues	127,521	125,199
Total operating costs	111,597	110,725
<b>Gross operative margin</b>	<b>15,924</b>	<b>14,474</b>
Amortization and depreciation	1,707	1,780
<b>Operating result</b>	<b>14,217</b>	<b>12,694</b>
Financial income	204	329
Financial charges	4	10
<b>Earnings before tax</b>	<b>14,418</b>	<b>13,013</b>
Taxes of the period	4,232	3,872
<b>Result of the period</b>	<b>10,186</b>	<b>9,141</b>
Group inteterest	48.999%	48.999%
<b>Net profit for the period attributable of the Group</b>	<b>4,991</b>	<b>4,479</b>

### Unigas Distribuzione S.r.l.

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

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

#### Balance sheet - summary data

(Thousands of Euro)	31.12.2017	31.12.2016
<b>Current assets</b>	<b>18,234</b>	<b>18,467</b>
of which		
Cash and cash equivalents	3,141	4,335
<b>Non-current assets</b>	<b>47,867</b>	<b>46,993</b>
<b>Current liabilities</b>	<b>22,319</b>	<b>21,933</b>
of which		
Current financial liabilities	0	0
<b>Non - current liabilities</b>	<b>1,139</b>	<b>1,070</b>
	<b>42,643</b>	<b>42,457</b>
<b>Group interest</b>	<b>48.860%</b>	<b>48.860%</b>
<b>Net profit for the period attributable of the Group</b>	<b>20,835</b>	<b>20,745</b>

#### Income Statement - summary data

(Thousands of Euro)	Financial year 2017	Financial year 2016
Revenues	21,182	18,065
Total operating costs	15,885	12,417
<b>Gross operative margin</b>	<b>5,298</b>	<b>5,648</b>
Amortization and depreciation	2,417	2,527
<b>Operating result</b>	<b>2,881</b>	<b>3,121</b>
Financial income	4	4
Financial charges	145	72
<b>Earnings before tax</b>	<b>2,740</b>	<b>3,053</b>
Taxes of the period	767	519
<b>Result of the period</b>	<b>1,973</b>	<b>2,533</b>
Group interest	48.86%	48.86%
<b>Net profit for the period attributable of the Group</b>	<b>964</b>	<b>1,238</b>

**Asm Set S.r.l.**

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

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

**Balance sheet - summary data**

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Current assets</b>	<b>10,339</b>	<b>10,084</b>
of which		
Cash and cash equivalents	664	1,006
<b>Non-current assets</b>	<b>5,078</b>	<b>5,319</b>
<b>Current liabilities</b>	<b>7,423</b>	<b>7,263</b>
of which		
Current financial liabilities	0	0
<b>Non - current liabilities</b>	<b>943</b>	<b>957</b>
	<b>7,051</b>	<b>7,183</b>
<b>Group inteterest</b>	<b>49.000%</b>	<b>49.000%</b>
<b>Net profit for the period attributable of the Group</b>	<b>3,455</b>	<b>3,520</b>

**Income Statement - summary data**

<b>(Thousands of Euro)</b>	<b>Financial year 2017</b>	<b>Financial year 2016</b>
Revenues	26,560	25,676
Total operating costs	23,855	22,853
<b>Gross operative margin</b>	<b>2,705</b>	<b>2,823</b>
Amortization and depreciation	202	204
<b>Operating result</b>	<b>2,503</b>	<b>2,620</b>
Financial income	18	30
Financial charges	9	10
<b>Earnings before tax</b>	<b>2,511</b>	<b>2,640</b>
Taxes of the period	718	852
<b>Result of the period</b>	<b>1,793</b>	<b>1,788</b>
Group inteterest	49.00%	49.00%
<b>Net profit for the period attributable of the Group</b>	<b>879</b>	<b>876</b>

This statement has been cleared for publishing by the Board of Directors of Ascopiave S.p.A. during the 14<sup>th</sup> March 2018 Meeting. Said publication shall be carried out pursuant to Law regulations. The Board has authorized the Chairman to modify this statement to perfect the form of this document within the time frame between 14<sup>th</sup> March 2018 and the Shareholders' Meeting in which this statement will be approved.

Pieve di Soligo, 14<sup>th</sup> March 2018

Chairman of the Board of Directors  
Nicola Ceconato



Annual Financial Report

as of 31<sup>st</sup> December 2017



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**TABLE OF CONTENTS**

<b>Premise</b> .....	3
Statement of assets and liabilities as of 31 <sup>st</sup> December 2017 and as of 31 <sup>st</sup> December 2017.....	4
Income statement - FY 2017 and FY 2016 .....	5
Statement of changes in shareholders' equity as of 31 <sup>st</sup> December 2017 and as of 31 <sup>st</sup> December 2016 .....	6
Financial statements - FY 2017 and FY 2016.....	7
<b>IAS/IFRS ACCOUNTING STANDARDS ADOPTED IN DRAWING UP THE FINANCIAL STATEMENTS AS OF 31<sup>st</sup> DECEMBER 2017</b> .....	8
<b>Measurement criteria</b> .....	12
<b>INFORMATION ON MANAGEMENT AND COORDINATION ACTIVITIES</b> .....	19
Non-current assets.....	20
Current assets .....	25
Equity.....	28
Non-current liabilities .....	30
Current liabilities .....	34
<b>COMMENTS ON THE MAIN INCOME STATEMENT ITEMS</b> .....	38
Revenues .....	38
Operating costs .....	38
<b>OTHER COMMENTS</b> .....	42
Non-recurring components .....	42
Information on related parties .....	42
<b>Capital Report Models pursuant to CONSOB decision dated 15519/2006</b> .....	44
Earnings per share.....	48
Fees of the Auditing Company .....	48
Commitments and risks.....	49
<b>Significant events subsequent to the end of FY 2017</b> .....	51
<b>Relevant events following the approval of the draft Financial Statements</b> .....	51
<b>Litigations</b> .....	52
<b>Proposal of the Board of Directors to the Shareholders' Meeting</b> .....	57

## **Premise**

Pursuant to the provisions set forth in Legislative Decree no. 32 dated 2<sup>nd</sup> February 2007, with which EU Directive 2003/51/EC was implemented, the Company avails itself of the possibility to draw up and prepare a single document for both the Report on Management of the Parent Company Ascopiave S.p.A. and the Report on Consolidated Management, to be included in the Consolidated Financial Statements.

Therefore, the Report on Consolidated Management also contains all information relating to the financial statements of Ascopiave S.p.A., as required by article 2428 of the Italian Civil Code.

## ASCOPIAVE S.p.A.

### Statement of assets and liabilities as of 31<sup>st</sup> December 2017 and as of 31<sup>st</sup> December 2016

(Thousands of Euro)		31.12.2017	31.12.2016
<b>Non-current assets</b>			
Other intangible assets	(1)	471,329	248,388
Tangible assets	(2)	27,840,976	29,296,954
Shareholdings	(3)	498,077,734	481,777,734
Other non-current assets	(4)	4,466,108	4,461,934
Advance tax receivables	(5)	2,038,604	1,858,435
<b>Non-current assets</b>		<b>532,894,752</b>	<b>517,643,445</b>
<b>Current assets</b>			
Trade receivables	(6)	6,419,796	7,411,698
Other current assets	(7)	5,737,453	9,067,385
Current financial assets	(8)	21,071,183	2,533,893
Tax receivables	(9)	664,277	756,578
Cash and cash equivalents	(10)	9,330,156	4,511,059
<b>Current assets</b>		<b>43,222,864</b>	<b>24,280,614</b>
<b>ASSETS</b>		<b>576,117,616</b>	<b>541,924,059</b>
<b>Net equity and liabilities</b>			
Share capital		234,411,575	234,411,575
Own shares		(17,521,332)	(17,521,332)
Reserves		137,929,114	143,656,208
Net result for the period		43,617,754	33,699,756
<b>Total Net equity</b>	(11)	<b>398,437,111</b>	<b>394,246,207</b>
<b>Non-current liabilities</b>			
Provisions for risks and charges	(12)	926,072	643,021
Severance indemnity	(13)	257,274	252,802
Medium- and long-term bank loans	(14)	54,359,925	34,541,407
Other non-current liabilities	(15)	46,279	44,279
Deferred tax payables	(16)	21,206	22,000
<b>Non-current liabilities</b>		<b>55,610,755</b>	<b>35,503,511</b>
<b>Current liabilities</b>			
Payables due to banks and financing institutions	(17)	80,181,482	64,287,088
Trade payables	(18)	2,774,088	1,779,494
Other current liabilities	(19)	3,284,763	2,951,665
Current financial liabilities	(20)	35,829,417	43,156,094
<b>Current liabilities</b>		<b>122,069,750</b>	<b>112,174,342</b>
<b>Liabilities</b>		<b>177,680,505</b>	<b>147,677,852</b>
<b>Net equity and liabilities</b>		<b>576,117,616</b>	<b>541,924,059</b>

Pursuant to Consob Decision no. 15519 dated 27<sup>th</sup> July 2006, the effects of relations among associated parties are highlighted in the specific paragraph herein "Relations with associated parties".

*Income statement - FY 2017 and FY 2016*

(Euro)		FY 2017	FY 2016
<b>Revenues</b>	(21)	<b>61,732,301</b>	<b>56,371,726</b>
Other revenues			
Distribution of dividends from controlled companies		9,167,007	97,044,205
<b>Total operating costs</b>		<b>16,608,697</b>	<b>31,495,004</b>
Purchase costs for other raw materials	(22)	779	22,105
Costs for services	(23)	8,467,039	9,215,579
Costs for personnel	(24)	7,445,488	7,646,739
Other management costs	(25)	773,194	14,666,468
Other income	(26)	77,804	55,887
Amortization and depreciation	(27)	1,755,830	1,778,538
<b>Operating result</b>		<b>43,367,774</b>	<b>23,098,184</b>
Financial income	(28)	237,239	100,231
Financial charges	(28)	751,641	832,885
<b>Earnings before tax</b>		<b>42,853,372</b>	<b>22,365,531</b>
Taxes for the period	(29)	764,382	4,550,339
<b>Result for the period</b>		<b>43,617,754</b>	<b>26,915,870</b>
Net result from transfer/disposal of assets			6,783,886
<b>Net result for the period</b>		<b>43,617,754</b>	<b>33,699,756</b>
<b>Statement of comprehensive income</b>			
Components that can not be reclassified to the income statement			
Actuarial (losses) / gains from remeasurement on defined-benefit obligation		4,875	16,494
<b>Total comprehensive income</b>		<b>43,622,629</b>	<b>33,716,250</b>

Pursuant to Consob Decision no. 15519 dated 27<sup>th</sup> July 2006, the effect of relations among associated parties are highlighted in the specific paragraph herein "Relations with associated parties".

*Statement of changes in shareholders' equity as of 31<sup>st</sup> December 2017 and as of 31<sup>st</sup> December 2016*

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Result for the period	Total net equity
<b>Balance as of 1<sup>st</sup> January 2017</b>	<b>234,411,575</b>	<b>46,882,315</b>	<b>(17,521,332)</b>	<b>96,818,935</b>	<b>(45,043)</b>	<b>33,699,756</b>	<b>394,246,207</b>
Result for the period						43,617,754	43,617,754
IAS 19 TFR actualization for the period					4,875		4,875
<b>Total result of overall income statement</b>				<b>(0)</b>	<b>4,875</b>	<b>43,611,551</b>	<b>43,622,629</b>
Allocation of 2016 result				33,699,756		(33,699,756)	(0)
Dividends paid to shareholders				(40,015,926)			(40,015,926)
Long-term incentive plans				584,202			584,202
<b>Balance as of 31<sup>st</sup> December 2017</b>	<b>234,411,575</b>	<b>46,882,315</b>	<b>(17,521,332)</b>	<b>91,086,967</b>	<b>(40,168)</b>	<b>43,611,551</b>	<b>398,437,111</b>

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Result for the period	Total net equity
<b>Balance as of 1<sup>st</sup> January 2016</b>	<b>234,411,575</b>	<b>46,882,315</b>	<b>(17,521,332)</b>	<b>95,695,586</b>	<b>(61,537)</b>	<b>33,547,021</b>	<b>392,953,628</b>
Result for the period						33,699,756	33,699,756
IAS 19 TFR actualization for the period					16,494		16,494
<b>Total result of overall income statement</b>				<b>(0)</b>	<b>16,494</b>	<b>33,699,756</b>	<b>33,716,250</b>
Allocation of 2015 result				33,547,021		(33,547,021)	(0)
Dividends paid to shareholders				(33,346,605)			(33,346,605)
Long-term incentive plans				922,934			922,934
<b>Balance as of 31<sup>st</sup> December 2016</b>	<b>234,411,575</b>	<b>46,882,315</b>	<b>(17,521,332)</b>	<b>96,818,935</b>	<b>(45,043)</b>	<b>33,699,756</b>	<b>394,246,207</b>

*Financial statements - FY 2017 and FY 2016*

	31.12.2017	31.12.2016
<b>Net income of the year</b>	<b>43,617,754</b>	<b>33,699,756</b>
<b>Cash flows generated (used) by operating activities</b>		
<b>Adjustments to reconcile net income to net cash</b>	<b>3,914,018</b>	<b>270,791</b>
Amortization and depreciation	1,755,830	1,778,538
Variations in severance indemnity	9,346	(9,061)
Net variation of other funds	283,051	575,584
Interests paid	(404,078)	(847,735)
Interest expense for the year	748,137	832,885
Taxes paid	2,286,113	(6,609,759)
Taxes for the year	(764,382)	4,550,339
<b>Variations in assets and liabilities</b>	<b>3,692,899</b>	<b>9,177,178</b>
Inventories	0	31,273
Accounts payable	991,902	(63,727)
Other current assets	3,329,933	(4,681,458)
Trade payables	994,594	(4,313,242)
Other current liabilities	(1,621,355)	(2,153,233)
Other non-current assets	(4,174)	(404,198)
Other non-current liabilities	2,000	6,800
Cash flows generated from Assets and Liabilities held for sale	0	20,754,964
<b>Total adjustments and variations</b>	<b>7,606,916</b>	<b>9,447,970</b>
<b>Cash flows generated (used) by operating activities</b>	<b>51,224,670</b>	<b>43,147,726</b>
<b>Cash flows generated (used) by investments</b>		
Investments in intangible assets	(2,520)	0
Realisable value of intangible assets	0	10,032
Investments in tangible assets	(520,274)	(80,967)
Realisable value of tangible assets	0	1,884
Disposal/(acquisitions) in investments and avances	(16,300,000)	(200,000)
Cash flows used from Assets and Liabilities held for sale	0	(20,754,964)
Other net equity operations	584,202	0
<b>Cash flows generated/(used) by investments</b>	<b>(16,238,592)</b>	<b>(21,024,015)</b>
<b>Cash flows generated (used) by financial activities</b>		
Net changes in short-term bank borrowings	15,894,394	(42,622,249)
Net variation in current financial assets and liabilities	(25,863,967)	48,966,591
Net changes in medium and long-term loans	19,818,518	0
Dividends paid to shareholders	(40,015,926)	(33,346,605)
<b>Cash flows generated (used) by financial activities</b>	<b>(30,166,982)</b>	<b>(27,002,263)</b>
<b>Variations in cash</b>	<b>(4,819,097)</b>	<b>(4,878,552)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>4,511,059</b>	<b>9,389,611</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>9,330,156</b>	<b>4,511,059</b>

Pursuant to Consob Decision no. 15519 dated 27<sup>th</sup> July 2006, the effects of relations among associated parties are highlighted in the specific paragraph herein "Relations with associated parties".

***IAS/IFRS ACCOUNTING STANDARDS ADOPTED IN DRAWING UP THE FINANCIAL STATEMENTS AS OF 31<sup>ST</sup> DECEMBER 2017***

**Drafting criteria and compliance with IFRS**

The Ascopiave S.p.A. Financial Statements as of 31<sup>st</sup> December 2017 have been prepared in accordance with the IFRS, that is all the “International Financial Reporting Standards”, “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously “Standing Interpretations Committee” (SIC) adopted by the European Commission in accordance with the procedure set forth in EC Directive no. 1606/2002 issued by the European Parliament and Council on 19<sup>th</sup> July 2002 as well as with the provisions issued for the implementation of Art. 9 of Legislative Decree no. 38/2005.

The annual financial report was prepared based on the principle of going concern and historical cost, considering the adjustments as appropriate, except for the budget items that under IFRS must be recognized at fair value as described in the evaluation criteria.

The accounting principles used are homogenous with the ones used for the Statement year ended 31<sup>st</sup> December 2016, except for the instances set forth in the Accounting Principles paragraph and amendments and interpretations applicable from 1<sup>st</sup> January 2017 onward. For comparative purposes, the data are presented with the income data of the 31<sup>st</sup> December 2016 Statement.

Auditing company PricewaterhouseCoopers S.p.A. performed the legal auditing of the Statement as the company in charge or accounting review for the main Group companies.

This Statement is drafted in Euro, as the currency of the country where the company operates. It includes Balance Sheet, Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement and Explanatory Notes. All values stated in the tables and in explanatory notes are expressed as thousands of Euro, unless otherwise specified.

This Statement as of 31<sup>st</sup> December 2017 was approved by the Board of Directors of the Company on 14<sup>th</sup> March 2018.

**Financial statements representation**

The items of the balance sheet are classified into "current" and "non-current"; those in the income statement are classified by their nature; furthermore, the items of income suspended in equity are also highlighted in the comprehensive income.

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

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

## **Accounting principles, amendments and interpretations applied from 1 January 2017**

Hereby is a brief description of amendments, improvements and interpretations applicable to financial reports as of 31 December 2017, implemented on 1 January 2017. The application of said principles shall not have effects on the Company, as they relate to instances not present in our company or are sole financial reporting provisions:

### **IAS 7 - Disclosure initiative**

On 29 January 2016 IASB issued some amendments to IAS 7 - Disclosure initiative. Their purpose is to improve presentation and circulation of financial information in financial reports and solve certain critical issues as reported by operators.

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

On 29 January 2016 IASB published some amendments to IAS 12 - *Recognition of Deferred Tax Assets for Unrealized Losses*. Said modifications clarify how to account for deferred tax assets for debt instruments calculated at fair value.

## **IAS/IFRS accounting standards and respective IFRIC interpretations approved and applicable to financial statements for financial years beginning after 1<sup>st</sup> January 2017**

Please find below a brief description of the new standards and interpretations already issued and approved by the European Union but applicable to the financial statements of the financial years commencing after 1<sup>st</sup> January 2017.

### **IFRS 15 – Revenue from Contracts with Customers**

On 28 May 2014, IASB issued the standard IFRS 15 - Revenues from contracts with customers, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To this end, the new recognition model defines a five-step process. The new standard also requires further additional information about the nature, the amount, timing and uncertainty about revenue and cash flows arising from a contract with a customer. The new standard is effective for annual periods beginning on or after 1 January 2018. Early adoption is envisaged. However, Ascopiave did not pursue the early adoption.

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

### **IFRS 9 - Financial instruments**

On 24 July 2014, IASB issued IFRS 9 - Financial Instruments. The series of changes introduced by the new standard replace the provisions of IAS 39 and introduce a logical approach for the classification and measurement of financial instruments driven by cash flow characteristics and the business model in which an asset is held, a single impairment model to be applied to all financial assets based on expected losses and a substantially reformed approach for hedge accounting. The new standard is effective for annual periods beginning on or after 1 January 2018. Early adoption as of 1 January 2016 is envisaged. However, Ascopiave did not pursue the early adoption. The Group is assessing the method of implementation and the impact of the new standard on its consolidated financial statements. Following a preliminary specifically on hedge accounting, the expected impact of the application of this new accounting standard on the Group's financial statements will be negligible.



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

In September 2016, IASB issued the amendments to IFRS 4: Regarding the implementation of IFRS 9 Financial Instruments. Their purpose is to resolve the issues deriving from the application of the IFRS 9, the new standard in financial instruments, before the implementation of the standard which will substitute the IFRS 4, currently under development by IASB. This amendment, approved in November 2017, will be applicable from years beginning on or after 1 January 2018.

#### **IFRS 15 – Revenue from Contracts with Customers**

On 12 April 2016, IASB issued some further amendments to IFRS 15 - Revenue from Contracts with Customers, in order to provide in-depth clarifications on how to identify performance obligations, account revenues from licenses on intellectual property and value principal versus agent. These amendments, approved in October 2017, will be applicable from years beginning on or after 1 January 2018.

#### **IFRS 16 - Leases**

On 13 January 2016, IASB published the IFRS 16 standard – Leases which replaces IAS 17 on leasing, with significant impact on Statements of lessees: the distinction between financial leases and operating leases has been eliminated, introducing a new single model for all leases which will result in an asset entry for the right of use and a liability entry for the lease. The new standard was approved on 31 October and is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers.

### **Accounting standards, amendments and interpretations already issued but not yet approved and applicable to annual periods beginning on or after 1<sup>st</sup> January 2017**

Please find below a brief description of the new standards and interpretations already issued but not yet approved by the European Union but however applicable to financial statements beginning on or after 1<sup>st</sup> January 2017. The list does not include the standards and interpretations which by their nature are not adoptable by the Group.

#### **IFRS 14 - Regulatory Deferral Accounts**

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

#### **IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

On 8 December 2016 IASB published IFRIC 22 - *Foreign Currency Transactions and Advance Consideration*. The aim of this document is to set the exchange rate of to be used in foreign currencies transactions in case the payment is made or received in advance. This interpretation will be applicable from years beginning on or after 1 January 2018 but is not approved yet.

### **IFRIC 23 – Uncertainty over income tax treatments**

On 7<sup>th</sup> June 2017, IASB issued interpretation IFRIC 23 which provides indications as to how to recognize and measure deferred and current taxes in the event of uncertainty over the tax treatment due to IAS 12. The interpretation is applicable from 1<sup>st</sup> January 2019.

### **IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in associates and joint ventures.**

On 11 September 2014, IASB issued amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in associates and joint ventures. The aim is to clarify the accounting method of the results related to the sale of assets between companies in a group and associated companies and joint ventures. The approval process of these amendments has been suspended and the application date has been postponed to a future date to be determined.

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

On 20 June 2016, IASB issued some amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions. The aim of these changes is to resolve some issue related to the accounting on share based payments. Specifically, the amendments improve considerably the following areas i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. These amendments will be applicable commencing 1 January 2018 and approved in the first quarter of 2018.

### **Annual Improvements 2014-2016**

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

### **IAS 40 – Transfers of Investment Property**

On 8 December 2016, IASB issued amendments to IAS 40 - Transfers of Investment to discipline transfer to/from investment property to other asset groups. Specifically, it is settled if a property under construction or development accounted in inventories may be reclassified in property investments if there was a change in its usage. These amendments will be applicable from years beginning on or after 1 January 2018.

### **IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**

The amendment, issued by IASB in October 2017, concerns companies that finance associates and joint ventures with loans for which a short-term repayment is not expected. The amendment is applicable commencing 1<sup>st</sup> January 2019.

### **IFRS 9 - Prepayment Features with Negative Compensation and modifications of financial liabilities (Amendments to IFRS 9)**

The amendment, issued by IASB in October 2017, aims to cover two main points. The first is to define which financial assets must be measured at amortized cost, allowing a higher number of assets to be measured at amortized cost than allowed by IFRS 9. The second involves the accounting of changes to a financial debt. The amendment is applicable commencing 1<sup>st</sup> January 2019.

## **Use of estimates**

The preparation of the financial statements and related explanatory notes in compliance with the IFRS requires the management to provide accounting estimates based on complex and/or subjective assumptions, on experience and assumptions that are considered reasonable and realistic and that are known at the estimates moment. The use of these

estimates affects the values of the assets and liabilities reported on the financial statements as well as the amounts of costs and revenues and the information relating to potential assets and liabilities in the period considered. If, in the future, such estimates and assumptions, which are based on the Management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise.

Estimates are used to assess:

- Impairment of all non-financial assets: the Group assesses whether there are permanent reductions in the value of all non-financial assets. In particular, goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting based on a suitable discount rate.
- Provisions for doubtful accounts, inventory obsolescence, useful lives of intangible fixed assets and their amortization amounts.
- Benefit plans for employees and share-based payment plans; (so-called phantom stock option).
- Taxes and provisions for risks and charges.

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

## Measurement criteria

The accounting principles adopted by Ascopiave S.p.A. are reported below.

**Other intangible fixed assets:** intangible assets mainly assets pertaining to patent and software rights.

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

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

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

Lands - both free of constructions and annexed to civil and industrial buildings - are booked separately and are not depreciated since they are elements with an unlimited useful life.

Maintenance and repair costs not subject to valuing and/or extending the residual useful life of assets, are entered in the year in which they are borne. Otherwise, they are capitalized.

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

The main economical-technical rates used are as follows:

Buildings	2%
Equipment	8.5% -8 .3%
Furniture	8.80%
Electronic equipment	16.20%
Basic hardware and software	20%
Motorcars, motor vehicles and similar	20%

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

Impairments are reported on the Income Statement with the costs for depreciations and write downs. Such losses of value are restored should the reasons for their cause cease to exist.

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

**Shareholdings:** Share interests entered herein refer to lasting investments. The Company classifies share interests in the following categories:

- Shareholdings in subsidiaries
- Shareholdings in jointly controlled companies
- Shareholdings in associates;
- Other Shareholdings.

**Shareholdings in subsidiaries, Shareholdings in jointly controlled companies and Shareholdings in associates:**

The comparison between the book value of the investments in subsidiaries, jointly controlled companies and associates and the share pertaining to the Company could give rise to situations in which the value recorded in the financial statements differs from the total shareholders' equity of the investee at the reporting date.

For the purposes of the annual verification of the possible impairment of the carrying amounts of investments in subsidiaries, jointly controlled companies and associates, the Directors determine the value in use for each of them.

The value in use is calculated by using the projection of the cash flows contained in the economic and financial plans of the individual subsidiaries that have been approved by the Board of Directors. After examining the results of the impairment test on the individual shareholdings, any value adjustments are recorded.

The main benchmarks adopted upon evaluating the value in use, both in terms of growth rates for the periods subsequent to those illustrated in the plans and in terms of the discount rate, are consistent with those considered in the

impairment tests of the goodwill allocated to the CGUs in the consolidated financial statements, to which reference should be made for further details.

**Shareholdings in other companies:** share interests in companies that are not subsidiaries, associates or joint ventures (normally with a share interest not exceeding 20%) are classified in non-current financial assets and entered at their fair value if it can be determined. Should the share interest be in companies not publicly traded, share interests are valued at the cost of purchase or subscription, minus any repayment of principal, and are subsequently adjusted for impairments determined in the same manner previously described for the tangible assets.

**Other non-current Assets:** they are entered at nominal value. Said value may be amended in case of impairment, for an amount equal to the amortized cost.

**Financial Assets - Receivables and Loans:** this category includes receivables that do not include derivative instruments and not traded in an active market, from which fixed or determinable payments are expected. Said assets are initially entered at fair value and subsequently valued at their amortized cost based on actual interest rates.

Should there be an obvious indicator of impairment, the value of the asset shall be reduced so that its value is equal to the monetary flows that are obtainable in the future: impairments determined through an impairment test are entered in the Profit & Loss account. Should the reason of said write-down cease to be applicable in future periods, the asset value shall be restored up to the value of the amortized cost should the impairment test never have been applied. Said assets are classified as current assets and installments due past 12 months are entered as non-current assets.

**Financial assets held up to their expiry date:** this category includes non-derivative financial instruments with a set expiry that the Company intends and has the power to maintain in its portfolio up to their expiry. Assets that will expire in the following 12 months are all entered as current assets. Should there be an obvious indicator of impairment, the value of the asset shall be reduced so that its value is equal to the monetary flows that are obtainable in the future: impairments determined through an impairment test are entered in the P&L account. Should the reason of said write-down cease to be applicable in future periods, the asset value shall be restored up to the value of the amortized cost should the impairment test never have been applied.

**Financial assets available for sale:** this category includes non-derivative financial instruments that are especially entered in this category or that may not be classified in any of the previous entries. These assets are valued at their fair value. The fair value is determined with market prices at the financial statement date or interim report, through models of financial evaluation, by determining changes in values with contra-entries in a specific reserve in equity. Their classification as either current or non-current derives from the expectations of administrators regarding their negotiation: assets that are expected to be sold in the next 12 months are entered as current assets.

**Trade receivables and other current assets:** trade receivables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value) net of the relevant impairments. These are adjusted to their presumed realization value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Company will be unable to collect the receivables for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement. Additionally, the Group

sells some of its trade receivables through sale operations of receivables (“factoring”). Factoring transactions are with recourse.

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

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

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

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

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

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

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

Furthermore, the Company has created remuneration plans that are partially paid with Ascopiave S.p.A. shares, by allocating shares created in long-term stock options incentive plans. These are entered as liabilities and valued at their fair value at the end of each fiscal year up to the moment they will be paid (during the approval of the 2017 yearly statement). Each variation to their fair value is entered in the P&L account.

The remaining part of the incentive plan is composed of stock options that may be bought only in cash. The cost of the cash operation is initially valued at their fair value of their allocation date. Specifically, the stock plans of the Group envisage the attribution of rights based on the attainment by its recipients of special goals related to objectives. The financial treatment of these options is based, among other criteria, on the share title trend. Said fair value is paid up to its expiry and a corresponding liability is entered. This liability is calculated at the end of each year end up to and including the year of its payment. Each variation to their fair value is entered in the P&L account.

In 2015, the remuneration plans of the previous three-year period were paid. This resulted in the allocation of 99,078 shares. Considering the regulations of the plan, no further allocations have been made during the year, as the benefits will be allocated at the end of the period. Said remuneration plans are accounted pursuant to what is set forth in IFRS 2. For additional details please refer to “Section II” of the Remuneration Report, as envisaged by Art. 123 – par. 3 of the Legislative Decree no. 58/1998 (so-called Unified Finance Law).

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

Provisions are reported when:

- i) There likely is a current obligation (legal or implicit) that derives from a past event;
- ii) an outlay of resources is likely in order to meet the obligation;
- iii) a reasonable estimate can be made as to the amount of the obligation.

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

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

**Financial liabilities:** financial liabilities include mid to long term financings that are initially entered at fair value net of costs for transactions if applicable and are subsequently valued at their amortized cost, calculated by applying their effective interest rate, net of previous reimbursements.

Should the terms of the long-term financing agreement be breached on or before the end of the year with the effect that the liability becomes an account payable on request, the liability is classified as current even if the financing institution agreed, after the closure of the year under scrutiny and before the publishing of the yearly statement, not to demand payment of the sum as result of the agreement breach. The liability is classified as current because, at the date of reference of the statement, the company does not have the unconditional right to defer payment of said liability for at least 12 months from that date.

**Other current financial liabilities** are valued at their amortized cost and are eliminated upon their extinguishment, which is when the agreement obligations are achieved, cancelled or expired.

**Trade payables and other liabilities:** trade payables, whose expiry is within normal commercial trading terms, refer to financial liabilities resulting from supply relationships and are booked at amortized cost.

Payables in a currency differing from the account currency are booked at the exchange rate of the day of the operation and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported on the income statement.

**Other current liabilities:** Include various exchanges and are all booked at face value, corresponding to their amortized cost.

**Fair value hierarchy:** Financial assets and liabilities 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.

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

The revenues from sales and service performance are recognized to the extent to which it possible to determine their fair value and it is likely that the connected economic benefits will be enjoyed upon transfer of the risks and advantages typical of the property or upon performance of the service. The revenues are entered net of all discounts, rebates and premiums, as well as directly connected taxes.

**Financial income and expenses:** income and costs are booked on an accrual basis according to the interests accrued on the net value of the relevant financial assets and liabilities, using the actual interest rate.

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

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

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

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

- when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has



no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;

- regarding taxable temporary differences associated with holdings in subsidiaries, associated companies and joint ventures, the deferred tax assets are reported only in the amount in which it is likely that the deductible temporary differences will reverse in the immediate future and that there is suitable tax income against which the temporary differences can be used.

**Earnings per share:** the basic earnings per share are calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares, net of own shares. For the purposes of calculating the profit per base share, the numerator used the financial result of the period. 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 profit per share is equal to that per share 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.

**Asset impairment:** at least every year the Company performs an impairment test on the tangible and intangible assets of indefinite life or when events occur that might result in the irreparable loss of value of the accounted statement value.

**Amortizations and depreciations:** they are calculated according to the estimated residual life of the asset or the remaining duration of the concession. Useful life is determined by the directors, with the support of experts, when the asset is first entered in the statement. Estimates regarding useful life are based on history, market conditions and expectations of future events that might influence the useful life itself, including technological advances. The company regularly evaluates technological and sector changes, costs of dismantling/closure and the salvageable value of an asset when assessing its residual life. Said periodic updating might result in changes in the amortization and depreciation period and therefore in variations in the amortization/depreciation rate for future years.

**Provisions for risks:** said provisions are set aside using the same procedures as the previous years, based on notifications and advices by consultants and lawyers in charge of proceedings, as well as on the actual developments thereof.

**Provision for doubtful accounts:** it is based on estimated losses related to the account portfolio of the company. Specific insolvency instances have led to the creations of new provisions, as well as expected losses for doubtful accounts based on previous experiences with accounts with similar risk profiles.

**Deferred tax assets:** accounting of deferred tax assets is based on the expected taxable income in future years. The valuation of the expected taxable income for the accounting of deferred tax assets is based on several factors that may differ in time and have significant effect on the recoverability of tax receivables for deferred tax assets.

**Employee's Benefits:** expenses and liabilities related to employee's benefits are based on actuarial estimates. The effects deriving from modifications in said actuarial estimates are entered in a specific Equity entry.

## **INFORMATION ON MANAGEMENT AND COORDINATION ACTIVITIES**

Ascopiave S.p.A. is not subject to management and coordination activities on the part of AscoHolding S.p.A. since it operates in conditions of corporate and entrepreneurial autonomy with respect to its parent company. Asco Holding S.p.A. avails itself of some services offered by Ascopiave S.p.A. and other subsidiary companies, on an arm's length basis, for organization and economic reasons.

**EXPLANATORY NOTES AND COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF ASSETS AND LIABILITIES**

*Non-current assets*

*1. Other intangible fixed assets*

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

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>			<b>31.12.2016</b>		
	<b>Historic cost</b>	<b>Accumulated depreciation</b>	<b>Net value</b>	<b>Historic cost</b>	<b>Accumulated depreciation</b>	<b>Net value</b>
Industrial patent and intellectual property rights	3,269	(3,148)	121	3,269	(3,020)	248
Concessions, licences, trademarks and similar rights	52	(49)	2	49	(49)	0
Other intangible assets	12	(12)	0	12	(12)	0
<b>Other intangible assets</b>	<b>3,332</b>	<b>(3,209)</b>	<b>123</b>	<b>3,330</b>	<b>(3,081)</b>	<b>248</b>

The following table highlights movements in other intangible fixed assets during the period:

<b>(Thousands of Euro)</b>	<b>31.12.2016</b>			<b>31.12.2017</b>		
	<b>Net value</b>	<b>Change for the year</b>	<b>Decrease</b>	<b>Amortizations during the year</b>	<b>Depreciations</b>	<b>Net value</b>
Industrial patent and intellectual property rights	248	(0)		127		121
Concessions, licences, trademarks and similar rights	0	3		0		2
Other intangible assets	0	0				0
<b>Other intangible assets</b>	<b>248</b>	<b>3</b>	<b>0</b>	<b>128</b>	<b>0</b>	<b>123</b>

Industrial patents and intellectual property rights

During the year, the item “Industrial patents and intellectual property rights” did not highlight significant changes and the amortization rate amounts to Euro 127 thousand.

Concessions, licenses, trademarks and similar rights

The item includes costs relating to a Business Intelligence system for advanced data reporting.

Other intangible fixed assets

The item refers to the cogeneration plant located in the municipality of Mirano, sold to the subsidiary Veritas Energia S.p.A..

*2. Tangible fixed assets*

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

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>			<b>31.12.2016</b>		
	<b>Historic cost</b>	<b>Accumulated depreciation</b>	<b>Net value</b>	<b>Historic cost</b>	<b>Accumulated depreciation</b>	<b>Net value</b>
Lands and buildings	36,438	(10,811)	25,628	36,438	(9,700)	26,738
Plant and machinery	1,612	(1,121)	490	1,612	(1,070)	542
Industrial and commercial equipment	171	(144)	27	169	(136)	32
Other tangible assets	9,442	(8,383)	1,059	9,399	(7,924)	1,475
Tangible assets in progress and advance payment	985		985	509	0	509
<b>Other tangible assets</b>	<b>48,127</b>	<b>(18,830)</b>	<b>28,189</b>	<b>48,127</b>	<b>(18,830)</b>	<b>29,297</b>

The following table highlights the variations in the tangible fixed assets item during the year under consideration:

	31.12.2016			31.12.2017		
(Thousands of Euro)	Net value	Change for the year	Decrease	Amortizations during the year	Depreciations	Net value
Lands and buildings	26,738	0		1,111		25,628
Plant and machinery	542	(0)		51		490
Industrial and commercial equipment	32	2		7		27
Other tangible assets	1,475	43		459		1,059
Tangible assets in progress and advance payment	509	475	0			985
<b>Other tangible assets</b>	<b>29,297</b>	<b>520</b>	<b>0</b>	<b>1,628</b>	<b>0</b>	<b>28,189</b>

#### Land and buildings

This item is mainly made up of the buildings owned in relation to company headquarters, offices and secondary warehouses. At the end of the year the item did not show increases.

#### Plants and machinery

The item Plants and machinery decreased from Euro 542 thousand in the previous year, to Euro 490 thousand in the year considered. This change is due to the depreciation rates recognized in the period.

#### Industrial and commercial equipment

In the period considered, "Industrial and commercial equipment" registered investments equal to Euro 2 thousand.

#### Other assets

In the period considered, the item "other assets" registered investments for Euro 43 thousand, mainly related to costs for hardware and telephone equipment.

#### Tangible assets in progress and advance payments

This item mainly includes costs for extraordinary maintenance in company headquarters and/or secondary warehouses. During the year, this item recorded a positive change equal to Euro 475.

### 3. Shareholdings

The following table shows the changes in the shareholdings interest in other companies by Ascopiave S.p.A. as of 31<sup>st</sup> December 2017:

Name	Location	Share capital	Total net equity	Result for the year	%	Book value
<b>Controlled companies</b>						
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1,000,000	318,020,797	19,289,449	100%	298,740,636
Ascotrade S.p.a.	Pieve di Soligo (TV)	1,000,000	29,736,982	14,483,509	89%	4,809,636
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7,000,000	15,526,048	1,469,744	100%	14,964,474
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	1,000,000	11,509,478	1,203,475	100%	23,317,602
Pasubio Servizi S.r.l.	Schio (VI)	250,000	5,917,645	3,037,241	100%	23,053,908
Blue Meta S.p.A.	Pieve di Soligo (TV)	606,123	9,475,432	4,633,792	100%	35,322,544
Veritas Energia S.p.A.	Pieve di Soligo (TV)	1,000,000	4,928,951	2,952,812	100%	5,713,503
Amgas Blu S.r.l.	Foggia (FG)	10,000	2,079,922	1,814,599	80%	11,364,738
AP Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10,000,000	16,847,991	(135,054)	100%	16,300,000
Etra Energia S.r.l.	Cittadella (PD)	100,000	1,137,834	453,068	51%	357,000
<b>Total shareholdings in controlled companies</b>						<b>433,944,040</b>
<b>Joint companies</b>						
Estenergy S.p.A.	Trieste (TS)	1,718,096	24,922,896	11,680,651	48.999%	39,838,121
ASM Set S.r.l.	Rovigo (RO)	200,000	2,205,993	1,936,800	49.00%	3,333,229
Unigas Distribuzione S.r.l.	Nembro (BG)	3,700,000	41,572,726	2,199,923	48.86%	20,652,416
<b>Total shareholdings in joint companies</b>						<b>63,823,767</b>
<b>Affiliated companies</b>						
Sinergie Italiane S.r.l. - in liquidazione	Milano (MI)	1,000,000	(10,525,736)	1,658,622	30.94%	309,400
<b>Shareholdings in other companies</b>						
B. Cred. Coop. Prealpi						528

It is to be pointed out that the net equity and results for the period of the controlled or jointly controlled companies reported in the tables above refer to financial statements for the periods ended 31 December 2017 and approved by the Boards of Directors of the investees.

The comparison between the value of the investments in subsidiaries and joint ventures and the share attributable to the Company highlights situations in which the value entered in the financial statement exceeds the total net assets of the subsidiary as of 31 December 2017.

For the purposes of the annual impairments test on the values booked for investments in subsidiaries and joint ventures, we determined the use value for each.

The use value was calculated by using the projected cash flows contained in the 2017-2019 business plans of the individual subsidiaries that have been approved by the Board of Directors on 7 March 2018. Following the results of the impairment tests on the single shareholdings, no write-down was recognized.

The main benchmarks adopted in evaluating impairment, both in terms of growth rates for other periods than those illustrated on the plans and in terms of discount rate, are consistent with those considered in the impairment tests of the goodwill allocated to the CGU in the consolidated financial statements.

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

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

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

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

The Group's shareholder's equity, as at 31<sup>st</sup> 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 had 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 € 1.6 million per year.

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

With the transaction, Ascopiave paid the shareholders which sold the company's entire share capital 90% of the price agreed for the sale of the shares, amounting to 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 31<sup>st</sup> December 2015 to the share transfer date. In compliance with the agreements, Pasubio Distribuzione S.r.l. paid the municipalities which sold their stakes a portion of the one-off amount to which they were entitled, equal to Euro 5.1 million.

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

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

On 28<sup>th</sup> April 2017, in compliance with ARERA'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.

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

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

#### 4. Other non-current assets

The following table shows the details of the items included under the "Other non-current assets" in the financial years considered:

(Thousands of Euro)	31.12.2017	31.12.2016
Security deposits	503	499
Other receivables	3,963	3,963
<b>Other non-current assets</b>	<b>4,466</b>	<b>4,462</b>

Other non-current assets increase by Euro 4,462 thousand in 2016 to Euro 4,466 thousand in 2017 marking an increase Euro of 4 thousand.

The item "Other receivables" is composed of:

- Receivables from the local authority of Creazzo, for a value of Euro 2,141 thousand corresponding to the net book value of the distribution plants awarded in June 2005 for the natural expiry of the concession corresponding, pursuant to "Letta" Legislative decree, art. 15 subpar. 5, to the industrial value of the net according to evaluation reported in the experts' examination. During the year 2014, the litigation with the Municipality about the value of the delivered distribution plant ended with the judgment of the Court of Vicenza, which enshrined in Euro 1,678 thousand the value of the refund, leading to a devaluation credit for Euro 463 thousand. The Company maintains good reason to believe it can recover the least recognition of the credit in the following states of the dispute that however is not maintained in writing and has become, because of that judgment, a contingent asset.
- Receivables from the municipality of Santorso, for Euro 748 thousand. This amount corresponds to the net book value of the distribution plants awarded in August 2007 to the Municipality itself and the delivery of the infrastructures took place after the expiry of the concession on 31 December 2006. The value of the receivable from the municipality of Santorso corresponds to the "Letta" law, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a specific appraisal.
- Receivables from the municipality of Costabissara, for Euro 1,537 thousand. This amount corresponds to the net book value of the distribution systems delivered on 1 October 2011 to the Municipality; the delivery of infrastructures happened at the natural expiry date of the concession. The value of the credit is equal to the net book value of the divested asset, considered lower than the reconstruction value as per new request of the

Local Body.

As of 31 December 2017, there is an outstanding litigation with the municipalities mentioned in order to define the value of compensation of distribution systems delivered. Please refer to paragraph "Litigations" herein for further details.

#### 5. Deferred tax assets

Deferred tax assets increase from Euro 1,858 thousand, to Euro 2,039 thousand, marking an increase of Euro 181 thousand as highlighted in the table below:

(Thousands of Euro)	31.12.2017	31.12.2016
Advance tax receivables	2,039	1,858
<b>Advance tax receivables</b>	<b>2,039</b>	<b>1,858</b>

The Company has been performing a full accounting of advance taxes concerning temporary differences between tax-imposition and balance sheet value, as the Company supposes that future tax-imposition could take up all differences that generated them. In determining the advanced taxes, we referred to IRES (taxes on company income) and, where applicable, to the current IRAP at the moment in which the temporary differences are supposed to be deposited again. In particular, a 24% IRES tax rate, and a 3.9% IRAP tax rate were applied in accordance with the changes introduced by Law 111 dated 15 July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6 July 2011.

The total value of the temporary differences and the amounts on which the deferred tax assets were calculated are as follows:

Description	31 December 2017			31 December 2016		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	464	24.0%	111	464	24.0%	111
Risks fund	250	24.0%	60	250	24.0%	60
Exceeding amortizations IRES	6,187	24.0%	1,485	6,094	24.0%	1,462
Exceeding amortizations previous 2007 within 2013	51	28.2%	14	51	28.2%	14
Other	23	28.2%	6	23	28.2%	6
Personnel incentive	1,512	24.0%	363	854	24.0%	205
<b>Total advance taxes</b>			<b>2,039</b>			<b>1,858</b>

#### Current assets

#### 6. Trade receivables

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

(Thousands of Euro)	31.12.2017	31.12.2016
Receivables from customers	164	4,944
Receivables for invoices to be issued	6,256	2,468
<b>Trade receivables</b>	<b>6,420</b>	<b>7,412</b>

Trade receivables are entered net of the advance payments in bills and mainly relate to invoicing of various services that



Ascopiave S.p.A. entertains with other companies of the Group.

The item decreases from Euro 7,412 thousand in the previous year, to Euro 6,420 thousand in the year considered, with a decrease of Euro 992 thousand.

All receivables from clients are entirely made up of Italian debtors.

At the end of the year, no doubtful accounts that would require further provisions have been identified.

It is noted that trade receivables will be collectable within the following year and currently there are no significant outstanding expired receivables.

(Thousands of Euro)	31.12.2017
Gross trade receivables for invoices issued	164
- allowance for doubtful accounts	0
<b>Net trade receivables for invoices issued</b>	<b>164</b>
<b>Ageing of trade receivables for invoices issued:</b>	
- to expire	74
- expired within 6 months	66
- overdue by 6 to 12 months	23
- expired more than 12 months	(18)
- expired more than 5 years	19

#### 7. Other current assets

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

(Thousands of Euro)	31.12.2017	31.12.2016
Tax consolidation receivables	3,164	4,678
Annual pre-paid expenses	88	144
Advance payments to suppliers	1,120	534
VAT Receivables	554	766
UTF and Provincial/Regional Additional Tax receivables	82	82
Other receivables	730	2,863
<b>Other current assets</b>	<b>5,737</b>	<b>9,067</b>

Other current assets showed a decrease of Euro 3,330 thousand, from Euro 9,067 thousand in 2016, to Euro 5,737 thousand in 2017. The decrease is mainly explained by the decrease in IRES receivables for the national fiscal consolidation and pertain receivables to parent company Asco Holding S.p.A., which took advantage of this option, and the decrease in other receivables, which include receivables to subsidiaries for shares that are part of company employee incentive programs.

### 8. Current financial assets

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

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Financial receivables from controlled companies	21,071	2,534
<b>Current financial assets</b>	<b>21,071</b>	<b>2,534</b>

Current financial assets are in the tune of Euro 21,071 thousand marking an increase of Euro 18,537 thousand compared to the previous year. The item includes balances of intercompany accounts through which the company managed the Group Treasury, granting the necessary funding to its subsidiaries and affiliates, in order to meet their financial requirements.

Hereby the composition of financial assets from subsidiary and joint-control companies for the two years is highlighted:

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
intercompany current account - Ascotrade S.p.A.	637	0
intercompany current account - Amgas Blu S.r.l.	807	0
intercompany current account - AP Reti Gas Vicenza S.p.A.	15,403	0
intercompany current account - Edigas Es. Distribuzione Gas S.p.A.	0	261
intercompany current account - Veritas Energia S.p.A.	4,224	2,273
<b>Current financial assets from subsidiary companies</b>	<b>21,071</b>	<b>2,534</b>

The change, equal to Euro 18,537 thousand, is explained by the increase in loans granted to subsidiaries due to higher financial requirements compared to the previous year for all companies.

### 9. Tax receivables

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

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Receivables related to IRAP	638	621
Other tax receivables	26	135
<b>Tax receivables</b>	<b>664</b>	<b>757</b>

Tax receivables decreased from Euro 757 thousand in 2016 to Euro 664 thousand in 2017, showing a decrease of Euro 93 thousand.

### 10. Cash and cash equivalents

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

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Bank and post office deposits	9,324	4,506
Cash and cash equivalents on hand	7	5
<b>Cash and cash equivalents</b>	<b>9,330</b>	<b>4,511</b>

The figures reported refer to the balances of bank accounts and to the values of company fund. Cash allowance at the end of the fiscal year amount to Euro 9,330 thousand with an increase from the previous year of Euro 4,819 thousand. For a better understanding of changes in the cash flows occurred during the year, please refer to the cash flow statement.

### Equity

#### 11. Equity

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

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Share capital and reserves	354,819	360,546
Result for the period	43,618	33,700
<b>Total Net equity</b>	<b>398,437</b>	<b>394,246</b>

The composition of the net shareholders' equity is reported below:

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,521)	(17,521)
Reserves	91,087	96,819
Reserve for severance pay discount ias 19	(40)	(45)
Result for the period	43,618	33,700
<b>Net equity of the Group</b>	<b>398,437</b>	<b>394,246</b>

Stockholders' equity as of 31 December 2017 amounted to Euro 398,437 thousand, an increase of Euro 4,191 thousand compared to 31 December 2016. Please refer to the changes in equity for further details.

During 2017, the Shareholders' Meeting held on 28 April approved the distribution of dividends equal to Euro 40,016 thousand, corresponding to 0.18 Euro per share.

The share capital of Ascopiave S.p.A. as of 31 December 2017 consists of 234,411,575 shares with a nominal value of Euro 1.00 each.

It is noted that during 2017 no own shares have been purchased.

The changes in the net shareholders' equity in FY 2017 are reported in the following tables:

<b>(Number of shares)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Number of shares from shareholders' capital	234,412	234,412
Number of shares in portfolio	(12,101)	(12,101)
<b>Total number of shares in circulation</b>	<b>222,311</b>	<b>222,311</b>

<b>Value of the shares in circulation (thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Ordinary shares	234,412	234,412
Own shares in portfolio	(17,521)	(17,521)
<b>Total value of shares in circulation</b>	<b>216,891</b>	<b>216,891</b>

*Revenues (losses) entered directly in the Shareholders' Equity*

As of 31 December 2017, losses for Euro 40 thousand were entered directly in the Shareholders' Equity, marking a positive change of Euro 5 thousand compared to 31 December 2016.

This reserve gathers accounting gains and losses deriving from the assessment of current benefit plans that shall never be reclassified under profit and loss account.

Pursuant to article 2427-bis of the Italian Civil Code, the prospects indicating the origin, possibility of use and distribution of net equity items are reported below:

Description	Amount	Possibility of use	Portion available	Usage in the previous three financial period	
				For coverage of losses	For other reasons
Share capital	234,411,575	-	0		
<b>CAPITAL RESERVES</b>					
Share premium fund	50,171,613	A, B, C	50,171,613		
Own shares	(17,521,332)	-	0		
<b>EARNINGS RESERVES</b>					
Legal reserve	46,882,315	B	0		
Extraordinary reserve					
Free reserve					
Other reserve	40,875,186	A, B, C	40,875,186		
<b>Total</b>	<b>120,407,782</b>		<b>91,046,799</b>		
<b>Portion non available</b>					
<b>Residual value of available portion</b>			<b>91,046,799</b>		

Note: "A" = capital increase "B" = coverage of losses, "C" = distribution to shareholders

The share premium fund is available considering that the legal reserve reached a value equal to one fifth of the share capital, in accordance with civil law provisions.

## *Non-current liabilities*

### *12. Reserves for risks and charges*

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

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Provisions for pension for gas sector employees	676	393
Other provisions for risks and charges	250	250
<b>Provisions for risks and charges</b>	<b>926</b>	<b>643</b>

The increase in the provision for risks and charges is due to provisions for pension for gas sector employees and to incentive schemes for employees.

The other provisions pertain to litigations with former employees.

### *13. Severance indemnity*

The changes in severance indemnity in the year considered are shown in the following table:

<b>(Thousands of Euro)</b>	
Severance indemnity as of 1 <sup>st</sup> January 2017	253
Retirement allowance	(341)
Payments for current services and work	341
Actuarial loss/(profits) recorded	5
<b>Severance indemnity as of 31<sup>st</sup> December 2017</b>	<b>257</b>

The liability of the severance indemnity is calculated with the actuarial method. Its value is therefore subjected to variation between the various hypotheses. The main hypothesis used for the measurement of the severance indemnity is the discount rate, the average yearly employee turnover and maximum retiring age of employees.

The discount rate used to measure the liability deriving from severance indemnity is determined from market trend of fixed-rate, high quality bonds (AA rating or better) with due date and amount corresponding to due date and amounts of expected future payments. For this plan, the average discount rate reflecting the due dates and amounts of future payments for 2017 amounts to 1.49%.

