

INTERIM REPORT AS OF 31ST MARCH 2019

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 OPERATIONS.....	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.....	12
Corporate Governance and Code of Ethic	13
Transactions with related and affiliate parties.....	13
Significant events during the first quarter of 2019	14
Other significant events	16
Energy efficiency and 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	16
Litigations	18
Relationships with Agenzia delle Entrate (Italian Tax Authority).....	22
Territorial areas.....	23
Distribution of dividends	26
Own shares.....	26
Outlook for the Year.....	26
Goals and policies of the group and risk description.....	27
Additional information	28
Seasonal nature of the activity	28
Comments on the economic-financial results of first quarter of 2019.....	29
Performance Indicators.....	29
General operational performance and indicators	30
General operational performance - The Group’s economic results	32
General operational performance - Financial situation.....	34
General operational performance - Investments	36
Schedules of the interim financial report.....	37
Consolidated assets and liabilities statement.....	38
Income statement and Comprehensive consolidated income statement	39
Statement of changes in consolidated shareholders’ equity	40
Consolidated statement of cash flows	41
EXPLANATORY NOTES.....	42
Company information	42
General drafting criteria and compliance with IFRS.....	42
Accounting standards, amendments and interpretations applied from 1 st January 2019	43
Consolidation area and principles	44
Synthesis data of fully consolidated companies and jointly controlled companies consolidated through the equity method	46
COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS	47
Non-current assets	47
Current assets.....	53
Consolidated Shareholders’ Equity.....	57
Non-current liabilities.....	58
Current liabilities.....	61
COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	65
Revenues	65
Costs.....	66
Financial income and expense	70
Taxes	70
Non-recurrent components	71
Transactions deriving from unusual and/or atypical operations.....	71
OTHER COMMENTS ON THE INTERIM FINANCIAL REPORT AS OF 31 st MARCH 2019	72
Commitments and risks	72
Risk and uncertainty factors	72
Management of Capital.....	76

Representation of financial assets and liabilities by categories	77
Business segment reporting.....	78
Transactions with related parties	78
Financial statements representation pursuant to Consob resolution 15519/2006.....	81
Consolidated assets and liabilities statement	81
Comprehensive consolidated income statement	82
Consolidated statement of cash flows.....	83
Consolidated net debt	84
Significant events subsequent to the end of the first quarter of 2019	85
Goals and policies of the Group	86
Synthesis data as of 31 st March 2019 of jointly controlled companies consolidated through the equity method	86

Annexes:

In-Company Control:

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

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Auditors

Name	Office	Duration of office	From	To
Cecconato 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 Articles 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.

Registered office and Company data

Ascopiave S.p.A.
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

Economic figures

(Thousands of Euro)	Firts quarter			
	2019	% of revenues	2018	% of revenues
Revenues	224,087	100.0%	200,648	100.0%
Gross operative margin	32,370	14.4%	35,860	17.9%
Operating result	25,912	11.6%	29,864	14.9%
Net result for the period	21,758	9.7%	24,999	12.5%

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

Capital data

(Thousands of Euro)	31.03.2019	31.12.2018	31.03.2018
Net working capital	22,280	59,514	23,343
Fixed assets and other non current assets	563,661	557,118	555,197
Non-current liabilities (excluding loans)	(51,320)	(51,245)	(49,083)
Net invested capital	534,620	565,386	529,457
Net financial position	(65,171)	(117,517)	(55,603)
Total Net equity	(469,449)	(447,869)	(473,854)
Total financing sources	(534,620)	(565,386)	(529,457)

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

Monetary flow data

(Thousands of Euro)	Firts quarter	
	2019	2018
Net income of the Group	20,562	23,502
Cash flows generated (used) by operating activities	61,696	69,156
Cash flows generated/(used) by investments	(6,818)	(4,891)
Cash flows generated (used) by financial activities	(10,025)	2,193
Variations in cash	44,853	66,457
Cash and cash equivalents at the beginning of the period	66,650	15,555
Cash and cash equivalents at the end of the period	11,503	82,012

REPORT ON OPERATIONS

Foreword

The Ascopiave Group closed the first quarter of 2019 with a net consolidated profit of Euro 21.8 million (Euro 25.0 million as of 31st March 2018), marking a decrease of Euro 3.2 million, -13.0% compared to the same period in the previous year.

Net consolidated net assets as of 31st March 2019 amount to Euro 469.5 million, (Euro 447.9 million as of 31st December 2018) and the net capital invested to Euro 534.6 million (Euro 565.4 million as of 31st December 2018).

During the first quarter of 2019, the Group accomplished investments for Euro 9.4 million (Euro 5.0 million as of 31st March 2018), mainly in installation of electronic metres as well as in development, maintenance and upgrading of the gas distribution networks and systems.

Activities

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

The Group currently holds concessions and direct assurances for the supply of the service in 228 municipalities, (230 municipalities as of 31st December 2018) and has a distribution network extending for over 9,836 Km¹, (over 9,809 km as of 31st December 2018), and providing a service to a catchment area bigger than 1 million inhabitants.

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

In the gas sale segment, Ascopiave is one of the main National operators with about 408 million cubic metres ¹ of gas sold in the first quarter of 2019 (433 million cubic metres as of 31st March 2018).

Strategic objectives

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

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

Management trend

The volumes of gas sold in the first three months of 2019 amounted to 407.6 million cubic metres, marking a decrease of 5.9% compared to the same period in the previous year.

The volumes of electrical energy sold were 131.3 GWh¹, marking an increase of 19.3% compared to the same period in the previous year.

The customers portfolio managed at the reporting date included 749.3 thousand customers, marking an increase of 0.9% compared to the same period in the previous year.

As to the activity of gas distribution, the volumes distributed through the networks managed by the Group were 469.1 million cubic metres¹, marking a decrease of 5.6% as compared to the same period in the year 2018. The distribution network as of 31st March 2019 has an extension of 9,836 km¹ an increase of 53 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 and electricity sold are obtained by adding each Group company's data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

Economic results and financial situation

Consolidated revenues in the first quarter of 2019 are to the tune of Euro 224.1 million, as compared to 200.6 million recorded in the same period in the previous year. The increase in the turnover is mainly due to the increase in the revenues from gas sales to the end market (Euro +17.8 million), the increase in the revenues from electricity sales (Euro +1.9 million) and partly negatively affected by the lower revenues from forward sales of the raw material (Euro -1.7 million) and lower contributions for white certificates (Euro -2.4 million).

The Operating Result of the Group equals Euro 25.9 million, marking a decrease compared to Euro 29.9 million in the first three months of 2018. The decrease recorded is mainly explained by the reduction in the first margin of natural gas sales (Euro -2.3 million), higher personnel costs (Euro -0.2 million), and the decrease in the margin on energy efficiency certificates (Euro -0.8 million).

The Net Result, equalling Euro 21.8 million, marks a decrease of Euro 23.2 million compared to the first three months of 2018.

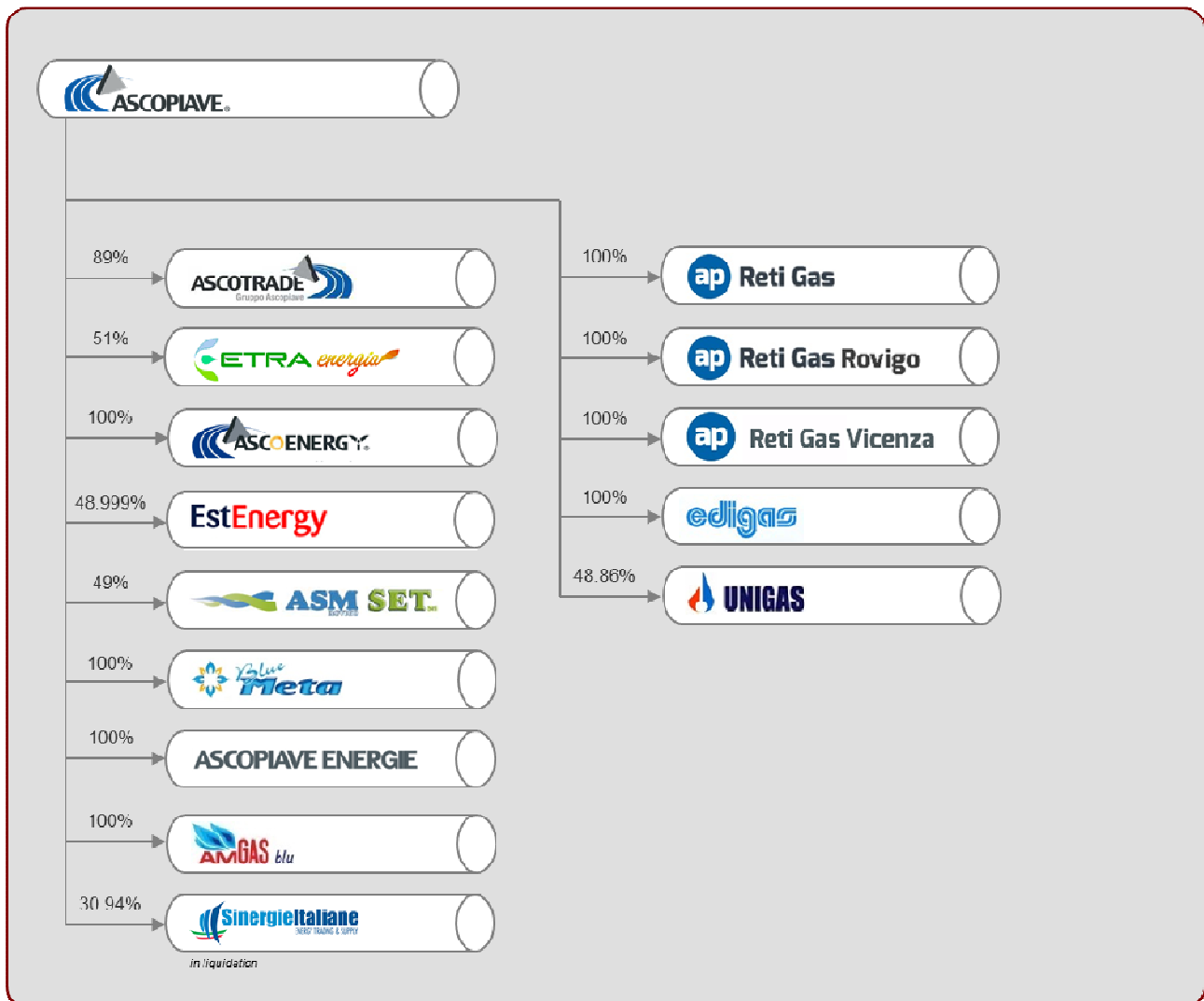
The Net Financial Position of the Group as of 31st March 2019 is equal to Euro 65.2 million, an improvement of Euro 52.3 million as compared to Euro 117.5 million as of 31st December 2018.

The reduction in financial indebtedness is determined by the cash flow in the first three months of 2019 (Euro +28.2 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 33.5 million. The investment activity has absorbed financial resources for Euro 9.4 million. The change is partly explained for Euro 2.5 million by the first application of IFRS 16 which led to the recognition of rights of use for the same amount with the corresponding increase in the net financial position.

The ratio between Net financial position and Net equity as of 31st March 2019 was 0.14 (0.26 as of 31st December 2018).

The structure of the Ascopiave Group

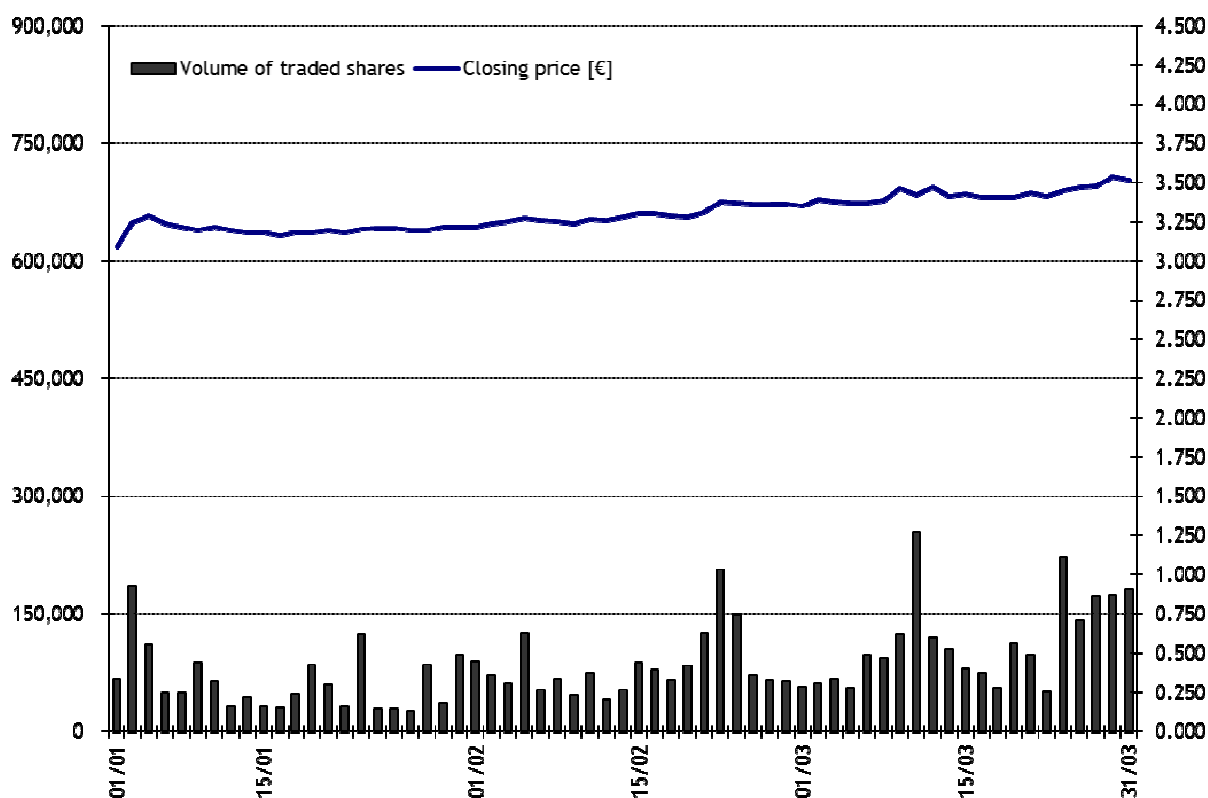
The table below shows the company structure of the Ascopiave Group as of 31st March 2019.



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

As of 29th March 2019, the Ascopiave share registered a quotation of Euro 3.515 per share, marking an increase of 13.6 percentage points as compared to the listing at the beginning of 2019 (Euro 3.095 per share, referred to the quotation of 2nd January 2019).

Capitalisation of the Stock Exchange as of 29th March 2019 was Euro 823.58 million² (Euro 725.08 million as of 29th December 2018).



During the first quarter of 2019, the quotation of the shares showed an increase (+13.6%), although more limited than the increase in the FTSE Italia All Share index (+15.7%) and the FTSE Italia Star index (+4.6%). The performance of the FTSE Italia Servizi di Pubblica Utilità (+12.9%) was slightly lower.

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 28th December 2018 equalled Euro 16.4 billion. Official data from Borsa Italiana (www.borsaitaliana.it).

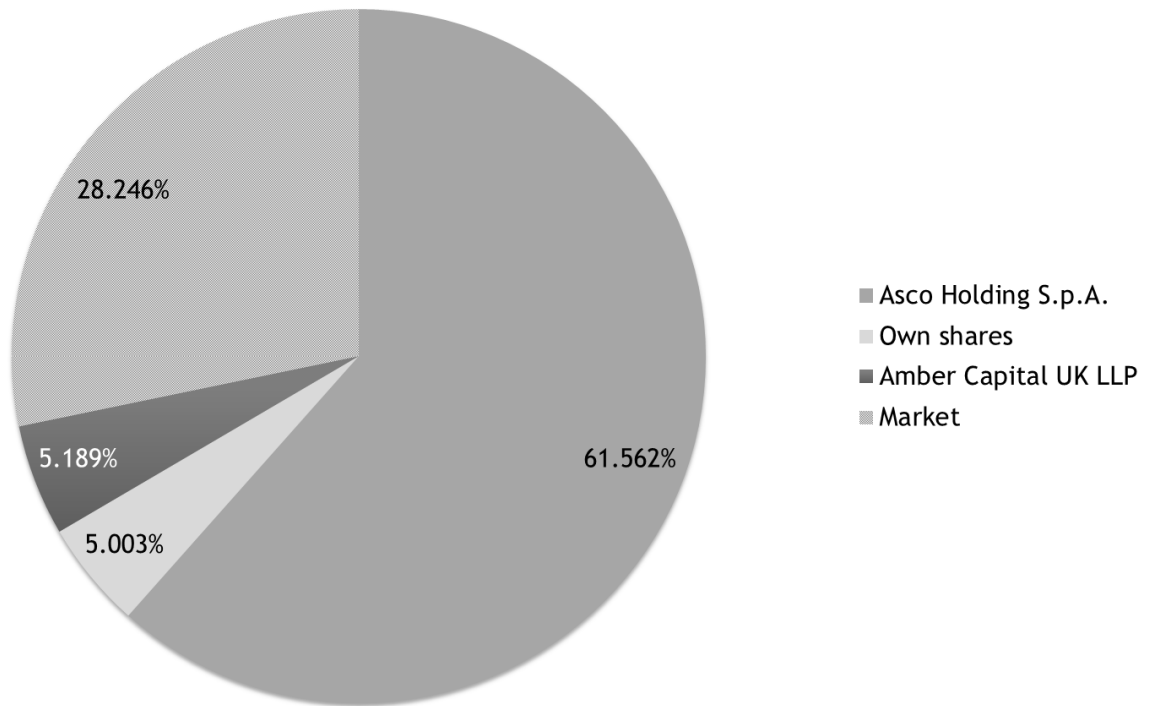
In the following table, we report the main shares and stock-exchange data as of 31st March 2019:

Share and stock-exchange data	29.03.2019	31.03.2018
Earning per share (Euro)	0.10	0.11
Net equity per share (Euro)	1.98	1.99
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.110	3.260
Maximum annual price (Euro)	3.690	3.690
Minimum annual price (Euro)	2.820	3.060
Stock-exchange capitalization (Million of Euro)	823.58	765.61
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

Control of the Company

As of 31st March 2019, Asco Holding S.p.A. directly controlled 61.562% of Ascopiave S.p.A.'s share capital.

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



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

Corporate Governance and Code of Ethic

During the first quarter of 2019, Ascopiave S.p.A. continued its operating improvement process of the corporate governance planned during past years, strengthening its risk management system, introducing further improvements to the tools in order to defend investors' benefits.

