

# INTERIM REPORT AS OF 30<sup>th</sup> SEPTEMBER

# 2018

Ascopiave Group



## Table of contents

GENERAL INFORMATION .....	5
Directors, Officers and Company information .....	5
Main economic and financial data of the Ascopiave Group .....	6
REPORT ON MANAGEMENT .....	7
FOREWORD .....	7
The structure of the Ascopiave Group .....	9
Ascopiave S.p.A. share trend on the Stock Exchange .....	10
Corporate Governance and Code of Ethics .....	12
Transactions with related and affiliate parties .....	13
Significant events during the first nine months of 2018 .....	13
Additional significant events .....	17
Energy efficiency and saving obligations .....	17
Subscription, with the Municipalities involved, of a convention for the adoption of a shared procedure aimed at the agreed quantification of the “Residual Industrial Value” of the networks .....	17
Litigations .....	19
Relationships with Agenzia delle Entrate (Italian Tax Authority) .....	22
Territorial areas .....	23
Distribution of dividends .....	25
Own shares .....	26
Outlook for the Year .....	26
Goals and policies of the group and risk description .....	26
Additional information .....	28
Seasonal nature of the activity .....	28
Comments on the economic and financial results of the first nine months of 2018 .....	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
Interim financial report charts .....	38
Consolidated assets and liabilities statement .....	39
Income statement and comprehensive consolidated income statement .....	40
Statement of changes in consolidated shareholders’ equity .....	41
Consolidated financial statements .....	42
EXPLANATORY NOTES .....	43
Company information .....	43
General drafting criteria and main accounting standards adopted .....	43
New international standards applied for the first time commencing 1 <sup>st</sup> January 2018 .....	43
Use of estimates .....	45
Business combinations .....	46
Consolidation area and principles .....	46
Synthesis data of fully consolidated companies and jointly controlled companies consolidated through the equity method .....	48
COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS .....	49
Non-current assets .....	49
Current assets .....	54
Consolidated shareholders’ equity .....	59
Non-current liabilities .....	60
Current liabilities .....	63
COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS .....	68
Revenues .....	68
Costs .....	69
Financial income and expense .....	74
Taxes .....	74
Non-recurrent components .....	75
Transactions deriving from unusual and/or atypical operations .....	75
BUSINESS COMBINATIONS .....	76
Acquisition of 20% of Amgas Blu S.r.l.’s shares .....	76
OTHER COMMENTS ON THE INTERIM FINANCIAL STATEMENTS AS OF 30 <sup>TH</sup> SEPTEMBER 2018 .....	77

Risk and uncertainty factors .....	78
Management of Capital.....	80
Representation of financial assets and liabilities by categories .....	81
Business segment reporting.....	82
Transactions with related parties .....	83
Financial statements representation pursuant to Consob resolution 15519/2006.....	85
Consolidated assets and liabilities statement .....	85
Income statement and comprehensive consolidated income statement.....	86
Consolidated financial statements .....	87
Consolidated net debt .....	88
Significant events subsequent to the end of the first nine months of 2018 .....	89
Goals and policies of the Group .....	89
Synthesis data as of 30 <sup>th</sup> September 2018 of jointly controlled companies consolidated through the equity method .....	90

Annexes:

In-Company Control:

- Declaration by the Manager - Certification of the Consolidated Interim Financial Statements as of 30<sup>th</sup> September 2018 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 Corporate memorandum of association and in observance of the reserves within the competence of the Shareholders' Meeting and the Board of Directors, according to the resolutions of the Board of Directors.

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

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

#### Independent Auditors

PriceWaterhouseCoopers S.p.A.

#### 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)	Nine months			
	2018	% of revenues	2017	% of revenues
Revenues	402,825	100.0%	377,344	100.0%
Gross operative margin	57,502	14.3%	58,906	15.6%
Operating result	38,898	9.7%	41,595	11.0%
Net result for the period	31,278	7.8%	33,610	8.9%

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

### Assets figures

(Thousands of Euro)	30.09.2018	31.12.2017	30.09.2017
Net working capital	22,784	66,380	26,045
Fixed assets and other non current assets	547,393	553,397	548,720
Non-current liabilities (excluding loans)	(50,288)	(49,411)	(50,456)
<b>Net invested capital</b>	<b>519,889</b>	<b>570,367</b>	<b>524,309</b>
Net financial position	(86,523)	(119,867)	(90,315)
Total Net equity	(433,365)	(450,500)	(433,994)
<b>Total financing sources</b>	<b>(519,889)</b>	<b>(570,367)</b>	<b>(524,309)</b>

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

### Monetary flow data

(Thousands of Euro)	Nine months	
	2018	2017
<b>Net income of the Group</b>	<b>29,971</b>	<b>32,200</b>
Cash flows generated (used) by operating activities	87,824	72,251
Cash flows generated/(used) by investments	(20,224)	(24,133)
Cash flows generated (used) by financial activities	(20,800)	(12,268)
<b>Variations in cash</b>	<b>46,800</b>	<b>35,851</b>
Cash and cash equivalents at the beginning of the period	15,555	8,822
Cash and cash equivalents at the end of the period	62,355	44,672

### FOREWORD

The Ascopiave Group closed the first nine months of 2018 with a net consolidated profit of Euro 31.3 million (Euro 33.6 million as of 30<sup>th</sup> September 2017), with a decrease of Euro 2.3 million, -6.9% as compared to the same period in the previous year.

The consolidated net assets as of 30<sup>th</sup> September 2018 amounted to Euro 433.4 million, (Euro 450.5 million as of 31<sup>st</sup> December 2017) and the net capital invested to Euro 519.9 million (Euro 570.4 million as of 31<sup>st</sup> December 2017).

During the first nine months of 2018, the Group accomplished investments for Euro 16.7 million (Euro 14.7 million as of 30<sup>th</sup> September 2017), mainly in the development, maintenance and modernisation of the networks and plant of gas distribution and the installation of electronic metres.

#### Activities

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

The Group currently holds concessions and direct assignments for the supply of the service in 230 municipalities, (230 municipalities as of 31<sup>st</sup> December 2017) and has a distribution network extending for over 9,796 Km<sup>1</sup>, (over 9,780 km as of 31<sup>st</sup> December 2017) providing a service to a catchment area bigger than 1 million inhabitants.

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

In the gas sale segment, Ascopiave is one of the main National operators with over 620 million cu.m<sup>1</sup> of gas sold in the first nine months of 2018 (606.1 million cu.m as of 30<sup>th</sup> September 2017).

#### Strategic objectives

The Ascopiave Group 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 operative processes.

#### Management trend

The volumes of gas sold in the first nine months of 2018 amounted to 620.8 million cu.m<sup>1</sup>, marking an increase of 2.4% as compared to the same period in the previous year.

The volumes of electrical energy sold were 339.6 GWh<sup>1</sup>, marking an increase of 2.0% as compared to the same period in the previous year.

The customer portfolio at the end of the first nine months of 2018 consists of 744.0 thousand customers, marking an increase of 0.9% as compared to the same period in the previous year.

As to the activity of gas distribution, the volumes distributed through the networks managed by the Group were 748.7 million cu.m<sup>1</sup>, marking an increase of 16.9% as compared to the same period in 2017 (82.0 million cu.m relating to the extension of the scope of consolidation to Ap Reti Gas Vicenza S.p.A.). The distribution network as of 30<sup>th</sup> September 2018 has an extension of 9,796 km<sup>1</sup>, an increase of 9 km as compared to the same period in the previous year.

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

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

The consolidated revenues of the Ascopiave Group in the first nine months of 2018 amounted to Euro 402.8 million, compared to Euro 377.3 million recorded in the same period in the previous year. The increase in the turnover is mainly due to the higher revenues from electricity sales (Euro +8.4 million), the recognition of revenues for forward sales of the raw material (+7.2 million) and the extension of the scope of consolidation (Euro 5.0 million).

The Operating Result of the Group equalled Euro 38.9 million, marking a decrease as compared to Euro 41.6 million in first nine months of 2017. The decrease recorded is mainly explained by the worsening of the natural gas sales first margin (Euro -1.0 million), the electricity sales first margin (Euro -0.7 million) and higher personnel costs (Euro -1.2 million).

The Net Result of the Group equalled Euro 31.3 million, marking a decrease of Euro 2.3 million as compared to the first nine months of 2017.

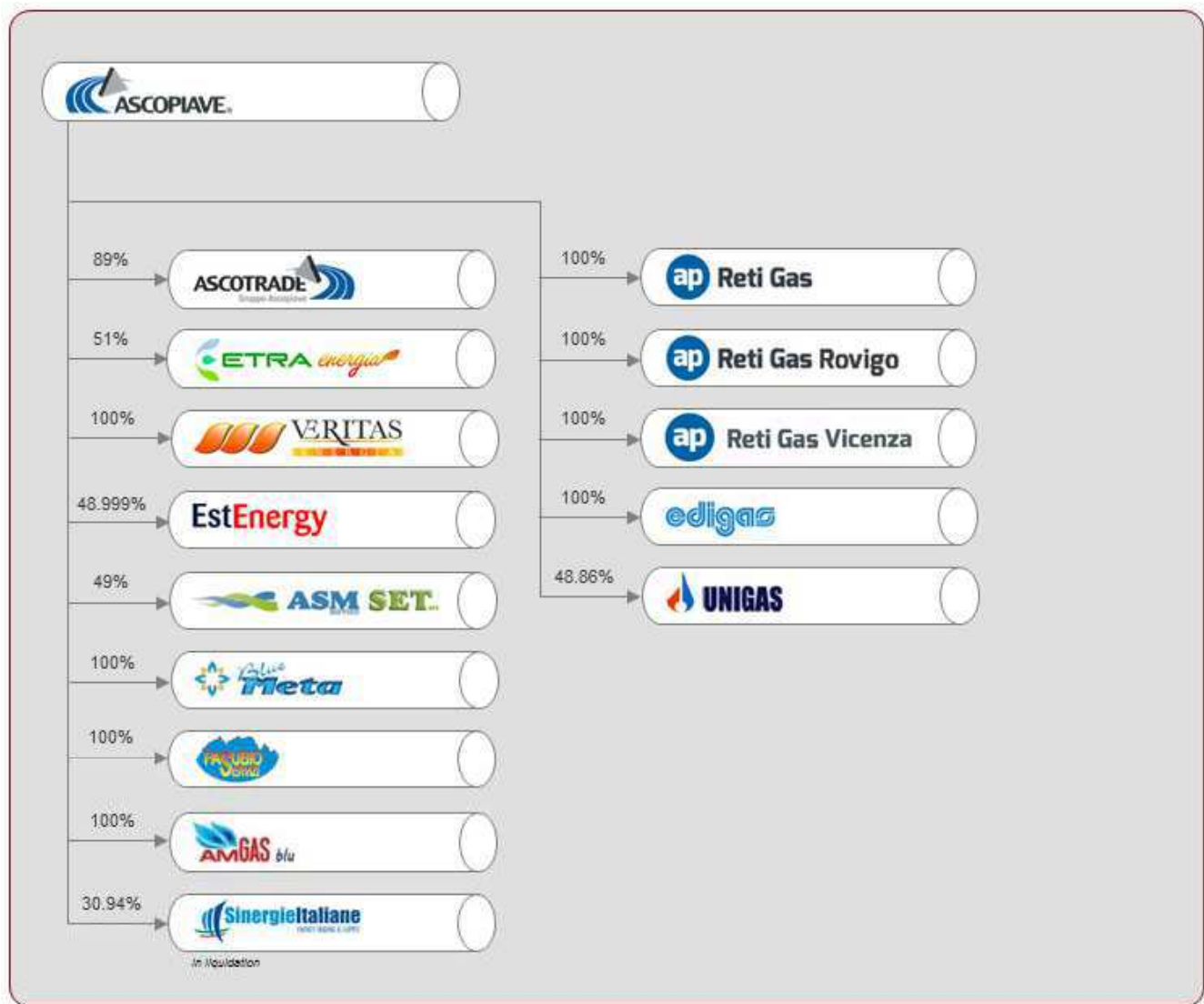
The Group's Net Financial Position as of 30<sup>th</sup> September 2018 amounted to Euro 86.5 million, with an improvement of Euro 33.3 million as compared to Euro 119.9 million on 31<sup>st</sup> December 2017.

