



**Interim Report
as of 31st March 2018**

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In-Company Control:

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

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Auditors

Name	Office	Duration of office	From	To
Ceconato Nicola	Chairman of the Board of Directors and CEO*	2017-2019	28/04/2017	Approval of budget 2019
Coin Dimitri	Indipendet Director	2017-2019	28/04/2017	Approval of budget 2019
Martorelli Giorgio	Indipendet Director	2017-2019	28/04/2017	Approval of budget 2019
Lillo Antonella	Director	2017-2019	28/04/2017	Approval of budget 2019
Pietrobon Greta	Indipendet Director	2017-2019	28/04/2017	Approval of budget 2019
Quarello Enrico	Indipendet Director	2017-2019	28/04/2017	Approval of budget 2019

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

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

In-Company Control Committee	From	To	In-Company Control Committee	From	To
Quarello Enrico	09/05/2017	Approval of budget 2019	Coin Dimitri	09/05/2017	Approval of budget 2019
Martorelli Giorgio	09/05/2017	Approval of budget 2019	Lillo Antonella	09/05/2017	Approval of budget 2019
Pietrobon Greta	09/05/2017	Approval of budget 2019	Quarello Enrico	09/05/2017	Approval of budget 2019

Independent Auditors

PricewaterhouseCoopers S.p.A.

Legal headquarters and Company data

Ascopiave S.p.A.
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 Fax: +39 0438 82096
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 VAT ID 03916270261
 e-mail: info@ascopiave.it

Investor relations

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

Main economic and financial data of the Ascopiave Group**Economic figures**

(Thousands of Euro)	1st Quarter 2018	% of revenues	1st Quarter 2017	% of revenues
Revenues	200,648	100.0%	199,503	100.0%
Gross operative margin	35,860	17.9%	36,625	18.4%
Operating result	29,864	14.9%	31,083	15.6%
Net result for the period	24,999	12.5%	26,030	13.0%

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

Assets figures

(Thousands of Euro)	31.03.2018	31.12.2017	31.03.2017
Net working capital	23,343	66,380	47,961
Fixed assets and other non current assets	555,197	553,397	524,924
Non-current liabilities (excluding loans)	(49,083)	(49,411)	(47,957)
Net invested capital	529,457	570,367	524,928
Net financial position	(55,603)	(119,867)	(55,735)
Total Net equity	(473,854)	(450,500)	(469,193)
Total financing sources	(529,457)	(570,367)	(524,928)

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)	1st Quarter 2018	1st Quarter 2017
Net income of the Group	23,502	24,541
Cash flows generated (used) by operating activities	69,156	42,754
Cash flows generated/(used) by investments	(4,891)	(4,370)
Cash flows generated (used) by financial activities	2,193	1,891
Variations in cash	66,457	40,275
Cash and cash equivalents at the beginning of the period	15,555	8,822
Cash and cash equivalents at the end of the period	82,012	49,097

REPORT ON MANAGEMENT

FOREWORD

The Ascopiave Group closed the first quarter of 2018 with a net consolidated profit of Euro 25.0 million (Euro 26.0 million as of 31st March 2017), marking a decrease of Euro 1.0 million, -4.0% compared to the same period in the previous year.

The consolidated net assets as of 31st March 2018 amount to Euro 473.9 million, (Euro 450.5 million as of 31st December 2017) and the net capital invested to Euro 529.5 million (Euro 570.4 million as of 31st December 2017).

During the first quarter of 2018, the Group accomplished investments for Euro 5.0 million (Euro 4.4 million as of 31st March 2017), mainly in installation of electronic metres as well as in development, maintenance and upgrading of the gas distribution networks and systems.

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 31st December 2017) and has a distribution network extending for over 9,783 km¹, (over 9,780 km as of 31st December 2017), 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 over 433 million cubic metres¹ of gas sold in the first quarter of 2018 (447 million cubic metres as of 31st March 2017).

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 liberalisation process currently underway. In this respect, Ascopiave follows a development strategy whose main guiding principles are dimensional growth,

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

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

Management trend

The volumes of gas sold in the first three months of 2018 amounted to 433.2 million cubic metres², marking a decrease of 3.2% as compared to the same period in the previous year.

The volumes of electrical energy sold were 110.1 GWh², marking a decrease of 4.6% compared to the same period in the previous year.

The customers portfolio managed at the reporting date included 742.7 thousand customers, marking an increase of 0.8% compared to the same period in the previous year.

As to the activity of gas distribution, the volumes distributed through the networks managed by the Group were 496.7 million cubic metres, marking an increase of 27.9% as compared to the same period in the year 2017 (82.3 million cubic meters relate to the extension of the consolidation scope to Ap Reti Gas Vicenza S.p.A.). The distribution network as of 31st March 2017 has an extension of 9,783 km², an increase of 1,396 km compared to the same period in 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 the first quarter of 2018 of the Ascopiave Group are to the tune of Euro 200.6 million, compared to Euro 199.5 million recorded in the same period in the previous year. The increase in the turnover is mainly due to the increase in the revenues on electricity sales (Euro +3.2 million), and the extension of the scope of consolidation (Euro 5.0 million).

The Operating Result of the Group equals Euro 29.9 million, marking a decrease compared to Euro 31.1 million in the first three months of 2017. The decrease recorded is mainly explained by the lower margin achieved in relation to energy efficiency obligations (Euro -1.2 million) and the reduction in the first margin of natural gas sales (Euro -0.9 million). These effects were partly offset by the contraction in net operating costs.

The Net Result, equalling Euro 25.0 million, marks a decrease of Euro 1.0 million compared to the first three months of 2017. 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 31st March 2018 is equal to Euro 55.7 million, an improvement of Euro 38.4 million as compared to Euro 94.1 million as of 31st December 2016.

The reduction in financial indebtedness is determined by the cash flow of the period (Euro +31.0 million, given by the sum of the net result, provisions, amortisations and depreciations) and by the management of current assets, which has

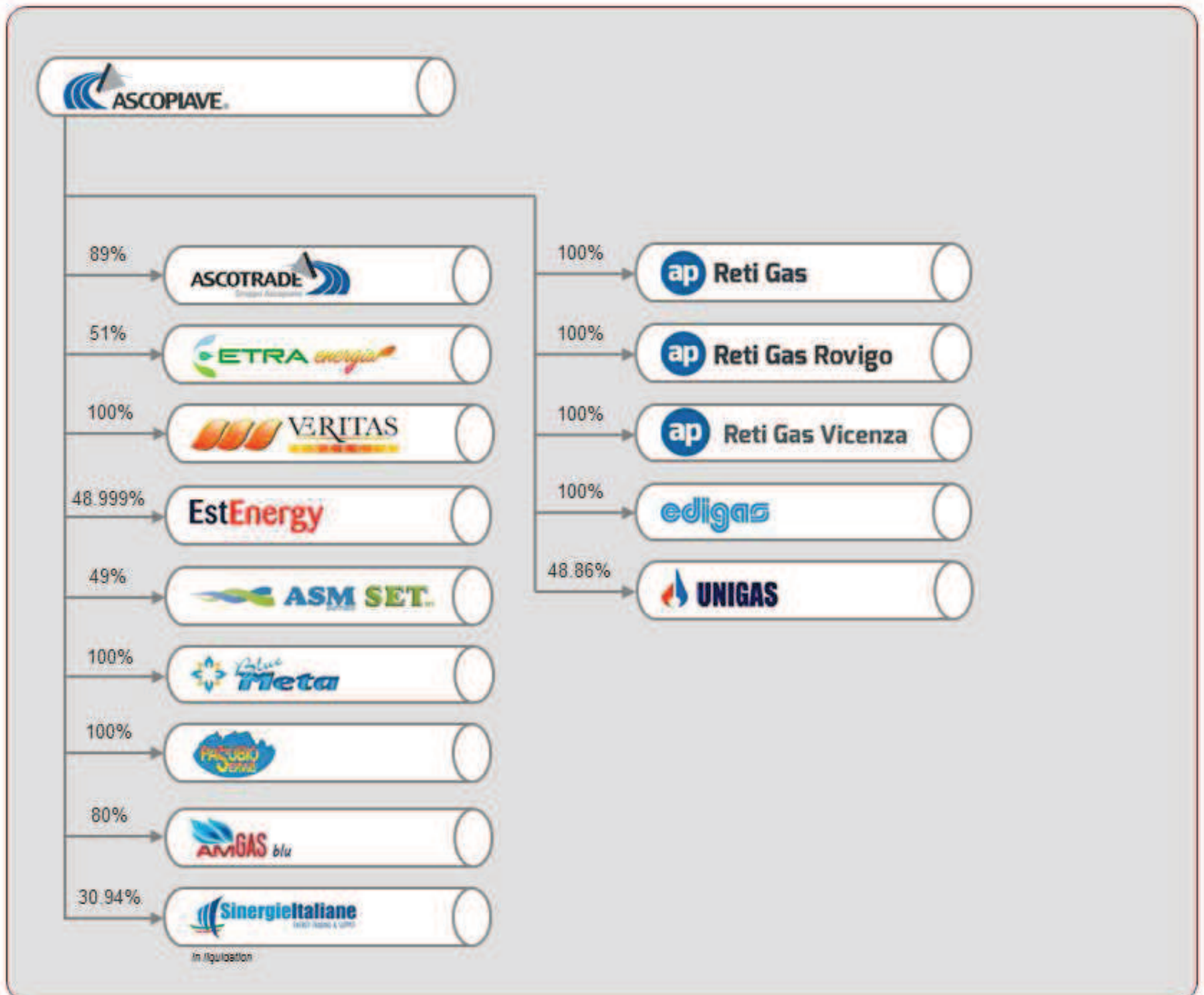
² The data specified as regards the length of the distribution network and the volumes of gas and electricity sold are obtained by adding each Group company's data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

generated financial resources for Euro 38.2 million. The investment activity has absorbed financial resources for Euro 4.9 million.

The ratio between Net financial position and Net equity as of 31st March 2018 was equal to 0.12 (0.12 as of 31st March 2017).

The structure of the Ascopiave Group

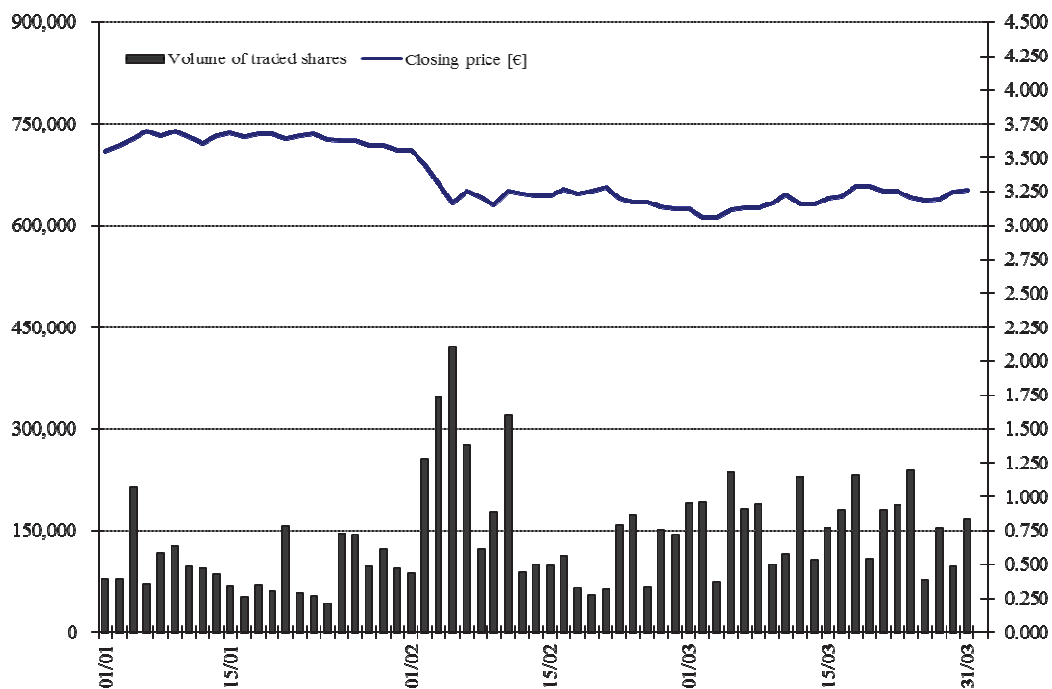
The table below shows the company structure of the Ascopiave Group as of 31st March 2018.



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

As of 29th March 2018, the Ascopiave share registered a quotation of Euro 3.260 per share, marking a decrease of 8.1 percentage points as compared to the listing at the beginning of 2018 (Euro 3.548 per share, referred to the quotation of 2nd January 2018).

Capitalisation of the Stock Exchange as of 31st March 2018 was equal to Euro 764.18 million³ (Euro 840.37 million as of 29th December 2017).



During the first quarter of 2018, the quotation of the shares shows a decrease (-8.1%), lower than the trend of the national index FTSE Italia Servizi di Pubblica Utilità (-2.6%), the index FTSE Italia All Share (+0.7%) and the index FTSE Italia Star (+2.0%).

³ The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 29th March 2018 equalled Euro 15.4 billion. Official data from Borsa Italiana’s website (www.borsaitaliana.it).

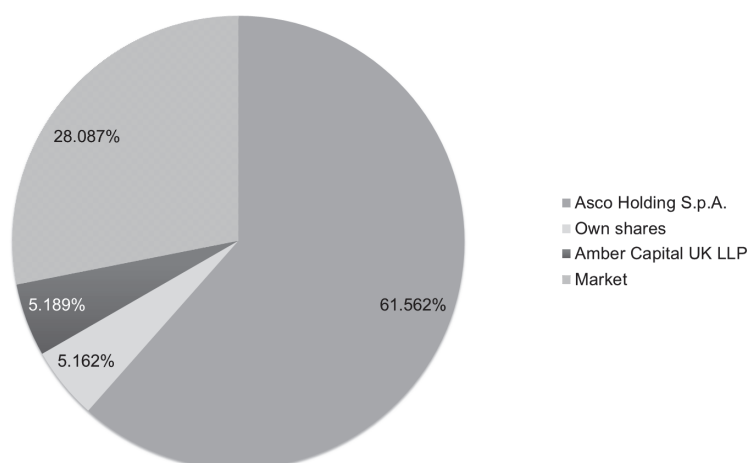
In the following table, we report the main shares and stock-exchange data as of 31st March 2018:

Share and stock-exchange data	31.03.2018	31.03.2017
Earning per share (Euro)	0.11	0.11
Net equity per share (Euro)	1.99	1.97
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.260	3.470
Maximum annual price (Euro)	3.690	3.470
Minimum annual price (Euro)	3.060	2.710
Stock-exchange capitalization (Million of Euro)	765.61	805.47
No. of shares in circulation	222,310,702	222,310,702
No. of shares in share capital	234,411,575	234,411,575
No. of own share in portfolio	12,100,873	12,100,873

Control of the Company

As of 31st December 2017, Asco Holding S.p.A. directly controlled 61.562% of Ascopiave S.p.A.'s share capital.

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



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

Corporate Governance and Code of Ethics

During the first quarter of 2018, 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.