Internal audit

The activity plan of the Internal Audit structure is approved yearly by the Board of Directors of the Company. In particular, the audit activities included in the above-mentioned activity plan, 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.;
- ✓ 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;
- ✓ 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., Ascopiave Energie S.p.A., Blue Meta S.p.A. and Asco Energy 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.	33	3,570	0	6,813	0	0	6,228	0	40	536	
Total parent company	33	3,570	0	6,813	0	0	6,228	0	40	536	
<i>Affiliated companies</i>											
Asco TLC S.p.A.	74	0	32	0	0	5	27	41	31	14	
Seven Center S.r.l. in liquidazione	0	0	0	0	0	0	0	0	0	0	
MIRANT ITALIA S.R.L.											
Total affiliated companies	74	0	32	0	0	5	27	41	31	14	
<i>Subsidiary companies</i>											
Estenergy S.p.A.	124	0	17	7	0	0	0	0	0	0	
ASM Set S.r.l.	1,945	0	333	780	0	42	1	3,185	143	9	
Unigas Distribuzione S.r.l.	69	0	2,606	5,212	0	4,105	0	24	41	1	
Sinergie Italiane S.r.l. in liquidazione	4	7,510	3,165	6,330	18,256	26	0	0	6	0	
Total subsidiary companies	2,142	7,510	5,420	12,315	18,256	4,172	1	3,208	190	11	
Total	2,250	11,081	5,389	19,128	18,256	4,177	6,256	3,249	260	561	

Significant events during the first quarter of 2019

Approval of the project of merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave S.p.A.

On 28th January 2019, the Boards of Directors of Ascopiave and Unigas approved a business combination to be implemented by means of the merger through acquisition of Unigas into Ascopiave, immediately followed by the concentration in Edigas Esercizio Distribuzione Gas S.p.A. of Unigas's operating activities in the network segment.

Through the Combination Project, Ascopiave and Unigas pursue the objective of entrusting the activities they perform in the gas distribution sector in some areas of Lombardy to a single operator, thus further improving their positioning on the market and the quality standards of the service provided in the relevant territories.

The terms and conditions of the Merger are governed by a framework agreement signed on 28th January 2019 between Ascopiave, Unigas and, limited to the assumption of certain commitments, Anita S.r.l., as the reference partner of Unigas (the "Framework Agreement"). On the same date, the Boards of Directors of Ascopiave and Unigas approved the Merger plan, which will be submitted for validation to the respective Shareholders' Meetings as well as Anita's Shareholders' Meeting.

The auditing firm Reconta Ernst & Young S.p.A. has been appointed by the Court of Venice as an expert for the purpose of expressing an opinion on the adequacy of the share exchange ratio, pursuant to art. 2501-sexies, Italian Civil Code. This opinion will be made available in accordance with the applicable legislation.

The completion of the combination is expected, subject to the approval by the aforementioned Shareholders' Meetings and the issue of a positive opinion on the adequacy of the share exchange ratio by Reconta Ernst & Young S.p.A., within the first half of 2019.

Pursuant to the Framework Agreement, Ascopiave and Unigas may withdraw from their respective obligations relating to the completion of the combination upon the occurrence, within the date envisaged for the conclusion of the Merger deed, of certain extraordinary events, to date unpredictable, which could have a significant impact on either of the two companies involved in the Merger.

Unigas, concessionaire of the methane gas distribution service in 32 municipalities in the province of Bergamo, served about 95,000 users in 2017, distributing over 150,000,000 cubic metres of gas through 1,000 Km of network managed and generating revenues of Euro 15.2 million. In the same period, EBITDA amounted to Euro 5.5 million.

The Merger

The Merger will be implemented through (i) cancellation of the shares representing 100% of Unigas's share capital on the date of execution of the Merger deed and (ii) transfer to Anita, in exchange for its stake in Unigas, of treasury shares of Ascopiave, without the need to proceed with an increase in the share capital of Ascopiave due to the swap. Pursuant to art. 2501-*quater*, second paragraph, Italian Civil Code, for both companies the applicable balance sheet for the Merger is contained in the interim financial statements at 30th September 2018.

The share exchange ratio determined by the Boards of Directors of Ascopiave and Unigas, supported by their respective financial advisors, is 3.7788 treasury shares of Ascopiave for each Unigas share whose nominal value is Euro 1.00.

On the basis of the aforesaid exchange ratio, therefore, 7,149,505 Ascopiave treasury shares, equal to 3.05% of Ascopiave's share capital after the Merger, shall be transferred to Anita. As better described in the Merger plan, the aforesaid share exchange ratio may be adjusted solely due to the effect of any payment, prior to the effective date of the Merger (i) of an ordinary dividend by Ascopiave and/or Unigas and/or (ii) an extraordinary dividend possibly resolved by Ascopiave's Shareholders' Meeting, as notified to the market on 8th June 2018, in order to allow the majority shareholder Asco Holding S.p.A. to pay the liquidation value to its shareholders who exercised their right of withdrawal, as they did not participate in the acceptance of the resolution for the approval of certain amendments to the articles of association adopted on 23rd July 2018.

The final share exchange ratio will be announced as soon as it is available via a specific press release published on Ascopiave's website www.gruppoascopiave.it.

"The Operation - said Nicola Ceconato, Ascopiave's Chairman - is a step forward in the consolidation process of the Ascopiave Group in the Natural Gas Distribution sector, consistent with the strategy to strengthen the Group's assets in the field of regulated activities. The consolidation of the activities currently managed by Unigas will enable us to improve the efficiency levels and the services provided in the relevant territories, by capitalising on the industrial expertise of the companies involved".

Further information on the Merger will be made available to the public on Ascopiave's website www.gruppoascopiave.it. in accordance with the current legislation.

Redetermination period October 2010 - September 2012 with Resolution 32/2019/R/Gas dated 29th January 2019

On 29th January 2019, the Regulatory Authority for Energy, Networks and the Environment published Resolution 32/2019/R/GAS implementing decision no. 4825/2016 of the Council of State for the cancellation of resolution ARG/GAS 89/10.

By Resolution 89/10, the Authority redetermined the value of the raw material component of the natural gas selling tariff by introducing the de-multiplication coefficient "K" which reduced the procurement costs recognised. On 2nd November 2017, with Resolution 737/2017/R/gas, published subsequent to decision no. 4825/2016 of the Council of State, the Authority determined *nunc pro tunc* the value of the raw material gas for the period October 2010 - September 2012 by updating the K value and bringing it to a higher amount. Such change consequently increases the raw material component recognised in the selling tariff applied to the quantities of natural gas used by the end customers under the "greater protection" scheme for the two-year period in question.

On 29th January 2019, by resolution 32/2019/R/GAS, the Authority illustrated how the sales companies are entitled to adopt the mechanism for recognising the amounts deriving from the redetermination of the coefficient described above. Specifically, companies may submit an application to Cassa per i Servizi Energetici Ambientali (CSEA) by the month of May 2019, accompanied by the documentation needed to recognise and obtain the amounts due. The applications filed, and the accompanying documentation submitted, will be examined and verified for eligibility by 31st July 2019, when the CSEA will communicate the recognition amount to the Authority and to the relevant sales companies. The CSEA will open an account to which, commencing 1st April, a specific distribution tariff component

that will be charged to all customers whose annual consumption is less than 200,000 Scm will be credited. The amounts recognised will be paid in three sessions, the first in April 2020, the second in December 2020 and the third in December 2021. The sales segment of the Group, believing that the eligibility requirements are fulfilled, will submit within the deadline established by current regulations the relevant applications and accompanying documentation.

Press release of Ascopiave S.p.A.

On 20th February 2019, Ascopiave S.p.A.'s Board of Directors, as announced to the market on 15th October 2018, approved the launch of the first stage of a process aimed at (i) enhancing its activities in the gas and electricity sales sector and (ii) strengthening and consolidating its presence in the gas distribution sector, in both cases also through one or more strategic partnerships. The expressions of interest and non-binding offers from the participants will be received during this first stage within 15th April 2019. The operators contacted to participate in the process are over 20 to date.

Ascopiave will keep the market informed about any subsequent developments of such process.

Other significant events

Energy efficiency and saving

The Group's distribution companies, which are fully consolidated and required to achieve the energy saving objectives, received a notification from the GSE informing them of the quantity envisaged by the objective. The number of energy efficiency certificates (TEEs) to be delivered by 31st May 2018 was 70,823 white certificates. This obligation was achieved to the extent of 83%. The target set for 2018 amounts to 78,513 TEEs. At the end of November 2018, within the limits established by law, the Group delivered a portion of the certificates of the 2018 objective (about 32%). The target set for 2019 amounts to 110.043 TEEs.

As far as the company consolidated with the equity method is concerned, the goal for 2017 was quantified by the GSE in 15,334 TEEs delivered for 60% by 31st May 2018.

With resolution dated 29th January 2018, the Authority defined the 2018 target for the Company, quantified in 16,103 TEEs, of which 3,406 TEEs were delivered at the end of November 2018. The target set for 2019 amounts to 17,578 TEEs.

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;
- Euro 5,258 thousand in 2018;

were paid for a total amount of Euro 45,753 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 - Sud 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 31st March 2019, the following are pending:

MUNICIPALITY OF COSTABISSARA:

An arbitration is pending before the Court of Appeal of Venice filed by the Municipality of 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.

The Parties have reached an agreement on the global amount of Euro 3,000 thousand.

With City Council Resolution no. 21 dated 16th April 2019, the Municipality approved the settlement agreement, which will be formalised shortly entailing the end of the dispute.

LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 31st March 2019, the following are pending:

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.

Upon the hearing before the Court of Appeal of Venice which was held on 9th January 2019, the Court set the hearing for the clarification of the conclusions on 27th May 2021.

A settlement agreement is being negotiated.

ADMINISTRATIVE/CIVIL LITIGATIONS - CONCERNING CONCESSIONS

As of 31st March 2019, the following are pending:

MUNICIPALITY OF SOVIZZO:

The Municipality of Sovizzo initiated a civil Judgment with writ of summons served on AP Reti Gas S.p.A. on 21st February 2019. The Entity requires the payment of a concession fee amounting to Euro 65,000/year as from 1st

January 2013.

The appearance hearing is scheduled for 19th June 2019. The Company, in the light of the previous negotiation agreements, challenges the claim of the Municipality and will therefore enter an appearance in compliance with the Law.

MUNICIPALITIES OF BRUSIMPIANO AND MARZIO

Two administrative judgments, pending before the Regional Administrative Court of Lombardy (Milan), initiated by AP Reti Gas S.p.A. in order to challenge the City Council resolutions adopted by the two Municipalities, communicated to the Company and concerning the belated exercise of the power of negotiation conferred on the same Municipalities in the original concession deed (which should have been exercised within 10 years from the beginning of the concession). It appears that all the neighbouring Municipalities (located in the Valganna area) have adopted similar resolutions (although the ten-year terms for exercising the right expired between 1998 and 2001). If such resolutions were to be notified to AP Reti Gas, the latter will challenge them.

The scheduling is still pending.

ADMINISTRATIVE/ LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31st March 2019, the following are pending:

GUIDELINES - MINISTERIAL DECREE 22nd MAY 2014

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

As concerns the appeal filed by Ascopiave, the merit hearing was 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.

Subsequent to such hearing, as foreseen and as already happened in the past, the Council of State referred the matter to the European Court of Justice.

With regard to the first referral, the Court of Justice ruled that European law does not preclude the national legislation challenged, (but) in the sense that such law does not govern (and therefore is not affected by) the methods for determining the reimbursement value of the outgoing operators.

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. (NOW AP RETI GAS VICENZA 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 2i Rete Gas. The claimant then filed a claim to the Council of State. The C.o.S. overruled the request for a single-judge solution and opted for a full Council sentence.

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

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

The hearing on the merits was held on 8th May 2019 and the parties are awaiting the judgement.

ANAC GUIDELINES ON ART. 177 LEGISLATIVE DECREE 50/2016

AP Reti Gas S.p.A. (together with other primary operators of the gas and electricity distribution services, as well as with the intervention, *ad adiuvandum*, of Utilitalia) filed an appeal before the Regional Administrative Court for Latium - Rome, for the cancellation of the ANAC Guidelines no. 11/2018, pursuant to art. 177 of Legislative Decree 50/2016.

Article 177 of Legislative Decree 50/2016 establishes that, from 18th April 2018, the holders of concessions whose amount is equal to or greater than Euro 150,000, if identified “without a tender procedure”, will have to assign a share equal to 80% of their contracts through public tender procedures, for the remaining portion being able to resort to in-house or subsidiary/associated companies.

ANAC is in charge of supervision in accordance with the methods set out in its own Guidelines (no. 11/2018).

Such Guidelines - even though formally they do not produce binding effects on the matter - establish that the concessionaire is required to put out to tender (as they are included in the percentage of 80%) all the activities performed during the concession, including those performed directly with own means and resources, thereby drawing an outsourcing obligation from the regulation. The Special Committee of the Council of State considered this interpretation correct, but noted that, construed in this way, art. 177 could be unconstitutional.

When applied in this way, the regulation would have an extremely significant impact both on the business choices and employment levels of the Companies holding concessions with assignments without tenders (moreover, perfectly lawful at the time of their assignment).

Article 177, construed in this way, therefore, seems illegitimate both with regard to constitutional principles (e.g. free economic initiative pursuant to Article 42 of the Italian Constitution), and with regard to the “prohibition on worsening” sanctioned by Community law.

In this context, AP Reti Gas S.p.A., as the Group’s main distribution company, challenged the aforementioned Guidelines, also raising the question of constitutional and Community legitimacy with regard to the primary rule.

Furthermore, on 2nd November 2018, ANAC, subsequent to a simple collection of data related to all existing concessions in any sector, submitted a report to the Government and Parliament on the state of the concessions (focusing in particular on the gas sector) stating that the latter would not comply with the regulations in force. As a precaution, the Appeal was supplemented with additional grounds concerning the aforementioned Report.

The discussion hearing is scheduled for 22nd May 2019.

ATEM VI3 INVITATION TO TENDER

Although not pending as of 31st March 2019, AP Reti Gas S.p.A. and AP Reti gas Vicenza S.p.A. filed an appeal before the Regional Administrative Court for Veneto, notified on 16th January 2019, for the cancellation of the Call for tenders published in the Official Gazette on 17th December 2018.

It is essentially a prudent appeal, aimed at avoiding future risks of forfeiture as regards the current content of the Call, deficient in many essential aspects.

The Regional Administrative Court of Veneto, in strict compliance with the special regulations which accelerate the terms for the proceedings relating to the appeals concerning tenders and concessions, set the discussion hearing on 8th May 2019. The parties are awaiting the judgement.

CIVIL LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31st March 2019, the following are pending:

ASCOPIAVE - UNIT B:

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

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

All the Parties regularly appeared before the Court.

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

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

With Judgment no. 2007/2017, the Court accepted the application submitted by Ascopiave S.p.A., ordering the design firm (F.lli Bandiera), its insurance company (Groupama Assicurazioni) and the construction company (Ing. R. Paccagnella Lavori Speciali SRL) to pay damages, amounting to approximately Euro 208 thousand, and to reimburse the costs of the proceedings (estimated at approximately Euro 17 thousand). Furthermore, the debtors’ obligation to assume joint and several liability was ratified.

The project management (and consequently the insurance company, Unipol Sai) 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.

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, for Ascopiave / AP Reti:

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

- 217 procedures have been completed (in various stages).

Between 30 and 50 procedures for which legal action is likely to be taken are expected every year for all Group companies (including Unigas Distribuzione S.r.l.). The procedure and the consequent actions undertaken in the preliminary phase have resulted in a significant reduction in legal actions, compared to the extent originally envisaged.

As of 31st March 2019, 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 198 thousand. For the other companies of the Group these costs amount approximately to Euro 117 thousand (including Unigas Distribuzione S.r.l. costs).

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

On 29th November 2017 Ascotrade S.p.A. filed an appeal before the Regional Administrative Court of Lombardy for the annulment of Resolution 670/2017/R/GAS dated 5th October 2017, "Provisions on the execution of the adjustment sessions for the years starting from 2013 and until the entry into force of the new gas settlement regulatory framework" and Resolution 782/2017/R/Gas dated 23rd November 2017 "Provisions for the completion of the regulatory framework on the execution of the adjustment sessions, for the years starting from 2013".

In November 2018, some shippers issued the invoices related to the settlement for the years 2013-2016. Ascotrade S.p.A. consequently filed a precautionary appeal before the Regional Administrative Court of Lombardy for the cancellation of Resolution 670/2017/R/Gas dated 5th October 2017, "Provisions on the execution of the adjustment sessions for the years starting from 2013 and until the entry into force of the new gas settlement regulatory framework" and Resolution 782/2017/R/Gas dated 23rd November 2017 "Provisions for the completion of the regulatory framework on the execution of the adjustment sessions, for the years starting from 2013".

With Order no. 1771/2018 dated 20th December 2018, the Regional Administrative Court of Lombardy rejected the precautionary appeal filed by Ascotrade S.p.A..

Ascotrade S.p.A. filed a precautionary appeal against this Order so as to obtain appropriate protection before the Council of State.

On 28th March 2019, the Council of State rejected the precautionary appeal filed by Ascotrade S.p.A.. The hearing on the merits was scheduled for 10th December 2019. Consequently, awaiting the hearing, the Group decided to pay, reserving the right to take legal action, the amounts invoiced by the suppliers. The payment does not constitute in any way any acceptance and/or waiver of the protection of the rights and claims of the companies of the Group, including the right to take legal action for the return of the payment made, also considering the outcome of the aforementioned dispute.

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, Asm Set, Blue Meta, Edigas Esercizio Distribuzione gas, Ascopiave Energie (former Pasubio Servizi), Unigas Distribuzione, Asco Energy (former Veritas Energia).

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 Ascopiave Energie S.p.A., Unigas Distribuzione S.r.l., Ascopiave S.p.A., Edigas Distribuzione Gas 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 standardisation of the tender process envisaged by the law is encountering serious difficulties, to the extent that the procedures may freeze due to a major litigation.

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

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

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

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.

The Council of State, by Judgement published on 22nd January 2019, rejected the appeal.

In December 2018, the Municipality of Schio, the contracting authority of the Territorial Area Vicenza 3 - Valli Astico Leogra e Timonchio, issued the invitation to tender for the concession of the gas distribution service. The Ascopiave Group currently manages the service in 28 municipalities in the Territorial Area, serving about 80,000 users. The Group companies, AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A., holders of concessions in the Area, have challenged the call due to irregularities, filing an appeal before the Regional Administrative Court of Veneto.

On 8th May 2019, the hearing for the discussion of the merits was held, without any novelties.

Distribution of dividends

On 23rd April 2019, the Shareholders' Meeting approved the yearly statement and decided the distribution of an ordinary dividend of Euro 0.125 per share and an extraordinary dividend of Euro 0.2133 per share with dividend date on 6th May 2019, record date on 7th May 2019 and payment on 8th May 2019.

Own shares

Pursuant to Article 40, Legislative Decree 127 2 d), as of 31st March 2019 the value of own shares held by the company is equal to Euro 16,981 thousand (Euro 16,981 thousand as of 31st December 2018), recognised as a reduction in other reserves as can be seen in the Net Equity changes.