The main additional assumptions of the model are:

- Mortality rate: IPS55 survival table
- Inability rates: INPS tables year 2000
- Personnel rotation rate: 3.00%
- Annual probability rate of TFR down payment: 2.00%
- Increase in remuneration rate: 1.50 %
- Inflation rate: 1.00%

The sensitivity analysis on the actuarial evaluation of the provision did not highlight substantial discrepancies compared to the value entered in the financial statements.

The current cost related to work performance is included as personnel costs, while the interest cost is recorded under financial income and expense.

#### 14. Medium- and long-term loans

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

(Thousands of Euro)	31.12.2017	31.12.2016
Loans from Prealpi	610	684
Loans from European Investment Bank	26,250	31,000
Loans from Unicredit S.p.A.		2,857
Loans from BNL	27,500	
<b>Medium- and long-term bank loans</b>	<b>54,360</b>	<b>34,541</b>
Current portion of medium- and long-term bank loans	10,181	9,287
<b>Medium- and long-term loans</b>	<b>64,541</b>	<b>43,828</b>

Medium and long term loans mark an increase of Euro 20,713 thousand, explained by a new loan with BNL and the payment of the installments in the period.

Concerning the loan issued by the European Investment Bank, paid in two tranches in 2013 equaling Euro 45,000 thousand, its outstanding debt as of 31 December 2017 is equal to Euro 31,000 thousand, with Euro 4,750 classified in due to banks and short-term loans.

The repayment of the first installment of 35,000 thousand will be carried out in 12 residual six month installments with a fixed amount, between 27 February 2018 and 28 August 2023, with the application of a Euribor 6-month interest rate increased with a 95.5 base point spread. The second installment, amounting to Euro 10,000 thousand shall be repaid with 16 six-month installments with a fixed amount from 27 February 2018 to 27 August 2025 with the application of a Euribor 6-month interest rate increased with a 71.5 base point spread as well as a 135-base point cost related to the guarantee issued by the “Cassa Depositi e Prestiti S.p.A.” (Deposit and Loan Bank).

As a guarantee of the fulfillment of the obligations associated with the loan agreement, the subsidiary AP Reti Gas S.p.A. sold to the European Investment Bank a share of future claims arising from the repayment of the residual value of assets related to its Distribution Gas Concessions, as set forth in the agreement integration executed in December 2016.

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

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

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

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

At the end of 2017, the covenants envisaged by the contract were respected since:

- a) the Ebitda / net financial expenses ratio was equal to 180.36 (175.10 as of 31 December 2016), calculated as the ratio between the Ebitda consolidated on that date, amounting to Euro 84,409 thousand, and the consolidated net financial expenses, amounting to Euro 468 thousand;
- b) the net financial position / Ebitda ratio was 1.42, calculated as the ratio between the net financial position consolidated on that date, amounting to Euro 119,867 thousand, and the consolidated Ebitda, amounting to Euro 84,409 thousand.

The medium long-term loan with Unicredit S.p.A. was signed by the Parent Company in 2011, to finance important company aggregation operations. The original amount of the loan was Euro 40,000 thousand and the loan has a seven-year duration. The prepayment of the loan is set on six-month postponed installments, from 31<sup>st</sup> December 2011 to 30<sup>th</sup> June 2018.

During 2017 two installments of said loan have been paid for Euro 2,857 thousand each, leading to a decrease in the loan itself for Euro 5,714 thousand and to an outstanding debt amounting to Euro 2,857 thousand at the end of the financial year.

The interest rate is variable, and it involves a three-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the “spread” parameter. The value of the fixed margin is apt to increase on the basis of the value of the ratio between the consolidated net financial position and the consolidated gross operative margin at the end of each financial year, as reported in the following table:

PFN/M.O.L. Ratio Value	Value of spread
Index>2.5	125 basis points
2<Index<2.5	90 basis points
Index<2	75 basis points

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

- a) the value of the index described above may not exceed 3.5 (covenants amended by notarial deed of 22 December 2014, the previous limit was equal to 2.75);
- b) R.A.B. value (Regulatory Asset Base, i.e. the value of the gas network) cannot be lower than Euro 270,000 thousand;
- c) the stake of ASCOHOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

As collateral for the execution of obligations related to the loan, the company relinquished to Unicredit an interest of future credit deriving from the reimbursement of the residual value of the assets related to Gas Distribution Concessions.

Following a negotiation with Unicredit S.p.A. on 20 November 2015, yearly assessment of respect of financial covenants and operating parameters stated in items a) and b) from 2015 shall no longer carried out on the IFRS compliant Group consolidated results, but on a pro-forma consolidated report based on the sum of data of consolidated statement and the pro-quota of joint controlled companies.

As of 31 December 2017, having respected the indicator a), amounting to 1.19, calculated as the pro-forma net financial indebtedness to that date (Euro 116,160 thousand) and the pro-forma Ebitda (Euro 97,822 thousand) as well as letter b) for Euro 465,904, the applicable spread applicable from 1 January 2018 shall be 75 base points.

In August 2017, Ascopiave S.p.A. signed with BNL a 12-year loan, amounting to € 30,000 thousand, repayable every six months through constant installments for the capital portion, commencing 2 February 2018 until 2 August 2029, and

interest calculated with a 1.92% fixed rate.

As collateral for the execution of obligations related to the loan with BNL, 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:

- a) Net financial position/Ebitda ratio  $\leq 3.5$ ;
- b) RAB  $\geq$  Euro 300,000 thousand.

As of 31<sup>st</sup> December 2017 these covenants were respected as:

- a) The Net financial position/Ebitda ratio is equal to 1.42, calculated as the ratio between the net financial position consolidated on that date, amounting to Euro 119,867 thousand, and consolidated Ebitda, equal to Euro 84,409 thousand;
- b) Consolidated RAB is equal to Euro 433,932 thousand.

The following table highlights deadlines for the installments of medium and long term loans according to their year:

(Thousands of Euro)	31.12.2017
Financial year 2018	10,181
Financial year 2019	7,326
Financial year 2020	7,328
Financial year 2021	7,329
After 31 <sup>st</sup> December 2021	32,377
<b>Medium- and long-term loans</b>	<b>64,541</b>

#### 15. Other non-current liabilities

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

(Thousands of Euro)	31.12.2017	31.12.2016
Security deposits	9	7
Multi-annual passive prepayments	37	37
<b>Other non-current liabilities</b>	<b>46</b>	<b>44</b>

Other non-current liabilities increased from Euro 44 thousand in the previous year, to Euro 46 thousand in the year considered, marking an increase of Euro 2 thousand.

#### 16. Deferred tax payables

The following table shows how the items are broken down at the end of each period considered:

(Thousands of Euro)	31.12.2017	31.12.2016
Deferred tax payables	21	22
<b>Deferred tax payables</b>	<b>21</b>	<b>22</b>



Deferred taxes amount to Euro 21 thousand.

The Company has provided a full accounting of deferred taxes on temporary differences between taxable values and book values. In determining the advanced taxes, we referred to IRES (taxes on company income) and, where applicable, to the current IRAP at the moment in which the temporary differences are supposed to be deposited again. In particular, a 24% IRES tax rate, and a 4.2% IRAP tax rate were applied in accordance with the changes introduced by Law 111 dated 15 July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6 July 2011.

The total value of the temporary differences and the related amounts on which the liabilities for deferred taxes gave been detected are detailed below:

Description	31 December 2017			31 December 2016		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations	61	24.0%	15	61	24.0%	15
Severance indemnity	28	24.0%	7	31	24.0%	7
<b>Total deferred tax payables</b>			<b>21</b>			<b>22</b>

### *Current liabilities*

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

The following table shows how the items are broken down at the end of each period considered:

(Thousands of Euro)	31.12.2017	31.12.2016
Payables due to banks	70,000	55,000
Current portion of medium-long-term loans	10,181	9,287
<b>Payables due to banks and financing institutions</b>	<b>80,181</b>	<b>64,287</b>

At the end of FY 2017, short-term bank payables are composed of short-term bank loans and negative bank account balances for Euro 70,000 thousand and short-term loan installments for Euro 10,181 thousand. The total increase, amounting to Euro 15,894 thousand, is mainly explained by greater use of the credit available.

The following table shows the allocation of Ascopiave S.p.A. credit lines used and available and relative rates applied as of 31<sup>st</sup> December 2017:

Credit institution	Type of credit line	Credit lines 31 dec 2017	Interest rate 31 dec 2017	Debt 31 dec 2017
Banca di Credito Cooperativo delle Prealpi	Cash loans	5,000	n.a.	-
Banca di Credito Cooperativo delle Prealpi	Bank loans	684	2.10%	684
European Investment Bank	Bank loans	21,000	0.68%	21,000
European Investment Bank	Bank loans	10,000	0.44%	10,000
Banca Monte dei Paschi di Siena	Guarantees	20,000	0.30%	9,700
Banca Nazionale del Lavoro	Cash loans	20,000	0.00%	-
Banca Nazionale del Lavoro	Bank loans	30,000	1.92%	30,000
Banca Nazionale del Lavoro	Guarantees	10,000	0.30%	1,190
Banca Popolare dell'Emilia Romagna	Cash loans	10,000	n.a.	-
Banca Popolare Friuladria	Cash loans	11,000	n.a.	-
Banca Popolare Friuladria	Guarantees	2,000	n.a.	-
Banca Sella	Cash loans	5,000	n.a.	-
Banco BPM	Cash loans	20,000	n.a.	-
Banco BPM	Guarantees	9,485	0.40%	3,012
Banco di Desio e della Brianza	Cash loans	5,000	n.a.	-
Credito Emiliano	Cash loans	25,000	0.00%	25,000
Intesa SanPaolo	Cash loans	80,500	0.00%	30,000
Intesa SanPaolo	Guarantees	2,500	n.a.	-
Large Corporate One	Bank loans	2,857	0.75%	2,857
Unicredit	Cash loans	48,702	0.00%	15,000
Unicredit	Guarantees	42,000	0.30%	13,860
Unione di Banche Italiane	Cash loans	30,000	n.a.	-
<b>Total</b>		<b>410,728</b>		<b>162,303</b>

*Note: total uses do not correspond to total payables due to banks because the use of the guarantees issue line does not lead to payables due to banks*

The higher uses existing as of 31<sup>st</sup> December 2017 compared to the previous year depend mainly on the medium/long-term loan taken out with Banca Nazionale del Lavoro S.p.A. and the particularly advantageous rates applied to short-term loans.

#### 18. Trade payables

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

(Thousands of Euro)	31.12.2017	31.12.2016
Payables to suppliers	1,347	657
Payables to suppliers for invoices not yet received	1,427	1,123
<b>Trade payables</b>	<b>2,774</b>	<b>1,779</b>

Trade payables increase from Euro 1,779 thousand in the previous year to Euro 2,774 thousand in the year considered, with an increase of Euro 995 thousand. The increase is mainly explained by the higher debit balances to suppliers for invoices received amounting to Euro 690 thousand.

It is noted that trade payables are payable within the following fiscal year.

*19. Other current liabilities*

The following table shows how the items of “Other current liabilities” broken down for each period considered:

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Amounts due to social security institutions	334	303
Amounts due to employees	1,686	1,534
Payables to revenue office for withholding tax	296	374
Annual passive prepayments	91	91
Annual passive accruals	420	247
Other payables	457	402
<b>Other current liabilities</b>	<b>3,285</b>	<b>2,952</b>

At the end of the fiscal year, other current liabilities amount to Euro 3,285 thousand, marking an increase of Euro 333 thousand as compared to 2016.

“Payables to welfare institutions” refers to payables of welfare contributions for the months of November and December that were paid during the first months of 2018. The “amounts due to employees” include holidays not taken, deferred remuneration and bonuses earned as of 31<sup>st</sup> December 2017 but not paid out on that date.

*20. Current financial liabilities*

The following table shows the breakdown of the item “Current financial liabilities” at the end of each period considered:

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Financial payables within 12 months	35,829	43,156
<b>Current financial liabilities</b>	<b>35,829</b>	<b>43,156</b>

Current financial liabilities amount to Euro 35,829 thousand, down Euro 7,327 thousand compared to the previous year mainly due to entering of balances of subsidiaries in intercompany current accounts through which the company manages the Group Treasury.

The item is composed of financial payables to AP Reti Gas S.p.A. for Euro 17,952 thousand, AP Reti Gas Rovigo S.r.l. for Euro 1,139 thousand, Asm Set S.r.l. for Euro 279 thousand, Blue Meta S.p.A. for Euro 7,691 thousand, Edigas Esercizio Distribuzione Gas S.p.A. for Euro 1,029, Etra Energia S.r.l. for Euro 865 thousand and Pasubio Servizi S.r.l. for Euro 6,875 thousand.

## Net financial position

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

(Thousands of Euro)	31.12.2017	31.12.2016
Cash and cash equivalents	9,330	4,511
Current financial assets	21,071	2,534
Current financial liabilities	(35,829)	(43,156)
Payables due to banks and financing institutions	(80,181)	(64,287)
<b>Net short-term financial position</b>	<b>(85,610)</b>	<b>(100,398)</b>
Non current financial assets		
Medium- and long-term bank loans	(54,360)	(34,541)
Non-current financial liabilities		
<b>Net medium and long-term financial position</b>	<b>(54,360)</b>	<b>(34,541)</b>
<b>Net financial position</b>	<b>(139,969)</b>	<b>(134,940)</b>

Ascopiave S.p.A. Net Financial Position saw an increase of Euro 5,029 thousand compared to the previous year, for a total amount of Euro 139,969 thousand.

It is to be pointed out that no covenants or negative pledges are provided for in the short-term bank loans, while the loans granted by UniCredit Banca S.p.A. and by the European Bank for Investments undergo covenants – to be verified based on the results of the consolidated financial statements – described in the paragraph “Medium-long term loans” herein.

**COMMENTS ON THE MAIN INCOME STATEMENT ITEMS***Revenues**21. Revenues*

The following table shows the revenues in the periods considered:

<b>(Thousands of Euro)</b>	<b>FY 2017</b>	<b>FY 2016</b>
Revenues from services supplied to Group companies	11,579	9,057
Other revenues	509	16,392
Distribution of dividends from controlled companies	49,644	30,923
<b>Revenues</b>	<b>61,732</b>	<b>56,372</b>

At the end of the period, the item amounted to Euro 61,732 thousand, with an increase of Euro 5,360 thousand compared to the previous year.

At the end of the financial year, revenue from general services to Group companies increased by Euro 2,522 thousand, from Euro 9,057 thousand in the previous year, to Euro 11,579 thousand in the year considered.

Revenues from distribution of dividends of investee companies increase by Euro 1,721 thousand, from Euro 30,923 thousand in the previous year, to Euro 49,644 thousand in the year considered.

The item “other revenues” marks a decrease of Euro 15,883 thousand, from Euro 16,392 thousand in 2016 to Euro 509 thousand in the year considered; this change is mainly due to the decrease in revenues accounted following the sale of the “TEE Energy Efficiency certificates” to subsidiary company AP Reti Gas S.p.A. following the attainment of the objectives set by the Authority in matters pertaining energy saving. Said objectives were the responsibility of Ascopiave S.p.A. but have now been conferred to Ap Reti Gas S.p.A. following the transfer of the gas distribution business and the revenues from the sale of the thermal, refrigeration and electrical energy produced by the cogeneration and heat supply plants sold to the subsidiary Veritas Energia S.p.A. in 2016.

*Operating costs**22. Cost of raw materials*

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

<b>(Thousands of Euro)</b>	<b>FY 2017</b>	<b>FY 2016</b>
Diesel fuel and LPG purchase		2
Purchase of other raw material	1	21
<b>Purchase costs for other raw materials</b>	<b>1</b>	<b>22</b>

The costs for the purchase of other raw materials decreased from Euro 22 thousand in 2016 to Euro 1 thousand in 2017, down Euro 21 thousand.

35. *Costs for services*

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

<b>(Thousands of Euro)</b>	<b>FY 2017</b>	<b>FY 2016</b>
Mailing and telegraph costs	100	1,140
Maintenance and repairs	1,704	1,244
Consulting services	3,066	3,382
Commercial services and advertisement	119	122
Sundry suppliers	390	435
Directors' and Statutory Auditors' fees	579	678
Insurances	278	683
Personnel costs	534	429
Other managing expenses	908	661
Costs for use of third-party assets	789	442
<b>Costs for services</b>	<b>8,467</b>	<b>9,216</b>

The costs for services amount to Euro 8,467 thousand at the end of the period considered, recording a decrease as compared to the previous financial year equal to Euro 749 thousand. This is mainly due to the decrease in postal and telegraph expenses, as well as the decrease in insurance policy and consultancy costs.

Personnel costs include travel and mission expenses, costs for the canteen service and for training and education and record an increase of Euro 105 thousand compared to the previous year.

The item "Costs for the use of third-party assets" includes costs for software rights and licenses as well as the rental costs for company offices. At the end of the reference period, the item increased by Euro 347 thousand.

24. *Personnel cost*

Personnel costs for the relevant periods are analyzed in the following table:

<b>(Thousands of Euro)</b>	<b>FY 2017</b>	<b>FY 2016</b>
Wages and salaries	5,648	5,660
Social security contributions	1,461	1,660
Severance indemnity	341	323
Other costs	6	12
<b>Total personnel costs</b>	<b>7,455</b>	<b>7,655</b>
Capitalized personnel costs	(9)	(8)
<b>Personnel costs</b>	<b>7,445</b>	<b>7,647</b>

Personnel costs are reported net of capitalized costs in relation to increases in intangible assets for works carried out partially on a time and material basis, which are directly attributed to the creation of new infrastructure.

The item decreases from Euro 7,655 thousand in the previous year, to Euro 7,455 thousand in 2017, with a decrease of Euro 201 thousand.

Capitalized personnel cost increased by Euro 1 thousand, from Euro 8 thousand in the previous year, to Euro 9 thousand in 2017, decreasing the overall personnel cost by the same amount.

The table below shows the number of employees, divided by category, at the end of 2017 and at the end of 2016:

Type	31.12.2017	31.12.2016	Variation
Executives	9	9	0
Office workers	78	79	(1)
Manual workers	4	4	0
<b>No. of personnel employed</b>	<b>91</b>	<b>92</b>	<b>(1)</b>

Some employees of the company are part of a multi-annual incentive scheme.

#### 25. Other management costs

Other operating costs for the relevant periods are analyzed in the following table:

(Thousands of Euro)	FY 2017	FY 2016
Membership and ARERA fees	208	138
Capital losses		5
Extraordinary losses	34	77
Other taxes	203	172
Other costs	294	216
Costs of contracts	0	43
Energy efficiency certificates	33	14,015
<b>Other management costs</b>	<b>773</b>	<b>14,666</b>

The item “Other management costs” marks a decrease of Euro 13,893 thousand compared to the previous year mainly due to the costs booked in 2016 for the purchase of the energy efficiency certificates for the subsidiary AP Reti Gas S.p.A..

#### 26. Other income

Other income for the relevant periods is analyzed in the following table:

(Thousands of Euro)	FY 2017	FY 2016
Other income	78	56
<b>Other income</b>	<b>78</b>	<b>56</b>

At the end of the year under consideration, the item amounted to Euro 78 thousand, marking an increase of Euro 22 thousand compared to the previous year.

27. *Amortizations, depreciations and write-downs*

Amortizations and depreciations for the relevant periods are analyzed in the following table:

<b>(Thousands of Euro)</b>	<b>FY 2017</b>	<b>FY 2016</b>
Intangible fixed assets	128	113
Tangible fixed assets	1,628	1,665
<b>Amortization and depreciation</b>	<b>1,756</b>	<b>1,779</b>

The amortizations and depreciations recognized at the end of the year amounted to Euro 1,756 thousand, decrease over the previous year of Euro 23 thousand.

28. *Net financial income and expenses*

Financial income and expenses in the years considered are analyzed in the following table:

<b>(Thousands of Euro)</b>	<b>FY 2017</b>	<b>FY 2016</b>
Interest income on bank and post office accounts	2	10
Other interest income	235	89
<b>Financial income</b>	<b>237</b>	<b>100</b>
Interest expense on banks	4	90
Interest expense on loans	515	511
Other financial expenses	232	232
<b>Financial charges</b>	<b>752</b>	<b>833</b>
<b>Net financial income and expenses</b>	<b>514</b>	<b>733</b>

The item “Financial income and costs” is negative and amounts to Euro 514 thousand, down Euro 219 thousand compared to the previous year. This change is due to the reduction of interest rates of banks to the lines of credit as well as an improvement of the financial situation, which decreased the necessity to use said lines of credit.

29. *Taxation for the period*

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

<b>(Thousands of Euro)</b>	<b>FY 2017</b>	<b>FY 2016</b>
IRES current taxes	583	3,354
IRAP current taxes		656
(Advance)/Deferred taxes	181	541
<b>Taxes for the period</b>	<b>764</b>	<b>4,550</b>

Taxes for FY 2017 decrease from Euro 4,550 thousand in the previous year, to Euro 764 thousand in the year considered, marking a decrease of Euro 3,786 thousand.



The table below shows the incidence of income tax:

<b>(Thousands of Euro)</b>	<b>FY 2017</b>	<b>FY 2016</b>
Earnings before tax	42,853	22,366
Taxes for the period	764	4,550
<b>Percentage of income before taxes</b>	<b>1.8%</b>	<b>20.3%</b>

The actual tax rate decreased from 20.3% in 2016 to 1.8% in the year considered, marking a decrease of 18.5%. The significant decrease in the tax-rate is explained by the almost total tax exemption of the dividends collected from investee companies.

<b>(Thousands of Euro)</b>	<b>31.12.2017</b>		<b>31.12.2016</b>	
Applicable ordinary rate	24.0%		27.5%	
<b>Earnings before tax</b>	<b>42,853</b>		<b>22,366</b>	
Theoretical tax burden	10,285	24.0%	6,151	27.5%
Dividend taxation	(11,319)	-13.8%	(8,079)	-36.1%
Non-taxable costs / (income) (vehicles, telephones)	1,979	4.6%	8,126	36.3%
Advance / deferred taxes	(181)	-0.4%	(1,502)	-6.7%
<b>IRES effective tax charge</b>	<b>764</b>	<b>1.8%</b>	<b>4,696</b>	<b>21.0%</b>
IRAP (current and deferred)	0	0.0%	(146)	-0.7%
<b>Total effective tax burden</b>	<b>764</b>	<b>1.8%</b>	<b>4,550</b>	<b>20.3%</b>
<b>Actual rate</b>	<b>1.8%</b>		<b>20.3%</b>	

## **OTHER COMMENTS**

### *Non-recurring components*

In accordance with CONSOB communication no. 15519/2005, we report that there have been no non-recurring economic components reported in the annual financial statements as of 31<sup>st</sup> December 2017.

### *Information on related parties*

The Company is controlled by Asco Holding S.p.A., which holds 61.562% of the shares.

All transactions with the companies of the Group are part of the ordinary management of the enterprise and are performed on an arm's length basis. In 2017, no other transactions were carried out with companies or entities belonging to Shareholders or directors of the Company, of the parent companies and of the subsidiary companies.

31.12.2017										
Società	Trade receivables	Others receivables	Trade receivables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	1	3,164						212	34	800
<b>Total parent company</b>	<b>1</b>	<b>3,164</b>						<b>212</b>	<b>34</b>	<b>800</b>
<i>Controlled and joint controlled companies</i>										
AP Reti Gas S.p.A.	1,521		15	17,952		296	48		3,470	98
Ascotrade S.p.A.	1,451	637	41			192	66		3,493	1
Blue Men S.p.A.	300		4	7,691		7	33		812	
Edigea Esercizio Distribuzione Gas S.p.A.	141		4	1,029		4	3		356	0
Etra Energia S.r.l.	62			865			4		159	
AP Reti Gas Vicenza S.p.A.	24	15,403								170
Paonibio Servizi S.r.l.	186		1	6,875		1	25		490	
AP Reti Gas Rovigo S.r.l.	97		18	1,139			35		238	
Veritas Energia S.p.A.	319	4,224					0	0	765	31
Administrator, statutory auditors and high management							569	1,234		
Sinergie Italiane S.r.l. under liquidation	11						11		61	
Amgas Btu S.r.l.	169	807					3		412	1
ASM Set S.r.l.	92			279			7		251	1
Unigas Distribuzione S.r.l.	16		6				15		59	
<b>Total controlled and joint controlled companies</b>	<b>4,400</b>	<b>21,071</b>	<b>90</b>	<b>35,829</b>		<b>1,108</b>	<b>1,429</b>		<b>10,564</b>	<b>302</b>
<i>Affiliated companies</i>										
Asco TLC S.p.A.	12		70				585		75	57
Seven Center S.r.l. under liquidation	39								28	
<b>Total affiliated companies</b>	<b>51</b>		<b>70</b>				<b>585</b>		<b>103</b>	<b>57</b>
<b>Total</b>	<b>4,451</b>	<b>24,235</b>	<b>160</b>	<b>35,829</b>		<b>1,693</b>	<b>1,641</b>		<b>10,701</b>	<b>1,158</b>

Ascopiave S.p.A. has the following transactions with related parties with the other Group companies:

- ✓ purchase of natural gas and electricity from Ascotrade S.p.A.;
- ✓ purchase of call center services from Ascotrade S.p.A. made at the market price by using as parameter the number of calls;
- ✓ debit of some insurance costs by the parent company Asco Holding S.p.A.;
- ✓ purchase of some administrative services, call centers, credit management;
- ✓ sales of counter services, personnel management, IT service, real estate service management, optical storage, staff services such as quality, privacy and safety of workers;
- ✓ sales of accounting and management of regulatory compliance;
- ✓ sales of administration and finance services;
- ✓ debit to Group companies of accounting and information technology services, and of any external expenses incurred;
- ✓ Agreement for the regulation of treasury relations designed to offset cash surpluses and deficiencies among the group companies.
- ✓ Agreement to the participation to the group consolidation having Asco Holding S.p.A. as parent company.

On 24 November 2010, the Board of Directors approved a procedure for transactions with related parties (the "Procedure"). Said Procedure regulates the transactions with related parties by the Company, directly or by proxy of subsidiary companies, as set forth by Art. 2391-bis of the Italian Civil Code pursuant to the National Commission for Publicly Traded Companies (CONSOB) Decision no. 17221 dated 12 March 2010 and subsequent amendments.

The Procedure took effect on 1 January 2011 and replaced the previous regulation regarding transactions with related parties, approved by the Board of Directors of the Company on 11 September 2006 (and subsequent amendments).

For the contents of the Procedure, please refer to the document, available online on the Company website at the following URL: <http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf>.

In order to implement correctly the Procedure, all the so-called Related Parties are mapped, to delimit and apply to them the control provisions and the contents of the document. Company Directors are required to declare, when applicable, possible conflicts of interest in the performance of the aforementioned transactions.

## Capital Report Models pursuant to CONSOB decision dated 15519/2006

Hereby we present the Capital Report Models highlighting the effects of the relations with related parties, pursuant to CONSOB decision dated 27 July 2006 no. 15519.

### Financial-equity overview

(Thousands of Euro)	31.12.2017						31.12.2016					
		A	B	C	D	%		A	B	C	D	%
<b>ASSETS</b>												
<b>Non-current assets</b>												
Other intangible assets (1)	123						248					
Tangible assets (2)	28,189						29,297					
Shareholdings (3)	498,078			433,944	64,133	100.0%	481,778	417,644	63,824		481,468	99.9%
Other non-current assets (4)	4,466						4,462					
Advance tax receivables (5)	2,039						1,858					
<b>Non-current assets</b>	<b>532,895</b>			<b>484,315</b>		<b>90.9%</b>	<b>517,643</b>	<b>417,644</b>	<b>63,824</b>		<b>481,468</b>	<b>93.0%</b>
<b>Current assets</b>												
Trade receivables (6)	6,420	1		4,400	51	69.3%	7,412	36	5,700	160	5,896	79.5%
Other current assets (7)	5,737	3,164		70		53.9%	9,067	4,678		21	4,699	51.8%
Current financial assets (8)	21,071			21,071		100.0%	2,534		261	2,273	2,534	100.0%
Tax receivables (9)	664						757					
Cash and cash equivalents (10)	9,350						4,511					
<b>Current assets</b>	<b>43,223</b>	<b>3,165</b>		<b>10,095</b>		<b>30.7%</b>	<b>24,281</b>	<b>4,714</b>	<b>5,961</b>	<b>2,454</b>	<b>13,129</b>	<b>54.1%</b>
<b>ASSETS</b>	<b>576,118</b>	<b>3,165</b>		<b>494,410</b>		<b>86.4%</b>	<b>541,924</b>	<b>4,714</b>	<b>423,605</b>	<b>66,278</b>	<b>494,597</b>	<b>91.3%</b>
<b>Net equity and liabilities</b>												
<b>Total Net equity</b>												
Share capital	234,412						234,412					
Own shares	(17,521)						(17,521)					
Reserves	137,929						143,656					
Result for the period	43,618						33,700					
<b>Total Net equity</b> (11)	<b>398,437</b>						<b>394,246</b>					
<b>Non-current liabilities</b>												
Provisions for risks and charges (12)	926						643					
Severance indemnity (13)	257						253					
Medium- and long-term bank loans (14)	54,360						34,541					
Other non-current liabilities (15)	46						44					
Deferred tax payables (16)	21						22					
<b>Non-current liabilities</b>	<b>55,611</b>						<b>35,504</b>					
<b>Current liabilities</b>												
Payables due to banks and financing institutions (17)	80,181						64,287					
Trade payables (18)	2,774			90	70	5.8%	1,779	1,586	7		1,593	89.5%
Other current liabilities (19)	3,285						2,952					
Current financial liabilities (20)	35,829			35,829		100.0%	43,156	39,744	3,412		43,156	100.0%
<b>Current liabilities</b>	<b>122,070</b>			<b>35,989</b>		<b>29.5%</b>	<b>112,174</b>	<b>41,330</b>	<b>3,419</b>		<b>44,749</b>	<b>39.9%</b>
<b>Liabilities</b>	<b>177,681</b>			<b>35,989</b>		<b>20.3%</b>	<b>147,678</b>	<b>41,330</b>	<b>3,419</b>		<b>44,749</b>	<b>30.3%</b>
<b>Net equity and liabilities</b>	<b>576,118</b>			<b>35,989</b>		<b>6.2%</b>	<b>541,924</b>	<b>41,330</b>	<b>3,419</b>		<b>44,749</b>	<b>8.3%</b>

#### Legend for the Related parties column heading:

*A Parent companies*

*B Subsidiaries of Parent companies*

*C Other related parties*

## Profit and Loss statement

(Thousands of Euro)	Note	FY 2017					FY 2016						
		A	B	C	Total	%	A	B	C	Total	%		
Revenues	(21)	61,732	34	11,059	160	11,253	18.2%	56,372	61	48,461	48,522	86.1%	
Total operating costs		16,609		2,343	585	2,928	17.6%	31,495	1,729	1,361	3,091	9.8%	
Purchase costs for other raw materials	(22)	1						22			328		
Costs for services	(23)	8,467		1,124	585	1,709	20.2%	9,216	893	568	1,461	15.9%	
Costs for personnel	(24)	7,445		1,219	0	1,219	16.4%	7,647		793	793	10.4%	
Other management costs	(25)	773						14,666	2		2	0.0%	
Other income	(26)	78						56					
Amortization and depreciation	(27)	1,756						1,779					
<b>Operating result</b>		<b>43,368</b>	<b>34</b>	<b>8,716</b>	<b>(425)</b>	<b>8,325</b>	<b>19.2%</b>	<b>23,098</b>	<b>61</b>	<b>46,732</b>	<b>1,361</b>	<b>45,431</b>	<b>196.7%</b>
Financial income	(28)	237		38		38	16.0%	100		85		85	85.0%
Financial charges	(28)	752		194		194	25.9%	833		169		169	20.2%
<b>Earnings before tax</b>		<b>42,853</b>	<b>34</b>	<b>8,560</b>	<b>(425)</b>	<b>8,168</b>	<b>19.1%</b>	<b>22,366</b>	<b>61</b>	<b>46,648</b>	<b>1,361</b>	<b>45,348</b>	<b>202.8%</b>
Taxes for the period	(29)	764						4,550					
<b>Net result for the period</b>		<b>43,618</b>						<b>33,700</b>					
<b>Statement of comprehensive income</b>													
Components that can not be reclassified to the income statement													
Actuarial (losses) / gains from remeasurement on defined-benefit obligation	5							16					
<b>Total comprehensive income</b>		<b>43,623</b>						<b>33,716</b>					

### Legend for the Related parties column heading:

*A Parent companies*

*B Subsidiaries and Jointly controlled companies*

*C Other related parties*

## Net financial indebtedness

(Thousands of Euro)	31.12.2017	Of which related parties					31.12.2016	Of which related parties					
		A	B	C	Total	%		A	B	C	Total	%	
A Cash and cash equivalents on hand	7						5						
B Bank and post office deposits	9,324						4,506						
C Negotiable shares													
<b>D Liquid assets (A) + (B) + (C)</b>	<b>9,330</b>						<b>4,511</b>						
E Current financial assets	21,071		21,071		21,071	100.0%	2,534		2,534		2,534	100.0%	
F Payables due to banks	(70,000)						(55,000)						
G Current portion of medium-long-term loans	(10,181)						(9,287)						
H Current financial liabilities	(35,829)		(35,829)		(35,829)	100.0%	(43,156)		(39,744)	(3,412)	(43,156)	100.0%	
<b>I Current financial indebtedness (F) + (G) + (H)</b>	<b>(116,011)</b>		<b>(35,829)</b>		<b>(35,829)</b>	<b>30.9%</b>	<b>(107,443)</b>		<b>(39,744)</b>	<b>(3,412)</b>	<b>(43,156)</b>	<b>40.2%</b>	
<b>J Net current financial indebtedness (I) - (E) - (D)</b>	<b>(85,610)</b>		<b>(14,758)</b>		<b>(14,758)</b>	<b>17.2%</b>	<b>(100,398)</b>		<b>(37,210)</b>	<b>(3,412)</b>	<b>(40,622)</b>	<b>40.5%</b>	
K Medium- and long-term bank loans	(54,360)						(34,541)						
L Non-current financial assets													
M Non-current financial liabilities													
<b>N Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(54,360)</b>						<b>(34,541)</b>						
<b>O Net financial indebtedness (J) + (N)</b>	<b>(139,969)</b>		<b>(14,758)</b>		<b>(14,758)</b>	<b>10.5%</b>	<b>(134,940)</b>		<b>(37,210)</b>	<b>(3,412)</b>	<b>(40,622)</b>	<b>30.1%</b>	

### Legend for the Related parties column heading:

*A Parent companies*

*B Subsidiaries and Jointly controlled companies*

*C Other related parties*

## Cash flow statement

(Thousands of Euro)	FY 2017					FY 2016				
		Of which related parties					Of which related parties			
	A	B	C	Total	A	B	C	Total		
<b>Net income of the year</b>	<b>43,618</b>					<b>33,700</b>				
<b>Cash flows generated (used) by operating activities</b>										
<b>Adjustments to reconcile net income to net cash</b>	<b>3,914</b>					<b>271</b>				
Amortization	1,756			0	1,779			0		
Variations in severance indemnity	9			0	(9)			0		
Net variation of other funds	283			0	576			0		
Interests paid	(404)			0	(848)			0		
Interest expense for the year	748			0	833			0		
Taxes paid	2,286			0	(6,610)			0		
Taxes for the year	(764)			0	4,550			0		
<b>Variations in assets and liabilities:</b>	<b>3,693</b>					<b>9,177</b>				
Inventories	0			0	31			0		
Accounts payable	992	35	1,300	109	1,445	(64)	28	(5,541)	194	(5,319)
Other current assets	3,330	1,514	70	21	1,605	(4,681)	(4,678)	0	(21)	(4,699)
Trade payables	995	0	(1,496)	63	(1,433)	(4,313)	0	1,573	7	1,580
Other current liabilities	(1,621)	0	0	0	0	(2,153)	0	0	0	0
Other non-current assets	(4)	0	0	0	0	(404)	0	0	0	0
Other non-current liabilities	2	0	0	0	0	7	0	0	0	0
Cash flow generated from assets and liabilities held for sale	0	0	0	0	0	20,755				
<b>Total adjustments and variations</b>	<b>7,607</b>	<b>1,549</b>	<b>(126)</b>	<b>193</b>	<b>1,616</b>	<b>9,448</b>	<b>(4,649)</b>	<b>(3,968)</b>	<b>180</b>	<b>(8,437)</b>
<b>Cash flows generated (used) by operating activities</b>	<b>51,225</b>	<b>1,549</b>	<b>(126)</b>	<b>193</b>	<b>1,616</b>	<b>43,148</b>	<b>(4,649)</b>	<b>(3,968)</b>	<b>180</b>	<b>(8,437)</b>
<b>Cash flows generated (used) by investments</b>										
Investments in intangible assets	(3)			0	0					0
Realisable value of intangible assets	0			0	10					0
Investments in tangible assets	(520)			0	(81)					0
Realisable value of tangible assets	0			0	2					0
Disposals / (Acquisition) of investments and advances	(16,300)	0	(16,300)	(309)	(16,609)	(200)				0
Cash flow absorbed by discontinued operations	0			0	(20,755)					0
Other net equity operations	584			0	0					0
<b>Cash flows generated/ (used) by investments</b>	<b>(16,239)</b>	<b>0</b>	<b>(16,300)</b>	<b>(309)</b>	<b>(16,609)</b>	<b>(21,024)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flows generated (used) by financial activities</b>										
Net changes in short-term bank borrowings	15,894			0	(42,622)					0
Net variation in current financial assets and liabilities	(25,864)	0	(24,725)	(1,139)	(25,864)	48,967	0	37,392	7,876	45,268
Net changes in medium and long-term loans	19,819			0	0					0
Dividends distributed to shareholders	(40,016)			0	(33,347)					0
<b>Cash flows generated (used) by financial activities</b>	<b>(30,167)</b>	<b>1,549</b>	<b>(44,882)</b>	<b>(5,517)</b>	<b>(48,849)</b>	<b>(27,002)</b>	<b>0</b>	<b>37,392</b>	<b>7,876</b>	<b>45,268</b>
<b>Variations in cash</b>	<b>(4,819)</b>				<b>0</b>	<b>(4,879)</b>				
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,511</b>				<b>0</b>	<b>(9,390)</b>				
<b>Cash and cash equivalents at the end of the period</b>	<b>9,330</b>				<b>0</b>	<b>(4,511)</b>				

### Legend for the Related parties column heading:

*A Parent companies*

*B Subsidiaries and Jointly controlled companies*

*C 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 - Subsidiaries and Jointly controlled companies:

- Amgas Blu S.r.l.
- AP Reti Gas S.p.A.
- AP Reti Gas Rovigo S.r.l.
- AP Reti Gas Vicenza S.p.A.
- Asco TLC S.p.A.
- Ascotrade S.p.A.
- ASM Set S.r.l.
- Blue Meta S.p.A.
- Edigas Esercizio Distribuzione Gas S.p.A.
- Estenergy S.p.A.
- Etra Energia S.r.l.

- Pasubio Servizi S.r.l.
- Seven Center S.r.l. under liquidation
- Sinergie Italiane S.r.l. under liquidation
- Unigas Distribuzione S.r.l.
- Veritas Energia S.p.A.

Group C - Other related parties:

- Board of Directors
- Auditors
- Strategic Executives

**Report of financial assets and liabilities by category**

The Report of financial assets and liabilities by category and their related fair value (IFRS 13) at 31 December 2017 and 31 December 2016 is detailed as follows:

							31.12.2017	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				4,466			4,466	4,466
Trade receivables and Other current assets				10,950			10,950	10,950
Current financial assets				21,071			21,071	21,071
Cash and cash equivalents				9,330			9,330	9,330
Medium- and long-term bank loans						54,360	54,360	54,360
Other non-current liabilities						9	9	9
Payables due to banks and financing institutions						80,181	80,181	80,181
Trade payables and Other current liabilities						5,968	5,968	5,968
Current financial liabilities						35,829	35,829	35,829

							31.12.2016	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				4,462			4,462	4,462
Trade receivables and Other current assets				15,801			15,801	15,801
Current financial assets				2,534			2,534	2,534
Cash and cash equivalents				4,511			4,511	4,511
Medium- and long-term bank loans						34,541	34,541	34,541
Other non-current liabilities						7	7	7
Payables due to banks and financing institutions						64,287	64,287	64,287
Trade payables and Other current liabilities						4,640	4,640	4,640
Current financial liabilities						43,156	43,156	43,156

**Legend**

- A. Fair value asset and liability directly entered in the P&L account
- B. Fair value asset and liability directly entered in Equity (including hedging derivatives)
- C. Investments held to maturity
- D. Assets for issued loans and receivables (including cash equivalents)
- E. Assets available for sale
- F. Financial liabilities entered at amortized cost

### *Earnings per share*

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The earnings per share are calculated by dividing the net income for the period attributable to the Company's Shareholders by the number of shares, net of own shares.

There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares.

There are no shares or warrants that could influence the calculation of the diluted earnings per share. Therefore, the calculation of earnings per share shows the same values as the diluted earnings per share.

The result and the number of ordinary shares used to calculate base earning per share are reported below, pursuant to accounting principles stated in IAS 33:

	Amount at 31 dicembre 2017	Amount at 31 dicembre 2016
Net profit attributable to parent company shareholders	43,618	33,700
Weighted average number of ordinary shares including own shares, for the purpose of earnings per share	234,411,575	234,411,575
Weighted average number of own shares	12,100,873	12,100,873
Weighted average number of ordinary shares, excluding own shares, for the purposes of net income per share	222,310,702	222,310,702
<b>Earnings per share (in Euro)</b>	<b>0.1962</b>	<b>0.1516</b>

### *Fees of the Auditing Company*

Pursuant to Article 149-duodecies of the Issuer's Regulations, this item includes the fees received in 2017 for auditing services and for services other than auditing provided by the Auditing Company. No services were provided by entity belonging to its network.

Type of services	Service provider	Beneficiary	Fees (Thousands of Euro)
Auditing	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	97
Statutory audit of separate accounts	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	7
Other services	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	13
<b>Total</b>			<b>118</b>

## *Commitments and risks*

### Guarantees given

As of 31<sup>st</sup> December 2017, the company provided the following potential bank guarantees:

<b>(Thousands of Euro)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
On credit lines	33,065	33,065
On electricity supply agreements	5,000	2,000
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)	4,237	4,157
On UTF offices and regions for taxes on electricity (letter of comfort)	119	119
On distribution concession (letter of comfort)	2,194	2,134
On agreements for transport of gas (letter of comfort)	4,494	6,132
On agreements for transport of electricity (letter of comfort)	14,755	14,755
On purchase of gas agreements (letter of comfort)	22	22
On purchase of company shares (letter of comfort)	500	-
<b>Total</b>	<b>65,489</b>	<b>63,560</b>

The items “Letters of comfort on credit lines” include letters of comfort issued by Ascopiave S.p.A. in favor of the subsidiary Sinergie Italiane S.r.l. in liquidation for a total amount of Euro 26,665 thousand (Euro 26,665 thousand as of 31<sup>st</sup> December 2016).

### Risk coverage policies

#### **Information pertaining agreements not stated in the balance sheet**

Pursuant to Art. 2427, first paragraph, item 22-ter of the Italian Civil Code, introduced with Legislative Decree 173 dated 23 November 2008, it is noted that the company does not subscribe to agreements not included in the balance sheet.

#### **Management of financial risk: objectives and criteria**

The main financial liabilities of Ascopiave S.p.A. include bank loans, financial leasing, lease contracts with the possibility of purchase and short-term debit bank balances. The main objective of these financial liabilities is to finance the company's operating activities. Ascopiave S.p.A. holds several financial assets such as trade receivables and short-term deposits and reserves that derive directly from the company's operating activity.

The main risks generated by the financial instruments of Ascopiave S.p.A. are the interest rate risk and the liquidity risk. The Board of Directors re-examines and identifies the policies for risk management, described hereinafter.

#### **Interest rate risk**

The exposure of Ascopiave S.p.A. to the risk of interest rate fluctuation is mainly connected to the variable interest rate loans and financings subscribed with credit institutions, being the Company responsible for managing the financial requirements of the subsidiaries.



Ascopiave S.p.A. policy, depending on the seasonality of the natural gas business cycle, aims to manage the need for cash by means of temporary loans at variable rates that, given their constant change, do not make it possible to suitably cover the interest rate risk, besides presenting medium-long term funding, always with variable rate, with repayment between 2018 and 2026, with a total outstanding debt of Euro 64,541 thousand (2016 Euro 43,828 thousand) as of 31 December 2017.

Medium and long term loans are mainly related to the loan issued in 2011 by Unicredit S.p.A., with residual balance as of 31 December 2017 of Euro 2,857 thousand, which has been subjected to securitization by the issuing bank, as well as the loan issued in August 2013 by the European Investment Bank, with residual balance of Euro 31,000 thousand. Both loans are subjected to covenants that have been respected.

The loan taken out with BNL in August 2017 is not exposed to interest rate risk, as it envisages the application of a fixed rate.

Please refer to Paragraph “*Medium and Long Term Loans*” for additional details.

### Sensitivity analysis of the interest rate risk

The following table shows the sensitivity of the Company's earnings before tax, based on possible variations in interest rates, keeping all the other variables constant.

	January	February	March	April	May	June	July	August	September	October	November	December
Net Financial Position 2017	(131,431)	(132,885)	(134,562)	(127,348)	(142,182)	(138,416)	(136,420)	(138,040)	(138,908)	(140,057)	(138,491)	(139,969)
Positive average rate	0.33%	0.26%	0.10%	0.03%	0.26%	0.52%	0.60%	0.58%	0.64%	0.67%	0.76%	0.95%
Negative average rate	0.31%	0.30%	0.28%	0.28%	0.28%	0.27%	0.27%	0.50%	0.51%	0.54%	0.54%	0.53%
Positive average rate increased of 200 basis point	2.33%	2.26%	2.10%	2.03%	2.26%	2.52%	2.60%	2.58%	2.64%	2.67%	2.76%	2.95%
Negative average rate increased of 200 basis point	2.31%	2.30%	2.28%	2.28%	2.28%	2.27%	2.27%	2.50%	2.51%	2.54%	2.54%	2.53%
Positive average rate decreased of 50 basis point	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.10%	0.08%	0.14%	0.17%	0.26%	0.45%
Negative average rate decreased of 50 basis point	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.04%	0.04%	0.03%
Net Financial Position recalculated with increase of 200 basis point	(131,655)	(133,089)	(134,791)	(127,558)	(142,424)	(138,644)	(136,651)	(138,274)	(139,137)	(140,295)	(138,719)	(140,207)
Net Financial Position recalculated with decrease of 50 basis point	(131,375)	(132,834)	(134,505)	(127,296)	(142,122)	(138,359)	(136,362)	(137,981)	(138,851)	(139,997)	(138,434)	(139,910)
Effect to income before taxes with increase of 200 basis point	(223)	(204)	(229)	(209)	(242)	(228)	(232)	(234)	(228)	(238)	(228)	(238)
Effect to income before taxes with decrease of 50 basis point	56	51	57	52	60	57	58	59	57	59	57	59
												<b>683</b>

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 2,732 thousand (2016: Euro 2,447 thousand) or positive for Euro 683 thousand (2016: Euro 612 thousand).

### Receivable risk policy

Credit risk represents the company's exposure to potential losses arising from the counterparts' failure to meet their obligations. The failure or delay in the payment of fees owed may have a negative impact on the economic and financial stability of the Company.

Considering the type of business of Ascopiave S.p.A., said risk is of little concern to the company.

### Liquidity risk

Ascopiave S.p.A. constantly pursues the aim of maintaining the stability and flexibility between financing sources and uses, in its capacity as treasury manager for the Group.

The two main factors influencing the liquidity of Ascopiave S.p.A. are, on the one hand, the resources generated or absorbed by the operating or investment assets, on the other hand, and the expiry and debt renewal characteristics.

Under note 14, medium/long-term financial payables are detailed according to their date of expiry, as of 31 December 2017.

Liquidity requirements are constantly monitored by the Treasury Department of Ascopiave S.p.A., in order to ensure that financial resources are easily identifiable and collectible, or that appropriate investments are made in relation to cash or cash equivalents.

The Directors believe that the reserves and credit lines currently available, as well as those that will be generated by the operating and financial activities, will allow meeting the requirements connected to investments, management of circulating capital and to the reimbursement of debt upon date of expiry.

### Management of Capital

The main purpose of capital management in Ascopiave is to ensure a steady credit rating and adequate levels of capital indicators. Ascopiave S.p.A. may adjust dividends paid to shareholders, reimburse capital or issue new shares.

Ascopiave verifies its capital through the debt to capital ratio, which is the ratio between equity and the grand total of share capital and equity. Ascopiave includes its equity ongoing financing, trade payables and other payables, net of cash and cash equivalents.

(Thousands of Euro)	31.12.2017	31.12.2016
Financial position in the short term	54,360	34,541
Financial position in the medium-long term	70,851	59,776
<b>Financial gross debit</b>	<b>125,211</b>	<b>94,317</b>
Share capital	234,412	234,412
Reserves	120,408	126,135
Net result for the period	43,618	33,700
<b>Total Net equity</b>	<b>398,437</b>	<b>394,246</b>
<b>Total capital and gross debit</b>	<b>523,649</b>	<b>488,563</b>
Debit/Net assets ratio	0.31	0.24

### Hedging policies for risks deriving from fluctuations of interest rates

The Company is exposed to risks deriving from fluctuations of interest rates mainly in relation with short-term payables and the portion of floating-rate medium/long-term loans to banks.

### Significant events subsequent to the end of FY 2017

On 25<sup>th</sup> January 2018, Ascopiave S.p.A. took out a 12-year unsecured syndicated loan to the amount of € 10,000 thousand with Cassa Centrale Banca and Banca di Credito Cooperativo delle Prealpi, to which a 1.83% fixed rate is applied. The loan does not envisage the verification of financial covenants.

### Relevant events following the approval of the draft Financial Statements

No relevant events occurred following the approval of the draft Financial Statements.

## **Litigations**

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

As of 31<sup>st</sup> December 2017, the following are pending:

#### MUNICIPALITY OF COSTABISSARA:

An arbitration is pending before the Court of Appeal of Venice filed by Costabissara. The Municipality, by a deed notified on 12<sup>th</sup> December 2015, appealed the Award dated 25-26 May 2015. At the hearing held on 19<sup>th</sup> May 2016, the Court scheduled the pre-trial hearing for 7<sup>th</sup> 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 31<sup>st</sup> December 2017, the following are pending:

#### MUNICIPALITY OF CREAZZO:

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

The Company would prefer to reach a negotiation agreement.

Regarding this, on 1<sup>st</sup> 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 installments 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 20<sup>th</sup> April 2017, following the filing of the Statements of Defense and their counter-argument, the last oral hearing was held.

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

By final award dated 18<sup>th</sup> 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.

The term for appealing against the Award is still pending.

### ADMINISTRATIVE LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 31<sup>st</sup> December 2017, the following are pending:

#### GUIDELINES – MINISTERIAL DECREE 22<sup>nd</sup> MAY 2014

An appeal before the Council of State was filed (with deed dated 16<sup>th</sup> January 2017) by Ascopiave together with other distribution companies, against the Minister of Economic Development for the cancellation of Judgement no. 10341 dated 17<sup>th</sup> October 2016, by which the Regional Administrative Court of Latium rejected the main appeal against Ministerial Decree 22<sup>nd</sup> 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 20<sup>th</sup> 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.

In this regard, please note that, compared to a similar appeal filed by other distribution companies, the Council of State decided to refer the matter (of the legitimacy of the primary regulations) to the examination of the European Court of Justice, thereby agreeing on the fact that such matter is not irrelevant/ungrounded.

#### ARERA RESOLUTIONS ARG/GAS 310/2014 and ARG/GAS 414/2014

An appeal to the Regional Administrative Court of Lombardy – Milan against the ARERA, 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.

Resolutions 310 and 414 were repealed by Resolution 905/2017 which, however, essentially reiterated the same regulation. The legal/procedural assessments are underway for appealing against this last Measure (with “additional grounds”).

#### CONTESTATION OF PASUBIO GROUP S.P.A. CONTRACT DOCUMENTS:

2i Rete Gas S.p.A. filed an appeal before the Regional Administrative Court of Veneto against the Town of Schio and Ascopiave S.p.A. (notified on 10<sup>th</sup> October 2016), demanding annulation, subject to protective orders, of the temporary award of the tender to Ascopiave S.p.A., or the call for tenders and all subsequent acts, requesting that the tender be awarded to the appellant or, subordinately, be republished.

The Administrative Court of Veneto (hearing dated 9<sup>th</sup> 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 2<sup>nd</sup> 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 3<sup>rd</sup> 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 31<sup>st</sup> December 2017, the following are pending:

### ASCOPIAVE – UNIT B:

A civil Judgment before the Court of Treviso (RG 6941/2013) following the pre-trial technical investigation, which ended with the report of the Expert witness (appointed by the Court), and started by Ascopiave (writ of summons dated 22nd August 2013) in order to obtain compensation for damages to the entrance floor of the “Unit B”, against a number of professionals entrusted with the task.

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

All the Parties regularly appeared before the Court.

The Court, by Order dated 22<sup>nd</sup> December 2014, decided the complete renewal of the expert witness board, appointing an assessor. The appointment was confirmed in the hearing held on 13<sup>th</sup> March 2015. Ascopiave S.p.A. 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 29<sup>th</sup> March 2016 an attempt was made to reach settlement in court, during which the company requested, in addition to the amount determined by the Court-appointed Expert witness, the reimbursement of the costs incurred due to the litigation. The attempt failed basically because an agreement was not reached regarding the subdivision of the amount between the debtors.

