

INTERIM FINANCIAL STATEMENTS

2018

Ascopiave Group

Table of contents

GENERAL INFORMATION	5
Directors, Officers and Company information	5
Main economic and financial data of the Ascopiave Group	6
REPORT ON MANAGEMENT	7
Foreword	7
The structure of the Ascopiave Group	9
Ascopiave S.p.A. share trend on the Stock Exchange	10
Control of the Company	11
Corporate Governance and Code of Ethics	12
Transactions with related and affiliate parties	12
Significant events during the first half of 2018	14
Additional significant events	15
Energy efficiency and saving obligations	15
Efficiency and energy saving	16
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	17
Litigations	18
Relationships with Agenzia delle Entrate (Italian Tax Authority)	22
Territorial areas	23
Distribution of dividends	25
Own shares	26
Outlook for the Year	26
Goals and policies of the group and risk description	26
Additional information	28
Research and development	28
Human resources	29
Seasonal nature of the activity	30
Comments on the economic and financial results of the first half of 2018	31
Performance indicators	31
General operational performance and indicators	32
General operational performance - The Group’s economic results	34
General operational performance - Financial situation	36
General operational performance - Investments	38
Interim financial report charts	39
Consolidated assets and liabilities statement	40
Comprehensive consolidated income statement	41
Statement of changes in consolidated shareholders’ equity	42
Consolidated financial statements	43
EXPLANATORY NOTES	44
Company information	44
General drafting criteria and main accounting standards adopted	44
New international standards applied for the first time commencing 1 st January 2018	45
Use of estimates	46
Accounting standards, amendments and interpretations not yet applicable and not adopted ahead of time by the Group	47
Business combinations	47
Consolidation area and principles	47
COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS	50
Non-current assets	50
Current assets	55
Consolidated shareholders’ equity	59
Non-current liabilities	60
Current liabilities	63
COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	67
Revenues	67
Costs	68
Financial income and expense	72
Taxes	72
Non-recurrent components	73

Transactions deriving from unusual and/or atypical operations.....	73
OTHER COMMENTS ON THE INTERIM FINANCIAL STATEMENTS AS OF 30TH JUNE 2018	74
Commitments and risks	74
Risk and uncertainty factors	75
Management of Capital.....	77
Representation of financial assets and liabilities by categories	78
Business segment reporting.....	79
Transactions with related parties	80
Financial statements representation pursuant to Consob resolution 15519/2006.....	83
Consolidated assets and liabilities statement	83
Comprehensive consolidated income statement	84
Consolidated financial statements	85
Consolidated net debt	86
Significant events subsequent to the end of the first half of 2018	87
Goals and policies of the Group	87
Synthesis data as of 30th June 2018 of jointly controlled companies consolidated through the equity method.....	87

Annexes:

In-Company Control:

- Declaration by the Manager - Certification of the Consolidated Interim Financial Statements in accordance with art. 81-ter of Consob regulation no. 11971;
- Independent Auditors' Report limited to the auditing of the consolidated interim financial statements as of 30th June 2018.

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Statutory 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

Via Verizzo, 1030
I-31053 Pieve di Soligo TV Italy
Tel: +39 0438 980098
Fax: +39 0438 82096
Share Capital: Euro 234,411,575 fully paid in
VAT ID 03916270261
E-mail: info@ascopiave.it

Investor relations

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

Main economic and financial data of the Ascopiave Group

Operating results

(Thousands of Euro)	First half			
	2018	% of revenues	2017	% of revenues
Revenues	310,583	100.0%	297,500	100.0%
Gross operative margin	48,008	15.5%	49,228	16.5%
Operating result	35,758	11.5%	37,545	12.6%
Net result for the period	29,758	9.6%	30,658	10.3%

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

Assets figures

(Thousands of Euro)	30.06.2018	31.12.2017	30.06.2017
Net working capital	(6,546)	66,380	(1,322)
Fixed assets and other non current assets	547,476	553,397	549,616
Non-current liabilities (excluding loans)	(47,851)	(49,411)	(50,275)
Net invested capital	493,078	570,367	498,020
Net financial position	(57,130)	(119,867)	(67,109)
Total Net equity	(435,948)	(450,500)	(430,911)
Total financing sources	(493,078)	(570,367)	(498,020)

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

Cash flow data

(Thousands of Euro)	First half	
	2018	2017
Net income of the Group	28,455	29,193
Cash flows generated (used) by operating activities	106,038	89,074
Cash flows generated/(used) by investments	(9,045)	(18,134)
Cash flows generated (used) by financial activities	(36,711)	(41,698)
Variations in cash	60,282	29,242
Cash and cash equivalents at the beginning of the period	15,555	8,822
Cash and cash equivalents at the end of the period	75,836	38,063

Foreword

The Ascopiave Group closed the first half of 2018 with a net consolidated profit of Euro 29.8 million (Euro 30.7 million as of 30th June 2017), marking a decrease of Euro 0.9 million, -2.9%, as compared to the same period in the previous year.

The consolidated net assets at the end of the first half of the year amounted to Euro 435.9 million, (Euro 450.5 million as of 31st December 2017) and the net capital invested to Euro 493.1 million (Euro 570.4 million as of 31st December 2017).

At the end of the first half of 2018, the Group accomplished investments for Euro 9.4 million (Euro 10.5 million as of 30th June 2017), mainly in the development, maintenance and modernisation of the networks and plant of gas distribution and the installation of electronic metres.

Activities

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

The Group currently holds concessions and direct assignments for the supply of the service in 230 municipalities (230 municipalities as of 31st December 2017) and has a distribution network extending for over 9,789 km¹, (over 9,780 km as of 31st December 2017), 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 546 million cu.m¹ of gas sold in the first six months of 2018 (544.1 million cu.m as of 30th June 2017).

Strategic objectives

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

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

Operating performance

The volumes of gas sold in the first half of 2018 are equal to 546.0 million cu.m¹, marking an increase of 0.4% as compared to the same period in the previous year.

The volumes of electrical energy sold in the first half of 2018 were 210.8 GWh², marking a decrease of 0.7% as compared to the same period in the previous year.

The customers portfolio managed at the reporting date included 742.8 thousand customers, marking an increase of 0.7% as compared to the same period in the previous year.

As to the activity of gas distribution, the volumes distributed through networks managed by the Group were 640.3 million cu.m, with an increase of 20.4% as compared to the same period in 2017 (82.0 million cu.m relate to the extension of the consolidation scope to Ap Reti Gas Vicenza S.p.A.). The distribution network as of 30th June 2018 had an extension of 9,789 km¹, an increase of 27 km compared to the same period in the previous year.

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.

Operating results and cash flows

In the first half of 2018, the consolidated revenues are equal to Euro 310.6 million, compared to Euro 297.5 million in the first half of 2017. The increase in the turnover is mainly due to the higher revenues from electricity sales (Euro +3.6 million), the recognition of revenues from forward sales of raw materials (Euro +5.1 million) and the extension in the scope of consolidation (Euro 5.0 million).

The Operating Result of the Group equals Euro 35.8 million, marking a decrease compared to Euro 37.5 million in the first half of 2017. The decrease recorded is mainly explained by the reduction in the first margin of natural gas sales (Euro -3.9 million), and was partly offset by the contraction in net operating costs and the improvement in the first margin of electricity sales. The Net Result, equalling Euro 29.8 million, marks a decrease of Euro 0.9 million compared to the first six months of 2017.

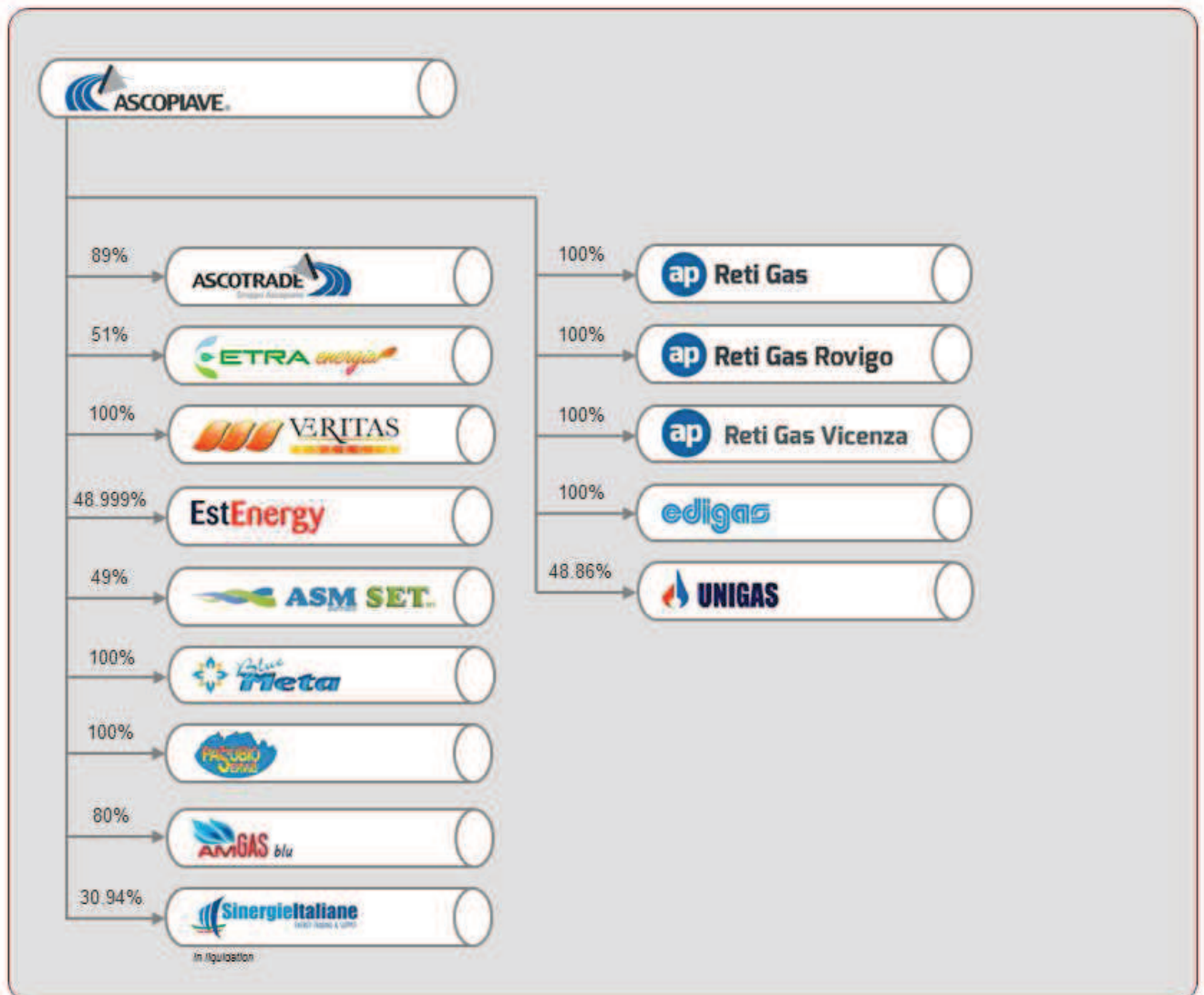
The Net Financial Position of the Group as of 30th June 2018 is equal to Euro 57.1 million, an improvement of Euro 62.7 million as compared to Euro 119.9 million as at 31st December 2017.

The reduction in financial indebtedness is determined by the cash flow of the period (Euro +42.0 million, given by the sum of the net result, provisions, amortisations and depreciations) and by the management of current assets, which has generated financial resources for Euro 64.0 million. The investment activity has absorbed financial resources for Euro 9.0 million while equity management (distribution of dividends and dividends received from companies consolidated using the equity method) has absorbed resources for Euro 34.3 million.

The ratio between Net financial position and Net equity as of 30th June 2018 was equal to 0.13 (0.16 as of 30th June 2017).

The structure of the Ascopiave Group

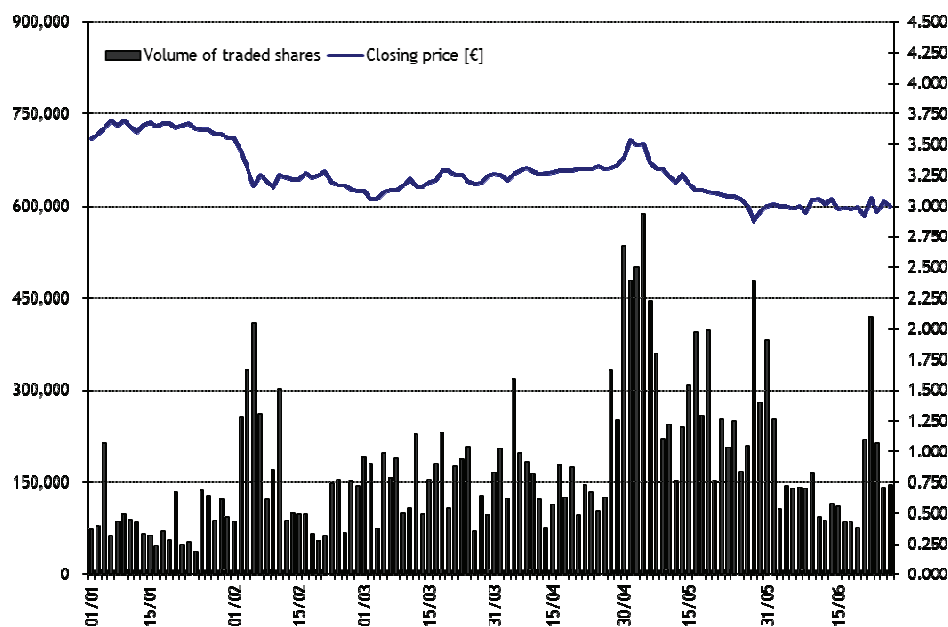
The table below shows the company structure of the Ascopiave Group as of 30th June 2018.



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

As of 29th June 2018, the Ascopiave share registered a quotation of Euro 2.990 per share, marking a decrease of 15.7 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 30th June 2018 was equal to Euro 700.89 million² (Euro 840.37 million as of 29th December 2017).



During the first half of 2018, the quotation of the shares shows a decrease (-15.7%), lower than the trend of the national index FTSE Italia Servizi di Pubblica Utilità (-6.9%), the index FTSE Italia All Share (-1.5%) and the index FTSE Italia Star (+0.1%).

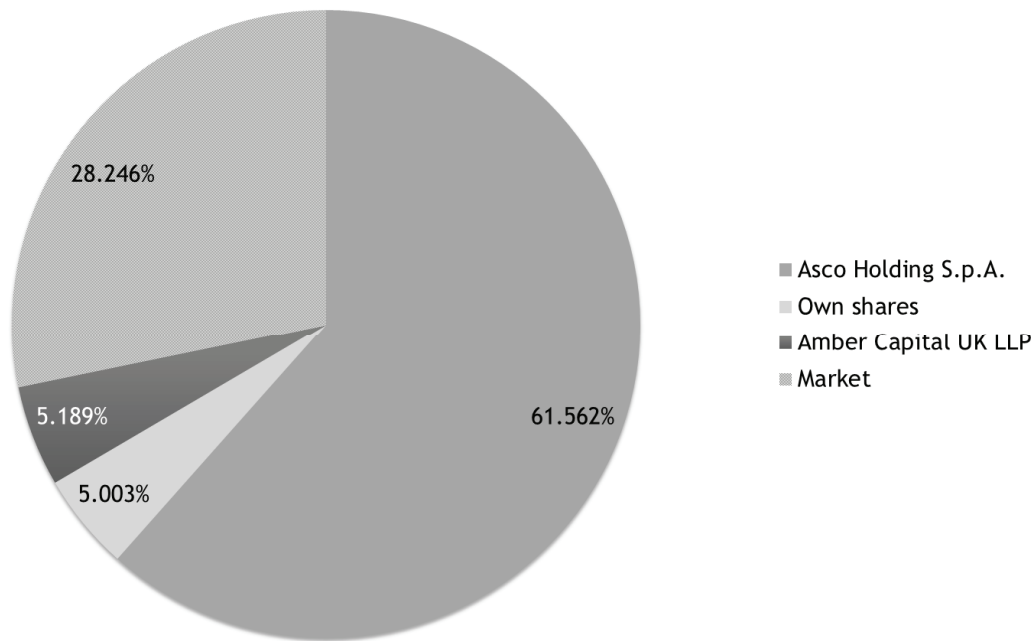
In the following table, we report the main shares and stock-exchange data as of 30th June 2018:

Share and stock-exchange data	30.06.2018	30.06.2017
Earning per share (Euro)	0.13	0.14
Net equity per share (Euro)	1.86	1.84
Placement price (Euro)	1.800	1.800
Closing price (Euro)	2.990	3.480
Maximum annual price (Euro)	3.690	3.782
Minimum annual price (Euro)	2.875	2.710
Stock-exchange capitalization (Million of Euro)	703.63	816.39
No. of shares in circulation	222,683,966	222,310,702
No. of shares in share capital	234,411,575	234,411,575
No. of own share in portfolio	11,727,609	12,100,873

² 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 June 2018 equalled Euro 14.4 billion. Official data from Borsa Italiana's website (www.borsaitaliana.it).