Ascopiave S.p.A. purchased treasury shares on the electronic share market starting from 1st April 2019. As of 10th May 2019, Ascopiave S.p.A. holds 12,440,367 shares equal to 5.3071%.

Outlook for the Year

As far as the gas distribution activities are concerned, in 2019 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 2019, 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 2019.

Thus, the activity perimeter of the Group will likely not change compared to today, even if we assume 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 2019. Indeed, the transfer of the management of the plants from the previous operators is believed to require a considerable period of time; therefore, according to reasonable estimates, such process could be completed after 31st December 2019.

As regards the economic results, the tariff adjustment for the year 2019 is completely defined and should ensure revenues substantially in line with those of 2018.

As concerns the energy efficiency obligations, it is plausible that the economic margin that will be achieved in 2019 marks a decrease as compared to that recorded in 2017 and 2018, due to regulatory changes that took effect in the third quarter of 2018. These changes have significantly altered the price of the energy efficiency certificates as well as the maximum value of the contribution granted.

As far as gas sale is concerned, assuming normal weather conditions, trade margins are expected to decrease compared to 2018, despite the cessation of the non-recurring overall negative impact on profit and loss due to the application of the gas settlement regulation for the years 2013-2017 recorded in 2018, because of the competitive pressure in the retail market and the possible increase in the cost of gas procurement for the next thermal year (effective from 1st October 2019). The Group is also exposed to the positive or negative economic impact deriving from the effects related to the gas settlement regulation for the year 2018.

As regards electricity sales, the fiscal year 2019 could record results in line with 2018.

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 2019 could differ from 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 2.5% (3.4% as of 31st March 2018) 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 31st March 2019 are associated with contracts for natural gas supply.

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

As of 31st March 2019, the Ascopiave Group holds a portfolio of 228 (230 as of 31st March 2019) natural gas distribution concessions; the change in the number of concessions managed is related to the unification of some municipalities. 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 (RTDG), 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 and subsequently, on 7th September 2018, the definitive data. 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: (i) 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, (ii) the neutralisation the in-output delta for users of the distribution network, net of an allowance of 0.4% (where input is higher than output). In November, Snam Rete Gas provided the new volumetric allocations and the delta in-output relating to the 2017 financial year.

The volumetric differences for the 2018 financial year, which will be announced in 2019 and cannot be estimated at the reporting date, will be recognised in the current year, determining a negative or positive change for the same amount on the company's margins.

The Group, with respect to the second component with an economic impact explained above (in-output), has taken legal action as better explained in the paragraph "Litigations" of this report.

Additional information

Seasonal nature of the activity

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

Comments on the economic-financial results of first quarter of 2019

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) less 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 quarter		Var.	Var. %
	2019	2018		
Companies consolidated with full consolidation method				
Number of concessions	196	198	-2	-1.0%
Length of distribution network (km)	9,296	9,244	53	0.6%
Number of POD	492,274	489,799	2,475	0.5%
Volumes of gas distributed (scm/mln)	435.5	460.8	-25.3	-5.5%
Companies consolidated with net equity consolidation method				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,105	1,104	1	0.1%
Number of POD	94,677	94,680	-3	0.0%
Volumes of gas distributed (scm/mln)	68.8	73.4	-4.6	-6.3%
Ascopiave Group*				
Number of concessions	212	214	-2	-0.9%
Length of distribution network (km)	9,836	9,783	53	0.5%
Number of POD	538,533	536,060	2,474	0.5%
Volumes of gas distributed (scm/mln)	469.1	496.7	-27.6	-5.6%

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

NATURAL GAS SALES TO FINAL MARKET	First quarter		Var.	Var. %
	2019	2018		
Companies consolidated with full consolidation method				
Number of customers	534,019	545,156	-11,137	-2.0%
Volumes of gas sold (smc/mln)	348.0	367.5	-19.6	-5.3%
Companies consolidated with net equity consolidation method				
Number of customers	226,116	232,153	-6,037	-2.6%
Volumes of gas sold (smc/mln)	121.7	134.1	-12.4	-9.2%
Ascopiave Group*				
Number of customers	644,814	658,909	-14,095	-2.1%
Volumes of gas sold (smc/mln)	407.6	433.2	-25.6	-5.9%

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

SALE OF ELECTRIC POWER	First quarter		Var.	Var. %
	2019	2018		
Companies consolidated with full consolidation method				
Number of POD	86,973	70,836	16,137	22.8%
Volumes of electricity sold (GWh)	113.0	94.4	18.5	19.6%
Companies consolidated with net equity consolidation method				
Number of POD	35,902.0	26,536.0	9,366	35.3%
Volumes of electricity sold (GWh)	37.5	31.9	5.6	17.5%
Ascopiave Group*				
Number of POD	104,564.7	83,838.4	20,726	24.7%
Volumes of electricity sold (GWh)	131.3	110.1	21.3	19.3%

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

NATURAL GAS SALES ON TRADING ACTIVITIES	First quarter		Var.	Var. %
	2019	2018		
Volumes of gas sold (smc/mln)	5.2	15.1	-9.9	-65.7%

Comments on the trend of the main operational indicators of the Group's activity are reported below. The value of each indicator is obtained by adding the values of the indicators of each consolidated company, weighting the data of the companies consolidated with the equity method according to the share of consolidation.

As far as the activity of gas distribution is concerned, in the first three months of the year 2019, the volumes distributed through the networks managed by the fully consolidated companies of the Group The company Unigas Distribuzione S.r.l., consolidated through the equity method, distributed 68.8 million cubic metres, marking a decrease of 6.3% as compared to the same period in the year 2018.

As of 31st March, the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 492.3 thousand and showed an increase of 2.5 thousand units compared to the previous year. The points managed by the companies consolidated with the equity method (Unigas Distribuzione S.r.l.) must be added to these units: at the end of the first quarter of the year, the latter company managed 94.7 thousand redelivery points (94.7 at the end of the first quarter of 2018).

In the first three months of the year 2019, the volume of gas sold by the 100% consolidated companies amounted to 348.0 million cubic metres, marking a decrease of 5.3% compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 121.7 million cubic metres of gas (-9.2% compared to the same period in the previous year).

In the first three months of 2019, the volume of electricity sold by the fully consolidated companies was equal to 113.0 GWh, marking an increase of 19.6% compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 37.5 GWh of electrical energy (+17.5% compared to the same period in the previous year).

As of 31st March 2019, the gas customer portfolio of the companies consolidated on a line-by-line basis consisted of 534.0 thousand customers and recorded a contraction of 11.1 thousand units as compared to 31st March 2018 (545.2 thousand units as of 31st March 2018). 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 226.1 thousand customers, recording a decrease of 2.6% compared to the same period in the previous year (232.2 thousand units as of 31st March 2018).

The decrease in the gas portfolio was more than offset by the increase in electricity customers: at the end of the first quarter of the year, the companies consolidated on a line-by-line basis, serving 87.0 thousand customers, recorded an increase of 16.1 thousand units. At the end of the reference period, the companies consolidated using the equity method boasted an electricity portfolio consisting of 35.9 thousand customers, showing a growth of 9.4 thousand units.

General operational performance - The Group's economic results

(Thousands of Euro)	Firts quarter			
	2019	% of revenues	2018	% of revenues
Revenues	224,087	100.0%	200,648	100.0%
Total operating costs	191,718	85.6%	164,788	82.1%
Gross operative margin	32,370	14.4%	35,860	17.9%
Amortization and depreciation	6,050	2.7%	5,650	2.8%
Provision for risks on credits	408	0.2%	345	0.2%
Operating result	25,912	11.6%	29,864	14.9%
Financial income	184	0.1%	58	0.0%
Financial charges	420	0.2%	245	0.1%
Evaluation of subsidiary companies with the net equity method	3,349	1.5%	3,783	1.9%
Earnings before tax	29,025	13.0%	33,460	16.7%
Taxes for the period	7,267	3.2%	8,461	4.2%
Net result for the period	21,758	9.7%	24,999	12.5%
Group's Net Result	20,562	9.2%	23,502	11.7%
Third parties Net Result	1,195	0.5%	1,497	0.7%

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

In the first three months of the year, the Group incomes amounted to Euro 224,087 thousand, marking an increase of 11.7% compared to the same period in the previous year. The following table reports the details of income.

(Thousands of Euro)	Firts quarter	
	2019	2018
Revenues from gas transportation	19,212	11,569
Revenues from gas sale	172,898	155,129
Revenues from electricity sale	20,162	18,244
Revenues from connections	88	68
Revenues from heat supply	1	1
Revenues from distribution services	1,507	1,528
Revenues from services supplied to Group companies	351	811
Revenues from ARERA contributions	6,358	8,749
Other revenues	1,564	3,282
Other revenues	1,947	1,266
Revenues	224,087	200,648

Revenues from gas sale increased from Euro 155,129 thousand to Euro 172,898 thousand, recording an increase of Euro 17,769 thousand (+11.5%). The increase is mainly explained by the growing trend of the price basket to which the sales tariff of the raw material is adjusted. The decrease in the natural gas volumes sold during the quarter partially offset the growth in revenues described above.

Revenues from electricity sales increased from Euro 18,244 thousand to Euro 20,162 thousand, recording an increase of Euro 1,918 thousand (+10.5%). The increase is mainly explained by the greater quantities of GWh sold during the year.

Revenues from forward sales of raw materials, relating to contracts for the purchase and sale on the PSV Italian market and VTP Austrian market, for the transport and export capacity from the Austrian raw material market, amounted to Euro 1,564 thousand, marking a decrease of Euro 1,718 thousand compared to the same period in the previous year.

The **operating result** in the first three months of 2019 amounted to Euro 25,912 thousand, recording a decrease of Euro 3,952 thousand (-13.2%) compared to the same period in the previous year.

The worsening is due to several factors:

- decrease in the tariff revenues on the activity of gas distribution for Euro 301 thousand;
- decrease in the first margin on the activity of gas sales, equal to Euro 2,327 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 231 thousand;
- negative change in other items of cost and revenues, equal to Euro 1,555 thousand.

The **revenues from tariffs in the gas distribution activity** (from Euro 18,174 thousand to Euro 17,873 thousand) decreased by Euro 301 thousand compared to the same period in the previous year.

The decrease in the **first margin on the activity of gas sale** (from Euro 29,908 thousand to Euro 27,654 thousand) is mainly explained by lower amounts of gas sold in the quarter in question due to the mild temperatures recorded in the months of February and March as well as the lower unit margins achieved.

The first margin resulting from gas trading at the end of the first three months of 2019 was Euro 9 thousand, a decrease of Euro 73 thousand compared to the same period in the previous year. The margin represents the economic effects deriving from the contracts signed for the purchase and sale on the PSV Italian market and Austrian VTP market, as well as the transport and export capacity from the Austrian raw material market. The revenue and cost components related to physical deliveries during the quarter 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 April - September 2019, since these are forward transactions, at the reporting date were booked at current value.

The increase in the **first margin on the activity of electricity sales**, from Euro 1,653 thousand to Euro 1,884 thousand, is mainly explained by the higher volumes of electricity sold during the first quarter of the year, due to the higher number of customers.

The negative change in the item **other costs and revenues**, amounting to Euro 1,555 thousand, is due to:

- lower other revenues for Euro 2,172 thousand, mainly connected to the trend of energy efficiency certificates (Euro -2,391 thousand);
- lower material and service costs and other charges equalling Euro 1,238 thousand (mainly connected to the trend of energy efficiency certificates Euro -1,533 thousand);
- an increase in personnel cost for Euro 159 thousand (partially offset by higher capitalisations for Euro 76 thousand);
- an increase in amortisation and depreciation of fixed assets for Euro 399 thousand;
- higher bad debts provisions for Euro 62 thousand.

The **net consolidated profit** in the first three months of 2019 amounts to Euro 21,758 thousand, thus recording a decrease of Euro 3,242 thousand (-13.0%) compared to the same period in the previous year.

This change is due to the following factors:

- a decrease in the operating result, as previously stated, for Euro 3,952 thousand;
- lower result of companies consolidated through the equity method for Euro 434 thousand;

- an increase in financial revenues for Euro 126 thousand;
- an increase in financial charges for Euro 175 thousand;
- a decrease in taxes for Euro 1,194 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, decreased from 28.5% in the first three months of 2018 to 28.3%.

General operational performance - Financial situation

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

(Thousands of Euro)	31.03.2019	31.12.2018
A Cash and cash equivalents on hand	19	18
B Bank and post office deposits	111,484	66,632
D Liquid assets (A) + (B) + (C)	111,503	66,650
E Current financial assets	138	981
F Payables due to banks	(115,030)	(123,031)
G Current portion of medium-long-term loans	(8,080)	(8,014)
H Current financial liabilities	(1,944)	(115)
I Current financial indebtedness (F) + (G) + (H)	(125,054)	(131,159)
J Net current financial indebtedness (I) - (E) - (D)	(13,413)	(63,528)
K Medium- and long-term bank loans	(51,292)	(55,111)
L Non current financial assets	1,127	1,122
M Non-current financial liabilities	(1,593)	0
N Non-current financial indebtedness (K) + (L) + (M)	(51,758)	(53,989)
O Net financial indebtedness (J) + (N)	(65,171)	(117,517)

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.

The financial position decreased from Euro 117,517 thousand as of 31st December 2018 to Euro 65,171 thousand as of 31st March 2019, reporting a decrease of Euro 52,345 thousand.

Pursuant to Consob communication no. DEM/6064293/2006, the following table shows the reconciliation between the Net financial position and the ESMA Net financial position:

(Thousands of Euro)	31.03.2019	31.12.2018
Net financial position	(65,171)	(117,517)
Non current financial assets	(1,127)	(1,122)
ESMA Net financial position	(66,298)	(118,639)

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

(Thousands of Euro)	First quarter	
	2019	2018
Net Income	21,758	24,999
Depreciations and amortizations	6,050	5,650
Provisions	,408	,345
(a) Self financing	28,216	30,995
(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:	33,481	38,160
by operating activities = (a) + (b)	61,696	69,156
by investing activities	(9,351)	(4,891)
(e) Other financial position changes	,0	,0
Net financial position changes = (c) + (d) + (e)	52,345	64,264

The cash flow generated by the operating management (letters a + b), equal to Euro 61,696 thousand, was mainly due to self-financing for Euro 28,216 thousand and other financial positive variations amounting to Euro 33,481 thousand, mainly related to the management of the net circulating capital for Euro 36,830 thousand and to the assessment of companies consolidated through the equity method for Euro -3,349 thousand.

The management of net circulating capital generated financial resources amounting to Euro 36,830 thousand and was influenced mainly by the positive variation in VAT allocation, which generated financial resources for Euro 34,360 thousand, by the variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes, which generated financial resources for Euro 7,684 thousand and by the variation in the overall balance with Ufficio Tecnico Imposte di Fabbricazione e Regioni which generated resources for Euro 28,882 thousand. They are partially offset by the requirements generated by the net operating capital which used financial resources for Euro 39,866 thousand.

The following table shows in detail the changes in the net working capital during the first quarter of the year:

(Thousands of Euro)	First quarter	
	2019	2018
Inventories	1,707	1,298
Trade receivables and payables	(48,887)	(32,298)
Operating receivables and payables	7,315	1,547
Severance pay and other funds	,031	,164
Current taxes	7,267	8,461
Tax receivables and payables	69,398	62,772
Change in net working capital	36,830	41,943

Investment activities generated a net cash requirement of Euro 9,351 thousand in tangible and intangible assets mainly for works and developments of natural gas distribution facilities. Of Euro 9,351 thousand of investments made, Euro 2,533 thousand relate to the first application of IFRS 16, which also determined a negative change in the net financial position for the same amount.

General operational performance - Investments

During the first quarter of the year, the Group made investments in tangible and intangible assets for Euro 9,350 thousand, an increase as compared to the same period in the previous year of Euro 4,333 thousand. The increase is explained by higher costs incurred for the construction of natural gas distribution facilities (Euro +1,723 thousand) and the increase in other investments (Euro +2,609 thousand). The item “rights of use” includes the first application of IFRS 16 on 1st January 2019. The effect of the application of the new standard mainly concerned operating leases relating to tangible fixed assets: lease of buildings (Euro 1,529 thousand), rental of vehicles and trucks (Euro 759 thousand), as well as IT equipment (Euro 245 thousand).

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 6,489 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 2,587 thousand, the creation of connections for Euro 1,756 thousand and the installation of metres for Euro 2,146 thousand.