On 10<sup>th</sup> June 2016, the Judge, deciding on the issue, scheduled the pre-trial hearing for 26<sup>th</sup> 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 a professional and the construction company 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.

The term for appealing is still pending.

### ASCOPIAVE – SIDERA/FAJ COMPONENTS:

A civil lawsuit (possession action) before the Court of Treviso (RG 7655/2015), filed by Ascopiave S.p.A. against two abutting companies, subsequent to the construction, by the latter, 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 formalized yet due to the absence of an adequate insurance guarantee in favor of Ascopiave S.p.A..

The experts' activities ended on 11<sup>th</sup> July 2016.

The Court-appointed Expert Witness filed his report on 31<sup>st</sup> March 2017. The report was analyzed during the hearing held on 17<sup>th</sup> October 2016.

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

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

On 23<sup>rd</sup> 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 authorization, 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.

In December 2017, the disputed artifact was removed. Therefore, the lawsuit will be abandoned for the cessation of the matter of dispute.

#### 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 meter 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), formalized on 12<sup>th</sup> January 2015 and renewed by AP Reti Gas S.p.A. on 27<sup>th</sup> July 2016 and expired on 31<sup>st</sup> December 2017.

The selection procedure for the renewal of the appointment until 31<sup>st</sup> December 2020 has started.

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);
- 1 procedure has been filed (hearings already scheduled/under scrutiny);
- 2 procedures are in execution of judgment;
- 27 procedures are being initiated (their appeals are being drafted and sent to the Legal Office);
- 4 procedures have been suspended (for various reasons);

- 148 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 preliminary phase have resulted in a significant reduction in legal actions, compared to the extent originally envisaged. As of 31<sup>st</sup> December 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 163 thousand. For the other companies of the Group these costs amount approximately to Euro 93 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 5<sup>th</sup> 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 Judgment is pending.

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

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

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

On 26<sup>th</sup> 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 have been discussed in court. Some hearings have already been scheduled while others are still pending. Regarding Unigas Distribuzione, on 4<sup>th</sup> April 2017 the Tax Court of Bergamo rejected the appeal presented by the company.

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 6<sup>th</sup> 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.

### **Proposal of the Board of Directors to the Shareholders' Meeting**

The Board of Directors of Ascopiave S.p.A., considering the results of the period and solidity of the capital, shall propose to the Shareholders' Meeting the distribution of a dividend of Euro 0.18 per share, for a total of Euro 40.0 million.

Ascopiave S.p.A. announces that, if approved, the dividend will be paid on 9<sup>th</sup> May 2017, with ex-dividend date of 7<sup>th</sup> May 2016 (record date 8<sup>th</sup> May 2017).

The Board of Directors will not propose to any amount to legal reserve, as it is already equal to one fifth of the share capital.

Pieve di Soligo, 14<sup>th</sup> March 2018

Chairman of the Board of Directors  
Nicola Ceconato



## DECLARATION

regarding the Consolidated Financial Statements for the accounting period 2017, pursuant to Article 81-ter, Consob Regulation N. 11971 dated 14<sup>th</sup> May 1999, subsequent amendments and additions.

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

- the appropriateness of the Financial Statements with respect to the characteristics of the company, and
- the actual adoption of administrative and accounting procedures in preparing the Consolidated Financial Statements for the period 1<sup>st</sup> January 2017 –31<sup>st</sup> December 2017

2) We also declare that:

2.1 the financial statements

- (a) have been written in accordance with IFRS International Accounting Principles adopted by the European Union as well as with the provisions of regulations based on Article 9, Legislative Decree n. 38/2005;
- (b) correspond to the information in the books and other accounting records;
- (c) to our best knowledge, provide a true and fair representation of the performance and financial position of the Issuer and the companies included in the scope of consolidation.

2.2 the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the Issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 14<sup>th</sup> March 2018

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

## DECLARATION

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

- the appropriateness of the Financial Statements with respect to the characteristics of the company, and
- the actual adoption of administrative and accounting procedures in preparing the Financial Statements for the period 1<sup>st</sup> January 2017 –31<sup>st</sup> December 2017

2) We also declare that:

2.1 the financial statements for the period ended 31 December 2017:

- (a) have been written in accordance with IFRS International Accounting Principles adopted by the European Union as well as with the provisions of regulations based on Article 9, Legislative Decree n. 38/2005;
- (b) correspond to the information in the books and other accounting records;
- (c) to our best knowledge, provide a true and fair representation of the performance and financial position of the Issuer.

2.2 the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the Issuer, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 14<sup>th</sup> March 2018

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

## **REPORT ON CORPORATE GOVERNANCE AND COMPANY STRUCTURE**

In accordance with Art.123 bis Financial Law  
Issuer: Ascopiave S.p.A.  
Website: [www.gruppoascopiave.it](http://www.gruppoascopiave.it)  
Financial Year of Reference: 2017  
Date of approval of the Report: 14<sup>th</sup> March 2018

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<b>GLOSSARY .....</b>	<b>5</b>
<b>1. INFORMATION ON OWNERSHIP STRUCTURES (ART. 123BIS, FIRST PARAGRAPH CONSOLIDATED FINANCE LAW) AS OF 31 .12.15 .....</b>	<b>6</b>
a) Structure of Share Capital .....	6
b) Restrictions concerning the of equities.....	7
c) Significant share-holdings .....	7
d) Equities granting special rights .....	8
e) Employees share participation: Exercise of voting rights .....	8
f) Restrictions to the voting right.....	8
g) Agreements between Shareholders .....	8
h) Change of control clauses and statute regarding takeover bid.....	8
i) Power to increase Share Capital and for purchase of treasury stock .....	8
l) Management and Co-ordination Activity.....	10
<b>3. COMPLIANCE .....</b>	<b>10</b>
<b>4. BOARD OF DIRECTORS.....</b>	<b>10</b>
<b>4.1. APPOINTMENT AND SUBSTITUTION .....</b>	<b>10</b>
<b>4.2. STRUCTURE .....</b>	<b>13</b>
<b>4.3. 4.3. ROLE OF THE BOARD OF DIRECTORS.....</b>	<b>16</b>
<b>4.4. DELEGATED PARTIES .....</b>	<b>21</b>
<b>4.5. 4.5. OTHER EXECUTIVE DIRECTORS .....</b>	<b>22</b>
<b>4.6. 4.6. INDEPENDENT DIRECTORS .....</b>	<b>22</b>
<b>4.7. LEAD INDEPENDENT DIRECTOR .....</b>	<b>25</b>

---

<b>5. PROCESSING OF COMPANY INFORMATION .....</b>	<b>25</b>
<b>5.1. CODE FOR THE TREATMENT OF CONFIDENTIAL INFORMATION AND REGISTER OF INFORMED PERSON.....</b>	<b>25</b>
<b>5.2. INTERNAL DEALING.....</b>	<b>26</b>
<b>6. INTERNAL BOARD COMMITTEES .....</b>	<b>26</b>
<b>7. APPOINTMENTS COMMITTEE .....</b>	<b>26</b>
<b>8. COMPENSATION COMMITTEE .....</b>	<b>26</b>
<b>9. COMPENSATION OF DIRECTORS.....</b>	<b>28</b>
<b>10. RISKS AND CONTROL COMMITTEE .....</b>	<b>30</b>
<b>11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.....</b>	<b>32</b>
<b>11.1. EXECUTIVE DIRECTOR IN CHARGE OF INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM .....</b>	<b>36</b>
<b>11.2. PARTY RESPONSIBLE FOR INTERNAL AUDIT.....</b>	<b>37</b>
<b>11.3. ORGANISATION MODEL ex Legislative Decree 231/2001.....</b>	<b>38</b>
<b>11.4. AUDITING COMPANIES .....</b>	<b>40</b>
<b>11.5. MANAGER RESPONSIBLE FOR PREPARING COMPANY ACCOUNTING DOCUMENTS.....</b>	<b>40</b>
<b>11.6. COORDINATION BETWEEN THE PARTIES INVOLVED IN THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT .....</b>	<b>40</b>
<b>12. INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES</b>	<b>41</b>
<b>13. APPOINTMENT OF AUDITORS.....</b>	<b>41</b>
<b>14. COMPOSITION AND FUNCTIONING OF THE BOARD OF AUDITORS .....</b>	<b>43</b>
<b>15. RELATIONSHIP WITH SHAREHOLDERS.....</b>	<b>46</b>

---

16. MEETINGS .....	46
17. FURTHER OPERATIONS OF CORPORATE GOVERNANCE .....	48
18. CHANGES SINCE THE END OF THE YEAR IN QUESTION .....	49
TABLES .....	50

**Tab. 1: Information on ownership structure**

**Tab. 2: Structure of the Board of Directors and Committees**

**Tab. 3: Structure of the Board of Auditors**

**Tab. 4: Roles of the auditors in other companies**

Tab. 5: Assignments held by the directors in other companies

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## GLOSSARY

**Code/Self-discipline code:** The Self-Discipline Code of listed companies approved in July 2014 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Cod. civ./ c.c.:** the civil code.

**Board:** The Issuer's Board of Directors.

**Issuer:** The Issuer of listed shares to which the Report refers.

**Year:** The Corporate year to which Report refers.

**Market Abuse Regulation or MAR:** Regulation (UE) no. 596/2014 of the European Parliament and of the European Union Council dated 16<sup>th</sup> April 2014 and relating regulations of implementation.

**Consob Issuer Regulations:** The Regulations issued by Consob under the resolution no. 11971 of 1999 (as subsequently amended) relating to issuers.

**Consob Market Regulations.** The Regulations issued by Consob under the resolution no. 16191 of 2007 (as subsequently amended) relating to issuers.

**Consob Related Parties Regulations:** The Regulations issued by Consob under the resolution no. 17221 dated 12<sup>th</sup> March 2010 (as subsequently amended) relating to operations with related parties.

**Stock Exchange Regulations:** The Regulations of the markets organized and managed by Borsa Italiana S.p.A. under the resolution of the Italian Stock Exchange Board of 20<sup>th</sup> July 2016 and approved by Consob under resolution no. 19704 dated 3<sup>rd</sup> August 2016.

**Stock Exchange Regulations Instructions:** Instructions to the Regulations with regards to markets organized and managed by Borsa Italiana S.p.A.

**Report:** Report on the corporate governance and structures that the companies must draw up pursuant to Art. 123-bis Consolidated Financial Law.

**Consolidated Financial Law:** The Legislative Decree dated 24<sup>th</sup> February 1998, no. 58.

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## ISSUER PROFILE

Ascopiave Group works in the field of natural gas, and mainly in its distribution and sale to final consumers.

For the area of its client basin and for the quantities of gas sold, Ascopiave is currently one of the main operators of the sector at national level.

The Group owns the distribution network managed, which extends for more than 8,600 kilometres, supplying the service to a customer base of more than one million inhabitants to over 200 municipalities.

The sales of natural gases are performed by many companies, some of which are at joint control. Totally considered, the controlled companies of the Group sell to the final customers more than 1 billion of cubic metres of gas.

Since 12th December 2006, Ascopiave has been listed in the Star segment of the Italian Stock Exchange.

The Issuer is organised according to the traditional management and control model, pursuant to Articles 2380-bis and following of the civil code, with the Shareholders' Meeting, the Board of Directors and the Board of Auditors as well as a separate Auditing Company (external firm).

The Report on Corporate Governance and company structure, which is also published in a separate folder, and the Company Charter, can all be viewed on the Company's website ([www.gruppoascopiave.it](http://www.gruppoascopiave.it)).

### 1. INFORMATION on OWNERSHIP STRUCTURES (Art. 123bis, first paragraph Consolidated Finance Law) as of 31 December 2015

#### a) Structure of Share Capital

Amount in Euros of the subscribed and paid in Share Capital (S.C.): 234.411.575,00

Types of shares making up the Share Capital:

	N° Shares	% against S. C.	Listed/Not Listed	Rights and Obligations
<b>Ordinary Shares</b>	234.411.575	100%	STAR	Each share represents one vote. The shareholders' rights and obligations are provided by articles



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2346 and following  
of the Civil Code and  
by the Company  
Charter.

On 5th July 2006, the Meeting resolved to increase in the Share Capital by payment in the form of subscription under public offer for subscription, offering, as an incentive, the assignment of a bonus share.

This incentive specified that those adhering to the Public Subscription Offer and who retained ownership of their shares for at least 12 months would then have the right to be assigned 'additional shares' without further outlay. The Meeting specified that "The funds necessary to pay for the Additional Shares will derive from a special fixed reserve fund set up specifically for this purpose and as such unavailable for any other use than that specified hereafter, by means of the provision of a part of the total price paid by the subscribers to the Public Offer".

On 17th January 2008, Mediobanca S.p.A. declared that the number of free shares to be assigned to those with such rights equalled Euro 1.078 thousand. The increase of the Share Capital in relation to the bonus shares has been reported to the Treviso Company Registry, on 29th January 2008.

On the date of approval of this Report, no rights were assigned to subscribe new issue shares.

Although it is not an incentive plan with increases, including bonus share capital, it should be noted that the Shareholders' Meeting on 23<sup>rd</sup> April 2015 approved a long-term incentive share-based plan for the 2015-2017 three-year period, reserved to the executive directors and to some managers of Ascopiave SpA and of its subsidiaries. Regarding this incentive plan, please refer to the remuneration report drawn up pursuant to Article 123-ter of the Financial Law.

## **b) Restrictions concerning the of equities**

There are no restrictions concerning the transfer of equities.

## **c) Significant share-holdings**

As of 31<sup>st</sup> December 2016, own shares held in the Issuer's portfolio are equal to 12,100,873 <sup>1</sup>. As of that date, the significant shares in the Issuer's capital, according to that resulting from the communications made in accordance with Article 120 Consolidated Finance Law, are as follows:

<b>Declarant</b>	<b>Direct Shareholder</b>	<b>% ordinary capital</b>	<b>% on voting capital</b>
Asco Holding S.p.A.	Asco Holding S.p.A.	61,562%	61,562%

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<sup>1</sup> Including no. 1.975 bonus shares, with a value of Euro 1,00

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Ascopiave S.p.A.

Ascopiave S.p.A.

5,162%(i)

5,162%(i)

---

**d) Equities granting special rights**

No equities have been issued that grant special control rights.

**e) Employees share participation: Exercise of voting rights**

There is no system of employee share holding.

**f) Restrictions to the voting right**

There are no restrictions concerning voting rights.

**g) Agreements between Shareholders**

There are not agreements between the Shareholders known to the Issuer pursuant to art. 122 of Consolidated Financial Law.

**h) Change of control clauses and statute regarding takeover bid**

The Issuer and its subsidiaries have not drawn up any significant agreements that become effective, are changed or cancelled in the event of a change of control of the contracting company.

With regards to takeover bid, the Issuer has not provided in the Statute for any derogation to the provisions of the Consolidated Financial Law. The Issuer's Statute does not furthermore provide for the application of the neutralization rules pursuant to Art. 104-bis, subpar 2 and 3 of the Consolidated Financial Law.

**i) Power to increase Share Capital and for purchase of treasury stock**

The Board of Directors has obtained no powers from Shareholders' Meeting pertinent to the increase of Share Capital.

On 28<sup>th</sup> April 2017, the Shareholders' Assembly deliberated the adoption of a new Plan for the purchase of own shares (hereinafter referred to as the "2017 Plan") to replace the authorization to purchase and manage own shares granted by the Shareholders Meeting on 28<sup>th</sup> April 2016, which therefore is to be considered as revoked, as far as the not implemented part is concerned.

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The 2017 Plan authorises the Board of Directors to purchase and transact, in one or more times, on a rotating base, a maximum of 46,882,315 ordinary shares, i.e. the different number that will represent a portion not higher than the maximum limit of 20% of the share capital, also considering the shares already owned by the Company and those that will be owned each time by the controlled companies and, in any case, respecting the limits set by law. The shares could be acquired for a length of 18 months from the date of the resolution of the Assembly dated 28<sup>th</sup> April 2017.

In accordance with Article 2357, paragraph 1 of the Italian Civil Code, the purchase of own shares is subject to the limits of the distributable earnings and of the available reserves resulting in the financial statement as of 31<sup>st</sup> December 2016, equal to € 70,758,233.50.

The purchase operations shall start and end in accordance with the timings established by the Board of Directors or the President and CEO. The purchase operations shall take place, in one or more times and on a rotating basis, in accordance with the methods established by the Regulations of the Organised Markets and managed by Borsa Italiana S.p.A., which do not allow the direct matching of the purchase negotiation proposals with pre-determined sale offers, in compliance with the provisions of art. 132 of the Financial Law, with art. 144-bis of the Issuers Regulation and with art. 5 of the (EU) Regulation n. 596/2014

In particular, the purchase transactions may be carried out in one of the following way: (i) purchases made on regulated markets, according to procedures established by the Regulations of the Organized Markets and managed by Borsa Italiana S.p.A. and in compliance with the related Stock Exchange Instructions and with the Issuers Regulation; (ii) purchase and sale of spin-offs traded on regulated markets which provide for the physical delivery of the underlying shares at the conditions set by the Regulations of Organized Markets and Managed by Borsa Italiana S.p.A. and in compliance with the related Stock Exchange Instructions and with the Issuers Regulation; as well as (iii) proportional allocation to the shareholders of sales options at conditions in line with those set by the Ascopiave Shareholders' Meeting; (iv) purchases made in accordance with the procedures set by the market procedures authorised by Consob; as well as (v) purchases made under the conditions indicated in Article 5 of the Regulation (EU) no. 596/2014

The operations may take place, in one or more times, by adopting any method considered as suitable to the purposes pursued, including: (i) the sale on the market also for trading activities or blocks; (ii) the transfer in favour of the Company's directors, employees, and/or collaborators and/or of companies controlled by it and/or of the parent company as implementation of incentive plans; (iii) any other deed of disposal, related to transactions for which it is appropriate to exchange or sell equity packages, also by exchange or conferment or, finally, in case of capital transactions involving the assignment or disposal of treasury shares (such as mergers, demergers, issuance of convertible bonds or warrants served by treasury shares).

Finally, it should be noted that, pursuant to the exemption referred to in Article 132, paragraph 3, of the Financial Law, the above operating methods do not apply to the purchase of treasury shares by employees of the Company, subsidiaries or parent companies that have been assigned to them or subscribed in accordance with articles 2349 and 2441 of the Civil Code, or deriving from compensation plans already approved, or which will be approved by the Shareholders' Meeting pursuant to Article 114-bis of the Financial Law.

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The number of own shares as of 31<sup>st</sup> December 2017 amounts to 12,100,873<sup>2</sup>, equal to 5.162% of the share capital, for a counter value equal to Euro 17,521,331.95.

### **l) Management and Co-ordination Activity**

Despite the Issuer participates in the consolidated taxation in the hands of the consolidating Asco Holding S.p.A. and there are some relationships of economic nature with the parent company Asco Holding S.p.A., the Issuer believes not being subject to any management and coordination activity pursuant to Articles 2497 et following of the Civil Code, as Asco Holding S.p.A. does not issue directives to its subsidiary and there is no connection between the two organizational-functional companies. Consequently, Ascopiave S.p.A. considers it has always operated in conditions of corporate and business autonomy regarding its parent company Asco Holding S.p.A.

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We specify that:

- The information requested by art. 123 bis, first par., lett. i) ("the agreements between the company and the directors... that provide for compensations in case of resignations or dismissal without a just cause or if their business relationship ends after a public offer of purchase") are illustrated in the section of the Report dedicated to the Compensation of the Directors (Section 9);
- The information requested by Article 123-bis, first paragraph, letter l) ("the regulations applicable to the appointment and substitution of Directors...and changes to the Charter, if different from those legislative and of the regulations applicable in supplementary way") are illustrated in the section of the Report dedicated to the Board of Directors (Sec. 4.1).

## **3. COMPLIANCE**

The Issuer has complied with the Code of Self-Conduct, adopting the principles and the application criteria it envisages, any failure to comply will be motivated in this Report.

The Code of Self-Conduct is publicly available on the website of the Italian Stock Exchange ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

The Issuer is not subject to non-Italian provisions of law that influence the Issuer's own corporate governance structure.

## **4. BOARD OF DIRECTORS**

### **4.1. APPOINTMENT AND SUBSTITUTION**

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<sup>2</sup> Including no. 1.975 bonus shares, with a value of Euro 1,00

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The dispositions of the Issuer's Charter that regulate the composition and nomination of the Board (Articles 14 and 15) are qualified to guarantee the respect of the dispositions introduced by Law 262/2005 (Article 147-ter of the Consolidated Financial Law) and by Legislative Decree no. 303 dated 29th December 2006, and Law dated 11th July 2011 no. 120.

The Company Charter was amended by the Shareholders' Meeting in extraordinary session on 28th April 2017.

The amendments approved by the Shareholders' Meeting concern a change in articles 14 (with reference to the composition of the board of directors) and 15 of the Company Charter (with reference to the appointment of the board of directors) in order to introduce an increase in the number of directors from 5 (five) to 6 (six), a reformulation of art. 18 (with reference to the validity of the resolutions of the Board of Directors) in order to introduce the principle of the so-called casting vote of the Chairman in case of equal votes, as well as a renumbering of paragraphs of art. 15.

According to Article 15 of the Company Charter, the members of the Board of Directors are appointed through the so-called list vote based on the lists presented by the shareholders that, alone or with other shareholders, own shares for at least 2.5% of the share capital, as set both by the Corporate bylaws and by the Consob resolution no. 19856 dated 25<sup>th</sup> January 2017. The shares in the capital shall be indicated in the summons notice of the Assembly, which shall take a decision on the appointment of the board of Directors.

Article 15 of the Company Charter also states that the lists presented by the shareholders be deposited at the Company Headquarters within the deadline envisaged, every time, by the current and relevant regulations.

Together with each list, within the afore-stated deadlines, the declarations, with which the single candidates accept the candidature and certify under their responsibility, the non-existence of ineligibility and incompatibility causes, and the possession of the requested data envisaged by the Normative applicable each time must be published. The first candidate of each list must own the requirements of independence envisaged by Article 148, subpar 3 of Legislative Decree dated 24th February 1998, no. 58 (and subsequent amendments) and by the codes of behaviour drawn up by management companies of the market which the Company accepted.

The lists having at least 3 candidates cannot be exclusively composed of candidates of the same gender (male or female). The candidates of the least represented gender cannot be less than one third (rounded up) of all the candidates in the list, pursuant to art. 15 of the Company Statute

After the vote of the assembly, if two or more lists have been presented:

- (i) all candidates, up to a maximum of five, will be elected from the list that obtains the highest number of votes and they will be elected as directors, in the progressive order in which they are indicated in this list, except as provided below, to ensure the balance between genders in compliance with the applicable provisions of law and regulation;
- (ii) the first candidate will be elected from the second list by number of votes obtained and that is not connected in any way, not even indirectly, with the shareholders who presented or voted the list resulting first by number of votes, and he will be elected as director of the list itself;
- (iii) in the event of equality of votes between two or more lists, the candidates of the list that has been presented by the shareholders who own the largest holding or, alternatively, by the largest number of shareholders, will be elected, except as provided below, to ensure the balance between genders in compliance with the applicable provisions of law and regulation;

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For the first mandate after the general election of the Board of Directors performed by the shareholders on 28<sup>th</sup> April 2011, notwithstanding the provisions of Art. 15, the share for the less represented category shall be equal to one-fifth (rounding to excess). The share of one-fifth shall be fulfilled both for the submission of lists with at least three candidates and for the final composition of the Board of Directors, resulting from the election by the Assembly, pursuant to art. 30 of the Statute. However, in the Shareholders' Meeting of 28th April 2017, for the appointment of the second term of the Board of Directors following the entry into force of the law, the share reserved to the less represented gender was equal to one third (rounding up to the higher figure).

The appointment mechanism through the so-called list vote guarantees transparency, as well as rapid and adequate information on the personal and professional characteristics of the candidates.

As of the date of the report, the Board still hadn't set up an internal committee for the proposals of appointment, because it did not judge it necessary. This choice is dictated by the fact that the current and applicable regulatory dispositions and the provisions of the company Charter – such as the appointment mechanism through the list vote – attribute adequate transparency to the procedure of selection and indication of the candidates.

If during the financial year, for whatsoever reason, one or more directors taken from the list that obtained the highest number of votes (“Majority Directors”) is out, and despite this the majority still holds, the Board will substitute the missing Majority Directors through co-optation, in accordance with Article 2386 C.C., it being understood that if one or more missing majority Directors are Independent directors, other independent directors must be co-opted, respecting applicable regulations governing gender balance. The directors thus remain in charge until the following Meeting that will confirm their appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system previously indicated.

If during the year, for whatsoever reason, one or more directors taken from the first list that obtained the second highest number of votes (“Minority Director”) is out and, despite this the majority still holds, the Board will substitute the missing Minority Directors with the first non-elected candidates part of the same list, only if they are still eligible and willing to accept the post, or, if defecting, to the first list following for number of votes between those that achieved a number of votes equal to at least the minimum threshold envisaged in paragraph 15.10 of the Charter, without prejudice, in both cases, to the applicable regulations governing gender balance. The terms of the substitutes elapse along with the directors in charge at the moment of their joining the Board, as an exception to the provisions set forth in Article 2386.1, Civil Code; in the event one or more missing Minority Directors are independent directors, they have to be substituted with other independent directors; if it is not possible to proceed with the afore-stated terms, for insufficient choice on the lists or for the non-availability of the candidates, the Board shall proceed with co-optation, in accordance with Article 2386 of C.C., of a director chosen by the Board, pursuant to law, in order to respect the legal and regulatory prescriptions related to the presence of the minimum number of independent directors, respecting applicable regulations governing gender balance and also, if possible, the principle of minority representation. The director thus co-opted will remain in charge till the following Meeting that will confirm their appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system.

### **Succession plans**

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In view of the structure of governance, of the decision-making system and of the powers, as well as the organizational structure adopted by the Issuer and the Group Ascopiave, aimed at ensuring an adequate separation between the direction, management and control functions and to promote the effective implementation of power balance between the top management, the Board of Directors has decided not to adopt a plan for the succession of executive directors, according to the guidelines 5.C.2 of the Code of Self-Conduct.

Furthermore, please refer to the replacement procedure of the Directors already envisaged by the existing Statute. In particular, the three-year term of the duration in office of all Directors, pursuant to Art. 15 of the Company Statute require periodic appointments as provided by the relevant Statute. In addition, the replacement of the Directors who left office before the expiry is governed by the provisions of the above-mentioned Art. 15 of the Statute.

## 4.2. STRUCTURE

In accordance with Article 14 of the Company Charter, the Board of Directors comprises five (5) members, who need not necessarily be Shareholders, appointed by the Meeting.

The Shareholders' Meeting of 28th April 2017, in an extraordinary session, examined and approved the following amendments to articles 14, 15 and 18 of the Articles of Association:

- increase in the number of members of the Board of Directors from 5 (five) to 6 (six); increase from 4 (four) to 5 (five) of the number of directors drawn from the list with the highest number of votes;
- forecast of the "casting vote" of the Chairman in the event of a tie vote;
- renumbering of paragraphs of art. 15.

The members of the Board of Directors remain in charge for three financial years, and their term expires at the date of the Meeting called to approve the Financial Statement relating to the last year of their office; no different expires are established for the members of the Board. The members of the Board of Directors may be re-elected.

The Ascopiave Board of Directors, appointed during the Meeting of 28<sup>th</sup> April 2017, currently comprises 6 (six) members who will remain in charge until the date of the Meeting summoned to approve the Financial Statement relating to the year ended 31st December 2019.

In this Meeting 2 lists with no correlation have been submitted, among which there are no connections. The Directors, except Giorgio Martorelli, have been taken from the list presented by the majority shareholder Asco Holding S.p.A. The Director Giorgio Martorelli has been taken from the minority list no. 2 presented by AMBER CAPITAL ITALIA SGR S.P.A. (holder of an interest equal to 1.04% of the share capital), AMBER CAPITAL UK LLP (holder of an interest equal to 2.93% of the share capital) and ASM Rovigo S.p.A. (holder of an interest equal to 4.3999% of the share capital).

The summary of the presented lists and the voting results is reported below:

<b>PRESENTING PARTY</b>	<b>LIST OF CANDIDATES</b>	<b>LIST OF ELECTED CANDIDATES</b>	<b>% VOTES OBTAINED IN RELATION TO VOTING EQUITY OWNERSHIP INTEREST</b>
<b>List n. 1</b> Asco Holding S.p.A.	1. Dimitri Coin 2. Nicola Ceconato 3. Enrico Quarello 4. Greta Pietrobon 5. Antonella Lillo	1. Dimitri Coin 2. Nicola Ceconato 3. Enrico Quarello 4. Greta Pietrobon 5. Antonella Lillo	81,24%
<b>List n. 2</b> Jointly presented by AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP and ASM Rovigo S.p.A.	1. Giorgio Martorelli 2. Claudio Paron	1. Giorgio Martorlli	18,75%

For the detailed composition of the Board of Auditors, please refer to Table 2 attached to the Report. In accordance with the Application Guideline 1.C.1 lett i). of the Code, the main professional skills of the executive director in charge and the seniority from the first appointment are presented:

- Mr. Nicola Ceconato, President and CEO, beginning of term 04<sup>th</sup> May 2017, at his second mandate: expert in economic matters, enrolled in the Register of Chartered Accountants, in the Register of Statutory Auditors, in the Register of Consultants and Office Technicians at the Court of Treviso and at the College of Economists of Barcelona.  
He works as a Professional Accountant at the professional firm "Ceconato & partners - corporate & tax firm".  
He has a long experience as a Director of public and private companies, member of Boards of Statutory Auditors, Statutory Auditor, Bankruptcy Trustee, Judicial Commissioner and tax and corporate consultant in various public and private companies.  
He held the position of Councilor for budget, finance and tax in a local public body from 2004 to 2014.
- Mr. Dimitri Coin, independent Director, already in office since 28<sup>th</sup> April 2011, at his second mandate: he is an entrepreneur in the agro-nursery sector and in the real estate-commercial sector.



- 
- Mr. Enrico Quarello, independent Director (pursuant to the assessment of 7<sup>th</sup> March 2017), and already in office since 14<sup>th</sup> February 2012: he carries out management activities in companies of organized distribution, he has been director of national companies.
  - Mrs. Greta Pietrobon, independent Administrator, in office since 24<sup>th</sup> April 2014: She is a freelancer in the areas of private law and criminal law
  - Law. Antonella Lillo, non-executive director, at her first term, in office since May 4<sup>th</sup> 2017. She is registered in the Association of Lawyers, admitted to legal aid before the higher courts. She collaborates permanently with banks. She has taught in courses organized by Professional Associations and Entrepreneurial Associations and has published articles on banking and financial law. She has been a consultant for real estate investment funds and since 2014 she has been a member of STEP (Society of Trust and Estate Practitioners). She is registered in the list of arbitrators of the National Arbitration Court.
  - Mr. Giorgio Martorelli, independent director, at his first term, in office since May 4<sup>th</sup> 2017: he gained experience as Analyst on the Italian equity market and in the Equity derivatives area, he followed the Amber fund for investments in Oil & Gas, Infrastructures and Food & Beverage. He has been a member of the Board of Directors since 2014 and Managing Director of Amber Capital SGR S.p.A. from 2017.

The Directors' professional curricula are filed at the company's headquarters and available on the Issuer's institutional website [www.gruppoascopiave.it](http://www.gruppoascopiave.it) under the Investor Relations section.

### **Diversity policies**

With regard to diversity policies with reference to the composition of the Board of Directors, pursuant to the current Articles of Association, the composition of the Board of Directors must guarantee the balance between genders required by law.

Furthermore, as a result of the assessments on its structure and functioning carried out on 7<sup>th</sup> March 2017, in light of the Company development, the Board of Directors deemed appropriate to propose an increase in the number of Directors from 5 (five) to 6 (six), providing the necessary statutory changes, in order to introduce within the Board itself greater individual skills as well as to enrich the dialogue within the administration body. This proposed amendment was formulated by the Board of Directors at its meeting on 14<sup>th</sup> March 2017 and was approved by the Shareholders' Meeting of 28<sup>th</sup> April 2017, held in extraordinary session.

Refer to the professional curricula of the Directors filed at the registered office and available on the Issuer's corporate website [www.gruppoascopiave.it](http://www.gruppoascopiave.it) in the Investor Relations section, to have more information about their training, professional paths, and skills.

### **Maximum accumulation of offices held in other companies**

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The Board has not deemed it necessary to define any general guideline regarding the maximum number of administrative and control functions held in other companies that can be deemed compatible with an efficient implementation of the role of director of the Issuer, keeping into account the member's participation in the Committees constituted inside the Board, without prejudice to the requirement of each Director to evaluate the compatibility of the position of director and auditor held in other companies listed in regulatory markets, financial companies, banks, insurance brokers, or companies of significant size, with the diligent fulfilment of the tasks accepted as Director of the Issuer.

During the meeting held on 07<sup>th</sup> March 2017, the Board evaluated the offices currently held by its Directors in other companies, and deemed that the number and type of office held does not interfere and is, as such, compatible with an efficient fulfilment of the office of Director in the Issuer.

Table 2 attached to this report contains a list of the main companies where each director holds management or control tasks, in particular in companies listed on regulated markets, including foreign ones, in financial companies, banks, insurance or large companies, with evidence if the company where the task is performed belongs to the group controlling or including the Issuer.

### **Induction Programme**

During the year, in line with the Application Guideline 2.C.2 of the Self-Discipline Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments affecting the industry in which the Issuer operates, as well as about the performance of the corporate bodies functions, through the divulgation of information during meetings and in the pre-board report.

### **4.3. 4.3. ROLE OF THE BOARD OF DIRECTORS**

During the year 2017, 18 (eighteen) Board of Directors meetings were held in the following dates: 19th January 2017; 7th February 2017; 21st February 2017; 7th March 2017; 14th March 2017; 5th April 2017; 28th April 2017; 9th May 2017; 23rd May 2017; 8th June 2017; 16th June 2017; 25th July 2017; 31st July 2017; 29th August 2017; 3rd October 2017; 7th November 2017; 29th November 2017 and 20th December 2017.

. The meetings' average length was about 2 hours and 40 minutes.

At the date of this report, since the beginning of 2018, n. 6 (six) meetings on 17th January 2018, 31st January 2018, 12th February 2018, 21st February 2018, 7th March 2018 and 14th March 2018 have been already held

The 2018 calendar of the main company events (already sent to the market and to Borsa Italiana S.p.A. in accordance with regulatory provisions) includes 6 (six) further meetings on the following dates:

- 14<sup>th</sup> May 2018 – approval of the Quarterly Report as of 31st March 2018;
- 1<sup>st</sup> August 2018 – approval of the Half Year Report as of 30th June 2018;
- 14<sup>th</sup> November 2018 – approval of the Quarterly Report as of 30<sup>th</sup> September 2018;

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During the financial year 2017, in line with the Application Guideline 1. C.5. of the Financial Law, the Chairman of the Board of Directors and CEO has, with the support of the Corporate Affairs Department, compatibly with the organisation needs and the content of the discussed topics, and in order to guarantee thorough and timely pre-meeting information, transmitted the support documents for the meeting of the Board at least two working days before the scheduled date of the Directors and Auditors, failing any further need or urgent situation.

In addition, with the support of the Corporate Affairs Department, the Chairman of the Board of Directors has made sure that the topics on the agenda may be devoted the necessary time to allow a constructive debate, by encouraging, during the meetings, contributions from the Directors.

In line with the Application Guideline 1.C.6, during 2017, the General Manager of the Company has participated in all the meetings of the Board of Directors. Furthermore, about the topics discussed, the Issuer's Managers in charge for the departments concerned, according to the subject, or external consultants, were invited to attend the Board of Directors meetings, upon request of the President or other administrators, in order to provide additional information on the topics on the agenda.

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The Board of Directors plays a primary role in the Ascopiave system of Corporate Governance, in that it determines the company's strategic goals and those of the subsidiaries belonging to the Group it heads, ensuring that they are achieved,) without prejudice to the compliance with the management independence of the companies belonging to Ascopiave Group, subject to the functional and accounting separation regime (*unbundling*).

In applying Guideline 1.C.1 of the Self-discipline Code, on 24th July 2006 the Board of Directors resolved that are included among its exclusive functions, in line with the Application Criterion 1. C.1., lett. A:

- the examination and approval of the strategic, industrial and financial plans of the Issuer and of the Group it heads, the periodic monitoring of the related implementation;
- and the definition of the corporate governance system of the Issuer and of the Group structure.

Pursuant to the "Guidelines on the performance of the management and coordination powers by Ascopiave S.p.A.", approved by the Board of Directors of Ascopiave S.p.A. on 16<sup>th</sup> June 2016, the parent company Ascopiave S.p.A draws up the business plans and the group budgets and sets the guidelines required when each company of the group draws up the budgets and the business plans sets the guidelines to be implemented in the process of drawing up of the plans and of the budgets by each group company, without prejudice to the respect of the management autonomy of the Ascopiave Group companies subject to the functional and accounting separation regime (so-called unbundling).

For drawing up the group business plans and budgets, in compliance with the procedures, tools and planning and programming schedules executed and disseminated by the parent company, the Board of Directors of each subsidiary will be responsible for submitting to the parent company information and forecasts which follow the above guidelines, as well as to work according to approved annual business

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plans and budgets, by providing periodic audits through periodic final reports. The parent company shall check the compliance of the business plans and of the annual budgets with the guidelines provided and any eventual deviation from the periodic financial reports.

The planning and budgeting guidelines set by the parent company for the group companies subject to unbundling obligations, consider the powers and prerogatives envisaged by the unbundling rules for the Independent Committee and for the vertically integrated company (so-called. *unbundling*).

In addition, the Board of Directors plays an important role in the correct management of corporate information and in the relationships with the shareholders.

To this aim, art. 19 of the Company Statute states that the Board of Directors has the broadest powers to manage the Company, without any exception, and the power to take all actions it deems advisable for the implementation and achievement of the corporate objectives, with the only exception of those strictly reserve by the law to the shareholders.

Furthermore, always pursuant to art. 19 of the Articles of Association, the resolutions to be taken in compliance with art. 2436. c.c fall under the responsibility of the Board of Directors and cannot be delegated. They deal with:

- mergers and demergers in accordance with articles. 2505, 2505-bis, 2506-ter, c.c.;
- creation or elimination of secondary branches;
- transfer of the registered office within Italy;
- indication of the directors who have legal representation;
- capital reduction because of a shareholder's withdrawal;
- modification of the Articles of Association according to mandatory regulations,

It is understood that these resolutions may also be taken by the shareholders during an extraordinary session.

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In line with the Application Guideline 1. C.1. let. c), the Board has evaluated, on 7<sup>th</sup> March 2017, regarding the year 2016 and on 14<sup>th</sup> March 2018, regarding the year 2017, the suitability of the organisational, administrative and general accounting structure of the Issuer, with specific reference to the Internal Control system and management of conflicts of interest, in accordance with the procedures adopted by the Issuer for that purpose. About this activity, as need may dictate, the Board has made use of the support offered by the Internal Control Committee, by the Internal Control Supervisor, the auditing company and the Director Responsible for preparing company accounts, as well as the procedures and checks implemented in accordance with Law no. 262/2005.

In 2012, the Ascopiave Board of Directors S.p.A. adopted the document "Guidelines relating to the management and coordination", document updated with the approval by the Board of Administrators of Ascopiave S.p.A. on 16<sup>th</sup> June 2016, which regulates the implementing mechanisms of management and coordination, the information and control flows between the Issuer and its subsidiaries. The document, approved by the general meetings of subsidiaries in 2012, is an integral part of the Group's governance system.

It is reminded that in 2013, the adoption of the organizational, management and control models in compliance with the requirements of the Legislative Decree 231 has also been completed in all the

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subsidiaries of the Issuer. Each of these companies has adopted its own "model 231", it has set up a body in charge of supervising the implementation and effectiveness of Model 231, and adhered to the Code of Ethics of the Ascopiave Group.

In 2016, also the Board of Directors of the newly formed company AP Reti Gas SpA, the latter company's gas distribution branch of the transferring company Ascopiave SpA, effective from 1<sup>st</sup> July 2016, adopted its own "231 model", and signed the Ethics Code of the Ascopiave Group dated 14<sup>th</sup> May 2013.

In 2017 the Sole Director of the company AP Reti Gas Vicenza S.p.A. (ex Pasubio Group SpA, company acquired by Ascopiave SpA on 3rd April 2017) updated the "231 model" and adhered to the Ascopiave Group's Code of Ethics.

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The Board, in line with the Application Criterion 1.C.1. lett. e), has assessed, on a quarterly basis, the general performance of the company, verifying the Company's financial, operating and consolidated results. These results, and the performance indicators, were compared with the planned data.

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In accordance with the guideline 1.C.1 lett. f) of the Self-Discipline Code, it is up to the Board of Directors of Ascopiave, given the system of delegated powers in force, the resolution on the transactions of significant strategic, economic, or financial importance for the Issuer.

If these operations are carried out by the participated companies, in the document "Guidelines on management and coordination" it is expected that, in compliance with industry regulations relating to administrative and accounting separation, the administrative bodies of the subsidiaries submit the same to the prior exam of the Board of Directors of Ascopiave.

The following operations are considered, but not limited to, having a strategic, economic, or financial, relevance:

- agreements with competitors and partners of the Group which, for the object, commitments, constraints, limits which may directly or indirectly arise, may for long-term affect strategic decisions on the freedom of business strategic choices (e.g. partnership, joint venture, etc.);
- acts and operations involving the entrance in (or the exit from) geographic and/or products markets;
- investment in tangible and intangible assets;
- purchase and arrangement of companies or business units;
- purchase and arrangement of subsidiaries of controlling interests and connections and share in profits in other companies, as well as the conclusion of agreements on the exercise of rights related to those shares;
- undertaking of loans of significant amount, as well as provision of loans and issuing of guarantees for the interest of Group companies;
- purchase of assets and services binding the company for a multi-year period;

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- decision of merger in the cases envisaged by Articles 2505 and 2505-bis of the civil code;
  - creation and closing of secondary branches;
  - amendments to the company charter to comply with the law.

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In line with the Application Guideline 1.C.1, let. g) on 14<sup>th</sup> March 2016, the Board of Directors has completed the self-assessment on the functioning of the Board itself and of its internal Committees. The assessment process was carried out based on qualitative criteria, by comparing the composition and functioning of the Board of Directors and of the internal committees to the best practices of reference. For the assessment, the Board has not made use of external consultants, but of professionals internal to the Company.

As part of this meeting, a self-assessment was also carried out with reference to the component represented by the independent directors (see paragraph "4.6 Independent directors"), as well as with reference to the maximum number of offices held by directors in other companies (cf. paragraph "Maximum number of positions held in other companies").

The Board of Directors, because of the assessments performed on its structure and functioning performed on 07<sup>th</sup> March 2017, and given the Company development, considers appropriate to propose an increase in the number of Directors from the current 5 (five) to 6 (six), by performing the necessary statutory changes in order to introduce within the Council more individual skills as well as to enrich the dialogue inside the management.

In order to avoid that, because of the enlargement of the administrative body, the presence of an equal number of directors could lead to deadlocks which may slow down the normal work of the administrative body and the timeliness of its decisions, it is deemed appropriate to propose the statutory introduction of the so called "Casting vote" of the Chairman, i.e. the casting of the Board of Directors Chairman's vote in case of equal votes.

This forecast, in the administrative body's opinion, shall be considered sufficient to ensure the impossibility of any decisional deadlock within the Board of Directors.

This proposal was made by the Board of Directors at its meeting on 14<sup>th</sup> March 2017 and was approved by the Shareholders 'Extraordinary Meeting held on 28th April 2017.

Following the closure of the financial year 2017, on March 14th 2018, in accordance with the Self-Regulatory Code which provides for a self-assessment at least once a year self-assessment, the new Board of Directors of the Issuer has carried out the self-assessment on its functioning pursuant to the Application Criterion 1.C.1 letter g, also performing the assessment of the independence requirement of its non-executive directors (see paragraph "4.6 Independent Directors"), as well as expressing its orientation with reference to the maximum number of offices in other companies (see paragraph "Maximum number of positions held in other companies").

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From the self-assessment activity carried out, a positive perception of the Board of Directors has emerged, and a general will for the implementation of improvements in the next two years of mandate.

The results of the board evaluation, referring to the financial year 2017, show a picture of the overall positive functioning of the Board of Directors and of the Committees, from which it emerges that these bodies operate in strict adherence to the best practices on corporate governance.

With reference to the component represented by the Independent Directors, the results of the board evaluation activity are substantially in line with what emerged from the overall self-assessment of all the members of the Board of Directors.

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The Shareholders' Meeting did not authorise any exceptions to the prohibition of competition as specified by Article 2390 of the Civil Code.

#### **4.4. DELEGATED PARTIES**

##### **Managing Directors**

By resolution dated 09<sup>th</sup> May 2017, the Company's Board of Directors, appointed during the meeting held on 28<sup>th</sup> April 2017, resolved to grant the Chairman of the Board of Directors, Nicola Ceconato, as CEO; Mr. Nicola Ceconato, in line with the structure of powers in force since 2012, was assigned with the following main powers:

- Coordinating the activity of the Board of Directors and implementing the related resolutions;
- Taking care of the relationships with the shareholders;
- Managing the institutional relationships and promoting the Company image;
- Elaborating medium-long term strategies;
- Contracts for the purchase and sale of goods, raw materials, movable properties, services with economic content not higher than Euros 1,500,000 for each operation;
- Purchasing, selling or exchanging installations, machines, equipment, trademarks, patents with value not higher than Euros 500,000 for each operation;

The division of powers is completed by the General Manager, appointed by the Board of Directors on 15<sup>th</sup> March 2012, in the person of Mr. Roberto Gumirato. The General Manager directly reports to the Chairman and Chief Executive Officer, in compliance with the new arrangement of powers set in 2012 by the Board of Directors and confirmed by the current Board of Directors.

In accordance with the allocation of powers, it is believed that the Chairman and Chief Executive Officer, Dr. Nicola Ceconato, cannot be regarded as primarily responsible for the company management (*chief executive officer*).

##### **Chairman of the Board of Directors**

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See above par. “Chief Executive Officer”

### **Information to the Board**

In accordance with what specified by Article 19.5 of the Company Charter, the delegated parties report on at least a quarterly basis to the Board of Directors and Board of Auditors as to their work, general management trends, foreseeable evolution and the most economically, financially and equity important operations performed by the Company and its subsidiaries; specifically, the Chairman provides information as to the operations in which he has an interest on his own behalf or that of third parties. With regards to the statutory provisions, it should be noted that the delegated parties report and involve the board on the activity performed at each meeting of the Board of Directors. On a quarterly basis, upon approval of the annual and half-yearly financial statements and of the intermediate management reports are instead communicated the management results and related performance indicators.

### **4.5. OTHER EXECUTIVE DIRECTORS**

There are no other executive directors further than the Chairman and Chief Executive Officer, Mr. Fulvio Zugno.

### **4.6. INDEPENDENT DIRECTORS**

In the year 2017, in the Board of Directors of the Issuer there were three independent directors, in line with the Application Guideline 3.C.3 of the Self- Discipline Code. The non-executive Directors and Independent Directors are, in terms of number and authority, such as to guarantee that their judgement can have significant influence on the Issuer's board resolutions. The non-executive Directors and Independent Directors shall bring their specific competencies to board discussions, contributing to the decision-making process in accordance with the Company interests.

The number of independent directors (4 on a board of 6) is adequate both based on the provisions of Article IA.2.10.6 Instruction Stock Exchange, and in relation to the size of the Board and to the Issuer's activity; furthermore, this is sufficient to the constitution of the committees within the board that the Company has deemed appropriate to adopt.

It should be noted that during the financial year 2017, the Board of Directors carried out two independent assessments of its directors on 07/03/2017 and after the appointment of the new Board of Directors on 09/05/2017. As part of the assessments, the Application Criterion 3.C.1 of the Corporate Governance Code was applied.

In the meeting held on 07<sup>th</sup> March 2017, the Board of Directors evaluated the existence of the requirements of independence of the Directors Mr. Dimitri Coin, Mr. Claudio Paron, Mrs. Greta Pietrobon and Enrico Quarello, as specified by Principle 3. P.2., where it is recommended to assess the independency of Directors on a yearly basis, and in line with the Application Guideline 3. C.4. In



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addition, the Board of Directors has assessed the presence of the independence requirements pursuant to art. 148 of the Consolidated Financial Law.

It should be noted that the advisor Enrico Quarello, was considered an independent director at the meeting held on 7<sup>th</sup> March 2017 since, considering the attribution of the gas distribution project given by Ascopiave S.p.A. to AP Network Gas SpA, the function of Independent Provider of Ascopiave SpA has been revoked from 1<sup>st</sup> July 2016, after having been held until 30<sup>th</sup> June 2016 together with the Chief Technology Officer of Ascopiave SpA, in accordance with the regulations concerning functional and accounting repartition (so-called *unbundling*).

Furthermore, in line with the provisions of the Application g Principle 3.P.2 of the Corporate Governance Code, which recommends to assess the independence of Directors after the appointment of the Board of Directors, and in line with Application Criterion 3. C.4, it should be noted that at the meeting of 9<sup>th</sup> May 2017, the new Board of Directors assessed, with reference to the date of the assessment, the independence requirements of the non-executive Directors Dimitri Coin, Greta Pietrobon, Enrico Quarello and Giorgio Martorelli.

During this meeting, the new Board of Directors resolved to consider that the non-executive director Antonella Lillo did not meet the requirements necessary to qualify her as an independent director, consistently with the statements made by the same director during the prior acceptance of the position of director .

Furthermore, pursuant to the recommendations contained in the Application Criterion 3.C.4, the Board of Directors has announced the results of its assessments, after the appointment, also through a press release issued to the market.

In performing such evaluations, the Board of Directors adopted the Application Guidelines 3. C.1. and 3. C.2. as specified by the Self-Discipline Code. The Independent Directors are, as such, in possession of the independence requirements listed in Article 148, 3<sup>rd</sup> paragraph, letters b) and c) of the Consolidated Finance Law, since everyone of them:

- (i) Does not control the Issuer, directly or indirectly, even through subsidiaries, fiduciary companies or on behalf of third parties, nor are able to exercise undue influence;
- (ii) Does not participate, directly or indirectly, in any company agreement where one or more subjects may exercise control or significant influence on the Issuer;
- (iii) Was or was not in the previous 3 fiscal years, an important party (by such, meaning Chairman, legal representative, Chairman of the Board of Directors, and executive Director or Manager with strategic responsibility) of the Issuer or of a holding with strategic relevance or of a company under common management with the Issuer or of a company or body which, even with others, through a representational company agreement, controls the Issuer or is able to exercise significant influence;
- (iv) Does not have, or did not have, during the previous year, directly or indirectly (e.g. through subsidiaries or companies of significance in the sense specified by the previous point (iii), or as partner of a professional studio or consultancy company) significant commercial, financial or professional relations, or subordinate working relations: (a) with the Issuer, with its subsidiary, or with one of relevant its partners, in the sense specified by the previous point (iii), (b) with a subject that, even jointly with others, through a representational company agreement , controls

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- the Issuer or – given that it is a body or company -with the partners, in the sense specified by the previous point (iii);
- (v) Without prejudice to what specified under the previous point (iv), holds any independent or subordinate working relations, or other relations of an economic or professional nature such as to compromise independence: (a) with the Issuer, with one of its holdings or parent companies, or with the companies subject to common management; (b) with the Issuer Directors; (c) with subjects that are married or related up to the fourth level with the Company's Directors as under the previous point (a);
  - (vi) Does not receive or did not receive in the previous three fiscal years from the Issuer or from a holding or subsidiary a significant additional fee in addition to the “fixed” fee as non-executive Company Director including participation in incentives linked to company performance even based on shares;
  - (vii) Has not been a Director of the Issuer for more than nine years during the last twelve years;
  - (viii) holds the office of Executive Director in another company in which an Executive Director of the Issuer holds an office of Director;
  - (ix) is not a member or director of a company or of one belonging to the network of companies tasked with the auditing of the Issuer's accounting;
  - (x) is not a close family member of a person who finds himself in any of the situations as specified under the previous points and, in any case, is a husband, wife, relative or similar within the fourth grade of the Issuer Directors of the subsidiaries, of the companies controlling it and those subject to common management.
  - (xi) They were not in the conditions set by art. 2382 of the civil code.