The reduction in financial indebtedness is determined by the cash flow of the period (Euro +49.9 million, given by the sum of the net result, provisions, amortisations and depreciations) and by the management of current assets, which has generated financial resources for Euro 37.9 million. The investment activity has absorbed financial resources for Euro 20.2 million whereas the management of the working capital (distribution of dividends and dividends received by the companies consolidated using the equity method) has absorbed resources for Euro 34.3 million.

The ratio between Net financial position and Net equity as of 30<sup>th</sup> September 2018 amounted to 0.20 (0.27 as of 30<sup>th</sup> September 2017).

### The structure of the Ascopiave Group

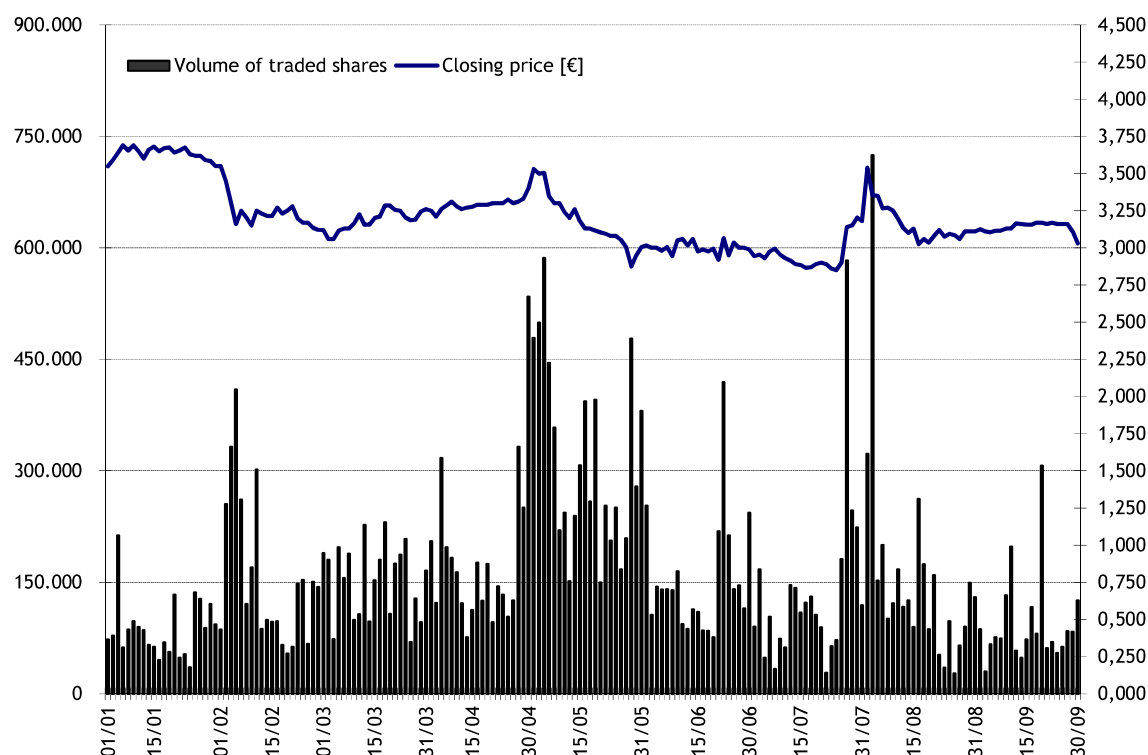
The table below shows the company structure of the Ascopiave Group as of 30<sup>th</sup> September 2018.



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

As of 28<sup>th</sup> September 2018 the Ascopiave share registered a quotation of Euro 3.030 per share, with a decrease of 14.6 percentage points as compared to the listing at the beginning of 2018 (Euro 3.548 Euro 766 per share, referred to the quotation of 2<sup>nd</sup> January 2018).

Market capitalisation as of 30<sup>th</sup> September 2018 was equal to Euro 710.27 million (Euro 840.37 million as of 29<sup>th</sup> December 2017).



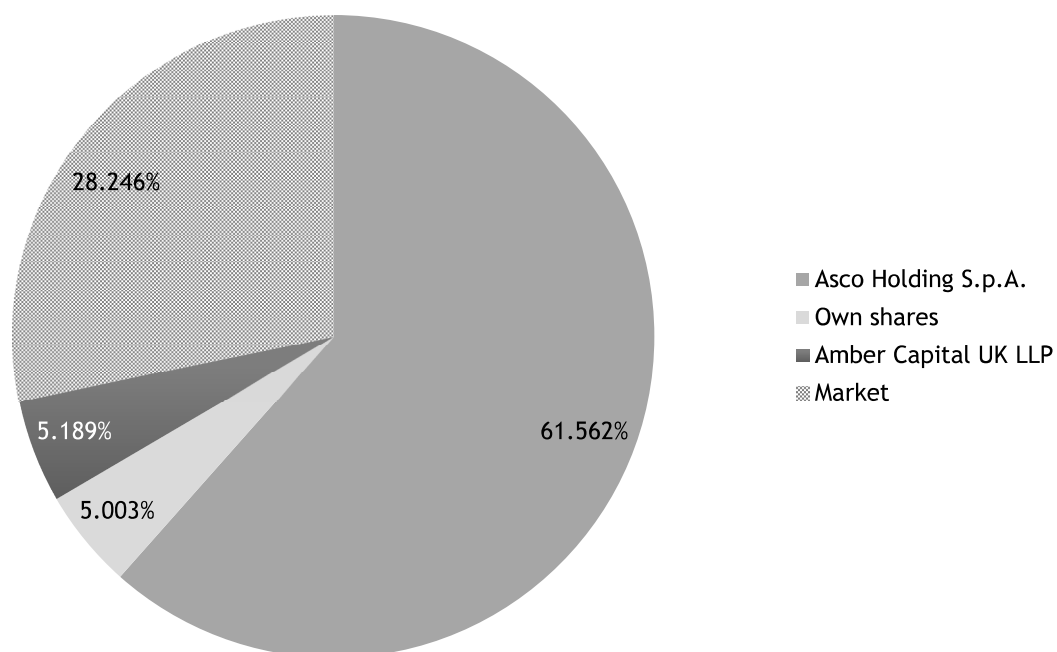
During the first nine months of 2018, the quotation of the share showed a decrease in performance (-14.6%), lower than the industry index FTSE Italia Servizi di Pubblica Utilità (-11.0%), the index FTSE Italia All Share (-5.2%) and the index FTSE Italia Star (+1.3%).

In the following table we report the main shares and stock-exchange data as of 30<sup>th</sup> September 2018:

Share and stock-exchange data	30.09.2018	30.09.2017
Earning per share (Euro)	0.14	0.15
Net equity per share (Euro)	1.85	1.85
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.030	3.506
Maximum annual price (Euro)	3.690	3.782
Minimum annual price (Euro)	2.850	2.710
Stock-exchange capitalization (Million of Euro)	717.23	818.53
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 30<sup>th</sup> September 2018, Asco Holding S.p.A. directly controls 61.562% of the Ascopiave S.p.A. share capital. The share composition of Ascopiave S.p.A., according to the number of shares held by the shareholders of the total shares forming the share capital, is as follows:



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

## Corporate Governance and Code of Ethics

During the first nine months of 2018, Ascopiave S.p.A. continued its operating improvement process of the corporate governance planned during past years, strengthening the risk management system and introducing further improvements to the tools in order to defend investors' benefits.

### Internal audit

The activity plan of the Internal Audit structure is approved yearly by the Board of Directors of the Company. In particular, the audit activities included in the above-mentioned activity plan, based on 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](http://www.gruppoascopiave.it).



## Transactions with related and affiliate parties

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

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

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

- ✓ Lease of owned real properties to the associate ASCO TLC S.p.A.;
- ✓ Lease of owned real properties to the affiliate Sinergie Italiane S.r.l. in liquidation;
- ✓ Debit transactions from ASM Set S.r.l., jointly controlled company;
- ✓ Administrative and staff services from Ascopiave S.p.A. to ASM Set S.r.l., Unigas Distribuzione S.r.l., Sinergie Italiane S.r.l. in liquidation and SEVEN CENTER S.r.l., in liquidation;
- ✓ Sale of electricity to ASM Set S.r.l., jointly controlled company;
- ✓ Administrative and staff services from Ascopiave S.p.A. to the Parent company Asco Holding S.p.A.;
- ✓ Income from participation in national tax consolidation with Asco Holding S.p.A..

Relationships deriving from tax consolidation with Asco Holding S.p.A.:

Ascopiave S.p.A., AP Reti Gas S.p.A., Ascotrade S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A., Pasubio Servizi S.r.l., Blue Meta S.p.A. and Veritas Energia S.p.A. have also adhered to the consolidation of tax relations held by the Parent company Asco Holding S.p.A., highlighted in the current assets and liabilities.

We would like to point out that these relations are characterised by the highest transparency and are performed on an arm's length basis. As regards each relationship, please see the Explanatory Notes.