INVESTMENTS (Thousands of Euro)	First quarter	
	2018	2017
Connecting a gas users	1,756	1,180
Expansions, reclamations and network upgrades	1,973	732
Flowmeters	2,146	2,485
Maintenance	615	172
Other assets in raw material (gas) investments	0	198
Raw material (gas) investments	6,489	4,766
Land and buildings	53	56
Industrial and commercial equipment	87	75
Forniture	39	20
Vehicles	78	35
Hardware e Software	31	52
Right of use	2,533	0
Other assets	40	13
Other investments	2,860	251
Investments	9,350	5,017

Ascopiave Group

Schedules of the interim financial report

as of 31st March 2019

Consolidated assets and liabilities statement

(Thousands of Euro)		31.03.2019	31.12.2018	31.03.2018
ASSETS				
Non-current assets				
Goodwill	(1)	80,758	80,758	80,758
Other intangible assets	(2)	353,021	351,878	346,485
Tangible assets	(3)	34,882	32,724	32,023
<i>Rights of use</i>	*	2,373		
Shareholdings	(4)	71,438	68,357	71,423
Other non-current assets	(5)	12,069	12,044	13,023
Non current financial assets	(6)	1,127	1,122	
Advance tax receivables	(7)	11,492	11,358	11,483
Non-current assets		564,787	558,240	555,197
Current assets				
Inventories	(8)	4,313	6,020	2,774
Trade receivables	(9)	220,718	166,947	196,593
Other current assets	(10)	48,098	45,062	71,816
Current financial assets	(11)	138	981	0
Tax receivables	(12)	1,595	1,508	2,720
Cash and cash equivalents	(13)	111,503	66,650	82,012
Current assets from derivative financial instruments	(14)	437	123	628
Current assets		386,802	287,291	356,543
ASSETS		951,590	845,531	911,740
Net equity and liabilities				
Total Net equity				
Share capital		234,412	234,412	234,412
Own shares		(16,981)	(16,981)	(17,521)
Reserves		246,565	226,136	250,572
Net equity of the Group		463,995	443,567	467,462
Net equity of Others		5,453	4,303	6,392
Total Net equity	(15)	469,449	447,869	473,854
Non-current liabilities				
Provisions for risks and charges	(16)	3,633	3,901	5,416
Severance indemnity	(17)	4,840	4,807	5,003
Medium- and long-term bank loans	(18)	51,292	55,111	59,310
Other non-current liabilities	(19)	28,546	28,003	23,195
Non-current financial liabilities	(20)	1,593	0	258
<i>Payables for rights of use over 12 months</i>	*	1,593		
Deferred tax payables	(21)	14,302	14,534	15,469
Non-current liabilities		104,205	106,356	108,651
Current liabilities				
Payables due to banks and financing institutions	(22)	123,110	131,044	76,037
Trade payables	(23)	136,476	131,185	125,409
Tax payables	(24)	1,823	207	2,719
Other current liabilities	(25)	112,647	27,539	123,029
<i>Payables for rights of use within 12 months</i>	*	758		
Current financial liabilities	(26)	1,944	115	2,010
Current liabilities from derivative financial instruments	(27)	1,934	1,216	31
Current liabilities		377,936	291,305	329,235
Liabilities		482,141	397,661	437,886
Net equity and liabilities		951,590	845,531	911,740

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

Income statement and Comprehensive consolidated income statement

(Thousands of Euro)	Firts quarter		
	2019	2018	
Revenues	(28)	224,087	200,648
Total operating costs		192,126	165,133
Purchase costs for raw material (gas)	(29)	132,189	109,185
Purchase costs for other raw materials	(30)	8,274	8,273
Costs for services	(31)	37,246	31,747
Costs for personnel	(32)	6,307	6,149
Other management costs	(33)	8,142	9,802
Other income	(34)	33	22
Amortization and depreciation	(35)	6,050	5,650
<i>Amortization of usage rights</i>	*	159	
Operating result		25,912	29,864
Financial income	(36)	184	58
Financial charges	(36)	420	245
<i>Financial charges on rights of use</i>	*	12	
Evaluation of subsidiary companies with the net equity method	(36)	3,349	3,783
Earnings before tax		29,025	33,460
Taxes for the period	(37)	7,267	8,461
Net result for the period		21,758	24,999
Group's Net Result		20,562	23,502
Third parties Net Result		1,195	1,497
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		(177)	(902)
Income tax relating to components of comprehensive income			
2. Components that can not be reclassified to the income statement			
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net			
Total comprehensive income		21,581	24,098
Group's overall net result		20,344	22,695
Third parties' overall net result		1,236	1,403
Base income per share		0.092	0.106
Diluted net income per share		0.092	0.106

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

	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
(Thousands of Euro)									
Balance as of 1st January 2019	234,412	46,882	(16,981)	(35)	134,664	44,625	443,567	4,303	447,869
Result for the period						20,562	20,562	1,195	21,758
Other operations					(133)		(133)	(45)	(177)
Total result of overall income statement				(0)	(133)	20,562	20,430	1,151	21,581
Allocation of 2018 result					44,625	(44,625)	(0)		(0)
Other operations					(1)		(1)		(1)
Balance as of 31st March 2019	234,412	46,882	(16,981)	(35)	179,155	20,562	463,996	5,453	469,448

	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
(Thousands of Euro)									
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						23,502	23,502	1,497	24,999
Other operations					(807)		(807)	(95)	(902)
Total result of overall income statement				(0)	(807)	23,502	22,695	1,403	24,098
Allocation of 2017 result					47,135	(47,135)	(0)		(0)
Other operations					(743)		(743)		(743)
Balance as of 31st March 2018	234,412	46,882	(17,521)	(46)	180,234	23,502	467,462	6,392	473,854

Consolidated statement of cash flows

(Thousands of Euro)	Firts quarter	
	2019	2018
Net income of the Group	20,562	23,502
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	1,195	1,497
Amortization	6,050	5,650
Bad debt provisions	408	345
Variations in severance indemnity	33	167
Current assets / liabilities on financial instruments and forward purchasee and sales	388	798
Net variation of other funds	(3)	(3)
Evaluation of subsidiaries with the net equity method	(3,349)	(3,783)
Interests paid	(394)	(418)
Interest expense for the year	262	243
Taxes for the year	7,267	8,461
Variations in assets and liabilities		
Inventories	1,707	1,298
Accounts payable	(54,179)	(40,054)
Other current assets	(2,872)	(13,160)
Trade payables	5,292	7,756
Other current liabilities	78,811	76,598
Other non-current assets	(26)	(8)
Other non-current liabilities	542	266
Total adjustments and variations	41,134	45,654
Cash flows generated (used) by operating activities	61,696	69,156
Cash flows generated (used) by investments		
Investments in intangible assets	(6,713)	(4,705)
Realisable value of intangible assets	213	78
Investments in tangible assets	(319)	(264)
Cash flows generated/(used) by investments	(6,818)	(4,891)
Cash flows generated (used) by financial activities		
Net changes in debts due to other financers	(0)	(19)
Net changes in short-term bank borrowings	(3,752)	(9)
Net variation in current financial assets and liabilities	1,909	1,530
Ignitions loans and mortgages	35,000	80,000
Redemptions loans and mortgages	(43,000)	(79,309)
Coverage of losses of subsidiary companies	(182)	0
Cash flows generated (used) by financial activities	(10,025)	2,193
Variations in cash	44,853	66,457
Cash and cash equivalents at the beginning of the period	66,650	15,555
Cash and cash equivalents at the end of the period	111,503	82,012

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

EXPLANATORY NOTES

Company information

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

As of 31st March 2019, 61.56% of the Company’s share capital, amounting to Euro 234,411,575 was held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario - STAR Segment - organised and managed by Borsa Italiana S.p.A..

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

The publication of the Interim financial report as of 31st March 2019 of the Ascopiave Group was authorised by resolution of the Board of Directors on 13th May 2019.

Ascopiave S.p.A. is a joint-stock company with Italian domicile that was established in Italy.

The activities of the Ascopiave Group

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

The Group owns concessions and direct assignments for the management of the activity of gas distribution in 228 municipalities (230 municipalities as of 31st December 2018; the change in the number of concessions managed is related to the union of some municipalities) operating a distribution network which spreads over 9,809 km² (9,796 km as of 31st December 2018) and supplying the service to more than one million users.

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 408 million cubic metres³ of gas sold (approximately 433 million as of 31st March 2018).

General drafting criteria and compliance with IFRS

The Ascopiave Group Interim Financial Statements as of 31st March 2019 have been prepared pursuant to IFRS, that is all the “International Financial Reporting Standards”, “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously “Standing Interpretations Committee” (SIC) adopted by the European Commission pursuant to the procedure set forth in Art. 6 of EC Directive no. 1606/2002 issued by the European Parliament and Council on 19th July 2002 as well as with the provisions issued for the implementation of Art. 9 of Legislative Decree no. 38/2005.

The accounting principles adopted are consistent with those used as of 31st December 2018, except as described in the following paragraph Accounting principles, amendments and interpretations effective from 1st January 2019. For comparative purposes, the consolidated schedules are compared with balance sheet figures as of 31st December 2018.

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

The values used for consolidation were gathered from income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data have been adjusted and reclassified, where necessary, to ensure compliance with international accounting standards and with the classification criteria applied throughout the Group. These Interim financial statements as of 31st March 2019 were approved by the Board of Directors of the Company on 13th May 2019.

³ The data specified about the volumes of gas sold are obtained by adding each Group company’s data, previously weighting the data of the companies consolidated with the equity method according to the relevant share.

Measurement criteria

Use of estimates

The preparation of the interim report for the first quarter of 2019 requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the information disclosure of contingent assets and liabilities as of the date of the report.

If, in the future, such estimates and assumptions, which are based on the management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise. For a detailed description of the most significant evaluation processes of the Group, please refer to paragraph "Use of Estimates" in the Consolidated Financial Statements as of 31st December 2018.

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 applied from 1st January 2019

Below is a brief description of amendments, improvements and interpretations applicable to financial reports closed after 31st December 2018 and applicable commencing 1st January 2019. The standards, amendments and interpretations which by their nature cannot be adopted by the Group are excluded from the list.

IFRS 16 - Leases

IFRS 16 standard - Leases was approved 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. Ascopiave has decided not to adopt the standard ahead of time (concomitantly with the date of first application of IFRS 15).

On the basis of the transition provisions of IFRS 16, on 1st January 2019 the effects related to the cases existing on the same date will be recognised, without restating the previous comparative period (so-called "modified retrospective approach") and recognising the right-of-use asset for an amount equal to the respective financial liability.

The following table shows the impacts of the first adoption of the standard on the Group's equity data:

(Thousands of Euro)	Adoption effects 01.01.2019	Depreciation	Capital repayments	31.12.2018
Non-current assets	2,495	(159)		2,336
Intangible assets	2,495	(159)		2,336
- of which use rights	2,495	(159)		2,336
- of which property use rights	1,491	(99)		1,392
- of which equipment use rights	245	(24)		221
- of which rights to use other assets	759	(37)		722
Current and non-current liabilities	2,495	0		2,301
Non-current liabilities				
- of which non-current financial liabilities	1,774		(194)	1,581
Current liabilities				
- of which current financial liabilities	721		0	721

The discount rate used for the transition to the new standard is the Group's marginal cost of debt of as of 1st January 2019. The evaluation did not include, as allowed by the standard, short-term leases and low-value asset leases. For the Group, the effect of the application of the new standard will mainly concern operating leases relating to tangible fixed assets such as buildings, vehicles and trucks, as well as computer equipment. The adoption of IFRS 16 determined, on 1st January 2019, the recognition of greater right-of-use fixed assets for Euro 2,495 thousand and an equal amount of financial payables for leases divided into current and non-current.

Consolidation area and principles

The interim 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 positive 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 companies consolidated on a line-by-line basis or with the equity method are adjusted, where necessary, to harmonise them with the accounting standards used by the Parent company, which are in accordance with the IFRSs adopted by the European Union.

The companies included in the consolidation area as of 31st March 2019 and consolidated through the line-by-line or equity method are the following:

Company name	Registered offices	Paid-up capital	Group interest	Direct controlling interest	Indirect controlling interest
Parent company					
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%	0%
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100%	0%
Etra Energia S.r.l.	Cittadella (PD)	100.000	51.00%	51%	0%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7.000.000	100.00%	100%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Cernusco sul Naviglio (MI)	1.000.000	100.00%	100%	0%
Amgas Blu S.r.l.	Foggia (FG)	10.000	100.00%	100%	0%
Blue Meta S.p.A.	Bergamo (BG)	606.123	100.00%	100%	0%
Ascopiave Energie S.p.A.	Pieve di Soligo (TV)	250.000	100.00%	100%	0%
Asco Energy S.p.A.	Venezia	1.000.000	100.00%	100%	0%
AP Reti Gas Vicenza S.p.A.	Schio (VI)	10.000.000	100.00%	100%	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..

No changes occurred as compared to the financial statements closed at 31st December 2018.

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.	9,626	1,090	2,737	(718)	Ita Gaap
AP Reti Gas S.p.A.	19,478	3,237	319,871	(30,598)	IFRS
Ascopiave S.p.A.	2,964	(1,334)	398,797	141,492	IFRS
Ascotrade S.p.A.	142,456	8,637	36,463	(36,567)	IFRS
Blue Meta S.p.A.	30,380	2,639	11,577	(10,161)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	1,250	325	12,039	(1,791)	Ita Gaap
Estenergy S.p.A.	57,456	4,747	26,920	(20,285)	IFRS
Etra Energia S.r.l.	3,635	312	1,694	(1,524)	Ita Gaap
AP Reti Gas Vicenza S.p.A.	4,749	109	17,661	13,304	Ita Gaap
Ascopiave Energie S.p.A.	46,593	2,852	14,756	(15,156)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	1,070	276	17,259	(2,326)	Ita Gaap
ASM Set S.r.l.	14,272	1,103	3,555	(1,803)	Ita Gaap
Unigas Distribuzione S.r.l.	3,111	440	42,773	1,029	Ita Gaap
Asco Energy S.p.A.	320	31	1,214	7,991	Ita Gaap

Information on consolidated subsidiaries with minority interests

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

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

Non-current assets

1. Goodwill

Goodwill, equal to Euro 80,758 thousand as of 31st March 2019, remains unchanged as compared to 31st December 2018. This amount refers in part to the surplus value created by the delivery of the gas distribution networks by partner municipalities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some company branches related to the distribution and sale of natural gas.

Pursuant to International Accounting Standard 9, goodwill is not subject to amortisation, but its impairment is verified at least annually.

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

(Thousands of Euro)	31.03.2019	31.12.2018
Distribution of natural gas	24,396	24,396
Sales of natural gas	56,362	56,362
Total goodwill	80,758	80,758

As of 31st March 2019, considering the outcome of the impairment tests carried out while preparing the financial statements as of 31st December 2018, the evolution of the external indicators and of the internal values previously used to estimate the value recoverable from the cash-generating units and that there are no new, significant impairment indicators to take into account, the administrators did not judge it necessary to carry out another impairment test on the book value of the goodwill reported above.

2. Other intangible fixed assets

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

(Thousands of Euro)	31.03.2019			31.12.2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	5,653	(5,610)	42	5,653	(5,601)	52
Concessions, licences, trademarks and similar rights	15,256	(9,650)	5,606	15,256	(9,380)	5,876
Other intangible assets	24,676	(21,295)	3,381	24,676	(20,843)	3,833
Tangible assets under IFRIC 12 concession	627,434	(292,971)	334,463	622,519	(288,584)	333,934
Tangible assets in progress under IFRIC 12 concession	9,037	0	9,037	7,693	0	7,693
Intangible assets in progress and advances	491	0	491	491	0	491
Other intangible assets	682,547	(329,527)	353,021	676,287	(324,409)	351,878

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

	31.12.2018						31.03.2019
	Net value	Change for the period	Decrease	Reclassification s to tangible assets	Amortizations during the period	Depreciations	Net value
<i>(Thousands of Euro)</i>							
Industrial patent and intellectual property rights	52	(0)			9		42
Concessions, licences, trademarks and similar rights	5,876	(0)			270		5,606
Other intangible assets	3,833	(0)			452		3,381
Tangible assets under IFRIC 12 concession	333,934	5,357	443		4,626	(241)	334,463
Tangible assets in progress under IFRIC 12 concessio	7,693	1,355	10		0		9,037
Intangible assets in progress and advances payments	491	0			0		491
Other intangible assets	351,878	6,713	454	0	5,357	(241)	353,021

The investments made during the first quarter of the year amount to Euro 6,713 thousand and refer to costs incurred for the realisation of the infrastructures for natural gas distribution.

Industrial patents and intellectual property rights

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

Concessions, 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 licences. During the first quarter 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 impairments. During the first quarter of the year, the item did not register investments and the change is explained by amortisation.

Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of measurement and reduction groups. At the end of the first three months of the year, the item changed by Euro 528 thousand, mainly explained by the amortisation of the period and the investments made. Including the reclassifications of assets under construction, investments totalled Euro 5,357 thousand. Net divestments are mainly related to the mass replacement of metres.

The infrastructures located in Municipalities in which the invitation to tender for the distribution of natural gas has not been launched, are depreciated by applying the lower amount between the technical life of plants and the useful life indicated by the ARERA in tariff regulations. The technical life of plants has been assessed by an independent external expert who has determined the technical obsolescence of the infrastructures.

Intangible assets under construction under concession

The item includes the costs incurred for the building of the natural gas distribution plants and systems constructed partially on a time and materials basis and not completed at the end of the period considered. The item has changed by Euro 1,355 thousand.

Intangible assets under construction

The item includes the costs incurred for the purchase and development of management software not completed at the end of the first three months of the year and related to the core business of natural gas distribution.

3. Tangible assets

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

(Thousands of Euro)	31.03.2019				31.12.2018			
	Historic cost	Accumulated depreciation	Provision for impairment	Net value	Historic cost	Accumulated depreciation	Provision for impairment	Net value
Lands and buildings	41,511	(13,283)		28,228	41,501	(12,979)		28,522
Plant and machinery	3,631	(1,491)	(995)	1,145	3,631	(1,474)	(995)	1,162
Industrial and commercial equipment	3,579	(3,020)		560	3,493	(3,001)		492
Other tangible assets	17,972	(15,650)		2,322	17,824	(15,458)		2,366
Tangible assets in progress and advance payments	255	0		255	182	0		182
Rights of use	2,533	(159)		2,373	0	0		0
Other tangible assets	69,481	(33,603)	(995)	34,882	66,631	(32,912)	(995)	32,724

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

(Thousands of Euro)	31.12.2018							31.03.2019
	Net value	Change for the period	First Adoption IFRS16	Decrease	Reclassifications to intangible assets	Amortizations during the period	Depreciations	Net value
Lands and buildings	28,522	10				304		28,228
Plant and machinery	1,162	0				17		1,145
Industrial and commercial equipment	492	88				20		560
Other tangible assets	2,366	148				192		2,322
Tangible assets in progress and advance payments	182	72				0		255
Rights of use	0	0	2,533			159		2,373
Other tangible assets	32,724	319	2,533	0	0	693	0	34,882

Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. The change recorded at the end of the period is mainly explained by the completion of extraordinary maintenance works or the development of company offices which were still in progress at the end of the previous year. The increases recorded were more than offset by the depreciation for the period.

Plants and machinery

During the first quarter of the year, the item "Plants and machinery" registered a decrease of Euro 17 thousand, entirely 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 88 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during the first quarter of the year are equal to Euro 148 thousand and they mainly relate to the costs incurred for the purchase of corporate vehicles (Euro 78 thousand), hardware and phones (Euro 31 thousand), as well as furniture and fittings (Euro 39 thousand).

Tangible assets under construction and advance payments

The item mainly includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the first quarter of the year, the item changed by Euro 72 thousand.

Rights of use

The item includes the rights of use related to the first application of IFRS 16 on 1st January 2019. The effect of the application of the new standard mainly concerned operating leases relating to tangible fixed assets: lease of buildings (Euro 1,529 thousand), rental of vehicles and trucks (Euro 759 thousand), as well as IT equipment (Euro 245 thousand). During the first quarter of the year, the change recorded by the item, net of the first recognition at the amortised cost of the commitments, amounts to Euro 159 thousand, equal to the depreciation for the period.

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)	31.12.2018			31.03.2019
	Net value	Increase	Decrease	Net value
Shareholdings in jointly controlled companies	68,355	11,091	8,009	71,436
Shareholdings in other companies	2	0		2
Shareholdings	68,357	11,091	8,009	71,438

Shareholdings in joint companies

Shareholdings in joint companies increase from Euro 68,357 thousand to Euro 71,438 thousand, showing a net change of Euro +3,082 thousand. The increase is explained by the results achieved in the first three months of the year 2019 of which Estenergy S.p.A. Euro 2,326 thousand, ASM Set S.r.l. Euro 541 thousand and Unigas Distribuzione S.r.l. Euro 217 thousand.

The valuation of investments in joint ventures using the equity method and the economic and financial data of these companies are shown in the section "Synthesis data as of 31st March 2019 of jointly controlled companies consolidated using the equity method" of the Explanatory Notes.