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The Board of Auditors verified, in line with the Application Guideline 3.C.5, during the meeting held on 07<sup>th</sup> March 2017, the correct application of the guideline and procedures adopted by the Board to evaluate the independence of its members, and the results of this control will be explained in the Auditors' report at the meeting of 28<sup>th</sup> April 2017 in accordance with Article 2429 Civil Code. Similarly, at its meeting on 09<sup>th</sup> May 2017 the new Board of Auditors verified, pursuant to the Application Criteria 3.C.5, the correct application of the criteria and procedures adopted by the Board to assess the independence of its members; such assessment will be disclosed within the statutory auditors' report to the Shareholders' Meeting pursuant to art. 2429 of the Civil Code

The independent administrators never met during the year 2017 in the absence of the other administrators as no other circumstance demanding the necessity of these reunions occurred. There are various reasons that contributed to the non-convocation of special reunions of the independent administrators. For example, the fact that the administrators have always received with large advance all the necessary information for their effective, deep and not formal participation to the reunions of the Board of Directors was determining. This permitted the timely formulation of eventual remarks on the opportunity and correctness of each single proposed decision. Furthermore, the adoption of the Code on Related Parties Transactions, its punctual application, the previous declaration, during the opening of the Board's works, of any conflicts of interests according to article 2391 of Civil Code and the subsequent abstention of the administrators in conflict, are symptomatic elements of a correct modus

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operandi that guarantees the absence of conflicts of interest and explains the reason why the necessity of facing these problems without the presence of the so-called not-independent administrators never appeared during the financial year.

#### **4.7. LEAD INDEPENDENT DIRECTOR**

The Board of Directors did not consider necessary to identify an internal independent Director as a Lead Independent Director, not occurring the circumstances envisaged in the Application Guideline 2. C.3. of the Code. This figure, in fact, is expressly envisaged by the Application Guideline 2. C.3. of the Self-Discipline Code in the event the Chairman of the Board is primarily responsible for managing the Issuer - *chief executive officer* – i.e. the Chairman or the controlling shareholder of the Issuer, or if the Issuer belongs to the FTSE-Mib, for which the appointment of the *Lead Independent Director* may be required by the majority of independent directors.

### **5. PROCESSING OF COMPANY INFORMATION**

#### **5.1. PROCEDURE FOR THE MANAGEMENT AND PROCESSING OF PRIVILEGED INFORMATION, FOR THE DISCLOSURE OF INFORMATION TO THE PUBLIC AND FOR THE MANAGEMENT OF THE REGISTER OF PERSONS WHO HAVE ACCESS TO PRIVILEGED INFORMATION**

The Issuer's Board of Directors updated the previous code of conduct for market announcements deciding, during its meeting on 19<sup>th</sup> October 2016, the adoption of the new "Procedure for the management and treatment of confidential information, for the dissemination of information to the public and for the management of people who have access to privileged information" pursuant to the entry into force of the new EU Regulation 596/2014 (" Market Abuse Regulation "or " MAR "), applicable as of 3<sup>rd</sup> July 2016, and in compliance with the provisions of the Consolidated Law on Finance and the Issuers' Regulation, to the extent compatible with "MAR", the Regulations for the execution of European source and the Application Criterion 1.C.1 lett. j) of the Code.

The "Procedure for the management and processing of confidential information, for the dissemination of information the public and for the management of the register of persons who can access to privileged information" contains provisions relating to:

- management and processing of confidential information;
- procedures to be respected for the disclosure of privileged information directly dealing with Ascopiave S.p.A. and/or its subsidiaries, with reference, in this latter case, to relevant information for the purpose of Ascopiave's price sensitivity;
- management of the Register of persons who can access to confidential information.

The Legal Affairs Department is responsible for keeping and updating the Register, whose management is carried out according to the criteria and procedures set forth in the above procedure.

Under Article. 2.6.1 of the Stock Exchange Regulations, the Board of 23<sup>rd</sup> June 2015 appointed as the Information Officer Mrs. Irene Rossetto and Mr. Giacomo Bignucolo, as her substitute, assigning them the task of complying with law and regulatory requirements come under the responsibility of the

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Information Officer, with particular reference to those dealing with mandatory corporate information and market disclosure of information on transactions subject to the "Code Internal dealing "(see. section 5.2).

This procedure is available on Ascopiave Group's website ([http://www.gruppoascopiave.it/corporate-governance/sistema-e-regole/procedura-gestione-privileged information](http://www.gruppoascopiave.it/corporate-governance/sistema-e-regole/procedura-gestione-privileged-information)).

## **5.2. INTERNAL DEALING**

The Issuer's Board of Directors decided in its meeting of 19<sup>th</sup> October 2016 to update the "Internal Dealing Code", under the new EU Regulation. 596/2014 ("Market Abuse Regulation" or "MAR") and, in particular, the related Article 19 of the Delegate Commission Regulation (EU) 2016/522, of the Execution Regulation (EU) 2016/523 and of the regulations and national rules on this matter.

The "Internal Dealing Code" was updated again on 21st February 2018, in line with the provisions of Consob Resolution no. 19925 of March 22nd 2017 (published in the Official Gazette on April 14th 2017), which introduced amendments to art. 152-septies of the Issuers' Regulation, with reference to the threshold for the amount of the transactions subject to disclosure obligations.

The "Internal Dealing Code" regulates the procedures and communication times to Ascopiave S.p.A., to Consob and to the market of the information relating to the transactions directly or indirectly carried out by the so-called relevant persons and persons closely related to relevant persons on the ordinary shares of Ascopiave S.p.A. or on debt securities, derivatives or other financial instruments linked to them.

This code is available on the Issuer's website (<http://www.gruppoascopiave.it/corporate-governance/sistema-e-regole/codice-internal-dealing>).

## **6. INTERNAL BOARD COMMITTEES**

Within the Issuer's Board of Directors, the Compensation Committee and the Risks and Control Committee have been established.

## **7. APPOINTMENTS COMMITTEE**

Given the size of the Company and the limited number of members of the control and administration bodies, the Board of Directors has not deemed it necessary to set up an appointments committee, pursuant to the Guideline 5.P.1, leaving the task of identifying the most suitable persons for the execution of varying tasks within the Company's corporate governance bodies.

## **8. COMPENSATION COMMITTEE**

In accordance with Principle 6.P.3 of the Code, the Company's Board of Directors has set up an internal Compensation Committee.

### **Composition and functionality of the compensation committee**

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The Compensation Committee of the Issuer is composed by three independent Directors. Until 04<sup>th</sup> May 2017, the Committee has been composed by the independent Director Dimitri Coin, as Chairman, and by the non-executive Director Enrico Quarello, by the independent Director Claudio Paron. (see Table 2).

In accordance with the Principle 6.P.3 of the Code of Self-Conduct, the Director Dimitri Coin has acquired an adequate experience regarding remuneration policies, both as an entrepreneur, and as a member of the Board of Directors and of the Remuneration Committee of Ascopiave from 2011 to today.

Following the renewal of the Board of Directors, during the Board meeting of May 9<sup>th</sup> 2017, in accordance with the provisions of Principle 6.P.3 of the Corporate Governance Code, the Independent Director Dimitri Coen has been appointed as members of the Remuneration Committee, with the functions of Chairman, and the independent Director Enrico Quarello and the non-executive Director Antonella Lillo (see Table 2)

The Director Dimitri Coin has gained suitable experience in the field of remuneration policies, both as an entrepreneur, and as member of the Board of Directors and of the Ascopiave Remuneration Committee from 2011 to date, in compliance with Principle 6.P.3 of the Code of Conduct.

During the year 2017, the Compensation Committee meeting was held on 7<sup>th</sup> March 2017, 05<sup>th</sup> April 2017 and 09<sup>th</sup> May 2017. The meetings duration was of about 20 minutes.

The Committee furthermore met after the end of the fiscal year, on 7<sup>th</sup> March 2018 and 12<sup>th</sup> March 2018. As of today, no other meetings of the Committee were scheduled for the year 2018.

The Chairman and one member of the Board of Auditors, invited by the Committee itself, participated in the meeting and, for in-depth examinations of the agenda, some employees of the Company were also in attendance.

In accordance with Application Guideline 6.C.6, the Regulations of the Compensation Committee provides that no director takes part in the meetings of the Committee where proposals to the Board of Directors regarding his Compensation are formulated.

### **Functions of the Compensation Committee**

For the details of the functions and functioning of the Compensation Committee, see Section I, chapter 2.4 of the Report on Compensation, prepared in compliance with Article 123-ter of the Consolidated Finance Law. It should be noted that the Rules of the Compensation Committee, which was adopted in its original form on 12<sup>th</sup> September 2006, was amended on 19<sup>th</sup> December 2011.

On 7<sup>th</sup> March 2017, the Committee met to discuss the following issue, among others:

- Compensation policy adopted by the Company and elaboration of the Report on Compensation pursuant to art. 123-ter Consolidated Financial Law
- Outcomes of the “*2016 management by objectives*” plan
- Definition of a long-term incentive plan for Independent Managers

After the end of the fiscal year, on 7<sup>th</sup> March 2018 and on 12<sup>th</sup> March 2018, the Committee met to discuss, among the subjects, the adequacy, consistency and application of the Compensation Policy and

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the drafting of the 2016 Report on Compensation, to monitor the actual achievement of the performance targets set in “*Management by objectives 2017*” plan.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4. C.1., let. D).

The Committee, while performing its tasks, has accessed the necessary information and the corporate functions pertinent to its assignment, in line with the Application Guideline 4.c.1, lett. e).

No financial resources have been granted to the Internal Control Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

## **9.COMPENSATION OF DIRECTORS**

### **General compensation policy**

The Board of Directors adopted, in the meeting dated 19th December 2011, the “Compensation Policy of the Ascopiave Group” (hereinafter “Compensation Policy”), then amended on 15th March 2012 and 14th March 2013, in compliance with the recommendations of Article 6 of the Self-Discipline Code of listed Companies of Borsa Italiana S.p.A. (the “Self-Discipline Code”), to which the Company conforms, and also in compliance with Article 3.2 letter (b) of the Procedure for Related Parties Transactions approved by Ascopiave on 24<sup>th</sup> November 2010.

The Compensation Policy was submitted to the Board on 28<sup>th</sup> April 2017 and on the occasion of the 2015 financial statement approval, and submitted with positive results to the advisory vote of shareholders in compliance with Article 123-ter of the Legislative Decree no. 58 of 24th February 1998.

For the contents of the Compensation Policy see Section I of the Report on Compensation, prepared in compliance with Article 123-ter. of the Consolidated Finance Law.

### **Share-based compensation plans**

At the Annual Meeting held on 23<sup>rd</sup> April 2015, which approved the 2014 financial statements, a new share-based incentive plan was approved, the so-called "Long-term share-based incentive plan 2015-2017" (or "2015-2017 plan"), elaborated upon the proposal of the Remuneration Committee and previously approved by the Board of Directors on 16<sup>th</sup> March 2015. The 2015-2017 plan, in compliance with the recommendations of Article 6 of the Self-Discipline Code, envisages, in order to grant the bonus, a vesting period of 3 years, and the achievement of pre-fixed performance and return targets of the Company's shares, also in relation to a basket of stocks of comparable companies. The bonus grant for 2018, of which 50% in cash and 50% in Ascopiave shares, provides for a 2-year retention period of those shares is envisaged; in case the Beneficiary, at the end of the two-year period, has a management relationship with Ascopiave or with the Companies of the Group, the retention period is extended until the term of his office.

The Board of Directors of Ascopiave SpA has taken steps to implement the aforementioned Plan, identifying the its beneficiaries among the potential target envisaged by the Regulation

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The informative document is available on the Issuer's institutional website, under the section 'Investor Relations' ([http://www.gruppoascopiave.it/wp-content/uploads/2015/03/Ascopiave\\_Documento-informativo-PILT-2015.pdf](http://www.gruppoascopiave.it/wp-content/uploads/2015/03/Ascopiave_Documento-informativo-PILT-2015.pdf)).

It should be noted that, as required by the Remuneration Policy of Ascopiave SpA, as per Section I of the Remuneration Report, drawn up pursuant to art. 123-ter of the Consolidated Law on Finance, to which reference should be made, such share-based remuneration plans may not include the components of the Independent Manager, which according to the legislation on functional unbundling can not hold, even indirectly, economic interests among which equity instruments or equity securities in the sales activities carried out by the vertically integrated company or by other companies of the corporate group to which it belongs.

In line with this provision, the Board of Directors of Ascopiave S.p.A. on 26th February 2016, resolved to revise the list of beneficiaries of the "2015-2017 Long-Term Incentive Plan", excluding the components of the Independent Manager. .

In accordance with the Remuneration Policy, the Board of Directors approved on 14th March 2017, upon the recommendation of the Remuneration Committee, the "2015-2017 Long-Term Incentive Monetary Plan" (PMILT 2015-2017), reserved to the members of the Independent Manager excluded from the list of beneficiaries of the "2015-2017 long-term incentive plan", whose benefits will be paid after approval of the financial statements as at 31st December 2017. The "2015-2017 PMILT" is based on specific indicators of the distribution business, excluding any correlation with the sale activity, and provides for the payment of a 100% cash prize.

#### **Compensation of executive directors**

For the breakdown of the compensation of directors who exercise management proxies, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

#### **Compensation of executive director and of managers with strategic responsibilities**

For the breakdown of the compensation of the executive director and of managers with strategic responsibilities, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

#### **Incentive mechanisms for the In-Company Control Supervisor and the Manager in charge of preparing the company accounting documents**

The incentive mechanisms of the Executive Manager in charge for drawing up the corporate accounting documents is consistent with the assigned tasks, in line with the Application Criteria 6.C.3. The Manager in charge of preparing the company accounting documents and the internal audit manager, during 2015, received the "Incentive long-term share-based program 2015-2017", which was approved by the Board of Directors of Ascopiave S.p.A., upon proposal of the Compensation Committee, on 16<sup>th</sup> March 2015 and after approved by the Shareholder's Meeting on 23<sup>rd</sup> April 2015.

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The Manager in charge, as manager with strategic responsibilities, was also the recipient of the incentive plan "*management by objectives 2016*", the outcomes of which can be found in Section II of the Report on Compensation, prepared pursuant to art. 123-ter of the Consolidated Financial Law.

#### **Compensation of non-executive directors**

For the breakdown of the compensation of non-executive directors, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

In line with Application Guideline 6. C.4. of the Code, the compensation of non-executive Directors is not connected to the Issuer's economic results.

Non-executive Directors are not recipients of share-based incentive plans.

#### **Management severance pay in case of resignation, dismissal or business termination following a takeover bid**

For details on the benefits, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

### **10. RISKS AND CONTROL COMMITTEE**

**In line with the provisions of Principle 7. P.3., Letter. a), n. (ii) and 7. P.4. the Board has constituted an internal control and risk Committee.**

The Board of Directors of the Issuer, on 11<sup>th</sup> September 2006, simultaneously approved the Control and risks Committee Regulations, in compliance with the new Code of Self-Discipline, with following modifications dated 23<sup>rd</sup> February 2011 and 24<sup>th</sup> January 2013.

#### **Composition and functioning of the control and risks committee**

The Issuer's Control and Risk Committee is composed by three members.

Until 4th May 2017, the Committee was composed by the independent director Dimitri Coin, with the functions of Chairman, and by the independent Directors Claudio Paron and Enrico Quarello.

In compliance with Principle 7.P.4 of the Corporate Governance Code, the Director Dimitri Coin has expertise in risk management, acquired in the business activity and as member of the Control and Risk Committee of Ascopiave SpA, of which it was a component from 2011 to 4th May 2017.

Following the appointment of the new Board of Directors, which took place at the Shareholders' Meeting on 28th April 2017, the new Control and Risk Committee was appointed during the Board meeting of 9th May 2017, which is made up of the Independent Director Enrico Quarello, acting as Chairman, and by the Independent Directors Greta Pietrobon and Giorgio Martorelli.

In accordance with Principle 7.P.4 of the Self-Conduct Code, the Director Dimitri Coin has expertise in risk management, acquired in business and in his experience as member of the Risk and Control committee in Ascopiave SpA from 2011.



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During the fiscal year 7 (seven) meetings of the Risks and Control Committee were held on 19th January 2017, 7th March 2017, 14th March 2017, 5th April 2017, 31st July 2017, 26th October 2017 and 7th November 2017. The average length of the meetings was about 40 minutes. For details on the participation of members, see Table 2 attached to this report. For the year 2018, the meetings of the Committee are fixed on the occasion of the 4 (four) meetings of the Board of Directors, scheduled for the approval of the annual, half-year and quarterly results of the Company. After the end of the fiscal year, 2 (two) meetings of the Committee were held on 31<sup>st</sup> January 2018 and 14<sup>th</sup> March 2018.

The Committee meetings were attended, upon invitation, by the members of the Board, in line with the Application Guideline 7.C.3 of the Code, the Manager responsible for preparing corporate accounting documents and the head of the Internal Audit department.

### **Functions attributed to the risks and control committee**

In line with the Application Guideline 7.C.1, the Control and Risks Committee, in its role of supporting the Board of Directors, expresses its opinion about:

- (i) definition of guidelines for the Internal Control and Risks Management system, so that the main risks concerning the Company and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining compatibility criteria of those risks with a healthy and consistent business management;
- (ii) the assessment, with at least yearly frequency, of the adequacy of the internal control and risks management system in comparison with the corporate characteristics and with the profile of the risks taken, as well as with its effectiveness;
- (iii) the work plan scheduled with at least annually by the Head of the Internal Audit Department;
- (iv) the description, in the report on corporate governance, of the main features of the system of internal control and risk management;
- (v) the results presented by the statutory auditor in the eventual letter of recommendations and in the report on key matters arisen during the statutory audit.

The Control and Risks Committee, furthermore, in supporting the Board of Directors:

- (i) Assesses, together with the manager in charge of preparing the corporate accounting documents, heard the statutory auditor and the Board of Auditors, the correct application of accounting principles and their uniformity for the purposes of preparing the consolidated financial statements;
- (ii) expresses opinions on specific issues regarding the identification of key business risks;
- (iii) reviews the periodic reports related to the evaluation of the system of internal control and risk management, and those prepared by the Internal Auditing Department;
- (iv) monitors the independence, adequacy, effectiveness and efficiency of the Internal Auditing department;
- (v) may ask the Internal Auditing Department to perform audits on specific operational areas, by simultaneously communicating it to the Chairman of the Board;
- (vi) reports to the Board of Directors at least once every six months, in occasion of the approval of the annual financial report and statements, on its activity and the adequacy of the system of internal control and risk management;

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- (vii) delivers a preventive motivated opinion on the Company interest to the completion of transactions with related parties, as well as on the convenience and accuracy of the related conditions, pursuant to the Procedure for transactions with related parties approved by the Board of Directors of the company on 24th November 2010;
  - (viii) delivers a preventive motivated opinion on the proposals made by the Director in charge of the internal control system and risk management to the Board of Directors regarding the functions of appointment and dismissal of the Head of Internal Auditing, the allocation to the same of adequate resources for the fulfilment of his responsibilities, as well as the determination of his Compensation in line with the company policy;
  - (ix) performs the other duties which, from time to time, will be assigned to him by the Board of Directors

During the fiscal year, the Control and Risk Committee has delivered its opinion in favour of the Board of Directors on the adequacy of the internal control and risk management system. The Committee has examined the periodic reports prepared by the internal audit department on the progress of the work in the field of internal auditing, with particular regard to the activities of risk analysis and to the implementation of the necessary measures to provide reasonable assurance regarding the true and fair representation of the economic, patrimonial and financial information according to the provisions of Law 262/2005.

During the meetings, the Committee also discussed the most suitable initiatives with regards the auditing activities for 2017, with a view to progressively improving the Internal Control and Risk Management system.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4. C.1., let. D).

In performing its functions, the Committee has had the right to access all information and company functions necessary for the execution of its tasks, and avail of external consultants, within the terms set out by the Board, in line with the Application Guideline 4. C.1., lett. e).

No financial resources have been granted to the Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

Ascopiave has adopted a system of internal control and risk management in accordance with the Code of Self-Discipline for listed companies and in line with the best practices of reference.

The Board of Directors, under the definition of the strategic, industrial and financial plans, defined the nature and level of risk consistent with the strategic objectives of the Issuer, in line with the Application Guideline 1. C.1. lett. b).

The Board of Directors defined the guidelines for the Internal Control and Risks Management system, so that the main risks concerning the Issuer and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining the compatibility of these criteria with a healthy and consistent business management including in its assessments all risks that may become significant

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for the medium-long term sustainability of the Issuer's development, in line with the Application Guideline 7.C.1., lett. a).

The Board of Directors has set the internal control and risk management guidelines, so that the main risks for the Issuer and its subsidiaries shall be correctly identified and adequately measured, managed and monitored, by determining the compatibility of these risks with a company management in line with the identified strategic objectives, pursuant to the Application criteria 7. C.1., lett. a).

In 2014, the Group started a project for the implementation and development of the Enterprise Risk Management model, through the adoption of methods and operations aimed at improving risk assessment and at implementing checks to monitor the control system related to the risks identified.

In 2017, the following risk management activities have continued under the coordination of the Chief Financial Officer:

- application of the Procedure "Compliance with EMIR Regulation" adopted by Ascopiave Board of Directors, as well as by other subsidiaries, which regulates the ways to comply with the requirements of the EMIR European Regulation about the use of derivatives (i.e. timely confirmation of the operations, periodic reconciliation of the portfolio with the counterpart, reporting of all derivatives entered into with specific trade repository approved by ESMA), even by complying with a proper accounting framework in line with the Hedge Accounting;
- application by Ascopiave, as well as by other subsidiaries, of the "Management and control of energy risks" policy, which states the roles and responsibilities related to the risk management when signing supply and provision contracts both for the purchase and sale in the gas and electricity business and of the "Management and control of financial risks" policy.

The internal control and risk management system is embodied by the set of rules, procedures and organizational structures aimed at permitting the identification, the measurement, the management and the monitoring of the main risks. Pursuant to Principle 7.P.1 of the Code, this system is integrated into the broader organizational and corporate governance organizations adopted by the Issuer and shall take into due consideration the reference models and the national and international best practices.

The system is aimed at ensuring the protection of the corporate assets, the efficiency and the effectiveness of the business processes, the reliability of the information provided to the corporate bodies and to the market, the compliance with laws and regulations as well as with the Articles of Association and with the internal procedures.

### **Roles and Functions**

The internal control and financial risk management system of Ascopiave involves different stakeholders who perform specific roles and responsibilities:

- Board of Directors;
- Director in charge of internal control and risk management;
- Control and Risk Committee;

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- Supervisory Board pursuant to the Legislative Decree. n. 231/2001;
  - Manager responsible for preparing corporate accounting documents;
  - Head of the Internal Audit Department;
  - Statutory Auditors;
  - Independent Audit firm

The Board of Directors is in charge for defining the nature and the level of risk consistent with the strategic objectives of the Company, considering all risks that may be significant in view of the medium-long term sustainability of the Issuer's activity. The Board of Directors, after consultation with the Control and Risk Committee, is in charge for setting the guidelines of the internal control and risk management system, and to assess its adequacy at least once per year. To this end, the Board relies on the work carried out by the Control and Risk Committee and by the Administrator in charge for the internal control and risk management. The Control and Risk Committee supports, with suitable preliminary investigation, the assessments and the decisions of the Board of Directors regarding the internal control and risk management system, as well as those relating to the approval of periodic financial reports.

The head of the Internal Audit department is in charge for verifying that the internal control and the risk management system are active and adequate.

Furthermore, the heads of each *business unit* and corporate management of the Company are responsible, within the guidelines of the internal control and risk management system set by the Board of Directors and of the directives for implementing such guidelines, to define, manage and monitor the effective functioning of the internal control and risk management system with reference within its scope of competence.

All employees, according to their respective roles, contribute to ensure an effective functioning of the internal system and risk management system of Ascopiave.

In accordance with the requirements of Art. 2.2.3, paragraph 3, subparagraph (j) and 2.2.3 bis of the Stock Exchange Regulations, Ascopiave set on 27<sup>th</sup> March 2008 an organizational, management and control frame work, pursuant to Art. 6 of the Legislative Decree dated 8<sup>th</sup> June 2001, n. 231, also identifying a Body in charge for overseeing the adequacy and the effective implementation of the Model; for its details, please refer to paragraph 11.3 of this document.

### **Existing management of risk and internal control system in relation to the financial information procedure**

The internal control and risk management system is aimed at providing the reasonable certainty that the diffused accounting information supplies to the users a true and correct representation of the management facts, allowing the release of the certifications and declarations requested by law on the correspondence of the document results, of the books and accounting writings of the acts and communications of the company diffused to the market and related to the accounting information also within the year, and also the appropriateness and effective application of the administrative and accounting procedures during the period interested by the accounting documents (year balance, half

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year balance and intermediate management report) and on the drawing-up of the same according to the international accounting standards.

In relation to this, we must remember that, as specified in the previous Reports, Ascopiave, as an Italian company with shares negotiated in an Italian regulated market, must appoint a Manager in charge of preparing the company accounting documents (Manager in charge), to whom the law attributes specific duties, responsibilities and certification and declarations obligations.

As a consequence, on 19<sup>th</sup> July 2007 the Board appointed a Manager in charge, to whom it entrusted the task to prepare proper administrative and accounting procedures for the creation of the accounting informative diffused to the market, and also to supervise the effective respect of these procedures, attributing him proper powers and instruments for implementing related functions.

The Board entrusted this charge to Mr. Cristiano Belliato, Chief Financial Officer of the Issuer, to whom the Board attributed due powers and instruments for the realisation of the tasks according to the provisions of Article 154-bis of Legislative Decree 24<sup>th</sup> February 1998, no. 58.

The Manager in charge started the “262 Project”, with the aim of ascertaining the consistency of the Internal Control System to supply a reasonable certainty about the true and proper representation of the economic, equity and financial information.

The risk management and internal control system is based on the following characterising elements:

- a set of company procedures relevant for the preparation and circulation of financial information, comprising, among others, operating instructions, reporting and accounting calendar;
- an identification process of the main risks connected to the financial information and of the main controls for the acknowledged risks (financial risk assessment) that brought to the recognition, for each relevant accounting area, of the financial processes/flows considered critical and the activities of control supervising these financial processes/flows and also the elaboration of appropriate control matrixes that describe for each process considered critical and/or sensitive for the 262, the control standard activities (key controls) and the concerning process owners. The company processes and related matrixes are the subject of a periodical evaluation and if necessary to an update.
- process owners to whom the update of the matrixes of the controls is entrusted; the Chief Financial Officer is responsible for the verification and the periodical update of the administrative-accounting procedures of the Group;
- a process of periodical evaluation of the appropriateness and of the effective application of the identified key controls. The evaluation is performed every 6 months with the preparation of the balance and of the half-year report and is performed by the internal audit department, based on the indication of the Manager in charge. The tests on semi-annual controls are performed based on the priorities identified during the risk assessment;
- a process of certification toward the outward based on the reports and declarations given by the manager in charge according to Article 154-bis of Legislative Decree 58/1998, in the framework of the general process of preparation for the annual balance or the half year financial report or the intermediate management report, also on the basis of the controls performed and object of the accounting control model, which content is shared with the President and Chief Executive Officer, who presents the report or the declaration of the Board, together with the accounting document, for the relating approval by this last one. For the purposes of internal reporting, the Manager in charge periodically refers to the Control and Risks Committee, to the Board of Auditors and to the Supervisory Committee about the development procedures of the evaluation process of the control

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system and also about the results of the evaluations performed to support the released certifications or declarations.

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The Board of Directors has assessed, upon advice of the Control and Risk Committee, the adequacy of the internal control and risk management system with respect to the Company characteristics and the risk profile, as well as its effectiveness, in accordance with the provisions of Application Guideline 7.C.1 letter b).

The evaluation was conducted on the occasion of the presentation of financial results for the period, as well as during the regular meetings of the Board, through the constant flow of information guaranteed by the players of the internal control and risk management system.

#### **11.1. EXECUTIVE DIRECTOR IN CHARGE OF INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM**

The Board of Directors appointed Mr. Fulvio Zugno (Chairman of the Board of Directors and Chief Executive Officer) as executive director in charge of supervising the functioning of the internal control and risk management system, in charge for the implementation and preservation of an effective internal control and risks management system, in line with the Guideline 7.P.3, let a), n. (i).

This choice has been made based on the importance that Mr. Zugno holds within the Ascopiave until 07<sup>th</sup> May 2017

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In accordance with the Application Guideline 7. C.4. of the Code, the executive director in charge of supervising the functioning of the internal control system:

- has identified the main company risks considering the characteristics of the Issuer's activities and those of its subsidiaries, and has submitted them to a periodical Board's examination;
- has implemented, within the scope of the powers appointed to him, the guidelines defined by the Board, designing, realising and managing the in-company control system, constantly checking the overall suitability and efficiency;
- has adapted this system to the dynamics of the operative conditions and legislative and regulatory situation;
- has asked the internal audit department, which depends under the organizational point of view from the same Chairman and Chief Executive Officer, to perform verifications on specific areas of operation and on the compliance with the rules and the procedures in the execution of business operations;
- has set up a constant flow of information with the control and risks Committee and with the Board of Directors on issues and concerns raised, so that the Committee (or the Board) has been able to take appropriate action.

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## 11.2. PARTY RESPONSIBLE FOR INTERNAL AUDIT

The responsible for internal audit is, since June 2015, Mr. Sandro Piazza, advisor with proper professional qualifications and independence, who has gained extensive experience in the field of internal audit and compliance activities. Previously, up to May 2015, the Department was headed by Mr. Christian Ceresatto.

The appointment of Mr. Sandro Piazza took place following the favourable opinion of the Director in charge for the Internal Control and risks Committee, based on the technical knowledge and skills of the professional experience to perform the task.

Pursuant to the Guideline 7. C.3., lett. b) The Head of the Internal Audit Department is assigned with the task of verifying that the system of internal control and risk management is adequate and works properly.

For the execution of the tasks assigned, the Internal Audit function comprises, in addition to the Manager, two additional resources with specific expertise in economics and finance. In particular, the internal audit function has been integrated in 2016 with a person having extensive experience in administration and accounting, mainly devoted to the monitoring of the Company and the Group's administrative and accounting processes.

The internal audit function is not responsible for any operational area and reports to the Chairman of the Board of Directors of Ascopiave.

The Board of Directors is responsible, on proposal of the Director in charge for the internal control and risk management system, upon approval of the Control and Risk Committee and after having heard the Board of Auditors, to appoint and dismiss the head of the Internal Audit Department, ensuring that he is provided with the adequate resources to perform his work. In addition, the Board of Directors is responsible for approving, on an annual basis, the work plan prepared by the Head of the Internal Audit Department, after consultation with the Control and Risk Committee, having heard the Board of Auditors and the Administrator in charge for the internal control and risk management system.

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The Party responsible for Internal Control, pursuant to the Application Guideline 7. C.5. of the Code:

- verifies, either continuously or in relation to specific needs and in compliance with international standards, the operation and the suitability of the internal control and risk management system; the activity is regulated by an audit plan, approved annually by the Board of Directors, based on a structured analysis and prioritization of key risks;
- has direct access to all information useful to perform his tasks;
- prepares periodic reports containing adequate information about his work, the way in which the risk management is carried out, as well as on the compliance with the plans for their reduction,

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further to an assessment on the suitability of the internal control and risk management system and he transmits them to the Chairmen of the Board of Auditors and of the control and risk Committee, to the Chairman of the Board of Directors and to the Director responsible for the system of internal control and risk management;

- prepares timely reports on major events and transmits them to the Chairmen of the Board of Auditors, of the Control and Risk Committee and of the Board of Directors as well as to the Director in charge of the internal control system and risk management;
- verifies, as part of the audit plan, the reliability of information systems including systems of accounting.

For carrying out the activities, if deemed appropriate and if authorized by the Board of Directors or by its representatives, the Head of Internal Audit may request the support of external professionals expert in this field or of tools that support the activity.

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During the financial year, the Head of Internal Audit performed a verification of the internal control system and risk management of the Issuer on the of the control instruments implemented in the previous years, and further developed in 2016, in line with the recommendations of the best practices available.

Specifically, such verification concerned the Issuer's corporate governance system, the implementation of the regulations and provisions of law as specified by Legislative Decree 231/2001 and Law 262/2005, supply management procedures, company risk management and the implementation of administrative control procedures.

The Head of the Internal Audit Department has actively participated, only as advisor, in the process of revising the structure of corporate governance of the Group Ascopiave, both at Ascopiave and at the subsidiaries, also for the effective implementation of the management and coordination activity.

The Head of Internal Audit department, during the financial year, has guaranteed systematic and periodical information about the outcomes of activity performed, addressed to the Chairmen of the control and risks Committee and of the Board of Auditors, as well as to the administrator in charge of supervising the internal control and risk management system, in order to enable them to fulfil the tasks assigned in the field of supervision and evaluation of the system of internal control and risk management.

### **11.3. ORGANISATION MODEL ex Legislative Decree 231/2001**

On 27th March 2008, the Issuer adopted the organisation, management and control model for the prevention of crime with the aims specified by Legislative Decree 231/2001 and subsequent amendments.

The Board of Directors of Ascopiave SpA, at the meeting of 22nd December 2016, upon proposal of the Supervisory Body, approved the updating of the general part of the Model, as well as the updating



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of some special parts of the Model, following regulatory changes. introduced by the legislator in Legislative Decree 231/2001.

Along with the adoption of the model, the Company appointed a Supervisory Committee that will have to supervise on the operation and compliance with the model itself, taking into consideration the requisites required by the relevant legislation and the indications deriving from the guidelines of the relevant category associations as well as from the best industry practices

On 8th June 2017, the Board of Directors of Ascopiave S.p.A. appointed the new Supervisory Body of Ascopiave S.p.A., composed of the lawyer Fabio Pavone (President of the Board), from Luca Biancolin - who also holds the position of member of the Board of Statutory Auditors of Ascopiave S.p.A. and from Law. Elisa Pollesel.

During the previous mandate, the Supervisory Body was composed by Law. Elisa Pollesel (President of the Body), Ruggero Paolo Ortica - professional in economic and financial matters and by Irene Rossetto, of the Internal Auditing Function (internal member, appointed on 10th November 2016, following the resignation of Cristiano Ceresatto)

During the period covered by this report, while carrying out the tasks assigned by law and by the Ascopiave Board of Directors to the Supervisory Body, 9 meetings were held; in 2017 1 meeting was held, all documented by appropriate records kept by the Chairman.

The abstract of the above model consists of a general part showing the normative system of reference, the process of definition of the model and the constituent elements of the model itself; it also includes various special parts dealing with the special cases of crime that the model is intended to prevent, among which:

- crimes against the public administration
- corporate crimes
- *market abuse*
- safety at work
- environmental crimes
- computer crimes
- receiving of stolen goods and money laundering
- corruption between private parties

The Supervisory Board has set up, during the previous years, a structured collection of information flows by the business parties so called Apical, designed to obtain information about significant events that occurred during the operations that may be attributable to the risk areas identified in Model 231.

The Ascopiave SpA Board of Directors, during its meeting on 22<sup>nd</sup> December 2016, upon proposal of the Supervisory Board, approved an update of the general part of the Model in relation to the discipline of these information flows, and the updating of some special parts of the Model, because of the changes introduced by the legislator in legislative decree no. 231/2001.

For the dissemination of the model, the general part of the same is available on the Issuer's website (<http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Ascopiave-Modello-231-Parte-Generale-CdA-2016-12-22.pdf>).

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In addition, the Ascopiave Group Code of Ethics, approved by resolution of the Board of Directors of Ascopiave S.p.A. of 14<sup>th</sup> May 2013, is available on the Issuer's website (<http://www.gruppoascopiave.it/wp-content/uploads/sites/12/2015/01/Codice-etico-GruppoAscopiave-201305141.pdf>)

#### **11.4. AUDITING COMPANIES**

Auditing is entrusted to the company PriceWaterhouseCoopers S.p.A. The appointment was made by the Shareholders' Meeting on 23<sup>rd</sup> April 2015. The appointment will expire upon approval of the financial statement as of 31<sup>st</sup> December 2023.

#### **11.5. MANAGER RESPONSIBLE FOR PREPARING COMPANY ACCOUNTING DOCUMENTS**

Mr. Cristiano Belliato, the Issuer's Chief Financial Officer since 19th July 2012, formerly Administrative Director of the Company, is the Manager responsible for preparing the company's accounting documents.

In accordance with Article 25 of the Issuer's Charter, the manager responsible for preparing company accounting documents must be in possession, not only of the honourable requirements described by current legislation for all those performing functions of administration and management, but also the professional requirements as follows (i) having graduated in economics, finance or a subject related to company management and organisation, (ii) having matured a total experience of at least three years in administration or control activities, or having performed managerial tasks with capital companies, or administrative or managerial tasks, or held offices of auditor or consultant as chartered accountant with businesses in the fields of credit, finance or insurance, or in any case in fields that are closely related or inherent to the activity performed by the Company, involving the management of economic and financial resources.

Furthermore, any person not in possession of the requirements of honour as under article 147quinquies of Legislative Decree no. 58 dated 24th February 1998.

Following the obligatory but not binding opinion of the Board of Auditors, the Board of Directors shall appoint the Manager responsible, setting out his compensation.

The Board of Directors will grant the appointed Manager suitable powers and means by which performing his tasks, in accordance with the provisions of article 154 bis of Legislative Decree no. 58 dated 24th February 1998.

#### **11.6. COORDINATION BETWEEN THE PARTIES INVOLVED IN THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT**

The Issuer has implemented mechanisms of interaction between the parties involved in the system of internal control and risk management aimed to ensure the coordination and the effective performance of specific tasks. Among these, it is to be noticed the performance of regular meetings between the bodies and the departments responsible for internal control and risk management, the participation of

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the Board of Statutory Auditors and of the Internal Audit Manager to the meetings of the Control and Risks Committee.

Furthermore, upon request of the Chairman of the Board of Statutory Auditors of Ascopiave S.p.A., Antonio Schiro, on 6th December 2017 a meeting was held for the exchange of information pursuant to art. 151 of the Financial Law, with the control bodies of Ascopiave and the subsidiaries of the Ascopiave Group.

## **12. INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES**

On 24th November 2010, the Board approved the text of the Code on Related Parties Transactions (hereinafter referred to as the "Code"). The Code governs the operations with related parties performed by the Company, either directly or through subsidiaries, in accordance with the provisions set forth in the Regulations adopted pursuant to Art. 2391-bis of the civil code by the National Committee for the Companies and the Stock Market, (CONSOB) with resolution no. 17221 dated 12<sup>th</sup> March 2010 and further amendments ("Regulations").

The Code came into force as of 1st January 2011 and it has replaced the previous regulation governing Related Parties Transactions approved by the Board of Directors of the Company on 11th September 2006 (subsequently modified).

For the contents of the Code, see the document available on the Issuer's website at the following address: <http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf>.

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In order to implement the procedure, a mapping of the so-called Related Parties is periodically performed, to which the contents and the controls envisaged by the document are applied. The Directors are also required to declare, if existent, any interests in conflict with the performing of the transactions in question.

## **13. APPOINTMENT OF AUDITORS**

The appointment and replacement of auditors is governed by the laws and regulations of Article 22 of the Issuer's Charter.

The Board of Auditors is composed of three statutory auditors and two alternate auditors, whose office lasts three years and which can be re-elected. At least one of the statutory auditors should be: (i) a woman, if the majority of the statutory auditors are men; (ii) a man, if the majority of the statutory auditors are women.

In accordance with Article 22 of the Issuer's Charter, the whole Board of Auditors is appointed based on lists presented by Shareholders. Shareholders who alone, or together with other Shareholders, at the time of presentation hold a share of at least 2.5% of the share capital, or, where otherwise, the maximum share of the share capital required for the presentation of lists as specified by applicable provisions of law and regulations, may present lists. The interest share will be specified in the summons notice to the Meeting called to deliberate the appointment of the Board of Auditors.

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The lists must specify at least one candidate for the office of Statutory Auditor, and one for the office of Alternate Auditor. No candidate may appear in more than one list, at risk of being deemed incompatible. In the lists composed of three or more candidates, the gender of at least one third (rounded up) of the candidates for the role of statutory auditor and the candidates for the office of alternate auditor must be different from the gender of the other candidates.

The lists, signed by the Shareholders presenting them, or by the Shareholder who has been delegated to present them and provided with the documentation specified by this Charter and by current provisions of law and regulations, must be filed at the company headquarters within the terms of the applicable provisions of law and regulations. If, upon expiry of the terms set out by the applicable provisions of law and regulations, only one list of candidates has been presented, or indeed none, the meeting shall deliberate by relative majority of shareholders. In case of a tie between candidates, there will be a second ballot between these, with a further voting by the meeting.

Where two or more lists are presented, election of the Board of Auditors shall take place as follows:

- (i) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes: (a) two statutory auditors and (b) one alternate auditor;
- (ii) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes, and which is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes: (a) one statutory auditor, who will also hold the office of Chairman of the Board of Auditors, and (b) one alternate auditor and, where available, further alternate auditors ready to replace the minority member, up to a maximum of three. Where this is not possible, the first candidate of the list having obtained the next greatest number of votes, and which is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes, will be appointed alternate auditor;
- (iii) should votes for two or more lists be equal, the candidates of the list presented by shareholders holding the greatest share, will be appointed, or, subordinate to this, that presented by the greatest number of shareholders, without prejudice to applicable regulations governing gender balance.

Should one or more standing auditors taken from the list that had obtained the greatest number of votes (the 'Majority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him, without prejudice to applicable regulations governing gender balance. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Civil Code, as an exception to the list voting system previously specified, respecting applicable regulations governing gender balance. Should one or more standing auditors taken from the list that had obtained the second greatest number of votes (the 'Minority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him, always in compliance with applicable regulations governing gender balance. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Civil Code, as an exception to the list voting system previously specified, and in order to respect, where possible, the principle of minority representation.

The Meeting held to deliberate on the integration of the Board of Auditors shall proceed in any case with the appointment or replacement of the members of said Board, without prejudice to the need to

ensure that the structure of the Board of Auditors complies with the provisions of law and current regulations, and with the Issuer's Charter.

Without prejudice to that set out by the previous paragraph, should the Meeting integrate the Board of Auditors, it shall resolve with ordinary majorities and methods, as an exception to the list voting system, which will only apply in the event of replacement of the entire Board of Auditors.

#### 14. COMPOSITION AND FUNCTIONING OF THE BOARD OF AUDITORS

The Board of Auditors appointed by the Ordinary Meeting held on 28th April 2017 and in office until approval of the financial statement as of 31st December 2019, is structured as follows:

Name	Position
Antonio Schiro	<b>Chairman of the Board of Auditors</b>
Luca Biancolin	<b>Statutory auditor</b>
Roberta Marcolin	<b>Statutory auditor</b>
Achille Venturato	<b>Alternate auditor</b>
Pierluigi De Biasi	<b>Alternate auditor</b>

The Standing Auditors Luca Biancolin and Roberta Marcolin and the Alternate Auditor Achille Venturato have been taken from the list presented by the majority shareholder Asco Holding S.p.A. The Chairman of the Board of Statutory Auditors Antonio Schiro and the Alternate Auditor Pierluigi De Biasi have been chosen from the no. 2 minority list jointly presented by AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP e ASM Rovigo S.p.A.. The two lists presented have no connection whatsoever with one another.

For the detailed composition of the Board of Auditors for the year 2017, please refer to Table 3 attached to the Report.

Below, the 2 lists that were presented:

ISSUER PARTY	LIST OF CANDIDATES	LIST OF APPOINTED SUBJECTS	% VOTES OBTAINED IN RELATIONSHIP WITH THE VOTING CAPITAL
<b>List n. 1</b> Asco Holding S.p.A.	<b>Statutory auditors</b> 1. Luca Biancolin 2. Roberta Marcolin <b>Alternate auditor</b> 1. Achille Venturato	<b>Statutory auditors</b> 1. Luca Biancolin 2. Roberta Marcolin <b>Alternate auditor</b> 1. Achille Venturato	81,15%

<b>List n. 2</b> Jointly presented by AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP and ASM Rovigo S.p.A.	<b>Statutory auditor</b> 1. Antonio Schiro <b>Alternate auditor</b> 1. Pierluigi De Biasi	<b>Statutory auditor</b> 1. Antonio Schiro <b>Alternate auditor</b> 1. Pierluigi De Biasi	18,73%
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Please refer to Table 5 for the list of other companies listed on regulated markets, including foreign ones, in financial, banking, insurance or large companies, different from the Issuer in which the same Auditors have responsibilities of administration or control.

Here below is the personal and professional history of each Auditor:

- Chairman, Antonio Schiro: is a member of the Association of Chartered Accountants of Rovigo and of the Register of Credit Brokers at the UIC. He is freelance independent advisor in his studio "Studio Schiro & Partners" in Rovigo. He has been a member of various boards of companies and private and public entities, banks, financial, industrial and service companies, both in Italy and abroad
- Statutory Auditor, Luca Biancolin: Registered in the Association of Business Consultants and Professional Accountants of Treviso and in the Legal Auditors Registry, he practices in her office in Conegliano (TV). He is currently director and auditor in various public and private law companies.
- Statutory Auditor, Roberta Marcolin: member of the Association of Chartered Accountants and Accounting Experts of Treviso and in the Register of Legal Auditors, she practices in her studio in Treviso. She is director in various public and private companies. Alternate Director, Pierluigi De Biasi: he obtained the title of lawyer and is admitted to legal aid before the higher courts. He was director and administrator of some companies, including listed companies

The professional curricula of the auditors pursuant to articles 144-octies e 144-decies of the Consob Issuers Regulation are available on the Issuer's website in the section "investor relations".

During the year, after the appointment of the new Board of Directors, 12 (twelve) Board of Directors meetings were held in the following dates: 7th March 2017, 14th March 2017, 31st March 2017, 9th May 2017, 8th June 2017, 24th July 2017, 31st July 2017, 22nd September 2017, 26th October 2017, 7th November 2017, 29th November 2017 and 6th December 2017. The average length of the meetings was equal to 3 hours.

For details on the participation of the Auditors to the meetings, see Table 3 attached to this report.

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During 2018, the Board of Auditors will meet for at least at a 90-day interval, pursuant to Article 2404 of the Civil Code. After the end of the fiscal year, until the date of this report, the Board of Auditors met on 31<sup>st</sup> January and 21<sup>st</sup> February. The meetings planned for 2018 are 12 (twelve).

There have been no changes to the composition of the Board subsequent to balance sheet date.

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### **Diversity policies**

With regard to the diversity policies on the composition of the Board of Statutory Auditors, it is hereby stated that, pursuant to the current Articles of Association, the composition of the Board of Statutory Auditors must guarantee the balance between genders, as required by law.

Please refer to the professional curricula of the Statutory Auditors deposited at the registered office and available on the Issuer's corporate website [www.gruppoascopiave.it](http://www.gruppoascopiave.it) in the Investor Relations section, for the training, professional paths and skills acquired.

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The delegated bodies have reported in a suitable and timely manner to the Board of Auditors concerning all activities performed, the general management trends and predictable evolution, as well as on the most important operations in terms of size and characteristics performed by the Issuer and its subsidiaries, specified by the Law and the Charter, and therefore at least once a quarter.

The Board of Auditors, in office until 28<sup>th</sup> April 2017, at its meeting on 21<sup>st</sup> February 2017, with reference, verified the existence of the requirements of independence of its members, in accordance with the provisions in the Guideline 8. C.1. The verification did not reveal any element that lead to the disappearance of this need for independence.

Subsequently, the new Board of Statutory Auditors, in office since 28<sup>th</sup> April 2017, during the meeting held on 9<sup>th</sup> May 2018, verified the existence of the independence requirements for its members, in compliance with the provisions set forth in Application Criterion 8.C.1. of the Corporate Governance Code. The verification did not reveal any element that determines the lack of these requirements

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During the year, in line with the Application Guideline 2.C.2 of the Self-Discipline Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments affecting the industry in which the Issuer operates, as well as about the performance of

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the corporate bodies functions, through the divulgation of information during meetings and in the pre-board report.

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The Issuer specifies that any Auditor who, on his own behalf or that of third parties, holds an interest in a given Issuer operation, must inform the other auditors and the Chairman of the Board as to the nature, terms, origin and extent of such interest, in a full and timely manner.

The Board of Auditors in the conduct of its business, is regularly coordinates with the Head of Internal Audit and with the control and risks Committee, in line with the Application Guidelines 8.C.4 and 8.C.5. of the Code.

## **15. RELATIONSHIP WITH SHAREHOLDERS**

The Issuer has judged that it be in his interests as well as a duty to the market to set up a continuous dialogue from the time of listing, founded on reciprocal understanding of roles, with the general information of the shareholders. This dialogue will, in any case, take place in compliance with the procedure for the external communication of company documents and information. The article 2.2.3 lett. i) of the Stock Exchange Regulations also states, with specific reference to companies intending to obtain listing of own shares with the 'STAR' qualification, the compulsory appointment of a professionally qualified person from within their organisational structure (Investor Relator) in charge of specifically managing relationships with investors.

Regarding the above, and in accordance with the recommendations of Principle 9 of the Self-discipline Code, the Company's Board of Directors appointed during the meeting held on 24<sup>th</sup> July 2006 Mr. Giacomo Bignucolo as Investor Relator and responsible for relationship with investors.

Finally, Ascopiave has set up a specific 'investor relations' section within its website ([www.gruppoascopiave.it](http://www.gruppoascopiave.it)), in which information concerning the company and important for its shareholders is available.

## **16. MEETINGS**

In accordance with Article 11.1 of the Issuer's Charter, the subjects legitimated by the authorised intermediary may participate in the Meetings, in accordance with the current and relevant regulations.

Any legitimated subject may be represented by another person, not necessarily a shareholder, upon presentation of a written proxy, in accordance with the current and relevant regulations. The proxy can also be assigned electronically, through the procedures envisaged by regulations currently in force. Moreover, in accordance with the provisions set forth in the summons notice, the electronic notification of the proxy can be sent by accessing the dedicated section of the Company's website, i.e. by sending the document to the certified email address of the Company (Article 11, paragraph 2 of the Company Charter).

The regulations concerning Board activities, applicable to listed companies, have been considerably overhauled, following the coming into effect of Legislative Decree no. 27 dated 27th January 2010, the adoption of Directive 2007/36/EC of the European Parliament and of the Council of 11th July 2007,



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on the exercise of certain shareholders' rights in listed companies (the so-called "Shareholders' Rights Directive" or "SHRD").

Now, therefore, the Shareholders' Extraordinary Meeting dated 28th April 2011 has resolved to integrate Article 11 of the Company Charter by adding the paragraph 11.3 which envisages that the Company can appoint for each meeting an individual that may receive a proxy from those who have the right to vote with instructions on how to vote on each or some of the proposals on the agenda.

In order to facilitate Shareholder participation in the Meetings, the Charter also specifies that the Meeting may take place with interventions in different, separate and distant places that are audio/video connected, as long as formal meeting procedures and the principle of good faith and equal treatment of shareholders, are respected (Article 12, paragraph 1 of the Charter).

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Regarding Guideline 9.C.3 of the Self-discipline Code, the Company's Ordinary Meeting held on 5th July 2006 resolved to adopt Meeting Regulations (subsequently amended by the Meeting held on 28th April 2008 and by the Meeting held on 28th April 2011), which came into effect as from the date of the Start of Negotiations(<http://www.gruppoascopiave.it/investor-relations/assemblee.pdf>). These Regulations are specifically aimed at governing the Shareholders' Meetings, guaranteeing a correct and orderly holding of such, and, in particular, the right of each shareholder to intervene on the matters under discussion. It constitutes a valid instrument by which to guarantee protection of all Shareholders' rights and the correct formation of the Meeting's will.

The Regulations include that the Chairman shall lead the discussion, giving the floor to those who may legitimately intervene (i.e. those who have the right to participate in the meeting based on the law and Charter), who may have requested it.

Those with a right to intervene who wish to speak, must request to do so of the Chairman, after his having read the item on the meeting agenda to which the request refers, and after discussion has been opened, before the Chairman declares discussion of the item over.

Said request must be made by the raising of the hand, should the Chairman not have arranged for a written request procedure. Where procedure involves the raising of the hand, the Chairman will allow the person who has raised his hand first to speak. Should it be impossible to establish who raised his hand first, the Chairman will allow participants to speak in accordance with the order established by himself, in his own judgement. Where a written request procedure is implemented, the Chairman shall allow participants to speak based on the order of entry.

The Chairman and/or on his invitation, the Directors and Auditors, regarding their respective functions or as the Chairman deems fit in relation to the meeting agenda, shall answer those legitimately able to participate, after each intervention, or rather after having completed all interventions on each item on the agenda, in accordance with what specified by the Chairman.

Those who have the right to intervene, the Directors and Auditors, have the right to speak on each of the items on the agenda, and to formulate proposals to their regard.

Those with a right to intervene can ask questions related to the matters in the agenda even before the meeting, through the procedures specified in the summon notice.

The questions submitted prior to the Meeting by those with a right to intervene, are answered during the Meeting itself, provided that the requested information has been accessible according to the

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applicable regulations and as long as the Chairman is able to give a single answer to the questions concerning the same topic.

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In light of the amendments to regulations concerning related party transactions pursuant to the Regulations adopted by Consob with resolution no. 17221 on 12th March 2010 (and further amendments) and taken into consideration the new regulations introduced by Legislative Decree no.27/2010 implementing the Directive 2007/36/EC (the so-called “Shareholders’ Rights Directive”, the Shareholders’ Meeting held on 28th April 2011 has resolved to integrate the Company Charter by adding a new article recorded as “Related party transactions”. This regulation gives the Board of Directors the possibility to approve the transactions of greater relevance within the scope of the Board of Directors as well as to implement the transactions of greater relevance within the scope of the Shareholders’ Meeting, despite a contrary opinion of the Independent Directors, provided that the shareholders meeting authorizes and approves the transaction’s execution and the Shareholder’s Meeting itself takes its resolutions both based on the legal majorities and on the favourable vote of the majority of unrelated voting shareholders and provided that the unrelated shareholders present at the Shareholders’ Meeting represent at least 10% of the share capital with voting rights

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The Board has reported back to the Meeting on the activity performed and planned, and has acted to ensure that Shareholders are suitably informed as to all elements necessary in order to taking a knowledgeable decision, where such is the task of the Meeting. 5 (five) Directors have attended the meeting held on 28<sup>th</sup> April 2017.