Organisation, management, and control model pursuant to Italian Legislative Decree 231/2001

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

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

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

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

Transactions with related and affiliated parties

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

- ✓ Purchase of IT services from the associate ASCO TLC S.p.A.;
- ✓ Purchase of materials for the production process and maintenance services from the associate company SEVEN CENTER S.r.l., in liquidation;
- ✓ Credit transactions in favour of ASM Set S.r.l., jointly controlled company;
- ✓ Administrative services for ASM Set S.r.l., jointly controlled company;
- ✓ Purchase of gas from the affiliate company Sinergie Italiane S.r.l., in liquidation;
- ✓ Administrative and staff services from Unigas Distribuzione S.r.l., jointly controlled company;
- ✓ Expenses 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 operating revenues:

- ✓ Leasing of owned real properties to the associate ASCO TLC S.p.A.;
- ✓ Leasing of owned real properties to the affiliate Sinergie Italiane S.r.l. in liquidation;
- ✓ Debit transactions from 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 characterised by the highest transparency and by market conditions. As regards each relationship, please see the Explanatory Notes.

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

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.P.A.	32	9,935	39	11,741	0	0	7,256	0	20	333
Total parent company	32	9,935	39	11,741	0	0	7,256	0	20	333
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	99	0	9	0	0	168	0	9	27	77
SEVEN CENTER S.R.L.	18	0	3	0	0	0	0	0	0	0
Total affiliated companies	81	0	6	0	0	168	0	9	27	77
<i>Subsidiary companies</i>										
Estenergy S.p.A.	11	0	25	0	0	0	0	0	0	0
ASM SET S.R.L.	1,953	0	568	1,808	0	42	4	2,983	120	16
Unigas Distribuzione Gas S.r.l.	47	0	1,581	0	0	5,274	0	44	17	2
SINERGIE ITALIANE in liquidazione S.R.	39	7,510	3,861	0	18,011	37	0	0	24	0
Total subsidiary companies	2,050	7,510	6,034	1,808	18,011	5,353	4	3,027	162	18
Total	2,164	17,445	6,080	13,549	18,011	5,522	7,260	3,036	208	428

Significant events during the first quarter of 2018

Unsecured syndicated loan

On 25th January 2018, the Parent Company Ascopiave S.p.A. took out a 12-year unsecured syndicated loan to the amount of Euro 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.

Reform of the gas settlement regulatory framework with Resolution 72/2018/R/GAS dated 8th February 2018

By Resolution 72/2018/R/GAS dated 8th 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 1st 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).

Additional significant events

Energy 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 31st May 2016 for the 2015 target amounted to 98,487 white certificates. This obligation was achieved to the extent of 71%. In May 2017, 23% of the 2015 objective was cancelled 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 35%) and almost completed the outstanding 2016 target (89%). The target set for 2018 amounts to 98,017 TEE.

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 31st May 2016. In 2016, the company has a 22,737 TEE obligation. This requirement was fulfilled by delivering just over 60% of the obligation. The target set for 2017 amounts to 15,334 TEE. 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. The 2018 target comprises 16,103 TEE.

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 29th August 2011.

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

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

To date, following the outcome of the technical cross-examination, 86 Municipalities (unchanged since 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” recognised by the tariff regulation and the amount already received by the Municipality itself as a dividend in 2009 (financial statements 2008) are envisaged.

In particular:

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

- 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 31st December 2014. Subsequently, in the two-year period 2016-2017, the municipalities belonging to the Treviso 2 - Nord and some municipalities belonging to the Treviso 1 - area were provided with an update as of 31st December 2015, by applying the valuation criteria agreed upon and by providing a calculation of the assessment of private contributions to be deducted from the residual industrial value pursuant to Law 9/2014.

The contracting authorities in the territorial areas of Treviso Nord and Venezia 2 - Entroterra and Veneto Orientale sent 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 31st March 2018, the following are pending:

MUNICIPALITY OF COSTABISSARA:

An arbitration is pending before the Court of Appeal of Venice filed by Costabissara. The Municipality, by a deed notified on 12th December 2015, appealed the Award dated 25-26 May 2015. At the hearing held on 19th May 2016, the Court scheduled the pre-trial hearing for 7th March 2019. The Arbitration Commission ordered the Municipality to pay the sum of Euro 3,473 thousand, in addition to the interests at the date of filing the Award.

Contacts are underway to ascertain the possibility of a settlement agreement.

AGENZIA DELLE ENTRATE OF VICENZA:

The appeal against the notices requesting the payment of the stamp duty tax is closely connected with the litigation mentioned above. Agenzia delle Entrate of Vicenza (the local tax authority) has quantified the related amount in approximately Euro 106,000, with the application of a 3% variable rate.

Two payment notices have been served, having the same amount: one to Ascopiave (28th February 2018) and one to Asco Holding (14th February 2018). The involvement of the latter (to all intents and purposes uninvolved in the litigation) is due to the wrong indication (in the Award) of Asco Holding's VAT number, instead of Ascopiave's VAT number.

In addition to the involvement of Asco Holding, the request, regarding the merits, appears to be illegitimate because the Award has defined a consideration for the purchase of the facilities, therefore a value subject to VAT. As a consequence, in accordance with the principle of alternativeness of the two taxes, the registration was subject to a fixed

rate (Euro 200).

Ascopiave has initiated the litigation in order to obtain the cancellation of the payment requests. Ascopiave, in order to avoid penalties for outstanding payments, has also paid the tax, which should be reimbursed upon the settlement of the dispute.

LITIGATIONS ON THE VALUE OF PLANTS – ARBITRATIONS

As of 31st March 2018, 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 1st March 2017, the technicians in charge of the shared estimate of the value of the plants proposed an all-inclusive value of Euro 1,678 thousand (in instalments for the following 12 years).

The Municipality, by City Council Resolution no. 18, dated 22nd March 2018, definitively approved the settlement agreement as described above that will, therefore, be executed shortly.

MUNICIPALITY OF SANTORSO:

An arbitration is pending between Ascopiave S.p.A. and the Municipality of Santorso for the establishment of the residual industrial value of the distribution plants (delivered in 2007 to the new operator).

On 20th April 2017, following the filing of the Statements of Defence and their counter-argument, the last oral hearing was held.

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

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

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

The term for appealing against the Award is still pending.

ADMINISTRATIVE LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 31st March 2018, the following are pending:

GUIDELINES – MINISTERIAL DECREE 22nd MAY 2014

An appeal before the Council of State was filed (with deed dated 16th January 2017) by Ascopiave together with other distribution companies, against the Minister of Economic Development for the cancellation of 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 20th Septemeber 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.

Also as regards the aforementioned ruling, Ascopiave's lawyers submitted an application to the judge in order to advance the discussion, subsequent to which the hearing for the discussion was scheduled for 20th September 2018. After such hearing, the Council of State will probably refer the matter to the European Court of Justice.

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 formally repealed by Resolution 905/2017 which, however, essentially reiterated the same regulation. Ascopiave, therefore, together with other appellants, in order to avoid the declaration stating that the appeal would in any case be of no benefit to the claimants, appealed Resolution 905/2017 with "additional grounds". To date, there are no further procedural records.

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

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

The Administrative Court of Veneto (hearing dated 9th November 2016) overruled the protective order by 2i Rete Gas.

The claimant then filed a claim to the Council of State. The C.o.S. overruled the request for a single-judge solution and opted for a full Council sentence.

On 2nd February 2017, the Council of State hearing took place. During the hearing, the Council sustained the supervision order 644/2016 of Administrative Court of Veneto, thus rejecting the appeal by 2i Rete Gas S.p.A. for the suspension of application of the tender document pending decision on the main appeal to the Administrative Court of Veneto.

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

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

CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 31st March 2018, the following are pending:

ASCOPIAVE – UNIT B:

A civil judgment before the Court of Treviso (RG 6941/2013), following the pre-trial technical investigation, in order to obtain compensation for damages to the entrance floor of the “Unit B”, was started by Ascopiave against: Bandiera Architetti S.r.l. (Designers), Mr Mario Bertazzon (Contract Manager) and Mr R. Paccagnella Lavori Speciali S.r.l. (Contractor).

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

All the Parties regularly appeared before the Court.

The Court, by Order dated 22nd December 2014, decided the complete renewal of the expert witness board. The “new” Court-appointed Expert witness assessed that the damage suffered by Ascopiave S.p.A. amounts to approximately Euro 120 thousand.

Based on the findings contained in the technical report, on 29th March 2016 an attempt was made to reach settlement in court. The attempt failed basically because an agreement was not reached regarding the subdivision of the amount between the debtors.

With Judgment no. 2007/2017, the Court accepted the application submitted by Ascopiave S.p.A., ordering the design firm (F.lli Bandiera), its insurance company (Groupama Assicurazioni) 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 uninvolved in the damage, with a right to obtain compensation for the costs of the proceedings, amounting to about Euro 16 thousand.

With two separate documents, Groupama Assicurazioni and Ing. R. Paccagnella Lavori Speciali notified the appeal against the First Instance Judgment. The term for filing an appearance for Ascopiave is to expire at the beginning of June.

ASCOPIAVE – SIDERA/FAJ COMPONENTS:

A civil lawsuit (possession action) before the Court of Treviso (RG 7655/2015), filed by Ascopiave S.p.A. against the companies Sidera and Faj Components, subsequent to the construction, by 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 formalised yet due to the absence of an adequate insurance guarantee in favour of Ascopiave S.p.A..

The experts’ activities ended on 11th July 2016.

The Court-appointed Expert Witness filed his report on 31st March 2017. The report was analysed during the hearing

held on 17th October 2016.

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

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

On 23rd June 2017, the hearing for the resumption of proceedings was held, during which the bankruptcy trustee stated that he had asked the Deputy Judge an 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 artefact was removed. Therefore, the lawsuit will be abandoned for the cessation of the matter of dispute. A settlement agreement will be signed shortly in order to formalise the abandonment of the proceedings.

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 - TIVG), 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 data 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.

Other distribution companies of the Group have opted for the same solution (AP Reti Gas Rovigo S.R.L., AP Reti Gas Vicenza S.p.A., 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 50 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 31st March 2018, 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 4th December 2017) against ARERA for the annulment of Resolution 670/2017/R/GAS dated 5th October 2017, and 782/2017/R/GAS dated 23rd 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)

The companies operating in the energy segment have been required to pay a surcharge on direct taxes since 2008. The percentage of the IRES additional tax (also called “Robin Tax”) has changed over time: from 5.5% in fiscal year 2008 up to a maximum of 10.5% in 2013. The taxable income affected by the tax was in line with that of IRES. In 2015, the Commissione Tributaria Provinciale of Reggio Emilia (Provincial Tax Commission), as part of a litigation initiated by the manager of a network of fuel distributors, raised the question of constitutional legitimacy of the provision relating to the IRES additional tax by referring the case to the Constitutional Court.

The latter, with judgement dated 11th February 2015 no. 10, declared that the tax set forth in article 81, paragraphs 16, 17 and 18 of Decree Law 25/08/2008 no. 112, converted into Law 133/2008, is unconstitutional. The declaration of unconstitutionality produced effects for future tax obligations and protected the amounts cashed in during the period of validity of the tax.

The declaration of unconstitutionality opened up the opportunity, for the players of the energy sector, to try to recover the taxes paid in the financial years during which the IRES additional tax was effective.

Subsequent to such judgement, the companies requested the reimbursement of the unduly paid tax.

Against the silent/express refusal, 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.

The Companies involved in the afore-mentioned litigations 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.

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 the merged company Edigas Due S.p.A. have been discussed in court. The other hearings are still pending.

With reference to the outcome of the pending litigations, the first degree of judgment is favourable to Agenzia delle Entrate: therefore, the companies decided to file an appeal against the judgement of the provincial tax commission.

Please note that the regional tax commission of Lombardy has delivered a judgement of paramount importance very recently (sentence 1706/11/18 dated 16th April 2018) which confirmed a principle favourable to the claimant taxpayer according to which it is necessary to reimburse the IRES surcharge for the past years, even beyond the limits set by the Council.

This jurisprudential position therefore appears to confirm the choice adopted by the Ascopiave Group to continue the tax litigation.

Territorial areas

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

Specifically:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The most significant changes include:

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

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

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

In 2015-2016, a number of tenders were published for the award of the service with Territorial procedure. Many of them did not follow the procedures required by law, which envisages, among other things, the prior examination by the Authority of the reimbursement amounts of the plants due to outgoing operators as well as the review of the invitation to tender's overall content and annexes before publication. Moreover, most calls are also inconsistent, even significantly, with the instructions contained in the ministerial regulations, also with regard to the criteria for evaluating bids; according to the current regulations, such inconsistencies should be specifically justified by the Awarding Entities. In this context, the 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 4th 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 7th April 2014;
- the aggregated territorial VIR-RAB gap does not exceed 8%;
- the VIR-RAB gap of the individual Municipality does not exceed 20 per cent.

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 27th 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.

The tender documents were challenged by an operator participating in the call for bids. With Judgement no. 886/2017, the Regional Administrative Court of Veneto rejected the appeal. The plaintiff appealed against the decision to the Council of State, submitting an application for the suspension of the first instance provision. On 3rd May 2018, the precautionary hearing was held.

Distribution of dividends

On 26th April 2018, 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 7th May 2018, record date on 8th May 2018 and payment on 9th May 2018.

Own shares

Pursuant to Article 40, Legislative Decree 127 2 d), as of 31st March 2018, the value of own shares held by the company is equal to Euro 17,521 thousand (Euro 17,521 thousand as of 31st December 2017), 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 28th 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).

The Group could also be exposed to the negative economic effects arising from the modification of the allocated volumes and the volumetric differences that occur in different parts of the network where natural gas is measured, with reference to the effects of the provisions governing settlement that ARERA should issue for the years from 2013 to 2016.

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

However, these results could be influenced, in addition to the possible new tariff provisions by the Regulatory Authority for Energy, Networks and the Environment – 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 3.4% (5.0% as of 31st March 2017) 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 31st 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 31st March 2018, with the acquisition of the companies of the Pasubio Group, the Ascopiave Group holds a portfolio of 230 (208 as of 31st March 2017) natural gas distribution concessions located throughout the country. In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19th January 2011 and 18th October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12th November 2011. With new tenders being launched, Ascopiave S.p.A. may not be able to obtain one or more new concessions, or it could obtain them at less advantageous conditions than the current ones, with possible negative impacts on the operative activity and the economic, equity and financial situation, it being understood that, if the company is not awarded with a new concession, limited to the Municipalities previously managed by the company, it will obtain a reimbursement value envisaged for the outgoing operator.

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

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

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

In the periods following the first, transitional one, the reimbursement value to the outgoing operator shall be equal to the local net intangible assets, net of public capital contributions and of private ones for local fixed assets, calculated with reference to the criteria used by the Authority to determine the distribution tariffs (RAB). As far as this point is concerned, it should be noted that the Authority has recently intervened with Resolution 367/2014/R/gas, providing that the redemption value, referred to in Article 14, paragraph 8, of Legislative Decree no. 164/00, at the end of the first period of concession is determined as the sum of: a) the residual value of the existing stock at the beginning of the

concession period, assessed for all the fixed assets subject to transfer for consideration to the new operator in the second period of concession based on the redemption value, provided for in Article 5 of Decree 226/11, recognised to the outgoing operator in the first territorial concession, taking into account the depreciations and divestments recognised for tariff purposes in the concession period; b) the residual value of the new investments made in the concession period and existing at the end of the period, assessed based on the re-valued historical cost method for the period in which the investments are recognised in the final balance, as provided in Article 56 of the Tariff Regulation of Gas Distribution and Measurement Services, and as the average between the net value determined based on the re-valued historical cost method and the net value determined based on standard cost assessment methods, pursuant to paragraph 3.1 of Resolution 573/2013/R/GAS, for the next period.

Evolution of the adjustment sessions of natural gas allocations

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

By resolutions 670/2017/R/GAS dated 5th October 2017 and 782/2017/R/GAS dated 23rd November 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 of the first quarter of the year, the Group could be exposed to the negative 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.

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.