Shareholdings in affiliate companies

Sinergie Italiane S.r.l. in liquidation

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

The scope of activity of the associate company during the financial year 2018-2019 only included the import of Russian gas and its transfer to the sales companies in which shareholders hold a stake as well as the management of agreements, transactions and disputes concerning the regulation of contractual relations, finalised before to the liquidation.

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

In September 2015, the affiliate signed the second renegotiation of the long-term agreement with the same supplier, mainly focused on the renegotiation of the raw material purchase price. At the same time, it was possible to achieve a significant reduction in the minimum contractual amounts. The economic effects of this renegotiation will extend until the natural expiry of the contract.

Based on the results of the accounting situation for the first half of the year 2018-2019, restated pursuant to international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 7,044 thousand, of which Euro 2,179 thousand attributable to the Ascopiave Group. Given that the capital deficit of the affiliate company as of 31st December 2018 amounted to Euro 8,358 thousand, of which Euro

2,586 thousand attributable to the Ascopiave Group, the Directors have used the related provision for risks and charges allocated against the capital deficit of the affiliate company for the difference accrued in the period and corresponding to Euro 266 thousand with a positive impact on the profit and loss account (Euro 494 thousand as of 31st March 2018).

(Values referred to pro-rata participation in Million of Euro)	First half as of 31/03/2019	First quarter as of 31/12/2018	First half as of 31/03/2018
Non-current assets	1.33	1.46	1.86
Current assets	10.44	11.60	9.75
Net equity	(2.18)	(2.44)	(2.98)
Non-current liabilities	0.00	0.00	0.00
Current liabilities	13.95	14.37	13.61
Revenues	35.70	18.32	33.58
Costs	34.98	(18.00)	(32.82)
Gross operative margin	0.72	0.33	0.76
Amortization and depreciation	(0.27)	(0.13)	(0.27)
Operating result	0.45	0.19	0.50
Net result	0.46	0.19	0.46
NFP	5.11	4.70	3.67

Other investments

Other equity investments relate to Banca di Credito Cooperativo delle Prealpi - Soc. Coop. for Euro 1 thousand and Banca Alto Vicentino S.p.A. for Euro 1 thousand.

5. Other non-current assets

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

(Thousands of Euro)	31.03.2019	31.12.2018
Security deposits	8,943	8,917
Other receivables	3,126	3,127
Other non-current assets	12,069	12,044

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. Other non-current assets increase from Euro 12,044 thousand to Euro 12,069 thousand, marking an increase of Euro 25 thousand, mainly due to the flows of the security deposits.

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

- Receivables from the Municipality of Santorso, for Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2006. The value of the receivables from the municipality corresponds to what the municipality of Santorso has been asked to retrocede as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.
- Receivables from the municipality of Costabissara, for Euro 1,537 thousand. This amount corresponds to the net book value of the distribution systems delivered on 1st October 2011.

As of 31st March 2019, there are on-going litigations with the municipalities mentioned above in order to define the

value of compensation of the delivered distribution systems. The Group, also following the opinion of its legal advisors, believes that the result of the litigation and arbitration procedures is uncertain. The evolution of these disputes can be found in the paragraph “Litigations” of these interim financial statements.

6. Non-current financial assets

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

(Thousands of Euro)	31.03.2019	31.12.2018
Other financial receivables after 12 months	1,127	1,122
Non current financial assets	1,127	1,122

The item refers to the receivables from the municipality of Creazzo, to be collected 12 months after the reporting date. The infrastructure was delivered subsequent to the natural expiry of the concession on 31st December 2004. The value of the receivables corresponds to the amount that the municipality of Creazzo has been asked to pay 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.

In order to reach an amicable settlement of the dispute, on 1st March 2017 the technicians in charge of estimating the plants proposed a comprehensive value of Euro 1,678 thousand (to be paid in instalments over 12 years). The value entered under non-current financial assets represents the portion due beyond 12 months from the reporting date and, due to the duration of the agreed instalments, the item was discounted.

The Municipality, with City Council Resolution no. 18 dated 22nd March 2018, definitively approved the settlement deed above, executed on 2nd August 2018.

7. Advance tax receivables

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

(Thousands of Euro)	31.03.2019	31.12.2018
Advance tax receivables	11,492	11,358
Advance tax receivables	11,492	11,358

Advance taxes increase from Euro 11,358 thousand to Euro 11,492 thousand, marking an increase of Euro 134 thousand.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31st March 2019 and at the time when it is estimated that any temporary differences will be carried forward.

Current assets

8. Inventories

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

(Thousands of Euro)	31.03.2019			31.12.2018		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Gas stockage	549	(135)	414	2,694	(35)	2,659
Fuels and warehouse materials	3,938	(39)	3,899	3,399	(39)	3,360
Fuels and warehouse materials	4,487	(174)	4,313	6,093	(73)	6,020

At the end of the first three months of 2019, inventories are equal to Euro 4,313 thousand, marking a decrease of Euro 1,707 thousand as compared to 31st December 2018, mainly explained by the decrease in the amount of natural gas stored (Euro -2,245 thousand), partially offset by the increase in goods in stock (Euro +539 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 174 thousand, in order to adapt their value to the opportunities for their clearance or use.

The value of gas inventories is calculated based on the weighted average purchase price of the raw material, whereas the provision for gas inventory depreciation is evaluated on the basis of the market price recorded on the last day of the reporting period (31st March 2019 equal to 17.75 €/MWh source MGS, 31st December 2018 equal to 23.260 €/MWh source MGS). At the end of the first quarter of the year, a depreciation of stocked gas price was necessary, as the market value was lower than the carrying amount of the stocked natural gas.

9. Trade receivables

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

(Thousands of Euro)	31.03.2019	31.12.2018
Receivables from customers	145,309	76,617
Receivables for invoices to be issued	79,050	94,046
Bad debt provisions	(3,641)	(3,715)
Trade receivables	220,718	166,947

Trade receivables increased from Euro 166,947 thousand to Euro 220,718 thousand, marking an increase of Euro 53,771 thousand. Receivables from customers are expressed net of the billing down payments and are payable within the following 12 months.

The lower provisions, equal to Euro 74 thousand, are mainly explained by the good capacity of the existing provisions, which did not require additional amounts, despite the uses in the first quarter of 2019, in addition to the results of the debt collection process by external agencies and the network of appointed lawyers.

The changes in the provision for doubtful accounts during the first quarter of 2019 are shown in the following table:

(Thousands of Euro)	31.03.2019	31.03.2018
Bad debt provisions	3,715	5,358
Provisions	408	1,964
Use	(482)	(3,607)
Final bad debt provision	3,641	3,715

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

(Thousands of Euro)	31.03.2019	31.12.2018
Gross trade receivable invoices issued	145,309	76,617
- allowance for doubtful accounts	(3,641)	(3,715)
Net trade receivables for invoices issued	141,668	72,902
Aging of trade receivables for invoices issued		
- to expire	123,147	65,052
- expired within 6 months	18,215	7,300
- overdue by 6 to 12 months	850	1,472
- expired more than 12 months	3,098	2,793

10. Other current assets

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

(Thousands of Euro)	31.03.2019	31.12.2018
Tax consolidation receivables	3,482	3,034
Annual pre-paid expenses	1,370	629
Advance payments to suppliers	7,472	2,769
annual accrued income	43	27
Receivables due from CSEA	30,695	25,029
VAT Receivables	2,025	2,854
UTF and Provincial/Regional Additional Tax receivables	657	8,612
Other receivables	323	159
Other receivables	2,031	1,948
Other current assets	48,098	45,062

Other current assets increase from Euro 45,062 thousand to Euro 48,098 thousand, marking an increase of Euro 3,036 thousand. The change is mainly explained by the increase in receivables from Cassa per i Servizi Energetici e Ambientali for Euro 5,666 thousand, primarily due to the tariff components of natural gas distribution and energy efficiency certificates, receivables for tax consolidation amounting to Euro 448 and advance payments to suppliers for Euro 4,703 thousand. These increases were partially offset by the decrease in receivables for gas and electricity excise duties for Euro 7,955 thousand and in VAT receivables for Euro 829 thousand.

Assets for forward sales increase from Euro 159 thousand in the previous year to Euro 323 thousand as at 31st March 2019, thus recording an increase of Euro 164 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.

The item “assets for forward sales” represents the current value of the contract for the period April - September 2019 for physical deliveries of raw materials and for the transportation service relating to the transport and export capacity from the Austrian network via the TAG pipeline. The receivables recognised for physical deliveries occurred in 2019 are entered at contractually agreed prices.

11. Current financial assets

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

(Thousands of Euro)	31.03.2019	31.12.2018
Jointly controlled companies		844
Other financial current assets	138	136
Current financial assets	138	981

Current financial assets concern the short-term portion of the receivables from the municipality of Creazzo, as described in the paragraph “Non-current financial assets” herein.

12. Tax receivables

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

(Thousands of Euro)	31.03.2019	31.12.2018
Receivables related to IRAP	557	545
Receivables related to IRES	749	673
Other tax receivables	288	290
Tax receivables	1,595	1,508

Tax receivables increased from Euro 1,508 thousand to Euro 1,595 thousand, marking an increase of Euro 87 thousand as compared to 31st December 2018. The item includes the residual credit, minus the taxes for the first quarter of 2019, of the IRAP advances paid and the IRES advances for the companies that do not adhere to the Group tax consolidation system.

13. Cash and cash equivalents

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

(Thousands of Euro)	31.03.2019	31.12.2018
Bank and post office deposits	111,484	66,632
Cash and cash equivalents on hand	19	18
Cash and cash equivalents	111,503	66,650

Cash and cash equivalents increased from Euro 66,650 thousand to Euro 111,503 thousand, marking an increase of Euro 44,853 thousand and they mainly refer to the bank accounting balance and to the company funds.

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

Net financial position

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

(Thousands of Euro)	31.03.2019	31.12.2018
Cash and cash equivalents	111,503	66,650
Current financial assets	138	981
Current financial liabilities	(1,944)	(115)
Payables due to banks and financing institutions	(123,110)	(131,044)
Payables due to leasing companies within 12 months	0	0
Net short-term financial position	(13,413)	(63,528)
Non current financial assets	1,127	1,122
Medium- and long-term bank loans	(51,292)	(55,111)
Non-current financial liabilities	(1,593)	0
Net medium and long-term financial position	(51,758)	(53,989)
Net financial position	(65,171)	(117,517)

For comments on the main dynamics that caused changes in the net financial position, please refer to the analysis of the Group's financial data reported under the paragraph "Comments on the economic and financial results in the first quarter of 2019" and under the paragraph "Medium- and long-term loans" of these Interim financial statements.

14. Current assets from derivative financial instruments

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

(Thousands of Euro)	31.03.2019	31.12.2018
Current assets from derivative financial instruments	437	123
Current assets from derivative financial instruments	437	123

Current assets from derivative financial instruments increased from Euro 123 thousand to Euro 437 thousand, showing an increase of Euro 314 thousand.

Assets from derivatives are represented by the fair value of the following commodity derivatives as of 31st March 2019, which will have financial manifestation over the next 12 months:

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	29808773	Intesa Sanpaolo	Commodity Swap	Gas Heren TTFDay Ahead	05-Mar-19	01-Apr-19	30-Apr-19	Long/Buy	57,600 MWh	169
2	22353481	BNP Paribas	Commodity Swap	Gas Heren TTF Quarter Ahe	15-Mar-19	01-Jan-20	29-Feb-20	Long/Buy	32,664 MWh	9
3	30038883	Intesa Sanpaolo	Commodity Swap	Gas Heren TTFDay Ahead	27-Mar-19	01-May-19	31-May-19	Long/Buy	31,992 MWh	12
4	22365095	BNP Paribas	Commodity Swap	Gas Heren TTFDay Ahead	29-Mar-19	01-May-19	31-May-19	Long/Buy	830 MWh	0
5	22298617	BNP Paribas	Commodity Swap	EE PUN Off Peak	23-Jan-19	01-Apr-19	30-Jun-19	Long/Buy	28,080 MWh	247
Total									151,166	437

Financial instruments measured at fair value belong to the 2nd assessment hierarchical level.

Consolidated Shareholders' Equity

15. Shareholders' equity

Ascopiave S.p.A. share capital as of 31st March 2019 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)	31.03.2019	31.12.2018
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(16,981)	(16,981)
Reserves	179,120	134,629
Group's Net Result	20,562	44,625
Net equity of the Group	463,995	443,567
Net equity of Others	4,258	2,428
Third parties Net Result	1,195	1,874
Net equity of Others	5,453	4,303
Total Net equity	469,449	447,869

During the first quarter of 2019, the variations in the consolidated net equity, excluding the result achieved in the period, were due to a positive variation for Euro 177 thousand related to the Cash Flow Hedge reserve, as better illustrated in the statement of changes in shareholders' equity of these interim financial statements.

The change recorded in the Cash Flow Hedge reserve is explained by the fair value measurement of the derivative agreements in force as of 31st March 2019. The hedging effects accrued during the year and those transferred to the profit and loss account in order to adjust the underlying supply costs with reference to all derivatives designated as hedge accounting during the first quarter of the year 2019 are:

(Thousands of Euro)	
Opening balance	1,044
Effectiveness gained during the period	1,343
Effectively released in the income statement during the period	(1,166)
Closing balance	1,222

The value of the cash flow hedge reserve as of 31st March 2019 refers to the expected supply and sale flows with effects on the income statement in 2019; therefore, such reserve will be booked to the income statement respectively:

- as an increase in costs totalling Euro 1,574 thousand,
- as a decrease in revenues totalling Euro 353 thousand.

Assuming a 10% change in the future quotes of natural gas (i.e. TTF Day Ahead, TTF Month Ahead and TTF Quarter Ahead) and electricity (i.e. Italian Power Base Load) as of 31st March 2019, upward and downward, there would be, respectively, a worsening of approximately Euro 1,334 thousand or Euro 1,603 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 31st March 2019 (fair value risk free of Euro 1,934 thousand) a negative differential is expected to be settled in 2019.

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. and Etra Energia S.r.l..

Non-current liabilities

16. Reserves for risks and charges

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

(Thousands of Euro)	31.03.2019	31.12.2018
Provisions for pension for gas sector employees	(1,021)	(1,024)
Other reserves for risks and charges	(2,611)	(2,877)
Reserves for risks and charges	(3,633)	(3,901)

Reserves for risks and charges decreased from Euro 3,901 thousand to Euro 3,633 thousand, thus recording a decrease of Euro 268 thousand. The variation is mainly explained by the decrease in the provisions for risks related to Sinergie Italiane S.r.l. in liquidation, for Euro 266 thousand.

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 2019	3,901
Provisions for risks hedging losses of associates with the equity method	(266)
Use of provisions for risks and charges	(3)
Provisions for risks and charges 31st of March 2019	3,633

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

(Thousands of Euro)	31.03.2019	31.12.2018
Cover losses associated companies	2,611	2,876
Risk of litigation with suppliers	235	235
Funds on just working causes	309	309
Retirement fund and similar obligations	373	376
Total	3,528	3,796

The “retirement funds and similar obligations” item included commitments to employees and directors regarding long-term incentive plans.

17. Severance indemnity

Severance indemnity increases from Euro 4,807 thousand as of 1st January 2019 to Euro 4,840 thousand as of 31st March 2019, with an increase of Euro 33 thousand.

(Thousands of Euro)

Severance indemnity as of 1st January 2019	4,807
Retirement allowance	(375)
Payments for current services and work	356
Actuarial loss/(profits) of the period (*)	52
Severance indemnity as of 31st of March 2019	4,840

* including the interest cost booked in the income statement.

18. Medium- and long-term loans

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

(Thousands of Euro)	31.03.2019	31.12.2018
Loans from Prealpi	8,417	8,611
Loans from European Investment Bank	19,125	21,500
Loans from BNL	23,750	25,000
Medium- and long-term bank loans	51,292	55,111
Current portion of medium and long-term loans	8,080	8,014
Medium- and long-term loans	59,373	63,124

Medium and long term loans, mainly represented as of 31st March 2019 by the payables of the Parent Company to BNL for Euro 26,250 thousand and the European Investment Bank for Euro 23,875 thousand, decrease from Euro 63,124 thousand to Euro 59,373 thousand, marking a decrease of Euro 3,751 thousand, explained by the payment of the instalments in the first quarter of the year. Considering only the portion due beyond the year, the total value decreases from Euro 55,111 thousand to Euro 51,292 thousand.

Specifically:

- the loan with BNL, taken out in 2017 for an amount equal to Euro 30,000 thousand, has an outstanding debt as of 31st March 2019 of Euro 26,250 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 31st December 2018, such covenants were met.
- Concerning the loan issued by the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, its outstanding debt as of 31st March 2019 is equal to Euro 23,875 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 31st December 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 of Euro 9,248 thousand as of 31st March 2019, with the recognition of Euro 830 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 following table shows the deadlines of medium- and long-term loans:

(Thousands of Euro)	31.03.2019
Year 2019	4,262
Year 2020	8,028
Year 2021	8,042
Year 2022	8,057
After 31st December 2022	30,984
Medium and long-term loans	59,373

19. Other non-current liabilities

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

(Thousands of Euro)	31.03.2019	31.12.2018
Security deposits	11,180	11,350
Multi-annual passive prepayments	17,366	16,653
Other non-current liabilities	28,546	28,003

Other non-current liabilities increased from Euro 28,003 thousand to Euro 28,546 thousand, marking an increase of Euro 543 thousand. The change is mainly explained by the rise in long-term deferred income, which recorded an increase of Euro 713 thousand.

Long-term deferred income was recognised against revenues for contributions received from private and public entities for the construction of the distribution network or connections to the gas network and related to the useful life of the gas distribution plants. 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.

Security deposits refer to deposits of gas and electricity users.

20. Non-current financial liabilities

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

(Thousands of Euro)	31.03.2019	31.12.2018
Payables due to leasing companies (over 12 months)	1,593	
Non-current financial liabilities	1,593	(0)

On 1st January 2019, the Group applied IFRS 16 for the first time. The first adoption of the standard, with the “modified retrospective approach” method, led to the recognition of non-current financial liabilities equal to Euro 1,774 thousand. The decrease recorded at 31st March 2019 is explained by the short-term reclassification of the principal amount that will be repaid within the next twelve months.

21. Deferred tax payables

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

(Thousands of Euro)	31.03.2019	31.12.2018
Deferred tax payables	14,302	14,534
Deferred tax payables	14,302	14,534

Payables for deferred taxation decrease from Euro 14,534 thousand to Euro 14,302 thousand, marking a decrease of Euro 232 thousand, mainly due to the dynamics of amortisations in the client lists and amortisation on gas distribution networks.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31st March 2019 and at the time when it is estimated that any temporary differences will be carried forward.