The method of exercise of the Compensation Committee functions were presented to the shareholders, during the meeting, on 28<sup>th</sup> April 2017, by the publication of the Report on Compensation and the discussion about the contents of the same.

In 2017, no communications have been sent, pursuant to Art. 120 of the Financial Law. The Issuer believed there have been no significant changes to the capitalisation of the Issuer market or to the structure of its subsidiaries that would require changes to be made by the Shareholders' Meeting to the Charter, in relation to the percentages specified for the year of the prerogatives protecting minorities. To this regard, we would specify that in applying Article 144 quarter of the Consob Issuer Regulations 11971/1999 for the presentation of lists for the appointment of members of the Board of Directors and the Board of Auditors, Articles 15.2 and 22.2 of the Issuer’s Charter require a percentage threshold of 2.5% of the share capital with voting rights, or other percentage that may be specified or stated by provisions of law or regulations.

## **17. FURTHER OPERATIONS OF CORPORATE GOVERNANCE**

In 2012, the Board of Directors of the Issuer approved, and updated on 16<sup>th</sup> June 2016, the "Guidelines on the exercise of management and coordination powers of the parent company" which

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governs the management and coordination executive procedures, the flows of information and control between the Issuer and its subsidiaries, in compliance with the prerogatives provided by the unbundling legislation for the Independent Provider and for the vertically integrated company (so-called *unbundling*). The Guidelines have been adopted by the boards of the subsidiary companies and after adopted by each administration body of these, is an integral part of the Group governance system.

## **18. CHANGES SINCE THE END OF THE YEAR IN QUESTION**

No changes in the corporate governance system adopted by the Issuer since the end of the fiscal year.

## **9. CONSIDERATIONS ON THE LETTER OF 13th DECEMBER 2017 BY THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

The recommendations of the Chairman of the Corporate Governance Committee formulated in the communication of December 13th 2017 were examined by the Board of Directors on January 17th 2018.

In order to ensure continuous compliance with recommendations on corporate governance, also taking into account the indications provided by the Corporate Governance Committee, the Ascopiave Remuneration Committee evaluated, on March 7th 2018, a proposal for a revision of variable incentive systems, subsequently approved by the Board of Directors on March 14th 2017, aimed at increasing the weight of long-term variable remuneration in the Company's remuneration policy.

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## TABLES

### TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

	N° Shares	% vs. Share Capital	Listed/Non-Listed	Rights and Obligations
<b>Ordinary Shares</b>	234.411.575	100%	STAR	Each share is equivalent to one vote. Shareholders' rights and obligations are those stated in Articles 2346 et seq civil code and company charter

### MAIN SHAREHOLDINGS AS AT 31 DECEMBER 2017 (PURSUANT TO ART. 120 of the FINANCIAL LAW)

Declarant	Direct Shareholder	Ownership % of ordinary capital	Ownership % of voting capital
Asco Holding S.p.A.	Asco Holding S.p.A.	61,562%	61,562%
Ascopiave S.p.A.	Ascopiave S.p.A.	5,162%(i)	5,162%(i)

Figures refer to shares actually owned by Ascopiave S.p.A. as at 31<sup>st</sup> December 2017, including n. 1.975 bonus shares, carrying value € 1.0

**TABLE 2: STRUCTURE BOARD OF DIRECTORS AND COMMITTEES**

Board of Directors													Control and Risk Committee		Remuneration Committee	
<i>Position</i>	<i>Components</i>	<i>Date of Birth</i>	<i>Date first appointment *</i>	<i>Start of Term</i>	<i>End of Term</i>	<i>List **</i>	<i>Exec.</i>	<i>Non-exec.</i>	<i>Indip. From Code</i>	<i>Indip. TUF</i>	<i>N. other offices ***</i>	<i>(*)</i>	<i>(*)</i>	<i>(**)</i>	<i>(*)</i>	<i>(**)</i>
<b>Chairman CEO •</b>	Nicola Ceconato	1965	04/05/2017	04/05/2017	Fin Stats 2019		X	-	-	-	2	11/11				
<b>Director</b>	Dimitri Coin	1970	28/04/2011	04/05/2017	Fin Stats 2019	M	-	X	X	X	0	18/18	P (until 04/05/2017)	4/4	P	3/3
<b>Director</b>	Quarello Enrico	1974	14/02/2012	04/05/2017	Fin Stats 2019	M	-	X	-	-	0	16/18	M (until 04/05/2017) P (from 04/05/2017)	7/7	M	3/3
<b>Director</b>	Pietrobon Greta	1983	24/04/2014	04/05/2017	Fin Stats 2019	M	-	X	X	X	0	18/18	M (from 04/05/2017)	3/3	-	-
<b>Director</b>	Antonella Lillo	1961	04/05/2017	04/05/2017	Fin Stats 2019	M	-	X	-	-	1	11/11	M (from 04/05/2017)	-	M (from 04/05/2017)	1/1
<b>Director</b>	Giorgio Martorelli	1976	04/05/2017	04/05/2017	Fin Stats 2019	M	-	X	-	-	2	11/11	M (from 04/05/2017)	<b>3/3</b>	-	-
<b>-----TERMS EXPIRED DURING FINANCIAL YEAR-----</b>																
<b>Chairman CEO</b>	Fulvio Zugno	1952	28/04/2011	24/04/2014	04/05/2017	M	X	-	-	-	0	7/7	-	-	-	-
<b>Director</b>	Paron Claudio	1951	19/06/2014	19/06/2014	04/05/2017	m	-	X	X	X	0	7/7	M (until 04/05/2017)	4/4	M (until 04/05/2017)	2/2
<b>N. of meetings held during financial year: 18</b>						Control and Risk Committee:					Remuneration Committee:					
						7					3					

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<b>State quorum requested for the election of one or more minority directors (Art. 147-ter TUF): 2.5%</b>
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**OBSERVATIONS**

The symbols listed below should be entered in the “Office” column:

• This symbol indicates the director in charge of the internal control and risk management system.

◇ This symbol specifies the person responsible for the Issuer’s management (Chief Executive Officer or CEO).

○ This symbol indicates the Lead Independent Director (LID).

\* The date of first appointment of each director is the date on which the director was appointed for the first time (ever) in the issuer’s Board of Directors.

\*\* This column shows the list from which each director has been appointed (“M”: majority list; “m”: minority list; “BoD”: the list submitted by the Board).

\*\*\* This column specifies the number of offices held as a director or auditor by the person in question in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies. The Report on corporate governance exhaustively lists the offices.

(\*). This column indicates the attendance of directors at the meetings of the BoD and the Committees, respectively (number of meetings attended compared to the total number of meetings at which attendance was possible).

(\*\*). This column specifies the role of the director within the Committee: “P”: Chairman; “M”: member.



**TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS**

<b>Board of Statutory Auditors</b>									
<i>Office</i>	<b>Members</b>	<b>Date of Birth</b>	<b>Date first apptment *</b>	<b>Start of Term</b>	<b>End of Term</b>	<b>List (M/m)**</b>	<b>Auditor Independence</b>	<b>Attendance in meetings ***</b>	<b>Other offices held ****</b>
<b>President</b>	Antonio Schiro	1970	28/04/2017	28/04/2017	Fin Stats 2019	m	X	10/10	1
<b>Standing Auditor</b>	Luca Biancolin	1952	24/04/2014	28/04/2017	Fin Stats 2019	M	X	12/12	0
<b>Standing Auditor</b>	Roberta Marcolin	1968	28/04/2017	28/04/2017	Fin Stats 2019	M	X	10/10	2
<b>Alternate Auditor</b>	Achille Venturato	1966	24/04/2014	28/04/2017	Fin Stats 2019	M	X	-	-
<b>Alternate Auditor</b>	Pierluigi De Biasi	1956	28/04/2017	28/04/2017	Fin Stats 2019	m	X	-	-
<b>Auditors retired during accounting period</b>									
<b>President</b>	Marcellino Bortolomiol	1945	24/04/2014	24/04/2014	Fin Stats 2016	m	X	2/2	4
<b>Standing Auditor</b>	Elvira Alberti	1954	28/04/2011	24/04/2014	Fin Stats 2016	M	X	2/2	0
<b>Number of meetings held during financial year: 12</b>									
<b>State quorum requested for the election of one or more minority directors (Art. 148 TUF): 2,5%</b>									

**OBSERVATIONS**

\* The date of first appointment of each auditor is the date on which the auditor was appointed for the first time (ever) in the Issuer's Board of Auditors.

\*\* This column shows the list from which each auditor has been appointed ("M": majority list; "m": minority list).

\*\*\* This column indicates the attendance of auditors at the meetings of the Board of Auditors (number of meetings attended/number of meetings held during the actual term of office of the person in question).

\*\*\*\* This column shows the number of offices held as a director or auditor by the person under consideration pursuant to art. 148 bis of the Unified Finance Report on Corporate Governance and Company Structure 2017



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Law (TUF) and its implementing provisions contained in Consob Issuer Regulations. The complete list of offices is published by Consob on its website in accordance with art. 144- quinquiesdecies of Consob Issuer Regulations.

**TABLE 4: OFFICES OF THE DIRECTORS IN OTHER COMPANIES**

<b>Nicola Ceconato</b> <i>CEO (from 04/05/2017)</i>	<b>Office</b>	<b>Company</b>
	<i>Director (from 18/05/2017)</i>	Pasta Zara S.p.A.
	<i>President of the Board of Directors</i>	Veneto Sviluppo S.p.A.
<b>Antonella Lillo</b> <i>Non executive director (in office from 04/05/2017)</i>	<b>Office</b>	<b>Company</b>
	<i>Director (from 05/12/2017)</i>	IWB S.p.A.
<b>Giorgio Martorelli</b> <i>Independent director (from 04/05/2017)</i>	<b>Office</b>	<b>Company</b>
	<i>Director</i>	Amber Capital Italia SGR S.p.A.
	<i>Director (until 09/09/2017)</i>	SAVE S.p.A.

**TABLE 5: OFFICES OF THE DIRECTORS IN OTHER COMPANIES**

<b>Antonio Schiro</b> <i>Chairman of the Board of Auditors (from 28/04/2017)</i>	<b>Office</b>	<b>Company</b>
	<i>Chairman of the Board of Directors (from July 2017)</i>	Guerrato S.p.A.
<b>Roberta Marcolin</b> <i>Member of the Board of Directors (from 28/04/2017)</i>	<b>Office</b>	<b>Company</b>
	<i>Member of the Board of Directors (until 01/06/2017)</i>	REGIA S.R.L.
	<i>Member of the Board of Directors (until 02/01/2018)</i>	Sangemini Acque S.p.A.

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<i>Marcellino Bortolomiol</i>	<b>Office</b>	<b>Company</b>
<i>Chairman of the Board of Directors (until 28/04/2017)</i>		
	<i>Chairman of the Board of Directors</i>	<i>Beni Stabili SIQ S.p.A.</i>
	<i>Chairman of the Board of Directors</i>	Sipa S.p.A.
	<i>Chairman of the Board of Directors</i>	Zoppas Industries S.p.A.
	<i>Chairman of the Board of Directors</i>	Central Sicav S.p.A.



2017

**NON-FINANCIAL CONSOLIDATED  
DISCLOSURE**

Prepared in accordance with Italian Legislative Decree no.  
254/2016

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<b>MESSAGE FROM THE CHAIRMAN</b> .....	<b>2</b>
<b>COMMENT ON THE METHODS ADOPTED</b> .....	<b>3</b>
<b>IDENTITY AND RESPONSIBILITY</b> .....	<b>5</b>
LOCAL PRESENCE OF THE ASCOPIAVE GROUP.....	6
MISSION, VALUES AND STRATEGIC OBJECTIVES.....	6
PARENT COMPANY'S GOVERNANCE.....	9
231 MODEL AND CODE OF ETHICS.....	10
INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.....	10
POSSIBLE RISK FACTORS ASSOCIATED WITH SUSTAINABILITY ISSUES.....	11
SUSTAINABILITY MANAGEMENT SYSTEM AND TECHNOLOGICAL INNOVATION.....	13
DIALOGUE WITH STAKEHOLDERS AND MATERIALITY ANALYSIS.....	15
<b>ECONOMIC SUSTAINABILITY</b> .....	<b>19</b>
MAIN OPERATING RESULTS AND CASH FLOW DATA.....	20
PRODUCTION AND DISTRIBUTION OF ADDED VALUE.....	21
POSITION OF THE ASCOPIAVE GROUP IN THE GAS SUPPLY CHAIN.....	25
<b>SOCIAL SUSTAINABILITY</b> .....	<b>30</b>
THE PEOPLE OF ASCOPIAVE.....	31
STAFF CHARACTERISTICS.....	31
DEVELOPMENT AND GROWTH OF HUMAN CAPITAL.....	36
EQUAL OPPORTUNITIES AND CORPORATE WELFARE.....	36
OCCUPATIONAL HEALTH AND SAFETY.....	38
<b>CUSTOMERS AND CITIZENS SERVED</b> .....	<b>41</b>
CUSTOMERS AND MARKETS SERVED.....	42
SUBSIDIES FOR FINANCIALLY STRUGGLING FAMILIES.....	45
CUSTOMER SERVICE AND SATISFACTION.....	47
QUALITY, SAFETY AND CONTINUITY OF SERVICE.....	49
<b>ENVIRONMENTAL SUSTAINABILITY</b> .....	<b>55</b>
ENVIRONMENTAL POLICY AND MANAGEMENT SYSTEM.....	56
RAW MATERIALS.....	57
COMPANY'S FLEET.....	58
ENERGY MANAGEMENT AND EMISSIONS.....	59
WASTE MANAGEMENT.....	66
<b>ANNEX: GRI STANDARD TABLES</b> .....	<b>69</b>
CHART OF SUSTAINABILITY ASPECT BOUNDARIES.....	69
CHART CONNECTING THE SCOPES SET OUT IN LEG. DECREE 254 WITH REFERENCE DOCUMENTS.....	70
TABLE OF GRI INDICATORS.....	71

## Message from the Chairman

The results obtained in 2017 by the Ascopiave Group, which are detailed and set out in a transparent manner within the pages of the Sustainability Report herein, are the tangible demonstration of our ability to generate value. Value for shareholders, but also value for people, value for the local territory. It is not just a matter of cataloguing 12 months of business and evaluating the results produced during such period in economic terms, this report is aimed at clearly taking stock of all the aspects ranging from the excellence and quality of the services offered, to the respect for the environment, safety, well-being and staff development, up to attention to social issues to enhance the context in which the Group operates.

Every company must be able to interface with its local area, the environment, the workers, in other words with all the so-called stakeholders. The Ascopiave Group also does this through its sustainability report, a document that is addressed to everyone: shareholders, customers, suppliers, employees, associations, authorities, institutions and municipal administrations.

Listening to the needs of the community and fulfilling expectations and needs is one of the basic principles to implement the concept of sustainability, to generate and distribute value to all stakeholders; the values Ascopiave holds onto are: customer satisfaction, protection of the environment and rational use of energy, sustainable development and cooperation with the community, safety in the workplace and health of workers, continuous improvement of processes and systems, respect for and personal development of individuals, innovation and change.

As the data and figures contained in the Sustainability Report show, in 2017 the Ascopiave Group was able to create wealth and continued its important path towards growth, contributing at the same time to the generation of wellbeing and development locally. All this while ensuring an adequate remuneration of shareholders but also contributing to the creation of value for its stakeholders: the existing employment levels were maintained, customers were able to access energy services, our suppliers benefited from upstream and downstream activities and the public administration received social security contributions. Furthermore, we helped financially struggling families and supported other "engines" of the community, namely organizations and voluntary associations: the funding of local initiatives in 2017 almost reached Euro 2.3 million including social, cultural and sporting events and discounts and subsidies on gas sales to the most disadvantaged population groups.

Thanks to all these actions and to the values that the company has always embodied and which have been decisive for the important journey undertaken so far, we at the Ascopiave Group believe deeply, confident that the responsible and professional commitment of our employees will continue to support us, that we will be able to achieve other goals and pursue our path of further growth in fulfilling the needs of our communities.

The Chairman  
*Nicola Cecconato*

## Comment on the methods adopted

This document of the Ascopiave Group (hereinafter also referred to as "Ascopiave", the "Ascopiave Group" or the "Group") constitutes the consolidated non-financial disclosure (hereinafter also referred to as "Non-Financial Disclosure" or "NFD") prepared in accordance with Italian Legislative Decree 254/16.

The document herein illustrates all the elements needed to ensure the understanding of the Group's business, its performance and results and the impact exerted on the issues considered relevant and set forth in Article 3 of Italian Legislative Decree 254/16 for the year 2017 (from 1<sup>st</sup> January to 31<sup>st</sup> December). Specifically, the aspects which are relevant to the Group and its stakeholders were defined on the basis of a structured materiality analysis process.

The system for detecting the fundamental performance indicators has been implemented according to the principles of the GRI (Global Reporting Initiative) Sustainability Reporting Guidelines (Version G4) and the Sector Disclosures – Electric Utilities Sector – G4 Sector Disclosures, according to the "Core" option. The performance indicators have been chosen taking into account, where appropriate, the instructions set out in the EC Guidelines.

In order to compare data over time and assess the performance of the Group's activities, a comparison with the previous year is shown, where possible. Furthermore, in order to give a fair representation of performance and ensure the reliability of data, we have minimized the use of estimates which, if any, are however based on the best available methodologies which are properly reported.

The scope of the data and **information on operating results** and cash flows is the same as the Consolidated Financial Statements of the Ascopiave Group as at 31<sup>st</sup> December 2017.

The scope of the **social and environmental data** and information extends over the companies belonging to the Ascopiave Group as at 31<sup>st</sup> December 2017 which are consolidated on a line-by-line basis within the Group's Consolidated Financial Statements and, to the extent needed to ensure the understanding of the Group's business, its performance and results and the impact exerted, over those consolidated using the equity method (Estenergy S.p.A., ASM SET S.r.l. and Unigas Distribuzione Gas S.r.l.).

With regard to the **significant changes in the ownership structure that occurred during 2017**, please note that:

- the acquisition of the company AP Reti Gas Vicenza by the Ascopiave Group was finalized in April.

The Ascopiave Group has undertaken a process of continuous improvement as concerns the issues and policies implemented with a view to reducing its environmental impact, developing social and personnel policies, protecting human rights along the entire supply chain and committing constantly to the fight against active and passive bribery.

### FIGHT AGAINST ACTIVE AND PASSIVE BRIBERY

This issue is already monitored within the 231/01 Organization Model adopted by the Parent Company and by the Subsidiaries.

### ENVIRONMENTAL, SOCIAL AND PERSONNEL POLICIES AND PROTECTION OF HUMAN RIGHTS

In February 2018, the Parent Company adopted an integrated Quality, Environment and Safety policy with the aim of formalizing the principles set out in the international standards ISO 9001, ISO 14001 and OHSAS 18001. This policy had already been implemented by the subsidiaries AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A.. The Group undertakes to implement this policy with a view to continuous commitment and improvement towards

verifiable objectives ensuring compliance with laws and regulations and the protection of the environment and its employees.

The Group has also envisaged the implementation of a system for collecting information on training provided to its personnel, in order to monitor the management of planned courses, with a view to continuous improvement.

Finally, the definition of a reporting procedure for sustainability issues is expected before the end of 2018 in order to guarantee the adoption of standardized methods for the reporting and implementation of an adequate internal control system at the Parent Company and the Subsidiaries.

Ascopiave's Non-Financial Disclosure is compiled annually: this 2017 NFD was approved by the Board of Directors of Ascopiave S.p.A. on 14<sup>th</sup> March 2018.

The Report was also subject to a limited audit ("limited assurance engagement" according to the principles stated in the ISAE 3000 Revised standard) by PwC which, at the end of the examination performed, issued a specific report on the compliance of the information provided in the Consolidated Non-Financial Disclosure prepared by Ascopiave pursuant to Italian Legislative Decree no. 254/16.

The NFD is published in the "Investor Relations" section of the Company's website [www.gruppoascopiave.it](http://www.gruppoascopiave.it).



# IDENTITY AND RESPONSIBILITY

## 2017 HIGHLIGHTS

**1996:** establishment of Azienda Speciale Consorzio del Piave (A.S.CO. Piave)

**2001:** A.S.CO. Piave changed its name to Ascopiave S.p.A.

**15** Companies through which the Group operates

**2006:** the company was listed on the Milan Stock Exchange, STAR segment

**671** employees (534 employed by the companies consolidated on a line-by-line basis)

**938.7 million m<sup>3</sup>** of gas sold

**1,020.4 million m<sup>3</sup>** of gas distributed

**Almost 10,000 km:** extension of the distribution network

**Over one million** citizens served

**Integrated and certified systems:** UNI EN ISO 9001 Quality certification, UNI EN ISO 14001 Environmental certification, OHSAS 18001 Occupational Health and Safety Assessment

## Local presence of the Ascopiave group

The Ascopiave Group, thanks to successive company mergers, has increased the geographical areas in which it operates and is now present in **7 regions totaling over 60 operational business offices**.

In 2017, the business offices assisted the citizens with **68,185 hours of service to the public**, also considering outsourcing hours.

The distribution companies of the Ascopiave Group, with operational headquarters in Pieve di Soligo (Treviso), offer an Emergency Service in order to solve issues related to the supply of gas on the networks managed, such as leaks or seepage, interruptions or irregularities in the supply and damages to the distribution facilities. The service is completely free both from the landline and mobile phones and is available 24 hours a day, every day of the year.

## Mission, values and strategic objectives

### Mission

The Ascopiave Group intends to maintain **leadership in North-Eastern Italy**, while retaining its position as a major player at **national level**, in the sectors of natural gas distribution and sales, in addition to other sectors related to the core business, such as the sale of electricity and cogeneration.

The Group pursues a twofold objective: the increase in the company's economic value and **social and environmental sustainable development**, with the aim of triggering the development of the area it serves, while respecting the environment and responding to social needs, in order to enhance the context in which it operates.

The Group's strategy is focused on the **satisfaction of its stakeholders**, on maintaining the levels of **excellence** of the services offered and on an effective and flexible organization of **managerial and technical skills**, whose enhancement and growth are constantly monitored.

By using **efficient technologies**, the Group guarantees service quality, continuity and safety to its customers.

## Values

The fundamental **values** on which the Ascopiave Group bases its strategy are:

-  Customer satisfaction
-  Protection of the environment and rational use of energy
-  Sustainable development and cooperation with the community
-  Safety in the workplace and workers' health
-  Continuous improvement of processes and systems
-  Respect and personal development of individuals
-  Innovation and change

The set of values, the corporate ethical principles and the behavioral rules set out in the **Code of Ethics** inspire every day the activity of all of those who work, as employees or independent contractors, within the Group's sphere of action.

## Strategic objectives

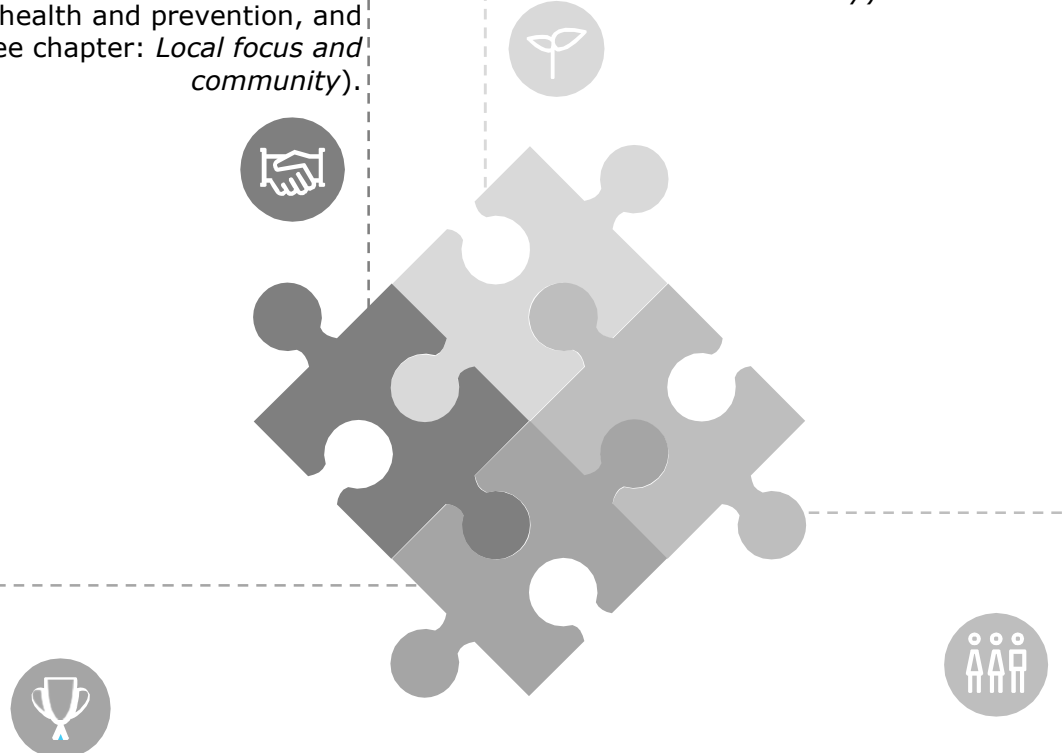
Ascopiave’s strategy is inextricably intertwined with sustainability and is based on the pursuit of macro-objectives related to four of the main areas cherished by the company: the quality of services, people, the environment and social issues.

### ----- Attention to social issues to enhance the context in which the Ascopiave Group operates

The Group has a strong focus on the local community and expresses its commitment also by supporting local initiatives in 6 areas of intervention: culture, community and assistance, sports, emergencies, health and prevention, and environment (see chapter: *Local focus and community*).

### Respect for the environment

The commitment to the protection of the environment and the reduction of the environmental impact of the Ascopiave Group are guided by the integrated quality, environment and safety policy and continuously monitored for all of the activities of the organization (see chapter: *Environmental sustainability*).



### Excellence and quality of services offered

The achievement of high quality standards of the service offered is the primary objective of the Ascopiave Group and applies both to commercial activities and to technical activities, such as the emergency service and network inspections (see chapter: *Customers and citizens served*).

### Staff safety, well-being and development

We promote actions aimed at minimizing risks to the health and safety of our personnel (see chapter: *Occupational health and safety*) and the development of appropriate work practices and conditions ensuring equal opportunities, through the elimination of all forms of discrimination (see chapter: *Equal opportunities and corporate welfare*). We offer development and training programs aimed at enhancing the skills of our resources and consolidating the professionalism required by their role (see chapter: *Development and growth of the human capital*).

## Parent company's Governance

The system and the rules for the management and control of the company are the backbone of Ascopiave Group's business model and, together with the business strategy, are aimed at supporting the relationship of trust between the company and its stakeholders, contributing to the achievement of the operating results and creating sustainable value in the long run.

Transparency and fairness are the guiding principles for the Ascopiave Group upon defining its own Corporate Governance system, which is structured based on the general and special legislation in force, the Articles of Association, the Code of Ethics and the applicable best practices.

A Governance system structured in this way is capable of providing the best response to the challenges coming from the sector and the local context, thus allowing an open and transparent dialogue with the Local Entities. Ascopiave S.p.A. adopts a "traditional" Governance system that is characterized by the presence of the following corporate bodies:

- **Shareholders' Meeting**, which makes decisions on the supreme acts of governance of the company;
- **Board of Directors**, in charge of managing the company by assigning operational powers to appointed bodies and individuals;
- **Chairperson**: in addition to being the legal representative and having the powers established by the law and the Articles of Association as far as the operation of the corporate bodies (Shareholders' Meeting and Board of Directors) is concerned, (s)he steers and supervises the activities of the Board of Directors, in accordance with the fiduciary powers that make him/her the advocate of the legality and transparency of the company's business towards all shareholders;
- **General Manager**, who has been granted with all the powers for the completion of the deeds relating to the Management, Coordination and Control of the company's functions and services, which can be exercised in compliance with the instructions of the Board of Directors;
- **Board of Auditors**, in charge of monitoring compliance with the law and the Articles of Association and the observance of the principles of correct administration, as well as of checking the adequacy of the organizational structure, the internal control system and the company's administrative and accounting system;
- **Auditing Company** registered in the Register of Independent Auditors and in charge of external audit;
- **Supervisory Board**, established to monitor the operation of and compliance with the Organization, Management and Control Model pursuant to Italian Legislative Decree 231/01 (231 Model) and prevent the crimes set out in the same decree;
- **Remuneration Committee**, which intervenes on the issue of the remuneration of directors and assesses the criteria adopted for the remuneration of executives having strategic responsibilities;
- **Control and Risk Committee**, which is in charge of supporting, with adequate preliminary activities, the assessments and decisions of the Board of Directors pertaining to the internal control and risk management system, as well as those relating to the approval of interim financial reports.

Board of Directors – Members as of 31 <sup>st</sup> December 2017	
<b>Nicola Ceconato</b>	Chairman and Chief Executive Officer
<b>Dimitri Coin</b>	Independent director
<b>Enrico Quarello</b>	Independent director
<b>Greta Pietrobon</b>	Independent director
<b>Antonella Lillo</b>	Non-executive director
<b>Giorgio Martorelli</b>	Independent director
Board of Auditors – Members	

<b>Antonio Schiro</b>	Chairman of the Board of Auditors
<b>Luca Biancolin</b>	Standing Auditor
<b>Roberta Marcolin</b>	Standing Auditor
<b>General Manager</b>	
<b>Roberto Gumirato</b>	

## 231 Model and Code of ethics

The Ascopiave Group has adopted the 231 Model aimed at ensuring that corporate officers at all levels of the organization do not engage in illicit conducts in the interest or for the benefit of the Company.

The Code of Ethics of the Ascopiave Group, an integral part of the 231 Model, states that all activities must be carried out in compliance with the law and in accordance with the principles of fair competition, honesty, integrity, fairness and good faith, respecting the legitimate interests of customers, employees, shareholders, business and financial partners and the communities in which the company conducts its activities.

The Model is periodically updated in order to reflect regulatory and jurisprudential developments and better respond to the company's organizational changes; this further guarantees the efficiency and transparency of the company's activities.

Furthermore, the Code of Ethics of the Ascopiave Group states that under no circumstances can the corporate assets and, in particular, its computer and network resources, be used for purposes contrary to mandatory provisions of law, public order or morality, as well as for committing crimes, such as child pornography, or inducing third parties to commit crimes or otherwise incite racial hatred, exalt violence or violate human rights.

## Internal control and risk management system

The **Board of Directors** is responsible for the internal control and risk management system, adopted in compliance with the directions of the Code of Conduct for listed companies and in line with the relevant best practices. The Board defines the nature and level of risk compatible with the Group's strategic objectives, including in its assessments all the risks that may affect the Group's activities and the interests of its stakeholders in the short, medium and long term.

Ascopiave's internal control and risk management system makes use of the following bodies, each for the area under its responsibility. Working in a synergic manner, they supervise the monitoring and management of potential critical issues for the Group.

- **Board of Directors:** steers and assesses the adequacy of the internal control and risk management system, establishing the guidelines and evaluating the results thereof on an annual basis. The Board of Directors appoints, among its own members, a Control and Risk Committee and a Director in charge of the control system;
- **Control and Risk Committee:** supports, with adequate preliminary activities, the assessments and decisions of the Board of Directors and examines the periodic reports prepared by the internal audit function regarding the progress of the work plan, specifically as concerns risk analysis activities;
- **Internal audit function:** verifies the operation and suitability of the internal control and risk management system; the activity is governed by an audit plan, approved each year by the Board of Directors, based on a structured process of analysis and prioritization of the main risks;

- **Board of Auditors:** oversees compliance with the law and the deed of incorporation, the observance of the principles of correct administration, the adequacy of the organizational structure of the Company and of the Administrative and accounting system;
- **Manager in charge of preparing the company accounting documents:** with a view to internal reporting, the Manager in Charge periodically communicates to the Control and Risk Committee, the Board of Auditors and the Supervisory Board the methods by which the internal control and risk management system is evaluated as well as the results of the assessments made in support of the attestations or declarations made;
- **Supervisory Board** established to monitor the operation of and compliance with the Organization, Management and Control Model pursuant to Italian Legislative Decree 231/01 (231 Model) and prevent the crimes set out in the same decree;
- **Heads of each business unit and company management:** they are in charge of defining, managing and monitoring the proper operation of the internal control and risk management system for the relevant function under their responsibility;
- **Group people:** all employees, each according to their respective functions, contribute personally and cooperate to ensure the effective functioning of Ascopiave's internal control and risk management system.

## Possible risk factors associated with sustainability issues

In 2017, the possible **risk factors** associated with sustainability issues, which the stakeholder engagement activity and materiality analysis identified as material, were carefully examined.

In particular, the main **risk factors** associated with the sustainability issues identified as material are reported below.

**RISK FACTORS RELATED TO PRODUCT LIABILITY AND CUSTOMER ACCOUNTABILITY** Risks associated with any downtimes of the plants and network infrastructures, malfunctions, misalignments or temporary unavailability of the information systems dedicated to Customer Relationship Management (CRM), possible risks connected with the availability, integrity and confidentiality of information

**RISK FACTORS RELATED TO WORKERS' HEALTH AND SAFETY**

Risks related to possible injuries, major accidents and occupational diseases that involve the personnel working at the headquarters and at operational sites

**FATTORI DI RISCHIO LEGATI ALLA RESPONSABILITÀ DI PRODOTTO e VERSO I CLIENTI**

Rischi connessi a possibili sospensioni dell'esercizio degli impianti e delle infrastrutture di rete, malfunzionamenti, disallineamenti o temporanea indisponibilità dei sistemi informativi dedicati al Customer Relationship Management (CRM), possibili rischi sulla disponibilità, integrità e riservatezza delle informazioni.

**RISK FACTORS RELATED TO ECONOMIC AND BUSINESS RESPONSIBILITY**

Risks associated with failure to meet any target for the supply of innovative energy services due to the presence of competitors which are already well-established in the target sectors and changes in the market scenario, risks of failure to implement national decarbonization programs, difficulties of the Group in dealing with growth and investment strategies, risks related to geopolitical imbalances and changes in consumer choices by the end users



**GOVERNANCE AND SOCIAL RISK FACTORS**

Risks related to possible errors and/or frauds that may be committed, potential critical issues connected with local institutions and communities regarding possible negative effects due to improper management of services

**ENVIRONMENTAL RISK FACTORS**

Risks associated with damage to infrastructures (gas pipelines, etc.) caused by extreme environmental events (e.g. earthquakes, etc.), risks associated with the drop in demand subsequent to the rise in average temperatures due to Global Warming, risks associated with failure to comply with current and future environmental legislation

Subsequent to the analysis, the existing prevention measures for each material issue have been identified, reinforcing the progressive inclusion of social responsibility in the Group's managerial and strategic spheres.

The Group undertakes to manage effectively the risk factors listed above, implementing any procedures and systems designed to prevent any critical issues with the objective of protecting and increasing its value over time and generating further value for its stakeholders. Specifically, the Group has adopted the following tools:

- **231 Model:** Ascopiave S.p.A. and all the subsidiaries have adopted an Organization, Management and Control Model, pursuant to Italian Legislative Decree dated 8<sup>th</sup> June 2001 no. 231, whose purpose, among other things, is to set up a prevention and control system aimed at reducing the risk of committing offenses relevant to the company's activities; the 231 Model contains a specific section dedicated to crimes against workplace health and safety, environmental crimes and computer crimes and illicit data processing. No offenses were reported during 2017.

*For further information on the 231 Model adopted by the Ascopiave Group, please refer to the Corporate Governance section of the website [www.gruppoascopiave.it](http://www.gruppoascopiave.it).*

- **Code of Ethics:** The Code of Ethics of the Ascopiave Group, which is an integral part of the 231 Model, is a tool for defining the set of corporate ethical values that Ascopiave S.p.A. recognizes, accepts and embraces, and the set of responsibilities it assumes upon maintaining internal and external relations. The Code of Ethics states that all the employees of the Ascopiave Group are required, within the scope of their functions, to participate in the process of risk prevention, environmental protection and protection of their own health and safety and those of their colleagues and third parties.

The subsidiaries have adopted the Parent Company's Code of Ethics and commit to disseminating the values thereof to their employees.



For further information on the Ascopiave Group's Code of Ethics, please refer to the Corporate Governance section of the website [www.gruppoascopiave.it](http://www.gruppoascopiave.it).

- **Integrated Quality and Environment Management System** compliant with the standards ISO 14001 and ISO 9001, common to the parent company and the certified subsidiaries (Ascopiave has been certified since 12<sup>th</sup> March 2018, AP Reti Gas and AP Reti Gas Vicenza have their own integrated certification, while the other distribution companies use practices and procedures of the two certified Distribution companies). The System envisages an analysis of significance conducted through a specific environmental analysis, which is updated on a regular basis, and a formalized procedure that is aimed at identifying and assessing the environmental impacts of Ascopiave S.p.A. and the certified subsidiaries. The environmental analysis envisages specific monitoring indicators, essential for the management of potential risks;
- **Health and Safety Management System**, in compliance with the standard BS OHSAS 18001, common to the parent company and certified subsidiaries (Ascopiave has been certified since 12<sup>th</sup> March 2018, AP Reti Gas and AP Reti Gas Vicenza have their own certification, while the other distribution companies have adopted practices and procedures in compliance with Italian Legislative Decree 81/08 and a model pertaining to the two certified Distribution companies). It defines the workplace health and safety management model. The system is intended as a guide and a tool to keep under control risks and legal obligations and to monitor and verify periodically and systematically the company's compliance and the improvement objectives. The model is aimed at guaranteeing legislative compliance, keeping workplace risks at levels considered acceptable or compliant with legal limits and reducing the level of risk in equal working conditions.
- Formalized policies and procedures such as the "**Management and control of energy risks**" policy which aims to contain the volatility produced by energy risks (variability of gas and electricity prices on the market, variability of gas and electricity volumes negotiated upon purchase and/or sale, etc.) on the overall margins so as to guarantee the stability of the cash flows. In this regard, the **Energy Risks Committee**, assisted by the Risk Control Unit, assesses and identifies, on an annual basis, the risk thresholds to be attributed in the following calendar year to the Commercial Portfolio and the Trading Portfolio.

## Sustainability management system and technological innovation

### THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:



#### Continuous improvement of processes and systems

Continuous improvement is a necessary condition, both for the company's success and growth in a competitive environment, and for the qualification of the institutional image and the fulfillment of the emerging needs of the stakeholders. All this is achieved through the identification of areas for improvement, the definition of measurable benchmarks and objectives and the timely application of the international standards for quality, safety and environmental certifications.

### Certifications

The Ascopiave Group has decided to incorporate aspects of economic, social and environmental sustainability into its strategies and activities, according to a progressive and organic process, consistent with the organization's business objectives. With these decisions, the Group intends to make apparent an inclination towards sustainability that has always distinguished the Company.

In fact, since its foundation, Ascopiave has paid increasing attention to aspects such as:

- Quality, reliability, security and accessibility to services for end customers and the community;
- Implementation of initiatives addressed to employees on the issues of health and safety, organizational climate and training;
- Respect for the community and promotion of initiatives for the benefit of the local community;
- Protection of the environment and energy resources;
- Search for cutting-edge solutions aimed at strengthening the economic system in favor of not only the citizens and the Institutions served, but of the entire community, through investments in infrastructure and innovative projects.

The Certifications of the Management Systems, progressively acquired and maintained, attest to the existence of a reliable and structured internal system, which allows us to supervise and manage in the best way the quality of the services provided, health and safety at work and the protection of the environment.

Testifying to its ongoing commitment, as of 31<sup>st</sup> December 2017 the Ascopiave Group had the following types of system certifications:

- **ISO 9001:2008 - ISO 9001:2015 – Quality Management System:** it ensures the improvement of the quality standard over time and of the reliability of the Group towards its customers;
- **BS OHSAS 18001:2007 – Occupational Health and Safety Management System:** certifies compliance with the Occupational Health and Safety requirements and allows the continuous assessment of risks and the improvement of the organization's performance;
- **ISO 14001:2004 – Environmental Management System:** certifies the concrete commitment to minimizing the environmental impact of processes, products and services.
- **UNI CEI 11352 - Energy Management: energy service companies (ESCO) -** General requirements, checklists for the verification of the organization's requirements and the contents of the service offer. The following table shows the System Certifications as at 31<sup>st</sup> December 2017, associated with the individual Group companies:

Type of certification	Group company	Scope	Expiration
UNI EN ISO 9001:2008	AP Reti Gas S.p.A.	Methane gas distribution	15/09/2018
UNI EN ISO 14001:2004	AP Reti Gas S.p.A.	Methane gas distribution	15/09/2018
BS OHSAS 18001:2007	AP Reti Gas S.p.A.	Methane gas distribution	21/10/2020
UNI EN ISO 9001:2008	AP Reti Gas Vicenza S.p.A.	Methane gas distribution	15/09/2018
UNI EN ISO 14001:2004	AP Reti Gas Vicenza S.p.A.	Methane gas distribution	15/09/2018
BS OHSAS 18001:2007	AP Reti Gas Vicenza S.p.A.	Methane gas distribution	03/12/2020
UNI EN ISO 9001:2015	UNIGAS Distribuzione S.r.l.	Methane gas distribution	27/11/2019
UNI EN ISO 9001:2008	Ascotrade S.p.A.	Sale of gas and electricity	15/09/2018
UNI EN ISO 9001:2008	Veritas Energia S.p.A.	Sale of gas and electricity	15/09/2018
UNI EN ISO 9001:2008	Veritas Energia S.p.A.	Heat management/Energy services	14/09/2018
UNI CEI 11352:2014	Veritas Energia S.p.A.	ESCO Energy service supply	15/10/2020
UNI EN ISO 9001:2008	Etra Energia S.r.l.	Sale of gas and electricity	15/09/2018
UNI EN ISO 9001:2008	Blue Meta S.p.A. Unipersonale	Sale of gas and electricity	15/09/2018

UNI EN ISO 9001:2008	Pasubio Servizi S.r.l. Unipersonale	Sale of gas and electricity	15/09/2018
UNI EN ISO 9001:2008	AMGAS Blu S.r.l.	Sale of gas and electricity	15/09/2018
UNI EN ISO 9001:2008	ASM SET S.r.l.	Sale of gas and electricity	15/09/2018

As compared to the year 2016, new system certifications have been acquired, such as:

- Integrated QSA certification for the new Distribution Company acquired: AP Reti Gas Vicenza;
- ISO 9001 Certification "Heat Management/Cogeneration" and "UNI CEI 11352 ESCO": Veritas Energia;
- ISO 9001 adjustment to the 2015 edition for the Distribution Company UNIGAS Distribuzione.

## Dialogue with stakeholders and materiality analysis

Upon formulating its strategies, the Ascopiave Group takes into consideration the indications and expectations of the main categories of stakeholders: for each of them, the specific composition, the most relevant and material topics (all the issues affecting the decisions, actions and performances of an organization or its stakeholders are defined as "material") and the listening and dialogue activities in progress have been identified. The main dialogue, consultation and engagement initiatives undertaken in 2017 are listed below, with the respective categories of related stakeholders:

Stakeholder	How we listened to and discussed with them
Shareholders and investors	<i>Conferences, periodic meetings, roadshows, interim reports</i>
Staff (workers and their families, trade unions)	<i>Corporate meetings, one-to-one meetings, Internal committees, training courses, interviews, evaluations, internal investigations, intranet</i>
Institutions and Communities (e.g. Bodies, Associations, Schools etc.)	<i>Technical round tables, meetings with local Mayors and other authorities, focus groups, press conferences, audit inspections, local events, cooperation with the Authorities, meetings with Associations, relations with Schools and Universities</i>
Customers (families and private citizens, Businesses, local authorities, Consumer and professional associations)	<i>Call center, meetings, service conferences, satisfaction surveys, focus groups, dedicated web sections, discussion with Representative committees and associations, Joint settlement processes</i>
Suppliers (suppliers of raw materials, suppliers of goods and services, local suppliers, suppliers having social significance – Social cooperatives – other business partners)	<i>Quality assessment dialogue, Regular meetings, audits at suppliers, E-procurement portal</i>

Press office activities continued in 2017 to support the various campaigns and initiatives launched for all the sales companies of the Group.

During the year, press conferences were held to present our commercial activities and were accompanied by the respective press releases, interviews and participations in TV programs on local broadcasters (if any).

These tools are essential to keep the attention focused on our business activities and to communicate topics that are of interest to the community, also with details and specifications.

In 2017, **19 press releases** were circulated by the Information Representative of Ascopiave

S.p.A., in compliance with the corporate disclosure requirements, and the listed company Ascopiave S.p.A. attended 10 events dedicated to meetings with investors.

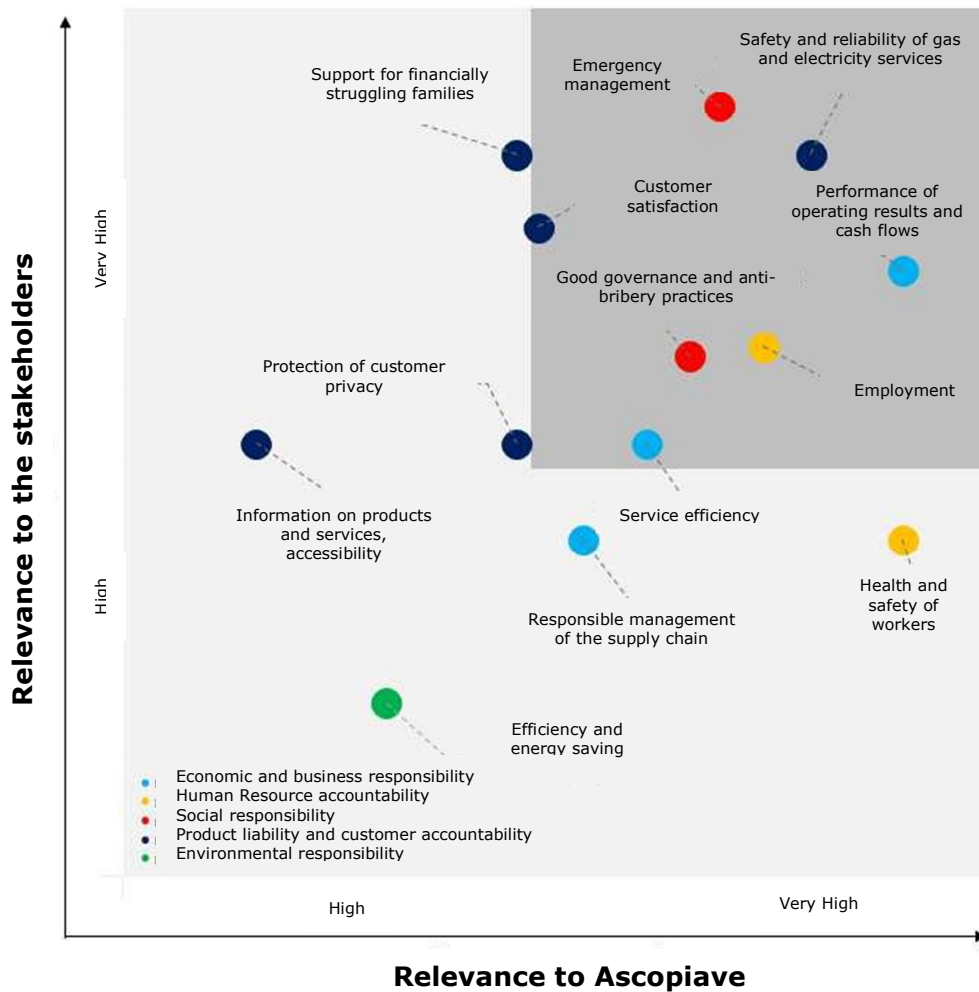
The Investor Relator is the person in charge of managing relationships with investors and brokers and represents, together with the General Manager, the Ascopiave Group before the national and international financial community: this figure is essential to maintain and nurture the trust that the stakeholders place in the company.

## **Analysis of the sustainability issues relevant to the Ascopiave Group and its stakeholders**

In order to identify the topics that are most relevant to both the Group's internal and external stakeholders, an analysis was conducted on the main sustainability issues, subsequent to which the materiality matrix was developed. This analysis highlights the social, environmental, economic and governance issues of greatest importance for the company and its stakeholders. The analysis was based on the materiality principle as required by the GRI reporting standard adopted (GRI-G4) and comprised the following steps:

- Identification of the potentially relevant issues by analyzing both internal and external sources;
- Evaluation of the relevance of each issue to the stakeholders and to the Ascopiave Group, based on interviews conducted with the internal stakeholders in charge of the issues being reported. The materiality of each issue included in the materiality matrix was calculated as the weighted average of the assessments of the internal and external stakeholders;
- Validation of the materiality matrix by the Management and definition of the materiality threshold above which the material aspects should be reported.

The chart below focuses on the issues considered as very relevant to the Ascopiave Group and its stakeholders.



The topic "Good governance and anti-bribery practices" includes several issues of major importance for the Group, such as: compliance with laws and regulations, competitive behavior and respect for human rights.

**Main considerations:**

- The chart above evidences a strong focus on issues related to the creation of shared value locally and for the markets served, such as access to **quality and reliable services, customer satisfaction** and **emergency management**. The approach adopted by the Ascopiave Group combines an efficient allocation of economic resources and the fulfillment of the needs and expectations of the communities;
- The creation of **economic-financial value** is a priority both for the stakeholders and for the Company. The Group's industrial strategy aims at sustainable growth (including through acquisitions and joint ventures), service efficiency (reduction in the Cost to Serve), the improvement of the gas procurement process as a tool to expand the gas customer base, and the development of the electricity market as a tool for maintaining the current customer base and for achieving the objectives of value generation. Governance, fairness and compliance with laws and regulations accompany this industrial growth;
- The issues related to the **mission for serving the territory** (support for financially struggling families, commercial clarity and correctness, accessible and clear information, protection of privacy, price of services) are the prerequisites of all other issues, and confirm the Group's commitment to guaranteeing the service to and satisfying the communities served;

- Great attention is paid to the issues of **protection of employment levels and respect for people and human rights**. The organizational model of the Ascopiave Group is founded on responsibility and merit, which form the basis for the selection of talents and skills;
- **Health and safety** remain a priority for the Ascopiave Group, while the responsible management of the supply chain occupies the central part of the matrix. These processes presuppose a constant improvement of the organization that oversees them, as they are decisive for lowering vulnerability to risk and above all for creating value over the medium to long term;
- The Ascopiave group believes in dialogue with the territory and has joined several organizations that protect the same interests; here is a list of the main associations in which the group participates: Assonime, Utilitalia, Unindustria, APCE, Federazione Italiana per l'uso razionale dell'energia, Anigas, Assolombarda, Assogas, Confservizi and Cispel Lombardia;
- The materiality matrix defined in this way (which only shows the issues with a high/very high relevance) does not identify issues relating to **environmental responsibility**; the reason is to be found in the fact that the Ascopiave Group, despite the utmost attention devoted to the issues of environmental sustainability, is a service supplier and as such it does not engage in productive processes which envisage the consumption of natural resources and energy and which exert significant pressures on the surrounding environment. However, the Ascopiave Group reports in detail the environmental impacts generated by its activities and services with a view to **monitoring and continuous improvement**.

## ECONOMIC SUSTAINABILITY

### 2017 HIGHLIGHTS

**Euro 532.8 million:** revenues

**Euro 49.2 million:** net profit (-13.5% compared to 2016)

**Euro 23.6 million** in investments

**Euro 141.7 million:** added value

**Euro 3.546 per share** as of 29<sup>th</sup> December 2017

**Euro 40 million:** distributed dividends

**1,807** suppliers and business partners

**61%** local suppliers

## Main operating results and cash flow data

### THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:



#### Sustainable development and cooperation with the community

Ascopiave and the Group companies perform all their activities bearing in mind their Social Responsibility towards their stakeholders: employees, shareholders, suppliers, communities, customers, institutions, trade associations and trade union representatives. Ascopiave therefore adopts a growth strategy aimed, on the one hand, at increasing the economic value of the company and, on the other hand, at developing and affecting the social context.

As evidenced by the figures reported below, the Ascopiave Group has been able to create wealth, by focusing on its human capital, making the most of and developing its resources and their professionalism, adopting efficient practices of personnel management and introducing innovations. The company, over the years, has expanded its range of action and continues to have all the credentials to pursue its important growth process and still be an integral part of the local context, contributing to the creation of well-being and development.

The ability to maintain profitability in the medium and long term, therefore, guarantees an adequate remuneration of shareholders but also contributes to the generation of value for many stakeholders: the existing employment levels were maintained, customers were granted access to energy services, our suppliers benefited from upstream and downstream activities, the public administration received social security contributions, etc.

Considering the above, the results of the Ascopiave Group in fiscal year 2017 are particularly positive, including a **consolidated net profit of over Euro 49.2 million (-13.5%** compared to 2016).