Performance Indicators

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

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

Comments on the economic-financial results of first quarter of 2018

General operational performance and indicators

NATURAL GAS DISTRIBUTION	3M 2018	3M 2017	Var.	Var. %
Companies consolidated with full consolidation method				
Number of concessions	198	176	22	12.5%
Length of distribution network (km)	9,244	7,848	1,396	17.8%
Number of POD	489,799	399,120	90,679	22.7%
Volumes of gas distributed (scm/mln)	460.8	353.7	107.1	30.3%
Companies consolidated with net equity consolidation method				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,104	1,103	1	0.1%
Number of POD	94,680	94,547	133	0.1%
Volumes of gas distributed (scm/mln)	73.4	71.3	2.2	3.0%
Ascopiave Group*				
Number of concessions	214	192	22	11.5%
Length of distribution network (km)	9,783	8,387	1,396	16.6%
Number of POD	536,060	445,316	90,744	20.4%
Volumes of gas distributed (scm/mln)	496.7	388.5	108.2	27.9%

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

NATURAL GAS SALES TO FINAL MARKET	3M 2018	3M 2017	Var.	Var. %
Companies consolidated with full consolidation method				
Number of customers	545,156	552,021	-6,865	-1.2%
Volumes of gas sold (smc/mln)	367.5	380.2	-12.7	-3.3%
Companies consolidated with net equity consolidation method				
Number of customers	232,153	234,949	-2,796	-1.2%
Volumes of gas sold (smc/mln)	134.1	137.6	-3.5	-2.6%
Ascopiave Group*				
Number of customers	658,909	667,144	-8,235	-1.2%
Volumes of gas sold (smc/mln)	433.2	447.7	-14.4	-3.2%

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

SALE OF ELECTRIC POWER	3M 2018	3M 2017	Var.	Var. %
Companies consolidated with full consolidation method				
Number of POD	70,836	59,682	11,154	18.7%
Volumes of electricity sold (GWh)	94.4	101.1	-6.7	-6.6%
Companies consolidated with net equity consolidation method				
Number of POD	26,536.0	20,912.0	5,624	26.9%
Volumes of electricity sold (GWh)	31.9	29.1	2.9	10.0%
Ascopiave Group*				
Number of POD	83,838.4	69,928.7	13,910	19.9%
Volumes of electricity sold (GWh)	110.1	115.4	-5.3	-4.6%

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

NATURAL GAS SALES ON TRADING ACTIVITIES	3M 2018	3M 2017	Var.	Var. %
Volumes of gas sold (smc/mln)	15.1	0.0	15.1	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 the first three months of the year 2018, the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 460.8 million cubic metres (of which 82.3 million cubic metres pertaining to the extension of the scope of consolidation to Ap Reti Gas Vicenza S.p.A.), marking an increase of 30.3% compared to the same period in the previous year. The company Unigas Distribuzione S.r.l., consolidated through the equity method, distributed 73.4 million cubic metres, marking an increase of 3.0% as compared to the same period in the year 2017.

As of 31st March, the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 489.8 thousand and showed an increase of 90.7 thousand units compared to the previous year (399.1 thousand units as of 31st March 2017). The growth is mainly explained by the extension of the scope of consolidation which increased the number of redelivery points managed by 88.5 thousand units. The points managed by the companies consolidated with the equity method (Unigas Distribuzione S.r.l.) must be added to these units; at the end of the first quarter of the year, the latter company managed 94.7 thousand redelivery points (94.6 thousand at the end of the first quarter of 2017).

In the first three months of the year 2018, the volume of gas sold by the 100% consolidated companies amounted to 367.5 million cubic metres, marking an increase of 3.3% compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 134.1 million cubic metres of gas (-2.6% compared to the same period in the previous year).

In the first three months of the year 2018, the volume of electricity sold by the fully consolidated companies was equal to 94.4 GWh, marking an increase of 6.6% compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 31.9 GWh of electrical energy (+10.0% compared to the same period in the previous year).

As of 31st March, the gas customer portfolio of the companies consolidated on a line-by-line basis consisted of 545.2 thousand customers and recorded a contraction of 6.9 thousand units as compared to 31st March in the previous year (552.0 thousand as of 31st March 2017). The customers of the companies consolidated with the equity method (Estenergy S.p.A. and ASM Set S.r.l.) must be added to these units; at the end of the period considered, the latter companies had a portfolio consisting of 232.2 thousand customers, recording a decrease of 1.2% as compared to the previous year (234.9 million units as of 31st March 2017).

The decrease in the gas portfolio was more than offset by the increase in electricity customers: at the end of the first quarter of the year, the companies consolidated on a line-by-line basis, serving 70.8 thousand customers, recorded an increase of 11.2 thousand units. At the end of the reference period, the companies consolidated using the equity method boasted an electricity portfolio consisting of 26.5 thousand customers, showing a growth of 5.6 thousand units.

General operational performance - The Group's economic results

(Thousands of Euro)	1st Quarter 2018	% of revenues	1st Quarter 2017	% of revenues
Revenues	200,648	100.0%	199,503	100.0%
Total operating costs	164,788	82.1%	162,878	81.6%
Gross operative margin	35,860	17.9%	36,625	18.4%
Amortization and depreciation	5,650	2.8%	5,063	2.5%
Provision for risks on credits	345	0.2%	478	0.2%
Operating result	29,864	14.9%	31,083	15.6%
Financial income	58	0.0%	52	0.0%
Financial charges	245	0.1%	115	0.1%
Evaluation of subsidiary companies with the net equity method	3,783	1.9%	3,713	1.9%
Earnings before tax	33,460	16.7%	34,733	17.4%
Taxes for the period	8,461	4.2%	8,703	4.4%
Net result for the period	24,999	12.5%	26,030	13.0%
Group's Net Result	23,502	11.7%	24,541	12.3%
Third parties Net Result	1,497	0.7%	1,489	0.7%

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

In the first three months of the year 2018, the Group incomes amounted to Euro 200,648 thousand, marking an increase of 0.6% compared to the same period in the previous year. The following table reports the details of income.

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Revenues from gas transportation	11,569	12,756
Revenues from gas sale	155,129	161,646
Revenues from electricity sale	18,244	15,083
Revenues from connections	68	35
Revenues from heat supply	1	32
Revenues from distribution services	1,528	914
Revenues from services supplied to Group companies	811	352
Revenues from ARERA contributions	8,749	6,340
Other revenues	3,282	
Other revenues	1,266	2,345
Revenues	200,648	199,503

Revenues from gas sale decreased from Euro 161,646 thousand to Euro 155,129 thousand, recording a decrease of Euro 6,517 thousand (-4.0%). The reduction is mainly explained by the decrease in the amounts of gas sold.

Revenues from electricity sales increased from Euro 15,083 thousand to Euro 18,244 thousand, thus recording an increase of Euro 3,161 thousand (+21.0%), mainly due to a rise in unitary prices.

Revenues from forward sales of raw materials amounted to Euro 3,282 thousand. Such proceeds are not recorded in the comparative period as the trading activities started in September 2017.

The operating result in the first three months of the year 2018 amounts to Euro 29,864 thousand, thus recording a decrease of Euro 1,219 thousand (-3.9%) compared to the same period in the previous year.

The worsening is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 3,197 thousand (of which Euro 2,885 thousand due to the extension of the scope of consolidation);
- decrease in the first margin on the activity of gas sales, equal to Euro 869 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 325 thousand;
- negative change in other items of cost and revenues, equal to Euro 3,875 thousand (of which Euro 2,754 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 14,997 thousand to Euro 15,251 thousand) is mainly explained by the extension of the scope of consolidation, which has determined the recognition of Euro 2,885 thousand of higher revenues.

The decrease in the **first margin on the activity of gas sale** (from Euro 30,859 thousand to Euro 29,908 thousand), is mainly explained by lower amounts of gas sold, an effect which was partially offset by higher unit margins.

The **first margin** resulting from **gas trading** at the end of the period was Euro 83 thousand. In 2017, and in the first quarter of 2018, sales and purchase contracts were signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market. Contractual commitments relate to physical deliveries for the period October 2017 – April 2018 for the raw material, while the transport service is for the period October 2017 – September 2018 (2017/18 thermal year).

The revenue and cost components related to physical deliveries during the period October 2017 – March 2018, 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 month of April 2018 and to the transport service for the period April – 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 1,325 thousand to Euro 1,653 thousand, is mainly explained by higher unit margins, whereas the amounts of electricity sold record a decrease compared to the same period in the previous year.

The negative variation in the item **other costs and revenues**, amounting to Euro 3,875 thousand, is due to:

- extension of the scope of consolidation: negative change amounting to Euro 2,754 thousand;
- higher other revenues for Euro 267 thousand;
- higher material and service costs and other charges equalling Euro 1,839 thousand (mainly explained by the increase in costs recorded in relation to energy efficiency obligations);
- a decrease in personnel cost for Euro 446 thousand;
- an increase in amortisation, depreciation and write-downs of fixed assets for Euro 128 thousand;
- lower bad debts provisions for Euro 133 thousand.

The **net consolidated profit** in the first three months of the year 2018 amounts to Euro 24,999 thousand, thus recording a decrease of Euro 1,030 thousand (-4.0%) compared to the same period in the previous year.

This change is due to the following factors:

- a decrease in the operating result, as previously stated, for Euro 1,219 thousand;
- higher result of companies consolidated through the equity method for Euro 70 thousand;
- an increase in financial revenues for Euro 6 thousand;
- an increase in financial charges for Euro 130 thousand;
- a decrease in taxes for Euro 242 thousand, due to the lower taxable income in the period in question.

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, increases from 28.1% in the first quarter of 2017 to 28.5%.

General operational performance – Financial situation

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

(Thousands of Euro)	31.03.2018	31.12.2017	31.03.2017
A Cash and cash equivalents on hand	19	17	14,784
B Bank and post office deposits	81,993	15,538	34,313
D Liquid assets (A) + (B) + (C)	82,012	15,555	49,097
E Current financial assets	(0)	0	1
F Payables due to banks	(65,114)	(70,123)	(60,672)
G Current portion of medium-long-term loans	(10,923)	(10,181)	(9,912)
H Current financial liabilities	(2,010)	(480)	(1,786)
I Current financial indebtedness (F) + (G) + (H)	(78,047)	(80,785)	(72,369)
J Net current financial indebtedness (I) - (E) - (D)	3,965	(65,230)	(23,272)
K Medium- and long-term bank loans	(59,310)	(54,360)	(32,130)
M Non-current financial liabilities	(258)	(277)	(333)
N Non-current financial indebtedness (K) + (L) + (M)	(59,568)	(54,637)	(32,463)
O Net financial indebtedness (J) + (N)	(55,603)	(119,867)	(55,735)

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph “Transactions with related parties” of this interim 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 31st December 2016 to Euro 119,867 thousand as of 31st 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)	1st Quarter 2018	1st Quarter 2017
Net Income	24,999	26,030
Depreciations and amortizations	5,650	5,063
Provisions	345	478
(a) Self financing	30,995	31,572
(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:	38,160	11,182
(c) Change in financial position generated by operating activities = (a) + (b)	69,156	42,754
(d) Change in financial position generated by investing activities	(4,891)	(4,370)
(e) Other financial position changes	0	(0)
Net financial position changes = (c) + (d) + (e)	64,264	38,384

The cash flow generated by the operating management (letters a + b), equal to Euro 69,156 thousand, was mainly due to self-financing for Euro 30,995 thousand and other financial positive variations amounting to Euro 38,160 thousand, mainly related to the management of the net circulating capital for Euro 41,943 thousand and to the assessment of companies consolidated through the equity method for Euro -3,783 thousand.

The management of net circulating capital has generated financial resources amounting to Euro 41,943 thousand and was influenced mainly by a variation in the overall balance with Ufficio Tecnico Imposte di Fabbricazione e Regioni (Technical Office for Taxation on Building and Regional Taxation), which has generated financial resources for Euro 23,453 thousand, by the variation in VAT allocation, which has generated financial resources for Euro 32,626 thousand, and by the variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes, which has generated financial resources for Euro 8,712 thousand. The variation in the net operating capital has absorbed financial resources for Euro 29,454 thousand.

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

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Inventories	1,298	2,031
Trade receivables and payables	(32,298)	(56,780)
Operating receivables and payables	1,547	(942)
Severance pay and other funds	164	54
Current taxes	8,461	8,703
Tax receivables and payables	62,772	61,828
Change in net working capital	41,943	14,895

Investment activities have generated a cash requirement of Euro 4,891 thousand.

General operational performance - Investments

During the first quarter of the year, the Group made investments for an amount of Euro 5,017 thousand, an increase compared to the previous year of Euro 647 thousand. The increase is explained by higher costs incurred for the construction of natural gas distribution facilities (Euro +785 thousand) offset by a decrease in other investments (Euro - 138 thousand).

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 4,766 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 903 thousand, the creation of connections for Euro 1,180 thousand, and the installation of meters for Euro 2,485 thousand.

INVESTMENTS (Thousand of Euro)	1st Quarter 2018	1st Quarter 2017
Connecting a gas users	1,180	1,042
Expansions, reclamations and network upgrades	732	492
Flowmeters	2,485	2,059
Maintenance	172	389
Other investments in gas distribution facilities	198	0
Raw material (gas) investments	4,766	3,982
Land and buildings	56	282
Industrial and commercial equipment	75	10
Forniture	20	1
Vehicles	35	30
Hardware and Software	52	34
Other assets	13	31
Other investments	251	389
Investments	5,017	4,370

Ascopiave Group

Prospects of the interim financial report

as of 31st March 2018

Consolidated assets and liabilities statement

(Thousands of Euro)		31.03.2018	31.12.2017	31.03.2017
ASSETS				
Non-current assets				
Goodwill	(1)	80,758	80,758	80,758
Other intangible assets	(2)	346,485	346,934	316,412
Tangible assets	(3)	32,023	32,334	32,163
Shareholdings	(4)	71,423	68,878	72,150
Other non-current assets	(5)	13,023	13,015	13,569
Advance tax receivables	(6)	11,483	11,479	9,853
Non-current assets		555,197	553,397	524,924
Current assets				
Inventories	(7)	2,774	4,072	2,280
Trade receivables	(8)	196,593	156,884	204,938
Other current assets	(9)	71,816	57,865	52,531
Tax receivables	(10)	2,720	2,645	1,007
Cash and cash equivalents	(11)	82,012	15,555	49,097
Current assets from derivative financial instruments	(12)	628	1,510	790
Current assets		356,543	238,532	310,642
ASSETS		911,740	791,929	835,566
Net equity and liabilities				
Total Net equity				
Share capital		234,412	234,412	234,412
Own shares		(17,521)	(17,521)	17,521
Reserves		250,572	228,620	244,776
Net equity of the Group		467,462	445,511	461,666
Net equity of Others		6,392	4,989	7,527
Total Net equity	(13)	473,854	450,500	469,193
Non-current liabilities				
Provisions for risks and charges	(14)	5,416	5,913	6,687
Severance indemnity	(15)	5,003	4,836	4,136
Medium- and long-term bank loans	(16)	59,310	54,360	32,130
Other non-current liabilities	(17)	23,195	22,930	20,583
Non-current financial liabilities	(18)	258	277	333
Deferred tax payables	(19)	15,469	15,733	16,551
Non-current liabilities		108,651	104,048	80,420
Current liabilities				
Payables due to banks and financing institutions	(20)	76,037	80,304	70,584
Trade payables	(21)	125,409	117,653	103,609
Tax payables	(22)	2,719	625	2,984
Other current liabilities	(23)	123,029	38,312	106,934
Current financial liabilities	(24)	2,010	480	1,786
Current liabilities from derivative financial instruments	(25)	31	7	57
Current liabilities		329,235	237,382	285,953
Liabilities		437,886	341,430	366,373
Net equity and liabilities		911,740	791,929	835,566