Control of the Company

As of 30th June 2018, Asco Holding S.p.A. directly controls 61.562% of the Ascopiave S.p.A. share capital. The share composition of Ascopiave S.p.A., according to the number of shares held by the shareholders 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 half of 2018, Ascopiave S.p.A. continued its development 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, based on a process for prioritising the main risks, concern both areas of compliance and business processes related to the business areas deemed highly strategic.

Appointed Manager

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

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 embraced the Code of Ethics of the Parent company Ascopiave.

The Company, assisted by the Supervisory Board, constantly monitors the efficiency and adequacy of the Model adopted.

The Company has also continued promoting, disseminating and raising awareness of the Code of Ethics as concerns all its stakeholders, especially with business and institutional parties.

The 231 Model and the Code of Ethics are available in the corporate governance section at www.gruppoascopiave.it.

Transactions with related and affiliate 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:

- ✓ Lease of owned real properties to the associate ASCO TLC S.p.A.;
- ✓ Lease 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 are performed on an arm's length basis. 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.	26	9,601		14,103	0		9,556	0	34	0
Total parent company	26	9,601	0	14,103	0	0	9,556	0	34	0
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	12	0	10	0	0	361	0	136	71	29
SEVEN CENTER S.R.L.	0	0	0	0	0		0	0	10	0
Total affiliated companies	13	0	10	0	0	361	0	136	81	29
<i>Subsidiary companies</i>										
Estenergy S.p.A.	0	0	17	7	0		0	0	0	0
ASM SET S.R.L.	0	776	408	291	0	100	4	3,681	230	40
Unigas Distribuzione Gas S.r.l.	11	0	174	347	0	5,459	0	64	33	0
SINERGIE ITALIANE in liquidazione S.R.L.	79	7,510	3,165	6,330	36,337	26	0	0	3	0
Total subsidiary companies	90	8,286	3,764	6,975	36,337	5,586	4	3,745	266	40
Total	129	17,888	3,774	7,128	36,337	5,947	9,560	3,881	382	68

Significant events during the first half 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). In June, Snam Sete Gas published the data on the adjustment sessions for the years 2013-2016.

Ascopiave S.p.A.'s Shareholders' Meeting dated 26th April 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.

Anita and Ascopiave sign a letter of intent for the development of a future business combination

On 4th June 2018 Anita and Ascopiave signed a letter of intent in which they identify the guidelines and principles of a process aimed at combining their gas distribution businesses by merging Anita into Ascopiave.

The agreement, which envisages a period of mutual exclusivity in the negotiations to expire on 31st December 2018, defines the applicable assumptions, the details and the process that the Parties will initiate in order to finalise the operation by the end of the year.

Announcement by Asco Holding S.p.A.

On 8th June 2018, the Board of Directors of Asco Holding resolved to convene the Shareholders' meeting on 20th July 2018 on first call and on 23rd July 2018 on second call, in order to propose the adoption of some amendments to the current articles of association, aimed at ensuring greater governance cohesion and stability. Any shareholders of Asco Holding who do not participate in the adoption of the Shareholders' Meeting resolution for the approval of the new articles of association (because they oppose, are absent or abstain), may exercise the right of withdrawal pursuant to the Italian Civil Code, for all or part of their shares, within the fifteenth day subsequent to the registration of the Shareholders' resolution in the Register of Companies, since the amendments to the articles of association proposed

by the Board of Directors include, inter alia, the introduction of restrictions on the transfer of shares. The methods for paying the liquidation value to the withdrawing shareholders include: (i) the attribution of shares in the subsidiary Ascopiave, up to a maximum limit of 27,000,000 shares, representing 11.52% of Ascopiave's share capital, so that Asco Holding will in any case retain more than 50% of Ascopiave's share capital; and (ii) the use of cash resulting from an extraordinary dividend (the company plans to ask Ascopiave to distribute such dividend, by means of a formal request to convene the Shareholders' Meeting), up to a maximum amount of Euro 77 million, subject to the approval of the amendments to the articles of association by the Shareholders' Meeting of Asco Holding.

The resolution approving the new articles of association shall be considered revoked if a number of shareholders above a certain threshold exercise the right of withdrawal or if the distribution of the aforementioned extraordinary dividend is not approved by the Shareholders' Meeting of Ascopiave.

The withdrawal procedure is to expire by the end of October 2018.

Additional significant events

Energy efficiency and saving obligations

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

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

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

- the 2008 and 2009 objectives were reviewed in the light of an excess of offer of energy efficiency equities recorded on the market;
- the objectives for the three-year period 2010 - 2012 were defined, taking into account the target of reduction of energy consumption fixed by the action plan as of 2016, equal to 10.86 MTOE;
- the efficiency and energy saving obligations for each year following 2007 were extended to distributors who, as of 31st December of two years prior to each year of obligation, connected more than 50,000 end customers to their distribution network.

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

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

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

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

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

- 4.6 Mtoe in 2013;

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

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

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

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

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

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

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

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

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

The Decree dated 10th May 2018 introduced corrections to the previous regulation in order to avoid an excessive rise in prices and provide the obliged subjects with instruments for fulfilling the objectives in a tight market featuring scarcity of certificates. To this end, a ceiling of Euro 250 per TEE was set in order to reflect the value of the market session impacting the tariff contribution; the possibility of fulfilling the obligation in two years was conceded; a mechanism was introduced according to which the obliged subject can buy from the GSE, at a maximum cost of Euro 15, certificates not deriving from projects which can be used to cover the obligation without receiving the tariff contribution for them.

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

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

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

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

Efficiency and energy saving

As concerns the Group’s distribution companies, which are fully consolidated, as at 31st May 2018, the minimum targets for the year 2017 were achieved with a residual quota of 13% for AP Reti Gas S.p.A. and 39% for AP Reti Gas Vicenza S.p.A.. For both companies, the residual quotas of the previous years were cancelled.

By resolution dated 29th January 2018, the Authority defined the 2018 targets of the companies, amounting to 78,513 TEE for AP Reti Gas S.p.A. and 19,504 TEE for AP Reti Gas Vicenza S.p.A..

As far as Unigas Distribuzione S.r.l. (consolidated with the equity method) is concerned, the GSE quantified the 2017 target in 15,354 TEE, of which 60% were delivered before 31st May 2018. In 2016, the company had a 22,737 TEE obligation which, as of 31st May 2018, was fulfilled to the extent of 86%; on the same date, the company delivered the residual quota of the 2015 target, which is therefore 100% fulfilled.

By resolution dated 29th January 2018, the Authority defined the 2018 target of the company, amounting to 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.

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.. The lack of such agreements in the past has often led to administrative and civil/arbitral litigations.

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

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

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

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

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

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

To date, following the outcome of the technical cross-examination, 86 Municipalities (unchanged since 31st December 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 2 - 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 30th June 2018, the following litigations 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.

When the parties appeared before the Court, Agenzia delle Entrate, substantially accepting the objections of the Company, proposed, subsequent to an internal review, the recalculation of the amount due, corrected to approximately Euro 1,450. Agenzia delle Entrate then proposed closing formally the litigation, each party bearing their respective legal costs. Ascopiave obtained the proposal of formal closure of the proceedings, as well as the consequent reimbursement (about Euro 104 thousand).

LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 30th June 2018, the following litigations are pending:

MUNICIPALITY OF CREAZZO:

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

The Company would prefer to reach a negotiation agreement.

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

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 Municipality filed an appeal.

The hearing before the Court of Appeal of Venice is scheduled for 9th January. Ascopiave will obviously enter an appearance in accordance with the legal terms.

ADMINISTRATIVE LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 30th June 2018, the following litigations are pending:

GUIDELINES - MINISTERIAL DECREE 22nd MAY 2014

An appeal before the Council of State was filed (with deed dated 16th January 2017) by Ascopiave together with other distribution companies, against the Minister of Economic Development for the cancellation of 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 September 2018.

As part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9

and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (retrospective deduction of private contributions and time limit of agreements' validity) were raised.

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

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:

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

The Administrative Court of Veneto (hearing dated 9th November 2016) overruled the protective order by Zi 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 Zi Rete Gas S.p.A. for the suspension of application of the tender document pending decision on the main appeal to the Administrative Court of Veneto.

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

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

CIVIL LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 30th June 2018, the following litigations 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.

Ascopiave S.p.A. entered an appearance in accordance with the legal terms.

By Provision dated 7th June 2018, the Court of Appeal partially accepted the suspension request, limiting the provisional enforceability of the First instance sentence to the amount of Euro 150 thousand, against which Ascopiave S.p.A. is entitled to pursue the enforcement.

At the hearing of 28th June 2018, the Court of Appeal unified the appeals.

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 was abandoned for the cessation of the matter of dispute, following a settlement agreement signed in May 2018 (with each party paying its own costs).

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), AP Reti Gas S.p.A. (as the other distribution companies of the Group) 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 (SDD) 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);
- 3 procedures has been filed (hearings already scheduled/under scrutiny);
- 0 procedures are in execution of judgment;
- 8 procedures are being initiated (their appeals are being drafted and sent to the Legal Office);
- 5 procedures have been suspended (for various reasons);
- 174 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 preliminarily 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 175 thousand. For the other companies of the Group these costs amount approximately to Euro 100 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. In June, Snam Rete Gas, by publishing the data relating to the adjustment sessions for the years 2013-2016, enabled the first evaluation of the negative economic impact of the regulatory measures challenged. Currently, the negative impact is uncertain as Snam Rete Gas has rescheduled the deadlines for the recalculation of the quantities communicated. In addition, if the reference shippers required the Ascopiave Group's sales companies to pay the amounts deriving from the application of Resolution 670/2017/R/gas, such companies may bring administrative proceedings by requesting the precautionary suspension of the effects of the Resolution, considering that it was appealed. As concerns civil proceedings, it will be possible to challenge before the civil court the shippers' right to make economic claims on the basis of the contracts originally finalised.

Relationships with Agenzia delle Entrate (Italian Tax Authority)

Regarding other outstanding litigations with Agenzia delle Entrate, some claims are pending with local tax agencies related to the silent / express refusal to reimburse the additional IRES tax (so-called Robin Tax).

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.

Since 2008, these companies are subjected to the additional IRES tax as set forth by Art. 81 of Law Decree 112/2008. Subsequently the Constitutional Court in 2015 declared that said tax would be unconstitutional. In the wake of said sentence, the companies requested the reimbursement of the unwarranted tax that had been paid. The tax authorities did not reply and by doing so they effectively denied the reimbursement, or expressly denied it. Several claims have been filed based on a retroactive interpretation of said sentence, the legitimacy of which was confirmed by a Constitutional Law Attorney. Possible results of said claims are completely unpredictable, as the sustainment of the claim would cause a massive financial burden for the entire country. As far as the expected time of resolution of this litigation, no temporary framework can be provided, as these claims have been filed to various local courts with different response times. As of today, only the appeals of Pasubio Servizi S.r.l, Unigas Distribuzione S.r.l., Ascopiave S.p.A, Edigas DG S.p.A., Blue Meta S.p.A and the merged company Edigas Due S.p.A. have been discussed in court. Some hearings have already been scheduled while others 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.

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 tender.

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%;

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. At present, there is no news regarding the precautionary hearing originally scheduled for 3rd May 2018.

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 30th June 2018 the value of own shares held by the company is equal to Euro 16,980 thousand (Euro 17,521 thousand as of 31st December 2017), recognised as a reduction in other reserves as can be seen in the Net Equity changes.

Outlook for the Year

As far as the gas distribution activities are concerned, in the second half of 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) might 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) and the overall negative impact on profit and loss due to the application of the gas settlement regulation for the years 2013-2016, already recorded in the second quarter of this year.

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 9.6% (14.3% as of

30th June 2017) of the total gross receivables from third parties for invoices issued. 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 30th June 2018 are associated with contracts for natural gas supply.

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

As of 30th June 2018 the Ascopiave Group holds a portfolio of 230 (230 as of 30th June 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, and subsequent amendments. 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 Energy, Networks and the Environment 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 Energy, Networks and the Environment 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 with the closure of the station.

The differential of the annual quantities injected into the distribution network and the quantities supplied to the end users connected thereto will determine the quantity of cubic metres of raw material subject to economic adjustment between the Settlement Entity (Shipper) and the Settlement Manager (Snam Rete Gas).

On 18th June 2018, Snam Rete Gas published the non-definitive data on the adjustment sessions for the years 2013-2016. The data received have allowed the directors to make estimates on the economic effects of the higher volumes allocated at the end of the process. The estimates were performed considering the various types of volumetric adjustments communicated by Snam Rete Gas consistent with the evolution of the regulatory framework. With regard to the volumetric adjustments due to the updating of the data used for the first allocation with the closure of the station, with the application of the original algorithms, the Group's sales segment estimated that the economic adjustments related to the greater quantities of gas withdrawn would amount to Euro 2,668 thousand. The higher costs recorded are related to revenues already accrued in the same period of time vis-à-vis the end customers to the tune of Euro 3,565 thousand. The current initial recognition of both higher costs and higher revenues is explained by the fact that in the years in question, since the annual adjustment sessions were not held, it was deemed appropriate to balance the cubic metres sold with the cubic metres allocated by the settlement manager.

Subsequent to receiving the volumetric data from Snam, it was also possible to conduct the first estimate of the economic impact of ARERA resolutions 670/2017/R/gas and 782/2017/R/gas, which neutralised the in-output delta for users of the distribution network, net of an allowance of 0.4%. The communication, in June, of the adjustment sessions for the years 2013-2016, enabled the definition of the volumetric input data for identifying the difference between the volumes injected into the local distribution network and the volumes withdrawn by the end consumers. The directors have quantified the in-output volumetric data updated by the Settlement Manager. The amounts relating to higher costs for gas purchase that we might have to pay to the shippers due to the provision are equal to Euro 8,149 thousand. The negative effect of higher costs was partially offset by the margin accrued on the sale, which had already occurred, of these volumes to the tune of Euro 5,235 thousand. The accrual of the margin was affected by the reception of the updated data for the greater volumes allocated by the Settlement Manager. The net impact of the in-output component is negative for Euro 2,914 thousand.

The overall effect of the volumetric updates received until 2016 is therefore negative for Euro 2,017 thousand.

As regards 2017, we must wait for the transmission of the volumetric data before we can estimate any economic impacts.

As concerns the second component with an economic impact explained above (in-output), the Group has undertaken remedial legal actions as better explained in the paragraph "Litigations" of this Report.

Additional information

Research and development

IT systems

In the first half of 2018, a project was launched for the full rearrangement of the work management process for the Group's distribution companies, which involves changes in the quotation process, the entrustment of work reporting and the possible creation of new assets, as well as the implementation of application solutions supporting the new processes, in order to make the entire management of activities more effective and efficient.