Main operating results (in millions of Euro)	2016	2017
Revenues	497.7	532.8
Gross operating margin	95.3	84.4
Operating result	72.1	59.9
Earnings before taxes	79.3	66.9
Consolidated net profit	56.9	49.3
Group net profit	53.6	47.1



**938.7 million m<sup>3</sup> of gas sold:** +0.4% as compared to 2016



**440.5 GWh of electricity sold:** +12.1% as compared to 2016



**1,020.4 million m<sup>3</sup> of gas distributed:** +16.8% compared to 2016

The dividend that the Board of Directors has proposed is equal to Euro 0.18 per share.

These figures, together with the trend and excellent performance of the shares since listing, the trust that investors place in the Company and the low level of indebtedness testify to the fact that the Ascopiave Group, in addition to creating value and employment for the territory, also represents **value for its shareholders**. The results of operations allow the Group to



seize the opportunity to perform extraordinary transactions in order to grow in the lower end of the supply chain through company mergers or the establishment of partnerships or joint ventures both in the distribution and the sale of natural gas, as well as by participating in the upcoming territorial tenders.

## Production and distribution of added value

Added Value represents the wealth produced by the Ascopiave Group during the financial year and is the result of a subtraction: revenues minus intermediate costs and ancillary and extraordinary components.

This indicator enables the measurement of the economic performance of operations and the ability of the Ascopiave Group to create wealth for its stakeholders. The model used for determining and distributing the Added Value refers to the one prepared by the GBS (Gruppo per il Bilancio Sociale) appropriately adapted to the corporate situation.

In 2017, the Ascopiave Group generated a **Gross Global Added Value** amounting to **Euro 141,725 million (-0.5% against 2016)**. It was determined as follows:

Calculation of the Gross Global Added Value (in thousands of Euro)	2016	2017
A) Value of production	502,935	539,925
B) Intermediate costs of production	368,901	406,416
(A-B) Gross Added Value from operations	134,034	133,510
C) Balance of ancillary and extraordinary operations	8,403	8,215
<b>(A-B+C) Gross Global Added Value</b>	<b>142,437</b>	<b>141,725</b>

The Added Value generated was distributed, with a view to economic sustainability and sharing of results, to the stakeholders. A portion of the economic value is retained by the Group in the form of amortization, depreciation and reserves. The distribution was performed through an accounting process and is summarized in the chart below:

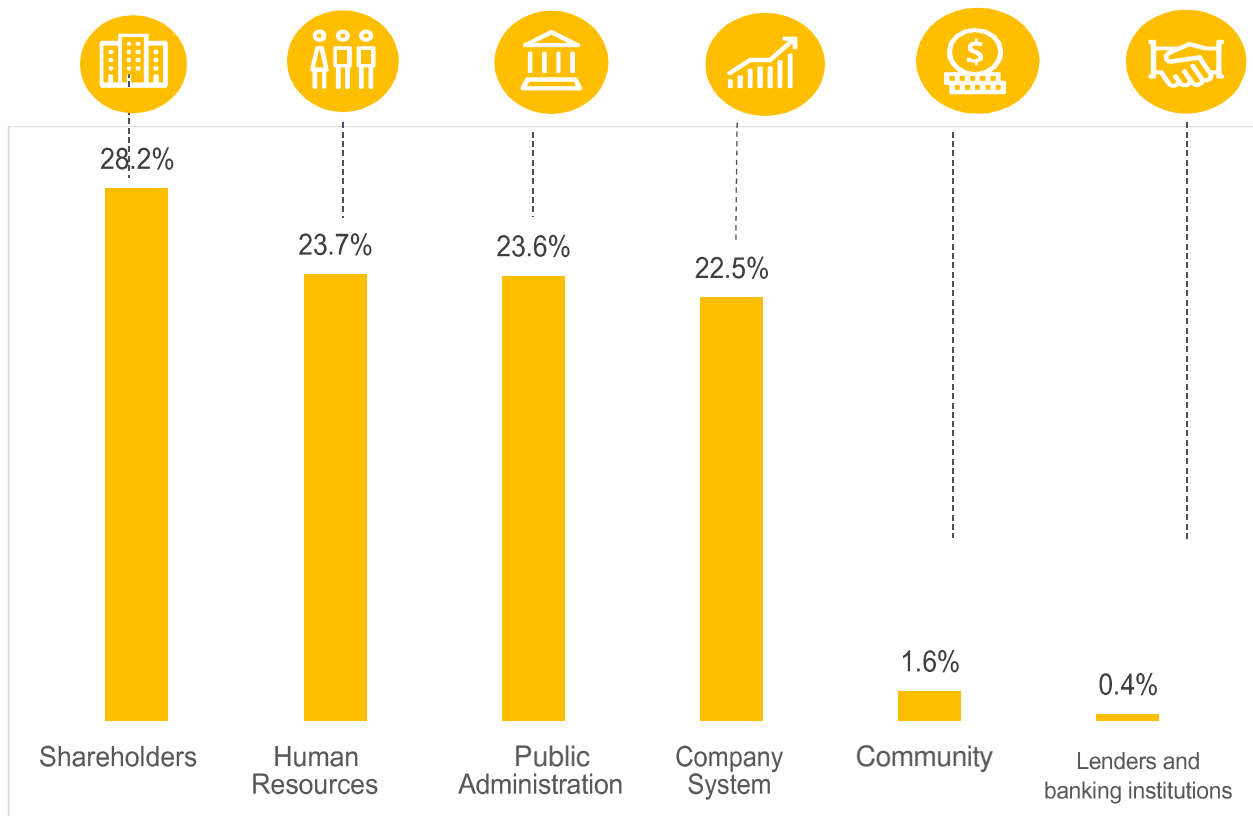
Distribution of the Added Value (in thousands of Euro)	2016	2017
<b>A. Human Resources</b>	<b>30,901</b>	<b>33,580</b>
<i>Employees (Wages and Salaries, Severance Indemnity, Other Costs)</i>	29,489	32,187
<i>independent contractors (corporate bodies, consultants, collaborators)</i>	1,411	1,393
<b>B. Shareholders – Providers of Risk Capital</b>	<b>40,016</b>	<b>40,016</b>
<i>Dividends distributed on profit for the year</i>	40,016	40,016
<b>C. Providers of Loan Capital</b>	<b>601</b>	<b>554</b>
<i>Charges for short- and long-term capital</i>	601	554
<b>D. Public Administration</b>	<b>32,452</b>	<b>33,452</b>
<i>Local taxes</i>	12,107	18,195
<i>National taxes</i>	20,345	15,256
<b>E. Company System</b>	<b>37,153</b>	<b>31,821</b>
<i>Amortization and depreciation</i>	20,227	22,585
<i>Reserves</i>	16,926	9,236
<b>F. Community</b>	<b>1,315</b>	<b>2,303</b>
<i>Donations and/or sponsorships, membership fees</i>	1,315	2,303
<b>Total gross global added value</b>	<b>142,437</b>	<b>141,725</b>

The added value was calculated using the GBS standard.

To better understand the amount of the Added Value, please see the table showing the reconciliation between the Consolidated Income Statement and the calculation of the added value:

Reconciliation between the calculation of the Gross Global Added Value with the Consolidated Financial statements (in thousands of Euro)	2017
Revenues as per Consolidated overall income statement	532,792
Capitalized Personnel cost	5,972
Adjustments for the discounts on sales of gas for families	1,600
Adjustments for grants and/or public loans received	(438)
<b>A) Value of production in NFD</b>	<b>539,925</b>
Total operating costs as per Consolidated income statement	450,268
Adjustments for personnel costs, other income, change in inventories	(27,134)
Adjustments for Costs of sponsorships	(446)
Adjustments for municipal fees and licenses	(14,759)
Adjustments for local taxes	(1,513)
<b>B) Intermediate costs of production in NFD</b>	<b>406,416</b>
<b>(A-B) Gross Added Value from operations</b>	<b>133,510</b>
Other income as per Consolidated income statement	731
Financial income as per Consolidated income statement	287
Financial charges as per Consolidated income statement	(755)
Portion of profit/(loss) from companies consolidated using the equity method as per Consolidated income statement	7,398
Adjustments for financial charges due to Loan Capital	554
<b>C) Balance of ancillary and extraordinary operations</b>	<b>8,215</b>
<b>(A-B+C) Gross Global Added Value in NFD</b>	<b>141,725</b>

### Distribution of added value to the stakeholders



The Group's global gross added value is therefore distributed as follows:

- **28.2% to Shareholders:** this is the portion allocated to the shareholders in the form of a dividend;
- **23.7% to Human Resources:** this is the portion of the added value consisting of wages and salaries, personnel charges and other costs, to which Euro 33.6 million have been allocated;
- **23.6% to the Public Administration:** the consideration, distributed in the form of direct and indirect taxes, amounts to Euro 33.5 million in 2017, net of grants received;
- **22.5% to the Company:** this portion is the part of wealth maintained within the Group in the form of amortization, depreciation and reserves;
- **1.6% to the Community:** this is the portion distributed by way of donations. In fact, in 2017, social, cultural and sporting events were sponsored and membership fees were paid totaling Euro 2.3 million. The figure also includes discounts on sales of gas for families;
- **0.4% to Lenders and Banking Institutions:** this portion represents the consideration reserved for short and long-term loan capital.

In 2017, the **economic value distributed to local stakeholders amounts to approximately Euro 141.3 million**. This figure also includes the total expenses incurred for **supplies from local companies** (see paragraph: *Value distributed to suppliers*).

The subdivision of the value created and distributed to the territory, in the two-year period in question, is as follows:

<b>Costs for the territory (in millions of Euros)</b>	<b>2016</b>	<b>2017</b>
Salaries for workers	30.9	33.6
Taxes and fees to local authorities	12.1	18.2
Dividends to local shareholders <i>The majority stake (61.562%) is held by Asco Holding S.p.A., a company almost entirely owned by 91 Municipalities in the provinces of Treviso, Belluno, Pordenone and Venice.</i>	24.6	24.6
Resources reinvested in the company (amortization, depreciation and reserves)	37.1	31.8
Donations	1.3	2.3
Purchases for goods and services from local suppliers	73.9	30.8
<b>Total economic value for the territory</b>	<b>179.9</b>	<b>141.3</b>

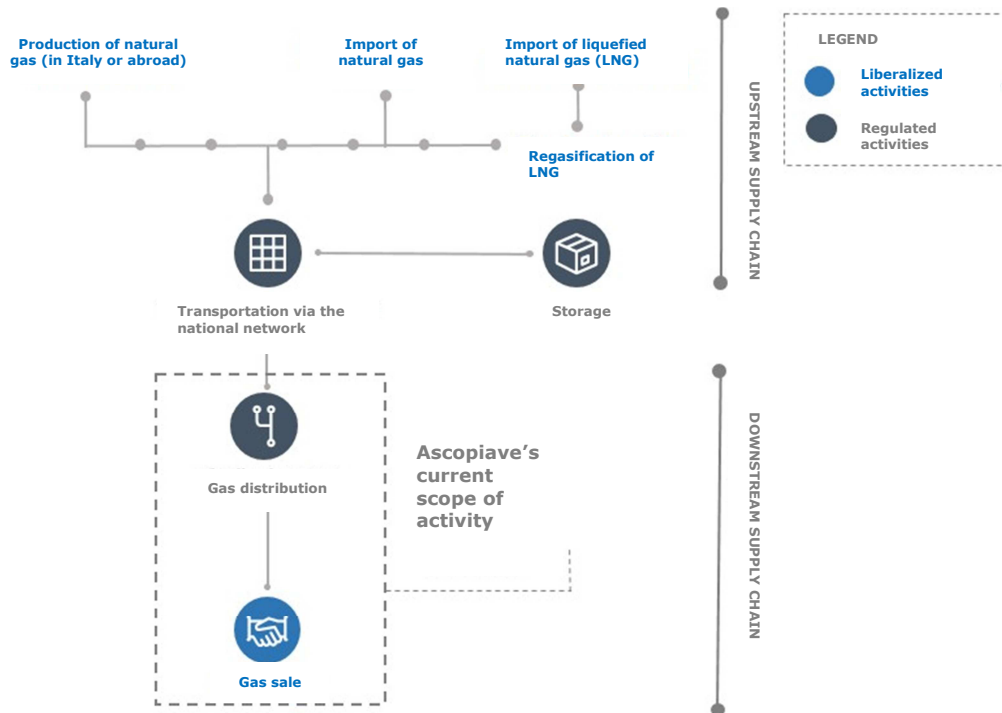
## Investments

Confirming the commitment to the creation of a sustainable business in the long run and in order to offer an excellent service to its customers, in 2017 the Ascopiave Group made investments totaling Euro 23.6 million (Euro 20.8 million in 2016), mainly in the development, maintenance and renovation of gas distribution networks and plants and in the installation of metering equipment.

2017	
Type of investment	Thousands of Euros
Connections	4,837
Expansions, remediation and upgrades of the network	4,117
Meters	9,407
Maintenance and reduction facilities	2,181
Investments in new companies acquired	1,916
<b>Methane investments</b>	<b>22,458</b>
Land and buildings	486
Equipment	37
Furniture	21
Vehicles	251
Hardware and software	149
Other investments	16
Investments in new companies acquired	169
<b>Other investments</b>	<b>1,129</b>
<b>Total</b>	<b>23,587</b>

## Position of the Ascopiave Group in the gas supply chain

Within the gas and energy supply chain, Ascopiave’s business is positioned downstream, i.e. in the final part of the supply chain: Ascopiave does not produce and/or store gas and energy but only deals with distribution (for gas only) and sale.



Upon performing its activities of distribution and sale of gas and energy, the Ascopiave Group relies on numerous suppliers and/or contractors, and establishes collaborations on the basis of principles of fairness, equity, transparency and mutual cooperation. In addition to the suppliers of energy raw materials, the two main categories with which the Group maintains relationships are the **suppliers of goods and services** and **contractors**.

The primary aim of the Ascopiave Group is to achieve maximum efficiency, streamlining and speed in the contractual procedure, while ensuring at the same time high quality standards in the provision of the service.

In order to achieve these objectives, the Group has set up a **supplier approval process**, through registration in the company’s register, and a **selection process based on objective criteria** for entrusting the supply assignment.

### Supplier approval

Before establishing a contractual relationship with the Ascopiave Group, the supplier must qualify as a “supplier and/or contractor” by registering in the supplier register.

In order to be able to apply and become a partner of the Ascopiave Group, the supplier must fulfill and maintain the requirements established by the Procurement Code and other criteria set by the company, in line with Ascopiave’s values:

- Respect for human rights, workers and the environment;
- Scrupulous observance of labor law, specifically as concerns the obligations regarding child labor and female employment, sanitary conditions and health and safety, trade union rights and employment of foreign workers, and the fight against and emergence of undeclared employment;

- The correct and timely fulfillment of remuneration, contributory, insurance and tax obligations;
- Compliance with the principles of legality, transparency and fairness in business;
- The highest degree of professionalism and diligence, as well as utmost honesty and good faith in relations with the Ascopiave Group.

Each supplier and contractor must ensure that the aforementioned requirements are maintained until the termination of the contract, observe the Code of Ethics of the Ascopiave Group, the prescriptions and procedures set out in the Organization, Management and Control Model pursuant to Italian Legislative Decree 231/01, regularly fulfill all obligations concerning safety in the workplace and not engage in behaviors or practices that are anti-competitive or incompatible with laws, regulations and third-party rights.

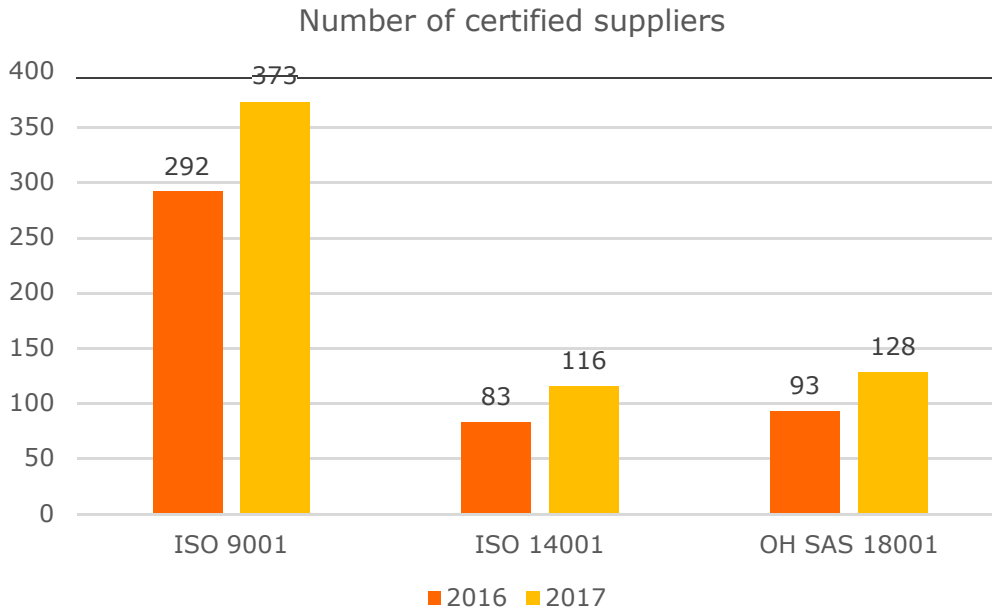
Finally, the supplier approval system adopted is also based on the standards UNI EN ISO 9001 (quality certification), UNI EN ISO 14001 (environmental certification) and OHSAS 18001 (occupational health and safety), which provide the Ascopiave Group with a structured and complete system of procedures that the contractors must also respect.

### Supplier selection

Suppliers and contractors are selected in compliance with the principles of competition and equality, on the one hand, and on the basis of objective assessments regarding competitiveness, quality, usefulness and price, on the other hand. The Ascopiave Group does not maintain relationships with companies in relation to which situations of dubious legitimacy or conflict of interests arise and, where economically compatible, favors the use of local contractors, strengthening its bond with the territory and encouraging the economic development of the latter, as the Group believes that it is easier to interact with local businesses, which feel involved in the development of the offer of public services to the citizens.

With regard to the execution of works and in order to guarantee an adequate level of specialization in the approval process, the types of assignments are grouped into Product Categories divided into critical levels. Each level corresponds to different criteria for evaluating candidates.

Any further checks can be conducted to investigate aspects of professionalism, reliability, solvency, etc. of the supplier being examined, for the purpose of ascertaining that the declarations given by the latter are true.



*The figure includes the Companies consolidated using the Equity method.*

The Ascopiave Group pays attention to the certifications held by its suppliers in the environmental, quality and health and safety areas, which are those most in line with the Company’s sustainability choices.

As concerns contractors in particular, also in 2017 all new suppliers were included in an assessment process according to the social and environmental criteria described above. As early as the selection stage, the supplier must certify the existence of any management systems adopted or commit to observing the principles thereof in the absence of specific certifications. In addition, for large-scale works (generally above Euro 500 thousand), the Group ascertains the correctness and authenticity of the suppliers’ requirements and qualifications, especially with regard to compliance with laws and regulations, by applying directly to the relevant Authorities and/or bodies.

The systematic use of electronic procedures is aimed at better responding to market needs, at the same time increasing the degree of collaboration between the Group and its partners.

### E-procurement Portal

During 2017, 48 invitations to tender and 9 electronic auctions were published on the e-procurement portal for the purchase of goods, services and works for a total amount of approximately Euro 14.5 million, in addition to numerous requests for quotations, relating to purchases of a less significant amount, which occur with “traditional” procedures. The online supplier register has about 1,000 registered and approved subjects to date.

The solutions of the On-line supplier register help the Ascopiave Group to identify - in a very extensive market - the best supply alternatives for its needs under sustainable conditions (in terms of time dedicated to research and assessment, risk management, cost etc.). The information can be collected, approved and evaluated on the basis of objective benchmarks and systematically updated almost automatically so as to guarantee the exchange of information both with the supply markets and with the various contact persons involved. The e-procurement system improves the company’s performance also in terms of inventory management costs.

## Value distributed to suppliers

In terms of purchase volume, in 2017 the Ascopiave group collaborated with 1,807 suppliers, for a total of 4,901 purchase orders and about Euro 52 million invoiced, excluding purchases of gas and electricity.

Number of suppliers and purchase orders	2016	2017
Number of suppliers	1,739	1,807
Number of purchase orders	3,876	4,901
<b>Value of purchases</b>	<b>54,165,511</b>	<b>51,992,131</b>

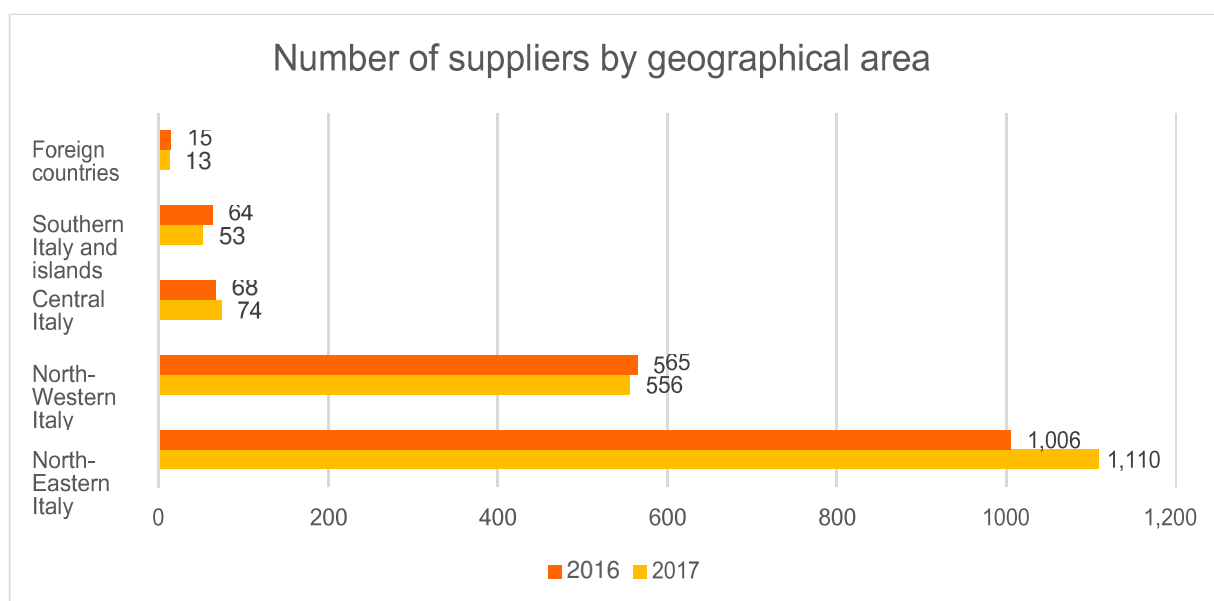
Companies consolidated on a line-by-line basis

Number of suppliers and purchase orders	2016	2017
Number of suppliers	1,246	1,302
Number of purchase orders	3,252	4,192
<b>Value of purchases</b>	<b>42,466,781</b>	<b>39,234,418</b>

Companies consolidated with the Equity Method

Number of suppliers and purchase orders	2016	2017
Number of suppliers	493	505
Number of purchase orders	624	709
<b>Value of purchases</b>	<b>11,698,730</b>	<b>12,757,713</b>

If we analyze the wealth distributed to suppliers in order to assess the impact on the local economy, we find that more than half of the value invoiced in 2017 refers to local suppliers (i.e. based in North-Eastern Italy). Although Ascopiave does not intend to favor specific categories of suppliers (in terms of their geographical origin), the impact of the Group on the area where its presence is strongest is nevertheless apparent. In 2017, the Ascopiave Group in fact collaborated with 1,110 local suppliers, which account for 61.4% of the total, for a total invoiced value of approximately Euro 31 million.



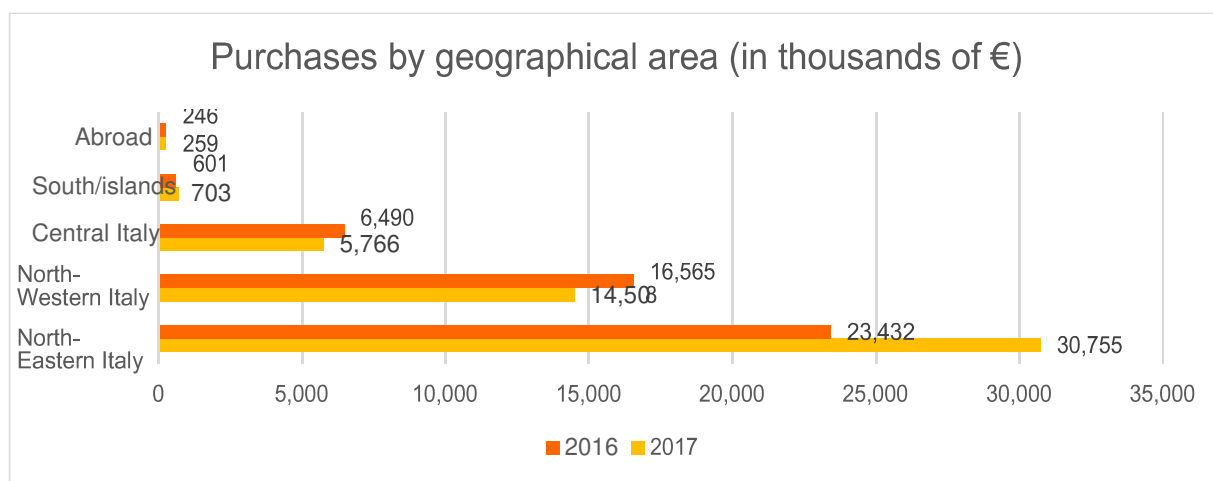


Companies consolidated on a line-by-line basis

Number of suppliers by geographical area	2016	2017
North-Eastern Italy	725	810
North-Western Italy	416	391
Central Italy	31	38
Southern Italy and islands	62	51
Foreign countries	12	12

Companies consolidated with the Equity Method

Number of suppliers by geographical area	2016	2017
North-Eastern Italy	294	300
North-Western Italy	153	165
Central Italy	43	36
Southern Italy and islands	2	2
Foreign countries	1	1



Companies consolidated on a line-by-line basis

Purchases by geographical area	2016	2017
North-Eastern Italy	22,370	23,592
North-Western Italy	13,422	10,596
Central Italy	5,829	4,237
Southern Italy and islands	600	550
Foreign countries	246	259

Companies consolidated with the Equity Method

Purchases by geographical area	2016	2017
North-Eastern Italy	7.062	7.163
North-Western Italy	3.500	3.911
Central Italy	983	1.530
Southern Italy and islands	154	154
Foreign countries	0	0

## SOCIAL SUSTAINABILITY

### 2017 HIGHLIGHTS

**671** employees (534 employed by companies consolidated on a line-by-line basis)

**98.2%** of employees are hired on permanent contracts

**30-50 years:** average age of employees

**5%:** entry turnover rate

**3%:** exit turnover rate

## The people of Ascopiave

### Staff policies

#### THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:



#### Respect for and development of people

Ascopiave, aware that the main keys to success for every enterprise are its human resources, ensures that human rights are respected, promotes the involvement of staff in the achievement of the company's strategic objectives and recognizes the professional contribution of people in a context of loyalty, mutual trust and collaboration, making the most of professional skills through training and development activities.

The Ascopiave Group considers people as the main resource for achieving strategic objectives and as a fundamental value for the growth and development of its business and service to the communities involved.

A fundamental element of the managerial approach is accountability at all levels, which takes concrete shape in respect for the roles, in the relationship between the supervisor and the worker and in the work of inter-functional teams. As stated in its **Code of Ethics** (delivered to all employees at the time of recruitment), Ascopiave undertakes to implement initiatives that make the most of and develop the skills, the creativity and the active participation of its employees, in order to increase their motivation and foster personal growth.

The Group believes that the work and the professional potential are the determining factors for **pay and career progression**. The selection, recruitment, training, management, development and remuneration policies are strictly based on merit and skills, and an exclusively professional evaluation, without any discrimination. The Group actively commits to ensuring equal opportunities for female employment by developing work-life balance projects.

The activities of the Ascopiave Group are managed in full **compliance with the regulations in force** on labor, social security contributions, salary, taxes and insurance obligations, and on the prevention of and protection from accidents and occupational safety.

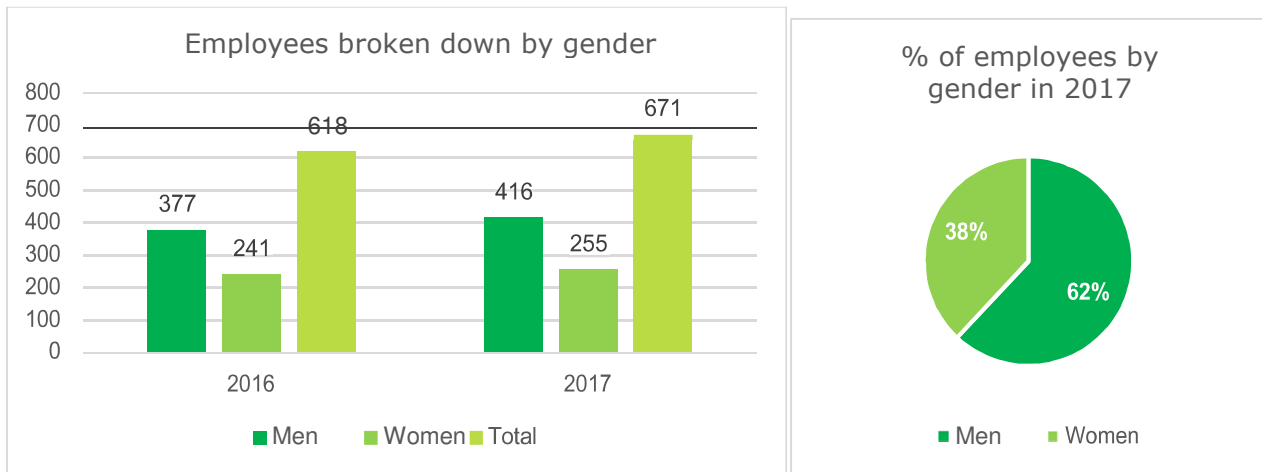
The Group undertakes to disseminate and consolidate the culture of **safety at work** and to raise awareness of risks by using the resources required to guarantee the health and safety of the recipients, the customers and the communities in which it operates.

The employees, at every level, of Ascopiave and the Group companies are expected to collaborate in order to maintain within the company a climate of mutual respect for the dignity, honor and reputation of everyone.

### Staff characteristics

At 31<sup>st</sup> December 2017, the human resources **employed** by the Ascopiave Group amounted to **671 units**.

The Group does not resort to any atypical contractual forms as it greatly values the professional contribution of each person and commits to building long-lasting relationships based on the principles of loyalty, mutual trust and collaboration.



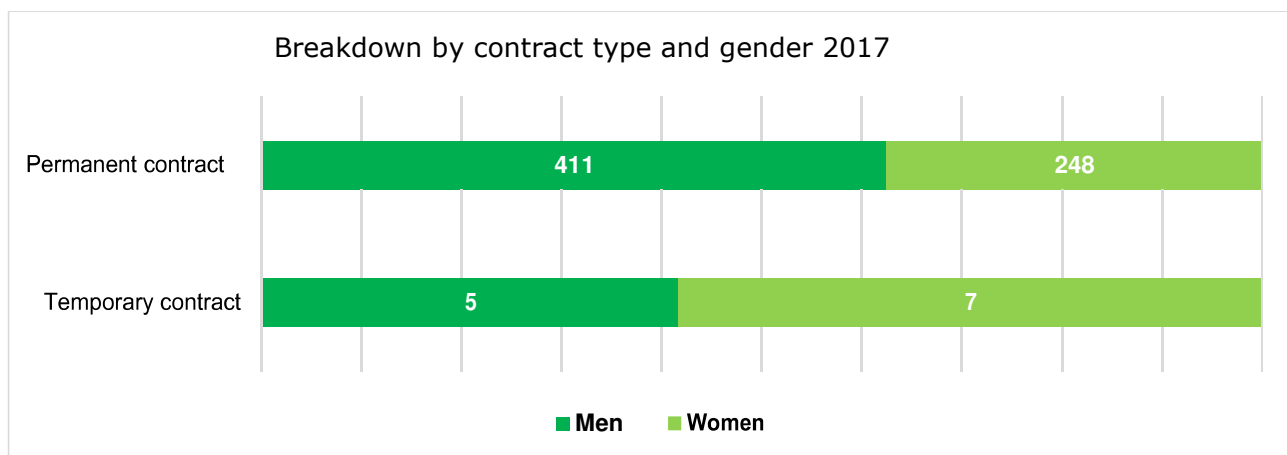
Companies consolidated on a line-by-line basis

Employees broken down by gender	2016	2017
Men	305	343
Women	177	191
<b>Total</b>	<b>482</b>	<b>534</b>

Companies consolidated with the Equity Method

Employees broken down by gender	2016	2017
Men	72	73
Women	64	64
<b>Total</b>	<b>136</b>	<b>137</b>

98.2% of employees are employed on permanent contracts, confirming the Ascopiave Group’s commitment to guaranteeing a stable working relationship and therefore making the most of the professional contribution of each person within the company. Furthermore, 86.4% of employees are employed full-time.



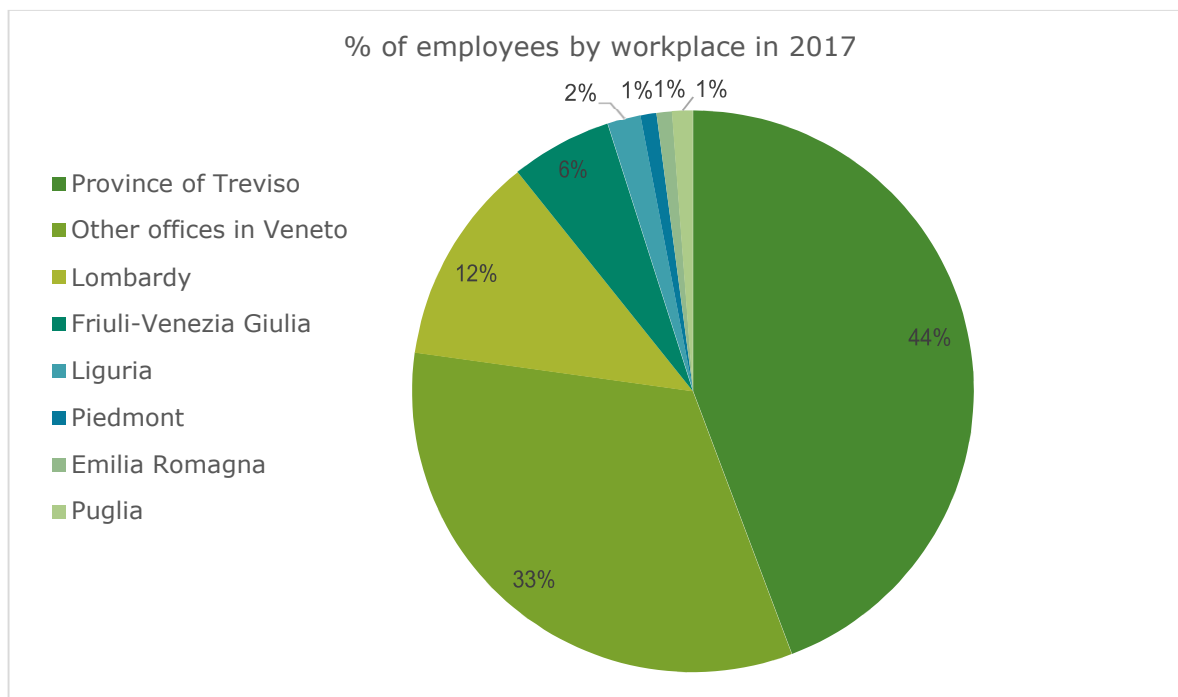
Companies consolidated on a line-by-line basis

Breakdown by contract type and gender 2017	Temporary contract	Permanent contract
Men	2	341
Women	4	187
<b>Total</b>	<b>6</b>	<b>528</b>

Companies consolidated with the Equity Method

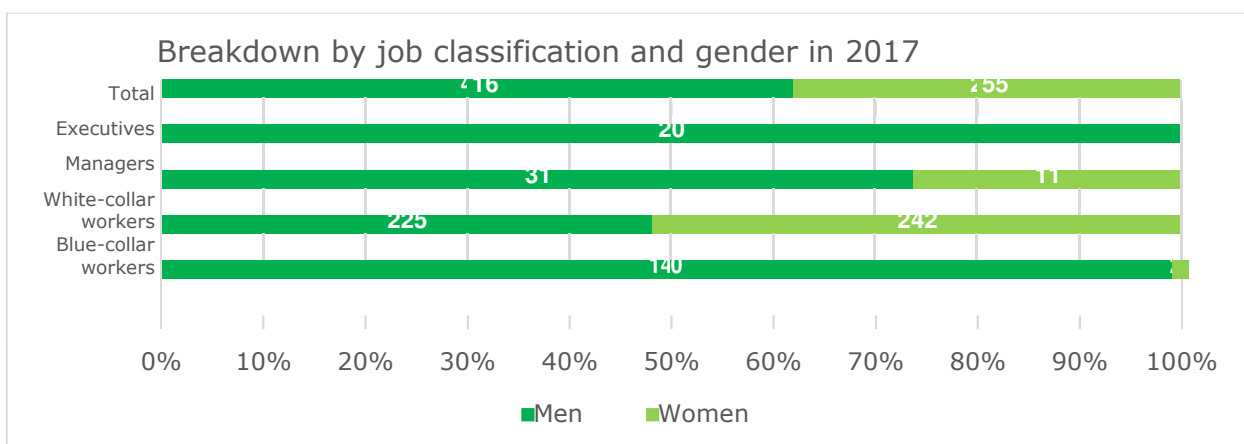
Breakdown by contract type and gender 2017	Temporary contract	Permanent contract
Men	3	70
Women	3	61
<b>Total</b>	<b>6</b>	<b>131</b>

As far as the geographical distribution of employees is concerned, 77% work at the Group’s offices in Veneto (44% in the province of Treviso and 33% in the other provinces of Veneto), followed by Lombardy, Friuli-Venezia Giulia, Liguria, Piedmont, Emilia Romagna and Puglia.



The data above include Companies consolidated with the Equity Method.

As regards female presence within the Companies, most white-collar workers are women, whereas the small number of women (2) in blue-collar positions is explained by the specific nature of the sector and the activity performed.



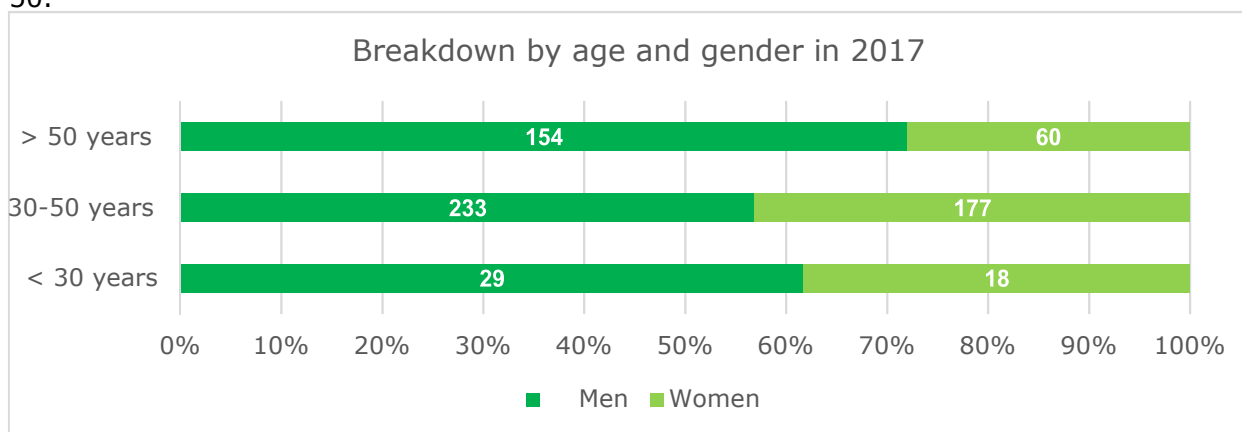
Companies consolidated on a line-by-line basis

	Blue-collar workers	White-collar workers	Managers	Executives	Total
Men	122	178	26	17	<b>343</b>
Women	2	180	9	0	<b>191</b>

Companies consolidated with the Equity Method

	Blue-collar workers	White-collar workers	Managers	Executives	Total
Men	18	47	5	3	<b>73</b>
Women	0	62	2	0	<b>64</b>

The average age of the workforce is medium-high, between 30 and 50 years in 61.1% of cases; employees under the age of 30 account for 7% of the workforce while 31.9% are over 50.



Companies consolidated on a line-by-line basis

	Men	Women	Total
< 30 years	23	12	<b>35</b>
30-50 years	186	135	<b>321</b>
> 50 years	134	44	<b>178</b>
<b>Total</b>	<b>343</b>	<b>191</b>	<b>534</b>

Companies consolidated with the Equity Method

	Men	Women	Total
< 30 years	6	6	<b>12</b>
30-50 years	47	42	<b>89</b>
> 50 years	20	16	<b>36</b>
<b>Total</b>	<b>73</b>	<b>64</b>	<b>137</b>

**Staff recruitment and turnover rate**

One element that highlights the solidity of the Group and its commitment to stable and ongoing employment is the turnover rate that stands at low and physiological values. In 2017, the **turnover rate was 3%**.

In addition, the Ascopiave Group hired 31 people in 2017, reaching a **recruitment rate of**

**5%.** As far as age groups are concerned, mostly people between 30 and 50 years old were hired.

No. of workers who joined and left during the year								
	Recruitments		Terminations		Recruitment rate (People hired of total at 31 <sup>st</sup> Dec.)		Turnover (Terminations of total at 31 <sup>st</sup> Dec.)	
	2016	2017	2016	2017	2016	2017	2016	2017
<b>Gender</b>								
Men	25	20	17	11	7%	5%	5%	3%
Women	10	11	16	8	4%	4%	7%	3%
<b>TOTAL</b>	<b>35</b>	<b>31</b>	<b>33</b>	<b>19</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>	<b>3%</b>
<b>Age</b>								
< 30 years	9	11	3	1	27%	23%	9%	2%
30-50 years	25	15	15	9	8%	4%	5%	2%
> 50 years	1	5	15	9	1%	2%	12%	4%
<b>TOTAL</b>	<b>35</b>	<b>31</b>	<b>33</b>	<b>19</b>	<b>7%</b>	<b>5%</b>	<b>7%</b>	<b>3%</b>

Companies consolidated on a line-by-line basis

	Recruitments		Terminations		Recruitment rate (People hired of total at 31 <sup>st</sup> Dec.)		Turnover (Terminations of total at 31 <sup>st</sup> Dec.)	
	2016	2017	2016	2017	2016	2017	2016	2017
<b>Gender</b>								
Men	18	18	12	10	6%	5%	4%	3%
Women	6	9	12	4	3%	5%	7%	2%
<b>TOTAL</b>	<b>24</b>	<b>27</b>	<b>24</b>	<b>14</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>3%</b>
<b>Age</b>								
< 30 years	7	7	2	0	21%	20%	6%	0%
30-50 years	16	15	10	5	5%	5%	3%	2%
> 50 years	1	5	12	9	1%	3%	10%	5%
<b>TOTAL</b>	<b>24</b>	<b>27</b>	<b>24</b>	<b>14</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>3%</b>

Companies consolidated with the Equity Method

	Recruitments		Terminations		Recruitment rate (People hired of total at 31 <sup>st</sup> Dec.)		Turnover (Terminations of total at 31 <sup>st</sup> Dec.)	
	2016	2017	2016	2017	2016	2017	2016	2017
<b>Gender</b>								
Men	7	2	5	1	10%	3%	7%	1%
Women	4	2	4	4	6%	3%	6%	6%
<b>TOTAL</b>	<b>11</b>	<b>4</b>	<b>9</b>	<b>5</b>	<b>8%</b>	<b>3%</b>	<b>7%</b>	<b>4%</b>
<b>Age</b>								
< 30 years	2	4	1	1	15%	33%	8%	8%
30-50 years	9	0	5	4	10%	0%	5%	4%
> 50 years	0	0	3	0	0%	0%	9%	0%
<b>TOTAL</b>	<b>11</b>	<b>4</b>	<b>9</b>	<b>5</b>	<b>8%</b>	<b>3%</b>	<b>7%</b>	<b>4%</b>

The estimated percentage of employees of the entire Group who will reach retirement age within 5 years (assuming 61-62 years) is 17% of the total number of employees at 31<sup>st</sup> December 2017; those who will reach it within 10 years account for 31%.

The percentage of senior managers<sup>1</sup>(executives) hired from the local community is 95% of the

<sup>1</sup> The senior manager must reside in the region in which (s)he works to be considered locally hired

managers of the entire Group.

## Development and growth of human capital

**The development of human resources** is one of the fundamental objectives of the Ascopiave Group, which is achieved through the direct involvement of employees in the development of training plans upon:

- Recruitment;
- Transfers to other job positions;
- Organizational changes and/or technical/technological innovations that significantly modify the professional content;
- Paths of professional growth.

## Incentive and remuneration policies

The Ascopiave Group promotes the management and motivation of people through incentive and development policies and instruments. To this end, every year the Group defines and plans schemes complementing those deriving from organizational changes and/or contractual automatism; such schemes are not envisaged in the contract but enhance individual professional skills.

Ascopiave has developed a streamlined and efficient assessment system through which most of the employees periodically receive an evaluation. In this regard, in 2015 a long-term incentive plan was approved, based on performance indicators and the trend of the Group's shares, in favor of executive directors and managerial staff with strategically relevant functions. The adoption of the Plan, called the "2015-2017 long-term incentive plan", was aimed at encouraging and retaining the Ascopiave Group's directors and employees who hold the positions of greater responsibility.

Furthermore, the Ascopiave Group has implemented an incentive system based on objectives (so-called MBO), which envisages a remuneration mechanism according to which the allocation of a variable bonus is dependent on the achievement of corporate and individual objectives. The system aims to consolidate the commitment of the entire organization to the strategic lines and promote personal development, increasing the accountability and growth of all staff, according to objective and fair criteria.

## Equal opportunities and corporate welfare

### **EXCERPT FROM THE CODE OF ETHICS**

*"All forms of discrimination must be avoided and in particular any discrimination based on race, nationality, gender, age, physical disability, sexual orientation, political or trade union opinions, philosophical views or religious beliefs.*

*Ascopiave and the Group companies undertake to avoid and prosecute any type of harassment in the workplace, interpreting their entrepreneurial role both as the protection of working conditions and the protection of the psycho-physical integrity of the worker, respecting his/her moral personality, avoiding that the latter suffers illicit conditioning or unjustified nuisance."*

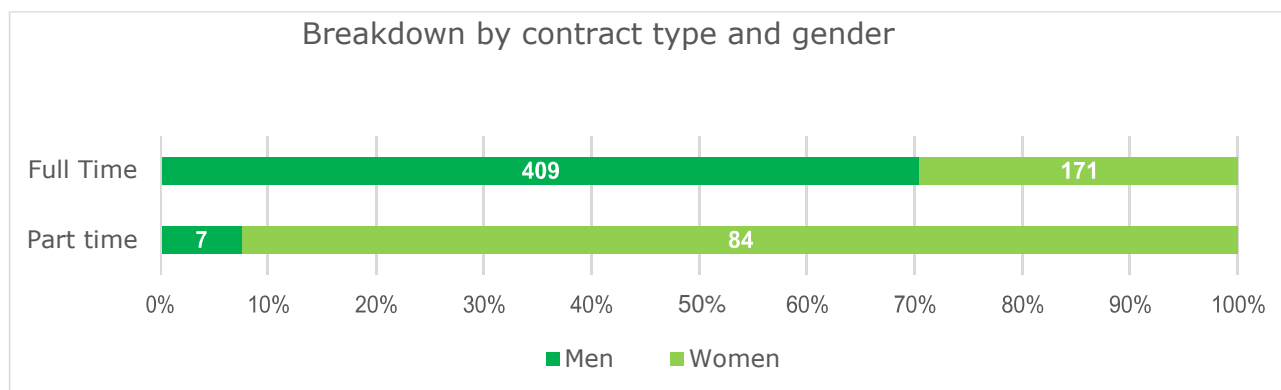
The Ascopiave Group does not discriminate in any way its employees and is sensitive to the issues of equal opportunities both as concerns personnel selection and management, and the organization of work. The Code of Ethics of the Ascopiave Group, in fact, expressly states the Companies' commitment to non-discrimination and equal opportunities; any violation of these rights is recognized as a breach of the Code of Ethics.

Ascopiave pays particular attention to the work-life balance of its workers: specifically, by virtue of a contract which provides for exceptions to the national collective bargaining



agreement, the company ensures flexibility for the beginning and end of the working day and allows working mothers with children aged up to 11 to get a part-time job and/or benefit from a more convenient working time.

Employees can also apply for part-time contracts and, at 31<sup>st</sup> December 2017, 91 contracts had been activated (13.6% of the total), requested in 92.3% of cases by women workers. The Group also offers the opportunity to benefit from the company canteen service even in the case of part-time working hours.



Companies consolidated on a line-by-line basis

Contract type	Part time	Full Time
Men	5	338
Women	61	130
<b>Total</b>	<b>66</b>	<b>468</b>

Companies consolidated with the Equity Method

Contract type	Part time	Full Time
Men	2	71
Women	23	41
<b>Total</b>	<b>25</b>	<b>112</b>

In 2017, the Ascopiave Group defined with the trade unions of each company some contracts complementing the national collective bargaining agreement (Second-level Contracts) which envisage the allocation to employees of a performance bonus, commensurate with the achievement of a system of indicators of profitability, efficiency, productivity and quality. In accordance with such contracts, the beneficiary can receive the bonus in the form of Corporate Welfare services, benefiting from further tax and social security advantages. Furthermore, in order to make the management of the provision of services effective, in 2017 the Group completed the project for the implementation of the internal Corporate Welfare platform, which allows the beneficiaries of the 2016 performance bonus to use the Welfare services. The platform offers a wide range of services, from education, social security and health services, up to the purchase of other goods and services from the platform’s accredited suppliers. Such services were welcomed enthusiastically by the staff in 2017: approximately 25% of employees converted a portion of their 2016 performance bonus into their Welfare account.

In 2017, 40 parental leaves were granted, of which 72% to women. All but one person returned to work at the expiration of the leave.

Parental leaves and re-entry rates		
No. of employees	2016	2017

	Men	Women	Total	Men	Women	Total
No. of parental leaves granted	8	30	<b>38</b>	11	29	<b>40</b>
No. of workers who returned to work after benefitting from the parental leave	8	29	<b>37</b>	11	27	<b>38</b>

Companies consolidated on a line-by-line basis

No. of employees	2016			2017		
	Men	Women	Total	Men	Women	Total
No. of parental leaves granted	7	18	<b>25</b>	7	19	<b>26</b>
No. of workers who returned to work after benefitting from the parental leave	7	17	<b>24</b>	7	17	<b>24</b>

Companies consolidated with the Equity Method

No. of employees	2016			2017		
	Men	Women	Total	Men	Women	Total
No. of parental leaves granted	1	12	<b>13</b>	4	10	<b>14</b>
No. of workers who returned to work after benefitting from the parental leave	1	12	<b>13</b>	4	10	<b>14</b>

As additional corporate welfare measures, the Group offers its employees the possibility of benefiting from:

- Contractual Complementary Pension Scheme (Pegaso, Solidarietà Veneto, Previndai Negri);
- Complementary Healthcare Insurance, with the Group's contribution for the gas-water contract staff;
- Welfare plan for all companies – excluding AsmSet and Unigas – according to which employees can use their 2017 performance bonus, increased by 15%, for welfare services (complementary pension scheme, healthcare services, cultural services, baby-sitting, etc.).

## Occupational health and safety

### THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:



#### Workplace safety and workers' health

Ascopiave and the Group companies believe that the protection of workers' health and safety is a priority: therefore, the objective is not only to comply with the requirements of the specific applicable regulations, but also to implement actions aimed at the continuous improvement of the working conditions. Safety is promoted within all company activities.

For the Group, the prevention of accidents and occupational diseases is an essential objective of its business activity.

The key elements of the health and safety policy are:

- Measures aimed at increasing the economic value of the company, in full compliance with safety;
- Implementation of activities in full compliance with rules and regulations on the health and safety of workers;
- Continuous training of personnel, in order to raise awareness of the importance of

- working according to the laws and regulations in force, as well as of the consequences that may affect their own safety;
- Definition and review of quality, safety and environment targets, in order to maintain an adequate control system and provide resources for their achievement.

## BS OHSAS 18001 certification: "Occupational Safety Management System"

The Ascopiave Group has defined guidelines common to all the Group companies in order to promote a **Safety Management System** complying with the requirements of the **OHSAS 18001** standard, increasingly effective and efficient, able to guarantee not only the observance of the mandatory rules but also a continuous improvement, in line with the objectives of the corporate safety policy.

The BS OHSAS 18001 certification was obtained in 2011 and reconfirmed again in 2017. The system is fully integrated with those for Quality and the Environment, thus guaranteeing a shared working culture, based on professionalism and efficiency.

Thanks to the certified Occupational Health and Safety Management System, Ascopiave is able to monitor the risks related to work, improve performance, make the work environment safer, respect and apply correctly the relevant laws and ensure compliance in the event of inspections.

The Ascopiave Group pays particular attention to the analysis of accidents, which allows a detailed report of every type of activity that caused the event.