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

Income statement and Comprehensive consolidated income statement

(Thousands of Euro)		1st Quarter 2018	1st Quarter 2017
Revenues	(26)	200,648	199,503
Total operating costs		165,133	163,357
Purchase costs for raw material (gas)	(27)	109,185	107,908
Purchase costs for other raw materials	(28)	8,273	5,553
Costs for services	(29)	31,747	37,865
Costs for personnel	(30)	6,149	5,958
Other management costs	(31)	9,802	6,122
Other income	(32)	22	50
Amortization and depreciation	(33)	5,650	5,063
Operating result		29,864	31,083
Financial income	(34)	58	52
Financial charges	(34)	245	115
Evaluation of subsidiary companies with the net equity method	(34)	3,783	3,713
Earnings before tax		33,460	34,733
Taxes for the period	(35)	8,461	8,703
Result for the period		24,999	26,030
Group's Net Result		23,502	24,541
Third parties Net Result		1,497	1,489
Consolidated statement of comprehensive income			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		(902)	(1,046)
Total comprehensive income		24,098	24,984
Group's overall net result		22,695	23,611
Third parties' overall net result		1,403	1,373
Base income per share		0.106	0.110
Diluted net income per share		0.106	0.110

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

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

Statement of changes in consolidated shareholders' equity

(Thousands of Euro)	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1 st January 2018	234,412	46,882	(17,521)	(46)	134,649	47,135	445,511	4,989	450,500
Result for the period						23,502	23,502	1,497	24,999
Other operations					(807)		(807)	(95)	(902)
Total result of overall income statement				(0)	(807)	23,502	22,695	1,403	24,098
Allocation of 2017 result					47,135	(47,135)	(0)		(0)
Other operations					(743)		(743)		(743)
Balance as of 31st March 2018	234,412	46,882	(17,521)	(46)	180,234	23,502	467,462	6,392	473,854

(Thousands of Euro)	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1 st January 2017	234,412	46,882	(17,522)	(108)	120,757	53,635	438,055	6,155	444,209
Result for the period						24,541	24,541	1,489	26,030
Other operations					(930)		(930)	(116)	(1,046)
Total result of overall income statement				(0)	(930)	24,541	23,611	1,373	24,984
Allocation of 2016 result					53,635	(53,635)	(0)		(0)
Balance as of 31st March 2017	234,412	46,882	(17,522)	(108)	173,461	24,541	461,666	7,527	469,193

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(thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Net income of the Group	23,502	24,541
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	1,497	1,489
Amortization	5,650	5,063
Bad debt provisions	345	478
Variations in severance indemnity	167	59
Current assets / liabilities on financial instruments and forward purchasee and sales	798	1,009
Net variation of other funds	(3)	(4)
Evaluation of subsidiaries with the net equity method	(3,783)	(3,713)
Interests paid	(418)	(146)
Interest expense for the year	243	112
Taxes for the year	8,461	8,703
Variations in assets and liabilities		
Inventories	1,298	2,031
Accounts payable	(40,054)	(57,337)
Other current assets	(13,160)	(5,324)
Trade payables	7,756	557
Other current liabilities	76,598	64,923
Other non-current assets	(8)	(3)
Other non-current liabilities	266	316
Total adjustments and variations	45,654	18,212
Cash flows generated (used) by operating activities	69,156	42,754
Cash flows generated (used) by investments		
Investments in intangible assets	(4,705)	(3,980)
Realisable value of intangible assets	78	0
Investments in tangible assets	(264)	(390)
Cash flows generated/(used) by investments	(4,891)	(4,370)
Cash flows generated (used) by financial activities		
Net changes in debts due to other financers	(19)	(24)
Net changes in short-term bank borrowings	(9)	16,275
Net variation in current financial assets and liabilities	1,530	(1,860)
Ignitions loans and mortgages	80,000	16,000
Redemptions loans and mortgages	(79,309)	(28,500)
Cash flows generated (used) by financial activities	2,193	1,891
Variations in cash	66,457	40,275
Cash and cash equivalents at the beginning of the period	15,555	8,822
Cash and cash equivalents at the end of the period	82,012	49,097

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this interim 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 31st March 2018, 61.56% of the Company’s share capital, amounting to Euro 234,411,575 was held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario – STAR Segment – organised and managed by Borsa Italiana S.p.A.

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

The publication of the consolidated Interim Financial report as of 31st March 2018 of the Ascopiave Group was authorised by resolution of the Board of Directors on 14th May 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 (230 municipalities as of 31st December 2017) 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 9,781 kilometres (9,780 kilometres as of 31st December 2017).

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 433 million cubic meters ⁴ of gas sold (approximately 448 million as of 31st March 2017).

General drafting criteria and main accounting standards adopted

The Group Financial Statements as of 31st March 2018 and of the periods considered as a comparison, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) adopted by the European Commission and in force as of the date of drawing-up of this report.

The accounting standards used to draw up this interim report are the same as those used to prepare the consolidated financial statements of the Ascopiave Group as of 31st December 2017 and were applied consistently for all the periods considered.

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

⁴ 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.

New international standards applied for the first time commencing 1st January 2018

Application of IFRS 9 and IFRS 15

The new accounting standards IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial instruments” entered into force with effect from 1st January 2018. Further information is provided in the section “IAS/IFRS accounting standards and respective IFRIC interpretations approved and applicable to financial statements for financial years beginning after 1st January 2017” of the consolidated annual financial statements as of 31st December 2017. For both standards, the Ascopiave Group developed the recognition of the existing cases as at 1st January 2018, making use of the possibility of recognising any effects, related to the retroactive restatement of values, in the shareholders’ equity without restating the previous periods shown for comparison purposes. The values recognised in the companies consolidated on a line-by-line basis did not show any effects connected with the adoption of the new standards.

As far as IFRS 9 is concerned, the Group paid particular attention to the possible impacts of the first application of the incurred losses criterion, rather than that of expected losses, for the segment of gas and electricity sales. The significant expansion of the amounts to be considered in the assessment of the expected credit risk did not determine the need to change the usual parameters applied by the Group upon the quantification of the credit risk. The expansion of the amounts to be assessed is mainly explained, in the first quarter of each year, by the concentration of gas consumption by end users and by the fact that the receivables which are not overdue on the closing date of the period must be taken into account. The measurement practices originally adopted were not affected by such effects as the Group, in the past, decided to perform a credit risk assessment according to which the receivables overdue for more than 365 days are totally written down and those overdue for more than 180 days are partially written down.

The predictive process was supported by the monthly activities for the use of the allowance for doubtful accounts provisioned on the basis of the execution of cycles of reminders for payment and collection of overdue receivables. The historical series relating to past years show that predictive write-downs are a reasonable overestimate of the actual losses that the Group incurs towards the end customers.

The different logic underlying the measurement of the estimate of losses on receivables (expected losses vs. incurred losses), deriving from the replacement of the accounting standard IAS 39 with IFRS 9, entailed the following effects for the jointly-controlled company Estenergy S.p.A.:

- different weighting of the quarterly provision to the allowance for doubtful accounts as compared to the previous year (Euro +275 thousand as against 2017);
- adjustment of Shareholders’ equity of Euro -1,406 thousand for the application of the new standard on receivables arising until 31st December 2017, net of the tax effects on deferred taxes.

The following table summarises the effects entailed by the adoption of the new standards on the opening balances as at 1st January 2018. There are no effects on the net financial position.

	1st January 2018	Adoption effects		Restated 1st January 2018
		IFRS 9	IFRS 15	
Current assets	238,532		0	238,532
<i>of which</i>				
Trade receivables	156,884			156,884
Other current assets	57,865			57,865
Non-current assets	553,397		0	553,397
<i>di cui:</i>				
Other intangible assets	346,934			346,934
Shareholdings	68,878	(743)		68,135
Advance tax receivables	11,479			11,479
Total Assets	791,929		0	791,929
Current liabilities	237,382		0	237,382
<i>of which</i>				
Trade payables	117,653			117,653
Other current liabilities	38,312			38,312
Non-current liabilities	104,048		0	104,048
Total Liabilities	341,430		0	341,430
Net equity	450,500	743	0	449,757
Net equity and liabilities	791,929		0	791,929

Use of estimates

The drawing-up of the interim report for the first quarter of 2018 requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the information disclosure of contingent assets and liabilities as of the date of the report.

If, in the future, such estimates and assumptions, which are based on the management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise. For a detailed description of the most significant evaluation processes of the Group, please refer to paragraph "Use of Estimates" in the Consolidated Financial Statements as of 31st December 2017.

Moreover, some evaluation procedures, in particular the most complex ones, such as the determination of any impairment of non-current assets, are usually fully carried out only while drawing-up the annual financial statements, when all the necessary information is available, except for cases in which there are impairment indicators that require an immediate evaluation of potential losses.

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

Accounting standards, amendments and interpretations not yet applicable and not adopted ahead of time by the Group

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

Consolidation area and principles

The consolidated financial statements include the financial statements of all the subsidiaries. The Group controls an entity (including the structured entities) when the Group is exposed, or is entitled, to the variability of results from such entities and has the possibility of influencing these outcomes through the exercise of power over the entity. The financial statements of the subsidiaries are included in the Consolidated financial statements commencing the date on

which control is taken until the date such control ceases. The costs incurred in the acquisition process are expensed in the year they are incurred. The assets and liabilities, the 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 recognised as “Goodwill”; if negative, it is recognised in the income statement.

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

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

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

The value of goodwill is not amortised but is subject to, at least on an annual basis, an impairment test when facts or changes in the circumstances indicate that the carrying value cannot be realised. Goodwill is booked at cost, net of impairment losses. If the carrying value of the investments is lower than the net equity pro-quota value of the investees, the negative difference is recognised in the income statement. The acquisition costs are booked in the income statement.

Associated companies are those over which a significant influence is exercised, which is presumed to exist when the shareholding is between 20% and 50% of the voting rights. Investments in associates are initially recorded at cost and subsequently accounted for using the equity method. The carrying value of these investments is in line with the Shareholders' equity and includes the recording of the higher values attributed to assets and liabilities and any goodwill identified upon acquisition. The unrealised gains and losses generated on transactions between the Parent Company/Subsidiaries and the investee valued with the equity method are eliminated based on the value of the stake held by the Group in the investee; the unrealised losses are eliminated, except when they represent an impairment.

The financial statements of subsidiaries and jointly controlled Companies 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 harmonise them with the accounting standards used by the Parent company, which are in accordance with the IFRSs adopted by the European Union.

The companies included in the consolidation area as of 31st March 2018 and consolidated through the line-by-line, proportional method or equity method are the following:

Company name	Registered offices	Paid-up capital	Group interest	Direct controlling interest	Indirect controlling interest
Parent company					
Ascopiave S.p.A.	Pieve di Soligo (TV)	234,411,575			
100% consolidated companies					
Ascotrade S.p.A.	Pieve di Soligo (TV)	1.000.000	89.00%	0.00%	89%
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	0.00%	100%
Etra Energia S.r.l.	Cittadella (PD)	100.000	51.00%	0.00%	51%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7.000.000	100.00%	0.00%	100%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	0.00%	100%
Amgas Blu S.r.l.	Foggia (FG)	10.000	80.00%	0.00%	80%
Blue Meta S.p.A.	Pieve di Soligo (TV)	606.123	100.00%	0.00%	100%
Pasubio Servizi S.r.l.	Schio (VI)	250.000	100.00%	0.00%	100%
Veritas Energia S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	0.00%	100%
AP Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10.000.000	100.00%	0.00%	100%
Companies under joint control proportionally consolidated					
ASM Set S.r.l.	(1) Rovigo (RO)	200.000	49.00%	0.00%	49%
Estenergy S.p.A.	(2) Trieste (TS)	1.718.096	48.999%	0.000%	49%
Unigas Distribuzione S.r.l.	(3) Nembro (BG)	3.700.000	48.86%	0.00%	49%
Subsidiary companies consolidated with net equity method					
Sinergie Italiane S.r.l. in liquidazione	Milano (MI)	1.000.000	30,94%	30,94%	0%

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

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

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

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

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

For further information, please see the tables in the explanatory notes showing the values generated by the new consolidated companies and the values as of 31st 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.	8,899	960	3,040	(2,182)	Ita Gaap
AP Reti Gas S.p.A.	21,538	4,106	322,127	(34,501)	IFRS
Ascopiave S.p.A.	2,997	(1,077)	397,360	144,914	IFRS
Ascotrade S.p.A.	125,291	10,814	39,690	(36,136)	IFRS
Blue Meta S.p.A.	28,308	2,879	12,354	(11,518)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	1,294	313	11,823	(2,736)	Ita Gaap
Estenergy S.p.A.	54,444	5,240	28,646	(27,940)	IFRS
Etra Energia S.r.l.	3,057	267	1,405	(1,627)	Ita Gaap
AP Reti Gas Vicenza S.p.A.	5,023	32	16,880	12,399	Ita Gaap
Pasubio Servizi S.r.l.	15,509	1,818	7,736	(9,684)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	1,021	308	15,834	(2,460)	Ita Gaap
ASM Set S.r.l.	11,941	1,019	3,225	(2,384)	Ita Gaap
Unigas Distribuzione S.r.l.	3,122	551	42,124	3,329	Ita Gaap
Veritas Energia S.p.A.	29,884	1,285	6,173	(1,201)	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.

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

Non-current assets

1. Goodwill

Goodwill, equal to Euro 80,758 thousand as of 31st March 2018, remains unchanged as compared to 31st December 2017. 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 amortisation, 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)	31.12.2017	Increase	Decrease	31.03.2018
Distribution of natural gas	24,396			24,396
Sales of natural gas	56,362			56,362
Total goodwill	80,758			80,758

As of 31st March 2018, considering the outcome of the impairment tests carried out while preparing the financial statements as of 31st December 2017, the evolution of the external indicators and of the internal values previously used to estimate the value recoverable from the cash-generating units and that there are no new, significant impairment indicators to take into account, the administrators did not judge it necessary to carry out another impairment test on the book value of the goodwill reported above.

2. Other intangible fixed assets

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

(Thousands of Euro)	31.03.2018				31.12.2017			
	Historic cost	Accumulated depreciation	Provision for impairment	Net value	Historic cost	Accumulated depreciation	Provision for impairment	Net value
Lands and buildings	40,108	(12,076)		28,032	40,108	(11,775)		28,333
Plant and machinery	2,737	(1,428)	(995)	313	2,737	(1,396)	(995)	346
Industrial and commercial equipment	3,448	(2,948)		500	3,428	(2,929)		499
Other tangible assets	17,250	(14,891)		2,359	17,107	(14,684)		2,423
Tangible assets in progress and advance payments	819	0		819	733	0		733
Other tangible assets	64,361	(31,343)	(995)	32,023	64,113	(30,784)	(995)	32,334

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

	31.12.2017			31.03.2018		
(Thousands of Euro)	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	213	0		41		171
Concessions, licences, trademarks and similar rights	6,954	(0)		270		6,684
Other intangible assets	6,234	16		519		5,732
Tangible assets under IFRIC 12 concession	327,589	2,195	119	4,295	(53)	325,424
Tangible assets in progress under IFRIC 12 concession	5,945	2,542	12	0		8,474
Other intangible assets	346,934	4,753	131	5,124	(53)	346,485

The investments made during the first quarter of the year amount to Euro 4,753 thousand and mainly refer to costs incurred for the construction of the infrastructures for natural gas distribution.