The activities to enable interaction with the Integrated Information System (SII) continued, including the implementation of a Communication Port according to the specifications issued by Acquirente Unico, as well as the

changes required to meet regulatory updates, internal process improvement needs and the communication standards defined by ARERA.

The suite supporting ETRM was completed on SAP BPC infrastructure for the Group's sales companies, in particular the modules to support accounting, counterparty exposure control, use of meteorological data and integration with an advanced reporting tool. A centralised application was then implemented to send REMIT communications and, also on the BPC platform, the module for the management of the electricity first margin and the upgrade of treasury management are being developed.

The development of the CRM system has continued, in particular with features dedicated to the management of appointments at the sales offices and the introduction of the "Punti per Te" programme dedicated to customers in the free market. A system for the reception of date and geolocation information on bills to be delivered by external firms was developed in-house, making such information available to users through the existing management solutions. A programme supporting the management of forms for the Group's sales companies was also produced in-house and the multichannel delivery system for bills (e-mail, PEC, CRM) was perfected, with the management of a Web link for the attachment of the PDF invoice which makes the delivery process much more efficient.

As regards the sales companies' management software, a major innovative technological project was launched in order to enable the end customers, through the "Sportello online" application and the mobile app, to perform a series of operations currently only available via the call centre or at the local sales office.

Also for the Group's sales companies, a dashboard for managing the flows exchanged with the integrated information system through a communication port is being developed; this will enhance the automation of the activities and the control of exceptions and anomalies. The management software was adjusted in order to comply with regulatory changes and resolutions issued by the Authority.

During the first half of the year, a system for managing fuel electronic invoices was created, in order to register automatically the invoices received in SAP ECC ERP with a prior check of analytical data made available by suppliers on specialised portals.

As electronic invoicing has become mandatory, the Ascopiave group is involved in a project to insource the information exchange with the SDI, the central system for exchanging invoices. As a consequence, the registration at the exchange system (SDI) was completed with the adoption of a specific form, the first step to comply with the new regulations according to which not only the PA but also all the subjects residing in the State will be required to invoice electronically.

As concerns the security of the Group's IT systems, a project was implemented to improve the management of access profiles to the SAP system, which takes into account in particular the issues of internal control such as restricted access and segregation of duties. The policies implemented on firewalls and their management methods were then reviewed, in order to ensure greater protection and facilitate updating and maintenance.

A project was implemented to make the organisational model and the processing of personal data compliant with the provisions of Italian Legislative Decree 196/03 and Regulation (EU) 2016/679 of the European Parliament ("GDPR"), which introduced significant changes to the legislation previously in force.

As regards infrastructure, the project for updating and upgrading the headquarters' network continued with the introduction of a series of separate VLANs for the various services and companies, with the aim of simplifying their management and control and improving their performance.

Human resources

As of 30th June 2018, the Ascopiave Group had 671 employees³, divided between the various companies of the Group as outlined below:

³ The data concerning the proportionally consolidated companies, i.e. Estenergy (48.999%), ASM Set (49%) and Unigas Distribuzione (48.86%), are represented at 100%.

Companies consolidated with full consolidation method	30/06/2018	31/12/2017	Var.
Ascopiave S.p.A.	92	91	1
AP Reti Gas S.p.A.	168	166	2
Ascotrade S.p.A.	87	87	0
AP Reti Gas Rovigo S.r.l.	18	18	0
Edigas Esercizio Distribuzione S.p.A.	27	27	0
Pasubio Servizi S.r.l.	16	15	1
Etra Energia S.r.l.	6	6	0
Veritas Energia S.p.A.	43	44	-1
Blue Meta S.p.A.	25	25	0
AP Reti Gas Vicenza S.p.A.	47	47	0
Pasubio Rete Gas S.r.l.	0	0	0
Amgas Blu S.r.l.	8	8	0
Companies consolidated with full consolidation method	537	534	3
Companies consolidated with net equity consolidation method	30/06/2018	31/12/2017	Var.
Estenergy S.p.A.	79	81	-2
ASM Set S.r.l.	11	11	0
Unigas Distribuzione Gas S.r.l.	44	45	-1
Companies consolidated with net equity consolidation method	134	137	-3
Ascopiave Group	671	671	0

As compared to 31st December 2017, the workforce of the Ascopiave Group is globally unchanged. The following table illustrates the division of the staff complement by skill level/grade:

Companies consolidated with full consolidation method	30/06/2018	31/12/2017	Var.
Managers	15	17	-2
Office workers	380	393	-13
Manual workers	142	124	18
Companies consolidated with full consolidation method	537	534	3
Companies consolidated with net equity consolidation method	30/06/2018	31/12/2017	Var.
Managers	3	3	0
Office workers	114	116	-2
Manual workers	17	18	-1
Companies consolidated with net equity consolidation method	134	137	-3
Ascopiave Group	30/06/2018	31/12/2017	Var.
Managers	18	20	-2
Office workers	494	509	-15
Manual workers	159	142	17
Ascopiave Group	671	671	0

Seasonal nature of the activity

Gas consumption changes considerably 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.

Comments on the economic and financial results of the first half of 2018

Performance indicators

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

- **Gross operating margin (Ebitda):** defined by the Group as the result of amortisation and depreciation, write-downs of receivables, financial management and taxes;
- **Operating result:** this indicator is also included in the accounting principles we have adopted, and it is defined as the operating margin (Ebit) minus the balance of costs and non-recurrent revenues. The latter includes extraordinary incomes and losses, capital gains and losses for disposal of assets, insurance reimbursements, taxes and other positive and negative components with less relevance.
- **Tariff revenues from gas distribution:** defined by the Group as the amount of revenue realised by the distribution companies of the Group for the application of tariffs for distribution and measurement of natural gas to their end customers, net of the equalisation amounts managed by Cassa per i Servizi energetici e Ambientali;
- **First margin on gas sales:** the Group defines it as the amount obtained from the difference between the sales proceeds (realised by the Group's sale companies towards end market customers or from wholesale) and the sum of the following costs: the cost of the carriage service (gross of amounts subject to elimination; consisting in the distribution tariffs applied by the distribution companies) and the cost of purchase of gas sold;
- **First margin on electricity sale:** the Group defines it as the amount obtained from the difference between the proceeds of electricity sales and the sum of the following costs: cost of transportation, dispatching and balancing services and cost of purchase of electricity sold.

General operational performance and indicators

NATURAL GAS DISTRIBUTION	First half		Var.	Var. %
	2018	2017		
Companies consolidated with full consolidation method				
Number of concessions	198	198	0	0,0%
Length of distribution network (km)	9.250	9.223	27	0,3%
Number of POD	489.573	487.378	2.195	0,5%
Volumes of gas distributed (scm/mln)	595,3	489,2	106,1	21,7%
Companies consolidated with net equity consolidation method				
Number of concessions	32	32	0	0,0%
Length of distribution network (km)	1.105	1.103	1	0,1%
Number of POD	94.524	94.359	165	0,2%
Volumes of gas distributed (scm/mln)	92,1	87,0	5,1	5,9%
Ascopiave Group*				
Number of concessions	214	214	0	0,0%
Length of distribution network (km)	9.789	9.762	27	0,3%
Number of POD	535.757	533.482	2.276	0,4%
Volumes of gas distributed (scm/mln)	640,3	531,7	108,6	20,4%

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

NATURAL GAS SALES TO FINAL MARKET	First half		Var.	Var. %
	2018	2017		
Companies consolidated with full consolidation method				
Number of customers	541.592	549.504	-7.912	-1,4%
Volumes of gas sold (smc /mln)	467,2	465,3	1,9	0,4%
Companies consolidated with net equity consolidation method				
Number of customers	230.690	233.867	-3.177	-1,4%
Volumes of gas sold (smc /mln)	160,9	160,9	0,0	0,0%
Ascopiave Group*				
Number of customers	654.628	664.097	-9.469	-1,4%
Volumes of gas sold (smc /mln)	546,0	544,1	1,9	0,4%

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

SALE OF ELECTRIC POWER	First half		Var.	Var. %
	2018	2017		
Companies consolidated with full consolidation method				
Number of POD	74.047	62.521	11.526	18,4%
Volumes of electricity sold (GWh)	179,7	185,7	-6,0	-3,2%
Companies consolidated with net equity consolidation method				
Number of POD	28.816,0	21.915,0	6.901	31,5%
Volumes of electricity sold (GWh)	63,5	54,3	9,2	17,0%
Ascopiave Group*				
Number of POD	88.166,6	73.259,2	14.907	20,3%
Volumes of electricity sold (GWh)	210,8	212,3	-1,5	-0,7%

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

NATURAL GAS SALES ON TRADING ACTIVITIES	First half		Var.	Var. %
	2018	2017		
Volumes of gas sold (smc /mln)	22,9	0,0	22,9	n.a.

Comments on the trend of the main operational indicators of the Group's activity are reported below:

The value of each indicator is obtained by adding the values of the indicators of each consolidated company, weighting the data of the companies consolidated with the equity method according to the share of consolidation.

As far as the activity of gas distribution is concerned, in the first half of 2018, the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 595.3 million cu.m (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 21.7% as compared to the same period in the previous year. The company Unigas Distribuzione S.r.l., consolidated through the equity method, distributed 92.1 million cu.m, marking an increase of 5.9% as compared to the same period in 2017.

As of 30th June 2018, the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 489.6 thousand and showed an increase of 2.2 thousand units compared to the previous year (487.4 thousand units as of 30th June 2017). 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 half of the year, the latter company managed 94.5 thousand redelivery points (94.4 thousand at the end of the first half of 2017).

In the first six months of the year 2018, the volume of gas sold by the 100% consolidated companies amounted to 467.2 million cu.m, marking an increase of 0.4% as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 160.9 million cu.m of gas (in line with the value of the same period in the previous year).

In the first six months of the year 2018, the volume of electricity sold by the fully consolidated companies was equal to 179.7 GWh, marking a decrease of 3.2% as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 63.5 GWh of electricity (+17.0% as compared to the same period in the previous year).

As of 30th June 2018, the gas customer portfolio of the companies consolidated on a line-by-line basis consisted of 541.6 thousand customers and recorded a contraction of 7.9 thousand units as compared to 30th June in the previous year (549.5 thousand units as of 30th June 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 230.7 thousand customers, recording a decrease of 1.4% as compared to the previous year (233.9 thousand units as of 30th June 2017).

The decrease in the gas portfolio was more than offset by the increase in electricity customers: at the end of the first half of the year, the companies consolidated on a line-by-line basis, serving 74.0 thousand customers, recorded an increase of 11.5 thousand units. At the end of the reference period, the companies consolidated using the equity method boasted an electricity portfolio consisting of 28.8 thousand customers, showing a growth of 6.9 thousand units.

General operational performance - The Group's economic results

(Thousands of Euro)	First half			
	2018	% of revenues	2017	% of revenues
Revenues	310,583	100.0%	297,500	100.0%
Total operating costs	262,575	84.5%	248,272	83.5%
Gross operative margin	48,008	15.5%	49,228	16.5%
Amortization and depreciation	11,485	3.7%	10,597	3.6%
Provision for risks on credits	765	0.2%	1,086	0.4%
Operating result	35,758	11.5%	37,545	12.6%
Financial income	238	0.1%	227	0.1%
Financial charges	633	0.2%	418	0.1%
Evaluation of subsidiary companies with the net equity method	5,194	1.7%	4,548	1.5%
Earnings before tax	40,557	13.1%	41,902	14.1%
Taxes for the period	10,799	3.5%	11,244	3.8%
Net result for the period	29,758	9.6%	30,658	10.3%
Group's Net Result	28,455	9.2%	29,193	9.8%
Third parties Net Result	1,303	0.4%	1,466	0.5%

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 six months of the year 2018, the Group incomes amounted to Euro 310,583 thousand, marking an increase of 4.4% as compared to the same period in the previous year. The following table reports the details of income.

(Thousands of Euro)	First half	
	2018	2017
Revenues from gas transportation	21,438	17,630
Revenues from gas sale	225,062	223,405
Revenues from electricity sale	31,066	27,447
Revenues from connections	167	133
Revenues from heat supply	32	28
Revenues from distribution services	4,767	3,399
Revenues from services supplied to Group companies	1,399	696
Revenues from ARERA contributions	18,984	21,139
Other revenues	5,071	
Other revenues	2,596	3,622
Revenues	310,583	297,500

Revenues from gas sale increased from Euro 223,405 thousand to Euro 225,062 thousand, recording an increase of Euro 1,657 thousand (+0.7%). The increase is mainly explained by the initial recognition of revenues related to the higher volumes attributed to the Group's sales companies subsequent to the Settlement. This led to the recognition of higher revenues, as a combined effect of the closure of the stations and the cancellation of the in-output delta,

totalling Euro 8,800 thousand (more details can be found in paragraph “Evolution of the adjustment sessions of natural gas allocations”) herein.

Revenues from electricity sales increased from Euro 27,447 thousand to Euro 31,066 thousand, recording an increase of Euro 3,618 thousand (+13.2%), mainly due to a rise in unitary prices.

Revenues from forward sales of raw materials amounted to Euro 5,071 thousand. Such proceeds are not recorded in the comparative period as the trading activities started in September 2017.

The operating result in the first six months of the year 2018 amounts to Euro 35,758 thousand, thus recording a decrease of Euro 1,786 thousand (-4.8%) as 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 3,090 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 3,826 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 379 thousand;
- negative change in other items of cost and revenues, equal to Euro 1,429 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 33,125 thousand to Euro 36,215 thousand) is mainly explained by the extension of the consolidation scope which determined the recognition of higher revenues for Euro 2,885 thousand.

The decrease in the **first margin on the activity of gas sale** (from Euro 36,867 thousand to Euro 32,940 thousand), was mainly determined by the effects of the so-called gas settlement for Euro -2,018, as better explained in the paragraph “Evolution of the adjustment sessions of natural gas allocations” herein.

The **first margin** resulting from **gas trading** at the end of the period was Euro 101 thousand. In 2017, and in the first half 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 - September 2018 for the raw material, while the transport service is for the period October 2017 - September 2019 (2017/18 and 2018/19 thermal years).

The revenue and cost components related to physical deliveries during the period January - June 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 period July - September 2018 and to the transport service for the period July 2018 - September 2019, 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 3,137 thousand to Euro 3,515 thousand is mainly explained by higher unit margins, whereas the amounts of electricity sold record a decrease as compared to the same period in the previous year.

The negative variation in the item **other costs and revenues**, amounting to Euro 1,429 thousand, is due to:

- extension of the scope of consolidation: negative change amounting to Euro 2,754 thousand;
- lower other revenues for Euro 3,209 thousand;
- lower material and service costs and other charges equalling Euro 3,989 thousand;
- a decrease in personnel cost for Euro 652 thousand;
- an increase in amortisation and depreciation of fixed assets for Euro 429 thousand;
- lower bad debts provisions for Euro 321 thousand.

The **net consolidated profit** in the first six months of the year 2018 amounts to Euro 29,758 thousand, thus recording a decrease of Euro 900 thousand (-2.9%) as compared to the same period in the previous year.

This change is due to the following factors:

- decrease in the operating result, as previously stated, for Euro 1,786 thousand;
- higher result of companies consolidated through the equity method for Euro 646 thousand;
- an increase in financial revenues for Euro 11 thousand;
- an increase in financial charges for Euro 215 thousand;
- a decrease in taxes for Euro 445 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 30.1% in the first half of 2017 to 30.5%.

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)	30.06.2018	31.12.2017	30.06.2017
A Cash and cash equivalents on hand	18	17	21
B Bank and post office deposits	75,818	15,538	38,042
C Titoli detenuti per la negoziazione			
D Liquid assets (A) + (B) + (C)	75,836	15,555	38,063
E Current financial assets	776	0	460
F Payables due to banks	(66,126)	(70,123)	(65,934)
G Current portion of medium-long-term loans	(8,069)	(10,181)	(9,912)
H Current financial liabilities	(190)	(480)	(199)
I Current financial indebtedness (F) + (G) + (H)	(74,385)	(80,785)	(76,045)
J Net current financial indebtedness (I) - (E) - (D)	2,227	(65,230)	(37,522)
K Medium- and long-term bank loans	(59,119)	(54,360)	(29,273)
L Non current financial assets			
M Non-current financial liabilities	(239)	(277)	(315)
N Non-current financial indebtedness (K) + (L) + (M)	(59,358)	(54,637)	(29,588)
O Net financial indebtedness (J) + (N)	(57,130)	(119,867)	(67,109)

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.