Current liabilities

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

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

(Thousands of Euro)	31.03.2019	31.12.2018
Payables due to banks	115,030	123,031
Current portion of medium-long-term loans	8,080	8,014
Payables due to banks and financing institutions	123,110	131,044

Payables to banks decrease from Euro 131,044 thousand to Euro 123,110 thousand, marking a decrease of Euro 7,934 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

23. Trade payables

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

(Thousands of Euro)	31.03.2019	31.12.2018
Payables to suppliers	59,434	70,907
Payables to suppliers for invoices not yet received	77,043	60,278
Trade payables	136,476	131,185

Trade payables increase from Euro 131,185 thousand to Euro 136,476 thousand, marking an increase of Euro 5,291 thousand. The change is mainly explained by the scheduling of natural gas purchasing and payment which, due to the seasonality of the business cycle, during this period of the year significantly affects the balances of payables to suppliers of the raw material natural gas.

24. Payables to tax authorities

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

(Thousands of Euro)	31.03.2019	31.12.2018
IRAP payables	1,297	169
IRES payables	526	38
Tax payables	1,823	207

Tax payables increase from Euro 207 thousand to Euro 1,823 thousand, marking an increase of Euro 1,616 thousand and include payables accrued as of 31st March 2019 for IRAP, and the IRES payable related to the companies which do not participate in Asco Holding S.p.A.'s tax consolidation system.

25. Other current liabilities

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

(Thousands of Euro)	31.03.2019	31.12.2018
Advance payments from customers	533	505
Amounts due to parent companies for tax consolidation	7,155	551
Amounts due to social security institutions	676	1,805
Amounts due to employees	5,956	5,026
VAT payables	40,700	7,170
Payables to revenue office for withholding tax	500	1,222
Annual passive prepayments	472	452
Annual passive accruals	417	509
UTF and Provincial/Regional Additional Tax payables	21,499	572
Liabilities for short-term purchase commitments	320	172
Other payables	34,418	9,555
Other current liabilities	112,647	27,539

Other current liabilities increased from Euro 27,539 thousand in 2018 to Euro 112,647 thousand in the reference period, with an increase of Euro 85,108 thousand.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of 31st March 2019.

Tax consolidation payables

This item 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 31st March 2019 with an increase, compared to the previous year, of Euro 6,605 thousand.

Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employees and directors, accrued as of 31st March 2019 but not yet paid as of year-end.

Payables to personnel

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31st March 2019 but not paid out on that date and the relevant social security contributions.

VAT payables

VAT payables increased by Euro 33,531 thousand as compared to 31st December 2018. 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 31st March 2019, the Group accrued VAT payables totalling Euro 40,700 thousand, compared to Euro 7,170 thousand in 2018.

Annual deferred income

They are mainly related to revenues from cogeneration/heat supply.

Annual accrued liabilities

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

UTF payables and Additional Regional/Provincial Tax

They relate to amounts payable to the technical department of finance and to the payment of excise duty and additional taxes on natural gas. The balance is explained by the different timing of billing gas consumption to users, in contrast with the monthly payments carried out by the sales company regarding the previous year. As of 31st March 2019, the Group's total amount of payables is Euro 21,499 thousand compared to Euro 572 thousand in the previous year.

Liabilities for forward sales

As of 31st March 2019, the item represents the current value of the contractual commitments whose physical deliveries are scheduled in the period April - September 2019 as concerns the raw material and the transportation service. These agreements relate to the purchase and sale on the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market. The payables changed by Euro 148 thousand as compared to 31st December in the previous year.

Other payables

Other payables increased by Euro 24,863 thousand as compared to 31st December 2018. The increase is mainly related to higher payables to Cassa per i Servizi Energetici e Ambientali concerning the tariff components of natural gas transport.

The item also includes payables for personnel charges accrued as of 31st March 2019.

26. Current financial liabilities

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

(Thousands of Euro)	31.03.2019	31.12.2018
Financial payables within 12 months	1,186	115
Payables to leasing companies within 12 months	758	(0)
Current financial liabilities	1,944	115

Current financial liabilities increase from Euro 115 thousand in 2018 to Euro 1,944 thousand in the reference period, marking an increase of Euro 1,829 thousand. The increase is mainly explained by payables to the jointly controlled company ASM Set S.r.l. pertaining to the intragroup cash pooling agreement and payables of the subsidiary Bluemeta S.p.a. to the Region of Lombardy.

As mentioned in the paragraph "Non-current financial liabilities" herein, on 1st January 2019, the financial payables related to operating leases were recognised for the first time upon the first application of IFRS 16. The first adoption of the standard led to the recognition of Euro 758 thousand of higher payables. At the end of the quarter, the item did not show significant changes as the principal repayments made during the quarter were offset by the reclassification of the portions that will be paid within the next twelve months from the reporting date.

27. Current liabilities from derivative financial instruments

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

(Thousands of Euro)	31.03.2019	31.12.2018
Current liabilities from derivative financial instruments	1,934	1,216
Current liabilities from derivative financial instruments	1,934	1,216

Liabilities from derivatives consist in the fair value of the following commodity derivatives as of 31st March 2019:

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	22129609	BNP Paribas	Commodity Swap	Gas Heren TTF Quarter Ahe	30-Apr-18	01-Dec-18	31-Mar-19	Short/Sell	83,400 MWh	28
2	080518-2017	UniCredit	Commodity Swap	Gas Heren TTF Quarter Ahe	08-May-18	01-Dec-18	31-Mar-19	Short/Sell	16,752 MWh	7
3	150618-2001	UniCredit	Commodity Swap	Gas Heren TTFDay Ahead	15-Jun-18	01-Oct-18	30-Jun-19	Long/Buy	90,144 MWh	245
4	050718-2009	UniCredit	Commodity Swap	Gas Heren TTF Quarter Ahe	05-Jul-18	01-Oct-18	31-Jul-19	Long/Buy	6,523 MWh	9
5	190718-2014	UniCredit	Commodity Swap	Gas Heren TTFDay Ahead	19-Jul-18	01-Oct-18	30-Sep-19	Long/Buy	8,552 MWh	36
6	22176498	BNP Paribas	Commodity Swap	Gas Heren TTFDay Ahead	02-Aug-18	01-Oct-18	30-Mar-19	Long/Buy	5,329 MWh	0
7	27631724	Intesa Sanpaolo	Commodity Swap	Gas Heren TTF Month Ahea	21-Sep-18	01-Jan-19	31-Mar-19	Long/Buy	10,795 MWh	41
8	28630601	Intesa Sanpaolo	Commodity Swap	Gas Heren TTFDay Ahead	10-Jan-19	01-Feb-19	30-Sep-19	Long/Buy	2,049 MWh	9
9	200918-2002	UniCredit	Commodity Swap	Gas Heren TTF Quarter Ahe	20-Sep-18	01-Jan-19	31-Mar-19	Long/Buy	39,570 MWh	21
10	28642753	Intesa Sanpaolo	Commodity Swap	Gas Heren TTFDay Ahead	11-Jan-19	01-Feb-19	30-Sep-19	Long/Buy	8,280 MWh	29
11	111018-2013_4	UniCredit	Commodity Swap	Gas Heren TTFDay Ahead	11-Oct-18	01-Nov-18	31-Mar-19	Long/Buy	6,163 MWh	17
12	29377012	Intesa Sanpaolo	Commodity Swap	Gas Heren TTF Month Ahea	22-Jan-19	01-May-19	30-Sep-19	Long/Buy	17,869 MWh	117
13	27859920	Intesa Sanpaolo	Commodity Swap	Gas Heren TTF Month Ahea	15-Oct-18	01-Apr-19	30-Sep-19	Long/Buy	43,920 MWh	407
14	27990520	Intesa Sanpaolo	Commodity Swap	Gas Heren TTF Month Ahea	25-Oct-18	01-Apr-19	30-Sep-19	Long/Buy	43,920 MWh	359
15	22155980	BNP Paribas	Commodity Swap	Gas Heren TTF Quarter Ahe	14-Jun-18	01-Oct-18	30-Sep-19	Long/Buy	1,902 MWh	5
16	22175430	BNP Paribas	Commodity Swap	Gas Heren TTF Quarter Ahe	31-Jul-18	01-Oct-18	30-Sep-19	Long/Buy	750 MWh	3
17	22197873	BNP Paribas	Commodity Swap	Gas Heren TTF Quarter Ahe	20-Sep-18	01-Jan-19	30-Sep-19	Long/Buy	4,700 MWh	62
18	28132464	Intesa Sanpaolo	Commodity Swap	Gas Heren TTFDay Ahead	09-Nov-18	01-Feb-19	30-Sep-19	Long/Buy	12,705 MWh	73
19	28209121	Intesa Sanpaolo	Commodity Swap	Gas Heren TTFDay Ahead	19-Nov-18	01-Jul-19	30-Sep-19	Long/Buy	10,259 MWh	70
20	28292894	Intesa Sanpaolo	Commodity Swap	Gas Heren TTFDay Ahead	27-Nov-18	01-Dec-18	30-Sep-19	Long/Buy	5,304 MWh	17
21	28302854	Intesa Sanpaolo	Commodity Swap	Gas Heren TTF Month Ahea	28-Nov-18	01-Jan-19	31-Mar-19	Long/Buy	10,795 MWh	25
22	28385784	Intesa Sanpaolo	Commodity Swap	Gas Heren TTF Month Ahea	06-Dec-18	01-Feb-19	31-Mar-19	Long/Buy	7,075 MWh	20
23	22260434 EE	BNP Paribas	Commodity Swap	EE PUN	07-Dec-18	01-Mar-19	31-Mar-19	Long/Buy	1,486 MWh	19
24	270219-2019	UniCredit	Commodity Swap	Gas Heren TTFDay Ahead	27-Jan-19	01-Mar-19	30-Sep-19	Long/Buy	1,519 MWh	5
25	29426245	Intesa Sanpaolo	Commodity Swap	Gas Heren TTFDay Ahead	28-Jan-19	01-Apr-19	30-Sep-19	Long/Buy	3,980 MWh	23
26	29534491	Intesa Sanpaolo	Commodity Swap	Gas Heren TTF Month Ahea	07-Feb-19	01-Mar-19	31-Mar-19	Long/Buy	7,430 MWh	11
27	29573148	Intesa Sanpaolo	Commodity Swap	Gas Heren TTFDay Ahead	11-Feb-19	01-Mar-19	31-Dec-19	Long/Buy	28,622 MWh	94
28	22323203	BNP Paribas	Commodity Swap	Gas Heren TTFDay Ahead	18-Feb-19	01-Apr-19	30-Sep-19	Long/Buy	7,523 MWh	26
29	29808766	Intesa Sanpaolo	Commodity Swap	Gas Heren TTF Month Ahea	05-Mar-19	01-Apr-19	30-Apr-19	Long/Buy	57,600 MWh	97
30	30038890	Intesa Sanpaolo	Commodity Swap	Gas Heren TTF Month Ahea	27-Mar-19	01-May-19	31-May-19	Long/Buy	31,992 MWh	14
31	30043770	Intesa Sanpaolo	Commodity Swap	Gas Argus TTF Front Month	27-Mar-19	01-Apr-19	30-Jun-19	Long/Buy	43,440 MWh	13
32	30046157	Intesa Sanpaolo	Commodity Swap	Gas Heren TTFDay Ahead	27-Mar-19	01-May-19	31-Dec-19	Long/Buy	1,314 MWh	1
33	22361935	BNP Paribas	Commodity Swap	Gas Heren TTFDay Ahead	26-Mar-19	01-Apr-19	31-Dec-19	Long/Buy	924 MWh	1
34	22298322	BNP Paribas	Commodity Swap	Gas Heren TTF Quarter Ahe	23-Jan-19	01-Apr-19	30-Sep-19	Long/Buy	6,479 MWh	31
Total									629,065	1,934

Financial instruments measured at fair value belong to the 2nd assessment hierarchical level.

COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS

Revenues

28. Revenues

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

(Thousands of Euro)	Firts quarter	
	2019	2018
Revenues from gas transportation	19,212	11,569
Revenues from gas sale	172,898	155,129
Revenues from electricity sale	20,162	18,244
Revenues from connections	88	68
Revenues from heat supply	1	1
Revenues from distribution services	1,507	1,528
Revenues from services supplied to Group companies	351	811
Revenues from ARERA contributions	6,358	8,749
Revenues for forward sales of raw materials	1,564	3,282
Other revenues	1,947	1,266
Revenues	224,087	200,648

At the end of the period considered, the Ascopiave Group's revenues amounted to Euro 224,087 thousand, an increase of Euro 23,440 thousand compared to the same period in the previous year (Euro 200,648 thousand). The increase is mainly explained by higher revenues from the sale of natural gas (Euro +17,769 thousand) and transportation of natural gas on the distribution network (Euro +7,624 thousand) only partially offset by the lower contributions recorded for the achievement of energy saving targets (Euro -2,391 thousand). Revenues are substantially entirely generated in Italy.

The *transportation of natural gas* on the distribution network generated revenues for gas carriage to sales companies not belonging to the Group for Euro 19,212 thousand, an increase of Euro 7,643 thousand compared to the previous year. The Restriction on total revenues is determined, year after year, based on the number of redelivery points the Company served during the reference period, as well as on the reference price, whose values are established and published by the Authority.

The revenues from *natural gas sale* to the end market are Euro 172,898 thousand, an increase of 17,769 thousand compared to the first three months of 2018, despite the decrease in the volumes of natural gas sold during the quarter. The volumes of natural gas decreased from 367.5 million cubic metres in the first three months of 2018, to 348.0 million in the quarter in question, showing a decrease of 5.3%. The increase in revenues is mainly explained by the growing trend of the price basket to which the raw material sales tariff is adjusted.

At the end of the quarter, the revenues deriving from the sale of natural gas to wholesalers or at the virtual trading point (so-called VTP) were booked totalling Euro 25,376 thousand (Euro 15,260 thousand in the first quarter of 2018). They mainly relate to the amounts of natural gas imported from Russia. These sales are aimed at the redemption of the procurement risk and at improving the effectiveness of the purchase price of the raw material.

At the end of the first three months of 2019 the revenues from *electricity sales* amounted to Euro 20,162 thousand, an increase, as compared to Euro 18,244 thousand in the same period in the previous year, of Euro 1,918 thousand. The increase is mainly explained by the trend in raw material market prices and by the greater quantities of GWh sold during the year. They increased from 94.4 GWh in the first quarter of 2018, to 113.0 GWh in 2019 (+18.5).

The revenues from *connection services to the distribution network* are equal to Euro 88 thousand, an increase of Euro 20 thousand compared to the first three months of 2018. The revenues from the distribution companies of the Group are fully recognised among the non-current liabilities and posted to the profit and loss statement based on the useful life of the plants built.

The revenues derived from services provided by distributors, being equal to Euro 1,507 thousand, are substantially in line with Euro 1,528 thousand in the first three months of the previous year.

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 6,358 thousand, recording a decrease of Euro 2,391 thousand as compared to the previous year. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the obligated distributors. The contributions recognised as of 31st March 2019 are calculated by evaluating at the fair value the quantities of energy efficiency certificates accrued as compared to the 2019 target (regulatory period June 2019 - May 2020). 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 2019 target (regulatory period June 2018 - May 2019) in relation to the certificates delivered, and equal to the fair value of the forecast contribution for accruing contributions and, as of 31st March 2019, equal to Euro 250 (Euro 311.45 as of 31st March 2018; source STX).

The revenues from *trading activities in the gas market* amounted to Euro 1,564 thousand, an increase of 1,718 thousand as compared to 31st March 2018, 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. Revenues recorded for physical deliveries during the years shown for comparison purposes are recorded at contractually agreed prices, while revenues recorded for future physical deliveries were measured at current value.

The item "Other revenues" increased from Euro 1,266 thousand in the first three months of 2018, to Euro 1,947 thousand in the reference period, an increase of Euro 681 thousand. The increase is partly explained by the higher compensations received from suppliers and amounting to Euro 267 thousand.

Costs

29. Cost for gas purchase

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

(Thousands of Euro)	Firts quarter	
	2019	2018
Purchase costs for raw material (gas)	132,189	109,185
Purchase costs for raw material (gas)	132,189	109,185

At the end of the first quarter of 2019, the costs for natural gas procurement amounted to Euro 132,189 thousand, showing an increase, compared to the same period in the previous year, of Euro 23,004 thousand. The increase in costs incurred is mainly explained by the trend of the price basket to which the raw material is adjusted, while the volumes of natural gas purchased decreased by 19.6 million cubic metres compared to the first three months of the previous year.

At the end of the period considered, gas inventories amount to Euro 548 thousand, compared to Euro 224 thousand as of 31st March 2018.

The costs from trading activities in the gas market at the end of the quarter amounted to Euro 1,512 thousand, while in the quarter shown for comparative purposes they were Euro 3,169 thousand. The change is mainly explained by the lower amount of volumes sold in the quarter in question, from 15.1 million cubic metres in the first quarter of 2018 to 5.2 million in 2019. The revenue components related to physical deliveries during the quarter were recorded based on the contract clauses signed, whereas the revenue and cost components related to physical deliveries subsequent to 31st March 2019, since these are forward transactions at the reporting date, were booked at current value.

The accounting of the economic effects of the hedging derivatives accrued during the period considered has determined the recognition of higher costs totalling Euro 1,106 thousand (in the first quarter of 2018 lower costs for Euro 883 thousand).

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

30. 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)	Firts quarter	
	2019	2018
Purchase of electricity	7,675	7,506
Purchase of other raw material	599	767
Purchase costs for other raw materials	8,274	8,273

At the end of the period considered, the costs incurred for the purchase of other raw materials are equal to Euro 8,274 thousand, substantially in line with the same period of the previous year. The higher costs incurred for the purchase of electricity were partially offset by the lower costs incurred for the purchase of other materials.

The costs incurred to procure electricity, at the end of the first three months of the year, amounted to Euro 7,675 thousand, recording an increase of Euro 169 thousand as compared to the same period in the year 2018. The increase in costs incurred is explained both by the greater volumes of energy sold which increased by 18.5 GWh, from 94.4 in the first quarter of 2018 to 113.0 in the reference period (+19.6%). The increase related to the higher volumes purchased was partially offset by the trend in raw material prices.

The costs incurred for the purchase of other materials register a decrease equal to Euro 168 thousand, from Euro 767 thousand in the first quarter of 2018, to Euro 599 thousand in the reference period. This item mainly includes costs related to the purchase of materials for the construction of natural gas distribution plants.

31. Costs for services

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

(Thousands of Euro)	Firts quarter	
	2019	2018
Costs of conveyance on secondary networks	26,714	21,481
Costs for counting meters reading	185	79
Costs for mailing bills	142	310
Mailing and telegraph costs	186	77
Maintenance and repairs	576	1,171
Consulting services	1,331	961
Commercial services and advertisement	827	461
Sundry suppliers	379	571
Directors' and Statutory Auditors' fees	351	327
Insurances	303	100
Personnel costs	212	247
Other managing expenses	1,785	1,459
Costs for use of third-party assets	4,088	4,330
Storage services	123	141
Costs for services	37,246	31,747

The costs for services incurred during the first quarter of the year increase from Euro 31,747 thousand in the first quarter of 2018 to Euro 37,246 thousand in the reference period, showing an increase of Euro 5,499 thousand mainly explained by the higher costs incurred for carriage on the secondary networks and costs for the transportation of electricity (Euro +5,233 thousand).