Industrial patents and intellectual property rights

During the first three months of the year, the item “Industrial patents and intellectual property rights” did not register investments and its variation equals the amortisation 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 amortisation. The assignments obtained, following the implementation of Legislative Decree no. 164/00 (Letta Decree), are amortised with a useful life of 12 years in compliance with the period provided for by the decree.

Other intangible fixed assets

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

The analysis of customers switching performed at the end of the 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 first quarter, the decrease amounts to Euro 2,165 thousand, mainly explained by depreciation for the period. The investments made, including the reclassifications of assets under construction, totalled Euro 2,195 thousand. Net divestments 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 first quarter of the year. The item has changed by Euro 2,542 thousand.

3. Tangible assets

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

(Thousands of Euro)	31.03.2018			31.12.2017				
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value	Provision for impairment	Net value
Lands and buildings	40,108	(12,076)		28,032	40,108	(11,775)		28,333
Plant and machinery	2,737	(1,428)	(995)	313	2,737	(1,396)	(995)	346
Industrial and commercial equipment	3,448	(2,948)		500	3,428	(2,929)		499
Other tangible assets	17,250	(14,891)		2,359	17,107	(14,684)		2,423
Tangible assets in progress and advance payments	819	0		819	733	0		733
Other tangible assets	64,361	(31,343)	(995)	32,023	64,113	(30,784)	(995)	32,334

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

(Thousands of Euro)	31.12.2017				31.03.2018	
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Lands and buildings	28,333	13		315		28,032
Plant and machinery	346	0		32		313
Industrial and commercial equipment	499	22		20		500
Other tangible assets	2,423	143		207		2,359
Tangible assets in progress and advance payment	733	86				819
Other tangible assets	32,334	264	0	574	0	32,023

Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. At the end of the period, the item increased by Euro 13 thousand and the change is mainly explained by costs incurred for the renovation of company headquarters.

Plants and machinery

The item “Plants and machinery” did not register significant investments during the period and the change is mainly explained by the depreciation for the period.

Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 22 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during the first quarter of the year are equal to Euro 143 thousand and they mainly relate to the costs incurred for the purchase of corporate vehicles (Euro 52 thousand), hardware and phones (Euro 56 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 first quarter of the year, the item changed by Euro 86 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:

	31.12.2017		31.03.2018	
(Thousands of Euro)	Net value	Increase	Decrease	Net value
Shareholdings in jointly controlled companies	68,871	2,546		71,417
Shareholdings in other companies	7			7
Shareholdings	68,878	2,546	0	71,423

Shareholdings in joint companies

Shareholdings in joint companies increase from Euro 68,871 thousand to Euro 71,417 thousand, marking an increase of Euro 2,546 thousand, explained by the results achieved in the first three months of the year 2018 of which Estenergy S.p.A. Euro 1,824 thousand, ASM Set S.r.l. Euro 499 thousand and Unigas Distribuzione S.r.l. Euro 222 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 31st March 2018 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 30th 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, finalised before to the liquidation.

It should be noted that during the month of August 2013, the associate completed the renegotiation of natural gas purchase prices envisaged by the “Take or pay” agreements with the supplier “Gazprom Export LLC”; the economic benefit resulting from the renegotiation will be extended to the two-year periods 2013-2014 and 2014-2015.

In September 2015, the affiliate signed the second renegotiation of the long-term agreement with the same supplier, mainly focused on the renegotiation of the raw material purchase price. At the same time, it was possible to achieve a

significant reduction in the minimum contractual amounts. The economic effects of this renegotiation will also affect the three thermal years 2015/2016 - 2017/2018.

Based on the results of the financial statements for the year 2016-2017, as approved by the Shareholders' meeting on 18th December 2017 and on preliminary operating data for the first six months of the period 2016-2017 restated pursuant to international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 10,141 thousand, of which Euro 3,138 thousand attributable to the Ascopiave Group. Given that the capital deficit of the affiliate company as of 31st December 2017 amounted to Euro 11,737 thousand, of which Euro 3,631 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 494 thousand with a positive impact on the profit and loss statement (Euro 564 thousand as of 31st December 2017).

The essential data of the shareholdings in the subsidiary as of 31st March 2018, 30th September 2017 and 31st March 2017 are shown below:

(Values referred to pro-rata participation in Million of Euro)	31/03/2018	30/09/2017	31/03/2017
Non-current assets	1.86	2.14	2.56
Current assets	9.75	7.46	8.98
Net equity	(2.98)	(3.48)	(3.74)
Non-current liabilities	0.00	0.00	0.00
Current liabilities	13.61	12.10	14.26
Revenues	33.58	59.17	31.54
Costs	(32.82)	(57.23)	(30.50)
Gross operative margin	0.76	1.94	1.04
Amortization and depreciation	(0.27)	(1.01)	(0.39)
Operating result	0.50	0.93	0.65
Net result	0.46	0.87	0.61
NFP	3.67	2.93	2.86

Other investments

Other equity investments relate to the shares in the company Pedemontana Distribuzione Gas S.r.l. (9.09%) for Euro 5 thousand and minority stakes in Banca di Credito Cooperativo delle Prealpi - Soc. Coop. for Euro 1 thousand and Banca Alto Vicentino S.p.A. for Euro 1 thousand.

5. Other non-current assets

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

(Thousands of Euro)	31.03.2018	31.12.2017
Security deposits	8,885	8,877
Other receivables	4,138	4,138
Other non-current assets	13,023	13,015

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 increase from Euro 13,015 thousand to Euro 13,023 thousand, marking an increase of Euro 8 thousand, mainly due to the flows of the security deposits.

The item “Other receivables” is mainly made up of:

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

As of 31st March 2018, 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 interim financial statements.

6. Advance tax receivables

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

<i>(Thousands of Euro)</i>	31.03.2018	31.12.2017
Advance tax receivables	11,483	11,479
Advance tax receivables	11,483	11,479

Advance taxes increase from Euro 11,479 thousand to Euro 11,483 thousand, marking an increase of Euro 4 thousand. In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31st March 2018 and at the time when it is estimated that any temporary differences will be carried forward.

Current assets

7. Inventories

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

	31.03.2018			31.12.2017		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
<i>(Thousands of Euro)</i>						
Gas stockage	227	0	227	1,608	0	1,608
Fuels and warehouse materials	2,587	(39)	2,548	1,989	(33)	2,213
Values of newly acquired companies	0	0	0	257	6	252
Fuels and warehouse materials	2,813	(39)	2,774	3,854	(39)	4,072

At the end of the first quarter of the year 2018, inventories are equal to Euro 2,774 thousand marking a decrease of Euro 1,298 thousand as compared to 31st December 2017, mainly explained by the decrease in the amount of natural gas stored (Euro -1,381 thousand) partially offset by the increase in goods in stock (Euro +84 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, 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 (31st March 2018 equal to 20.40 €/MWh source MGS; 31st December 2017 equal to 20.00 €/MWh source MGS). At the end of the first quarter of the year, no depreciation of stocked gas price was necessary, as the market value was higher than the carrying amount of the stocked natural gas.

8. Trade receivables

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

	31.03.2018	31.12.2017
<i>(Thousands of Euro)</i>		
Receivables from customers	129,779	78,998
Receivables for invoices to be issued	71,219	83,245
Bad debt provisions	(4,405)	(5,358)
Trade receivables	196,593	156,884

Trade receivables increased from Euro 156,884 thousand to Euro 196,593 thousand, marking an increase of Euro 39,709 thousand.

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

The lower provisions, equal to Euro 953 thousand on a comparable consolidation basis, are mainly explained by the good capacity of the existing provisions, which did not require additional amounts, despite the uses in the first quarter of 2018, 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 during the first quarter of 2018 are shown in the following table:

(Thousands of Euro)	31.03.2018	31.12.2017
Bad debt provisions	5,358	7,148
Bad debt provisions from acquisitions	(0)	232
Provisions	345	1,885
Use	(1,299)	(3,906)
Final bad debt provision	4,405	5,358

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)	31.03.2018	31.03.2017
Gross trade receivable invoices issued	129,779	78,998
- allowance for doubtful accounts	(4,405)	(5,358)
Net trade receivables for invoices issued	125,374	73,640
Aging of trade receivables for invoices issued		
- to expire	112,056	72,284
- expired within 6 months	12,929	548
- overdue by 6 to 12 months	1,012	1,945
- expired more than 12 months	3,782	4,221

9. Other current assets

The following table shows the breakdown of the item at the end of the period considered:

(Thousands of Euro)	31.03.2018	31.12.2017
Tax consolidation receivables	9,935	9,601
Annual pre-paid expenses	1,122	435
Advance payments to suppliers	8,044	7,589
annual accrued income	19	19
Receivables due from CSEA	37,952	29,362
VAT Receivables	11,144	7,183
UTF and Provincial/Regional Additional Tax receivables	361	912
Other receivables	790	597
Other receivables	2,448	2,167
Other current assets	71,816	57,865

Other current assets increase from Euro 57,865 thousand to Euro 71,816 thousand, marking an increase of Euro 13,951 thousand.

The change is mainly explained by the increase in receivables from Cassa per i Servizi Energetici e Ambientali for Euro 8,590 thousand, primarily due to the tariff components of natural gas distribution and energy efficiency certificates, the increase for Euro 3,961 thousand in VAT receivables, the increase in prepaid expenses for Euro 687 thousand, the increase in advance payments to suppliers for Euro 455 thousand, partially offset by the decrease in receivables for gas and electricity excise duties for Euro 551 thousand.

Assets for forward sales increase from Euro 597 thousand in the previous year to Euro 790 thousand as at 31st March 2018, thus recording an increase of Euro 193 thousand. They are associated with sales and purchase contracts signed for

the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market. Contractual commitments relate to physical deliveries for the period October 2017 – April 2018 for the raw material, while the transport service is for the period October 2017 – September 2018 (2017/18 thermal year).

The item “assets for forward sales” represents the current value of the contract for the month of April 2018 for physical deliveries of raw materials, and the period April – October 2018 for the transportation service relating to the transport and export capacity from the Austrian network via the TAG pipeline.

10. Tax receivables

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

<i>(Thousands of Euro)</i>	31.03.2018	31.12.2017
Receivables related to IRAP	1,467	1,467
Receivables related to IRES	962	888
Other tax receivables	290	290
Tax receivables	2,720	2,645

Tax receivables increased from Euro 2,645 thousand to Euro 2,720 thousand, marking an increase of Euro 75 thousand as compared to 31st December 2017. The item includes the residual credit, minus the taxes for the first quarter of 2018, of the IRAP advances paid and the IRES advances for the companies that do not adhere to the Group tax consolidation system.

11. Cash and cash equivalents

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

<i>(Thousands of Euro)</i>	31.03.2018	31.12.2017
Bank and post office deposits	81,993	15,538
Cash and cash equivalents on hand	19	17
Cash and cash equivalents	82,012	15,555

Cash and cash equivalents increased from Euro 15,555 thousand to Euro 82,012 thousand, thus recording an increase of Euro 66,457 thousand and they mainly refer to the bank accounting balance and to the company funds.

For a better understanding of the variations of cash flows in the first quarter of the year, please refer to the statement of cash flows.

Net financial position

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

(Thousands of Euro)	31.03.2018	31.12.2017
Cash and cash equivalents	82,012	15,555
Current financial assets	(0)	0
Current financial liabilities	(1,935)	(406)
Payables due to banks and financing institutions	(76,037)	(80,304)
	(75)	(74)
Net short-term financial position	3,965	(65,230)
Medium- and long-term bank loans	(59,310)	(54,360)
Non-current financial liabilities	(258)	(277)
Net medium and long-term financial position	(59,568)	(54,637)
Net financial position	(55,603)	(119,867)

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 in the first quarter of 2018" and under the paragraph "Medium- and long-term loans" of these Interim financial statements.

12. Current assets from derivative financial instruments

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

(Thousands of Euro)	31.03.2018	31.03.2017
Current assets from derivative financial instruments	628	1,510
Current assets from derivative financial	628	1,510

Assets from derivatives are represented by the fair value of the following commodity derivatives as of 31st March 2018, 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	159
2	22531817	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	10-Apr-17	1-Oct-17	31-Mar-18	Long/Buy	17.040 MWh	3
3	22540592	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	11-Apr-17	1-Oct-17	30-Sep-18	Long/Buy	41.520 MWh	39
4	22743649	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	12-May-17	1-Jan-18	30-Sep-18	Long/Buy	39.168 MWh	50
5	22753473	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	15-May-17	1-Oct-17	30-Sep-18	Long/Buy	63.912 MWh	62
6	22795284	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	19-May-17	1-Jan-18	30-Sep-18	Long/Buy	11.616 MWh	15
7	22795714	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	19-May-17	1-Jan-18	30-Sep-18	Long/Buy	9.420 MWh	9
8	22843947	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	26-May-17	1-Oct-17	30-Sep-18	Long/Buy	43.668 MWh	36
9	21422501	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	16-May-17	1-Oct-17	1-Apr-18	Long/Buy	14.566 MWh	10
10	399474825	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	4-Jul-17	1-Feb-18	31-Mar-18	Long/Buy	18.220 MWh	40
11	23087709	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	4-Jul-17	1-Apr-18	30-Sep-18	Long/Buy	33.480 MWh	90
12	23145776	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	12-Jul-17	1-Oct-17	30-Sep-18	Long/Buy	20.016 MWh	26
13	23170149	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	17-Apr-17	1-Oct-17	30-Sep-18	Long/Buy	9.084 MWh	7
14	23197768	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	20-Jul-17	1-Oct-17	30-Sep-18	Long/Buy	7.284 MWh	11
15	21625708	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	7-Jul-17	1-Oct-17	1-May-18	Long/Buy	12.264 MWh	17
16	404653234	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	4-Oct-17	1-Jan-18	31-Mar-18	Long/Buy	72.210 MWh	23
17	23681386	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	5-Oct-17	1-Mar-18	31-Mar-18	Long/Buy	14.860 MWh	5
18	406645041	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	7-Nov-18	1-Jan-18	31-Mar-18	Long/Buy	24.955 MWh	1
19	21923394	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	4-Oct-17	1-Jan-18	1-Jul-18	Long/Buy	12.960 MWh	4
20	24683698	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	17-Jan-18	1-Apr-18	30-Sep-18	Long/Buy	21.960 MWh	22
Total									669.115	628

Consolidated Shareholders' Equity

13. Shareholders' equity

Ascopiave S.p.A. share capital as of 31st March 2018 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

The breakdown of the shareholders' equity at the end of the periods considered is analysed in the following table:

<u>(Thousands of Euro)</u>	31.03.2018	31.12.2017
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,521)	(17,521)
Reserves	180,187	134,603
Group's Net Result	23,502	47,135
Net equity of the Group	467,462	445,511
Net equity of Others	4,895	2,872
Third parties Net Result	1,497	2,117
Net equity of Others	6,392	4,989
Total Net equity	473,854	450,500

During the first quarter of 2018, the variations in the consolidated net equity, excluding the result achieved in the period, were due to a negative variation for Euro 902 thousand related to a Cash Flow Hedge reserve against the valuation at fair value of derivatives as of 31st March 2018, as better illustrated in the statement of changes in shareholders' equity of these interim 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 first quarter of the year 2018 are:

<u>(Thousands of Euro)</u>	
Opening balance	1,503
Effectiveness gained during the period	-1,789
Effectively released in the income statement during the period	883
Closing balance	598

The value of the cash flow hedge reserve as of 31st March 2018 refers to the expected supply flows which will be recognised at cost (and therefore with effects on the income statement) over the next 12 months.