In compliance with Consob communication no. DEM/6064293/2006, the Net financial position and the ESMA Net financial position coincide.

The financial position decreased from Euro 119,867 thousand as of 31st December 2017 to Euro 57,130 thousand as of 30th June 2018, reporting a decrease of Euro 62,737 thousand.

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

(Thousands of Euro)	First half	
	2018	2017
Net Income	29,758	30,658
Depreciations and amortizations	11,485	10,597
Provisions	,765	1,086
(a) Self financing	42,008	42,342
(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:	64,030	48,362
by operating activities = (a) + (b)	106,038	90,703
by investing activities	(9,045)	(26,762)
(e) Other financial position changes	(34,256)	(36,931)
Net financial position changes = (c) + (d) + (e)	62,737	27,010

The cash flow generated by the operating management (letters a + b), equal to Euro 106,038 thousand, was mainly due to self-financing for Euro 42,008 thousand and other financial positive variations amounting to Euro 64,030 thousand, mainly related to the management of the net circulating capital for Euro 69,223 thousand and to the assessment of companies consolidated through the equity method for Euro -5,194 thousand.

The management of net circulating capital generated financial resources amounting to Euro 69,223 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 generated financial resources for Euro 20,828 thousand, by the variation in VAT allocation, which generated financial resources for Euro 17,527 thousand, and by the variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes, which generated financial resources for Euro 10,280 thousand. The variation in the net operating capital generated financial resources for Euro 13,996 thousand.

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

(Thousands of Euro)	First half	
	2018	2017
Inventories	(2,279)	,514
Trade receivables and payables	37,341	29,000
Operating receivables and payables	(21,065)	(29,931)
Severance pay and other funds	(1,865)	,290
Current taxes	10,799	11,244
Taxes paid	(1,350)	(2,745)
Tax receivables and payables	47,643	44,539
Change in net working capital	69,223	52,910

Investment activities generated a net cash requirement of Euro 9,045 thousand. The investments made in the first half of 2017 included Euro 16,300 thousand of investments in shareholdings.

Additional variations in the Net financial position concern dividends received from the companies consolidated with the equity method, which generated resources for Euro 7,274 thousand, and the distribution of dividends for Euro 42,070 thousand. During the year, own shares were distributed to employees and directors totalling Euro 540 thousand, in accordance with the incentive plans.

The following table shows in detail the other changes in the financial position during the first six months of 2018:

(Thousands of Euro)	First half	
	2018	2017
Sale of own shares	,540	,0
Dividends paid to Ascopiave S.p.A. shareholders	(40,016)	(40,016)
Dividends paid to minority interest	(2,054)	(2,853)
Dividends / (loss coverage) associated companies or jointly controlled companies	7,274	6,706
Net change in short-term bank loans	,0	,353
Expansion of the consolidation perimeter	,0	(1,121)
Other changes in financial position	(34,256)	(36,931)

General operational performance - Investments

During the first half of the year, the Group made investments in tangible and intangible assets for Euro 9,384 thousand, a decrease as compared to the same period in the previous year of Euro 1,080 thousand. The decrease is explained by lower costs incurred for the construction of natural gas distribution facilities (Euro -907 thousand) as well as a decrease in other investments (Euro -173 thousand).

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 8,872 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 1,811 thousand, the creation of connections for Euro 2,196 thousand and the installation of metres for Euro 4,569 thousand.

INVESTMENTS (Thousands of Euro)	First Half	
	2018	2017
Connecting a gas users	2,196	2,065
Expansions, reclamations and network upgrades	1,608	2,031
Flowmeters	4,569	4,139
Maintenance	203	311
Other assets in raw material (gas) investments	296	0
Investments of new companies acquired	0	1,234
Raw material (gas) investments	8,872	9,780
Land and buildings	170	384
Industrial and commercial equipment	29	26
Forniture	59	10
Vehicles	104	53
Hardware e Software	97	140
Other assets	52	38
Investments of new companies acquired	0	34
Other investments	512	685
Investments	9,384	10,464

Ascopiave Group

Interim financial report charts

as of 30th June 2018

Consolidated assets and liabilities statement

(Thousands of Euro)		30.06.2018	31.12.2017	30.06.2017
ASSETS				
Non-current assets				
Goodwill	(1)	80,758	80,758	80,758
Other intangible assets	(2)	345,172	346,934	344,874
Tangible assets	(3)	31,656	32,334	33,867
Shareholdings	(4)	65,306	68,878	66,048
Other non-current assets	(5)	13,014	13,015	12,905
Advance tax receivables	(7)	11,569	11,479	11,163
Non-current assets		547,476	553,397	549,616
Current assets				
Inventories	(8)	6,351	4,072	3,970
Trade receivables	(9)	77,874	156,884	78,862
Other current assets	(10)	64,278	57,865	72,454
Current financial assets	(11)	776	0	460
Tax receivables	(12)	3,371	2,645	1,810
Cash and cash equivalents	(13)	75,836	15,555	38,063
Current assets from derivative financial instruments		356	1,510	342
Current assets		228,843	238,532	195,961
ASSETS		776,318	791,929	745,577
Net equity and liabilities				
Total Net equity				
Share capital		234,412	234,412	234,412
Own shares		(16,981)	(17,521)	17,521
Reserves		214,401	228,620	209,413
Net equity of the Group		431,832	445,511	426,303
Net equity of Others		4,116	4,989	4,608
Total Net equity	(14)	435,948	450,500	430,911
Non-current liabilities				
Provisions for risks and charges	(15)	3,801	5,913	6,958
Severance indemnity	(16)	4,938	4,836	4,831
Medium- and long-term bank loans	(17)	59,119	54,360	29,273
Other non-current liabilities	(18)	23,922	22,930	22,158
Non-current financial liabilities	(19)	239	277	315
Deferred tax payables	(20)	15,192	15,733	16,329
Non-current liabilities		107,209	104,048	79,862
Current liabilities				
Payables due to banks and financing institutions	(21)	74,195	80,304	75,846
Trade payables	(22)	76,748	117,653	75,480
Tax payables	(23)	2,343	625	720
Other current liabilities	(24)	79,493	38,312	82,342
Current financial liabilities	(25)	190	480	199
Current liabilities from derivative financial instruments	(26)	191	7	216
Current liabilities		233,161	237,382	234,804
Liabilities		340,371	341,430	314,666
Net equity and liabilities		776,318	791,929	745,577

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.

Comprehensive consolidated income statement

(Thousands of Euro)	First half		
	2018	2017	
Revenues	(27)	310,583	297,500
Total operating costs		263,340	249,358
Purchase costs for raw material (gas)	(28)	162,952	146,193
Purchase costs for other raw materials	(29)	10,181	9,989
Costs for services	(30)	59,191	59,494
Costs for personnel	(31)	12,615	13,012
Other management costs	(32)	18,611	21,311
Other income	(33)	211	640
Amortization and depreciation	(34)	11,485	10,597
Operating result		35,758	37,545
Financial income	(35)	238	227
Financial charges	(35)	633	418
Evaluation of subsidiary companies with the net equity method	(35)	5,194	4,548
Earnings before tax		40,557	41,902
Taxes for the period	(36)	10,799	11,244
Result for the period		29,758	30,658
Group's Net Result		28,455	29,193
Third parties Net Result		1,303	1,466
Consolidated statement of comprehensive income			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		(1,163)	(1,466)
Income tax relating to components of comprehensive income			
2. Components that can not be reclassified to the income statement			
Actuarial (losses)/gains from remeasurement on defined-benefit obligations		52	239
Total comprehensive income		28,647	29,432
Group's overall net result		27,466	28,124
Third parties' overall net result		1,180	1,307
Base income per share		0.128	0.131
Diluted net income per share		0.128	0.131

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 1st January 2018	234,412	46,882	(17,521)	(46)	134,649	47,135	445,511	4,989	450,500
Result for the period						28,455	28,455	1,303	29,758
Other operations					(1,042)		(1,042)	(122)	(1,163)
IAS 19 TFR actualization for the period				53			53	(1)	52
Total result of overall income statement				53	(1,042)	28,455	27,466	1,180	28,647
Allocation of 2017 result					47,135	(47,135)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(40,016)		(40,016)		(40,016)
Dividends distributed to third parties shareholders							(0)	(2,054)	(2,054)
Other operations					(743)		(743)		(743)
Long-term incentive plans			540		(926)		(385)		(385)
Balance as of 30th June 2018	234,412	46,882	(16,981)	7	139,057	28,455	431,832	4,116	435,947

(Thousands of Euro)	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1st January 2017	234,412	46,882	(17,521)	(108)	120,757	53,635	438,055	6,154	444,209
Result for the period						29,193	29,193	1,466	30,658
Other operations					(1,306)		(1,306)	(161)	(1,466)
IAS 19 TFR actualization for the period				238			238	2	239
Total result of overall income statement				238	(1,306)	29,193	28,125	1,307	29,431
Allocation of 2016 result					53,635	(53,635)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(40,016)		(40,016)		(40,016)
Dividends distributed to third parties shareholders							(0)	(2,853)	(2,853)
Long-term incentive plans			(0)		140		140		140
Balance as of 30th June 2017	234,412	46,882	(17,521)	129	133,210	29,193	426,304	4,608	430,911

Consolidated financial statements

(Thousands of Euro)	First half	
	2018	2017
Net income of the Group	28,455	29,193
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	1,303	1,466
Amortization	11,485	10,597
Bad debt provisions	765	1,086
Variations in severance indemnity	146	(20)
Current assets / liabilities on financial instruments and forward purchasee and sales	1,290	1,634
Net variation of other funds	(2,011)	309
Evaluation of subsidiaries with the net equity method	(5,194)	(4,548)
Impairment losses / (gains) on shareholdings	0	(373)
Interests paid	(469)	(277)
Interest expense for the year	596	303
Taxes for the year	10,799	11,244
Variations in assets and liabilities		
Inventories	(2,279)	514
Accounts payable	78,246	75,489
Other current assets	(6,305)	(19,495)
Trade payables	(40,905)	(46,489)
Other current liabilities	30,472	29,626
Other non-current assets	1	671
Other non-current liabilities	992	890
Total adjustments and variations	77,582	59,882
Cash flows generated (used) by operating activities	106,038	89,074
Cash flows generated (used) by investments		
Investments in intangible assets	(8,869)	(9,943)
Realisable value of intangible assets	330	2
Investments in tangible assets	(515)	(521)
Realisable value of tangible assets	8	(0)
Disposals / (Acquisition) of investments and advances	(0)	(8,025)
Other net equity operations	0	353
Cash flows generated/(used) by investments	(9,045)	(18,134)
Cash flows generated (used) by financial activities		
Net changes in debts due to other financers	(38)	(43)
Net changes in short-term bank borrowings	816	(11,587)
Net variation in current financial assets and liabilities	(1,066)	(3,906)
Purchase of own shares	540	0
Ignitions loans and mortgages	105,000	210,000
Redemptions loans and mortgages	(107,166)	(200,000)
Dividends distributed to Ascopiave S.p.A. shareholders'	(40,016)	(40,016)
Dividends distributed to other shareholders	(2,054)	(2,853)
Dividends distributed from subsidiary companies	7,274	6,706
Cash flows generated (used) by financial activities	(36,711)	(41,698)
Variations in cash	60,282	29,242
Cash and cash equivalents at the beginning of the period	15,555	8,822
Cash and cash equivalents at the end of the period	75,836	38,063

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 30th June 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.

The publication of the Interim financial report as of 30th June 2018 of the Ascopiave Group was authorised by resolution of the Board of Directors on 1st August 2018. Ascopiave is a joint-stock company with Italian domicile that was established in Italy.

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

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 assignments 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 which spreads over 9,789 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 546 million cubic meters⁴ of gas sold (approximately 544.1 million as of 30th June 2017).

General drafting criteria and main accounting standards adopted

The Consolidated financial statements of the Ascopiave Group as of 30th June 2018 are prepared in accordance with the IFRSs, understood as all the “International Financial Reporting Standards”, all the “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously known as “Standing Interpretations Committee” (SIC) that, at the closing date of the consolidated financial statements, were approved by the European Union according to the procedure laid down in Regulation (EC) no. 1606/2002 by the European Parliament and the European Council of 19th July 2002.

The Interim Financial Report of the Ascopiave Group as at 30th June 2018 is prepared in compliance with art. 154 ter c. 2 of Legislative Decree no. 58/98 - T.U.F. (Consolidated Finance Law) - and subsequent amendments and additions. The consolidated abridged interim financial statements as of 30th June 2018 of the Ascopiave Group were prepared in accordance with IAS 34 - ‘Intermediate financial statements’, concerning intermediate financial information (the “Consolidated abridged half-yearly financial statements”). The accounting principle IAS 34 envisages a minimum level of information significantly lower compared to general IFRS dispositions, in case complete financial statements drafted according to IFRSs were previously made available to the public. As such, these statements, which are prepared in an abridged form, and include minimum information pursuant to IAS 34, are to be read in conjunction with the Consolidated Financial Statements of the Group for the fiscal year ended 31st December 2017. The accounting standards used to draw up this interim report, prepared in accordance with IAS 34 - ‘Intermediate financial

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.

statements', are the same as those used to prepare the consolidated financial statements of the Ascopiave Group as of 31st December 2017, except as stated in the following paragraph.

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

With regard to the presentation methods of the formats of financial statements, the Consolidated statement of assets has been prepared on the basis of the "current/non-current" distinction; for the comprehensive consolidated income statement the multi-step format was adopted with the classification of costs by nature and for the consolidated Cash flow statement the indirect method of representation.

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.

(Thousands of Euro)	1st January 2018	Adoption effects		Restated 1st January 2018
		IFRS 9	IFRS 15	
Current assets	238,532			0
of which:				
Trade receivables	156,884			156,884
Other current assets	57,865			57,865
Non-current assets	553,397			0
of which:				
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
Current liabilities	237,382			0
of which:				
Trade payables	117,653			117,653
Other current liabilities	38,312			38,312
Non-current liabilities	104,048			0
Total Liabilities	341,430			0
Net equity	450,500	743		0
Net equity and liabilities	791,929			0

Other accounting standards, amendments and interpretations applicable with effect from 1st January 2018

On 20th June 2016, IASB issued some amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions. The aim of these changes is to resolve some issue related to the accounting on share based payments. Specifically, the amendments improve considerably the following areas i) measurement of cash-settled share-based payments, ii) classification thereof; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. The application of such amendments had no impact on the Interim financial report as of 30th June 2018.

On 8th December 2016, IASB published IFRIC 22 - Foreign Currency Transactions and Advance Consideration, defining the exchange rate to be used in foreign currencies transactions in case the payment is made or received in advance. The application of such interpretation had no impact on the Interim financial report as of 30th June 2018.

On the same date, IASB issued the document "Annual improvements to IFRSs 2014-2016 Cycle" as part of the programme of annual improvements to the standards; most amendments are clarifications or corrections of existing IFRS, or amendments resulting from changes previously made to the IFRSs. The application of these amendments had no impact on the Interim financial report as of 30th June 2018.

Use of estimates

The drawing-up of the interim report for the first half of 2018 requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, other overall profits/losses 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

IFRS 16 standard - Leases was approved with regulation no. 2017/1986, issued by the European Commission on 31st October 2017, with significant impact on Statements of lessees: the distinction between financial leases and operating leases was eliminated, introducing a new single model for all leases which entails an asset entry for the right of use and a liability entry for the lease. The new standard is effective for annual periods beginning on or after 1st January 2019. Early adoption is allowed (concomitantly with the date of first application of IFRS 15). However, Ascopiave has decided not to adopt the standard ahead of time. The implementation method and the assessment of the effects of the new standard on the Group's consolidated financial statements are being analysed.