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

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.p.A.	18	886	0	11,398	0	0	11,416	0	62	871
<b>Total parent company</b>	<b>18</b>	<b>886</b>	<b>0</b>	<b>11,398</b>	<b>0</b>	<b>0</b>	<b>11,416</b>	<b>0</b>	<b>62</b>	<b>871</b>
<i>Affiliated companies</i>										
ASCO TLC S.p.A.	84	0	143	0	0	442	33	201	112	29
SEVEN CENTER S.R.L.		0	0	0	0	0	0	0	12	0
<b>Total affiliated companies</b>	<b>84</b>	<b>0</b>	<b>143</b>	<b>0</b>	<b>0</b>	<b>442</b>	<b>33</b>	<b>201</b>	<b>123</b>	<b>29</b>
<i>Subsidiary companies</i>										
Estenergy S.p.A.	6	0	17	7	0	0	0	0	0	0
ASM SET S.R.L.	1,005	0	358	1,164	0	149	3	5,029	375	53
Unigas Distribuzione Gas S.r.l.	55	0	380	761	0	6,353	1	80	62	0
SINERGIE ITALIANE in liquidazione S.R.L.	5	7,510	0	0	53,558	44	0	0	32	0
<b>Total subsidiary companies</b>	<b>1,071</b>	<b>7,510</b>	<b>5</b>	<b>1,918</b>	<b>53,558</b>	<b>6,546</b>	<b>4</b>	<b>5,109</b>	<b>469</b>	<b>53</b>
<b>Total</b>	<b>1,173</b>	<b>8,396</b>	<b>138</b>	<b>13,315</b>	<b>53,558</b>	<b>6,988</b>	<b>11,452</b>	<b>5,310</b>	<b>654</b>	<b>954</b>

## Significant events during the first nine months of 2018

### Unsecured syndicated loan

On 25<sup>th</sup> January 2018, the Parent Company Ascopiave S.p.A. took out a 12-year unsecured syndicated loan to the amount of Euro 10,000 thousand with Cassa Centrale Banca and Banca di Credito Cooperativo delle Prealpi, to which a 1.83% fixed rate is applied. The loan does not envisage the verification of financial covenants.

### **Reform of the gas settlement regulatory framework with Resolution 72/2018/R/GAS dated 8<sup>th</sup> February 2018**

By Resolution 72/2018/R/GAS dated 8<sup>th</sup> February 2018, the Regulatory Authority for Energy, Networks and the Environment approved the reform of the gas settlement regulatory framework, which will take effect commencing 1<sup>st</sup> January 2020. By this measure, the Authority simplified the procedures for determining the items attributable to the settlement entity, which will be required to supply the REMI with the quantities determined according to the actual measurements for the redelivery points of the distribution network based on monthly measurements or daily details of the expected consumptions, and on the basis of the application of the expected withdrawal profile with climate correction for the withdrawal points measured less frequently than once a month. The Authority also entrusted the settlement manager with the task of supplying the difference between the quantities withdrawn at the REMIs and the sum of the expected consumptions attributable to the settlement entities for the REMIs served and assigned the SII (Integrated Information System) the responsibility of making available to the settlement manager the withdrawal data of the PDR (Redelivery Points for end customers). In June, Snam Sete Gas published the data on the adjustment sessions for the years 2013-2016.

### **Ascopiave S.p.A.'s Shareholders' Meeting dated 26<sup>th</sup> April 2018**

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

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

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

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

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

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

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

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

### **Announcement by Asco Holding S.p.A.**

On 8<sup>th</sup> June 2018, the Board of Directors of Asco Holding resolved to convene the Shareholders' meeting on 20<sup>th</sup> July 2018 on first call and on 23<sup>rd</sup> July 2018 on second call, in order to propose the adoption of some amendments to the current articles of association, aimed at ensuring greater governance cohesion and stability. Any shareholders of Asco Holding who do not participate in the adoption of the Shareholders' Meeting resolution for the approval of the new articles of association (because they oppose, are absent or abstain), may exercise the right of withdrawal pursuant to the Italian Civil Code, for all or part of their shares, within the fifteenth day subsequent to the registration of the Shareholders' resolution in the Register of Companies, since the amendments to the articles of association proposed by the Board of Directors include, *inter alia*, the introduction of restrictions on the transfer of shares. The methods for paying the liquidation value to the withdrawing shareholders include: (i) the attribution of shares in the subsidiary Ascopiave, up to a maximum limit of 27,000,000 shares, representing 11.52% of Ascopiave's share capital, so that Asco Holding will in any case retain more than 50% of Ascopiave's share capital; and (ii) the use of cash resulting from an extraordinary dividend (the company plans to ask Ascopiave to distribute such dividend, by means of a formal request

to convene the Shareholders' Meeting), up to a maximum amount of Euro 77 million, subject to the approval of the amendments to the articles of association by the Shareholders' Meeting of Asco Holding.

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

The withdrawal procedure, whose deadline was originally scheduled for the end of October 2018, is still underway, as the liquidation value has been challenged.

#### **Reform of the gas settlement regulatory framework by Resolution 72/2018/R/GAS dated 8<sup>th</sup> February 2018**

On 6<sup>th</sup> July, Snam Rete Gas S.p.A. announced that the balancing deadlines are extended in order to acknowledge any reports from the balancing users until 24<sup>th</sup> July 2018. Any such reports did not produce changes with respect to the volumetric data being processed, which, at the current date, are confirmed.

#### **Information on the termination of the existing employment relationship with Mr Roberto Gumirato**

On 8<sup>th</sup> August 2018, Ascopiave S.p.A. announced that an agreement was reached with Mr Roberto Gumirato, General Manager, which envisages the consensual termination with effect from 15<sup>th</sup> November 2018 of the existing employment relationship between the parties. In accordance with the agreement, again with effect from 15<sup>th</sup> November 2018, Mr Gumirato shall resign as the Chairman and member of the Board of Directors of AP Reti Gas S.p.A., a company controlled directly by Ascopiave S.p.A., and renounce the proxies granted by Ascopiave S.p.A. as well as by Asco TLC S.p.A. and Bim Piave Nuove Energie S.r.l., companies belonging to the Group.

The Board of Directors of Ascopiave S.p.A. thanked Mr Gumirato for his commitment and the results achieved in these years of work.

In compliance and consistent with the remuneration policy approved by the Company's Board of Directors on 14<sup>th</sup> March 2018, Mr Gumirato shall receive a gross amount of Euro 695,018, corresponding to 2 years of fixed salary, as an incentive to redundancy, a gross amount of Euro 532,000 as an extraordinary bonus for managing successfully the turnaround of Sinergie Italiane S.r.l., implementing the resolutions of the Board of Directors of Ascopiave S.p.A. dated 27<sup>th</sup> February 2014, a gross amount of Euro 90,000 as an MBO bonus for the year 2018 calculated *pro-rata temporis* until the date of termination of the relationship, and a gross amount equal to Euro 10,000 in consideration of the waivers of Mr Gumirato to any requests or claims deriving from the previous employment relationship and the relationship as a member of the Board of Directors.

Mr Gumirato shall comply with the non-compete obligations set forth in the agreement signed with Ascopiave S.p.A. on 15<sup>th</sup> March 2016, which will therefore be effective from 16<sup>th</sup> November 2018 to 15<sup>th</sup> May 2022, and will receive, in accordance with the aforementioned agreement and in consideration of the non-compete obligations, a gross amount of Euro 547,327.

All the above amounts will be paid to Mr Gumirato within 10 days from the repetition of the agreement in one of the circumstances under articles 2113, Italian Civil Code, and 410 *et seq.*, Italian Code of Civil Procedure.

Lastly, the agreement envisages mutual waivers to any requests or claims deriving from the previous employment relationship and the relationship as a member of the Board of Directors, obviously with the exception, as regards the waivers in favour of Mr Gumirato, of cases of wilful misconduct or gross negligence.

Due to the overall consideration, the agreement qualifies as a related party transaction, to which the Procedure adopted by Ascopiave S.p.A. on the matter does not apply, because, on the one hand, it is consistent with the remuneration policy and with the existing agreements and, on the other hand (for the portion concerning the consideration in favour of Mr Gumirato, equal to Euro 10,000 gross, for the waivers set forth in the agreement), its value is low. The transaction, before being approved by the Company's Board of Directors, was however examined by the Remuneration Committee - an internal committee of the Board of Directors composed of independent directors - which expressed its justified opinion in favour of the conclusion of the agreement.

The Board of Directors immediately started the search for the new General Manager.

#### **Announcement by Asco Holding S.p.A.**

On 13<sup>th</sup> August 2018, Asco Holding S.p.A. announced that the period for exercising the right of withdrawal for Asco Holding shareholders who, on 23<sup>rd</sup> July, did not approve the resolution concerning certain amendments to the Articles

of Association, including the extension of the term of the company and the introduction of restrictions to the transfer of shares, expired on 10<sup>th</sup> August 2018, pursuant to art. 2437 of the Italian Civil Code.

According to the communications received by the Company, the right of withdrawal was exercised for 37,464,867 shares (the “Withdrawal Shares”), representing 26.76% of Asco Holding’s share capital, for a total equivalent value of Euro 140,493,251.25 calculated at the liquidation value of Euro 3.75 (three/75) for each share, established in compliance with art. 2437-ter of the Italian Civil Code. The payment of such amount was requested in cash for 13.96% of Asco Holding’s share capital and through the allocation of shares in the subsidiary Ascopiave S.p.A. for 12.80%.

Since the number of the Withdrawal Shares is less than 38.48% of Asco Holding’s shares and the number of the withdrawing shareholders who asked to receive the liquidation value of the shares for which the right of withdrawal in cash was exercised represents a percentage of the capital lower than 23.05%, on the basis of the data currently available, the conditions for revoking the resolution approving the amendments to the Articles of Association are not met.

12,611,081 Withdrawal Shares, other than the 24,853,786 shares held by some withdrawing shareholders who challenged the liquidation value, will be offered with pre-emption rights, pursuant to Article 2437-quater of the Italian Civil Code, to Asco Holding shareholders other than those who exercised their right of withdrawal, from 13<sup>th</sup> August 2018 to 11<sup>th</sup> September 2018, included, in proportion to the number of shares held by them (the “Rights Offering”).

Asco Holding shareholders who exercise the first option to buy as part of the Rights Offering will have a right of pre-emption to purchase any Withdrawal Shares remained unsubscribed as part of said offer, provided that such shareholders formulate a specific request simultaneously with the exercise of the right of pre-emption.

If, as a result of the Rights Offering, any further Withdrawal Shares remain unsubscribed, Asco Holding shall repurchase such shares.

The Rights Offering Notice was filed with the Register of Companies of Treviso - Belluno, pursuant to art. 2437-quater, paragraph 2, Italian Civil Code, on the same date.

#### **Announcement by Asco Holding S.p.A.**

On 6<sup>th</sup> September 2018, Asco Holding S.p.A. announced that, on the basis of the communications of the shareholders received after the date of the last press release (13<sup>th</sup> August 2018) but validly sent within the final deadline for exercising the right of withdrawal of the shareholders who did not participate in the adoption of the resolution of the Shareholders’ Meeting convened on 23<sup>rd</sup> July 2018 (i.e., within 10<sup>th</sup> August 2018), the final results relating to the exercise of the right of withdrawal are as follows:

- (i) the right of withdrawal was exercised for a total of 41,945,221 shares, representing 29.96% of Asco Holding’s share capital, for a total equivalent value of Euro 157,294,578.75 calculated at the liquidation value of Euro 3.75 (three/75) for each share, established by the Board of Directors in compliance with art. 2437-ter of the Italian Civil Code;
- (ii) the payment of the liquidation value was requested in cash for 15.78% of Asco Holding’s share capital and through the allocation of shares in the subsidiary Ascopiave S.p.A. for 14.18%.