Assuming a 10% change in the future quotes of natural gas (i.e. TTF Month Ahead) at year-end, upward and downward, there would be, respectively, an improvement and a worsening of approximately Euro 472 thousand in the balance of

the Equity cash flow hedge reserve; instead, there would be no impact on the Profit and Loss statement due to the total effectiveness of the hedging relationships analysed.

Net equity of minority interests

This item includes the net assets and the result not attributable to the Group, and refers to third party shares of the subsidiaries Ascotrade S.p.A., Etra Energia S.r.l. and Amgas Blu S.r.l..

Non-current liabilities

14. Reserves for risks and charges

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

	31.03.2018	31.12.2017
<i>(Thousands of Euro)</i>		
Provisions for pension for gas sector employees	1,737	1,740
Other reserves for risks and charges	3,679	4,172
Reserves for risks and charges	5,416	5,913

Reserves for risks and charges decreased from Euro 5,913 thousand to Euro 5,416 thousand, thus recording a decrease of Euro 497 thousand.

The variation is mainly explained by the decrease in the provisions for risks related to Sinergie Italiane S.r.l. in liquidation, for Euro 494 thousand.

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

<i>(Thousands of Euro)</i>	
Reserves for risks and charges as of 1st January 2018	5,913
Provisions for risks hedging losses of associates with the equity method	(494)
Provisions for risks and charges	(0)
Use of provisions for risks and charges	(3)
Provisions for risks and charges as of 31st march 2018	5,416

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

<i>(Thousands of Euro)</i>	31.03.2018	31.12.2017
Cover losses associated companies	3,138	3,632
Risk of litigation with suppliers	232	232
Funds on just working causes	309	309
Retirement fund and similar obligations	1,737	1,740
Total	5,416	5,913

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.

15. Severance indemnity

Severance indemnity increases from Euro 4,836 thousand as of 1st January 2018 to Euro 5,003 thousand as of 31st March 2018, with an increase of Euro 167 thousand.

(Thousands of Euro)	
Severance indemnity as of 1st January 2018	4,836
Retirement allowance	(185)
Payments for current services and work	353
Severance indemnity as of 31st March 2018	5,003

16. Medium- and long-term loans

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

(Thousands of Euro)	31.03.2018	31.12.2017
Loans from Prealpi	9,185	610
Loans from European Investment Bank	23,875	26,250
Loans from BNL	26,250	27,500
Medium- and long-term bank loans	59,310	54,360
Quota corrente finanziamenti medio-lungo termine	10,923	10,181
Finanziamenti a medio-lungo termine	70,232	64,541

Medium and long term loans, mainly represented as of 31st March 2018 by the payables of the Parent Company to BNL for Euro 28,750 thousand and the European Investment Bank for Euro 28,625 thousand, increase from Euro 64,541 thousand to Euro 70,232 thousand, marking an increase of Euro 5,691 thousand, explained by a new 12-year loan taken out in January 2018 with Cassa Centrale Banca for Euro 10,000 thousand and the payment of the instalments in the first quarter of 2018.

Specifically:

- the loan with BNL, taken out in 2017 for an amount equal to Euro 30,000 thousand, has a residual debt of Euro 28,750 thousand as of 31st March 2018, with the recognition of Euro 2,500 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked twice a year on the Group's consolidated data prepared in compliance with IFRS; as of 31st December 2017, such covenants were met.
- the loan with the European Investment Bank, granted in two tranches in 2013 totalling Euro 45,000 thousand, has an outstanding debt of Euro 28,625 thousand as of 31st March 2018, with the recognition of Euro 4,750 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked twice a year on the Group's consolidated data prepared in compliance with IFRS; as of 31st December 2017, such covenants were met.
- The loan with Cassa Centrale Banca, granted at the beginning of 2018 for an amount equal to Euro 10,000 thousand, has a residual debt of Euro 10,000 thousand as of 31st March 2018, with the recognition of Euro 815 thousand in due to banks and short-term loans.

As a guarantee of the fulfilment of the obligations associated with the loan agreements with BNL and the European

Investment Bank, the Parent Company has transferred to the banks 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..

The loan with Unicredit, granted in 2011 for an amount equal to Euro 40,000 thousand, has a residual debt of Euro 2,857 thousand as of 31st March 2018, fully recognised in due to banks and short-term loans, and envisages the fulfilment of some financial covenants to be checked yearly on the *pro-forma* consolidated data based on the sum of the consolidated financial statements and the *pro-rata* share of the jointly controlled companies. As of 31st December 2017, these parameters were respected. As a guarantee of the fulfilment of the obligations associated with the loan agreement, the Parent Company has transferred to the bank a share of future receivables arising from the reimbursement of the value of assets related to gas distribution concessions.

Chart of medium- and long-term loans deadlines:

	31.03.2018
<i>(Thousands of Euro)</i>	
Financial year 2018	7,108
Financial year 2019	8,014
Financial year 2020	8,028
Financial year 2021	8,042
After 31st December 2021	39,041
Total medium and long-term loans	70,232

17. Other non-current liabilities

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

	31.03.2018	31.12.2017
<i>(Thousands of Euro)</i>		
Security deposits	11,577	11,599
Multi-annual passive prepayments	11,619	11,330
Other non-current liabilities	23,195	22,930

Other non-current liabilities increased from Euro 22,930 thousand to Euro 23,195 thousand, with an increase of Euro 265 thousand.

Security deposits refer to deposits of gas and electricity users.

Long-term deferred income was recognised against revenues on connections to the gas network and related to the useful life of the gas distribution plants and against revenues on contributions for the construction of distribution network. The suspension of revenues is explained by the content of Law no. 9/2014 which envisages the full deduction of contributions from private individuals from the value of technical assets held under concession within the scope of gas distribution.

18. *Non-current financial liabilities*

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

(Thousands of Euro)	31.03.2018	31.12.2017
Payables due to leasing companies (over 12 months)	258	277
Non-current financial liabilities	258	277

Non-current financial liabilities decreased from Euro 277 thousand as of 31st December 2017 to Euro 258 thousand, marking a decrease of Euro 19 thousand, and mainly include payables to leasing companies due after 12 months; the relating current portion is classified in Current financial liabilities.

19. *Deferred tax payables*

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

(Thousands of Euro)	31.03.2018	31.12.2017
Deferred tax payables	15,469	15,733
Deferred tax payables	15,469	15,733

Payables for deferred taxation decrease from Euro 15,733 thousand to Euro 15,469 thousand, marking a decrease of Euro 264 thousand, mainly due to the dynamics of amortisations in the client lists and amortisation on gas distribution networks.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31st March 2018 and at the time when it is estimated that any temporary differences will be carried forward.

Current liabilities

20. *Amounts due to banks and current portion of medium- / long-term loans*

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

(Thousands of Euro)	31.03.2018	31.12.2017
Payables due to banks	65,114	70,123
Current portion of medium-long-term loans	10,923	10,181
Payables due to banks and financing institutions	76,037	80,304

Payables to banks decrease from Euro 80,304 thousand to Euro 76,037 thousand, marking a decrease of Euro 4,267 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

21. Trade payables

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

(Thousands of Euro)	31.03.2018	31.12.2017
Payables to suppliers	36,735	44,843
Payables to suppliers for invoices not yet received	88,673	72,810
Trade payables	125,409	117,653

Trade payables increase from Euro 117,653 thousand to Euro 125,409 thousand, marking an increase of Euro 7,756 thousand.

22. Payables to tax authorities

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

(Thousands of Euro)	31.03.2018	31.12.2017
IRAP payables	1,982	625
IRES payables	737	
Tax payables	2,719	625

Trade payables increase from Euro 625 thousand to Euro 2,719 thousand, marking an increase of Euro 2,094 thousand and include payables accrued as of 31st March 2018 for IRAP.

23. Other current liabilities

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

(Thousands of Euro)	31.03.2018	31.12.2017
Advance payments from customers	3,413	3,386
Amounts due to parent companies for tax consoli	11,576	4,550
Amounts due to social security institutions	1,028	1,604
Amounts due to employees	7,051	5,240
VAT payables	41,282	4,694
Payables to revenue office for withholding tax	398	1,119
Annual passive prepayments	961	988
Annual passive accruals	364	471
UTF and Provincial/Regional Additional Tax paya	26,436	3,534
Other payables	682	611
Other payables	29,837	12,114
Other current liabilities	123,029	38,312

Other current liabilities increased from Euro 38,312 thousand to Euro 123,029 thousand, marking an increase of Euro 84,717 thousand.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of 31st March 2018.

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 31st March 2018 increased by Euro 7,026 thousand as compared to 31st December 2017.

Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employers and managers, accrued as of 31st March 2018 but not yet paid on that date.

Payables to personnel

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31st March 2018 but not paid out on that date. This item increased from the previous year by Euro 1,811 thousand, mainly due to the payables accrued as of 31st March 2018 due to the incentive plan.

VAT payables

VAT payables increased by Euro 36,588 thousand as compared to 31st December 2017. 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. As at 31st March 2018, the Group accrued VAT payables for an amount equal to Euro 41,282 thousand, as compared to Euro 4,694 thousand in 2017.

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 31st March 2018, the Group's total amount of payables is Euro 26,436 thousand as compared to Euro 3,534 thousand in the previous year.

Liabilities for forward sales

As of 31st March 2018, sales and purchase contracts were signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market. Contractual commitments relate to physical deliveries for the period October 2017 – April 2018 for the raw material, while the transport service is for the period October 2017 – September 2018 (2017/18 thermal year).

At the end of the year, the item represents the current value of the contract for the month of April 2018 for physical deliveries of raw materials, and for the period April – September 2018 for the transportation service relating to the transport and export capacity from the Austrian network via the TAG pipeline.

Other payables

Other payables increase by Euro 17,723 thousand. 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 17,155 thousand and higher payables to the Tax Authority for the introduction of the Rai television license fee in the electricity bill for Euro 417 thousand.

The item also includes payables for staff charges accrued as of 31st March 2018.

Benefits based on financial instruments

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

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

24. Current financial liabilities

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

<u>(Thousands of Euro)</u>	31.03.2018	31.12.2017
Financial payables within 12 months	1,935	406
Payables to leasing companies within 12 months	75	74
Current financial liabilities	2,010	480

Current financial liabilities increase by Euro 480 thousand to Euro 1,871 thousand, marking an increase of Euro 1,391 thousand mainly due to the bank account balance for the joint control subsidiary ASM SET S.r.l. for Euro 1,808 thousand and payables of the subsidiary Bluemeta S.p.a. to the Region of Lombardy.

Payables to leasing companies include the current instalment of the payable to the Leasing company for the purchase of the co-generation plants as already highlighted in the paragraph “Non-current financial liabilities” of this Interim Financial Report.

25. Current liabilities from derivative financial instruments

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

(Thousands of Euro)	31.03.2018	31.12.2017
Current liabilities from derivative financial instruments	31	7
Current liabilities from derivative financial instruments	31	7

Liabilities on derivatives are represented by the fair value of the following commodity as of 31st March 2018, which will have financial manifestation between 1st April 2018 and 31st March 2019:

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	409554449	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	22-Dec-17	1-Apr-18	30-Apr-18	Long/Buy	10.800 MWh	11
2	220089293	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	17-Jan-18	1-Apr-18	30-Jun-18	Long/Buy	11.592 MWh	6
3	25857864	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	15-Mar-18	1-Apr-18	30-Apr-18	Long/Buy	28.800 MWh	7
4	25883395	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	19-Mar-18	1-Apr-18	30-Apr-18	Long/Buy	14.400 MWh	3
5	25900375	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	20-Mar-18	1-Apr-18	30-Apr-18	Long/Buy	7.200 MWh	2
6	25931542	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	22-Mar-18	1-Apr-18	30-Apr-18	Long/Buy	7.200 MWh	2
7	25613777	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	20-Feb-18	1-Mar-18	31-Mar-18	Long/Buy	14.860 MWh	1
Total									94.852	31

COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS

Revenues*26. Revenues*

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

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Revenues from gas transportation	11,569	12,756
Revenues from gas sale	155,129	161,646
Revenues from electricity sale	18,244	15,083
Revenues from connections	68	35
Revenues from heat supply	1	32
Revenues from distribution services	1,528	914
Revenues from services supplied to Group companies	811	352
Revenues from ARERA contributions	8,749	6,340
Other revenues	3,282	
Other revenues	1,266	2,345
Revenues	200,648	199,503

At the end of the first quarter of 2018, the Ascopiave Group's revenues amounted to Euro 200,648 thousand, increasing by Euro 1,145 thousand compared to the same period in the previous year (Euro 199,503).

The *transportation of natural gas* to the distribution network generated revenues for Euro 11,569 thousand, with a decrease as compared to the first quarter of 2017 of Euro 1,187 thousand, involving the transport of 460.8 million cubic meters distributed to the sales companies (353.7 million as of 31st March 2017). 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*, equalling Euro 155,129 thousand, record a decrease totalling Euro 6,517 thousand as compared to the first quarter of 2017. During the period, 367.5 million cubic meters of natural gas were sold as compared to 380.2 million in the same period in the previous year (-3.3%).

At the end of the period in question, the revenues deriving from the sale of natural gas to wholesalers or at the virtual trading point (so-called VTP) were booked totalling Euro 15,263 thousand (Euro 17,234 thousand in March 2017). 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 first quarter of 2018, the revenues from *electricity sales* amounted to Euro 18,244 thousand (Euro 15,083 thousand in 2017). The GWhs sold during the period in question amount to 94.4 million (101.1 million in 2017). The revenues from *connection services to the distribution network* are equal to Euro 68 thousand, with an increase of Euro 33 thousand as compared to the same period in the previous year. The revenues from the distribution companies of the Group are fully recognised among the non-current liabilities and posted to the profit and loss statement based on the useful life of the plants built.

The revenues derived from *services provided by distributors*, being equal to Euro 1,528 thousand, show an increase of Euro 614 thousand as compared to the previous period.

The revenues from *contributions* made by the Regulatory Authority for Energy, Networks and the Environment amount, at the end of the quarter considered, to Euro 8,749 thousand, recording an increase of Euro 2,409 thousand as compared to the same period in the previous year. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary

energy savings by the obligated distributors. The contributions recognised as of 31st March 2018 are calculated by evaluating at the fair value the quantities of energy efficiency certificates accrued as compared to the 2018 target (regulatory period June 2018 - May 2019). The unit contribution used for the economic quantification of the fulfilment of the obligation is equal to the fair value of the forecast contribution announced by GSE for the 2017 target (regulatory period June 2017 - May 2018) measured as of 31st March 2018 and amounting to Euro 311.45, source: STX (Euro 183.7 as of 31st March 2017; source: GSE).

The revenues from *trading activities* in the gas market at the end of the period considered amounted to Euro 3,282 thousand and refer to the sales and purchase contracts signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market.

The item “*Other revenues*” decreased from Euro 2,345 thousand in the first quarter of 2017, to Euro 1,266 thousand in the quarter considered, showing a decrease of Euro 1,079 thousand. The decrease is mainly due to the contribution received for the activities for the safety of the natural gas distribution plants recorded during the first quarter of the previous year totalling Euro 656 thousand. At the reporting date, ARERA did not determine the amount of the contributions/penalties which it will grant/collect in 2018.

Costs

27. Cost for gas purchase

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

	1st Quarter 2018	1st Quarter 2017
(Thousands of Euro)		
Purchase costs for raw material (gas)	109,185	107,908
Purchase costs for raw material (gas)	109,185	107,908

At the end of the first quarter of 2018, the costs for natural gas procurement amounted to Euro 109,185 thousand, showing an increase, compared to the same period in the previous year, of Euro 1,277 thousand. The increase in costs incurred is mainly explained by the trend of the price basket to which the raw material is adjusted as well as the 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 367.5 million cubic metres (380.2 million in the first quarter of 2017).