The costs incurred for the *transportation of natural gas* on the secondary and primary networks in the reference period amount to Euro 15,759 thousand and refer to volumes of natural gas on the networks managed by companies not belonging to the Group. As compared to the same period in the previous year, they increased by Euro 3,446 thousand. Costs incurred for *transportation of electricity* amount to Euro 10,955 thousand (Euro 9,168 thousand in the first quarter of 2018) and refer to 113 GWh of electricity marketed during the reference period (94.4 in the first quarter of the previous year).

At the end of the first three months of the year, the costs incurred for *consultancy* amounted to Euro 1,331 thousand, an increase of Euro 370 thousand compared to the same period in the previous year.

At the end of the quarter, the costs incurred for *marketing and advertising services* increased by Euro 366 thousand, from Euro 461 thousand in the first quarter of 2018 to Euro 827 thousand in the reference period.

Other operating costs increased by Euro 326 thousand, mainly explained by an increase in costs incurred for services rendered by natural gas distributors at the redelivery point (Euro +151 thousand), by the increase in costs incurred for the reminders and collection of receivables as well as call centre (totalling Euro +124 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 a decrease of Euro 241 thousand. The decrease recorded is mainly explained by the effects deriving from the first application of the accounting standard IFRS 16. The methods for recognising operating leases led to the entry of lower costs for the use of third-party assets totalling Euro 194 thousand, such as lower fees recorded for rentals of branch offices, company vehicles and printers.

The item *costs of transporting the raw materials deriving from the gas trading activity*, at the end of the period, amounted to Euro 43 thousand and refers to the contracts signed relating to the transport and export capacity from the Austrian raw material market for the thermal year 2018/19.

32. Costs for staff

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

(migliaia di Euro)	Firts quarter	
	2019	2018
Wages and salaries	5,925	5,793
Social security contributions	1,827	1,765
Severance indemnity	356	353
Other costs	39	1
Totale costo del personale	8,146	7,911
Costo del personale capitalizzato	(1,839)	(1,763)
Costi del personale	6,307	6,149

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

Costs for staff increase from Euro 7,911 thousand in the first three months of 2018 to Euro 8,146 thousand in the reference period, showing an increase of Euro 235 thousand.

Capitalised personnel cost registered an increase of Euro 76 thousand, from Euro 1,763 thousand in the previous quarter, to Euro 1,839 thousand in the period considered.

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

Description	31.03.2019	31.03.2018	Variazione
Managers (average)	18	17	1
Office workers (average)	407	396	11
Manual workers (average)	118	123	-5
No. of persoal employed	542	536	7

33. Other operating costs

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

(Thousands of Euro)	Firts quarter	
	2019	2018
Provision for risks on credits	408	345
Membership and ARERA fees	84	167
Capital losses	214	74
Extraordinary losses	23	(1)
Other taxes	81	235
Other costs	120	161
Costs of contracts	52	126
Energy efficiency certificates	7,161	8,694
Other management costs	8,142	9,802

Other operating costs, decreasing from Euro 9,802 in the first three months of 2018 to Euro 8,142 thousand in the reference period, show a decrease of Euro 1,660 thousand; this change is mainly due to lower costs incurred for the purchase of Energy efficiency certificate (Euro -1.533 thousand).

The costs recognised at the end of the quarter for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2019 target (regulatory period June 2019 - May 2020). The unit cost for certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 31st March 2019, and amounting to Euro 260 source STX (Euro 350.1 as of 31st March 2018).

34. Other operating revenues

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

(Thousands of Euro)	Firts quarter	
	2019	2018
Other income	33	22
Other income	33	22

At the end of the period considered, the item "other operating income" shows an increase of Euro 11 thousand, from Euro 22 thousand in the first three months of 2018, to Euro 33 thousand in the reference period.

35. Amortisation, depreciation and write-downs

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

(Thousands of Euro)	Firts quarter	
	2019	2018
Intangible fixed assets	5,357	5,124
Tangible fixed assets	693	574
Amortization and depreciation	6,050	5,650

Amortisation and depreciation show an increase of Euro 400 thousand, from Euro 5,650 thousand in the first three months of 2018, to Euro 6,050 thousand in the quarter in question.

Financial income and expense

36. Financial income and expense

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

(Thousands of Euro)	Firts quarter	
	2019	2018
Interest income on bank and post office accounts	22	1
Other interest income	25	57
Other financial income	136	1
Financial income	184	58
Interest expense on banks	21	0
Interest expense on loans	231	226
Other financial expenses	168	19
Financial charges	420	245
Evaluation of subsidiary companies with net equity method	266	494
Evaluation of subsidiary companies with net equity method	3,083	3,289
Evaluation of subsidiary companies with the net equity method	3,349	3,783
Total net financial expenses	3,113	3,596

At the end of the first three months of 2019, the balance between financial income and expenses showed a loss of Euro 236 thousand, an increase as compared to the previous year of Euro 49 thousand. Subsequent to the first application of IFRS 16, the payment of operating lease fees determines the decrease in current financial liabilities for lease payables for the principal amount and the entry of financial charges. At the end of the first three months of the year, this led to the recognition of Euro 12 thousand.

The item "Evaluation of associated companies using the equity method" is positive for Euro 266 thousand while at the end of the first three months of 2018 it was positive for Euro 494 thousand, a decrease of Euro 228 thousand. The item 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 "Result quota from jointly controlled companies" includes the net results achieved by the jointly controlled companies in the reference period; they decreased by Euro 206 thousand, totalling Euro 3,083 thousand.

Taxes

37. 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)	Firts quarter	
	2019	2018
IRES current taxes	6,517	7,372
IRAP current taxes	1,116	1,357
(Advance)/Deferred taxes	(366)	(268)
Taxes for the period	7,267	8,461

Taxes accrued decrease from Euro 8,461 thousand in the first three months of the previous year, to Euro 7,267 thousand in the reference period, recording a decrease of Euro 1,194 thousand, mainly due to a decrease in result before tax e.

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

(Thousands of Euro)	Firts quarter	
	2019	2018
Earnings before tax	29,025	33,460
Taxes for the period	7,267	8,461
Percentage of income before taxes	25.0%	25.3%

The tax-rate recorded as of 31st March 2019 is equal to 25.0%, a decrease of 0.3% compared to the same period in the previous year.

Non-recurrent components

Pursuant to CONSOB communication no. 15519/2005, it is noted that no non-recurrent economic components exist in the interim financial report as of 31st March 2019.

Transactions deriving from unusual and/or atypical operations

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

OTHER COMMENTS ON THE INTERIM FINANCIAL REPORT AS OF 31st MARCH 2019

Commitments and risks

Guarantees given

As of 31st March 2019, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	31st of March 2019	31st of December 2018
On credit lines	2,550	8,400
Patronage on financial instruments	23,400	23,400
Guarantees on credit lines (letter of comfort)	115	115
On execution of works (letter of comfort)	1,016	991
On UTF offices and regions for taxes on gas (letter of comfort)	7,037	7,037
On UTF offices and regions for taxes on electricity (letter of comfort)	449	449
On distribution concession (letter of comfort)	5,704	5,864
On purchase/sale of shares (letter of comfort)	500	500
On agreements for transport of gas (letter of comfort)	11,809	11,146
On agreements for transport of electricity (letter of comfort)	17,727	17,727
On purchase of electricity agreements (letter of comfort)	6,849	3,000
On storage of natural gas service	1,010	410
Total	78,166	79,039

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

(Thousands of Euro)	31st of March 2019	31st of December 2018
On credit lines	25,332	25,332
Agreements on incentives art. 4 of Law no. 92/2012	242	242
On UTF offices and regions for taxes on gas (letter of comfort)	503	503
On UTF offices and regions for taxes on electricity (letter of comfort)	33	33
On distribution concession (letter of comfort)	178	178
On agreements for transport of gas (letter of comfort)	428	428
On leases agreements	55	55
Total	26,771	26,771

The letters of comfort on lines of credit and gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation amount as of 31st March 2019 to Euro 25,332 thousand, unchanged since 31st December 2018.

Risk and uncertainty factors

Information pertaining to agreements not stated 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, 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 counterparties.

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

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

Interest rate risks

Because of the seasonality of the natural gas business cycle, the Group aims at managing the need for cash by means of temporary credit lines and short-term loans at variable rates that, given their constant change, do not make it possible to suitably cover the interest rate risk.

Furthermore, the Group manages medium-long term financings at variable or fixed rates with primary bank institutions, with an outstanding debt as of 31st March 2019 of Euro 59,373 thousand and due dates between 1st April 2019 and 28th February 2030.

Medium and long term loans at variable rate envisage reimbursement between 2019 and 2025, with residual balance as of 31st March 2019 of Euro 23,875 thousand (Euro 26,250 thousand as of 31st December 2018), represented exclusively by the loan granted in August 2013 by the European Investment Bank.

On the other hand, the loan taken out with BNL in August 2017, with a residual debt as of 31st March 2019 of Euro 26,250 thousand, and the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as of 31st March 2019 of Euro 9,185 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. 18 “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	
Net Financial Position 2019	(112,517)	(98,720)	(65,171)	
Borrowing rates of interest	0.12%	0.11%	0.13%	
Lending rates of interest	0.51%	0.52%	0.53%	
Borrowing rate of interest plus 200 basis points	2.12%	2.11%	2.13%	
Lending rates of interest plus 200 basis points	2.51%	2.52%	2.53%	
Borrowing rate of interest reduced of 50 basis points	0.00%	0.00%	0.00%	
Lending rates of interest reduced of 50 basis points	0.01%	0.02%	0.03%	
Net Financial Position recalculated with the increase of 200 basis points	(112,708)	(98,877)	(65,282)	
Net Financial Position recalculated with decrease of 50 basis points	(112,469)	(98,681)	(65,143)	Total
Effect on pre-tax result of the increase of 200 basis points	(191)	(157)	(111)	(459)
Effect on pre-tax result of the decrease of 50 basis points	48	39	28	115

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 459 thousand (2018: Euro 417 thousand) or positive for Euro 115 thousand (2018: Euro 104 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 month.

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, minimising that risk. The two main factors influencing Group liquidity are on the one hand the resources generated or absorbed by the operative or investment assets, on the other hand the expiry characteristics and debt renewal.

Risk of prices of raw materials

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

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

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

Risk management and control policy

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

In accordance with the provisions of the Policies, the Group will be able to resort to derivatives for hedging purposes, in order to reduce or mitigate those risks, following the "Compliance with EMIR Regulation" Procedure, which defines the criteria and rules through which the Ascopiave Group fulfils its obligations under the EU Regulation no. 648/2012 - European Market Infrastructure Regulation, concerning the risk mitigation techniques associated with the use of derivative hedging instruments, required to make these operations as transparent as possible to the market.

Price risk management and methods of accounting presentation

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

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

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

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

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

As of 31st March 2019, the existing derivative instruments, detailed in sections 14 “*Current assets from derivative financial instruments*” and no. 27 “*Current liabilities from derivative financial instruments*” whose mark to market totals Euro -1,524 thousand (Euro -1,093 thousand as of 31st December 2018), 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 IFRS 9, calculated using fair value, are recognised in the financial statements above the Gross Operating Margin.

Risks specific to 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.

Risk of volumetric variations deriving from gas settlement

The Group is exposed to volumetric changes deriving from the schedule and methods for determining the allocations of cubic metres of natural gas attributed to the various sales companies and, specifically (i) to the adjustment sessions of natural gas allocations with closure of the station, which determine the volumes under the scope of the various sales companies (ii) to the differential between the annual quantities injected into the distribution network and the amounts supplied to the end users connected thereto.

During the year, the settlement manager, Snam Rete Gas, performs the first monthly allocation of the quantities of natural gas to the various sales companies. These allocations are subsequently re-benchmarked in the following year during the annual and multi-year adjustment sessions where, in the case of the latter, the volumes of an entire five-year period are revised. In 2017, with Resolution 670/2017/R/Gas dated 5th October 2017 and 782/2017/R/Gas dated 23rd November 2017, the Regulatory Authority for Energy Networks and Environment approved the first provisions regarding Gas Settlement specifically as concerns the method 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 (2020). 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). The adjustment sessions enable the definition of the injection volumetric data (input) useful for identifying the difference between the volumes injected into the local distribution network and the volumes withdrawn by the final consumers (delta in-output), of which the above-mentioned resolutions introduced neutralisation for users of the distribution network, net of an allowance of 0.4%.

In the context of the regulatory framework described, the Group deems it appropriate, until the first annual adjustment session, to settle the cubic metres sold with the cubic metres allocated by the Settlement Manager upon first allocation. At the reporting date, it is not feasible to determine the value of the possible positive or negative volumetric and economic adjustment deriving from the in-output differential for 2018.

The volumetric and economic differences for the 2018 financial year, which will be announced in 2019, will be

recognised in the current year, determining a negative or positive change for the same amount on the Group's margins.

Management of Capital

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

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

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

(Thousands of Euro)	31.03.2019	31.12.2018	31.03.2018
Financial position in the short term	(13,413)	(63,528)	3,965
financial position in the medium-long term	(51,758)	(53,989)	(59,568)
Financial gross debt	65,171	117,517	55,603
Share capital	234,412	234,412	234,412
Own shares	(16,981)	(16,981)	(17,521)
Reserves	231,456	185,814	233,462
Undistributed net profit	20,562	44,625	23,502
Total Net equity	469,449	447,869	473,854
Total capital and gross debt	534,620	565,386	529,457
Debt/Net assets ratio	0.14	0.26	0.12

The debt/net equity ratio as of 31st March 2019 is 0.14, an improvement as compared to 31st December 2018, when it amounted to 0.26.

The trend of this indicator is related to the combined effect of the change in the Net financial position, which improved by Euro 52,346 thousand during the first quarter of 2019, and the Shareholders' equity, which increased by Euro 21,580 thousand.

Representation of financial assets and liabilities by categories

The breakdown of financial assets and liabilities by categories and their fair value (IFRS 13) as of 31st March 2019 and as of 31st December 2018 is as follows:

(Thousands of Euro)							31.03.2019	
	A	B	C	D	E	F	Total	Fair value
Other non-current assets				11,229			11,229	11,229
Trade receivables and Other current assets	323			259,651			259,974	259,974
Current financial assets				138			138	138
Cash and cash equivalents				111,503			111,503	111,503
Current assets from derivative financial instruments		437					437	437
Medium- and long-term bank loans						51,292	51,292	51,292
Other non-current liabilities						11,180	11,180	11,180
Non-current financial liabilities						1,593	1,593	1,593
Payables due to banks and financing institutions						123,110	123,110	123,110
Trade payables and Other current liabilities	320					247,798	248,118	248,118
Current financial liabilities						1,944	1,944	1,944
Current liabilities from derivative financial instruments		1,934					1,934	1,934

(Thousands of Euro)							31.12.2018	
	A	B	C	D	E	F	Total	Fair value
Other non-current assets				11,202			11,202	11,202
Trade receivables and Other current assets	159			210,362			210,521	210,521
Current financial assets				981			981	981
Cash and cash equivalents				66,650			66,650	66,650
Current assets from derivative financial instruments		123					123	123
Medium- and long-term bank loans						55,111	55,111	55,111
Other non-current liabilities						11,350	11,350	11,350
Non-current financial liabilities						0	0	0
Payables due to banks and financing institutions						131,044	131,044	131,044
Trade payables and Other current liabilities	172					159,505	159,677	159,677
Current financial liabilities						115	115	115
Current liabilities from derivative financial instruments		1,216					1,216	1,216

Legend

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

Business segment reporting

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

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

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

The following tables show the information on revenues, financial results and balance sheet items concerning the business segments of the Group for the first quarter of 2019 and the first quarter of 2018.

1stQ 2019 (Thousand of Euro)	Gas distribution	Gas sale	Trading gas	Electricity sale	Other	Elisions	Total
Net revenues of third-party customers	2,388	199,654	1,564	20,162	319		224,087
Intra-group revenues among the segments	23,840	1,130	0	11,666	2,644	(39,281)	0
Segment revenues	26,229	200,784	1,564	31,828	2,964	(39,281)	224,087

1stQ 2018 (Thousand of Euro)	Gas distribution	Gas sale	Trading gas	Electricity sale	Other	Elisions	Total
Net revenues of third-party customers	1,903	176,352	3,282	18,320	791		200,648
Intra-group revenues among the segments	26,974	1,627	0	11,368	2,656	(42,626)	(0)
Segment revenues	28,877	177,979	3,282	29,688	3,447	(42,626)	200,648

Transactions with related parties

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

(Thousands of Euro)	Trade		Other		Costs			Revenues		
	receivables	receivables	payables	payables	Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	33	3,570	0	6,813	0	0	6,228	0	40	536
Total parent company	33	3,570	0	6,813	0	0	6,228	0	40	536
<i>Affiliated companies</i>										
Asco TLC S.p.A.	74	0	32	0	0	5	27	41	31	14
Seven Center S.r.l. in liquidazione	0	0	0	0	0	0	0	0	0	0
MIRANT ITALIA S.R.L.										
Total affiliated companies	74	0	32	0	0	5	27	41	31	14
<i>Subsidiary companies</i>										
Estenergy S.p.A.	124	0	17	7	0	0	0	0	0	0
ASM Set S.r.l.	1,945	0	333	780	0	42	1	3,185	143	9
Unigas Distribuzione S.r.l.	69	0	2,606	5,212	0	4,105	0	24	41	1
Sinergie Italiane S.r.l. in liquidazione	4	7,510	3,165	6,330	18,256	26	0	0	6	0
Total subsidiary companies	2,142	7,510	5,420	12,315	18,256	4,172	1	3,208	190	11
Total	2,250	11,081	5,389	19,128	18,256	4,177	6,256	3,249	260	561

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

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

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

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

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

It is also noted that the letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount as of 31st March 2019 to Euro 25,332 thousand (Euro 25,332 thousand as of 31st December 2018).

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.

Furthermore:

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

On 24th November 2010, the Board of Directors approved a procedure for operations with related parties (the “Procedure”). Said Procedure disciplines the operations with related parties by the Company, directly or by proxy of subsidiary companies, as set forth by Art. 2391-bis of the Italian Civil Code pursuant to the National Commission for Publicly Traded Companies (CONSOB) Decision no. 17221 dated 12th March 2010 and subsequent modifications.

The Procedure was implemented on 1st January 2011 and took the place of the previous regulation regarding the issue of operation with related parties, approved by the Board of Directors of the Company on 11th September 2006 (and following modifications).

For the contents of the Procedure, please refer to the document, available online on the Company website at the following URL: <http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf>.