14,007,435 Withdrawal Shares, other than the 27,937,786 shares held by some withdrawing shareholders who challenged the liquidation value, will be subjected to a new Rights Offering, filed today with the Register of Companies of Treviso - Belluno, replacing entirely the previous subscription right offering filed on 13<sup>th</sup> August 2018.

#### **Ascopiave S.p.A., already owner of 80% of Amgas Blu’s share capital, buys the remaining 20% of the stock from Amgas S.p.A., becoming the sole shareholder of the company**

On 18<sup>th</sup> September 2018, Amgas S.p.A. and Ascopiave S.p.A. finalised the agreement governing the transfer of 20% of the share capital of Amgas Blu S.r.l., from Amgas S.p.A. to Ascopiave S.p.A., which already owned 80% of the company’s equity. The operation allows Ascopiave S.p.A. to own the full 100% stock of Amgas Blu S.r.l..

The equivalent amount disbursed for the purchase, amounting to Euro 3.8 million, corresponds to Amgas Blu S.r.l. enterprise value of Euro 19.5 million.

In 2017, Amgas Blu S.r.l. served about 48,800 customers, of which 46,100 in the gas sector and 2,700 in the electricity segment. Revenues amounted to Euro 19.3 million. EBITDA, in the same period, was Euro 2.5 million.

#### **Resignation of Cristiano Belliato, CFO, Ascopiave Group**

On 28<sup>th</sup> September 2018, Ascopiave S.p.A. (“Ascopiave” or the “Company”) announced that Mr Cristiano Belliato, Chief Financial Officer, Ascopiave Group, resigned to pursue a new career path.

Mr Belliato maintained his duties and responsibilities as the Executive in charge of compiling Ascopiave’s accounting and corporate documents, as the Chief Financial Officer and as the strategic manager of the Ascopiave Group until 30<sup>th</sup> October 2018.

Mr Belliato shall comply with the non-compete obligations set forth in the agreement signed with Ascopiave on 15th March 2016, which therefore shall be effective from 1<sup>st</sup> November 2018 to 1<sup>st</sup> May 2021, and has received, pursuant to the aforementioned agreement and in consideration of the non-compete obligations, a gross amount equal to Euro 213,558. Consistent with the remuneration policy approved by the Company’s Board of Directors on 14<sup>th</sup> March 2018 and with the existing agreements, such consideration qualifies as a related party transaction to which the Procedure adopted by the Company on the matter does not apply.

In compliance with the requirements of the Instructions for the Rules of the Markets organised and managed by Borsa Italiana, we inform you that on 28<sup>th</sup> September 2018 Mr Belliato held 33,737 ordinary shares in Ascopiave.

## Additional significant events

### Energy efficiency and saving obligations

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

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

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

By resolution dated 29<sup>th</sup> January 2018, the Authority defined the 2018 target of the company, amounting to 16,103 TEE.

In September, Euro 28,103 thousand were collected for the certificates delivered in September.

### 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 29<sup>th</sup> August 2011.

The expert has written a report (made available on 15<sup>th</sup> 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 2<sup>nd</sup> December 2011 by Ascopiave’s Board of Directors and then by all 92 Local Bodies by City Council Resolution.

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

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

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

In particular:

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

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

During 2015, Ascopiave S.p.A. made available to the Municipalities belonging to the Minimum Territorial Areas of Treviso 2 - Nord and Venezia 2 - Entroterra and Veneto Orientale (69 municipalities out of 92), an update of the valuations of the plants as of 31<sup>st</sup> December 2014. Subsequently, in the two-year period 2016-2017, the municipalities belonging to the Treviso 2 - Nord and some municipalities belonging to the Treviso 1 - area were provided with an update as of 31<sup>st</sup> December 2015, by applying the valuation criteria agreed upon and by providing a calculation of the assessment of private contributions to be deducted from the residual industrial value pursuant to Law 9/2014.

The contracting authorities in the territorial areas of Treviso 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 30<sup>th</sup> September 2018, the following are pending:

#### **MUNICIPALITY OF COSTABISSARA:**

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

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

### **LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS**

As of 30<sup>th</sup> September 2018, the following are pending:

#### **MUNICIPALITY OF CREAZZO:**

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

The Company would prefer to reach a negotiation agreement.

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

The Municipality, by City Council Resolution no. 18, dated 22<sup>nd</sup> March 2018, definitively approved the settlement agreement as described above, which was then executed on 2<sup>nd</sup> August 2018.

#### **MUNICIPALITY OF SANTORSO:**

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

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

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

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

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

The Municipality filed an appeal.

The hearing before the Court of Appeal of Venice is scheduled for 9<sup>th</sup> January. Ascopiave has entered an appearance in accordance with the legal terms.

### **ADMINISTRATIVE LITIGATIONS - NOT CONCERNING CONCESSIONS**

As of 30<sup>th</sup> September 2018, the following are pending:

#### **GUIDELINES - MINISTERIAL DECREE 22<sup>nd</sup> MAY 2014**

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

amending Ministerial Decree 226/2011.

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

As part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9 and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (retrospective deduction of private contributions and time limit of agreements' validity) were raised.

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

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 20<sup>th</sup> September 2018. We are currently awaiting the decision of the Council. It is likely, however, that the matter will be referred to the European Court of Justice.

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

An appeal to the Regional Administrative Court of Lombardy - Milan against the ARERA, for the cancellation of the Resolutions ARG/gas 310 and 414/2014 related to the methods for assessing the RAB RIV delta, pursuant to art. 15, paragraph 5 of Legislative Decree 164/2000 (current text) when the difference is higher than 10%. To date, there are no further procedural steps.

Resolutions 310 and 414 were formally repealed by Resolution 905/2017 which, however, essentially reiterated the same regulation. Ascopiave, therefore, together with other appellants, in order to avoid the declaration stating that the appeal would in any case be of no benefit to the claimants, appealed Resolution 905/2017 with "additional grounds". To date, there are no further procedural records.

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

Zi Rete Gas S.p.A. filed an appeal before the Regional Administrative Court of Veneto against the Town of Schio and Ascopiave S.p.A. (notified on 10<sup>th</sup> 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 9<sup>th</sup> November 2016) overruled the protective order by Zi Rete Gas. The claimant then filed a claim to the Council of State. The C.o.S. overruled the request for a single-judge solution and opted for a full Council sentence.

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

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

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

#### **CIVIL LITIGATIONS - NOT CONCERNING CONCESSIONS**

As of 30<sup>th</sup> September 2018, the following are pending:

##### **ASCOPIAVE - UNIT B:**

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

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

All the Parties regularly appeared before the Court.

The Court, by Order dated 22<sup>nd</sup> 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 29<sup>th</sup> 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 7<sup>th</sup> 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 28<sup>th</sup> June 2018, the Court of Appeal unified the appeals.

#### **ASCOPIAVE - SIDERA/FAJ COMPONENTS:**

A civil lawsuit (possession action) before the Court of Treviso (RG 7655/2015), filed by Ascopiave S.p.A. against the companies Sidera and Faj Components, subsequent to the construction, by the latter, of a new technological building (replacing a former silo), located south of Ascopiave S.p.A.'s property, which does not comply with the minimum distances and the previous transaction existing between the Parties. Aspects connected with personnel and facility safety are also contested.

The Judge has appointed an Expert Witness.

In the meantime, a discussion also solicited by the court-appointed Expert Witness has been initiated in order to reach a settlement. To this end, a draft agreement has been prepared, not formalised yet due to the absence of an adequate insurance guarantee in favour of Ascopiave S.p.A..

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

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

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

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

On 23<sup>rd</sup> June 2017, the hearing for the resumption of proceedings was held, during which the bankruptcy trustee stated that he had asked the Deputy Judge an authorisation, not yet obtained, to enter an appearance. He then pointed out that the plant in question was included in the bankrupt estate and that the sale procedure will be initiated as soon as possible.

In December 2017, the disputed artefact was removed.

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

#### **FORCED ENTRY - DEFAULT SERVICE**

Pursuant to the regulation obligation (specifically about Art. 40.2 letter A of the Integrated Text for the Sale of Gas - TIVG), AP Reti Gas S.p.A. (as the other distribution companies of the Group) may, pursuant to Art. 700 of the Civil Procedural Code, obtain forced entry to private property in order to disconnect utilities (when the meter is located in a private property) of Default Service (SDD) clients that are in default.

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

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

The procedure also envisages to close any controversy via ordinary methods, collection of information, gathering of previous data and/or efforts to contact the involved final customers, notification of delays, past due notifications

and, if all of the above prove unsuccessful, the opening of a judicial procedure, normally as an urgent appeal pursuant to Art. 700 of the Civil Procedural Code.

Other distribution companies of the Group have opted for the same solution (AP Reti Gas Rovigo S.R.L., AP Reti Gas Vicenza S.p.A., Edigas Esercizio Distribuzione Gas S.p.A. and Unigas Distribuzione S.R.L.).

Currently:

- 3 procedures are in progress (they have been sent to the Legal Office and are awaiting filing);
- 2 procedures have been filed (hearings already scheduled/under scrutiny);
- 1 procedure is in execution of judgment;
- 12 procedures are being initiated (their appeals are being drafted and sent to the Legal Office);
- 5 procedures have been suspended (for various reasons);
- 184 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 30<sup>th</sup> September 2018, the total legal fees (including taxes), for Ascopiave S.p.A. / Ap Reti Gas S.p.A.'s procedures forwarded to the Legal Office, amount to approximately Euro 177 thousand. For the other companies of the Group these costs amount approximately to Euro 100 thousand (including Unigas Distribuzione S.r.l. costs).

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

Ascotrade S.p.A. filed an appeal before the Regional Administrative Court of Lombardy (with deed dated 4<sup>th</sup> December 2017) against ARERA for the annulment of Resolution 670/2017/R/GAS dated 5<sup>th</sup> October 2017, and 782/2017/R/GAS dated 23<sup>rd</sup> November 2017, which governs the execution of the adjustment sessions for the years from 2013 until the entry into force of the new regulation on gas settlement, and the completion of the regulatory framework governing the execution of the adjustment sessions. In June, Snam Rete Gas, by publishing the data relating to the adjustment sessions for the years 2013-2016, enabled the first evaluation of the negative economic impact of the regulatory measures challenged. Currently, the negative impact is uncertain as Snam Rete Gas has rescheduled the deadlines for the recalculation of the quantities communicated. In addition, if the reference shippers required the Ascopiave Group's sales companies to pay the amounts deriving from the application of Resolution 670/2017/R/gas, such companies may bring administrative proceedings by requesting the precautionary suspension of the effects of the Resolution, considering that it was appealed. As concerns civil proceedings, it will be possible to challenge before the civil court the shippers' right to make economic claims on the basis of the contracts originally finalised.

At the reporting date, the hearing had not been scheduled.

#### **Relationships with Agenzia delle Entrate (Italian Tax Authority)**

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

The Companies involved in the afore-mentioned litigations are: Amgas Blu, Ascopiave, Ascotrade, Ap Reti Gas Rovigo Unipersonale, Asm Set, Blue Meta, Edigas Esercizio Distribuzione Gas Unipersonale, Pasubio Servizi, Unigas Distribuzione, Veritas Energia Unipersonale.