At the end of the period considered, gas inventories amount to Euro 227 thousand, as compared to Euro 178 thousand as of 31st March 2017.

The costs from trading activities in the gas market at the end of the period amounted to Euro 3,169 thousand; the quarter shown for comparative purposes does not include such item as the business was started in September 2017.

The accounting of the economic effects of the hedging derivatives accrued during the period considered has determined the recognition of lower costs totalling Euro 883 thousand, with a significant increase as compared to Euro 488 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..

28. 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)	1st Quarter 2018	1st Quarter 2017
Purchase of electricity	7,506	5,063
Purchase of other raw material	767	491
Purchase costs for other raw materials	8,273	5,553

At the end of the first quarter of 2018, the costs incurred for the purchase of other raw materials are equal to Euro 8,273 thousand, marking an increase of Euro 2,719 thousand compared to the same period in the previous year, mainly explained by the increase in the costs incurred to procure *electricity* (Euro + 2,243 thousand).

The GWh sold decreased by 12.7 GWh, from 380.2 in the first quarter of 2017 to 367.5 in the first quarter of 2018 (-3.3%).

The costs incurred for the *purchase of other materials* register an increase equal to Euro 276 thousand, from Euro 491 thousand in 2016, to Euro 767 thousand in the period considered. This item mainly includes costs related to the purchase of materials for the construction of natural gas distribution plants.

29. Costs for services

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

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Costs of conveyance on secondary networks	21,481	29,197
Costs for counting meters reading	79	143
Costs for mailing bills	310	411
Mailing and telegraph costs	77	90
Maintenance and repairs	1,171	678
Consulting services	961	889
Commercial services and advertisement	461	883
Sundry suppliers	571	515
Directors' and Statutory Auditors' fees	327	300
Insurances	100	192
Personnel costs	247	237
Other managing expenses	1,459	1,620
Costs for use of third-party assets	4,330	2,546
	141	163
	30	
Costs for services	31,747	37,865

The costs for services incurred during the first quarter of 2018 decrease from Euro 37,865 thousand in 2017 to Euro 31,747 thousand in 2018, showing a decrease of Euro 6,118 thousand.

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 - 7,716 thousand) and by the increase in costs incurred for use of third-party assets (Euro + 1,784 thousand).

The costs incurred for the transportation of *natural gas* on the secondary and primary networks in the period considered amount to Euro 12,313 thousand and refer to 460.8 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 (353.7 million in 2017).

Costs incurred for transportation of *electricity* amount to Euro 9,168 thousand (Euro 8,842 thousand in 2017) and refer to amounts of electricity marketed during the reference period totalling 94.4 GWh (101.1 GWh in 2017).

At the end of the quarter considered, the costs incurred for *marketing and advertising services* decreased by Euro 422 thousand, from Euro 883 thousand in 2017 to Euro 461 thousand in 2018.

Other operating costs decreased by Euro 161 thousand, mainly explained by the lower costs incurred for call centre and sales offices services (Euro - 96 thousand) and a decrease in costs for bank current accounts (Euro -136 thousand), partially offset by the higher costs incurred for services provided by distributors (Euro + 51 thousand).

The item "*costs for use of third-party assets*" mainly includes the fees paid to the Local Authorities for the management of natural gas distribution concessions and recorded an increase equal to Euro 1,784 thousand.

The item "*costs of transporting the raw materials deriving from the gas trading activity*", at the end of the period, amounted to Euro 30 thousand and refers to the contracts signed relating to the transport and export capacity from the Austrian raw material market for the thermal year 2017/18.

30. Costs for staff

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

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Wages and salaries	5,793	5,114
Social security contributions	1,765	1,588
Severance indemnity	353	330
Other costs	1	0
Total personnel costs	7,911	7,032
Capitalized personnel costs	(1,763)	(1,073)
Personnel costs	6,149	5,958

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

Costs for staff increase from Euro 7,032 thousand in the first quarter of 2017 to Euro 7,911 thousand in the quarter considered, showing an increase of Euro 897 thousand. The increase is mainly explained by the recognition of personnel costs of Ap Reti Vicenza S.p.A. which was consolidated with effect from 1st April 2017.

Capitalised personnel cost registered an increase of Euro 689 thousand, from Euro 1,073 thousand in the previous period, to Euro 1,763 thousand in the period considered.

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

Description	31.03.2018	31.03.2017	Variation
Managers (average)	17	17	0
Office workers (average)	396	363	33
Manual workers (average)	123	103	20
No. of personal employed	536	484	53

31. Other operating costs

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

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Provision for risks on credits	345	478
Membership and ARERA fees	167	74
Capital losses	74	
Extraordinary losses	(1)	66
Other taxes	235	304
Other costs	161	154
Costs of contracts	126	26
Energy efficiency certificates	8,694	5,020
Other management costs	9,802	6,122

Other operating costs, increasing from Euro 6,122 thousand in the first quarter of 2017 to Euro 9,802 thousand in the quarter considered, show an increase of Euro 3,680 thousand.

This change is mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +3,674 thousand), which were only partially offset by lower allowances for doubtful accounts (Euro -133 thousand), made possible thanks to the appropriate capacity of the bad debt provision.

The costs recognised as of 31st March 2018 for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2018 target (regulatory period June 2018 - May 2019). The unit cost is the fair value of the prices recorded in the relevant market, calculated on 31st March 2018 and amounting to Euro 350.10, source: STX (Euro 205.9 as of 31st March 2017).

32. Other operating revenues

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

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Other income	22	50
Other income	22	50

At the end of the period considered, the item “other operating income” shows a decrease of Euro 28 thousand, from Euro 50 thousand in 2017, to Euro 22 thousand.

33. Amortisation, depreciation and write-downs

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

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Intangible fixed assets	5,076	4,473
Tangible fixed assets	574	590
Amortization and depreciation	5,650	5,063

Amortisation and depreciation increase by Euro 587 thousand, from Euro 5,063 thousand in the first quarter of 2017, to Euro 5,650 thousand in the period considered. The increase is mainly explained by the registration of the amortisation and depreciation of AP Reti Gas Vicenza S.p.A., which was consolidated with effect from 1st April 2017.

Financial income and expense

34. Financial income and expense

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

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Interest income on bank and post office accounts	1	0
Other interest income	57	50
Other financial income	1	2
Financial income	58	52
Interest expense on banks	0	1
Interest expense on loans	226	77
Other financial expenses	19	37
Financial charges	245	115
Evaluation of subsidiary companies with net equity method	494	301
Evaluation of subsidiary companies with net equity method	3,289	3,412
Evaluation of subsidiary companies with the net equity method	3,783	3,713
Total net financial expenses	3,596	3,650

At the end of the first quarter of 2018, the balance between financial income and expenses showed a loss of Euro 187 thousand, a decrease as compared to the same period in the previous year of Euro 124 thousand.

The item “*Evaluation of associated companies using the equity method*” amounts to Euro 494 thousand and includes the use of a portion of the bad debt provision for the coverage of the capital deficit of the affiliate company Sinergie Italiane S.r.l. in liquidation following the profit achieved during the period as detailed in the section “Shareholdings” of these explanatory notes. The item registers an increase as compared to the same period of the previous year equal to Euro 193 thousand.

The item “*Result quota from jointly controlled companies*” includes the net results achieved by the jointly controlled companies in the reference period; they decreased by Euro 123 thousand, totalling Euro 3,289 thousand.

Taxes

35. Taxes in the reference period

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

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
IRES current taxes	7,372	7,740
IRAP current taxes	1,357	1,321
(Advance)/Deferred taxes	(268)	(359)
Taxes for the period	8,461	8,703

Taxes accrued decrease from Euro 8,703 thousand in the first quarter of 2017, to Euro 8,461 thousand in the period considered, showing a decrease of Euro 242 thousand.

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

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Earnings before tax	32,717	34,733
Taxes for the period	8,461	8,703
Percentage of income before taxes	25.9%	25.1%

The tax-rate recorded as of 31st March 2018 is equal to 25.9% and shows an increase of 0.8% as compared to 31st March 2017.

Non-recurrent components

Pursuant to CONSOB communication no. 15519/2005, it is noted that no non-recurrent economic components exist in the interim financial report as of 31st March 2018.

Transactions deriving from unusual and/or atypical operations

Pursuant to CONSOB communication N. DEM/6064296 dated 28th July 2006, we report that, during the first quarter of the year, no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE INTERIM FINANCIAL REPORT AS OF 31ST MARCH 2017

Commitments and risks

Guarantees given

As of 31st March 2018, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	31 st March 2018	31 st December 2018
On credit lines	8,400	8,400
Guarantees on credit lines (letter of comfort)	127	127
On execution of works (letter of comfort)	1,004	1,128
On UTF offices and regions for taxes on gas (letter of comfort)	5,877	5,737
On UTF offices and regions for taxes on electricity (letter of comfort)	319	319
On distribution concession (letter of comfort)	5,882	6,097
On purchase/sale of shares (letter of comfort)	500	500
On agreements for transport of gas (letter of comfort)	10,501	10,010
On agreements for transport of electricity (letter of comfort)	17,751	17,751
On purchase of gas agreements (letter of comfort)	0	22
On purchase of electricity agreements (letter of comfort)	3,000	3,000
On storage of natural gas service	410	410
Total	53,772	53,501

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

(Thousands of Euro)	31 st March 2018	31 st December 2018
On credit lines	26,665	26,665
On execution of works (letter of comfort)	0	142
Agreements on incentives art. 4 of Law no. 92/2012	242	495
On UTF offices and regions for taxes on gas (letter of comfort)	503	928
On UTF offices and regions for taxes on electricity (letter of comfort)	33	68
On distribution concession (letter of comfort)	0	210
On agreements for transport of gas (letter of comfort)	428	872
On agreements for transport of electricity (letter of comfort)	0	100
On leases agreements	55	117
Total	27,927	29,597

The letters of comfort on lines of credit and gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation amount as of 31st March 2018 to Euro 26,665 thousand, unchanged since 31st March 2017.

Risk and uncertainty factors

Information pertaining agreements that are 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 23rd November 2008, it is noted that the company does not subscribe to agreements that are not included in the balance sheet.

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 31st March 2018 of Euro 70,232 thousand and due dates between 1st April 2018 and 28th February 2030.

Medium and long term loans at variable rate envisage reimbursement between 2018 and 2025, with residual balance as of 31st March 2018 of Euro 31,482 thousand (Euro 34,541 thousand as of 31st December 2017).

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 as of 31st March 2018 of Euro 28,625 thousand, and the loan granted in 2011 by Unicredit S.p.A., with an outstanding debt of Euro 2,857 thousand, with due date on 30th June 2018. On the other hand, the loan taken out with BNL in August 2017, with a residual debt of Euro 28,750 thousand as at 31st March 2018, and the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as at 31st March 2018 of Euro 10,000 thousand, are not exposed to interest rate risks, as they envisage the application of a fixed rate.

The loans taken out with BNL, the European Investment Bank and Unicredit 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	
Net Financial Position 2018	(115,558)	(79,197)	(55,735)	
Borrowing rates of interest	0.01%	0.01%	0.01%	
Lending rates of interest	0.32%	0.31%	0.29%	
Borrowing rate of interest plus 200 basis points	2.01%	2.01%	2.01%	
Lending rates of interest plus 200 basis points	2.32%	2.31%	2.29%	
Borrowing rate of interest reduced of 50 basis points	0.00%	0.00%	0.00%	
Lending rates of interest reduced of 50 basis points	0.00%	0.00%	0.00%	
Net Financial Position recalculated with the increase of 200 basis points	(115,754)	(79,323)	(55,830)	
Net Financial Position recalculated with decrease of 50 basis points	(115,509)	(79,166)	(55,712)	Total
Effect on pre-tax result of the increase of 200 basis points	(196)	(126)	(95)	(417)
Effect on pre-tax result of the decrease of 50 basis points	49	31	24	104

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 417 thousand (2016: Euro 376 thousand) or positive for Euro 104 thousand (2016: Euro 94 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 stabilising cash flows, as well as at maintaining the balance between funding sources and uses and containing funding costs.

In accordance with the provisions of the Policies, the Group will be able to resort to derivatives for hedging purposes, in order to reduce or mitigate those risks, following the “Compliance with EMIR Regulation” Procedure, which defines the criteria and rules through which the Ascopiave Group fulfils its obligations under the EU Regulation no. 648/2012 –

European Market Infrastructure Regulation, concerning the risk mitigation techniques associated with the use of derivative hedging instruments, required to make these operations as transparent as possible to the market.

Price risk management and methods of accounting presentation

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

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

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

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

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

As of 31st March 2018, 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 +597 thousand (Euro 1,503 thousand as of 31st December 2017), are prospectively and retrospectively.

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

Specific risks in the business sectors in which the Group operates

Regulations

The activities carried out by the Ascopiave Group in the gas sector are subject to regulations. Directives and regulatory measures adopted in the European Union and by the Italian Government, as well as the resolutions of the 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.

(Thousands of Euro)	31.03.2018	31.12.2017	31.03.2017
Financial position in the short term	3,965	65,230	23,272
financial position in the medium-long term	59,568	54,637	32,463
Financial gross debt	55,603	119,867	55,735
Share capital	234,412	234,412	234,412
Own shares	(17,521)	(17,521)	(17,521)
Reserves	233,462	186,475	227,761
Undistributed net profit	23,502	47,135	24,541
Total Net equity	473,854	450,500	469,193
Total capital and gross debt	529,457	570,367	524,928
Debt/Net assets ratio	0.12	0.27	0.12

The debt/net equity ratio recorded as of 31st March 2018 was equal to 0.12, an improvement as compared to 31st December 2017, when it amounted to 0.27.

The trend of this indicator is related to the combined effect of the change in the Net financial position, which improved by Euro 64,264 thousand during the first quarter of 2018, and the Shareholders' equity, which increased by Euro 23,354 thousand.

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 31st March 2017 and 31st December 2017 is as follows:

31.03.2018

(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				12,848			12,848	12,848
Trade receivables and Other current assets	790			258,453			259,243	259,243
Cash and cash equivalents				82,012			82,012	82,012
Current assets from derivative financial instruments		628					628	628
Medium- and long-term bank loans						59,310	59,310	59,310
Other non-current liabilities						11,577	11,577	11,577
Non-current financial liabilities						258	258	258
Payables due to banks and financing institutions						76,037	76,037	76,037
Trade payables and Other current liabilities	682					243,382	244,064	244,064
Current financial liabilities						2,010	2,010	2,010
Current liabilities from derivative financial instruments		31					31	31

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
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 financial 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

Legend

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

Business segment reporting

The sector information is provided 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 first quarter of 2018 and the first quarter of 2017.