Business combinations

3rd April 2018 is the first anniversary of the completion of the business combination with the companies Ap Reti Gas Vicenza S.p.A. (formerly Pasubio Group S.p.A.), Pasubio Distribuzione S.r.l. and Pasubio Rete S.r.l.. According to the terms set out in IFRS 3, the accounting values consolidated originally are now definitive.

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 30th June 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					
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	234,411,575			
100% consolidated companies					
Ascotrade S.p.A.	Pieve di Soligo (TV)	1.000.000	89.00%	89.00%	0%
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100.00%	0%
Etra Energia S.r.l.	Cittadella (PD)	100.000	51.00%	51.00%	0%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7.000.000	100.00%	100.00%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100.00%	0%
Amgas Blu S.r.l.	Foggia (FG)	10.000	80.00%	80.00%	0%
Blue Meta S.p.A.	Pieve di Soligo (TV)	606.123	100.00%	100.00%	0%
Pasubio Servizi S.r.l.	Schio (VI)	250.000	100.00%	100.00%	0%
Veritas Energia S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100.00%	0%
AP Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10.000.000	100.00%	100.00%	0%
Companies under joint control proportionally consolidated					
ASM Set S.r.l.	(1) Rovigo (RO)	200.000	49.00%	49.00%	0%
Estenergy S.p.A.	(2) Trieste (TS)	1.718.096	48.999%	48.999%	0%
Unigas Distribuzione S.r.l.	(3) Nembro (BG)	3.700.000	48.86%	48.86%	0%
Subsidiary companies consolidated with net equity method					
Sinergie Italiane S.r.l. in 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 2017, the consolidation scope has not changed. For further information, please see the tables in the explanatory notes showing the values generated by the new consolidated companies and the values as of as of 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.	10,954	538	804	(542)	Ita Gaap
AP Reti Gas S.p.A.	47,194	10,191	308,922	(11,474)	IFRS
Ascopiave S.p.A.	55,836	47,316	405,352	132,804	IFRS
Ascotrade S.p.A.	184,028	10,044	24,192	(35,968)	IFRS
Blue Meta S.p.A.	38,791	2,476	7,318	(13,584)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	2,535	622	10,928	(2,051)	Ita Gaap
Estenergy S.p.A.	73,514	6,349	18,252	(32,759)	IFRS
Etra Energia S.r.l.	4,730	247	1,185	(2,097)	Ita Gaap
AP Reti Gas Vicenza S.p.A.	8,403	(166)	16,681	10,658	Ita Gaap
Pasubio Servizi S.r.l.	21,655	1,111	3,991	(11,504)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	2,385	864	16,390	(2,831)	Ita Gaap
ASM Set S.r.l.	15,765	983	1,252	299	Ita Gaap
Unigas Distribuzione S.r.l.	9,292	1,017	41,189	5,223	Ita Gaap
Veritas Energia S.p.A.	46,643	2,421	7,292	(6,597)	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 30th June 2007, 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.

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

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

(Thousands of Euro)	31.12.2017	30.06.2018
Distribution of natural gas	24,396	24,396
Sales of natural gas	56,362	56,362
Total goodwill	80,758	80,758

As of 30th June 2018, considering the outcome of the impairment tests carried out while preparing the balance sheet 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 intangible assets at the end of the each period considered are shown in the following table:

(Thousands of Euro)	30.06.2018			31.12.2017		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	5,579	(5,448)	131	5,579	(5,366)	213
Concessions, licences, trademarks and similar rights	15,256	(8,841)	6,415	15,256	(8,302)	6,954
Other intangible assets	25,632	(20,425)	5,207	25,632	(19,398)	6,234
Tangible assets under IFRIC 12 concession	604,647	(280,113)	324,534	599,302	(271,714)	327,589
Tangible assets in progress under IFRIC 12 concession	8,886	0	8,886	5,945	0	5,945
Other intangible assets	660,000	(314,828)	345,172	651,714	(304,780)	346,934

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

	31.12.2017					30.06.2018
(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		82		131
Concessions, licences, trademarks and similar rights	6,954	(0)		539		6,415
Other intangible assets	6,234	(0)	27	1,001		5,207
Tangible assets under IFRIC 12 concession	327,589	5,916	571	8,679	(280)	324,534
Tangible assets in progress under IFRIC 12 concessio	5,945	2,953	12			8,886
Other intangible assets	346,934	8,869	610	10,300	(280)	345,172

The investments made during the first six months of the financial year amount to Euro 8,869 thousand and refer to costs incurred for the construction of the infrastructures for natural gas distribution.

Industrial patents and intellectual property rights

During the period considered, the item “Industrial patents and intellectual property rights” did not register investments and its variation equals the amortisation of the period.

Concessions, licences, trademarks and similar rights

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

Other intangible fixed assets

This item includes the fair value of customer lists that result from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous years. The analysis of customers switching performed at the end of the 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 write-downs.

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 metering and reduction groups. At the end of the first six months of the year, the overall net change amounts to Euro 3,055 thousand, mainly explained by depreciation for the period. The investments made, including the reclassifications of assets under construction, totalled Euro 5,916 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 half of the year. The item has changed by Euro 2,953 thousand.

3. Tangible assets

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

(Thousands of Euro)	30.06.2018				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	(12,379)		27,729	40,108	(11,775)		28,333
Plant and machinery	2,737	(1,438)	(995)	303	2,737	(1,396)	(995)	346
Industrial and commercial equipment	3,457	(2,969)		488	3,428	(2,929)		499
Other tangible assets	17,367	(15,156)		2,211	17,107	(14,684)		2,423
Tangible assets in progress and advance paym	924	0		924	733	0		733
Other tangible assets	64,592	(31,941)	(995)	31,656	64,113	(30,784)	(995)	32,334

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

(Thousands of Euro)	31.12.2017					30.06.2018
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Lands and buildings	28.333	24		628		27.729
Plant and machinery	346	0		42		303
Industrial and commercial equipment	499	32		43		488
Other tangible assets	2.423	260	0	472	(0)	2.211
Tangible assets in progress and advance payments	733	199	8			924
Other tangible assets	32.334	515	8	1.184	(0)	31.656

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 24 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 32 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during the first half of the year are equal to Euro 260 thousand and they mainly relate to the costs incurred for the purchase of corporate vehicles (Euro 104 thousand), hardware and phones (Euro 96 thousand), as well as furniture and accessories (Euro 59 thousand).

Tangible assets under construction and advance payments

The item basically includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the first half of the year, the item changed by Euro 199 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:

(Thousands of Euro)	31.12.2017			30.06.2018
	Net value	Increase	Decrease	Net value
Shareholdings in jointly controlled companies	68,871	(4,438)	(8,009)	65,300
Shareholdings in other companies	7	0		7
Shareholdings	68,878	(4,438)	(8,009)	65,306

Shareholdings in joint companies

Shareholdings in joint companies decrease from Euro 68,871 thousand to Euro 65,306 thousand, marking a net decrease of Euro -3,572 thousand, mainly explained by the dividends distributed by the jointly controlled companies for Euro 7,274 thousand of which Estenergy S.p.A. Euro 5,641 thousand, ASM Set S.r.l. Euro 949 thousand and Unigas Distribuzione S.r.l. Euro 684 thousand. The residual decrease is explained by the equity adjustment performed by the subsidiary Estenergy S.p.A. for the effects of the first application of IFRS 9. These decreases were partially offset by the results achieved in the first half of 2018, of which Estenergy S.p.A. Euro 3,111 thousand, ASM Set S.r.l. Euro 481 thousand and Unigas Distribuzione S.r.l. Euro 846 thousand.

The evaluation of the shareholdings in jointly controlled companies with the net equity method and their profit and loss statement and balance sheet figures are shown in the section “Synthesis data as of 30th June 2018 of the jointly controlled companies consolidated through the net equity method” of the Explanatory Notes.

Shareholdings in affiliate companies

Sinergie Italiane S.r.l. in liquidation

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

The scope of activity of the associate company during the financial year 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 prior to the liquidation.

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

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

Based on the results of the financial statements for the year 2016-2017, as approved by the Shareholders’ meeting on 18th December 2017 and on preliminary operating data of financial year 2017-2018 restated in accordance with international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 9,294 thousand, of which Euro 2,876 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 used the difference accrued in the period (Euro 756 thousand) from the related provision for risks and charges allocated against the capital deficit of the affiliate company, 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 30th June 2018, 30th September 2017 and 31st May 2017 are reported below:

(Values referred to pro-rata participation in Million of Euro)	Nine months 30/06/2018	Full Year 30/09/2017	First 5 months 31/05/2017
Non-current assets	1.73	2.14	2.53
Current assets	9.90	7.46	13.62
Net equity	(2.71)	(3.48)	(3.48)
Non-current liabilities	0.00	0.00	0.00
Current liabilities	13.36	12.10	18.65
Revenues	50.89	59.17	42.01
Costs	(49.76)	(57.23)	(40.64)
Gross operative margin	1.13	1.94	1.37
Amortization and depreciation	(0.40)	(1.01)	(0.45)
Operating result	0.73	0.93	0.92
Net result	0.73	0.87	0.87
NFP	4.03	2.93	2.50

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)	30.06.2018	31.12.2017
Security deposits	8,886	8,877
Other receivables	4,128	4,138
Other non-current assets	13,014	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 decrease from Euro 13,015 thousand to Euro 13,014 thousand marking a decrease of Euro 1 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 30th June 2018 there is an on-going litigation with the municipalities mentioned in order to define the value of compensation of distribution systems delivered. The Group, also following the opinion of the legal advisor, believes that the result of the litigation and arbitration procedures is uncertain. 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:

(Thousands of Euro)	30.06.2018	31.12.2017
Advance tax receivables	11,569	11,479
Advance tax receivables	11,569	11,479

Advance taxes increase from Euro 11,479 thousand to Euro 11,576 thousand marking an increase of Euro 97 thousand. In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 30th June 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 item is broken down for each period considered:

(Thousands of Euro)	30.06.2018			31.12.2017		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Gas stockage	2,047	0	2,047	1,608	0	1,608
Fuels and warehouse materials	4,343	(39)	4,304	2,503	(39)	2,464
Fuels and warehouse materials	6,390	(39)	6,351	4,111	(39)	4,072

As of 30th June 2018, the inventories are equal to Euro 6,351 thousand, marking an increase of Euro 2,279 thousand as compared to 31st December 2017, mainly explained by the increase in the amount of natural gas stored (Euro +439 thousand) and the increase in goods in stock (Euro +1,840 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 (30th June 2018, that is 24.7 €/MWh source MGS). At the end of the first half of the year, no depreciation of stocked gas price was necessary, as the market value was higher than the book value of the stocked natural gas.

8. Trade receivables

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

(Thousands of Euro)	30.06.2018	31.12.2017
Receivables from customers	43,252	78,998
Receivables for invoices to be issued	38,758	83,245
Bad debt provisions	(4,136)	(5,358)
Trade receivables	77,874	156,884

Trade receivables decreased from Euro 156,884 thousand to Euro 77,874 thousand, marking a decrease of Euro 79,010 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 decrease in bad debt provisions, equal to d Euro 1,222 thousand is mainly explained by the good capacity of the existing provision, which did not require additional amounts, despite the uses in the first half 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 half of 2018 are shown in the following table:

(Thousands of Euro)	30.06.2018	30.06.2017
Bad debt provisions	5,358	7,148
Provisions	765	1,086
Use	(1,987)	(2,875)
Final bad debt provision	4,136	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)	30.06.2018	31.12.2017
Gross trade receivable invoices issued	43,252	78,998
- allowance for doubtful accounts	(4,136)	(5,358)
Net trade receivables for invoices issued	39,116	73,640
Ageing of trade receivables for invoices issued		
- to expire	28,867	72,284
- expired within 6 months	10,369	548
- overdue by 6 to 12 months	919	1,945
- expired more than 12 months	3,096	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)	30.06.2018	31.12.2017
Tax consolidation receivables	9,601	9,601
Annual pre-paid expenses	1,675	435
Advance payments to suppliers	1,763	7,589
annual accrued income	20	19
Receivables due from CSEA	44,078	29,362
VAT Receivables	3,674	7,183
UTF and Provincial/Regional Additional Tax receivables	308	912
Other receivables	704	597
Other receivables	2,454	2,167
Other current assets	64,278	57,865

Other current assets increase from Euro 57,865 thousand to Euro 64,278 thousand, marking an increase of Euro 6,413 thousand.

The change is mainly explained by the increase in receivables from Cassa per i Servizi Energetici e Ambientali for Euro 14,716 thousand primarily due to the tariff components of natural gas distribution and energy efficiency certificates, the increase in prepaid expenses for Euro 1,240 thousand, partially offset by the decrease in advance payments to suppliers for Euro 5,826 thousand, the decrease in VAT receivables for Euro 3,509 thousand and the decrease in receivables for gas and electricity excise duties for Euro 604 thousand.

Assets for forward sales increase from Euro 597 thousand in the previous year to Euro 704 thousand as at 30th June 2018, thus recording an increase of Euro 107 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 - September 2018 for the raw material, while the transport service is for the period October 2017 - September 2019 (2017/18 and 2018/19 thermal years).

The item "assets for forward sales" represents the current value of the contract for the third quarter of 2018 for physical deliveries of raw materials, and the period July 2018 - September 2019 for the transportation service relating to the transport and export capacity from the Austrian network via the TAG pipeline.

10. Current financial assets

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

(Thousands of Euro)	30.06.2018	31.12.2017
Other financial current assets	776	0
Current financial assets	776	0

Current financial assets show receivables amounting to Euro 776 thousand from the jointly-controlled company ASM SET S.r.l. relating to the intra-group cash pooling agreement.

11. Tax receivables

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

(Thousands of Euro)	30.06.2018	31.12.2017
Receivables related to IRAP	1,914	1,467
Receivables related to IRES	1,168	888
Other tax receivables	290	290
Tax receivables	3,371	2,645

Tax receivables increased from Euro 2,645 thousand to Euro 3,371 thousand, marking an increase of Euro 726 thousand as compared to 31st December 2017. The item includes the residual credit, minus the taxes for the first half of 2018, of the IRAP advances paid and the IRES advances for the companies that do not adhere to the Group tax consolidation system.

12. Cash and cash equivalents

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

(Thousands of Euro)	30.06.2018	31.12.2017
Bank and post office deposits	75,818	15,538
Cash and cash equivalents on hand	18	17
Cash and cash equivalents	75,836	15,555

Cash and cash equivalents increased from Euro 15,555 thousand to Euro 75,836 thousand, recording an increase of Euro 60,281 thousand and they mainly refer to the bank accounting balance and to the company funds.

For a better understanding of the variations of cash flows in the first half of 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)	30.06.2018	31.12.2017
Cash and cash equivalents	75,836	15,555
Current financial assets	776	0
Current financial liabilities	(115)	(406)
Payables due to banks and financing institutions	(74,195)	(80,304)
Payables due to leasing companies within 12 months	(76)	(74)
Net short-term financial position	2,227	(65,230)
Medium- and long-term bank loans	(59,119)	(54,360)
Non-current financial liabilities	(239)	(277)
Net medium and long-term financial position	(59,358)	(54,637)
Net financial position	(57,130)	(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 of the first half of financial year 2018" and under the paragraph "Medium- and long-term loans" of these Interim financial statements.