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

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

## Territorial areas

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

Specifically:

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

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

The Ascopiave Group - as indeed many other operators - has substantially appreciated the new regulatory framework, believing that it can create important opportunities of investment and development for medium-sized qualified operators, 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 21<sup>st</sup> June 2013, no. 69, converted, with amendments, by Law dated 9<sup>th</sup> August 2013, no. 98. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) have to be deducted from the reimbursement value. If the reimbursement value is higher than 10% of the value of local assets calculated as per tariff regulation, net of public capital contributions and of private ones for local fixed assets, the granting local body submits the related evaluations detailing the reimbursement value to the Authority for Electricity and Gas and Water Supply System so that it can be checked before publishing the invitation to tender.

In addition, Law no. 9/2014 has established that the deadlines envisaged in paragraph 3 of article 4 of Law Decree dated 21<sup>st</sup> June 2013, no. 69, converted, with amendments, by Law dated 9<sup>th</sup> August 2013, no. 98, are extended by four months and that the deadlines illustrated in Attachment 1 to the regulations of the Minister for Economic Development Decree dated 12<sup>th</sup> November 2011, no. 226 (so-called "Decree for Criteria"), related to dispositions contained in the third grouping of Attachment 1 itself, and the deadlines illustrated in article 3 of the regulations, are extended by four months.

On 6<sup>th</sup> June 2014 the Decree of the Minister of Economic Development dated 22<sup>nd</sup> May 2014 was published in the Official Gazette, which approved the "Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks" pursuant to Article 4, paragraph 6, of Law Decree no. 69/2013, converted with amendments by Law no. 98/2013 and article 1, paragraph 16, of Law Decree no. 145/2013,

converted with amendments into Law no. 9/2014. Pursuant to Law no. 9/2014, the “Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks” define the criteria to be applied to the valuation of reimbursement of facilities in order to integrate those aspects that are not already provided for in the agreements or contracts and what cannot be deduced from the will of the parties.

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

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

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

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

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

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

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

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

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

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

The most significant changes include:

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



certificates.

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

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

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

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

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

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

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

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

The Authority has implemented the provisions of Law no. 124/2017 with Resolution 905/2017/R/gas dated 27<sup>th</sup> December 2017.

The Municipality of Belluno, Awarding Entity of the Minimum Territory Area of Belluno, regularly followed the procedure set out in the regulations and published a tender in December 2016. In September 2017 the Group company AP Reti Gas S.p.A. participated in the tender, submitting its bid.

The tender documents were challenged by an operator participating in the call for bids. With Judgement no. 886/2017, the Regional Administrative Court of Veneto rejected the appeal. The plaintiff appealed against the decision to the Council of State, submitting an application for the suspension of the first instance provision. At present, there is no news regarding the precautionary hearing originally scheduled for 3<sup>rd</sup> May 2018.

## Distribution of dividends

On 26<sup>th</sup> April 2018, the Shareholders' Meeting approved the yearly statement and decided the distribution of dividends for an amount equal to Euro 0.18 per share with dividend date on 7<sup>th</sup> May 2018, record date on 8<sup>th</sup> May 2018 and payment on 9<sup>th</sup> May 2018.

## Own shares

Pursuant to Article 40, Legislative Decree 127 2 d), as of 30<sup>th</sup> September 2018 the value of own shares held by the company is equal to Euro 16,980 thousand (Euro 17,521 thousand as of 31<sup>st</sup> December 2017), recognised as a reduction in other reserves as can be seen in the Net Equity changes.

## Outlook for the Year

As far as the gas distribution activities are concerned, in the fourth quarter of 2018 the Group will continue its normal operations and service management and perform preparatory activities for the invitations to tender. The Group will also participate in the tenders invited, if any, for the award of the Minimum Territorial Areas in which it is interested. Most Towns currently managed by the Group belong to Minimum Territorial Areas for which the maximum deadline to issue the call for tenders has expired. If the tender authorities issue calls for tenders in 2018, in the light of the time required to submit bids, and evaluate and select them, it is reasonable to assume that possible transfers of management to potential new operators may be executed only after the end of 2018.

Thus, the activity perimeter of the Group will likely not change compared to today, 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 2018.

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

As concerns the energy efficiency obligations, it is plausible that the margin that will be achieved at the end of the year marks a decrease as compared to that recorded as of 30<sup>th</sup> September 2018 and in 2017, due to regulatory changes that took effect in the third quarter of the year. 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 2017, due to the competitive pressure in the retail market and the tariff measures issued by ARERA (change in the gradualness component) and the overall negative impact on profit and loss due to the application of the gas settlement regulation for the years 2013-2016, already recorded in the second quarter of this year. The Group is also exposed to the positive or negative economic effects deriving from the economic impact related to the gas settlement regulation for the year 2017.

As regards electricity sales, the fiscal year 2018 could record results lower than those registered in 2017.

However, these results could be influenced, in addition to the possible new tariff provisions by the Regulatory Authority for Energy, Networks and the Environment - currently unforeseeable - also by the evolution of the more general competitive context, as well as by the Group's procurement strategy.

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

## Goals and policies of the group and risk description

### Credit and liquidity risk

The main financial instruments in use by our Group are represented by liquidity, bank debt and other forms of financing. It is maintained that the Group is not exposed to credit risks greater than the product sector average, considering the numerous customers and the low physical risk in the service of gas and electricity delivery. To keep residual credit risks under control, there is in any case a bad debt provision equal to approximately 8.3% (15.6% as of 30<sup>th</sup> September 2017) of the total gross receivables from third parties for invoices issued. Significant commercial operations take place in Italy.

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

The main payment obligations opened as of 30<sup>th</sup> September 2018 are associated with contracts for natural gas supply.

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

As of 30<sup>th</sup> September 2018 the Ascopiave Group holds a portfolio of 230 (230 as of 30<sup>th</sup> September 2017) natural gas distribution concessions located throughout the country. In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19<sup>th</sup> January 2011 and 18<sup>th</sup> October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12<sup>th</sup> November 2011, 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 21<sup>st</sup> June 2013, no. 69, converted, with amendments, by Law dated 9<sup>th</sup> August 2013, no. 98. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) have to be deducted from the reimbursement value. In addition, if the reimbursement value is higher than 10% of the value of local assets calculated as per tariff regulation, net of public capital contributions and of private ones for local fixed assets, the granting local body submits the related evaluations detailing the reimbursement value to the Authority for Energy, Networks and the Environment so that it can be checked before publishing the invitation to tender.

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

In the periods following the first, transitional one, the reimbursement value to the outgoing operator shall be equal to the local net intangible assets, net of public capital contributions and of private ones for local fixed assets, calculated with reference to the criteria used by the Authority to determine the distribution tariffs (RAB). As far as this point is concerned, it should be noted that the Authority has recently intervened with Resolution 367/2014/R/gas, providing that the redemption value, referred to in Article 14, paragraph 8, of Legislative Decree no. 164/00, at the end of the first period of concession is determined as the sum of: a) the residual value of the existing stock at the beginning of the concession period, assessed for all the fixed assets subject to transfer for consideration to the new operator in the second period of concession based on the redemption value, provided for in Article 5 of Decree 226/11, 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 3<sup>rd</sup> August 2017, the Authority presented, with DCO 590/2017, the final guidelines on possible amendments and additions to the regulations in force governing Settlement, aimed at simplifying the doctrine and overcoming some of the issues emerged.

By resolutions 670/2017/R/GAS dated 5<sup>th</sup> October 2017 and 782/2017/R/GAS dated 23<sup>rd</sup> 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 18<sup>th</sup> June 2018, Snam Rete Gas published the non-definitive data on the adjustment sessions for the years 2013-2016. The data received have allowed the directors to make estimates on the economic effects of the higher volumes allocated at the end of the process. The estimates were performed considering the various types of volumetric adjustments communicated by Snam Rete Gas consistent with the evolution of the regulatory framework. With regard to the volumetric adjustments due to the updating of the data used for the first allocation with the closure of the station, with the application of the original algorithms, the Group's sales segment estimated that the economic adjustments related to the greater quantities of gas withdrawn would amount to Euro 2,668 thousand. The higher costs recorded are related to revenues already accrued in the same period of time vis-à-vis the end customers to the tune of Euro 3,565 thousand. The current initial recognition of both higher costs and higher revenues is explained by the fact that in the years in question, since the annual adjustment sessions were not held, it was deemed appropriate to balance the cubic metres sold with the cubic metres allocated by the settlement manager.

Subsequent to receiving the volumetric data from Snam, it was also possible to conduct the first estimate of the economic impact of ARERA resolutions 670/2017/R/gas and 782/2017/R/gas, which neutralised the in-output delta for users of the distribution network, net of an allowance of 0.4%. The communication, in June, of the adjustment sessions for the years 2013-2016, enabled the definition of the volumetric input data for identifying the difference between the volumes injected into the local distribution network and the volumes withdrawn by the end consumers. The directors have quantified the in-output volumetric data updated by the Settlement Manager. The amounts relating to higher costs for gas purchase that we might have to pay to the shippers due to the provision are equal to Euro 8,149 thousand. The negative effect of higher costs was partially offset by the margin accrued on the sale, which had already occurred, of these volumes to the tune of Euro 5,172 thousand. The accrual of the margin was affected by the reception of the updated data for the greater volumes allocated by the Settlement Manager. The net impact of the in-output component is negative for Euro 2,976 thousand.

The overall effect of the volumetric updates received until 2016 is therefore negative for Euro 2,080 thousand.

At the reporting date, any reports received by Snam Rete Gas as concerns the four-year period 2013-2016 did not entail changes for the Group companies. With regard to the adjustment sessions for the year 2017, on 7<sup>th</sup> November 2018 Snam Rete Gas provided the new volume allocations as well as the in-output delta. The Group is assessing the data received and, consequently, the positive or negative economic effects thereof will be recorded in the next fourth quarter.