In 2017, there were 6 **workplace accidents** in total involving operational staff. Only one commuting injury occurred and, compared to 2016 data, their number decreased by 2 units. The two main accident indexes are described below:

- **Frequency index:** it reveals the frequency of accidents, i.e. the number of accidents per million hours worked (the greater the index, the greater the frequency of accidents occurred per hours worked);
- **Severity index:** it shows the number of days lost per thousand hours worked, i.e. the severity of the accidents occurred (the greater the index, the greater the severity of the injuries).

The continuous commitment of the Ascopiave Group is evidenced by the marked reduction in the number of days lost due to accidents, even though the number of accidents remains substantially unchanged.

Work days lost and accidents	2016	2017
No. of accidents at work	3	5
No. of commuting injuries	5	1
No. of deaths due to accidents	0	0
No. of days lost due to accidents	410	238
No. of cases of occupational diseases	0	0
No. of days lost due to occupational diseases	0	0
Total number of hours worked	870,444	921,899.06
<b>Frequency index *</b>	<b>3.45</b>	<b>5.42</b>
<b>Severity index *</b>	<b>0.47</b>	<b>0.26</b>

\* The calculation of the indices excludes commuting injuries

Companies consolidated on a line-by-line basis

Work days lost and accidents	2016	2017
No. of accidents at work	3	5
No. of commuting injuries	4	1
No. of deaths due to accidents	0	0
No. of days lost due to accidents	410	238
No. of cases of occupational diseases	0	0
No. of days lost due to occupational diseases	0	0
Total number of hours worked	698,521	803,271

<b>Frequency index*</b>	<b>4.29</b>	<b>6.22</b>
<b>Severity index *</b>	<b>0.59</b>	<b>0.30</b>

\* The calculation of the indices excludes commuting injuries

#### Companies consolidated with the Equity Method

<b>Work days lost and accidents</b>	<b>2016</b>	<b>2017</b>
No. of accidents at work	0	0
No. of commuting injuries	1	0
No. of deaths due to accidents	0	0
No. of days lost due to accidents	0	0
No. of cases of occupational diseases	0	0
No. of days lost due to occupational diseases	0	0
Total number of hours worked	171,923.48	118,627.94
<b>Frequency index *</b>	<b>0</b>	<b>0</b>
<b>Severity index *</b>	<b>0</b>	<b>0</b>

\* The calculation of the indices excludes commuting injuries

Particular attention is devoted to the constant training and refresher courses for employees and for positions specifically dedicated to safety management (managers and persons appointed). In 2017, the total training hours (calculated as the sum of all hours attended by all workers) were about 3,336, with an average of 9.9 hours per employee. The lessons covered various aspects of prevention and health protection.

### **On-site safety for third-party companies**

In order to also improve the safety conditions of the personnel of the supplier companies working in our offices and plants, the Ascopiave Group has established specific procedures that govern their access and operation. Third-party companies must inform the Ascopiave Group of any accidents in which their staff is involved during their work at the company's sites.

Since 2016, the Contract Conditions require the parties to "open" contracts for connections, maintenance and network expansions to provide the statistics relating to the accidents occurred during the year on the sites under the responsibility of the Ascopiave Group.

In 2017 there were no cases of accidents on site.

Furthermore, the Ascopiave Group also involves the suppliers who work at its sites in safety training: courses, updates and meetings are addressed to the employers/managers when the work starts and whenever the specific nature of the work requires it.

## CUSTOMERS AND CITIZENS SERVED

### 2017 HIGHLIGHTS

**Over 741,000** customers served

**Over Euro 2.6 million** disbursed for gas and electricity bonuses

**96.9%** customer satisfaction

**4,038** requests for gas and electricity

**1 in-house call center**

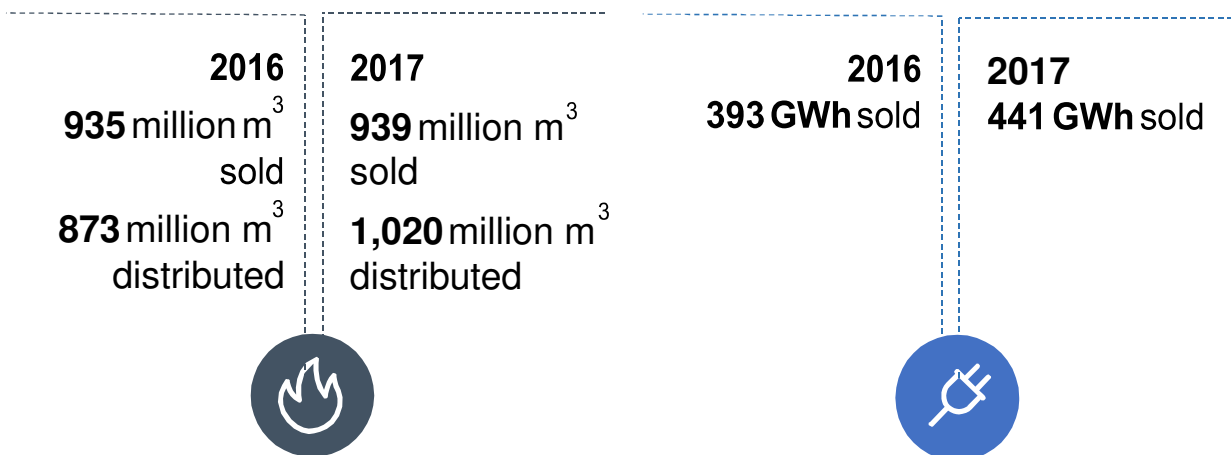
**Over 285,000** contacts processed by the call center

**Over 7,200** gas emergency services provided

**Almost 69,000** electronic meters installed

## Customers and markets served

The Group’s customers are predominantly **families**, followed by entities and condominiums, businesses and professionals, shops, artisans and large companies. Thanks to its broad customer base and the quantity of gas sold, the Group is currently **one of the main operators in the industry at a national level**.



Companies consolidated on a line-by-line basis

	2016	2017
Million m <sup>3</sup> Gas sold	800.3	803.8
Million m <sup>3</sup> Gas distributed	801.7	946.9
GWh Electricity sold	339.9	383.4

Companies consolidated with the Equity Method

	2016	2017
Million m <sup>3</sup> Gas sold	134.3	134.9
Million m <sup>3</sup> Gas distributed	71.7	73.5
GWh Electricity sold	53.10	57.10

The Ascopiave Group continues working towards the achievement and maintenance of high quality standards of the service offered to end customers, sales companies and licensor Municipalities; these operations and services feature complex plant design, construction and management stages, which require high professionalism and careful monitoring of the conditions of service, as well as periodic maintenance to guarantee safety and efficiency over time in compliance with the applicable regulations.

The Ascopiave Group’s primary objectives are:

- To maintain the highest level of quality of the gas and energy supply service, in compliance with the requirements set by the AEEGSI;
- To ensure an efficient and safe gas distribution network without service downtime;

These commitments are based on the desire to lead the company towards an excellent service in order to become a high quality and dynamic partner able to meet the specific needs of the various customer segments. For this reason, the company’s activity is constantly aimed at improving its business with investments based on innovative and pioneering services for the benefit of the community.

As a consequence, one of the Group’s priorities is to ensure honest and clear trade communications, based on the correctness of the commercial conduct of its own staff and external business partners and on the preparation of transparent and competitive offers in the free market, combined with campaigns dedicated to families.

Thanks to its broad customer base and the quantity of gas sold, the Group is currently one of the main operators in the industry at a national level. The Group owns concessions and direct assignments for the management of distribution activities in **230 Municipalities**, supplying the service to a market segment of **1.5 million inhabitants**, through a distribution network which spreads over **10,000 kilometers**. The sale of natural gas is performed through different companies, some under joint control. Overall, in 2017, the companies of the Group sold over 1 billion cubic meters of gas to end users.

The Ascopiave Group maintains relationships with the customer through different channels, working on the quality of the service, safety, appropriate commercial offers with particular attention to the **needs of families** and on the help to the local community.

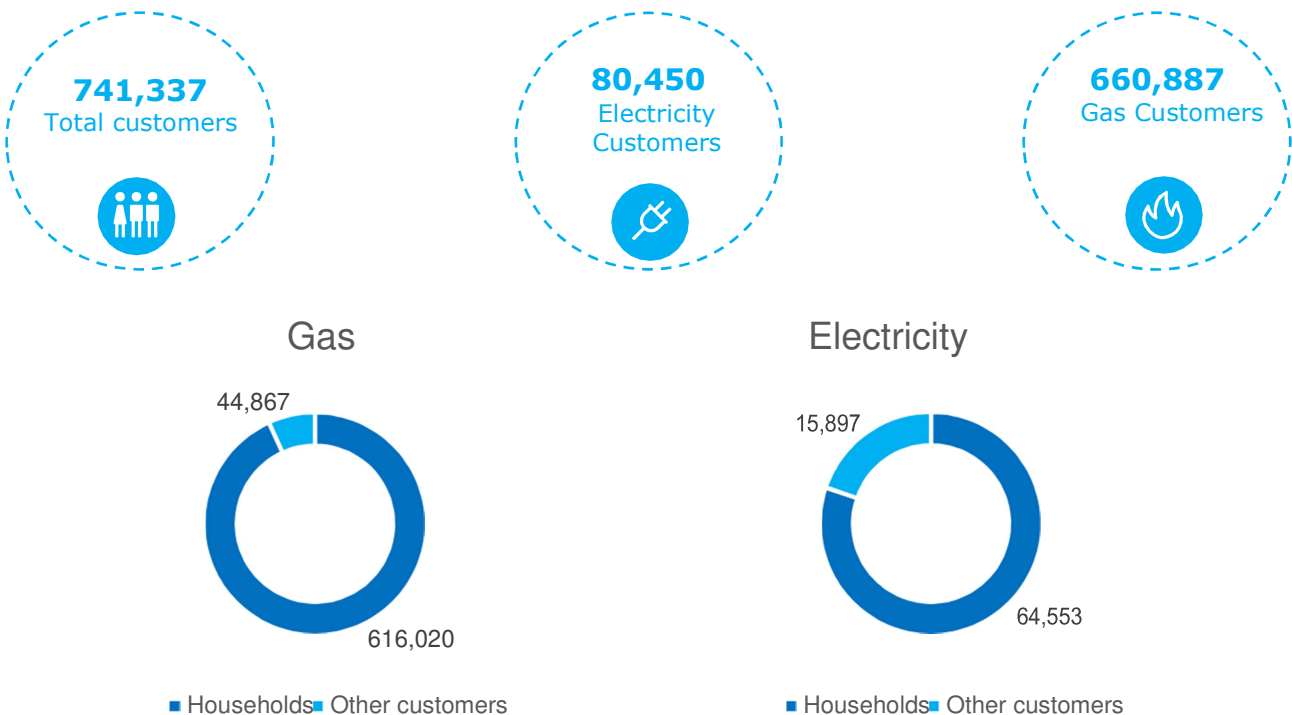
Thanks to shared values which are determining for its growth, the Ascopiave Group is **close to the territory, to the municipal administrations and to local associations, contributing to their sustainable social and environmental development**. With this set of intentions, the company wants to contribute to the growth of the surrounding area while respecting sustainability and implementing environmentally friendly solutions in order to make the community aware of energy saving, safety and respect for the environment.

With a penchant for volunteering, the Group also supports socially valuable initiatives, bringing tangible aid to citizens and trying to assist the most disadvantaged categories through concrete tools for granting subsidies.

The Ascopiave Group is a major industrial company, attentive to people, social issues and **local needs**.

The development of **technological innovation projects** has also led the Company to evolve towards efficiency and saving, confirming an excellent service quality that exceeds the standards established by the Authority for Electricity, Gas and the Water System (AEEGSI).

In 2017, the Ascopiave Group served over 740 thousand users of gas and electricity services. 89% of customers use gas services, while 11% electricity services.



## Companies consolidated on a line-by-line basis

Total no. of customers	Gas	Electricity
Households	507,061	56,162
Other customers	39,547	12,097
<b>Total customers</b>	<b>546,608</b>	<b>68,259</b>

## Companies consolidated with the Equity Method

Total no. of customers	Gas	Electricity
Households	108,959	8,391
Other customers	5,320	3,800
<b>Total customers</b>	<b>114,279</b>	<b>12,191</b>

## Code of business conduct

The liberalization of the market has been accompanied by new forms of customer protection, especially as regards the transparency of commercial offers on the free market.

In particular, the AEEGSI, by resolution ARG/com 104/10 dated 08<sup>th</sup> July 2010, approved the **Code of Business Conduct** for the sale of electricity and natural gas to end users. Such Code, in accordance with the provisions of the **Consumer Code** and the Community directives on energy, sets out the rules that the operators of electricity and/or natural gas sales must observe upon their commercial relations with the end customers, households and small and medium enterprises.

The Code applies to supply contracts proposed and concluded with the end customers who use low voltage electricity and/or with end customers whose consumption of natural gas does not exceed 200,000 standard cubic meters/year.

The control of service quality and the strict observance of the rules of conduct aimed at guaranteeing the transparency and correctness of the commercial offers in the free market and at preventing any improper commercial practices have always been key themes in the company's commercial policy.

All the external collaborators working on behalf of the Companies are trained and updated periodically by the internal staff and are provided with an identification badge, in order to make them immediately recognizable by the Customer.

The Group Sales Companies have also voluntarily adopted the reinstatement procedure set forth in AEEGSI Resolution 153/2012/R/com dated 19<sup>th</sup> April 2012 and subsequently the procedure set out in Resolution 228/2017/R/com dated 7<sup>th</sup> April 2017, undertaking, in the event of unsolicited contract or activation or disputed contract or activation, to provide the previous distributor and seller with all the useful information to restore, free of charge for the Customer, the previous conditions of supply.

In 2017, thanks to the sensitivity and commitment of the Group Sales Companies, not one of the thousands of new contracts recorded was an unsolicited and/or disputed contract.





## Code of Ethics

In addition to the Code of Business Conduct, the Group, confirming the commitments made with consumer associations and in order to protect its customers, has created, in collaboration with Adiconsum and Federconsumatori, a specific brochure entitled "Our Code of Ethics".

This guide explains the operation of the GAS AND ELECTRICITY FREE MARKET, informing the citizens about their rights and protections. It is a simple tool, able to guarantee clarity and transparency. The objective is to summarize for household customers some information that may be useful for a conscious choice of the supplier: rights, protections, quality levels, information on the liberalization of the energy service market.

Therefore, the guide becomes an instrument for transparency made available to our customers. The presence of consumer associations testifies to the appropriateness and quality of the company's choices.

This document is an important informative tool addressed to consumers and customers on their rights, protections and levels of service quality.



For further information on the Code of Business Conduct, please refer to the section Rights and Protections on the website [www.ascotrade.it](http://www.ascotrade.it)

## Subsidies for financially struggling families

A close connection with the territory is one of the peculiarities that set the Group apart: concrete examples are the many initiatives implemented, in various forms, to support disadvantaged families.

Since 2008, subsequent to the first signs of the economic and financial crisis, the Group has developed a project, unparalleled in Italy, to support the most financially struggling families, as a complement to the "governmental gas bonus" established by the law and the possibility of deferring the bills and paying them in installments.

The "Friends" project stems from the agreement between the Ascopiave Group and the major trade unions in Veneto for collecting and submitting the applications for discounts in the gas bill for families in economic difficulty. The agreement involves Ascotrade, Pasubio Servizi, Veritas Energia, Etra Energia, the trade unions (CGIL, CISL, UIL) of the provinces of Belluno, Padua, Rovigo, Treviso, Venice and Vicenza, the CAF CGN (tax assistance centers) of the self-employed workers of Veneto, the Caf Acli of Belluno, Padua, Treviso, Venice and Vicenza, CUPLA Veneto (Unitary Committee of Retired Self-employed workers) and UNSIC of Belluno (National Trade Union of Entrepreneurs and Farmers).

A social partnership based on the regional network of CAF, the tax assistance centers through which the customers of the Ascopiave Group's sales companies, certifying their ISEE (equivalent financial situation index), can apply for the subsidies.

Progressively, over the years, the ISEE threshold that guarantees entitlement to the discount has increased, allowing more families to take advantage of the subsidies.

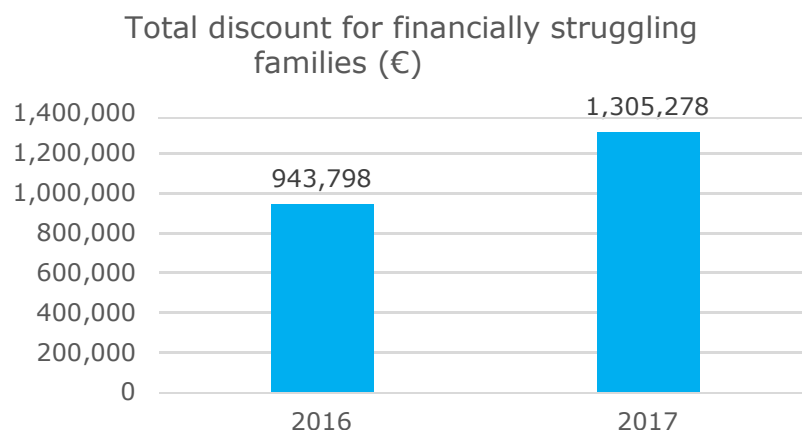
To finance the initiative, the Ascopiave Group has allocated a total investment of Euro 1,200,000.

In 2017, the maximum ISEE threshold that guarantees entitlement to the discounts was kept at Euro 25 thousand a year; however, the applications were divided into two different reduction categories: a 15 eurocent discount for each standard cubic meter of gas (Scm) to customers with ISEE up to Euro 15 thousand, and a 8 eurocent discount to customers with

ISEE over Euro 15 thousand and up to Euro 25 thousand.

## Family discount

Year	Number of customers	Quantity of Scm	Amount €	Average per capita	Average per capita
				Quantity of Scm	Amount €
2016	10,152	9,437,975	943,798	930	93
2017	12,181	9,875,477	1,305,278	811	107



The initiative called "Family discount" concerns entirely the companies consolidated on a line-by-line basis.

The company ASM SET has instead launched the initiative "Social Energy", which caters to households whose ISEE is less than Euro 15 thousand. In 2017, the company granted the discount to 669 customers for a total amount of Euro 60,135.

The discount established by the Group for families in difficulty, has been divided since 2017 into two segments: customers with ISEE up to € 15,000/scm 0.15 and customers with ISEE above € 15,000 and up to € 25,000/scm 0.08; this discount complements the social bonus introduced by the Government for holders of natural gas and/or electricity supply contracts in the house where they reside if their ISEE is less than or equal to € 8,107.50 or € 20,000 in the case of households with at least 4 dependent children.

2017 Gas BONUS		2017 Electricity BONUS		Total	
Number	Amount granted (€)	Number	Amount granted (€)	Customers	Amount granted (€)
22,028	2,332,866	4,303	352,802	26,316	2,685,668

Companies consolidated on a line-by-line basis

2017 Gas BONUS		2017 Electricity BONUS		Total	
Number	Amount granted (€)	Number	Amount granted (€)	Customers	Amount granted (€)
16,626	1,767,729	3,489	289,875	21,727	2,235,422

Companies consolidated with the Equity Method

2017 Gas BONUS		2017 Electricity BONUS		Total	
Number	Amount granted (€)	Number	Amount granted (€)	Customers	Amount granted (€)
5,402	565,137	814	62,927	6,201	628,064

## Customer service and satisfaction

### THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:



#### Customer satisfaction

Ascopiave provides public utility services according to high quality standards, with remarkable personnel skills and cutting-edge technologies and at competitive prices. Upon performing its activities, the offers are formulated to meet the needs and expectations of all stakeholders.

Customer service is a primary goal for the Ascopiave Group: the company **consistently ranks in the top positions** in the surveys that analyze the degree of satisfaction of the customers towards their company.

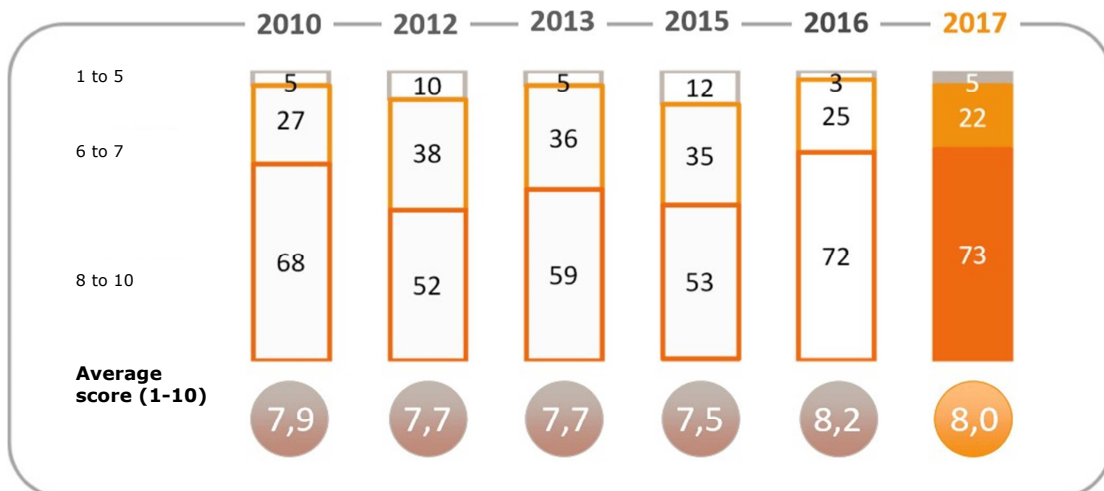
Year after year, the score of the overall judgment on the company's telephone services dedicated to customers is constantly increasing, as confirmed by the merit rankings regularly published by ARERA on the quality of services offered by the major national gas and electricity sales companies.

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In the latest survey, the score of the Group, as concerns the companies subject to the survey, is excellent as **customer satisfaction reaches 96.9%**.

Furthermore, since 2010 the Group has been commissioning external companies specialized in the sector to conduct on a regular basis surveys aimed at evaluating customer satisfaction and corporate positioning in the reference market. In 2014, the Group also introduced focus groups for specific issues, with the aim of improving customer relations and being able to grasp the real needs of consumers in terms of services and products offered, in a customer-oriented perspective. The latest customer satisfaction survey was conducted in 2017 on a sample of customers belonging to both the retail and business segments and positively confirmed the results of the previous ones, showing an overall satisfaction index of 8 points out of 10, in line with the previous year (Source: SWG).



## Management of complaints and issues reported

All complaints received by the company are collected, accepted and resolved. The complaints received and resolved are **strictly monitored on a monthly basis**, and specific reports are produced. In many cases, after analyzing the complaint, specific improvement actions are applied to organizational or operational aspects in order to prevent the occurrence of anomalies and improve the service rendered to customers.

High levels of commercial quality of the natural gas sales service are currently assured, which far exceed ARERA standards, which establishes a 40-day deadline for a motivated response to written complaints, including applications for bill correction, 90 calendar days for correcting bills, 20 calendar days for correcting double bills and 30 calendar days for a motivated response to written requests for information.

**Ascopiave exceeds the commercial quality objectives of the gas sales service with a level of responses compliant with the standard higher than 95%**

In 2017, the average response time was 9.3 calendar days for complaints and 3.7 days for requests for information, while the average time taken to correct bills was 33.5 days.

Types of request (Gas + Electricity) in 2017	Total requests	No. of responses in compliance with the standard	No. of corrections in compliance with the standard
Written complaints	4,073	4,058	0
Written complaints for bill correction	422	422	421
Correction of double bills	7	6	7
Information	2,622	2,600	0

Companies consolidated on a line-by-line basis

Types of request (Gas + Electricity) in 2017	Total requests	No. of responses in compliance with the standard	No. of corrections in compliance with the standard
Written complaints	691	686	0
Written complaints for bill correction	282	282	281
Correction of double bills	0	0	0
Information	627	625	0

Companies consolidated with the Equity Method

Types of request (Gas + Electricity) in 2017	Total requests	No. of responses in compliance with the standard	No. of corrections in compliance with the standard
Written complaints	3,382	3372	0
Written complaints for bill correction	140	140	140
Correction of double bills	7	6	7
Information	1,995	1975	0

## Call Center

In 2017, the Group’s Call Center processed **over 285,000 contacts** from customers who had asked to speak with an operator (calls transferred to an operator), reaching a service level from a minimum of 91.83% to a maximum of 98.84%.

For 99.9% of the time when the Toll-free Numbers were active at least one line was free in order to allow customers to get in touch with the operators, and the **average waiting time** before starting the conversation was between **31.2 and 158.3 seconds**.

These results place the Group above the minimum standards required by ARERA, which had set as the general call center quality standards for 2017 a service level of at least 85%, a minimum value of 95% for accessibility to the service and a maximum waiting time of 180 seconds.

	2016	2017	Benchmark
<b>ACCESSIBILITY TO THE SERVICE</b>			
All the calls received and made by the Call Center are analyzed in the Log	99.96%	99.91%	Equal to or over 95%
<b>AVERAGE WAITING TIME (sec.)</b>			
All the waiting seconds in the received call Log are counted	97.6	67.06	Less than or equal to 180 seconds
<b>SERVICE LEVEL</b>			
All the calls received are counted, distinguishing between those with actual conversation with the Call Center operator and those disconnected	89.94%	94.44%	Equal to or over 85%

*Data do not include Companies consolidated with the Equity Method.*

## Protection of consumer privacy

The Ascopiave Group respects the privacy of customers and users of online services by ensuring that the data collected are processed in full compliance with the applicable code. Data are processed through automated tools (e.g. by using electronic procedures and media) and/or manually (e.g. on paper forms) for the time strictly necessary to achieve the purposes for which the data were collected; specific security measures are adopted to prevent data loss, illicit or incorrect use and unauthorized access.

In 2017, no complaints were received from customers relating to the Protection of Privacy and data loss.

## Quality, safety and continuity of service

Service quality indicators represent, in qualitative and quantitative terms, the performance levels of the service provided. They concern:

- **Commercial quality** (mainly relating to the ability to perform rapidly activities such as the preparation of quotations and the execution of works at the end customers’ premises, the activation and deactivation of the supply, timeliness in personalized appointments);
- **Technical quality** (emergency response times, number of checks performed for odorization and percentage of grid inspected).

Below are the results considered satisfactory by the Ascopiave Group in 2017 for each of the quality indicators established:

Quality Indicators for the GAS service in 2017		Causes of non-compliance with the standard	
Indicator and specific standard	No. of services rendered	Causes attributable to third parties	Causes attributable to Ascopiave *
Maximum time for the preparation of quotations for the execution of simple works - 15 working days	3,739	0	7
Maximum time for the preparation of quotations for the execution of complex works - 30 working days	264	1	4
Maximum time for the execution of simple works - 10 working days	2,483	162	91
Maximum time for the activation of the supply - 10 working days	20,081	0	25
Maximum time for the deactivation of the supply upon the Customer's request - 5 working days	14,175	0	29
Maximum time for the reactivation of the supply subsequent to suspension due to payments in arrears - 2 working days	5,649	0	83
Maximum time for the reactivation of the supply subsequent to suspension due to situations of potential danger to public safety downstream the redelivery point - 2 working days	581	0	6
Maximum time for the verification of the metering group upon the Customer's request - 20 working days.	98	0	6
Maximum time for the replacement of a malfunctioning metering group - 5 working days.	10	0	0
Maximum time for the verification of supply pressure - 10 working days.	6	0	1
Time within which the Company is considered on time for appointments with Customers - 2 hours	46,945	4	16
Time for providing the Seller with technical data which can be obtained by reading a metering group - 10 working days.	68	0	0
Time for providing the Seller with other technical data - 15 working days.	311	0	3

\* For which Ascopiave has paid a reimbursement

Companies consolidated on a line-by-line basis

Quality Indicators for the GAS service in 2017		Causes of non-compliance with the standard	
Indicator and specific standard	No. of services rendered	Causes attributable to third parties	Causes attributable to Ascopiave
Maximum time for the preparation of quotations for the execution of simple works - 15 working days	3,298	0	7
Maximum time for the preparation of quotations for the execution of complex works - 30 working days	226	0	4
Maximum time for the execution of simple works - 10 working days	2,135	162	82
Maximum time for the activation of the supply - 10 working days	17,221	0	16
Maximum time for the deactivation of the supply upon the Customer's request - 5 working days	12,042	0	29
Maximum time for the reactivation of the supply subsequent to suspension due to payments in arrears - 2 working days	4,703	0	81
Maximum time for the reactivation of the supply subsequent to suspension due to situations of potential danger to public safety downstream the redelivery point - 2 working days	507	0	6
Maximum time for the verification of the metering group upon the Customer's request - 20 working days.	88	0	6
Maximum time for the replacement of a malfunctioning metering group - 5 working days.	0	0	0
Maximum time for the verification of supply pressure - 10 working days.	6	0	1
Time within which the Company is considered on time for appointments with Customers - 2 hours	40,424	2	15

Time for providing the Seller with technical data which can be obtained by reading a metering group - <i>10 working days</i> .	48	0	0
Time for providing the Seller with other technical data - <i>15 working days</i> .	276	0	3

## Companies consolidated with the Equity Method

Quality Indicators for the GAS service in 2017		Causes of non-compliance with the standard	
Indicator and specific standard	No. of services rendered	Causes attributable to third parties	Causes attributable to Ascopiave
Maximum time for the preparation of quotations for the execution of simple works - <i>15 working days</i>	441	0	0
Maximum time for the preparation of quotations for the execution of complex works - <i>30 working days</i>	38	1	0
Maximum time for the execution of simple works - <i>10 working days</i>	348	0	9
Maximum time for the activation of the supply - <i>10 working days</i>	2,860	0	9
Maximum time for the deactivation of the supply upon the Customer's request - <i>5 working days</i>	2,133	0	0
Maximum time for the reactivation of the supply subsequent to suspension due to payments in arrears - <i>2 working days</i>	946	0	2
Maximum time for the reactivation of the supply subsequent to suspension due to situations of potential danger to public safety downstream the redelivery point - <i>2 working days</i>	74	0	0
Maximum time for the verification of the metering group upon the Customer's request - <i>20 working days</i> .	10	0	0
Maximum time for the replacement of a malfunctioning metering group - <i>5 working days</i> .	10	0	0
Maximum time for the verification of supply pressure - <i>10 working days</i> .	0	0	0
Time within which the Company is considered on time for appointments with Customers - <i>2 hours</i>	6,521	2	1
Time for providing the Seller with technical data which can be obtained by reading a metering group - <i>10 working days</i> .	20	0	0
Time for providing the Seller with other technical data - <i>15 working days</i> .	35	0	0

The number of successful deactivations for payments in arrears amounted to about 8,800 in 2017, considering both the deactivations requested by the Group companies (5,744 deactivations) and by companies not belonging to the Ascopiave Group (3,162 deactivations).

Number of deactivations of the supply for payments in arrears	Successful *	Failed
Emilia Romagna	143	44
Friuli Venezia Giulia	102	24
Liguria	169	440
Lombardy	2,030	396
Piedmont	243	27
Veneto	6,179	2,983
<b>Total</b>	<b>8,866</b>	<b>3,914</b>

\* Successful = The supply has been suspended

## Companies consolidated on a line-by-line basis

Number of deactivations of the supply for payments in arrears	Successful *	Failed
Emilia Romagna	143	44
Friuli Venezia Giulia	102	24
Liguria	169	440

Lombardy	504	138
Piedmont	243	27
Veneto	6,179	2,983
<b>Total</b>	<b>7,340</b>	<b>3,656</b>

\* Successful = The supply has been suspended

Companies consolidated with the Equity Method

Number of deactivations of the supply for payments in arrears	Successful *	Failed
Lombardy	1526	258

\* Successful = The supply has been suspended

## Facility monthly inspection plan

The Group's attention to plant safety and service continuity is demonstrated by the increasingly concrete commitment to prevention, through inspections on the distribution network as summarized in the following table:

Inspections and leakages of the Gas Network		
	2016	2017
No. of checks performed for odorization	995	1,275
No. of leakages on the distribution network localized subsequent to inspection or detected where indicated by third parties	70	58
% of high and medium pressure network inspected of total	88.6%	74.6%
% of low pressure network inspected of total	87.4%	72.4%

Companies consolidated on a line-by-line basis

	2016	2017
No. of checks performed for odorization	736	1,041
No. of leakages on the distribution network localized subsequent to inspection or detected where indicated by third parties	33	39
% of high and medium pressure network inspected of total	91.1%	75.7%
% of low pressure network inspected of total	93.9%	75.5%

Companies consolidated with the Equity Method

	2016	2017
No. of checks performed for odorization	259	234
No. of leakages on the distribution network localized subsequent to inspection or detected where indicated by third parties	37	19
% of high and medium pressure network inspected of total	56.8%	58.0%
% of low pressure network inspected of total	50.2%	52.0%

**During 2017 there were no accidents related to the company facilities involving the population and the community.**

## Intervention plan

Since 1969, when the Ascopiave Group began equipping the territory with methane facilities and networks, a highly qualified team of engineers and technicians has been applying the **most forward-looking technologies** in order to guarantee high quality standards in the construction of distribution networks and systems.

The design phase is characterized by the use of technologically advanced IT tools and state-of-the-art equipment for the simulation of fluid dynamics configurations in the entire network. This allows us to:



- Ensure the optimal use of the networks, through the correct configuration of the pressures;
- Design the components of the entire network, so as to guarantee continuity of supply even in any "out of order" situations of some plants;
- Forecast the need to adjust the pipeline supply capacity;
- Plan effective network replacements so as to adapt them to the local emerging urban/industrial development needs.

Upon building the facilities, the Ascopiave Group has always adopted the most advanced construction solutions, technologies and equipment, and entrusted the **construction** to contractors with proven experience in the sector and proportionate skills. Supply continuity, by-pass works and no-dig techniques are just some of the measures taken to ensure an efficient and effective service and a safe management of the construction sites.

## Emergency service

The Group offers an **Emergency Service** to solve problems related to the supply of gas on the networks managed, such as leaks or seepage, interruptions or irregularities in supply, and damage to the distribution facilities. The service is completely free both from the landline and mobile phones and is available **24 hours a day, every day of the year**.

All the calls received are recorded and their outcome is monitored.

<b>GAS Emergency Service</b>	<b>2016</b>	<b>2017</b>
No. of calls received	18,947	18,785
No. of emergency services generated	6,747	7,213
% of answers within 120 sec.	99.70%	99.79%
% of calls with intervention compliant with the standard*	98.10%	99.43%
Average time taken to arrive on site (minutes)	38	36

\* 60 minutes on average, but for some plants the standard envisages different deadlines

Companies consolidated on a line-by-line basis

<b>GAS Emergency Service</b>	<b>2016</b>	<b>2017</b>
No. of calls received	15,666	15,830
No. of emergency services generated	5,620	6,194
% of answers within 120 sec.	99.70%	99.82%
% of calls with intervention compliant with the standard	98.10%	98.66%
Average time taken to arrive on site (minutes)	39	37.5

Companies consolidated with the Equity Method

<b>GAS Emergency Service</b>	<b>2016</b>	<b>2017</b>
No. of calls received	3,281	2,955
No. of emergency services generated	1,127	1,019
% of answers within 120 sec.	99.70%	99.83%
% of calls with intervention compliant with the standard	99.78%	99.78%
Average time taken to arrive on site (minutes)	31	30.9

## Emergency management plan

The Ascopiave Group has adopted a “**Plan for handling gas emergencies and accidents**” which defines the responsibilities, objectives, activities, organizational structure and methods for collecting, recording and transmitting the information needed to ensure a rapid and effective management of emergency situations or accidents involving the gas distribution service. An emergency is defined as any event that involves the gas distributed through a network, which may result in **serious and/or extensive effects** on safety and the continuity of the distribution service.

The definition also applies to any event that causes the interruption of the gas supply to at least 250 end Customers without notice when the supply is not reactivated within 24 hours from the start of the interruption.

In 2017 there were no gas emergencies or incidents.

# ENVIRONMENTAL SUSTAINABILITY

## 2017 HIGHLIGHTS

**ISO 14001 Certification** "Environmental Management Systems" since 2011

**Class A energy certification** for the new building

**28,000 m<sup>2</sup>** of external green areas

**104,000 Energy Efficiency Certificates (TEE)**, also called white certificates

**5** cogeneration thermal plants

**232,000 kWh** of energy produced by solar panels

**3,244 thousand kWh:** electricity consumption

**3,304 thousand m<sup>3</sup>:** natural gas consumption

**106** adjustment and metering facilities with sound absorbers

## Environmental policy and management system

### THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:



#### Environmental protection and rational use of energy

In accordance with a development model compatible with the territory and the environment, Ascopiave undertakes to manage its processes according to principles of environmental protection and efficiency, through the identification, management and control of its environmental aspects, as well as through the rational use of energy resources. Ascopiave is a large enterprise operating on the national scale whose daily objective is to distribute energy, in addition to providing services to the community minimizing the environmental impact of its activities also thanks to serious and careful research, technological developments and investments.

### UNI EN ISO 14001 Certification "Environmental Management Systems"

Our sensitivity to ecological issues, combined with the indirect economic benefits resulting from choices that limit the impact on the environment of the activities and services rendered, were decisive factors for the decision to adopt an Environmental Management System, primarily for the activity of methane gas distribution.

The decade-long and considerable experience with the Quality Management System has motivated the Ascopiave Group in the pursuit of the Environmental Management System certification and the Occupational Health and Safety certification: the joint certification of Ascopiave for the activity of methane gas distribution was obtained in October 2011. The Integrated Certification was then transferred to the subsidiary AP Reti Gas S.p.A. on 1<sup>st</sup> July 2016 subsequent to the transfer of the business unit.

On 3<sup>rd</sup> April 2017, Ascopiave acquired 100% of the share capital of Pasubio Group S.p.A. which subsequently changed its name to "AP Reti Gas Vicenza S.p.A.", acquiring the pre-existing integrated Quality, Safety and Environment certifications.

On 3<sup>rd</sup> December 2017, the Certification Body, after a successful audit, transferred the Quality, Safety and Environment certifications, adjusting the scope thereof, to the new Distribution Company (scope of certification common to AP Reti Gas and AP Reti Gas Vicenza).

The UNI EN ISO 14001 Environmental Management System, integrated with the Quality and Occupational Health and Safety systems, certifies that the organization is committed daily to such issues: this choice guarantees constant commitment to the improvement of environmental performance and the constant review of the main documents for the analysis and assessment of environmental risks by the two certified companies dealing with methane gas distribution: AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A..

These operating practices and procedures are also strictly applied by the other three (3) Distribution Companies of the Group: AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A. and UNIGAS Distribuzione S.r.l..

On 12<sup>th</sup> March 2018, Ascopiave S.p.A. obtained the Certifications attesting that its Management Systems are compliant with the reference standards UNI EN ISO 9001:2015, BS OHSAS 18001:2007 and UNI EN ISO 14001:2015, in relation to the following "scope": Provision of services for the companies of the Ascopiave Group in the following areas: administration, staff and organization, finance and operations control, procurement, real estate assets and information systems.

For the new Environmental Certification (ISO 14001:2015), Ascopiave has adopted a simplified Environmental Analysis, because of its limited environmental impact (soil, water, emissions, special waste, energy and fuel consumption).

## Fundamental values and Environmental policy

The set of values, the corporate ethical principles and the behavioral rules set out in the Code of Ethics inspire every day the activity of all of those who work, as employees or independent contractors, within the Group's sphere of action.

The Environmental Policy (integrated into Quality and Safety), adopted by the Parent Company and by two distribution companies, expresses the principles and values in the environmental area adopted by Ascopiave and consisting in:

- Sensitivity to ecological issues that limit the impact on the environment of activities and services;
- Research and development of technologies aimed at safeguarding resources and reducing the environmental impact and related risks.
- Deep respect for the environment in providing the service, by optimizing the management of special waste and the consumption of the resources used (water, fuels and energy);
- Constant compliance with legal standards and requirements for the protection of the environment and risk prevention for the safeguard of the environment in direct processes (employees) and in indirect ones, entrusted to suppliers and contractors;
- Continuous training of personnel, so that they are aware of the importance of working according to the laws and regulations in force, as well as of the consequences that may affect both their own safety and the surrounding environment;
- Definition and review of specific environmental objectives, maintaining an adequate control system and providing the resources needed to achieve them.

## Raw materials

The Ascopiave Group, in the responsible management of its environmental impacts, also evaluates the use of raw materials and supplies in order to make their use more efficient and intervene in case of risks for the environment. The main raw materials used by the Ascopiave Group are the following:

Raw materials consumption	2016	2017
Odorizer injected (tons)	26	33
Gas transported by the Ascopiave Group (thousands of m <sup>3</sup> )	940,555	1,097,369
Paper for offices (kg)*	39,800	15,000

\* the figure shown is the result of an estimate

The use of **paper** is not in itself a particularly critical aspect for Ascopiave: however, the Company is increasingly committed to limiting its use, thanks to projects linked to digitization and electronic invoicing.

Companies consolidated on a line-by-line basis

Raw materials consumption	2016	2017
Odorizer injected (tons)	23	30
Gas transported by the Ascopiave Group (thousands of m <sup>3</sup> )	801,717	946,868
Paper for offices (kg)*	39,800	15,000

\* the figure shown is the result of an estimate

Companies consolidated with the Equity Method

Raw materials consumption	2016	2017
Odorizer injected (tons)	3	3

Gas transported by the Ascopiave Group (thousands of m <sup>3</sup> )	146,724	150,501
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## Company's fleet

The Ascopiave Group has 287 corporate vehicles powered by diesel fuel and gasoline. Considering that Ascopiave operates locally, the impact on vehicular traffic linked to its fleet can be considered negligible: nevertheless, the Group constantly monitors fuel consumption. Overall, consumption was around **346 thousand liters**, recording a decrease in consumption as compared to the previous year.

Fuel consumption (in thousands of liters)	2016	2017
Gasoline	21	17
Diesel fuel	329	329
LPG	1	-
<b>Total</b>	<b>351</b>	<b>346</b>

Companies consolidated on a line-by-line basis

Fuel consumption (in thousands of liters)	2016	2017
Gasoline	17	13
Diesel fuel	299	294
LPG	1	-
<b>Total</b>	<b>317</b>	<b>307</b>

Companies consolidated with the Equity Method

Fuel consumption (in thousands of liters)	2016	2017
Gasoline	4	4
Diesel fuel	30	35
LPG	-	-
<b>Total</b>	<b>34</b>	<b>39</b>

As far as the Group's fleet is concerned, in 2017 the portion of vehicles in the efficiency category E 6/5/4 decreased by 5% compared to the previous year, of which the portion of dual fuel vehicles (gasoline/LPG, methane) decreased by 1%. Compared to 2016, the portion of vehicles belonging to an inefficient E 3/2/1/0 category decreased by 2.5% compared to 2016.

VEHICLE TYPE	No. OF VEHICLES	% EURO CATEGORY		
		% Euro 6	% Euro 5, Euro 4	% Euro 3, Euro 2, Euro 1, Euro 0
Diesel fuel/gasoline	258	19% (52 vehicles)	71% (194 vehicles)	4% (12 vehicles)
Dual fuel	18	0%	6% (18 vehicles)	0%
Total	276	100%		

Companies consolidated on a line-by-line basis

VEHICLE TYPE	No. OF VEHICLES	% EURO CATEGORY		
		% Euro 6	% Euro 5, Euro 4	% Euro 3, Euro 2, Euro 1, Euro 0
Diesel fuel/gasoline	229	17.6% (42 vehicles)	73.9% (176 vehicles)	4.6% (11 vehicles)
Dual fuel	9	0%	3.9% (9 vehicles)	0%
Total	238	100%		

## Companies consolidated with the Equity Method

VEHICLE TYPE	No. OF VEHICLES	% EURO CATEGORY		
		% Euro 6	% Euro 5, Euro 4	% Euro 3, Euro 2, Euro 1, Euro 0
Diesel fuel/gasoline	29	26.3% (10 vehicles)	47.4% (18 vehicles)	2.6% (1 vehicle)
Dual fuel	9	0%	23.7% (9 vehicles)	0%
Total	38	100%		

## Energy management and emissions

In 2017, the activity of EGE (expert in energy management) continued with the collection and reporting of the Group's energy data, pursuant to the provisions of Italian Legislative Decree 102/2014 art. 7-8. As part of a study aimed at improving efficiency, the Group considered it appropriate to double the amount of the electricity self-produced by the photovoltaic plant at the Pieve di Soligo site and the relevant preliminary project was submitted to the directors for examination. The main energy sources used by the Ascopiave Group are methane gas, electricity and automotive fuel. Electricity is supplied by third parties and is used both for lighting and equipment operation (civil buildings and warehouses) and for technological use (adjustment and metering facilities and cathodic protection). Methane gas is used as fuel in the civil and technological buildings owned.

In 2017, the methane gas consumption of the technological systems was monitored as in the previous years, which allowed us to improve the efficiency of the regulation of the thermal stations that serve such systems. The equipment was adjusted in order to guarantee the proper functioning of the station and therefore the safety and continuity of the service. A further reduction in the consumption of pre-heating gas per unit of gas injected into the network was however recorded.

With a view to the next energy diagnosis scheduled for 2019, a project for measuring and monitoring the group's energy consumption has been prepared and approved, distinguishing the amounts and types by each process. Monitoring will start in the first two months of 2018 and will concern the main production site, Pieve di Soligo; a consumption monitoring system is already active for the other production sites. The purpose of reporting by individual processes will make it possible to streamline/make efficient both productive and passive processes.

*	2016	2017
	Total	Total
Electricity (kWh)	3,599,549	3,483,170
Natural Gas (m <sup>3</sup> )	2,809,529	3,314,336
Fuel (liters)	382,534	370,298

\* The data on energy consumption within the organization include the values of AP Reti Gas Vicenza for the year 2017, including the period before the acquisition by the Group

## Companies consolidated on a line-by-line basis

*	2016	2017
	Total	Total
Electricity (kWh)	3,221,828	3,092,148
Natural Gas (m <sup>3</sup> )	2,729,589	3,240,252
Fuel (liters)	317,339	306,655

\* The data on energy consumption within the organization include the values of AP Reti Gas Vicenza for the year 2017, including the period before the acquisition by the Group

## Companies consolidated with the Equity Method

	2016	2017
	Total	Total
Electricity (kWh)	377,721	391,022
Natural Gas (m <sup>3</sup> )	79,940	74,084
Fuel (liters)	65,195	63,643

**Electricity produced by solar panels**

In line with its commitment to reducing environmental impacts, in June 2011 the Group put into service a **photovoltaic station**, integrated into the roof of the building used as a warehouse/archive for the exclusive use of the registered office.

In 2017, the amount of self-produced electricity was equal to 232 thousand kWh (+1.7% against 2016). The percentage of electricity consumed in the year 2017 is about 95%, a decrease compared to 2016 (97%) and in line with expected production standards. Self-produced energy increased, thanks to a more efficient maintenance of the facility; consumption decreased by 2% as a result of further interventions aimed at enhancing the efficiency of the site where the facility is located.

**District heating / Cogenerators**

In 2017, the total methane consumption for the Lavena Ponte Tresa (Varese) and Dolo/Mirano (Venice) plants amounted to approximately 527 thousand Scm, producing 1,706 thousand kWh of electricity in total, and a total thermal production of 2,313 kWh, thus producing thermal and electric energy in cogeneration mode in a highly efficient manner, maintaining a gas consumed/energy produced ratio  $\geq 70\%$ .

<b>Methane consumption [in thousands of Scm]</b>	<b>2016</b>	<b>2017</b>
Cogenerator in Lavena Ponte Tresa (VA)	125	130
Cogenerators CA' TRON - Dolo (VE)	66	75
Cogenerators BELLA MIRANO - Mirano (VE)	53	56
Cogenerators LE CIME - Mirano (VE)	238	266
<b>Electricity produced [in thousands of kWhe]</b>	<b>2016</b>	<b>2017</b>
Cogenerator in Lavena Ponte Tresa (VA)	400	413
Cogenerators CA' TRON - Dolo (VE)	203	227
Cogenerators BELLA MIRANO - Mirano (VE)	164	169
Cogenerators LE CIME - Mirano (VE)	809	894
<b>Thermal energy produced [in thousands of kWht]</b>	<b>2016</b>	<b>2017</b>
Cogenerator in Lavena Ponte Tresa (VA)	511	516
Cogenerators CA' TRON - Dolo (VE)	283	377
Cogenerators BELLA MIRANO - Mirano (VE)	267	286
Cogenerators LE CIME - Mirano (VE)	978	1,134
<b>Production efficiency [(kWhe+ kWht) / kWh comb.] %</b>	<b>2016</b>	<b>2017</b>
Cogenerator in Lavena Ponte Tresa (VA)	75	73
Cogenerators CA' TRON - Dolo (VE)	75	82
Cogenerators BELLA MIRANO - Mirano (VE)	84	83
Cogenerators LE CIME - Mirano (VE)	77	78



The efficiency of the cogenerators combined with district heating has made it possible to save 39 TOEs (tons of oil equivalent) and obtain 39 white certificates produced by company initiatives only.

## Energy efficiency initiatives

### Enhancement of the efficiency of the Ascopiave Group headquarters in Pieve di Soligo

With the aim of making the Group's headquarters **more energy efficient**, in 2015 the company's green areas were extended by covering the roofs with gardens, for a **total of 28 thousand m<sup>2</sup> of outdoor greenery**. This type of construction, which consists in creating gardens on the roofs of buildings, has ensured excellent natural insulation, contributing to significantly reducing air conditioning consumption in both summer and winter, thereby **decreasing both energy consumption and CO<sub>2</sub> emissions into the atmosphere**.

Furthermore, the Group has adopted a state-of-the-art irrigation system, which adjusts itself automatically based on the actual environmental conditions. This system was designed to reduce water consumption as much as possible. Finally, to further reduce consumption, a **rainwater collection system** was installed, through which the water is conveyed into two storage tanks and used for irrigation.

All the water used for civil uses is discharged into the public sewers. The irrigation water of the Headquarters is instead disposed of directly by the soil of the external green area.

With the aim of making the Group's headquarters more energy efficient, the following actions were implemented in 2017:

1. Replacement of windows in the basement of unit A with new high thermal insulation fixtures;
2. Installation of shading devices in the basement of unit A, south side, able to shield the room from the heat of the sun in summer;
3. Replacement of 19 existing 4x14W light fixtures with 33W LED lamps (saving of 41%).

The Ascopiave Group has pursued the objectives set for energy savings through interventions on customers, initiatives within the company and the plants and through the purchase of Energy Efficiency Certificates (TEE), while continuing to promote efficiency. Again in 2017, some energy efficiency projects were activated:

- Acquisition of an efficiency improvement project relating to the renovation of the external envelope of two nursing homes, one in Treviso and one in Pieve di Soligo.
- Acquisition of an efficiency improvement project relating to the public lighting system in the Municipality of Vidor (Treviso) in 2017;
- Replacement of 25 light fixtures with LED lamps at the headquarters in Pieve di Soligo in 2017.
- Enhancement of the efficiency of the pre-heating system in two facilities for the receipt, decompression and metering of gas, owned by the group and located in the Municipality of Maser and Altavilla Vicentina in 2017.

DESCRIPTION OF ACTION IMPLEMENTED	QUANTIFIED ANNUAL SAVINGS OF TOEs and/or CO <sub>2</sub> equivalent emissions
Enhancement of the efficiency of nursing homes	60 TOEs/140 ton CO <sub>2</sub> equivalent
Enhancement of the efficiency of public lighting system	86 TOEs
Replacement of light fixtures at the headquarters	1.1 TOEs
Enhancement of the efficiency of gas pre-heating systems	1.2 TOEs /2.35 ton CO <sub>2</sub> equivalent

*The data refer only to Companies consolidated on a line-by-line basis.*

White certificates (TEE - Energy Efficiency Certificates)	2016	2017
Expected targets - TEE	104,000	103,000
Targets achieved - TEE	103,000	62,000
Certificates obtained through company initiatives without resorting to the purchase on the market	38	217

*Data pertaining to Companies consolidated with the Equity Method are not available.*

The company intends to deliver 62,000 TEEs, thus complying with the minimum obligation required by applicable law.

The Group is working on the implementation of the Research and Development department in order to reduce the quantity of white certificates to be purchased on the market. With a view to favoring energy efficiency initiatives and in order to operate directly in energy efficiency projects, Veritas Energia S.p.A. has become ESCO certified according to UNI CEI 11352:2014. The activity, also pursuant to current legislation, will always be focused on the identification of efficiency improvement projects in EPC mode (Energy Performance Contractor).

In 2017, the Research and Development Department acquired a project for improving the efficiency of public lighting in the territory adjacent to the headquarters in Pieve di Soligo. The project was approved by the GSE and provided approximately 86 TEE, equivalent to 430 TEE in five years. In 2017, the project concerning the local production and injection into the network of biomethane extracted from the biodegradable fraction of urban solid waste was revised. The revised and re-proposed project envisages the optimization of the local municipal waste collection chain, through the recovery and production of biofuel in compliance with the provisions of Italian Ministerial Decree dated 5<sup>th</sup> December 2013. The original project envisaged the treatment, at the collection site, of 43,000 tons of biodegradable waste, assuming an annual production of 2,000,000 Scm of biomethane. The revised project involves the production of 4,000,000 Scm of biomethane, about half of which to be injected directly into the urban distribution networks, while the remaining 2,000,000 Scm would be allocated to the production of bio-LNG (Liquid Natural Gas), to be sold to the local goods transport sector, minimizing the negative externalities (CO<sub>2</sub>) produced locally.