13. Current assets from derivative financial instruments

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

(Thousands of Euro)	30.06.2018	31.12.2017
Current assets from derivative financial instruments	356	1,510
Current assets from derivative financial instruments	356	1,510

Assets from derivatives are represented by the fair value of the following commodity derivatives existing as of 30th June 2018, whose cash flow effect will be distributed over the next 12 months:

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	300418-2002	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	30-Apr-18	01-Jul-18	30-Sep-18	Long/Buy	6,624 MWh	9
2	19513462	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	14-Apr-16	01-Oct-17	30-Jun-18	Long/Buy	178,704 MWh	10
3	26336191	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	08-May-18	01-Jun-18	30-Jun-18	Long/Buy	14,400 MWh	8
4	22540592	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	11-Apr-17	01-Oct-17	30-Jun-18	Long/Buy	31,944 MWh	16
5	22743649	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	12-May-17	01-Jan-18	30-Jun-18	Long/Buy	31,104 MWh	17
6	22753473	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	15-May-17	01-Oct-17	30-Jun-18	Long/Buy	55,824 MWh	25
7	22795284	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	19-May-17	01-Jan-18	31-Aug-18	Long/Buy	10,536 MWh	18
8	22795714	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	19-May-17	01-Jan-18	31-Aug-18	Long/Buy	7,956 MWh	8
9	22843947	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	26-May-17	01-Oct-17	31-Aug-18	Long/Buy	41,148 MWh	36
10	26480948	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	18-May-18	01-Jun-18	30-Jun-18	Long/Buy	7,200 MWh	1
11	23087709	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	04-Jul-17	01-Apr-18	30-Sep-18	Long/Buy	33,480 MWh	85
12	23145776	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	12-Jul-17	01-Oct-17	30-Sep-18	Long/Buy	20,016 MWh	29
13	23170149	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	17-Apr-17	01-Oct-17	30-Sep-18	Long/Buy	9,084 MWh	8
14	23197768	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	20-Jul-17	01-Oct-17	30-Sep-18	Long/Buy	7,284 MWh	17
15	24683698	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	17-Jan-18	01-Apr-18	30-Sep-18	Long/Buy	21,960 MWh	68
Total									477,264	356

Consolidated shareholders' equity

14. Shareholders' equity

Ascopiave S.p.A.'s share capital as of 30th June 2018 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

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

(Thousands of Euro)	30.06.2018	31.12.2017
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(16,981)	(17,521)
Reserves	139,064	134,603
Group's Net Result	28,455	47,135
Net equity of the Group	431,832	445,511
Net equity of Others	2,813	2,872
Third parties Net Result	1,303	2,117
Net equity of Others	4,116	4,989
Total Net equity	435,948	450,500

In the first half of 2018, the changes in the consolidated net equity, excluding the result achieved in the period, were due to a positive variation for Euro 1,163 thousand related to a Cash Flow Hedge reserve against the valuation at fair value of derivatives as of 30th June 2018 come 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 half of the year 2018 are:

(Thousands of Euro)	
Opening balance	(1,236)
Effectiveness gained during the period	23
Effectively released in the income statement during the period	1,140
Closing balance	(73)

The value of the cash flow hedge reserve as of 30th June 2018 refers to the expected supply flows which will be recognised at cost (and therefore with effects on the income statement) in the second half of 2018 (for a positive amount of Euro 228 thousand) and in 2019 (for a negative amount of Euro 155 thousand).

Assuming a 10% change in the future quotes of natural gas (i.e. TTF Month Ahead) as of 30th June 2018, upward and downward, there would be, respectively, an improvement and a worsening of approximately Euro 64 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.

As concerns liabilities from derivatives existing as of 30th June 2018 (fair value of Euro 192 thousand), a negative differential is expected to be settled in the second half of 2018, equal to Euro 36 thousand, and in 2019, equal to Euro 155 thousand.

Net equity of minority interests

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

Non-current liabilities

15. Reserves for risks and charges

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

(Thousands of Euro)	30.06.2018	31.12.2017
Provisions for pension for gas sector employees	381	1,740
Other reserves for risks and charges	3,420	4,172
Reserves for risks and charges	3,801	5,913

Reserves for risks and charges decreased from Euro 5,913 thousand to Euro 3,801 thousand, thus recording a decrease of Euro 2,112 thousand. The change is mainly explained by the decrease in retirement funds and similar obligations for Euro 1,359 thousand, related to the distribution of allowances for employees and directors in previous years in accordance with long-term incentive plans. The variation in the item other reserves for risks and charges is mainly explained by the decrease in the provisions for risks related to Sinergie Italiane S.r.l. in liquidation.

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

(Thousands of Euro)

Reserves for risks and charges as of 1st January 2018	5,913
Provisions for risks hedging losses of associates with the equity method	(756)
Provisions for risks and charges	3
Use of provisions for risks and charges	(1,359)
Provisions for risks and charges 30th of June 2018	3,801

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

(Thousands of Euro)	30.06.2018	31.12.2017
Cover losses associated companies	2,876	3,632
Risk of litigation with suppliers	235	232
Funds on just working causes	309	309
Retirement fund and similar obligations	381	1,740
Total	3,801	5,913

The “retirement fund and similar obligations” item includes commitments to employees and managers regarding long-term incentive plans. Please refer to “Costs of personnel” in the explanatory notes for additional information.

16. Severance indemnity

Severance indemnity increases from Euro 4,836 thousand as of 1st January 2018 to Euro 4,938 thousand as of 30th June 2018, marking an increase of Euro 102 thousand.

(Thousands of Euro)

Severance indemnity as of 1st January 2018	4,836
Retirement allowance	(778)
Payments for current services and work	828
Actuarial loss/(profits) of the period (*)	52
Severance indemnity as of 30th of June 2018	4,938

* including the interest cost booked in the income statement.

17. Medium- and long-term loans

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

(Thousands of Euro)	30.06.2018	31.12.2017
Loans from Prealpi	8,994	610
Loans from European Investment Bank	23,875	26,250
Loans from Unicredit S.p.A.		
Loans from BNL	26,250	27,500
Medium- and long-term bank loans	59,119	54,360
Current portions of medium and long-term loans	8,069	10,181
Medium- and long-term loans	67,188	64,541

Medium and long term loans, mainly represented as of 30th June 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 67,188 thousand, marking an increase of Euro 2,647 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 half 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 as of 30th June 2018 of Euro 28,750 thousand, 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 30th June 2018, 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 as of 30th June 2018 of Euro 28,625 thousand, 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 30th June 2018, 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 as of 30th June 2018 of Euro 9,813 thousand, with the recognition of Euro 819 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, was fully repaid on 30th June 2018.

Chart of medium- and long-term loans deadlines:

(Thousands of Euro)	30.06.2018
Year 2018	4,064
Year 2019	8,014
Year 2020	8,028
Year 2021	8,042
After 31st December 2021	39,041
Medium and long-term loans	67,188

18. Other non-current liabilities

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

(Thousands of Euro)	30.06.2018	31.12.2017
Security deposits	11,454	11,599
Multi-annual passive prepayments	12,468	11,330
Other non-current liabilities	23,922	22,930

Other non-current liabilities increased from Euro 22,930 thousand in the previous year to Euro 23,922 thousand as of 30th June 2018, with an increase of Euro 992 thousand.

Security deposits refer to deposits of gas and electricity users.

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

gas distribution.

19. Non-current financial liabilities

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

(Thousands of Euro)	30.06.2018	31.12.2017
Payables due to leasing companies (over 12 months)	239	277
Non-current financial liabilities	239	277

Non-current financial liabilities decreased from Euro 277 thousand as of 31st December 2017 to Euro 239 thousand, marking a decrease of Euro 38 thousand, and mainly include payables to leasing companies due after 12 months; the relating current portion is classified in Current financial liabilities.

20. Deferred tax payables

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

(Thousands of Euro)	30.06.2018	31.12.2017
Deferred tax payables	15,192	15,733
Deferred tax payables	15,192	15,733

Payables for deferred taxation decrease from Euro 15,733 thousand to Euro 15,192 thousand, marking a decrease of Euro 541 thousand, mainly due to the dynamics of amortisations in the client lists and amortisation on gas distribution networks.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 30th June 2018 and at the time when it is estimated that any temporary differences will be carried forward.

Current liabilities

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

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

(Thousands of Euro)	30.06.2018	31.12.2017
Payables due to banks	66,126	70,123
Current portion of medium-long-term loans	8,069	10,181
Payables due to banks and financing institutions	74,195	80,304

Payables to banks decrease from Euro 80,304 thousand to Euro 74,195 thousand, marking a decrease of Euro 6,109 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

22. Trade payables

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

(Thousands of Euro)	30.06.2018	31.12.2017
Payables to suppliers	4,811	44,843
Payables to suppliers for invoices not yet received	71,937	72,810
Trade payables	76,748	117,653

Trade payables decrease from Euro 117,653 thousand to Euro 76,748 thousand, marking a decrease of Euro 40,905 thousand. The change is mainly explained by the scheduling of natural gas purchasing and payment which, due to the seasonality of the business cycle, during this period of the year significantly affects the balances of payables to suppliers of the raw material natural gas.

23. Payables to tax authorities

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

(Thousands of Euro)	30.06.2018	31.12.2017
IRAP payables	1,843	625
IRES payables	500	
Tax payables	2,343	625

Tax payables increase from Euro 625 thousand to Euro 2,343 thousand, marking an increase of Euro 1,718 thousand and include payables accrued as of 30th June 2018 for IRAP, and the IRES payable related to the companies which do not adhere to Asco Holding S.p.A.'s tax consolidation system.

24. Other current liabilities

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

(Thousands of Euro)	30.06.2018	31.12.2017
Advance payments from customers	2,044	3,386
Amounts due to parent companies for tax consolidation	13,838	4,550
Amounts due to social security institutions	1,144	1,604
Amounts due to employees	5,985	5,240
VAT payables	18,712	4,694
Payables to revenue office for withholding tax	1,305	1,119
Annual passive prepayments	550	988
Annual passive accruals	499	471
UTF and Provincial/Regional Additional Tax payables	23,759	3,534
Liabilities for short-term purchases	669	611
Other payables	10,988	12,114
Other current liabilities	79,493	38,312

Other current liabilities increased from Euro 38,312 thousand to Euro 79,493 thousand, marking an increase of Euro 41,182 thousand.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of the end of the financial period as of 30th June 2018.

Tax consolidation payables

This heading includes the accrued payables to the parent company Asco Holding S.p.A., as part of the National Consolidation regime contracts signed by the Group companies with Asco Holding S.p.A.. The balance corresponds to the IRES payables accrued for taxation up to 30th June 2018 with an increase of Euro 9,288 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 30th June 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 30th June 2018 but not paid out on that date as well as social security contributions.

VAT payables

VAT payables increased by Euro 14,018 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 of 30th June 2018, the Group accrued VAT payables for an amount equal to Euro 18,712 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 with reference to the previous year. As of 30th June 2018 the Group's total amount of payables is Euro 23,759 thousand 3,534 thousand in the previous year.

Liabilities for forward sales

As of 30th June 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 - September 2018 for the raw material, while the transport service is for the period October 2017 - September 2019 (2017/18 and 2018/19 thermal years).

At the end of the year, the item represents the current value of the contract for the third quarter of 2018 for physical deliveries of raw materials, and for the period July - September 2019 for the transportation service relating to the transport and export capacity from the Austrian network via the TAG pipeline.

Other payables

Other payables decrease by Euro 1,126 thousand. The decrease is mainly related to lower payables to Cassa per i Servizi Energetici e Ambientali concerning the tariff components of natural gas transport for Euro 1,675 thousand and payables to the Tax Authority for the introduction of the Rai television license fee in the electricity bill for Euro 415 thousand.

The item also includes payables for staff charges accrued as of 30th June 2018.

25. Current financial liabilities

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

(Thousands of Euro)	30.06.2018	31.12.2017
Financial payables within 12 months	115	406
Payables to leasing companies within 12 months	76	74
Current financial liabilities	190	480

Current financial liabilities decrease from Euro 480 thousand to Euro 190 thousand, marking a decrease of Euro 290 thousand and mainly consist of 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.

26. Current liabilities from derivative financial instruments

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

(Thousands of Euro)	30.06.2018	31.12.2017
Current liabilities from derivative financial instruments	191	7
Current liabilities from derivative financial instruments	191	7

Liabilities from derivatives consist in the fair value of the following commodity derivatives as of 30th June 2018:

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	22129609	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	30-Apr-18	01-Dec-18	31-Mar-19	Long/Buy	83,400 MWh	137
2	080518-2017	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	08-May-18	01-Dec-18	31-Mar-19	Long/Buy	16,752 MWh	19
3	22134291	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	09-May-18	01-Jan-19	28-Feb-19	Long/Buy	14,160 MWh	16
4	26462135	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	17-May-18	01-Jun-18	30-Jun-18	Long/Buy	7,200 MWh	0
5	26463961	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	17-May-18	01-Jun-18	30-Jun-18	Long/Buy	21,600 MWh	0
6	180518-2010	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	18-May-18	01-Oct-18	31-Oct-18	Long/Buy	7,450 MWh	3
7	150618-2001	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	15-Jun-18	01-Oct-18	30-Jun-19	Long/Buy	90,144 MWh	10
8	22155980	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	14-Jun-18	01-Oct-18	30-Sep-19	Long/Buy	12,193 MWh	3
9	21923394	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	04-Oct-17	01-Jan-18	01-Jul-18	Long/Buy	12,960 MWh	1
10	220089293	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	17-Jan-18	01-Apr-18	30-Jun-18	Long/Buy	11,592 MWh	2
Total									277,451	191

COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS

Revenues

27. Revenues

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

(Thousands of Euro)	First half	
	2018	2017
Revenues from gas transportation	21,438	17,630
Revenues from gas sale	225,062	223,405
Revenues from electricity sale	31,066	27,447
Revenues from connections	167	133
Revenues from heat supply	32	28
Revenues from distribution services	4,767	3,399
Revenues from services supplied to Group companies	1,399	696
Revenues from ARERA contributions	18,984	21,139
Other revenues	5,071	
Other revenues	2,596	3,622
Revenues	310,583	297,500

At the end of the first half of 2018, the Ascopiave Group's revenues amounted to Euro 310,583 thousand, an increase of Euro 13,083 thousand as compared to the same period in the previous year (Euro 297,500 thousand).

The *transportation of natural gas* to the distribution network generated revenues for gas carriage to sales companies not belonging to the Group for Euro 21,438 thousand, with an increase as compared to the first half of 2017 of Euro 3,808 thousand.

The revenues from *natural gas sale*, equalling Euro 225,062 thousand, increase by Euro 1,656 thousand as compared to the first half of 2017. The increase is mainly explained by the recognition of revenues from the sale of raw materials for Euro 8,800 thousand connected with gas settlement. In June, Snam Rete Gas published the volumetric differentials related to the settlement of the volumes allocated to the station for the years 2013-2016 as well as the volumetric differential introduced by resolutions 670/2017/R/gas and 782/2017/R/gas which neutralised the in-output delta for users of the distribution network. The balancing of volumes in the station led to the recognition of higher revenues for Euro 3,565 thousand. The differential related to the quantities of gas injected into the local distribution network and withdrawn by the end consumers, on the other hand, led to the recognition of higher revenues for Euro 5,235 thousand.

During the first six months of the year, the Group's sales companies sold a volume of natural gas equal to 467.2 million cu.m, compared to 465.3 million in the period shown for comparison purposes (+0.4%).

At the end of the first half of the year, the revenues deriving from the sale of natural gas to wholesalers or at the virtual trading point (so-called VTP) were booked totalling Euro 30,742 thousand (Euro 31,376 thousand as of June 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 period, the revenues from *electricity sales* amounted to Euro 31,066 thousand (Euro 27,447 thousand in 2017). The KWhs sold in the period considered amount to 179.7 million (185.7 million in 2017).

The revenues from *connection services to the distribution network* are equal to Euro 167 thousand, an increase of Euro 34 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 4,767 thousand, show an increase of Euro 1,368 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 period considered, to Euro 18,984 thousand, recording an increase of Euro 2,155 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 30th June 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 2018 target (regulatory period June 2017 - May 2018) and amounting to Euro 250.54 (Euro 239.67 as of 30th June 2017; source GSE).