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

## Additional information

### Seasonal nature of the activity

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



## Comments on the economic and financial results of the first nine months of 2018

### Performance indicators

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

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

## General operational performance and indicators

NATURAL GAS DISTRIBUTION	Nine months		Var.	Var. %
	2018	2017		
Companies consolidated with full consolidation method				
Number of concessions	198	198	0	0.0%
Length of distribution network (km)	9,257	9,248	9	0.1%
Number of POD	489,655	487,366	2,289	0.5%
Volumes of gas distributed (scm/mln)	698.7	593.7	105.0	17.7%
Companies consolidated with net equity consolidation method				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,104	1,103	1	0.1%
Number of POD	94,388	94,336	52	0.1%
Volumes of gas distributed (scm/mln)	102.2	95.7	6.5	6.7%
Ascopiave Group*				
Number of concessions	214	214	0	0.0%
Length of distribution network (km)	9,796	9,787	9	0.1%
Number of POD	535,773	533,459	2,314	0.4%
Volumes of gas distributed (scm/mln)	748.7	640.5	108.2	16.9%

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

NATURAL GAS SALES TO FINAL MARKET	Nine months		Var.	Var. %
	2018	2017		
Companies consolidated with full consolidation method				
Number of customers	538,185	546,651	-8,466	-1.5%
Volumes of gas sold (smc /mln)	535.8	520.9	15.0	2.9%
Companies consolidated with net equity consolidation method				
Number of customers	229,155	233,215	-4,060	-1.7%
Volumes of gas sold (smc /mln)	173.3	173.8	-0.5	-0.3%
Ascopiave Group*				
Number of customers	650,469	660,924	-10,455	-1.6%
Volumes of gas sold (smc /mln)	620.8	606.1	14.7	2.4%

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

SALE OF ELECTRIC POWER	Nine months		Var.	Var. %
	2018	2017		
Companies consolidated with full consolidation method				
Number of POD	78,169	65,216	12,953	19.9%
Volumes of electricity sold (GWh)	291.6	290.2	1.4	0.5%
Companies consolidated with net equity consolidation method				
Number of POD	31,279	22,923	8,356	36.5%
Volumes of electricity sold (GWh)	98.0	87.3	10.7	12.3%
Ascopiave Group*				
Number of POD	93,495	76,448	17,047	22.3%
Volumes of electricity sold (GWh)	339.6	332.9	6.7	2.0%

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

NATURAL GAS SALES ON TRADING ACTIVITIES	Nine months		Var.	Var. %
	2018	2017		
Volumes of gas sold (smc/mln)	30.3	0.0	30.3	n.a.

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

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

As far as the activity of gas distribution is concerned, in the first nine months of 2018, the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 698.7 million cu.m (of which 82.3 million cu.m pertaining to the extension of the scope of consolidation to Ap Reti Gas Vicenza S.p.A.), marking an increase of 17.7% as compared to the same period in the previous year. The company Unigas Distribuzione S.r.l., consolidated through the equity method, distributed 102.2 million cu.m, marking an increase of 6.7% as compared to the same period in 2017.

As of 30<sup>th</sup> September, the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 489.7 thousand and showed an increase of 2.3 thousand units compared to the previous year (487.4 thousand as of 30<sup>th</sup> September 2017). The points managed by the companies consolidated with the equity method (Unigas Distribuzione S.r.l.) must be added to these units; at the end of the first nine months of the year, the latter company managed 94.4 thousand redelivery points (94.3 at the end of the first nine months of 2017).

In the first nine months of 2018, the volume of gas sold by the fully consolidated companies amounted to 535.8 million cu.m, marking an increase of 2.9% as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 173.3 million cu.m of gas (in line with the value of the same period in the previous year).

In the first nine months of the year 2018, the volume of electricity sold by the fully consolidated companies was equal to 291.6 GWh, marking an increase of 0.5% as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 98.0 GWh of electricity (+12.3% as compared to the same period in the previous year).

As of 30<sup>th</sup> September the gas customer portfolio of the companies consolidated on a line-by-line basis consisted of 538.2 thousand customers and recorded a contraction of 8.5 units as compared to 30<sup>th</sup> September in the previous year (546.7 thousand units as of 30<sup>th</sup> September 2017). The customers of the companies consolidated with the equity method (Estenergy S.p.A. and ASM Set S.r.l.) must be added to these units; at the end of the period considered, the latter companies had a portfolio consisting of 229.2 thousand customers, recording a decrease of 1.7% as compared to the previous year (233.2 thousand units as of 30<sup>th</sup> September 2017).

The decrease in the gas portfolio was more than offset by the increase in electricity customers: at the end of the first nine months of the year, the companies consolidated on a line-by-line basis recorded an increase of 13.0 thousand units, serving 78.2 thousand customers. At the end of the reference period, the companies consolidated using the equity method boasted an electricity portfolio consisting of 31.3 thousand customers, showing a growth of 8.4 thousand units.

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

(Thousands of Euro)	Nine months			
	2018	% of revenues	2017	% of revenues
Revenues	402,825	100.0%	377,344	100.0%
Total operating costs	345,323	85.7%	318,438	84.4%
<b>Gross operative margin</b>	<b>57,502</b>	<b>14.3%</b>	<b>58,906</b>	<b>15.6%</b>
Amortization and depreciation	17,356	4.3%	16,176	4.3%
Provision for risks on credits	1,248	0.3%	1,134	0.3%
<b>Operating result</b>	<b>38,898</b>	<b>9.7%</b>	<b>41,595</b>	<b>11.0%</b>
Financial income	299	0.1%	253	0.1%
Financial charges	888	0.2%	503	0.1%
Evaluation of subsidiary companies with the net equity method	5,139	1.3%	4,962	1.3%
<b>Earnings before tax</b>	<b>43,448</b>	<b>10.8%</b>	<b>46,307</b>	<b>12.3%</b>
Taxes for the period	12,169	3.0%	12,698	3.4%
<b>Net result for the period</b>	<b>31,278</b>	<b>7.8%</b>	<b>33,610</b>	<b>8.9%</b>
Group's Net Result	29,971	7.4%	32,200	8.5%
Third parties Net Result	1,308	0.3%	1,410	0.4%

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

In the first nine months of the year 2018, the Group incomes amounted to Euro 402,825 thousand, marking an increase of 6.8% as compared to the same period in the previous year. The following table reports the details of income.

(Thousands of Euro)	Nine months	
	2018	2017
Revenues from gas transportation	25,574	22,389
Revenues from gas sale	286,703	270,764
Revenues from electricity sale	51,630	43,263
Revenues from connections	198	194
Revenues from heat supply	5	32
Revenues from distribution services	7,108	4,535
Revenues from services supplied to Group companies	1,312	1,315
Revenues from ARERA contributions	19,127	30,938
Revenues from forward sales of raw materials	7,207	(55)
Other revenues	3,962	3,968
<b>Revenues</b>	<b>402,825</b>	<b>377,344</b>

**Revenues from gas sale** increased from Euro 270,764 thousand to Euro 286,703 thousand, recording an increase of Euro 15,938 thousand (+5.9%). The increase is mainly explained by the initial recognition of revenues related to the higher volumes attributed to the Group's sales companies subsequent to the Settlement. This led to the recognition of higher revenues, as a combined effect of the closure of the stations and the cancellation of the in-output delta,

totalling Euro 8,737 thousand (more details can be found in paragraph “Evolution of the adjustment sessions of natural gas allocations” herein).

**Revenues from electricity sales** increased from Euro 43,263 thousand to Euro 51,630 thousand, recording an increase of Euro 8,367 thousand (+19.3%). The item is partly positively influenced by the review of the estimate of receivables for invoices to be issued relating to previous years for Euro 2,053 thousand. Sales are estimated on the basis of data communicated by the operators of national and local distribution networks. The verification of the actual consumption of the customers can determine corrections and subsequent adjustments up to five years afterwards.

**Revenues from forward sales of raw materials** amounted to Euro 7,207 thousand. They are not very significant at the end of the first nine months of 2018 as the trading activities started in September 2017 and, as a result, as of 30<sup>th</sup> September 2017, they exclusively represented the current value of the contractual commitments signed.

The **operating result** in the first nine months of the year 2018 amounts to Euro 38,898 thousand, thus recording a decrease of Euro 2,697 thousand (-6.5%) as compared to the same period in the previous year.

The worsening is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 3,313 thousand (of which Euro 2,885 thousand due to the extension of the scope of consolidation);
- decrease in the first margin on the activity of gas sales, equal to Euro 1,081 thousand;
- decrease in the first margin on the activity of electricity sale, equal to Euro 676 thousand;
- negative change in other items of cost and revenues, equal to Euro 4,253 thousand (of which Euro -2,754 thousand due to the extension of the scope of consolidation).

The increase in the **revenues from tariffs in the gas distribution activity** (increasing from Euro 51,259 thousand to Euro 54,573 thousand) is mainly explained by the extension of the consolidation scope which determined the recognition of higher revenues for Euro 2,885 thousand.

The decrease in the **first margin on the activity of gas sale** (from Euro 41,304 thousand to Euro 40,258 thousand), was mainly determined by the effects of the so-called gas settlement for Euro -2,080 as better explained in the paragraph “Evolution of the adjustment sessions of natural gas allocations” herein.

The **first margin** resulting from **gas trading** at the end of the period was Euro 17 thousand. In 2017, and in the first half of 2018, sales and purchase contracts were signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market. Contractual commitments relate to physical deliveries for the period October - December 2018 for the raw material, while the transport service is for the period October 2018 - September 2019 (2018/19 thermal year).

The revenue and cost components related to physical deliveries during the period January - September 2018, as well as the related transport costs, were recorded at contractual prices, whereas the various revenue and cost components related to physical deliveries for the period October - December 2018 and to the transport service for the period October - September 2019, since these are forward transactions, at the end of the financial year were booked at current value.

The decrease in the **first margin on the activity of electricity sales**, from Euro 4,626 thousand to Euro 3,950 thousand is mainly attributable to the review of the estimate of receivables and payables for invoices to be issued and received relating to previous years which resulted in the recognition of higher charges amounting to Euro 1,374 thousand. Sales are estimated on the basis of data communicated by the operators of national and local distribution networks. The verification of the actual consumption of the customers can determine corrections and subsequent adjustments up to five years afterwards. Net of the effect described, unit margins increased and the amounts of electricity sold recorded an increase as compared to the same period in the previous year.

The negative variation in the item **other costs and revenues**, amounting to Euro 4,253 thousand, is due to:

- extension of the scope of consolidation: negative change amounting to Euro 2,754 thousand;
- lower other revenues for Euro 11,409 thousand, mainly connected to the trend of energy efficiency certificates (Euro -11,812 thousand);
- lower material and service costs and other charges equalling Euro 11,675 thousand;
- an increase in personnel cost for Euro 930 thousand;
- an increase in amortisation and depreciation of fixed assets for Euro 721 thousand;
- higher bad debts provisions for Euro 113 thousand.

The **net consolidated profit** in the first nine months of the year 2018 amounts to Euro 31,278 thousand, thus recording a decrease of Euro 2,331 thousand (-6.9%) as compared to the same period in the previous year.

This change is due to the following factors:

- decrease in the operating result, as previously stated, for Euro 2,697 thousand;
- higher result of companies consolidated through the equity method for Euro 177 thousand;
- an increase in financial revenues for Euro 46 thousand;
- an increase in financial charges for Euro 385 thousand;
- a decrease in taxes for Euro 529 thousand, due to the lower taxable income in the period in question.

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, increases from 30.7% in the first nine months of 2017 to 31.8%.