In order to implement correctly the Procedure, a periodic map of all the so-called Related Parties is drafted, to delimit and apply to them the control provisions and the contents of the document. Company Directors are required to declare, when applicable, possible conflicts of interest in the performance of the afore-mentioned transactions.

Financial statements representation pursuant to Consob resolution 15519/2006

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

Consolidated assets and liabilities statement

(Thousands of Euro)	31.03.2019	Of which related parties						31.12.2018	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	353,021							351,878								
Tangible assets	34,882							32,724								
Shareholdings	71,438			71,436		71,436	100.0%	68,357			68,355		68,355	100.0%		
Other non-current assets	12,069			7,510		7,510	62.2%	12,044			7,510		7,510	62.4%		
Non current financial assets	1,127							1,122								
Advance tax receivables	11,492							11,358								
Non-current assets	564,787			78,946		78,946	14.0%	558,240			75,865		75,865	13.6%		
Current assets																
Inventories	4,313							6,020								
Trade receivables	220,718	33	74	2,142		2,250	1.0%	166,947	32	81	2,050		2,164	1.3%		
Other current assets	48,098	3,570				3,570	7.4%	45,062	9,935		21		9,913	22.0%		
Current financial assets	138							981								
Tax receivables	1,595							1,508								
Cash and cash equivalents	111,503							66,650								
Current assets on derivative financial instruments	437							123								
Current assets	386,802	3,604	74	2,142		5,820	1.5%	287,291	9,967	81	2,029		12,077	4.2%		
ASSETS	951,590	3,604	74	81,089		84,767	8.9%	845,531	9,967	81	77,894		87,942	10.4%		
Net equity and liabilities																
Total Net equity																
Share capital	234,412							234,412								
Own shares	(16,981)							(16,981)								
Reserves	246,565							226,136								
Net equity of the Group	463,995							443,567								
Net equity of Others	5,453							4,303								
Total Net equity	469,449							447,869								
Non-current liabilities																
Provisions for risks and charges	3,633							3,901								
Severance indemnity	4,840							4,807								
Medium- and long-term bank loans	51,292							55,111								
Other non-current liabilities	28,546							28,003								
Non-current financial liabilities	1,593							0								
Deferred tax payables	14,302							14,534								
Non-current liabilities	104,205							106,356								
Current liabilities																
Payables due to banks and financing institutions	123,110							131,044								
Trade payables	136,476		32	5,824		5,855	4.3%	131,185	39	6	2,173		2,219	1.7%		
Tax payables	1,823							207								
Other current liabilities	112,647	7,824				7,824	6.9%	27,539	7,738				7,738	28.1%		
Current financial liabilities	1,944			1,071		1,071	55.1%	115			1,808		1,808	1578.9%		
Current liabilities from derivative financial instruments	1,934							1,216								
Current liabilities	377,936	7,824	32	6,895		14,751	3.9%	291,305	7,777	6	3,981		11,765	4.0%		
Liabilities	482,141	7,824	32	6,895		14,751	3.1%	397,661	7,777	6	3,981		11,765	3.0%		
Net equity and liabilities	951,590	7,824	32	6,895		14,751	1.6%	845,531	7,777	6	3,981		11,765	1.4%		

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)	Firts quarter 2019	Of which related parties						Firts quarter 2018	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
Revenues	224,087	40	86	3,409		3,535	1.6%	200,648	20	112	3,207		3,339	1.7%
Total operating costs	192,126		32	22,428	364	22,824	11.9%	165,133		168	23,364		23,533	14.3%
Purchase costs for raw material (gas)	132,189			18,256		18,256	13.8%	109,185			18,011		18,011	16.5%
Purchase costs for other raw materials	8,274							8,273						
Costs for services	37,246		5	4,172	229	4,406	11.8%	31,747		168	5,353		5,522	17.4%
Costs for personnel	6,307				135	135	2.1%	6,149						
Other management costs	8,142		27	0		27	0.3%	9,802						
Other income	33							22						
Amortization and depreciation	6,050							5,650						
Operating result	25,912	40	54	(19,019)	(364)	(19,289)	-74.4%	29,864	20	56	20,157		20,194	67.6%
Financial income	184							58						
Financial charges	420			1		1	0.3%	245			4		4	1.5%
Evaluation of subsidiary companies with the net equity method	3,349	0	0	(0)		1	0.0%	3,783	0	1	(0)		1	0.0%
Earnings before tax	29,025	40	55	(19,020)	(364)	(19,290)	-66.5%	33,460	20	55	20,161		20,197	-60.4%
Taxes for the year	7,267							8,461						
Result of the year	21,758							24,999						

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Consolidated statement of cash flows

(Thousands of Euro)	Firts	Of which related parties					Firts	Of which related parties				
	quarter	A	B	C	D	Totale	quarter	A	B	C	D	Totale
	2019						2018					
Net income of the Group	20,562						23,502					
Cash flows generated (used) by operating activities												
Adjustments to reconcile net income to net cash												
Third-parties operating result	1,195					0	1,497					0
Amortization	6,050					0	5,650					0
Amortization of usage rights ex IFRS 16	159											
Bad debt provisions	408					0	345					0
Variations in severance indemnity	33					0	167					0
Current assets / liabilities on financial instruments	388					0	798					0
Net variation of other funds	(3)					0	(3)					0
Evaluation of subsidiaries with the net equity method	(3,349)	0		(3,082)		(3,082)	(3,783)	0		(2,546)		(2,546)
Interests paid	(394)					0	(418)					0
Interest expense for the period	262					0	243					0
Taxes for the period	7,267					0	8,461					0
Variations in assets and liabilities												
Inventories	1,707					0	1,298					0
Accounts payable	(54,179)	(1)	7	(92)	0	(86)	(40,054)	(21)	8	(614)	0	(627)
Other current assets	(2,872)	6,364	0	(21)	0	6,343	(13,160)	(4,772)	0	0	0	(4,772)
Trade payables	5,292	(39)	25	3,650	0	3,636	7,756	39	(29)	2,595	0	2,606
Other current liabilities	78,811	86	0	0	0	86	76,598	5,014	0	0	0	5,014
Other non-current assets	(26)	0	0	0	0	0	(8)	0	0	683	0	683
Other non-current liabilities	542	0	0	0	0	0	266	0	0	0	0	0
Total adjustments and variations	41,134	6,410	32	455	0	6,898	45,654	260	(21)	118	0	357
Cash flows generated (used) by operating activities	61,696	6,410	32	455	0	6,898	69,156	260	(21)	118	0	357
Cash flows generated (used) by investments												
Investments in intangible assets	(6,713)					0	(4,705)					0
Realisable value of intangible assets	213					0	78					0
Investments intangible assets	(319)					0	(264)					0
Cash flows generated/(used) by investments	(6,818)	0	0	0	0	0	(4,891)	0	0	0	0	0
Cash flows generated (used) by financial activities												
Net changes in debts due to other financers	(0)	0	0	0	0	0	(19)	0	0	0	0	0
Net changes in short-term bank borrow ings	(3,752)					0	(9)					0
Net variation in current f inancial assets and liabilities	1,909	0	0	(737)	0	(737)	1,530	0	0	234	0	234
Ignitions loans and mortgages	35,000					0	80,000					0
Redemptions loans and mortgages	(43,000)					0	(79,309)					0
Dividendi distribuiti a azionisti Ascopiave S.p.A.	(182)					0	0					0
Variations in cash	(10,025)	0	0	(737)	0	(737)	2,193	0	0	234	0	234
Cash and cash equivalents at the beginning of the period	44,853					0	66,457					0
Cash and cash equivalents at the end of the period	66,650					0	(15,555)					0

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Consolidated net debt

(Thousands of Euro)	31.03.2019	Of which related parties						31.12.2018	Of which related parties							
		A	B	C	D	Total	%		A	B	C	D	Total	%		
Cash and cash equivalents on hand	19							18								
Bank and post office deposits	111,484							66,632								
Securities held for trading																
Liquid assets (A) + (B) + (C)	111,503							66,650								
Current financial assets	138							981			844			844	86.0%	
Payables due to banks	(115,030)							(123,031)								
Current portion of medium-long-term loans	(8,080)							(8,014)								
Current financial liabilities	(1,944)			(1,071)		(1,071)	55.1%	(115)								
Current financial indebtedness (F) + (G) + (H)	(125,054)			(1,071)		(1,071)	0.9%	(131,159)								
Net current financial indebtedness (I) - (E) - (D)	(13,413)			(1,071)		(1,071)	8.0%	(63,528)			844			844	-1.3%	
Medium- and long-term bank loans	(51,292)							(55,111)								
Non-current financial assets	1,127							1,122								
Non-current financial liabilities	(1,593)							0								
Non-current financial indebtedness (K) + (L) + (M)	(51,758)							(53,989)								
Net financial indebtedness (J) + (N)	(65,171)			(1,071)		(1,071)	1.6%	(117,517)			844			844	-0.7%	

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

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

Group A - Parent companies:

- Asco Holding S.p.A.

Group B - Affiliates and Jointly controlled companies:

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

Group C - Associates:

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

Group D - Other related parties:

- Board of Directors
- Auditors
- Strategic managers

Significant events subsequent to the end of the first quarter of 2019

Disclosure on the purchase of treasury shares

On 8th April 2019, Ascopiave announced the purchase on the electronic share market, in compliance with the authorisation to purchase treasury shares resolved by the Shareholders' Meeting held on 26th April 2018, in the period between 1st April 2019 and 5th April 2019, of 127,500 ordinary shares at the average unit price of Euro 3.5349, for a total value of Euro 450.704,60.

As a result of the purchases made so far, Ascopiave holds 11,855,109 ordinary shares, equal to 5.057% of the share capital.

Press release by Asco Holding S.p.A.

On 8th April 2019, with reference to the announcement dated 6th March 2019, Asco Holding S.p.A. ("Asco Holding" or the "Company") announced that, as regards the withdrawal procedure of the shareholders who did not participate in the approval of the Shareholders' Meeting resolution dated 23rd July 2018 concerning certain amendments to the articles of association, the period to exercise the right of pre-emption, whose offer was filed with the Company Register of Treviso and Belluno on 7th March 2019, for 28,279,062 shares for which the right of withdrawal was validly exercised and whose liquidation value determined by the Board was challenged, ended on 5th April 2019.

No shareholder of Asco Holding exercised the first option to buy. Should the Company receive communications of exercise of the first option sent within the deadline stated in the pre-emption offer notice, it will promptly notify it.

To date, therefore, there are still 41,945,221 withdrawal shares, equal to 29.96% of Asco Holding's share capital, which will be purchased by the Company against the payment of the liquidation value to the withdrawing shareholders and subsequently cancelled. For the sake of clarity, concerning previous announcements, we hereby clarify that the unit liquidation value to be paid by the Company will be equal to Euro 3.75 for the withdrawing shareholders who have not challenged the liquidation value and Euro 4.047 for the withdrawing shareholders who have challenged the liquidation value.

The withdrawal procedure will be completed, as soon as technically possible, subsequent to the possible approval by Ascopiave's Shareholders' Meeting convened on 23rd April 2019, on first call, and on 26th April 2019, on second call, of the distribution of an extraordinary dividend as suggested by Asco Holding and subject to payment of such dividend.

Disclosure on the purchase of treasury shares

On 15th April 2019, Ascopiave announced the purchase on the electronic share market, in compliance with the authorisation to purchase treasury shares resolved by the Shareholders' Meeting held on 26th April 2018, in the period between 8th April 2019 and 12th April 2019, of 199,000 ordinary shares at the average unit price of Euro 3.5900, for a total value of Euro 714,401.60.

As a result of the purchases made so far, Ascopiave holds 12,054,109 ordinary shares, equal to 5.142% of the share capital.

Disclosure on the purchase of treasury shares

On 23rd April 2019, Ascopiave announced the purchase on the electronic share market, in compliance with the authorisation to purchase treasury shares resolved by the Shareholders' Meeting held on 26th April 2018, in the period between 15th April 2019 and 19th April 2019, of 178,500 ordinary shares at the average unit price of Euro 3.6688, for a total value of Euro 654,885.20.

As a result of the purchases made so far, Ascopiave holds 12,232,609 ordinary shares, equal to 5.218% of the share capital.

Ordinary and extraordinary Shareholders' Meeting, held on 23rd April 2019

The Shareholders' Meeting of Ascopiave S.p.A. ("Ascopiave" or the "Company") convened in ordinary and extraordinary session on 23rd April 2019, chaired by Mr Nicola Ceconato.

The Shareholders' Meeting, in ordinary session, approved the financial statements and acknowledged the Group's consolidated financial statements as of 31st December 2018 and resolved to distribute an ordinary dividend of Euro 0.125 per share.

The Shareholders' Meeting, in ordinary session, approved the Remuneration Policy, corresponding to Section I of the Remuneration Report compiled in accordance with art. 123-ter of the Unified Finance Law and 84-quater of Consob regulation dated 14th May 1999, no. 11971.

The Shareholders' Meeting of Ascopiave S.p.A., in ordinary session, approved a new Purchase and sale plan of treasury shares to replace the authorisation to purchase and sell treasury shares issued by the Shareholders' Meeting held on 26th April 2018, which is therefore to be deemed revoked as regards the non-executed part.

Upon the request of the Shareholder Asco Holding S.p.A., in ordinary session, the Shareholders' Meeting resolved to distribute an extraordinary dividend of Euro 0.2133 for each of the 222,178,966 outstanding shares, totalling Euro 47,390,773.40, to be withdrawn from the "Share premium reserve". Such extraordinary dividend was paid on 8th May 2019, with ex-dividend date on 6th May 2019 and record date on 7th May 2019.

The Shareholders' Meeting, in extraordinary session, approved the project of the merger through acquisition of Unigas Distribuzione S.r.l. ("Unigas") into Ascopiave S.p.A. (the "Merger") and, thereby, the Merger.

Through the Merger, Ascopiave and Unigas pursue the objective of entrusting the activities they perform in the gas distribution sector in Lombardy to a single operator, thus further improving their positioning on the market and the quality standards of the service provided in the relevant territories.

The Extraordinary Shareholders' Meeting also approved the amendment of art. 6 of Ascopiave's articles of association, adding paragraphs 6.6 to 6.18, in order to introduce the increased voting rights mechanism, pursuant to art. 127-quinquies of the Unified Finance Law.

Specifically, the increased voting rights mechanism will grant 2 voting rights for each Ascopiave share that has belonged to the same shareholder for a continuous period of at least 24 months from the registration in a special list, which will be established and stored by the Company at the registered office.

The Shareholders' Meeting of Unigas Distribuzione S.r.l. approved the project of the merger by incorporation of the company into Ascopiave S.p.A.

On 23rd April 2019, Ascopiave S.p.A. announced that the Shareholders' Meeting of Unigas Distribuzione S.r.l. ("Unigas"), convened on 24th April 2019, approved the project of the merger by incorporation of Unigas into Ascopiave. The same merger project had already been approved by the Shareholders' Meeting of Ascopiave held on 23rd April 2019. Therefore, the decision-making process related to the aforementioned merger is completed, and the merger is expected to be effective by the end of the first half of 2019.

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 proposal of differential pricing formulas and improvement of the quality of service. On 20th February 2019, Ascopiave S.p.A.'s Board of Directors launched the first stage of a process aimed at enhancing its activities in the gas and electricity sales sector and strengthening and consolidating its presence in the gas distribution sector, in both cases also through one or more strategic partnerships.

The expressions of interest and non-binding offers from the participants will be received during this first stage.

Synthesis data as of 31st March 2019 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)	31.03.2019	31.12.2018
Current assets	86,823	61,604
of which		
Cash and cash equivalents	21,735	15,262
Non-current assets	69,475	67,898
Current liabilities	58,136	36,915
of which		
Current financial liabilities	598	1
Non - current liabilities	5,183	4,354
	92,979	88,234
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	45,559	43,234

(Thousands of Euro)	Firts quarter 2019	Firts quarter 2018
Revenues	57,456	54,444
Total operating costs	50,682	47,151
Gross operative margin	6,774	7,293
Amortization and depreciation	145	9
Operating result	6,629	7,285
Financial income	42	46
Financial charges	14	0
Earnings before tax	6,657	7,331
Taxes of the period	1,910	2,090
Result of the period	4,747	5,240
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	2,326	2,568

Unigas Distribuzione S.r.l.

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

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

Balance sheet - summary data

(Thousands of Euro)	31.03.2019	31.12.2018
Current assets	16,608	12,106
of which		
Cash and cash equivalents	2,471	1,327
Non-current assets	48,287	48,366
Current liabilities	18,574	14,648
of which		
Current financial liabilities	0	0
Non - current liabilities	1,783	1,728
	44,539	44,096
Group inteterest	48.860%	48.860%
Net profit for the period attributable of the Group	21,762	21,545

Income Statement - summary data

(Thousands of Euro)	Firts quarter 2019	Firts quarter 2018
Revenues	3,111	4,654
Total operating costs	1,853	3,364
Gross operative margin	1,258	1,290
Amortization and depreciation	628	599
Operating result	630	691
Financial income	0	0
Financial charges	10	8
Earnings before tax	620	684
Taxes of the period	177	229
Result of the period	443	455
Group inteterest	48.86%	48.86%
Net profit for the period attributable of the Group	217	222

Asm Set S.r.l.

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

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

Balance sheet - summary data

(Thousands of Euro)	31.03.2019	31.12.2018
Current assets	14,064	11,280
of which		
Cash and cash equivalents	732	801
Non-current assets	4,908	4,900
Current liabilities	10,178	8,490
of which		
Current financial liabilities	0	844
Non - current liabilities	393	393
	8,400	7,297
Group inteterest	49.000%	49.000%
Net profit for the period attributable of the Group	4,116	3,576

Income Statement - summary data

(Thousands of Euro)	Firts quarter 2019	Firts quarter 2018
Revenues	14,272	11,941
Total operating costs	12,734	10,519
Gross operative margin	1,538	1,422
Amortization and depreciation	1	1
Operating result	1,537	1,420
Financial income	5	6
Financial charges	1	1
Earnings before tax	1,541	1,425
Taxes of the period	438	407
Result of the period	1,103	1,019
Group inteterest	49.00%	49.00%
Net profit for the period attributable of the Group	541	499

Pieve di Soligo, 13th May 2019

Chairman of the Board of Directors
Nicola Ceconato

DECLARATION

(Translation from the original issued in Italian)

CERTIFICATION OF THE QUARTERLY REPORT

as of 31st March 2019

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

The undersigned, dr. Riccardo Paggiaro, in his position as Manager Designate for preparing the financial and company documents of Ascopiave S.p.A. herein declares, to the best of his knowledge, pursuant to the provisions of Article 154-bis, paragraph 2 of the Consolidated Law and Finance, that the accounting information stated in the Quarterly Report as of 31st March 2019 tallies with the documental result, book-keeping entries and the accounting records.

Pieve di Soligo, 13th May 2019

Ascopiave S.p.A.
dr. Riccardo Paggiaro

Gruppo Ascopiave

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