The revenues from *trading activities* in the gas market at the end of the period considered amounted to Euro 5,071 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 3,622 thousand in the first half of 2017, to Euro 2,596 thousand in the period considered, showing a decrease of Euro 1,025 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 half 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

28. Cost for gas purchase

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

(Thousands of Euro)	First half	
	2018	2017
Purchase costs for raw material (gas)	162,952	146,193
Purchase costs for raw material (gas)	162,952	146,193

At the end of the first half of 2018, the costs for natural gas procurement amounted to Euro 162,952 thousand, showing an increase, compared to the same period in the previous year, of Euro 16,759 thousand. The increase is partly explained by the recognition of purchase costs of raw materials for Euro 10,818 thousand, connected with gas settlement. In June, Snam Rete Gas published the volumetric differentials related to the settlement of the volumes allocated to the station for the years 2013-2016 as well as the volumetric differential introduced by resolutions 670/2017/R/gas and 782/2017/R/gas which neutralised the in-output delta for users of the distribution network. The balancing of volumes in the station led to the recognition of higher costs for Euro 2,668 thousand. The differential related to the quantities of gas injected into the local distribution network and withdrawn by the end consumers, on the other hand, led to the recognition of higher costs for Euro 8,149 thousand. The residual difference, equal to Euro 5,941 thousand, is partly 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 involved the purchase of 467.2 million cu.m (465.3 million in the first half of 2017).

At the end of the period considered, gas inventories amount to Euro 1,449 thousand as compared to Euro 2,046 thousand as of 30th June 2017.

The costs from trading activities in the gas market at the end of the period amounted to Euro 4,838 thousand; the six months shown for comparative purposes do 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 1,191 thousand, with a significant increase as compared to 649 thousand in the previous year.

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

29. Cost of other raw materials

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

(Thousands of Euro)	First half	
	2018	2017
Purchase of electricity	8,926	9,177
Purchase of other raw material	1,256	812
Purchase costs for other raw materials	10,181	9,989

At the end of the first half of 2018, the costs incurred for the purchase of other raw materials are equal to Euro 10,181, an increase of Euro 192 thousand as compared to the same period in the previous year mainly explained by the increase in the costs incurred to purchase other materials (Euro +443 thousand) only partly offset by the decrease in the costs incurred to procure *electricity* (Euro - 251 thousand).

The GWh sold decreased by 6.0 GWh, from 185.7 in the first half of 2017 to 179.7 in the first half of 2018 (-3.2%).

The costs incurred for the *purchase of other materials* register an increase equal to Euro 443 thousand, from Euro 812 thousand in the first half of 2017, to Euro 1,256 thousand in the first half of 2018. This item mainly includes costs related to the purchase of materials for the construction of natural gas distribution plants. The increase is mainly explained by the consolidation of Ap Reti Gas Vicenza S.p.A. which, at the end of the first half of the previous year, contributed to the Group's results for the second quarter only, whereas during financial year 2018 for the full six months.

30. Costs for services

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

(Thousands of Euro)	First half	
	2018	2017
Costs of conveyance on secondary networks	37,478	40,200
Costs for counting meters reading	307	331
Costs for mailing bills	1,044	832
Mailing and telegraph costs	101	340
Maintenance and repairs	2,110	1,499
Consulting services	2,228	2,200
Commercial services and advertisement	1,195	1,659
Sundry suppliers	937	512
Directors' and Statutory Auditors' fees	661	621
Insurances	424	344
Personnel costs	480	505
Other managing expenses	3,140	3,318
Costs for use of third-party assets	8,660	6,835
Storage services	295	297
Forward freight transport costs	131	
Costs for services	59,191	59,494

The costs for services incurred during the first half of 2018 decrease from Euro 59,494 thousand in 2017 to Euro 59,191 thousand in 2018, showing a decrease of Euro 303 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 - 2,722 thousand) and by the increase in costs incurred for use of third-party assets (Euro + 1,825 thousand).

The costs incurred for the transportation of *natural gas* on the secondary and primary networks in the period considered amount to Euro 18,605 thousand and refer to volumes of natural gas on the networks managed by companies not belonging to the Group.

Costs incurred for transportation of *electricity* amount to Euro 18,873 thousand (Euro 15,619 thousand in 2017) and refer to amounts of electricity marketed during the reference period totalling 179.7 GWh (185.7 in 2017).

At the end of the period considered, the costs incurred for *marketing and advertising services* decreased by Euro 464 thousand, from Euro 1,659 thousand in 2017 to Euro 1,195 thousand in 2018; costs for utilities increased by Euro 425 thousand.

Other operating costs decreased by Euro 178 thousand, mainly explained by the lower costs incurred for call centre and sales offices services (Euro - 42 thousand), and a decrease in costs for bank current accounts (Euro -284 thousand) partially offset by the higher costs incurred for debt collection (Euro +58 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 1,825 thousand. The increase recorded is mainly explained by the registration of the fees paid to local authorities by the subsidiary AP Reti Gas Vicenza S.p.A. during the first quarter of the year (Euro 1,868 thousand). The comparative period, on the other hand, only included the costs incurred by the company during the second quarter of the year, because of the company's first consolidation date.

The item "*costs of transporting the raw materials deriving from the gas trading activity*", at the end of the period, amounted to Euro 190 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.

31. Costs for staff

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

(migliaia di Euro)	First half	
	2018	2017
Wages and salaries	11,106	11,033
Social security contributions	3,552	3,300
Severance indemnity	828	773
Other costs	6	5
Total personnel costs	15,492	15,111
Capitalized personnel costs	(2,876)	(2,099)
Personnel costs	12,615	13,012

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 15,111 thousand in the first half of 2017 to Euro 15,492 thousand in the reference period, showing an increase of Euro 381 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 778 thousand, from Euro 2,099 thousand in the previous period, to Euro 2,876 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	30.06.2018	30.06.2017	Variation
Managers (average)	17	17	0
Office workers (average)	396	389	7
Manual workers (average)	123	122	1
No. of persoal employed	536	528	8

32. Other operating costs

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

(Thousands of Euro)	First half	
	2018	2017
Provision for risks on credits	765	1,086
Other provisions	3	15
Membership and ARERA fees	492	452
Capital losses	121	1
Extraordinary losses	18	330
Other taxes	435	417
Other costs	428	385
Costs of contracts	157	153
Energy efficiency certificates	16,191	18,471
Other management costs	18,611	21,311

Other operating costs, decreasing from Euro 21,311 in the first half of 2017 to Euro 18,612 in the reference period, show a decrease of Euro 2,699 thousand.

This change is mainly due to lower costs incurred for the purchase of Energy efficiency certificates (Euro -2,280 thousand), lower allowances for doubtful accounts (Euro -321 thousand) and lower operating contingent losses (Euro 311 thousand). These decreases were partially offset by the increase in capital losses recorded in the first six months of the year (Euro +120 thousand).

The costs recognised as of 30th June 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 30th June 2018 and amounting to Euro 253.34 source STX (Euro 268.0 as of 30th June 2017).

33. Other operating revenues

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

(Thousands of Euro)	First half	
	2018	2017
Other income	211	640
Other income	211	640

At the end of the period considered, the item “other operating income” shows a decrease of Euro 429 thousand, from Euro 640 thousand in 2017, to Euro 211 thousand in the reference period. The values recorded during the first half of the year include the surplus value amounting to Euro 373 thousand deriving from the acquisition of AP Reti Gas Vicenza S.p.A..

34. Amortisation, depreciation and write-downs

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

(Thousands of Euro)	First half	
	2018	2017
Intangible fixed assets	10,300	9,377
Tangible fixed assets	1,184	1,220
Amortization and depreciation	11,485	10,597

Amortisation and depreciation increase by Euro 888 thousand, from Euro 11,697 thousand in the first half of 2017, to Euro 11,485 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

35. Financial income and expense

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

(Thousands of Euro)	First half	
	2018	2017
Interest income on bank and post office accounts	50	1
Other interest income	185	223
Other financial income	2	3
Financial income	238	227
Interest expense on banks	40	4
Interest expense on loans	459	208
Other financial expenses	133	206
Financial charges	633	418
Evaluation of subsidiary companies with net equity method	756	564
Evaluation of subsidiary companies with net equity method	4,438	3,984
Evaluation of subsidiary companies with the net equity method	5,194	4,548
Total net financial expenses	4,799	4,358

At the end of the first half of 2018, the balance between financial income and expenses showed a loss of Euro 395 thousand, an increase as compared to the same period in the previous year of Euro 205 thousand.

The item “*Evaluation of associated companies using the equity method*” amounts to Euro 756 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 192 thousand.

The item “*Result quota from jointly controlled companies*” includes the net results achieved by the jointly controlled companies in the reference period; they increased by Euro 454 thousand, totalling Euro 4,438 thousand.

Taxes

36. Taxes in the reference period

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

(Thousands of Euro)	First half	
	2018	2017
IRES current taxes	9,714	10,304
IRAP current taxes	1,730	1,712
(Advance)/Deferred taxes	(646)	(772)
Taxes for the period	10,799	11,244

Taxes accrued decrease Euro 11,244 thousand in the first half of 2017, to Euro 10,799 thousand in the period considered, showing a decrease of Euro 445 thousand mainly due to a decrease in result before tax.

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

(Thousands of Euro)	First half	
	2018	2017
Earnings before tax	40,557	41,902
Taxes for the period	10,799	11,244
Percentage of income before taxes	26.6%	26.8%

The tax-rate as of 30th June 2018 is equal to 26.6% with a minor decrease as compared to 30th June 2017 of 26.8%.

Non-recurrent components

In accordance with CONSOB communication no. 15519/2005, the items “Revenues from gas sales” and “Costs for gas purchase” include respectively revenues amounting to Euro 8,800 thousand and costs totalling Euro 10,818 thousand connected to the so-called gas settlement. In June, Snam Rete Gas published the volumetric differentials related to the settlement of the volumes allocated to the station for the years 2013-2016 as well as the volumetric differential introduced by resolutions 670/2017/R/gas and 782/2017/R/gas which neutralised the in-output delta for users of the distribution network. The balancing of volumes in the station led to the recognition of higher costs for Euro 2,668 thousand and higher revenues for Euro 3,565 thousand. The differential related to the quantities of gas injected into the local distribution network and withdrawn by the end consumers, on the other hand, led to the recognition of higher costs for Euro 8,149 thousand and higher revenues for Euro 5,235 thousand. These income components, due to the long-term effects released, are not recurring and are described in paragraph “Evolution of the adjustment sessions of natural gas allocations” herein.

The item “Revenues from distribution services” includes revenues of Euro 929 thousand from the subsidiary AP Reti Gas S.p.A. for the construction of the distribution network. This component is non-recurring.

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 half of the year, no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE INTERIM FINANCIAL STATEMENTS AS OF 30TH JUNE 2018

Commitments and risks

Guarantees given

As of 30th June 2018, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	30th of June 2018	31st of December 2017
On credit lines	8,400	8,400
Guarantees on credit lines (letter of comfort)	223	127
On execution of works (letter of comfort)	991	1,128
On UTF offices and regions for taxes on gas (letter of comfort)	5,986	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)	11,336	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	54,798	53,501

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

(Thousands of Euro)	30th of June 2018	31st of December 2017
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 30th June 2018 to Euro 26,665 thousand, unchanged since 30th June 2017.

Risk and uncertainty factors

Information on agreements not disclosed in the balance sheet

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

Management of financial risk: objectives and criteria

The investments in the operative activities of the Group mainly consist of 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.

Operations 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 to manage 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 loans at variable rates with primary bank institutions, with an outstanding debt as of 30th June 2018 of Euro 67,188 thousand due dates between 1st July 2018 and 28th February 2030.

Medium and long term loans at variable rate envisage reimbursement between 2018 and 2025, with residual balance of 30th June 2018 of Euro 28,625 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 30th June 2018 of Euro 28,625 thousand, as the loan taken out with Unicredit was repaid during the first half of the year.

On the other hand, the loan taken out with BNL in August 2017, with a residual debt as of 30th June 2018 of Euro 28,750 thousand, and the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as of 30th June 2018 of Euro 9,813 thousand, are not exposed to interest rate risks, as they envisage the application of a fixed rate,

The loans taken out with BNL and the European Investment Bank 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.

(Thousands of Euro)	January	February	March	April	May	June	
Net Financial Position 2018	(115,558)	(79,197)	(55,735)	(17,693)	(64,426)	(57,130)	
Borrowing rates of interest	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	
Lending rates of interest	0.58%	0.61%	0.68%	0.69%	0.69%	0.69%	
Borrowing rate of interest plus 200 basis points	2.00%	2.00%	2.00%	2.01%	2.00%	2.00%	
Lending rates of interest plus 200 basis points	2.58%	2.61%	2.68%	2.69%	2.69%	2.69%	
Borrowing rate of interest reduced of 50 basis points	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Lending rates of interest reduced of 50 basis points	0.08%	0.11%	0.18%	0.19%	0.19%	0.19%	
Net Financial Position recalculated with the increase of 200 basis points	(115,754)	(79,323)	(55,830)	(17,722)	(64,535)	(57,224)	
Net Financial Position recalculated with decrease of 50 basis points	(115,509)	(79,166)	(55,712)	(17,685)	(64,398)	(57,107)	Total
Effect on pre-tax result of the increase of 200 basis points	(196)	(126)	(95)	(29)	(109)	(94)	(649)
Effect on pre-tax result of the decrease of 50 basis points	49	31	24	7	27	23	162

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 649 thousand (2017: Euro 627 thousand) or positive for Euro 162 thousand (2017: Euro 157 thousand).

Receivable risk

The operating activity involves possible receivable risks for the Group due to failure to fulfil trading obligations between the counterparties.

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 whose due date is older than the year (that is to say which have expired for over a year) and in any case all the existing receivables from insolvent customers or customers 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 consists in the lack of available and sufficient financial resources in order to meet the Group's 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 30th June 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 +164 thousand (Euro 1,503 thousand as of 31st December 2017), are prospectively and retrospectively effective.

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

Specific risks in the business sectors in which the Group operates

Regulations

The activities carried out by the Ascopiave Group in the gas sector are subject to regulations. Directives and regulatory measures adopted in the European Union and by the Italian Government, as well as the resolutions of the 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)	30.06.2018	31.12.2017	30.06.2017
Financial position in the short term	2,227	(65,230)	(37,522)
financial position in the medium-long term	(59,358)	(54,637)	(29,588)
Financial gross debt	57,130	119,867	67,109
Share capital	234,412	234,412	234,412
Own shares	(16,981)	(17,521)	(17,521)
Reserves	190,062	186,475	184,828
Undistributed net profit	28,455	47,135	29,193
Total Net equity	435,948	450,500	430,911
Total capital and gross debt	493,078	570,367	498,020
Debt/Net assets ratio	0.13	0.27	0.16

The debt/net equity ratio as of 30th June 2018 is 0.13, 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 62,737 thousand during the first six months of 2018, and the Shareholders' equity, which decreased by Euro 14,552 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 30th June 2018 and 31st December 2017 is as follows:

							30.06.2018	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				12,849			12,849	12,849
Trade receivables and Other current assets	704			138,010			138,714	138,714
Cash and cash equivalents				75,836			75,836	75,836
Current assets from derivative financial instruments		356					356	356
Medium- and long-term bank loans						59,119	59,119	59,119
Other non-current liabilities						11,454	11,454	11,454
Non-current financial liabilities						239	239	239
Payables due to banks and financing institutions						74,195	74,195	74,195
Trade payables and Other current liabilities	669					152,978	153,647	153,647
Current financial liabilities						190	190	190
Current liabilities from derivative financial instruments		191					191	191

							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 and payables

Business segment reporting

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

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

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

The following tables show the information on revenues concerning the business segments of the Group for the first half of 2018 and the first half of 2017.