### General operational performance - Financial situation

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

(Thousands of Euro)	30.09.2018	31.12.2017	30.09.2017
A Cash and cash equivalents on hand	18	17	19
B Bank and post office deposits	62,337	15,538	44,654
C Titoli detenuti per la negoziazione			
<b>D Liquid assets (A) + (B) + (C)</b>	<b>62,355</b>	<b>15,555</b>	<b>44,672</b>
E Current financial assets	139	0	0
F Payables due to banks	(85,028)	(70,123)	(65,021)
G Current portion of medium-long-term loans	(8,073)	(10,181)	(13,039)
H Current financial liabilities	(1,646)	(480)	(2,271)
<b>I Current financial indebtedness (F) + (G) + (H)</b>	<b>(94,747)</b>	<b>(80,785)</b>	<b>(80,331)</b>
<b>J Net current financial indebtedness (I) - (E) - (D)</b>	<b>(32,254)</b>	<b>(65,230)</b>	<b>(35,659)</b>
K Medium- and long-term bank loans	(55,303)	(54,360)	(54,360)
L Non current financial assets	1,252		
M Non-current financial liabilities	(219)	(277)	(296)
<b>N Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(54,270)</b>	<b>(54,637)</b>	<b>(54,656)</b>
<b>O Net financial indebtedness (J) + (N)</b>	<b>(86,523)</b>	<b>(119,867)</b>	<b>(90,315)</b>

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

The financial position decreased from Euro 119,867 thousand as of 31<sup>st</sup> December 2017 to Euro 86,523 thousand as of 30<sup>th</sup> September 2018, reporting a decrease of Euro 33,344 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 )	30.09.2018	31.12.2017
Net financial position	(86,523)	(119,867)
Non current financial assets	(1,252)	0
<b>ESMA Net financial position</b>	<b>(87,776)</b>	<b>(119,867)</b>

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

(Thousands of Euro)	Nine months	
	2018	2017
Net Income	31.278	33.610
Depreciations and amortizations	17.356	16.176
Provisions	1.248	1.134
<b>(a) Self financing</b>	<b>49.883</b>	<b>50.920</b>
<b>(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:</b>		
<b>by operating activities = (a) + (b)</b>	<b>87.824</b>	<b>73.880</b>
<b>by investing activities</b>	<b>(20.224)</b>	<b>(32.619)</b>
<b>(e) Other financial position changes</b>	<b>(34.256)</b>	<b>(37.456)</b>
<b>Net financial position changes = (c) + (d) + (e)</b>	<b>33.344</b>	<b>3.805</b>

The cash flow generated by the operating management (letters a + b), equal to Euro 87,824 thousand, was mainly due to self-financing for Euro 49,883 thousand and other financial positive variations amounting to Euro 37,941 thousand, mainly related to the management of the net circulating capital for Euro 43,080 thousand and to the assessment of companies consolidated through the equity method for Euro -5,134 thousand.

The management of net circulating capital generated financial resources amounting to Euro 43,080 thousand and was influenced mainly by a variation in the overall balance with Ufficio Tecnico Imposte di Fabbricazione e Regioni (Technical Office for Taxation on Building and Regional Taxation), which generated financial resources for Euro 89 thousand, by the variation in VAT allocation, which generated financial resources for Euro 9,858 thousand, and by the variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes, which generated financial resources for Euro 10,201 thousand. The variation in the net operating capital generated financial resources for Euro 22,940 thousand.

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

(Thousands of Euro)	Nine months	
	2018	2017
Inventories	(4.172)	(.927)
Trade receivables and payables	34.045	34.603
Operating receivables and payables	(6.933)	(17.307)
Severance pay and other funds	(1.818)	.612
Current taxes	12.169	12.698
Taxes paid	(8.695)	(14.517)
Tax receivables and payables	18.484	11.132
<b>Change in net working capital</b>	<b>43.080</b>	<b>26.293</b>

Investment activities generated a net cash requirement of Euro 20,224 thousand, of which Euro 16,449 thousand in tangible and intangible assets and 3.778 thousand in shareholdings. The investments made in the first nine months of 2017 included Euro 16,300 thousand of investments in shareholdings.

Additional variations in the Net financial position concern dividends received from the companies consolidated with the equity method, which generated resources for Euro 7,274 thousand, and the distribution of dividends for Euro 42.070 thousand. During the year, own shares were distributed to employees and directors totalling Euro 540 thousand, in accordance with the incentive plans.

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

(Thousands of Euro)	Nine months	
	2018	2017
Sale of own shares	.540	.0
Dividends paid to Ascopiave S.p.A. shareholders	(40.016)	(40.016)
Dividends paid to minority interest	(2.054)	(3.237)
or jointly controlled companies	7.274	6.706
Net change in short-term bank loans	.0	.212
Expansion of the consolidation perimeter	.0	(1.121)
<b>Other changes in financial position</b>	<b>(34.256)</b>	<b>(37.456)</b>

### General operational performance - Investments

During the first nine months of the year, the Group made investments in tangible and intangible assets for Euro 16,701 thousand, an increase as compared to the same period in the previous year of Euro 2,009 thousand. The increase is explained by higher costs incurred for the construction of natural gas distribution facilities (Euro +2,104 thousand) and was partially offset by a decrease in other investments (Euro -95 thousand).

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 15,803 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 4,290 thousand, the creation of connections for Euro 3,654 thousand and the installation of metres for Euro 7,363 thousand.



INVESTMENTS (Thousands of Euro)	Nine months	
	2018	2017
Connecting a gas users	3,654	2,802
Expansions, reclamations and network upgrades	3,723	2,316
Flowmeters	7,363	5,628
Maintenance	567	992
Other assets in raw material (gas) investments	496	0
Investments of new companies acquired	0	1,960
<b>Raw material (gas) investments</b>	<b>15,803</b>	<b>13,699</b>
Land and buildings	397	517
Industrial and commercial equipment	39	23
Forniture	50	17
Vehicles	169	89
Hardware e Software	186	164
Other assets	57	171
Investments of new companies acquired	0	12
<b>Other investments</b>	<b>898</b>	<b>993</b>
<b>Investments</b>	<b>16,701</b>	<b>14,692</b>

# Ascopiave Group

## Interim financial report charts

as of 30<sup>th</sup> September 2018

## Consolidated assets and liabilities statement

(Thousands of Euro)		30.09.2018	31.12.2017	30.09.2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	(1)	80,758	80,758	80,758
Other intangible assets	(2)	346,625	346,934	343,979
Tangible assets	(3)	31,732	32,334	33,411
Shareholdings	(4)	65,252	68,878	66,402
Other non-current assets	(5)	11,347	13,015	12,984
Non current financial assets	(6)	1,252		
Advance tax receivables	(7)	11,679	11,479	11,185
<b>Non-current assets</b>		<b>548,645</b>	<b>553,397</b>	<b>548,720</b>
<b>Current assets</b>				
Inventories	(8)	8,244	4,072	5,410
Trade receivables	(9)	82,989	156,884	59,940
Other current assets	(10)	52,519	57,865	66,849
Current financial assets	(11)	139	0	0
Tax receivables	(12)	1,631	2,645	1,490
Cash and cash equivalents	(13)	62,355	15,555	44,672
Current assets from derivative financial instruments	(14)	711	1,510	816
<b>Current assets</b>		<b>208,587</b>	<b>238,532</b>	<b>179,177</b>
<b>ASSETS</b>		<b>757,232</b>	<b>791,929</b>	<b>727,897</b>
<b>Net equity and liabilities</b>				
<b>Total Net equity</b>				
Share capital		234,412	234,412	234,412
Own shares		(16,981)	(17,521)	(17,521)
Reserves		212,117	228,620	212,866
<b>Net equity of the Group</b>		<b>429,548</b>	<b>445,511</b>	<b>429,756</b>
<b>Net equity of Others</b>		<b>3,817</b>	<b>4,989</b>	<b>4,239</b>
<b>Total Net equity</b>	(15)	<b>433,365</b>	<b>450,500</b>	<b>433,994</b>
<b>Non-current liabilities</b>				
Provisions for risks and charges	(16)	3,796	5,913	7,083
Severance indemnity	(17)	4,989	4,836	4,991
Medium- and long-term bank loans	(18)	55,303	54,360	54,360
Other non-current liabilities	(19)	26,587	22,930	22,405
Non-current financial liabilities	(20)	219	277	296
Deferred tax payables	(21)	14,916	15,733	15,978
<b>Non-current liabilities</b>		<b>105,810</b>	<b>104,048</b>	<b>105,112</b>
<b>Current liabilities</b>				
Payables due to banks and financing institutions	(22)	93,101	80,304	78,060
Trade payables	(23)	79,050	117,653	62,210
Tax payables	(24)	1,274	625	905
Other current liabilities	(25)	42,087	38,312	45,338
Current financial liabilities	(26)	1,646	480	2,271
Current liabilities from derivative financial instruments	(27)	898	7	7
<b>Current liabilities</b>		<b>218,057</b>	<b>237,382</b>	<b>188,790</b>
<b>Liabilities</b>		<b>323,867</b>	<b>341,430</b>	<b>293,903</b>
<b>Net equity and liabilities</b>		<b>757,232</b>	<b>791,929</b>	<b>727,897</b>

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

## Income statement and comprehensive consolidated income statement

		Nine months	
(Thousands of Euro)		2018	2017
Revenues	(27)	402,825	377,344
<b>Total operating costs</b>		<b>346,570</b>	<b>319,573</b>
Purchase costs for raw material (gas)	(28)	201,866	172,400
Purchase costs for other raw materials	(29)	19,737	15,676
Costs for services	(30)	84,516	82,738
Costs for personnel	(31)	19,336	18,150
Other management costs	(32)	21,348	31,271
Other income	(33)	234	662
Amortization and depreciation	(34)	17,356	16,176
<b>Operating result</b>		<b>38,898</b>	<b>41,595</b>
Financial income	(35)	299	253
Financial charges	(35)	888	503
Evaluation of subsidiary companies with the net equity method	(35)	5,139	4,962
<b>Earnings before tax</b>		<b>43,448</b>	<b>46,307</b>
Taxes for the period	(36)	12,169	12,698
<b>Result for the period</b>		<b>31,278</b>	<b>33,610</b>
Group's Net Result		29,971	32,200
Third parties Net Result		1,308	1,410
<b>Consolidated statement of comprehensive income</b>			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		(1,488)	(784)
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		54	3
<b>Total comprehensive income</b>		<b>29,844</b>	<b>32,830</b>
Group's overall net result		28,663	31,578
Third parties' overall net result		1,180	1,251
Base income per share		0.135	0.145
Diluted net income per share		0.135	0.145

*In accordance with CONSOB resolution no. 15519 dated 27<sup>th</sup> July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this 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 2018	234,412	46,882	(17,521)	(46)	134,649	47,135	445,511	4,989	450,500
Result for the period						29,971	29,971	1,308	31,278
Other operations					(1,333)		(1,333)	(155)	(1,488)
IAS 19 TFR actualization for the period				91			91	(38)	54
<b>Total result of overall income statement</b>				<b>91</b>	<b>(1,333)</b>	<b>29,971</b>	<b>28,729</b>	<b>1,115</b>	<b>29,844</b>
Allocation of 2017 result					47,135	(47,135)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(40,016)		(40,016)		(40,016)
Dividends distributed to third parties shareholders							(0)	(2,054)	(2,054)
Other operations					(745)		(745)		(745)
Long-term incentive plans			540		(926)		(385)		(385)
New companies acquired					(3,545)		(3,545)	(233)	(3,778)
Balance as of 30th September 2018	234,412	46,882	(16,981)	46	135,219	29,971	429,548	3,817	433,365