The Group, through its subsidiary Veritas Energia S.p.A., with a view to promoting energy savings, has entered into a contract for the installation of an individual thermal energy metering system with a condominium consisting of 60 apartments in the Municipality of Martellago (Venice). The project falls within the scope of Italian Legislative Decree 102/2014, which requires all the condominiums equipped with a centralized heating system to install an individual thermal metering system for each apartment with one device for each radiator. The project was successfully completed in March 2017 and the first monitoring cycle of savings will be completed in April 2018.

## Cogeneration / District Heating

The Group has managed cogeneration plants and the respective district heating networks serving around 700 civil, commercial and public customers and some thermal plants serving condominiums.

These plants contribute to the improvement of air quality in the urban centers in which they are located because, thanks to their construction, the installation of individual thermal facilities is avoided (the latter are certainly less efficient both in terms of consumption and CO<sub>2</sub> emissions). With district heating, heat production is centralized in more efficient and better controlled stations than domestic boilers. Control is continuous, both as concerns combustion processes and atmospheric emissions.

In 2017, the most significant plants managed by the Group, in terms of environmental friendliness, were 5:

- The "Le Cime" plant in Mirano (Venice): this is a trigeneration plant, operating in winter for the supply of thermal energy for heating the connected customers and in summer to supply the absorber for the production of refrigeration energy for cooling the same customers. The plant benefited from the incentive deriving from the Green Certificates which in 2014, the last year of the incentives, produced 294 green certificates. At the end of 2016, another 51 customers of a new real estate complex built near the station were connected, allowing in 2017 the improvement of its overall efficiency, avoiding the installation of 51 new single-family boilers and their respective CO<sub>2</sub> emissions.
- The "Bella Mirano" plant in Mirano (Venice): it provides thermal energy in district heating and electricity to the grid. In 2015, the station recorded an increase in the saturation level of residential customers connected from 89% to 100%. During 2017, the saturation level remained unchanged. Thanks to the efficient management of the plant, in accordance with Italian Ministerial Decree dated 5<sup>th</sup> September 2011, the company obtained, as in 2016, 17 TEEs (energy efficiency certificates) equal to 17 TOEs saved (tons of oil equivalent);
- The "Cà Tron" plant in Dolo (Venice): In the cogeneration station combined with the district heating grid, compared to last year, the degree of saturation of users increased by 2%. In 2017, thanks to the efficient management of the plant, in accordance with Italian Ministerial Decree dated 5<sup>th</sup> September 2011, 22 TEEs (energy efficiency certificates) were achieved, equal to 22 TOEs saved (tons of oil equivalent), increasing by 90% the amount of TOEs saved;
- The "Ponte Tresa" plant in Ponte Tresa (Varese): This station provides thermal energy to municipal public buildings (primary school, middle school, gym, town hall); in 2017 there were no significant changes;
- The "S. Silvestro" plant in Vetrego di Mirano (Venice): in operation since 2014, it is our first thermal system, completely powered by renewable sources. In 2017, the plant produced about 90 MWh of thermal energy, allowing a saving of about 9 TOEs (tons of oil equivalent), thanks to the use of "renewable" fuel; the balance of CO<sub>2</sub> emissions is zero.

Name of plant managed in 2017	Description	Total quantity of energy produced (kWh)	White certificates generated
Le Cime Mirano	Trigeneration plant combined with district heating	2,028,000	0
Bella Mirano	Cogeneration plant combined with district heating	455,000	17
Ca Tron Dolo	Cogeneration plant combined with district heating	604,000	22
Ponte Tresa	Cogeneration plant combined with district heating	929,000	0

The data refer only to Companies consolidated on a line-by-line basis.

### Geothermal power station

Given the Group's commitment in the energy sector and the sensitivity of the Management towards the use of renewable energy sources, the Group considered whether to exploit geothermal energy, using the subsoil as an exchanger for the operation of heating and cooling systems such as reversible heat pumps. A preliminary test was therefore successfully conducted; considering its positive outcome, the Group decided to power the heating and conditioning plants with a geothermal heat pump, in order to reduce environmental pollution and overall energy consumption.

This type of energy is totally renewable, since it involves the transfer of thermal energy to the subsoil in the summer and a substantially equivalent energy withdrawal during the winter operating cycle. The reporting of primary energy savings will begin in 2018.

## Emissions

The following table shows the main CO<sub>2</sub> emissions generated in 2017 by the Ascopiave Group:

DIRECT AND INDIRECT EMISSIONS - Scope 1 and Scope 2	2016		2017		EF (Emission factor)
	Tons of CO <sub>2</sub> eq.	Quantity	Tons of CO <sub>2</sub> eq.	Quantity	
Indirect emissions deriving from the consumption of electricity	1,081	3,378.7 thousand kWh	1,079	3,263 thousand kWh	0.3306 ton/kWh (1)
Direct emissions deriving from the consumption of natural gas	5,507	2,809 thousand Scm	6,496	3,314 thousand Scm	0.00196 ton/Scm (2)
Direct emissions deriving from the consumption of diesel fuel for vehicles	949	358,102 l	928	350,238 l	0.00265 ton/l (3)
Direct emissions deriving from the consumption of gasoline for vehicles	53	23,045 l	46	20,060 l	0.00230 ton/l (3)
Direct emissions deriving from the consumption of LPG fuel for vehicles	2	1,386 l	0	0 l	0.00161 ton/l (3)
Direct emissions deriving from the consumption of methane fuel for vehicles	0	93 kg	0	0 kg	0.00275 ton/kg (3)
Indirect emissions avoided thanks to the energy produced by the photovoltaic system	-73	228 thousand kWh	-77	232 thousand kWh	0.3306 ton/kWh (1)
<b>TOT annual CO<sub>2</sub> emissions</b>	<b>7,519</b>		<b>8,472</b>		

1. Data from ISPRA publication no. 257 2017 "Atmospheric emission factors of CO<sub>2</sub> and other greenhouse gases in the electricity sector" [www.isprambiente.gov.it](http://www.isprambiente.gov.it);
2. Data from MISE publication dated 28<sup>th</sup> February 2017 "Monitoring of greenhouse gas emissions for the period (2013-2020) for stationary plants" <http://www.minambiente.it/pagina/monitoraggio-delle-emissioni-di-gas-ad-effetto-serra-il-periodo-2013-2020-gli-impianti>;
3. Figures contained in the publication in the monthly magazine Quattroruote of 11<sup>th</sup> January 2017 "Consumption and emissions: updated data and everything you need to know" [http://www.quattroruote.it/news/eco\\_news/2010/01/15/consumi\\_ed\\_emissioni\\_per\\_capirne\\_di\\_pi%C3%B9.html](http://www.quattroruote.it/news/eco_news/2010/01/15/consumi_ed_emissioni_per_capirne_di_pi%C3%B9.html);
4. Data from ISPRA publication no. 212 2015 "Atmospheric emission factors of CO<sub>2</sub> and development of renewable sources in the electricity sector";

Companies consolidated on a line-by-line basis

DIRECT AND INDIRECT EMISSIONS - Scope 1 and Scope 2	2016		2017	
	Tons of CO <sub>2</sub> eq.	Quantity	Tons of CO <sub>2</sub> eq.	Quantity
Indirect emissions deriving from the consumption of electricity	960	3,001 thousand kWh	950	2,872 thousand kWh
Direct emissions deriving from the consumption of natural gas	5,350	2,730 thousand Scm	6.351	3,240 thousand Scm
Direct emissions deriving from the consumption of diesel fuel for vehicles	793	299,208 l	778	293,516 l
Direct emissions deriving from the consumption of gasoline for vehicles	39	16,745 l	30	13,139 l
Direct emissions deriving from the consumption of LPG fuel for vehicles	2.2	1,386 l	0	0 l
Direct emissions deriving from the consumption of methane fuel for vehicles	0.3	93 kg	0	0 kg
Indirect emissions avoided thanks to the energy produced by the photovoltaic system	-73	228 thousand kWh	-77	232 thousand kWh
<b>TOT annual CO<sub>2</sub> emissions</b>	<b>7,071</b>		<b>8,032</b>	

Companies consolidated with the Equity Method

DIRECT AND INDIRECT EMISSIONS - Scope 1 and Scope 2	2016		2017	
	Tons of CO <sub>2</sub> eq.	Quantity	Tons of CO <sub>2</sub> eq.	Quantity
Indirect emissions deriving from the consumption of electricity	121	377.7 thousand kWh	129	391 thousand kWh
Direct emissions deriving from the consumption of natural gas	157	79.9 thousand Scm	145	74.1 thousand Scm
Direct emissions deriving from the consumption of diesel fuel for vehicles	156	58,894 l	150	56,722 l
Direct emissions deriving from the consumption of gasoline for vehicles	14	6,300 l	16	6,921 l
Direct emissions deriving from the consumption of LPG fuel for vehicles	0	0 l	0	0 l
Direct emissions deriving from the consumption of methane fuel for vehicles	0	0 kg	0	0 kg

Indirect emissions avoided thanks to the energy produced by the photovoltaic system	0	0	0	0
<b>TOT annual CO<sub>2</sub> emissions</b>	<b>448</b>		<b>440</b>	

## Reduction of noise pollution

The Ascopiave Group also monitors noise emissions: in addition to ordinary maintenance and actions aimed at improving the efficiency of the distribution network, in fact, the Group pays great attention to the reduction of the noise pollution created by the receipt systems (the adjustment and metering facilities – so-called Re.Mi.).

These facilities are the systems for reception and first reduction at the point where the transport company delivers the gas to the distributor, with the exception of any portion of the facility dedicated to the production of electricity from the decompression of natural gas (turboexpander) and related ancillary and service systems (transformer station etc.).

In 2017, the Group equipped about 63% of the **adjustment and metering facilities** it manages with sound absorbers.

<b>Adjustment and metering facilities silenced</b>	<b>2016</b>	<b>2017</b>
No. of adjustment and metering facilities managed	140	168
No. of adjustment and metering facilities silenced	84	106

Companies consolidated on a line-by-line basis

<b>Adjustment and metering facilities silenced</b>	<b>2016</b>	<b>2017</b>
No. of adjustment and metering facilities managed	106	134
No. of adjustment and metering facilities silenced	79	88

Companies consolidated with the Equity Method

<b>Adjustment and metering facilities silenced</b>	<b>2016</b>	<b>2017</b>
No. of adjustment and metering facilities managed	34	34
No. of adjustment and metering facilities silenced	5	18

## Waste management

### Production and storage of Special Waste

In 2015, the Ascopiave Group adopted a specific IT program to support and standardize the management of Special Waste for all Group companies that handle Special Waste (Parent Company and Distribution Companies). This type of management has succeeded in standardizing both document registration and filing practices and the annual MUD (unified form of environmental declarations).

The waste generated during the various production stages is collected in special containers, chosen according to their type (barrels, garbage bins, bags, boxes, etc.), adequately identified and stored in areas specifically defined in order to avoid dispersion into the environment

(Temporary Storage).

Where applicable, the Group has extended the registration in the SISTRI (waste traceability control system) to all the Sites that produce hazardous waste, namely all the sites that manage the production and disposal of Special Waste (even in small quantities), both of the Parent company and the distribution companies.

In 2017 the agreements with the inter-municipal Centers for Waste Sorting (CERD) were signed for the ecological disposal of the exhausted toner cartridges of the company's photocopiers.

Where it was not possible to enter into agreements, Ascopiave defined a practice that envisages the collection of waste by a private company authorized to transport waste (contract). Unlike the procedures with local Cooperatives (agreements), the waste identification form (FIR) must be filled out upon collection.

The use of ECOBOXES and the standardization of the service also at the sales offices enable the local offices to avoid managing the two EWC codes (080318 - 160216) as "Special waste"; as a consequence, the Loading and unloading register does not apply to any of the Group's sales companies<sup>2</sup>.

### Recovery and disposal of Special Waste

The waste is collected and sent to recovery or disposal operations within the expiration date of the Temporary Storage chosen by the waste producer (quarterly or annual frequency).

Currently, only the Warehouse of AP Reti Gas Headquarters needs to respect a quarterly expiration for its Temporary Storage.

The other Temporary Storages, among which Ascopiave's, maintain an annual frequency.

The Group Companies, namely Ascopiave and the distribution companies, deliver the special waste to the authorized disposal or recovery facility via accredited transporters: once the suppliers have been approved subsequent to the verification of the required qualifications, the periodic renewal of the Authorizations is monitored and updated by using software dedicated to special waste management.

Both AP Reti Gas and AP Reti Gas Vicenza are authorized by the Register of Environmental Managers to transport their own non-hazardous special waste to the Authorized Recovery Facility. In 2017, AP Reti Gas delivered 1,600 kg of paper and cardboard packages in total (EWC 150101) produced at the Sandrigo site in 2017 (the total annual production was 20,540 kg) directly to the Authorized Recovery Facility (12 journeys). The same company delivered directly to the Authorized Recovery Facility (1 journey) a total amount of 20 kg of plastic packages (EWC 150102) produced at the Marchiolo site. The transportation of the remaining quantities of special waste (hazardous and non-hazardous) to the authorized Destination Facilities, exclusively in the Italian territory, took place through accredited companies (National Register of Environmental Managers for transportation).

In the three-year period 2015-2017, no complaints/reports were received about this environmental aspect from the parties involved, and no critical issues regarding the disposal of waste were recorded.

Waste produced by type	2016		2017	
	Total	% Total	Total	% Total
Hazardous [kg]	3,415	1.3%	2,950	1.0%
Non-hazardous [kg]	265,289	98.7%	291,947	99.0%
<b>Total</b>	<b>268,704</b>	<b>100%</b>	<b>294,897</b>	<b>100%</b>

Companies consolidated on a line-by-line basis

Waste produced by type	2016		2017	
	Total	% Total	Total	% Total
Hazardous [kg]	3,415	1.3%	2,870	1.1%
Non-hazardous [kg]	253,434	98.7%	265,917	98.9%
<b>Total</b>	<b>256,849</b>	<b>100%</b>	<b>268,787</b>	<b>100%</b>

<sup>2</sup> As regards the registration obligation, since the waste is NON-HAZARDOUS and derives from office operations, and given that this activity does not fall within the scope of artisanal, industrial and waste recovery activities, these companies **are not required to register the production or disposal of waste.**

## Companies consolidated with the Equity Method

Waste produced by type	2016		2017	
	Total	% Total	Total	% Total
Hazardous [kg]	0	0%	80	0.3%
Non-hazardous [kg]	11,855	100%	26,030	99.7%
<b>Total</b>	<b>11,855</b>	<b>100%</b>	<b>26,110</b>	<b>100%</b>

Waste managed by disposal method (kg)								
	Hazardous		Non-hazardous		Total		% total	
	2016	2017	2016	2017	2016	2017	2016	2017
Recovery	2,920	2,775	264,976	275,899	267,896	278,674	99.7%	99.6%
Recycling	120	0	0	0	120	0	0%	0%
Disposal	375	132	313	1,051	688	1,183	0.3%	0.4%
<b>Total</b>	<b>3,415</b>	<b>2,907</b>	<b>265,289</b>	<b>276,950</b>	<b>268,704</b>	<b>279,857</b>	<b>100%</b>	<b>100%</b>

## Companies consolidated on a line-by-line basis

Waste managed by disposal method (kg)								
	Hazardous		Non-hazardous		Total		% total	
	2016	2017	2016	2017	2016	2017	2016	2017
Recovery	2,920	2,695	253,121	250,229	256,041	252,924	99.7%	99.7%
Recycling	120	0	0	0	120	0	0.0%	0.0%
Disposal	375	132	313	691	688	823	0.3%	0.3%
<b>Total</b>	<b>3,415</b>	<b>2,827</b>	<b>253,434</b>	<b>250,920</b>	<b>256,849</b>	<b>253,747</b>	<b>100%</b>	<b>100%</b>

## Companies consolidated with the Equity Method

Waste managed by disposal method (kg)								
	Hazardous		Non-hazardous		Total		% total	
	2016	2017	2016	2017	2016	2017	2016	2017
Recovery	0	80	11,855	25,670	11,855	25,750	100%	98.6%
Recycling	0	0	0	0	0	0	0%	0.0%
Disposal	0	0	0	360	0	360	0%	1.4%
<b>Total</b>	<b>0</b>	<b>80</b>	<b>11,855</b>	<b>26,030</b>	<b>11,855</b>	<b>26,110</b>	<b>100%</b>	<b>100%</b>

The main categories of special waste produced by the companies consolidated on a line-by-line basis and by the company Unigas S.p.A. are:

EWC Code	Type of Special Waste	2016	2017
150101 - 200101	Paper and cardboard packages / paper and cardboard	12.9%	8.9%
150103 - 170201	Wooden packaging / wood	2.3%	5.0%
150106	Mixed materials packaging	9.7%	5.0%
170402	Aluminum	33.7%	45.4%
170405	Iron and steel	35.8%	32.2%

All Hazardous special waste deriving from the use of products purchased for maintenance and/or resulting from disposal of equipment, is attributable to Ascopiave and the distribution companies.

The most relevant categories of hazardous special waste produced by the companies consolidated on a line-by-line basis and by the company Unigas S.p.A. are:

EWC Code	Type of Special Waste (kg)	2016	2017
150110* - 15011*	Packaging containing dangerous substances	281	378
160213*	Discarded equipment containing hazardous components	307	1,049
160601*	Lead batteries	938	1,311



## Annex: GRI STANDARD TABLES

### Chart of sustainability aspect boundaries

The following chart shows the scope of each material aspect identified (see chapter: *Dialogue with stakeholders and materiality analysis*): the concept of scope refers to the boundaries within which the impacts related to each «Material Aspect» occur, whether **inside or outside the Ascopiave Group**.

Material Aspect	Boundaries		GRI Indicator
	Internal boundaries	External boundaries	
<i>Operating results – Cash Flows</i>	Ascopiave Group		G4 EC-1
<i>Service efficiency</i>	Ascopiave Group	Customers	G4 PR9; EU25;
<i>Responsible management of the supply chain</i>	Ascopiave Group	Suppliers	G4 HR10; EC9; EN32
<i>Employment</i>	Ascopiave Group	Community and Territory	G4 LA1; EU15
<i>Health and safety of workers</i>	Ascopiave Group	Suppliers	G4 LA6; LA16
<i>Good governance and anti-bribery practices (anti-bribery, competitive behavior, compliance with laws and regulations and respect for human rights)</i>	Ascopiave Group	Customers, Suppliers, Community and Territory	G4 SO3; SO7; SO8; HR3; HR9; HR12
<i>Emergency management</i>	Ascopiave Group	Customers, Community and Territory	DMA (formerly EU21)
<i>Safety and reliability of gas and electricity services</i>	Ascopiave Group	Customers	G4 PR2; G4 SO11; G4 PR9
<i>Information on products and services, accessibility</i>	Ascopiave Group	Customers	EU27
<i>Customer satisfaction</i>	Ascopiave Group	Customers	G4 PR5
<i>Protection of customer privacy</i>	Ascopiave Group	Customers	G4 PR8
<i>Energy efficiency and saving</i>	Ascopiave Group	Local community / Territory	G4 EN-3

## Chart connecting the scopes set out in Italian Legislative Decree 254 with the reference documents

Scopes of Italian Legislative Decree 254/2016	Requirements of Italian Legislative 254/2016	References to 2017 documents
Business management model	Art. 3.1, par. a) Description of the business model for the management and organization of the company's activities, including any models adopted pursuant to Italian Legislative Decree 231/2001	<b>RO:</b> Corporate Governance and Code of Ethics <b>CGR:</b> 11.3. ORGANIZATION MODEL Pursuant to Italian Legislative Decree no. 231/2001 <b>NFD:</b> IDENTITY AND RESPONSIBILITY
Policies	Art. 3.1, par. b) Description of the policies implemented by the company, including those regarding due diligence	<b>RO:</b> Corporate Governance and Code of Ethics <b>CGR:</b> 11.3. ORGANIZATION MODEL pursuant to Italian Legislative Decree no. 231/2001 <b>NFD:</b> COMMENT ON THE METHODS ADOPTED, IDENTITY AND RESPONSIBILITY, SOCIAL SUSTAINABILITY, ENVIRONMENTAL SUSTAINABILITY <b>Policy for quality, environment and occupational safety</b>
Risk management model	Art. 3.1, par. b) Description of the main risks, generated or suffered, and deriving from the company's activities	<b>CGR:</b> 11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM <b>NFD:</b> IDENTITY AND RESPONSIBILITY
People	Art 3.2, par. d) Information concerning the management of personnel, including gender equality, the implementation of conventions of international organizations and dialogue with the social partners	<b>RO:</b> Human resources <b>NFD:</b> SOCIAL SUSTAINABILITY
	Art 3.2, par. c) Information regarding the impact on health and safety	<b>NFD:</b> SOCIAL SUSTAINABILITY
Environment	Art 3.2, par. a, b, c) Use of energy resources, distinguishing between those produced from renewable and non-renewable sources, use of water resources; greenhouse gas emissions and polluting emissions into the atmosphere; impact on the environment	<b>NFD:</b> ENVIRONMENTAL SUSTAINABILITY
Social issues	Art 3.2, par. d) Information regarding social aspects	<b>NFD:</b> SOCIAL SUSTAINABILITY AND CUSTOMERS AND CITIZENS SERVED
Respect for human rights	Art 3.2, par. e) Information regarding respect for human rights and measures taken to prevent violations thereof and discriminatory behavior	<b>NFD:</b> SOCIAL SUSTAINABILITY
Fight against bribery	Art 3.2, par. f) Information concerning the fight against active and passive bribery	<b>RO:</b> Corporate Governance and Code of Ethics <b>CGR:</b> 11.3. ORGANIZATION MODEL pursuant to Italian Legislative Decree no. 231/2001 <b>NFD:</b> IDENTITY AND RESPONSIBILITY

RO – Report on Operations

CGR – Corporate Governance Report

NFD – Non-Financial Disclosure

## Table of GRI indicators

The following table contains useful information for assessing the coverage of the information requirements stated in the GRI-G4 reporting standard. The chart consists of four columns. The third column indicates, with an asterisk, the comment on the requirement or any absence of information: the relevant justification is expressed in a note below the corresponding indicator.

Code	Indicator	Page	Comments and omissions
<b>GENERAL STANDARD DISCLOSURE</b>			
<b>STRATEGY AND ANALYSIS</b>			
G4-1	Statement by the Chairman	2	
G4-3	Name of the organization	3	
G4-4	Main brands, products and/or services	6	
G4-5	Place where the headquarters are located	6	
G4-6	Number of countries in which the organization operates	6	
G4-7	Ownership structure and legal form	5	
G4-8	Markets served	6; 42-43	
G4-9	Organization size	5; 19; 30; 41; 55	
G4-10	Number of employees by type of contract, region and gender	32-34	The breakdown by region and gender has not been reported as it is not significant given the Group's actual geographical presence and the staff policies adopted.
G4-11	Percentage of employees covered by national collective bargaining agreements		100% of the organization's employees are covered by national collective bargaining agreements
G4-12	Description of the supply chain	25	
G4-13	Significant changes during the reporting period	3	
G4-14	Explanation of the application of the prudential approach	10-13	
G4-15	Adoption of external codes and principles		The company does not adopt external codes and principles.

G4-16	Affiliation to associations	18	
EU 1	Installed capacity by energy source	59-63	
EU 2	Net energy produced by type of plant	60-64	
EU 3	Number of energy service customers	41-42	
EU 4	Length of the Electricity/Gas distribution network	42-43	
EU 5	Allocation of emission allowances	61-62	
<b>MATERIAL ASPECTS AND REPORTING SCOPE</b>			
G4-17	List of the companies included and indication of the companies not included in the report	3	
G4-18	Process of defining report content	16-17	
G4-19	List of the aspects identified as material	17	
G4-20	Scope of consolidation for each material aspect (within the organization)	69	
G4-21	Scope of consolidation for each material aspect (outside the organization)	69	
G4-22	Explanation of the effects of changes on calculations		Since this is the first reporting year, there are restatements as compared to the previous year.
G4-23	Significant changes compared to the previous reporting period.		Since this is the first reporting year, there are no significant changes compared to the previous year.
<b>INVOLVEMENT OF STAKEHOLDERS</b>			
G4-24	List of stakeholder groups engaged by the organization	15	
G4-25	Principles for identifying and selecting the main stakeholders by activity	15	
G4-26	Stakeholder engagement approach	15-16	
G4-27	Issues emerging from stakeholder engagement	17-18	
<b>REPORT PROFILE</b>			
G4-28	Reporting period	3-4	
G4-29	Date of publication of the most recent report		Since this is the first edition, this section does not apply
G4-30	Reporting frequency	3-4	
G4-31	Useful contacts and addresses to request information on the report and its contents		info@ascopiave.it
G4-32	"In accordance" option chosen and table of GRI content	3	
G4-33	Report external assurance		Attached
<b>GOVERNANCE</b>			
G4-34	Organization's governance structure	9	
<b>ETHICS AND INTEGRITY</b>			
G4-56	Mission, values, codes of conduct and principles	6-8	

SPECIFIC STANDARD DISCLOSURE		Page	Comments and omissions
<b>CATEGORY: ECONOMIC</b>			
<b>ECONOMIC PERFORMANCE</b>			
DMA	Disclosure on management approach	20-21	
G4-EC 1	Direct economic value generated and distributed	21-22	To best express the distribution of the economic value generated to the stakeholders, the indicator methodology has been adapted to the Company's business.
<b>PRESENCE ON THE MARKET</b>			
DMA	Disclosure on management approach	31-34	
G4-EC 6	Percentage of senior managers hired from the local community	35	All Group executives are resident in one of the regions in which Ascopiave is present
<b>INDIRECT ECONOMIC IMPACTS</b>			
DMA	Disclosure on management approach	23	
G4-EC 8	Main indirect economic impacts considering the externalities generated	22-23	
<b>PROCUREMENT PRACTICES</b>			
DMA	Disclosure on management approach	28-29	
G4-EC 9	Proportion of spending on local suppliers	29	
<b>CATEGORY: ENVIRONMENTAL</b>			
<b>MATERIALS</b>			
DMA	Disclosure on management approach	57	
G4-EN 1	Materials used divided by weight and volume	57	
<b>ENERGY</b>			
DMA	Disclosure on management approach	59	

G4-EN 3	Energy consumption within the organization	57-60; 64-65	Energy consumption is not reported in GJ as requested by the GRI. The company undertakes to report consumption according to the guidelines commencing the next financial year.
<b>EMISSIONS</b>			
DMA	Disclosure on management approach	64	
G4-EN 15	Direct greenhouse gas emissions	57-60	
G4-EN 16	Indirect greenhouse gas emissions	64-65	
<b>DISCHARGE AND WASTE</b>			
DMA	Disclosure on management approach	66-68	
G4-EN 23	Total weight of waste by type and method of disposal	66-68	
<b>PRODUCTS AND SERVICES</b>			
DMA	Disclosure on management approach	66	
G4-EN 27	Extent to which environmental impacts of products and services have been mitigated	66	
<b>COMPLIANCE</b>			
DMA	Disclosure on management approach	56-57	
G4-EN 29	Significant fines and number of sanctions due to non-compliance with environmental laws or regulations		No fines of this type
<b>ENVIRONMENTAL ASSESSMENT OF SUPPLIERS</b>			
DMA	Disclosure on management approach	26-27	
G4-EN 32	Percentage of new suppliers that were screened using environmental criteria	26-27	The indicator refers only to suppliers classifiable as contractors.
<b>GRIEVANCE MECHANISMS ABOUT ENVIRONMENTAL ASPECTS</b>			
DMA	Disclosure on management approach	48	
G4-EN 34	Number of grievances about environmental impacts received, handled and solved through formal grievance mechanisms		No grievances of this type
<b>CATEGORY: SOCIAL</b>			
<b>WORKING PRACTICES AND DECENT WORKING CONDITIONS</b>			
<b>EMPLOYMENT</b>			
DMA	Disclosure on management approach	31-36	

G4-LA 1	Total number and rate of new employee hires by age group, gender and region	34-35	The breakdown by region has not been reported as it is not significant given the actual geographical presence of the Group.
EU 15	Percentage of employees who will reach retirement age in the next 5 to 10 years	35	The breakdown by professional category and gender has not been reported. The company undertakes to report it commencing the next financial year.
<b>WORK / INDUSTRIAL RELATIONS</b>			
DMA	Disclosure on management approach	31	
G4-LA 4	Minimum notice periods regarding operational changes		Ascopiave applies the provisions of the national reference contract
<b>OCCUPATIONAL HEALTH AND SAFETY</b>			
DMA	Disclosure on management approach	39-40	
G4-LA 6	Accidents and absenteeism	39-40	I) the absenteeism rate and the number of occupational diseases for contractor workers are not currently available. II) The breakdown by gender and region has not been reported. The company undertakes to report it commencing the next financial year.

<b>DIVERSITY AND EQUAL OPPORTUNITIES</b>			
DMA	Disclosure on management approach	9	
G4-LA 12	Composition of governance bodies and breakdown of employees by indicators of diversity	9	
<b>GRIEVANCE MECHANISMS ABOUT WORKING CONDITIONS</b>			
DMA	Disclosure on management approach	12	
G4-LA 16	Number of grievances about labor practices		No grievances of this type
<b>HUMAN RIGHTS</b>			
<b>NON-DISCRIMINATION</b>			
DMA	Disclosure on management approach	10-12	
G4-HR3	Total number of incidents of discrimination and actions taken		No grievances of this type
<b>EVALUATION</b>			
DMA	Disclosure on management approach	10-12	
G4-HR9	Areas of operations that have been subject to human rights reviews		100% of the areas have been reviewed through the application of the 231 Model
<b>MECHANISMS FOR SOLVING GRIEVANCES</b>			
DMA	Disclosure on management approach	10-12	
G4-HR12	Number of grievances about human rights impacts		No grievances of this type
<b>ANTI-BRIBERY</b>			
DMA	Disclosure on management approach	10-12	
G4-SO3	Areas of operations that have been analyzed as concerns bribery and other relevant risks identified		100% of the areas have been reviewed through the application of the 231 Model
<b>UNFAIR COMPETITION</b>			
DMA	Disclosure on management approach	10-12	
G4-SO7	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		None
<b>COMPLIANCE</b>			
DMA	Disclosure on management approach	10-12	
G4-SO8	Significant fines and non-monetary sanctions due to non-compliance with laws or regulations		None
<b>GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY</b>			
DMA	Disclosure on management approach	48	
G4-SO11	Number of grievances about impacts on society		No grievances
<b>PRODUCT LIABILITY</b>			
<b>HEALTH AND SAFETY OF CONSUMERS</b>			
DMA	Disclosure on management approach	54	
G4-PR2	Non-compliance with regulations and codes concerning the health and safety impacts of products		None



EU 25	Number of accidents related to corporate facilities	54	
<b>LABELING OF PRODUCTS AND SERVICES</b>			
DMA	Disclosure on management approach		
G4-PR5	Results of customer satisfaction surveys	47	
<b>CONSUMER PRIVACY</b>			
DMA	Disclosure on management approach	49	
G4-PR8	Substantiated complaints received concerning breaches of customer privacy or losses of customer data		No complaints
<b>COMPLIANCE</b>			
DMA	Disclosure on management approach	10-12	
G4-PR9	Major fines for non-compliance with laws and regulations concerning the services		None
<b>SERVICE ACCESSIBILITY</b>			
EU 27	Number of deactivations of supply due to non-payment	52	Details on the duration of deactivations are currently not available. The company undertakes to report such details commencing the next financial year.

ASCOPIAVE S.P.A.  
*Pieve di Soligo (TV), Via Verizzo n. 1030*  
*Share Capital € 234.411.575,00 fully paid-up*  
*R.E.A, Treviso – Tax Number 03916270261*

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE  
MEETING OF ASCOPIAVE S.P.A. SHAREHOLDERS PURSUANT TO  
ART. 153, LEG D. 58/98, LEG D.39/2010 AND ART. 2429 CIVIL CODE**

Dear Shareholders,

The Board of Statutory Auditors, pursuant to Art. 153, Legislative Decree 58/1998 (TUF, Consolidated Law on Finance) and Art. 2429.2 Civil Code, is required to relate to the Shareholders' Meeting on the supervisory activities performed, on the omissions and improper events if any. In addition, the Board of Statutory Auditors may submit observations and proposals in connection with the financial statements, their approval and subjects under its jurisdiction.

During the financial year, supervisory activities were performed as envisaged for the Board of Statutory Auditors by applicable rules and regulations.

In compliance with the provisions of Article 2403 Civil Code (*"Duties of the Statutory Auditors"*), the Board performed the supervision activities by checking compliance with the law and the company charter, with the principles of fair administration and specifically with the consistency and proper functioning of the organizational, administrative and accounting structure adopted by the company.

The legal audit of the accounts pursuant to Article 14. Legislative Decree 39/2010 has been assigned to the external auditing company PricewaterhouseCoopers S.p.A. (PWC).

In the accounting period ended 31<sup>st</sup> December, 2017, we performed the supervisory activities envisaged by law, pursuant to the principles of the Code of Behaviour for

the Board of Statutory Auditors recommended by the National Board of Certified Public Accountants and Chartered Accountants.

With regard to the activities performed during the accounting period, also in compliance with the Consob Communication DEM/1025564 dated 6<sup>th</sup> April 2001, subsequent amendments, additions and specific indications contained in the Code of Self-Discipline, we report the following:

- 1) We have kept watch on compliance with the law and the company charter at intervals envisaged in Article 23.3 of the bylaws. We obtained, from the Directors, the information relevant to all activities and the main transactions of economic, financial and equity importance performed by the Company, its subsidiaries and affiliates during the accounting period. In connection, we can reasonably affirm that such operations are in compliance with the law and with the company charter, and have not been deemed as overtly imprudent or hazardous or in contrast with the resolutions passed by the management or such as to compromise the integrity of the company's assets. Moreover, in the memo submitted by the Directors to the Board of Statutory Auditors as stated by law, there are no operations deemed in contrast with the Company's interests.
- 2) We have judged as complete the information submitted by the Board in its Report on Operations about atypical and/or unusual transactions, including those with subsidiaries, and or related parties. In their report on operations and explanatory notes to the financial statements, the Directors list and describe the ordinary activities with associated companies and intra-group. We have examined said information and believe the operations are congruent and in the company's best interests.
- 3) The External Auditors PWC S.p.A. have issued their reports in accordance with Articles 14 and 16, Legislative Decree N. 39/2010, regarding the statutory and the consolidated financial statements of the Group as of 31<sup>st</sup> December 2017,

prepared under the International Financial Reporting Standards – IFRS adopted by the European Union. Said papers reflect the following:

- “the statutory financial statements represent, properly and truthfully, the equity and financial situation of the Company as of 31<sup>st</sup> December, 2017, its economic results, and cash flow for the period, in compliance with the International Financial Reporting Standards adopted by the European Union and with the provisions of Article 9, Legislative Decree N. 38/05”;
- “the consolidated financial statements represent, properly and truthfully, the equity and financial situation of the Company as of 31<sup>st</sup> December 2017, its economic results, and cash flow for the period, in compliance with the International Financial Reporting Standards adopted by the European Union and with the provisions of Article 9, Legislative Decree N. 38/05”;
- “the report on operations, the specific information in the corporate governance report and the ownership structure stated above are consistent with the financial statements of Ascopiave SpA as of 31<sup>st</sup> December 2017, and have been prepared in compliance with the law”.

During the meetings with the external auditors, the parameters adopted for preparing the financial statements and defining the main items of the balance sheet and income statement were a matter of in-depth analysis.

- 4) The external auditors PWC S.p.A., in charge of the legal audit, has issued the report on the non-financial consolidated disclosure pursuant to article 3.10 Legislative Decree 254/2016 and Article 5, CONSOB regulation number 20267 relating to Ascopiave S.p.A. and its subsidiaries for the fiscal year as of 31 December 2017, prepared pursuant to Article 4 of the Decree and approved by the Board of Directors on 14<sup>th</sup> March 2018
- 5) No claims pursuant to Art. 2408 of the Civil Code were submitted during the year.

6) No other complaints pursuant to Art. 2409 of the Civil Code were received during the year. Regarding the accounting period 2017, the fees of the external auditors, PWC S.p.A. for the legal audit activities, amounted to € 392.000 (three-hundred ninety-two-thousand), of which € 97.000 (ninety-seven-thousand) relating to the accounting and € 7.000 (seven-thousand) for the legal audit of separate annual statements of the Parent Company; € 215.000 (two-hundred-fifteen-thousand) relating to the audit and € 59.000 (fifty-nine-thousand) for the legal audit of separate annual statements of the subsidiaries; € 13000 (thirteen-thousand) for Other Services provided to Ascopiave S.p.A.

7) No activities were assigned to PWC S.p.A. falling outside of Art. 16.1-ter of (TUF, Consolidated Law on Finance) and related CONSOB regulations

8) In view of the declaration of independence issued by PWC S.p.A. in accordance with Art. 17.9a), Legislative Decree 39/2010 and regarding the functions conferred upon it by Ascopiave S.p.A. and subsidiaries as detailed above, the Board of Statutory Auditors deems there are no grounds to doubt the independence of the external auditing company.

9) The external auditors, PWC S.p.A., has stated the following in its Report on the Financial Statements: “We are independent from the company Ascopiave SpA (the Company) in compliance with the regulations and principles of ethics and independence envisaged by the Italian legislation on the accounting audit of financial statements”.

10) The Board of Statutory Auditors held 11 meetings regarding its own role.

11) The Board of Statutory Auditors attended all the 18 meetings held by the Board of Directors and the Ordinary Meeting of the Shareholders on 28<sup>th</sup> April 2017.

12) The Board of Statutory Auditors also attended 7 sessions held by the Internal Control and Risk Committee and all the 3 meetings of the Remuneration Committee.

13) We collected information and supervised, under our scope of work, on compliance with the principles of fair administration and consistency of the Company’s organizational structure, through the acquisition of data from

Managers of the Group and meetings with external auditors, to the end of mutually exchanging relevant facts and figures.

14) We assessed and kept watch on the consistency of the internal control system and met, in our meetings, the Internal Auditing Manager of the Company, making an in-depth analysis of the corrective measures proposed and receiving continuous updates, on at least a quarterly basis, of the related status; in particular, examining observations referred to 'compliance' issues. In this regard, we have taken note of the activities performed by the Internal Auditing Manager during 2017.

15) Our activities have revealed nothing untoward to deserve a mention of inconsistency or criticality relating to the internal control system.

16) We supervised and evaluated the consistency of the administrative-accounting system as a reliable tool for representing operations correctly, through:

(i) examination of the report issued by the Officer responsible for the preparation of Corporate Financial Statements about Administration and Accounting as well as Internal Controls and Corporate Reports.

(ii) receipt of information on a full and regular basis from the Managers of the Group

(iii) relations with the Control Bodies of subsidiaries in compliance with Art. 151.1 and 151.2, Legislative Decree 58/98;

(iv) attending the works of the Internal Control and Risk Committee;

(v) receipt of regular updates regarding the work performed by the Supervisory Committee appointed by the Company pursuant to the provisions stated in the Legislative Decree 231/2001.

We herein confirm that our inspections have revealed nothing untoward to deserve a mention of criticality about the Administration and Accounting system.

17) We collected information and supervised, under our scope of work, the consistency of the instructions given by the Company to its subsidiaries in compliance with Art. 114.2, Legislative Decree 58/98, through the acquisition of information from the Managers of the Group, meetings with external auditors, exchange of information from the Statutory Auditors of the Subsidiaries, to the end of mutually exchanging relevant facts and figures.

18) Consequent to meetings with the External Auditors, in accordance with Article 150.2 Legislative Decree 58/98, no facts or situations that should be highlighted in the present report, have emerged.

19) We have focused our attention on the compliance with the Code of Self-Discipline and the implementation of the Code of Ethics of Ascopiave S.p.A., pursuant to Article 149.1, C-bis, Consolidation Law on Finance.

The Board of Statutory Auditors has taken note of the verification by the Board of Directors relating to the independence of the Directors, checking the proper application of the criteria and inspection procedures adopted. The Board of Statutory Auditors has also verified the independent nature of its own members, pursuant to the principles stated in the Code of Self-Discipline.

20) We examined and obtained information about activities of an organizational and procedural nature, following Legislative Decree 231/2001 and 61/2002, governing the administrative liability of Public Bodies regarding violations under the scope of said law. The Supervisory Committee appointed by the Board of Directors illustrated to the Board of Statutory Auditors, the activities performed during 2017 and has found nothing worthy of mention.

21) With regard to the provisions of “International Accounting Standards – IAS 24” governing the definition of related parties, we herein report that the subject has been thoroughly indicated in the section “Interaction with related parties” under the chapter “Other comments to the annual report 2017”.

22) The Officer responsible for the preparation of Corporate Financial Statements has issued the declaration pursuant to the guidelines of Article 154-bis, Legislative Decree n. 58/1998, referring to the statutory and consolidated financial statements of Ascopiave S.p.A., closing on 31<sup>st</sup> December 2017, offering a positive global evaluation.

23) The Board of Statutory Auditors herein states that following the transfer of the gas unit in Ap Reti Gas S.p.A. for compliance with AEEGSI 296/15/R/com (Article 17) in connection with the functional separation between distribution activities and

sale activities of natural gas and electric power, Ascopiave S.p.A. continues to implement its function of Group holding for the stock market, focussing its activities on the supply of services to other Group companies.

24) The Board of Statutory Auditors herein states that, under significant events during the accounting period, Ascopiave S.p.A., on 3 April 2017, signed the full 100% share capital acquisition of PASUBIO GROUP Spa; the merger has been temporarily accounted as of 31 December 2017.

25) Pursuant to CONSOB provisions governing the subject, the Board of Statutory Auditors, during the accounting period, received a request of information from CONSOB in compliance with Article 115.1, Legislative Decree 58/1998.

We are not aware of any other relevant facts or elements worthy of bringing to the attention of the Shareholders.

In virtue of the above, on the basis of the activities of checks and controls done during the course of the year, we envision no hurdles to the approval of the Financial Statements as at 31<sup>st</sup> December 2017, along with the proposal of the Board of Directors related to the distribution of dividends to the Shareholders.

Antonio Schiro, Chairman of the Board of Statutory Auditors

Luca Biancolin, Standing Auditor

Roberta Marcolin, Standing Auditor

Pieve di Soligo – 30<sup>th</sup> March 2018





## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the shareholders of Ascopiave SpA

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### **Report on the Audit of the Consolidated Financial Statements**

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#### **Opinion**

We have audited the consolidated financial statements of Ascopiave Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2017, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Ascopiave SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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#### **PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhler 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422606911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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**Key Audit Matters**

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**Auditing procedures performed in response to key audit matters**

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**Recoverability of Goodwill***Note 1 to the consolidated financial statements  
“Goodwill”*

As of 31 December 2017, the Ascopiave Group recorded goodwill amounting to Euro 80.758 thousand, representing 10% of total assets, partly referred to the major value resulted from the transfer of the gas distribution networks carried out by shareholders and partly referred to the consideration paid at the time of acquisition of some company branches belonging to the business of gas distribution and sale.

We focused on this item of the financial statements since the assessment of the recoverability of the goodwill allocated to the cash generating units represented by the distribution of gas (“Gas distribution”) and the sale of gas (“Gas sale”) implies a high degree of evaluation and judgment as it requires company management to use assumptions and a certain level of discretion in developing the evaluation model.

The valuation of the recoverable amount of the cash generating units has been carried out by the Company management using the discounted cash flow method (“DCF”), discounting at a rate representing the cost of capital the operating cash flows generated by cash generating units, as per the 2018–2020 business plan, and the terminal value assessed on the basis of the estimate of a permanent sustainable profitability forecasted on the expected profitability for the year 2020.

In particular, it should be noted that the current sectorial legislation provides that the natural gas distribution service is awarded according to bidding procedures to be carried out with a predefined timing. Since the renewal of the concessions has a certain degree of uncertainty, with reference to the valuation of the cash generating unit “Gas distribution” the management assumed two alternative scenarios:

- a) Obtainment of the renewal of all the concessions and assignments in place as at 31 December 2017 in 2020;

Our audit procedures concerned the recoverability of the goodwill value and were performed by carrying out the following tests.

We performed an understanding and evaluation of the methodology adopted by the company’s management to test the recoverability of the values allocated to the two cash generating units for the distribution of gas (“Gas distribution”) and sale of gas (“Gas trading”).

Procedures were furthermore carried out in order to obtain audit evidence on the estimation of cash flow projections and on the data included in the business plans for the period 2018–2020, also with reference to the various scenarios assumed for the valuation of the cash generating unit “Gas distribution”.

Discussions were held with the company management in order to understand and examine the business strategies and a critical analysis was performed on the most significant assumptions that underlie the new industrial plans, also using sector references and comparisons between the previous years’ budgeted and final results.

Experts from the PwC network have been involved to conduct a critical examination of the model used and the calculation of the Weighted average cost of capital (Wacc) and of the expected long-term growth rate (g) used in the test development.

An independent sensitivity analysis was developed on the Wacc and g rates applied for the determination of the recoverable values of the two cash generating units, recalculating the recovery values through rates that differ by half a percentage point compared to those used.

Finally, the complete and correct disclosure provided in the financial statements has been evaluated, taking into consideration the applicable financial statement framework.

- b) Termination of the gas distribution service in 2020, realizing a reimbursement value of the plants in concession regime pursuant to art.15 of the Legislative Decree n°164/2000.

With reference to the cash generating unit “Gas trading”, the company management assumed that in the years 2018-2020 gas sale will generate financial cash flows as per the business plan.

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### **Complexity of estimates for year-end revenues to be invoiced**

#### *Note 27 to the consolidated financial statements “Revenues”*

We focused on this risk because, as indicated in the section "Assessment criteria" of the consolidated financial statements, given the characteristics of the business, at the year-end the Group is asked to estimate gas revenues accrued during the year, but not yet billed, through systems that use complex algorithms.

In fact, the Group calculates the bills to be issued for revenues straddling the year-end using simulated invoices generated by the company's information systems that take into account existing contracts, user's consumption profiles determined on a historical or prospective basis and tariffs in force.

It should be noted that an incorrect estimation of consumption values for the period could generate an erroneous representation of revenues for the period and of trade receivables (allocation of bills to be issued).

We worked to understand and evaluate the revenue cycle and we identified and tested the key controls to obtain evidence of their effectiveness.

With the support of IT specialists of the PwC network, we understood and evaluate the operation of the billing information system and we also carried out some random tests in order to obtain evidence of the correct use of customers' records, the correctness in the consumption measurements, the correctness of the tariffs applied and the valorisation of the bills.

Furthermore, some procedures were carried out to obtain audit evidence on the revenues recorded in 2017 for the sale of natural gas, through a comparative analysis with respect to the turnover volumes of previous years and with respect to the company budget.

The balancing of the volumes of natural gas purchased, sold and transported during the period was performed in order to understand the nature of any deviations and whether revenues pertaining to the period are properly estimated.

On a sample basis we checked the correctness of some selected bills by verifying consumptions and the correct application of the reference tariffs.



### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the parent company Ascopiave SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;



- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014***

On 23 April 2015 the shareholders of Ascopiave SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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#### ***Report on Compliance with other Laws and Regulations***

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#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98***

Management of Ascopiave SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Ascopiave Group as of 31 December 2017, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Ascopiave Group as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.



In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Ascopiave Group as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Treviso, 30 March 2018

PricewaterhouseCoopers SpA

*Signed by*

Alessandro Mazzetti  
(Partner)

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



## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the shareholders of Ascopiave SpA

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### **Report on the Audit of the Financial Statements**

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#### **Opinion**

We have audited the financial statements of Ascopiave SpA (the Company), which comprise the statement of financial position as of 31 December 2017, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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#### **PricewaterhouseCoopers SpA**

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**Key Audit Matters**

**Auditing procedures performed in response to key audit matters**

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**Recoverability of the investments' value**

*Note 3 to the financial statements "Share interests"*

As of 31 December 2017 Ascopiave SpA recorded shareholdings totalling Euro 498.078 thousand, representing 86% of total assets.

We focused on this item of the financial statements since the assessment of the recoverability of the investments' value recorded in the financial statements implies a high degree of evaluation and judgment as it requires company management to use assumptions and a certain level of discretion in developing the evaluation model.

The valuation of the recoverable amount of the investments has been carried out by the company's management using the discounted cash flow method ("DCF"), discounting at a rate representing the cost of capital the operating cash flows generated by the companies, as per the 2018-2020 business plan for each investee company, and the terminal value assessed on the basis of the estimate of a permanent sustainable profitability forecasted on the expected profitability for the year 2020.

In this respect, it should be noted that the current sectorial legislation provides that the natural gas distribution service is awarded according to bidding procedures to be carried out with a predefined timing. Since the renewal of the concessions has a certain degree of uncertainty, with reference to the valuation of companies belonging to the gas distribution sector, such as AP Reti Gas SpA, AP Reti Gas Rovigo Srl, Edigas Esercizio Distribuzione SpA, Unigas Distribuzione Srl and AP Reti Gas Vicenza SpA, the management assumed two alternative scenarios:

- a) Obtainment of the renewal of all the concessions and assignments in place as at 31 December 2017 in 2020;
- b) Termination of the gas distribution service in 2020, realizing a reimbursement value of the plants in concession regime pursuant to art.15 of the Legislative Decree n°164/2000.

Our audit procedures concerned the recoverability of the investment's value and were performed by carrying out the following tests.

We performed an understanding and evaluation of the methodology adopted by the company's management to test the recoverability of the investments' value for the subsidiaries belonging to the gas distribution or sale sector.

Procedures were furthermore carried out in order to obtain audit evidence on the estimation of cash flow projections and on the data included in the business plans for the period 2018-2020 used for each investment, also with reference to the various scenarios assumed for the valuation of those belonging to the gas distribution sector.

Discussions were held with the company management in order to understand the business strategies and a critical analysis was performed on the most significant assumptions that underlie the new industrial plans, also using sector references and comparisons between the previous years' budgeted and final results.

Experts from the PwC network have been involved to conduct a critical examination of the model used and the calculation of the Weighted average cost of capital (Wacc) and the expected long-term growth rate (g) used in the test development.

An independent sensitivity analysis was developed on the Wacc and g rates applied for the determination of the recoverable values of the investments, recalculating the recovery values through rates that differ by half a percentage point compared to those used.





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**Key Audit Matters**

With reference to companies belonging to the gas trade sector, such as Ascotrade SpA, EstEnergy SpA, Asm Set Srl, Etra Energia Srl, Pasubio Servizi Srl, Blue Meta SpA, Veritas Energia SpA and Amgas Blu Srl, the company management assumed that in the years 2018-2020 gas sale will generate financial cash flows as per the business plan.

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**Auditing procedures performed in response to key audit matters**

Finally, the complete and correct disclosure provided in the financial statements has been evaluated, taking into consideration the applicable financial statement framework.

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**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:



- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014***

On 23 April 2015 the shareholders of Ascopiave SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.



We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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### ***Report on Compliance with other Laws and Regulations***

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#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98***

Management of Ascopiave SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Ascopiave SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Ascopiave SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Ascopiave SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Treviso, 30 March 2018

PricewaterhouseCoopers SpA

*Signed by*

Alessandro Mazzetti  
(Partner)

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



**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED  
NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,  
PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND  
ARTICLE 5 OF CONSOB REGULATION NO. 20267**

**ASCOPIAVE SPA**

**YEAR ENDED 31 DECEMBER 2017**



## ***Independent auditor's report on the consolidated non-financial statement***

*pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267*

To the Board of Directors of Ascopiave SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267, we have performed a limited assurance engagement on the consolidated non-financial statement of Ascopiave SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2017 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 14 March 2018 (hereafter the "NFS").

### ***Responsibility of the directors and of the Board of Statutory Auditors for the NFS***

Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree, with the "G4 Sustainability Reporting Guidelines" defined in 2013 by the GRI - Global Reporting Initiative (GRI G4 Guidelines) and with the "G4 Sector Disclosure - Electric Utilities" defined in 2013 identified by them as the reporting standard.

Directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

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#### ***PricewaterhouseCoopers SpA***

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### ***Auditor's Independence and Quality Control***

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### ***Auditor's responsibilities***

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree, with the GRI G4 Guidelines and with the "G4 Sector Disclosure - Electric Utilities". We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements;
4. understanding of the following matters:
  - o business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
  - o policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - o main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree;with reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In particular, we held meetings and interviews with the management of Ascopiave SpA and with the personnel of AP Reti Gas SpA and Ascotrade SpA, and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a group level,
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following companies, Ascopiave SpA, AP Reti Gas SpA and Veritas Energia SpA, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

### **Conclusions**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Ascopiave Group as of 31 December 2017 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree, with the GRI G4 Guidelines and with the G4 Sector Disclosure - Electric Utilities.

### **Other aspects**

The comparative information presented in the NFS in relation to the financial year ended 31 December 2016 has not been subjected to any procedures.

Treviso, 30 March 2018

PricewaterhouseCoopers SpA

*Signed by*

Sandro Mazzetti  
(Partner)

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(Authorized signatory)

*This report has been translated from the Italian original solely for the convenience of international readers.*