1stH 2018 (Thousand of Euro)	Gas distribution	Gas sale	Trading gas	Electricity sale	Other	30.06.2018		Total
						values from new acquisitions	Elisions	
Net revenues of third-party customers	26,815	246,544	4,678	28,409	4,136	0		310,583
Intra-group revenues among the segments	33,702	2,944	0	24,225	4,748	0	(65,619)	0
Segment revenues	60,517	249,488	4,678	52,635	8,884	0	(65,619)	310,583
Result before taxes	17,017	22,609	101	3,368	(2,537)	0		40,557

1stH 2017 (Thousand of Euro)	Gas distribution	Gas sale	Trading gas	Electricity sale	Other	30.06.2017		Total
						values from new acquisitions	Elisions	
Net revenues of third-party customers	28,677	235,071	0	27,575	873	5,303		297,500
Intra-group revenues among the segments	25,028	2,682	0	16,084	5,767	427	(49,988)	0
Segment revenues	53,705	237,753	0	43,659	6,641	5,730	(49,988)	297,500
Result before taxes	16,059	24,952	0	2,833	(3,031)	1,089		41,902

Transactions with related parties

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

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.P.A.	26	9,601		14,103	0		9,556	0	34	0
Total parent company	26	9,601	0	14,103	0	0	9,556	0	34	0
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	12	0	10	0	0	361	0	136	71	29
SEVEN CENTER S.R.L.	0	0	0	0	0	0	0	0	10	0
Total affiliated companies	13	0	10	0	0	361	0	136	81	29
<i>Subsidiary companies</i>										
Estenergy S.p.A.	0	0	17	7	0		0	0	0	0
ASM SET S.R.L.	0	776	408	291	0	100	4	3,681	230	40
Unigas Distribuzione Gas S.r.l.	11	0	174	347	0	5,459	0	64	33	0
SINERGIE ITALIANE in liquidazione S.R.L.	79	7,510	3,165	6,330	36,337	26	0	0	3	0
Total subsidiary companies	90	8,286	3,764	6,975	36,337	5,586	4	3,745	266	40
Total	129	17,888	3,774	7,128	36,337	5,947	9,560	3,881	382	68

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

As far as the jointly controlled companies are concerned:

- Estenergy S.p.A.:
 - o The revenues for services are connected to services of gas transportation from Ascopiave S.p.A and then AP Reti Gas S.p.A.;
- ASM Set S.r.l.:
 - o The other receivables: are related to intragroup current account agreements with Ascopiave S.p.A.;

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

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

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

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

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

It is also noted that the letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation amount to Euro 26,665 thousand as of 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)	30.06.2018	Of which related parties						30.06.2017	Of which related parties								
		A	B	C	D	Total	%		A	B	C	D	Total	%			
ASSETS																	
Non-current assets																	
Goodwill	80,758							80,758									
Other intangible assets	345,172							346,934									
Tangible assets	31,656							32,334									
Shareholdings	65,306			#####		#####	#####	68,878		68,871			68,871	100.0%			
Other non-current assets	13,014			7,510		7,510	57.7%	13,015		7,510			7,510	57.7%			
Advance tax receivables	11,569							11,479									
Non-current assets	547,476			72,810		72,810	13.3%	553,397		76,381			76,381	13.8%			
Current assets																	
Inventories	6,351							4,072									
Trade receivables	77,874	26	13	208		169	-0.2%	156,884		41	633		674	0.4%			
Other current assets	64,278	9,601		6,422		16,023	24.9%	57,865	4,925				4,925	8.5%			
Current financial assets	776			776		776	100.0%	0			460		460				
Tax receivables	3,371							2,645									
Cash and cash equivalents	75,836							15,555									
Current assets on derivative financial instruments	356							1,510									
Current assets	228,843	9,628	13	6,990		16,630	7.3%	238,532	4,925	41	1,094		6,060	2.5%			
ASSETS	776,318	9,628	13	79,800		89,440	11.5%	791,929	4,925	41	77,474		82,441	10.4%			
Net equity and liabilities																	
Total Net equity																	
Share capital	234,412							234,412									
Own shares	(16,981)							(17,521)									
Reserves	214,401							228,620									
Net equity of the Group	431,832							445,511									
Net equity of Others	4,116							4,989									
Total Net equity	435,948							450,500									
Non-current liabilities																	
Provisions for risks and charges	3,801							5,913									
Severance indemnity	4,938							4,836									
Medium- and long-term bank loans	59,119							54,360									
Other non-current liabilities	23,922							22,930									
Non-current financial liabilities	239							277									
Deferred tax payables	15,192							15,733									
Non-current liabilities	107,209							104,048									
Current liabilities																	
Payables due to banks and financing institutions	74,195							80,304									
Trade payables	76,748		10	3,211		3,201	-4.2%	117,653		16	526		542	0.5%			
Tax payables	2,343							625									
Other current liabilities	79,493	15,114				15,114	19.0%	38,312	7,738				7,738	20.2%			
Current financial liabilities	190							480									
Current liabilities from derivative financial instruments	191							7									
Current liabilities	233,161	15,114	10	3,211		18,335	-7.9%	237,382	7,738	16	526		8,280	3.5%			
Liabilities	340,371	15,114	10	3,211		18,335	-5.4%	341,430	7,738	16	526		8,280	2.4%			
Net equity and liabilities	776,318	15,114	10	3,211		18,335	-2.4%	791,929	7,738	16	526		8,280	1.0%			

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Comprehensive consolidated income statement

(Thousands of Euro)	First half	Of which related parties						First half	Of which related parties					
	2018	A	B	C	D	Total	%	2017	A	B	C	D	Total	%
Revenues	310,583	34	246	4,050		4,331	1.4%	297,500	28	215	6,719		6,962	2.3%
Total operating costs	263,340		361	41,923	1,251	43,536	16.5%	249,358		309	33,046	974	34,329	13.8%
Purchase costs for raw material (gas)	162,952			36,337		36,337	22.3%	146,193			27,736		27,736	19.0%
Purchase costs for other raw materials	10,181							9,989		1			1	0.0%
Costs for services	59,191		361	5,586	284	6,231	10.5%	59,494	308	5,311		284	5,902	9.9%
Costs for personnel	12,615				967	967	7.7%	13,012				690	690	5.3%
Other management costs	18,611							21,311						
Other income	211							640						
Amortization and depreciation	11,485							10,597						
Operating result	35,758	34	(116)	(37,873)	(1,251)	(39,205)	-109.6%	37,545	28	94	26,328	974	27,367	-72.9%
Financial income	238			1		1	0.2%	227			0		0	0.1%
Financial charges	633			4		4	0.6%	418			2		2	0.6%
Evaluation of subsidiary companies with the net equity method	5,194	0	2	0		2	0.0%	4,548		2	(0)		2	0.0%
Earnings before tax	40,557	35	(114)	(37,876)	(1,251)	(39,207)	-96.7%	41,902	28	91	26,330	974	27,367	-65.3%
Taxes for the period	10,799							11,244						
Result for the period	29,758							30,658						
Net result for the period	29,758							30,658						

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)	First half	Of which related parties					First half	Of which related parties				
	2018	A	B	C	D	Totale	2017	A	B	C	D	Totale
Net income of the Group	28,455						29,193					
Cash flows generated (used) by operating activities												
Adjustments to reconcile net income to net cash												
Third-parties operating result	1,303					0	1,466					0
Amortization	11,485					0	10,597					0
Bad debt provisions	765					0	1,086					0
Variations in severance indemnity	146					0	(20)					0
Current assets / liabilities on financial instruments	1,290					0	1,634					0
Net variation of other funds	(2,011)					0	309					0
Evaluation of subsidiaries with the net equity method	(5,194)	0		(3,703)		(3,703)	(4,548)	0		(4,010)		(4,010)
Impairment losses / (gains) on shareholdings	0					0	(373)					0
Interests paid	(469)					0	(277)					0
Taxes paid	(1,350)					0	(2,745)					0
Interest expense for the period	596					0	303					0
Taxes for the period	10,799					0	11,244					0
Variations in assets and liabilities												
Inventories	(2,279)					0	514					0
Accounts payable	78,246	(26)	29	841	0	844	75,489	36	109	1,106	0	1,251
Other current assets	(6,305)	(4,676)	0	0	0	(4,676)	(19,495)	0	0	0	0	0
Trade payables	(40,905)	0	(6)	(3,737)	0	(3,743)	(46,489)	0	(53)	(2,101)	0	(2,154)
Other current liabilities	30,472	7,376	0	0	0	7,376	29,626	10,207	0	0	0	10,207
Other non-current assets	1	0	0	0	0	0	671	0	0	683	0	683
Other non-current liabilities	992	0	0	0	0	0	890	0	0	0	0	0
Total adjustments and variations	77,582	2,674	22	(6,598)	0	(3,902)	59,882	10,243	56	(4,323)	0	5,976
Cash flows generated (used) by operating activities	106,038	2,674	22	(6,598)	0	(3,902)	89,074	10,243	56	(4,323)	0	5,976
Cash flows generated (used) by investments												
Investments in intangible assets	(8,869)					0	(9,943)					0
Realisable value of intangible assets	330					0	2					0
Investments in tangible assets	(515)					0	(521)					0
Realisable value of tangible assets	8					0	(0)					0
Disposals / (Acquisition) of investments and advances	(0)					0	(8,025)					0
Other net equity operations	0					0	353					0
Cash flows generated/(used) by investments	(9,045)	0	0	0	0	0	(18,134)	0	0	0	0	0
Cash flows generated (used) by financial activities												
Net changes in debts due to other financiers	(38)	0	0	0	0	0	(43)	0	0	0	0	0
Net changes in short-term bank borrowings	816					0	(11,587)					0
Net variation in current financial assets and liabilities	(1,066)	0	0	(316)	0	(316)	(3,906)	0	0	(3,872)	0	(3,872)
Purchase of own shares	540					0	0					0
Ignitions loans and mortgages	105,000					0	210,000					0
Redemptions loans and mortgages	(107,166)					0	(200,000)					0
Dividends distributed to Ascopiave S.p.A. shareholders'	(40,016)					0	(40,016)					0
Dividends distributed to other shareholders	(2,054)					0	(2,853)					0
Dividends distributed from subsidiary companies	7,274			7,274		7,274	6,706			6,706		6,706
Cash flows generated (used) by financial activities	(36,711)	0	0	6,958	0	6,958	(41,698)	0	0	2,834	0	2,834
Variations in cash	60,282						29,242					0
Cash and cash equivalents at the beginning of the period	15,555						8,822					0
Cash and cash equivalents at the end of the period	75,836						38,063					0

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Consolidated net debt

(migliaia di Euro)	30.06.2018	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	18							17								
B Bank and post office deposits	75,818							15,538								
C Securities held for trading																
D Liquid assets (A) + (B) + (C)	75,836							15,555								
E Current financial assets	776			776		776	100.0%	0								
F Payables due to banks	(66,126)							(70,123)								
G Current portion of medium-long-term loans	(8,069)							(10,181)								
H Current financial liabilities	(190)							(480)			(279)			(279)	58.1%	
I Current financial indebtedness (F) + (G) + (H)	(74,385)							(80,785)			(279)			(279)	0.3%	
J Net current financial indebtedness (I) - (E) - (D)	2,227			776		776	34.9%	(65,230)			(279)			(279)	0.4%	
K Medium- and long-term bank loans	(59,119)							(54,360)								
L Non-current financial assets																
M Non-current financial liabilities	(239)							(277)								
N Non-current financial indebtedness (K) + (L) + (M)	(59,358)							(54,637)								
O Net financial indebtedness (J) + (N)	(57,130)			776		776	-1.4%	(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 half of 2018

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

On 6th July, Snam Rete Gas S.p.A. announced that the balancing deadlines are extended in order to acknowledge any reports from the balancing users until 24th July 2018. As a consequence, we are currently awaiting the updated data as reprocessed by Snam Rete Gas.

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 30th June 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 net equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

Balance sheet - summary data

(Thousands of Euro)	30.06.2018	31.12.2017
Current assets	55,618	63,213
of which		
Cash and cash equivalents	32,760	12,953
Non-current assets	67,806	67,147
Current liabilities	34,608	34,801
of which		
Current financial liabilities	1	132
Non - current liabilities	4,505	4,577
	84,311	90,982
Group interest	48.999%	48.999%
Net profit for the period attributable of the Group	41,312	44,580

The recognition of higher provisions for bad and doubtful accounts 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 provision amounts to Euro 1,517 thousand (net of the relevant tax effect) as an adjustment of the shareholders' equity on the receivables recorded as at 31st December 2017. The provisions posted to the income statement in relation to the half-yearly provision made, were equal to Euro 1,231 thousand, marking a decrease as compared to the same period in the previous year.

Income Statement - summary data

(Thousands of Euro)	First half	
	2018	2017
Revenues	73,514	71,018
Total operating costs	64,718	62,012
Gross operative margin	8,796	9,006
Amortization and depreciation	17	854
Operating result	8,779	8,152
Financial income	103	89
Financial charges	0	4
Earnings before tax	8,882	8,237
Taxes of the period	2,532	2,446
Result of the period	6,349	5,791
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	3,111	2,838

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)	30.06.2018	31.12.2017
Current assets	14,546	18,234
of which		
Cash and cash equivalents	652	3,141
Non-current assets	48,110	47,867
Current liabilities	18,524	22,319
of which		
Current financial liabilities	0	0
Non - current liabilities	1,148	1,139
	42,984	42,643
Group inteterest	48.860%	48.860%
Net profit for the period attributable of the Group	21,002	20,835

Income Statement - summary data

(Thousands of Euro)	First half	
	2018	2017
Revenues	7,894	9,183
Total operating costs	4,476	6,420
Gross operative margin	3,418	2,763
Amortization and depreciation	1,203	1,211
Operating result	2,216	1,552
Financial income	0	4
Financial charges	47	17
Earnings before tax	2,169	1,539
Taxes of the period	437	426
Result of the period	1,732	1,113
Group inteterest	48.86%	48.86%
Net profit for the period attributable of the Group	846	544

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)	30.06.2018	31.12.2017
Current assets	8,398	10,339
of which		
Cash and cash equivalents	477	664
Non-current assets	5,064	5,078
Current liabilities	6,440	7,423
of which		
Current financial liabilities	776	0
Non - current liabilities	928	943
	6,094	7,051
Group inteterest	49.000%	49.000%
Net profit for the period attributable of the Group	2,986	3,455

Income Statement - summary data

(Thousands of Euro)	First half	
	2018	2017
Revenues	15,765	15,201
Total operating costs	14,394	13,364
Gross operative margin	1,370	1,837
Amortization and depreciation	3	101
Operating result	1,367	1,736
Financial income	15	9
Financial charges	2	6
Earnings before tax	1,380	1,739
Taxes of the period	399	510
Result of the period	981	1,229
Group inteterest	49.00%	49.00%
Net profit for the period attributable of the Group	481	602

Pieve di Soligo, 1st August 2018

Chairman of the Board of Directors
Nicola Cecconato

DECLARATION

(Translation from the original in Italian)

Certification of the Half Year Report as of 30th June 2018

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

- 1) The undersigned dr. Nicola Ceconato in his capacity as Chairman of the Board of Directors, and dr. Cristiano Belliato, Officer Responsible for preparing the Corporate Financial Reports of Ascopiave S.p.A. hereby certify, pursuant to the guidelines of Article 154-bis, paragraphs 2, 3 and 4, Legislative Decree n. 58, dated 24th February 1998:
- the appropriateness of the Financial Statements with respect to the characteristics of the Company and
 - the effective adoption of administrative and accounting procedures in preparing the Consolidated Financial Statements for the period 1st January 2018 -30th June 2018

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

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

Pieve di Soligo - 1st August 2018

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



REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Ascopiave SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Ascopiave SpA and its subsidiaries (the Ascopiave Group) as of 30 June 2018, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cashflow statement and related explanatory notes. The directors of Ascopiave SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of Ascopiave Group as of 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, 1 August 2018

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263901 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

A s c o p i a v e G r o u p

Via Verizzo, 1030 - 31053 Pieve di Soligo (TV) - Italia
Tel: +39 0438 980098 - Fax: +39 0438 82096
Email: info@ascopiave.it - www.gruppoascopiave.it