1stQ 2018 (Thousand of Euro)	Gas distribution	Gas sale	Trading gas	Electricity sale	Other	31.03.2018 values from new acquisitions	Elisions	Total
Net revenues of third-party customers	3,966	176,352	3,282	18,320	791	(2,063)		200,648
Intra-group revenues among the segments	19,888	1,627	0	11,368	2,656	7,086	(42,626)	(0)
Segment revenues	23,854	177,979	3,282	29,688	3,447	5,023	(42,626)	200,648

1stQ 2017 (Thousand of Euro)	Gas distribution	Gas sale	Trading gas	Electricity sale	Other	31.03.2017 values from new acquisitions	Elisions	Total
Net revenues of third-party customers	4,321	179,624	0	15,174	384	0		199,503
Intra-group revenues among the segments	18,706	1,496	0	8,354	3,136	0	(31,692)	0
Segment revenues	23,028	181,120	0	23,528	3,519	0	(31,692)	199,503

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.	32	9,935	39	11,741	0	0	7,256	0	20	333
Total parent company	32	9,935	39	11,741	0	0	7,256	0	20	333
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	99	0	9	0	0	168	0	9	27	77
SEVEN CENTER S.R.L.	18	0	3	0	0	0	0	0	0	0
Total affiliated companies	81	0	6	0	0	168	0	9	27	77
<i>Subsidiary companies</i>										
Estenergy S.p.A.	11	0	25	0	0	0	0	0	0	0
ASM SET S.R.L.	1,953	0	568	1,808	0	42	4	2,983	120	16
Unigas Distribuzione Gas S.r.l.	47	0	1,581	0	0	5,274	0	44	17	2
SINERGIE ITALIANE in liquidazione S.R	39	7,510	3,861	0	18,011	37	0	0	24	0
Total subsidiary companies	2,050	7,510	6,034	1,808	18,011	5,353	4	3,027	162	18
Total	2,164	17,445	6,080	13,549	18,011	5,522	7,260	3,036	208	428

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

As far as the jointly controlled companies are concerned:

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

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

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

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

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

It is also noted that the letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount to Euro 26,665 thousand as of 31st March 2018 (Euro 26,665 thousand as of 31st December 2017).

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

On 24th 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 12th March 2010 and subsequent modifications.

The Procedure was implemented on 1st 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 11th 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 27th July 2006:

Consolidated assets and liabilities statement

(Thousands of Euro)	31.03.2018	Of which related parties						31.12.2017	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
ASSETS														
Non-current assets														
Goodwill (1)	80,758							80,758						
Other intangible assets (2)	346,485							346,934						
Tangible assets (3)	32,023							32,334						
Shareholdings (4)	71,423			71,417		71,417	100.0%	68,878		68,871		68,871	100.0%	
Other non-current assets (5)	13,023			7,510		7,510	57.7%	13,015		8,193		8,193	62.9%	
Advance tax receivables (6)	11,483							11,479						
Non-current assets	555,197			78,927		78,927	14.2%	553,397		77,063		77,063	13.9%	
Current assets														
Inventories (7)	2,774							4,072						
Trade receivables (8)	196,593	32	81	2,050		2,164	1.1%	156,884	11	89	1,437	1,537	1.0%	
Other current assets (9)	71,816	9,935	52	9,900		19,886	27.7%	57,865	5,162			5,162	8.9%	
Tax receivables (10)	2,720							2,645						
Cash and cash equivalents (11)	82,012							15,555						
Current assets from derivative instruments (12)	628							1,510						
Current assets	356,543	9,967	81	2,050		12,098	3.4%	238,532	5,174	89	1,437	6,699	2.8%	
ASSETS	911,740	9,967	81	80,977		91,025	10.0%	791,929	5,174	89	78,500	83,763	10.6%	
Net equity and liabilities														
Total Net equity														
Share capital	234,412							234,412						
Own shares	(17,521)							(17,521)						
Reserves	250,572							228,620						
Net equity of the Group	467,462							445,511						
Net equity of Others	6,392							4,989						
Total Net equity (13)	473,854							450,500						
Non-current liabilities														
Provisions for risks and charges (14)	5,416							5,913						
Severance indemnity (15)	5,003							4,836						
Medium- and long-term bank loans (16)	59,310							54,360						
Other non-current liabilities (17)	23,195							22,930						
Non-current financial liabilities (18)	258							277						
Deferred tax payables (19)	15,469							15,733						
Non-current liabilities	108,651							104,048						
Current liabilities														
Payables due to banks and financing institutions (20)	76,037							80,304						
Trade payables (21)	125,409	39	58	15,934		16,032	12.8%	117,653	35	3,440		3,475	3.0%	
Tax payables (22)	2,719							625						
Other current liabilities (23)	123,029	12,752				12,752	10.4%	38,312	7,738			7,738	20.2%	
Current financial liabilities (24)	2,010			1,808		1,808	89.9%	480		1,574		1,574	327.7%	
Current liabilities from derivative financial instrun (25)	31							7						
Current liabilities	329,235	12,791	6	7,843		20,641	6.3%	237,382	7,738	35	5,014	12,787	5.4%	
Liabilities	437,886	12,791	6	7,843		20,641	4.7%	341,430	7,738	35	5,014	12,787	3.7%	
Net equity and liabilities	911,740	12,791	6	7,843		20,641	2.3%	791,929	7,738	35	5,014	12,787	1.6%	

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	1st Quarter	Of which related parties						1st Quarter	Of which related parties					
		2018	A	B	C	D	Total	%	2017	A	B	C	D	Total	%
Revenues	(26)	200,648	20	112	3,207		3,339	1.7%	199,503	11	134	2,572		2,717	1.4%
Total operating costs		165,133		168	23,364		23,533	14.3%	163,357	206		21,147		21,354	13.1%
Purchase costs for raw material (gas)	(27)	109,185			18,011		18,011	16.5%	107,908			16,885		16,885	15.6%
Purchase costs for other raw materials	(28)	8,273							5,553						
Costs for services	(29)	31,747		168	5,353		5,522	17.4%	37,865	206	4,262		4,468	11.8%	
Costs for personnel	(30)	6,149							5,958						
Other management costs	(31)	9,802							6,122						
Other income	(32)	22							50						
Amortization and depreciation	(33)	5,650							5,063						
Operating result		29,864	20	(56)	(20,157)		(20,194)	(67.6%)	31,083	11	73	18,575		18,637	(60.0%)
Financial income	(34)	58							52	0			0	0.0%	
Financial charges	(34)	245			4		4	1.5%	115		2		2	2.1%	
Evaluation of subsidiary companies with the net equity method	(34)	3,783	0	1	(0)		1	0.0%	3,713	0	1	(0)	1	0.0%	
Earnings before tax		33,460	20	(55)	(20,161)		(20,197)	(60.4%)	34,733	11	71	18,578		18,638	(53.7%)
Taxes for the period	(35)	8,461							8,703						
Result for the period		24,999							26,030						

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)	1st Quarter 2018	Of which related parties					1st Quarter 2017	Of which related parties				
		A	B	C	D	Total		A	B	C	D	Total
Net income of the Group	23,502						24,541					
Cash flows generated (used) by operating activities												
Adjustments to reconcile net income to net cash												
Third-parties operating result	1,497					0	1,489					0
Amortization	5,650					0	5,063					0
Bad debt provisions	345					0	478					0
Variations in severance indemnity	167					0	59					0
Current assets / liabilities on financial instruments	798					0	1,009					0
Net variation of other funds	(3)					0	(4)					0
Evaluation of subsidiaries with the net equity method	(3,783)	0		(2,546)		(2,546)	(3,713)	0		(6,593)	0	(6,593)
Interests paid	(418)					0	(146)					0
Interest expense for the period	243					0	112					0
Taxes for the period	8,461					0	8,703					0
Variations in assets and liabilities												
Inventories	1,298					0	2,031					0
Accounts payable	(40,054)	(21)	8	(614)	0	(627)	(57,337)				0	0
Other current assets	(13,160)	(4,772)	0	0	0	(4,772)	(5,324)	(4,925)	(52)	(9,900)	0	(14,877)
Trade payables	7,756	39	(29)	2,595	0	2,606	557				0	0
Other current liabilities	76,598	5,014	0	0	0	5,014	64,923		0	3,163	0	3,163
Other non-current assets	(8)	0	0	683	0	683	(3)	0	0	(8,193)	0	(8,193)
Other non-current liabilities	266	0	0	0	0	0	316					0
Total adjustments and variations	45,654	260	(21)	118	0	357	18,212	(4,925)	(52)	(21,522)	0	(26,499)
Cash flows generated (used) by operating activities	69,156	260	(21)	118	0	357	42,754	(4,925)	(52)	(21,522)	0	(26,499)
Cash flows generated (used) by investments												
Investments in intangible assets	(4,705)					0	(3,980)					0
Realisable value of intangible assets	78					0	0					0
Investments in tangible assets	(264)					0	(390)					0
Cash flows generated/(used) by investments	(4,891)	0	0	0	0	0	(4,370)	0	0	0	0	0
Cash flows generated (used) by financial activities												
Net changes in debts due to other financiers	(19)	0	0	0	0	0	(24)					0
Net changes in short-term bank borrowings	(9)					0	16,275					0
Net variation in current financial assets and liabilities	1,530	0	0	234	0	234	(1,860)					0
Ignitions loans and mortgages	80,000					0	16,000					0
Redemptions loans and mortgages	(79,309)					0	(28,500)					0
Cash flows generated (used) by financial activities	2,193	0	0	234	0	234	1,891	0	0	5,934	0	5,934
Variations in cash	66,457					0	40,275					0
Cash and cash equivalents at the beginning of the period	15,555					0	8,822					0
Cash and cash equivalents at the end of the period	82,012					0	49,097					0

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Consolidated net debt

(Thousands of Euro)	31.03.2018	Of which related parties						31.12.2017	Of which related parties								
		A	B	C	D	Total	%		A	B	C	D	Total	%			
A Cash and cash equivalents on hand	19							17									
B Bank and post office deposits	81,993							15,538									
C Securities held for trading																	
D Liquid assets (A) + (B) + (C)	82,012							15,555									
E Current financial assets	(0)							0									
F Payables due to banks	(65,114)							(70,123)									
G Current portion of medium-long-term loans	(10,923)							(10,181)									
H Current financial liabilities	(2,010)			(1,808)		(1,808)	89.9%	(480)		(279)		(279)	58.1%				
I Current financial indebtedness (F) + (G) + (H)	(78,047)			(1,808)		(1,808)	2.3%	(80,785)		(279)		(279)	0.3%				
J Net current financial indebtedness (I) - (E) - (D)	3,965			(1,808)		(1,808)	-45.6%	(65,230)		(279)		(279)	0.4%				
K Medium- and long-term bank loans	(59,310)							(54,360)									
L Non current financial assets																	
M Non-current financial liabilities	(258)							(277)									
N Non-current financial indebtedness (K) + (L) + (M)	(59,568)							(54,637)									
O Net financial indebtedness (J) + (N)	(55,603)			(1,808)		(1,808)	3.3%	(119,867)		(279)		(279)	0.2%				

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

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

Group A – Parent companies:

- Asco Holding S.p.A.

Group B – Associates and jointly controlled companies:

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

Group C – Affiliates:

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

Group D – other related parties:

- Board of Directors
- Auditors
- Strategic managers

Significant events subsequent to the end of the first quarter of 2018

The Shareholders' Meeting of Ascopiave S.p.A. convened in ordinary session on 26th April 2018, chaired by Mr Nicola Ceconato.

The Shareholders' Meeting approved the financial statements for the year 2017 and resolved to distribute a dividend of Euro 0.18 per share. The dividend was paid on 9th May 2018, with ex-dividend date on 7th May 2018 (record date on 8th May 2018).

Furthermore, the Shareholders' Meeting approved the Remuneration Policy, compiled in accordance with art. 123-ter of the Unified Finance Law and removed partially the lock-up restriction on the stock-based bonus, for an amount sufficient to pay the withholding taxes and contributions due by the beneficiary, with reference to the Information Document - compiled pursuant to art. 84-*bis* of Consob Issuers' Regulations - "2015-2017 long-term share-based incentive plan".

The Shareholders' Meeting, in addition, approved a Long-term share-based incentive plan for the three-year period 2018-2020 for executive directors and some managers of Ascopiave S.p.A. and its subsidiaries.

Finally, the Meeting approved a new purchase and sale plan of treasury shares under the terms of articles 2357 and 2357-*ter* of the Italian Civil Code, to replace and revoke the previous authorisation dated 28th April 2017.

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 31st March 2018 of jointly controlled companies consolidated through the equity method

Estenergy S.p.A.

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

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

Balance sheet - summary data

(Thousands of Euro)	31.03.2018	31.12.2017
Current assets	90,025	63,213
of which		
Cash and cash equivalents	27,944	12,953
Non-current assets	67,781	67,147
Current liabilities	58,541	34,801
of which		
Current financial liabilities	1	132
Non - current liabilities	4,559	4,577
	94,705	90,982
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	46,405	44,580

Income Statement - summary data

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Revenues	54,444	53,899
Total operating costs	47,151	45,737
Gross operative margin	7,293	8,162
Amortization and depreciation	9	424
Operating result	7,285	7,739
Financial income	46	39
Financial charges	0	14
Earnings before tax	7,331	7,763
Taxes of the period	2,090	2,277
Result of the period	5,240	5,486
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	2,568	2,688

The decrease in the company's gross operating margin is mainly attributable to the fact that the international accounting standard IFRS 9 was applied for the first time to the measurement of the estimate of losses on receivables. The different underlying logic entailed the recognition of higher provisions for bad and doubtful accounts totalling Euro 1,681 thousand, of which: Euro 275 thousand to the income statement in relation to the quarterly provision made, and Euro 1,406 thousand (net of the relevant tax effect) as an adjustment of the shareholders' equity on the receivables recorded as at 31st December 2017.

Unigas Distribuzione S.r.l.

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

The stake of the Group in Unigas Distribuzione S.r.l. is recognised in the consolidated financial statements through the 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)	31.03.2018	31.12.2017
Current assets	19,671	18,234
of which		
Cash and cash equivalents	2,920	3,141
Non-current assets	47,879	47,867
Current liabilities	23,267	22,319
of which		
Current financial liabilities	0	0
Non - current liabilities	1,184	1,139
	43,099	42,643
Group inteterest	48.860%	48.860%
Net profit for the period attributable of the Group	21,058	20,835

Income Statement - summary data

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Revenues	4,654	5,495
Total operating costs	3,364	4,507
Gross operative margin	1,290	988
Amortization and depreciation	599	600
Operating result	691	387
Financial income	0	0
Financial charges	8	115
Earnings before tax	684	273
Taxes of the period	229	195
Result of the period	455	78
Group inteterest	48.86%	48.86%
Net profit for the period attributable of the Group	222	38

Asm Set S.r.l.

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

The stake of the Group in Asm Set S.r.l. is recognised in the consolidated financial statements through the 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)	31.03.2018	31.12.2017
Current assets	13,109	10,339
of which		
Cash and cash equivalents	575	664
Non-current assets	5,067	5,078
Current liabilities	9,157	7,423
of which		
Current financial liabilities	0	0
Non - current liabilities	949	943
	8,070	7,051
Group inteterest	49.000%	49.000%
Net profit for the period attributable of the Group	3,954	3,455

Income Statement - summary data

(Thousands of Euro)	1st Quarter 2018	1st Quarter 2017
Revenues	11,941	12,277
Total operating costs	10,519	10,278
Gross operative margin	1,422	1,999
Amortization and depreciation	1	51
Operating result	1,420	1,949
Financial income	6	5
Financial charges	1	4
Earnings before tax	1,425	1,949
Taxes of the period	407	549
Result of the period	1,019	1,400
Group inteterest	49.00%	49.00%
Net profit for the period attributable of the Group	499	686

Pieve di Soligo, 14th May 2018

Chairman of the Board of Directors
Nicola Ceconato

DECLARATION

(Translation from the original issued in Italian)

CERTIFICATION OF THE QUARTERLY REPORT as of 31st March 2018

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

The undersigned, dr. Cristiano Belliato, in his position as Manager Designate for preparing the financial and company documents of Ascopiave S.p.A. herein declares, to the best of his knowledge, pursuant to the provisions of Article 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting information stated in the Quarterly Report as of 31st March 2018 tallies with the documental results, book-keeping entries and the accounting records.

Pieve di Soligo, 14th may 2018

Ascopiave S.p.A.
dr. Cristiano Belliato