	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 2017	234,412	46,882	(17,521)	(108)	120,757	53,635	438,055	6,154	444,209
Result for the period						32,200	32,200	1,410	33,610
Other operations					(695)		(695)	(88)	(784)
IAS 19 TFR actualization for the period				3			3	(0)	3
<b>Total result of overall income statement</b>				<b>3</b>	<b>(695)</b>	<b>32,200</b>	<b>31,507</b>	<b>1,321</b>	<b>32,829</b>
Allocation of 2016 result					53,635	(53,635)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(40,016)		(40,016)		(40,016)
Dividends distributed to third parties shareholders							(0)	(3,237)	(3,237)
Long-term incentive plans					210		210		210
Balance as of 30th September 2017	234,412	46,882	(17,521)	(106)	133,890	32,200	429,756	4,239	433,995

## Consolidated financial statements

	Nine months	
(Thousands of Euro)	2018	2017
<b>Net income of the Group</b>	<b>29,971</b>	<b>32,200</b>
<b>Cash flows generated (used) by operating activities</b>		
<b>Adjustments to reconcile net income to net cash</b>		
Third-parties operating result	1,308	1,410
Amortization	17,356	16,176
Bad debt provisions	1,248	1,134
Variations in severance indemnity	197	141
Current assets / liabilities on financial instruments and forward purchasee and sales	1,720	951
Net variation of other funds	(2,016)	471
Evaluation of subsidiaries with the net equity method	(5,139)	(4,962)
Impairment losses / (gains) on shareholdings	0	(373)
Interests paid	(877)	(403)
Taxes paid	(8,695)	(14,517)
Interest expense for the year	851	410
Taxes for the year	12,169	12,698
<b>Variations in assets and liabilities</b>		
Inventories	(4,172)	(927)
Accounts payable	72,647	94,363
Other current assets	5,849	(13,890)
Trade payables	(38,602)	(59,760)
Other current liabilities	(1,318)	5,400
Other non-current assets	1,668	592
Other non-current liabilities	3,657	1,137
<b>Total adjustments and variations</b>	<b>57,853</b>	<b>40,051</b>
<b>Cash flows generated (used) by operating activities</b>	<b>87,824</b>	<b>72,251</b>
<b>Cash flows generated (used) by investments</b>		
Investments in intangible assets	(15,812)	(14,010)
Realisable value of intangible assets	499	2
Investments in tangible assets	(1,142)	(682)
Realisable value of tangible assets	8	(0)
Disposals / (Acquisition) of investments and advances	(3,778)	(9,655)
Other net equity operations	0	212
<b>Cash flows generated/(used) by investments</b>	<b>(20,224)</b>	<b>(24,133)</b>
<b>Cash flows generated (used) by financial activities</b>		
Net changes in debts due to other financiers	(58)	(61)
Net changes in short-term bank borrowings	(4,094)	(7,856)
Net variation in current financial assets and liabilities	(226)	(1,374)
Purchase of own shares	540	0
Ignitions loans and mortgages	150,000	300,000
Redemptions loans and mortgages	(132,166)	(266,430)
Dividends distributed to Ascopiave S.p.A. shareholders'	(40,016)	(40,016)
Dividends distributed to other shareholders	(2,054)	(3,237)
Dividends distributed from subsidiary companies	7,274	6,706
<b>Cash flows generated (used) by financial activities</b>	<b>(20,800)</b>	<b>(12,268)</b>
<b>Variations in cash</b>	<b>46,800</b>	<b>35,851</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>15,555</b>	<b>8,822</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>62,355</b>	<b>44,672</b>

In accordance with CONSOB resolution no. 15519 dated 27<sup>th</sup> July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this 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 30<sup>th</sup> September 2018, 61.56% of the Company’s share capital, amounting to Euro 234,411,575 was held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario - STAR Segment - organised and managed by Borsa Italiana S.p.A..

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

The publication of the Interim financial report as of 30<sup>th</sup> September 2018 of the Ascopiave Group was authorised by resolution of the Board of Directors on 14<sup>th</sup> November 2018.

The results of the Interim Report are not audited.

Ascopiave 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 230 municipalities (230 municipalities as of 31<sup>st</sup> December 2017) supplying the service to more than one million users. The group is the owner of the distribution network managed which spreads over 9,796 km<sup>2</sup> (9,780 km as of 31<sup>st</sup> December 2017).

The activity of natural gas sale to end customers is carried out through different companies, some of which are controlled with majority shares, others are shared with other partners and on them the Group exercises a joint control with other shareholders.

In the Gas sale sector Ascopiave is one of the main National operators, featuring approximately 620 million cu.m<sup>2</sup> of gas sold (approximately 606.1 million as of 30<sup>th</sup> September 2017).

### General drafting criteria and main accounting standards adopted

The Consolidated financial statements of the Ascopiave Group as of 30<sup>th</sup> September 2018 and the periods shown for comparison purposes, were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), approved by the European Union and in force upon compiling this Interim Report.

The accounting standards adopted for the preparation of this Interim Report are the same as those used to prepare the consolidated financial statements of the Ascopiave Group as of 31<sup>st</sup> December 2017 and have been applied consistently to all periods.

The results of the Interim Report are not audited.

### New international standards applied for the first time commencing 1<sup>st</sup> January 2018

#### Application of IFRS 9 and IFRS 15

The new accounting standards IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial instruments” entered into force with effect from 1<sup>st</sup> January 2018. Further information is provided in the section “IAS/IFRS accounting standards and respective IFRIC interpretations approved and applicable to financial statements for financial years beginning after 1<sup>st</sup> January 2017” of the consolidated annual financial statements as of 31<sup>st</sup> December

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<sup>2</sup> The data specified about the volumes of gas sold are obtained by adding each Group company’s data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

2017. For both standards, the Ascopiave Group developed the recognition of the existing cases as at 1<sup>st</sup> January 2018, making use of the possibility of recognising any effects, related to the retroactive restatement of values, in the shareholders' equity without restating the previous periods shown for comparison purposes. The values recognised in the companies consolidated on a line-by-line basis did not show any effects connected with the adoption of the new standards.

As far as IFRS 9 is concerned, the Group paid particular attention to the possible impacts of the first application of the incurred losses criterion, rather than that of expected losses, for the segment of gas and electricity sales. The significant expansion of the amounts to be considered in the assessment of the expected credit risk did not determine the need to change the usual parameters applied by the Group upon the quantification of the credit risk. The expansion of the amounts to be assessed is mainly explained, in the first quarter of each year, by the concentration of gas consumption by end users and by the fact that the receivables which are not overdue on the closing date of the period must be taken into account. The measurement practices originally adopted were not affected by such effects as the Group, in the past, decided to perform a credit risk assessment according to which the receivables overdue for more than 365 days are totally written down and those overdue for more than 180 days are partially written down. The predictive process was supported by the monthly activities for the use of the allowance for doubtful accounts provisioned on the basis of the execution of cycles of reminders for payment and collection of overdue receivables. The historical series relating to past years show that predictive write-downs are a reasonable overestimate of the actual losses that the Group incurs towards the end customers.

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

- ✓ different weighting of the provision of the first nine months of 2018 to the allowance for doubtful accounts as compared to the previous year (Euro +638 thousand as against 2017)
- ✓ adjustment of Shareholders' equity of Euro -1,517 thousand for the application of the new standard on receivables arising until 31<sup>st</sup> December 2017, net of the tax effects on deferred taxes.

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

(Thousands of Euro)	1st January 2018	Adoption effects		Restated 1st January 2018
		IFRS 9	IFRS 15	
<b>Current assets</b>	<b>238,532</b>		<b>0</b>	<b>239</b>
of which				
Trade receivables	156,884			156,884
Other current assets	57,865			57,865
<b>Non-current assets</b>	<b>553,397</b>		<b>0</b>	<b>553,397</b>
di cui:				
Other intangible assets	346,934			346,934
Shareholdings	68,878	743		68,135
Advance tax receivables	11,479			11,479
<b>Total Assets</b>	<b>791,929</b>		<b>0</b>	<b>791,929</b>
<b>Current liabilities</b>	<b>237,382</b>		<b>0</b>	<b>237,382</b>
of which				
Trade payables	117,653			117,653
Other current liabilities	38,312			38,312
<b>Non-current liabilities</b>	<b>104,048</b>		<b>0</b>	<b>104,048</b>
<b>Total Liabilities</b>	<b>341,430</b>		<b>0</b>	<b>341,430</b>
<b>Net equity</b>	<b>450,500</b>	<b>743</b>	<b>0</b>	<b>449,757</b>
<b>Net equity and liabilities</b>	<b>791,929</b>		<b>0</b>	<b>791,929</b>



#### **Other accounting standards, amendments and interpretations applicable with effect from 1<sup>st</sup> January 2018**

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

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

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

#### **Use of estimates**

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

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

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

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

#### **Fair value hierarchy**

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

- (i) **Level 1**, financial instruments whose fair value is determined on the basis of a price listed in an active market;
- (ii) **Level 2**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which can be observed directly or indirectly on the market. This category includes instruments valued on the basis of market forward curves and short-term contracts for difference;
- (iii) **Level 3**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which cannot be observed on the market, that is using exclusively internal estimates.

The Group, as of 30<sup>th</sup> September 2018, has only one type of financial instruments on commodities falling within the scope of level 3.

During the period, there were no shifts from one level to the other.

## Business combinations

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

On 18<sup>th</sup> September 2018, Amgas S.p.A. and Ascopiave S.p.A. finalised the agreement governing the transfer of 20% of the share capital of Amgas Blu S.r.l., from Amgas S.p.A. to Ascopiave S.p.A., which already owned 80% of the company's equity. The operation allows Ascopiave S.p.A. to own the full 100% stock of Amgas Blu.

## Consolidation area and principles

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

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

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

In the case of shares acquired subsequent to the acquisition of control (purchase of minority interests), any 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 30<sup>th</sup> September 2018 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
<b>Società capogruppo</b>					
Ascopiave S.p.A.	Pieve di Soligo (TV)	234.411.575			
<b>Società controllate consolidate integralmente</b>					
Ascotrade S.p.A.	Pieve di Soligo (TV)	1.000.000	89.00%	89%	0%
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100%	0%
Etra Energia S.r.l.	Cittadella (PD)	100.000	51.00%	51%	0%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7.000.000	100.00%	100%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100%	0%
Amgas Blu S.r.l.	Foggia (FG)	10.000	100.00%	100%	0%
Blue Meta S.p.A.	Pieve di Soligo (TV)	606.123	100.00%	100%	0%
Ascopiave Energie S.p.A.	Pieve di Soligo (TV)	250.000	100.00%	100%	0%
Veritas Energia S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100%	0%
Ap Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10.000.000	100.00%	100%	0%
<b>Società a controllo congiunto consolidate con il metodo del patrimonio netto</b>					
ASM Set S.r.l.	(1) Rovigo (RO)	200.000	49.00%	49%	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%
<b>Società collegate valutate con il metodo del patrimonio netto</b>					
Sinergie Italiane S.r.l. in liquidazione	Milano (MI)	1.000.000	30.94%	30.94%	0%

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

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

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

As compared to the financial statements closed at 31<sup>st</sup> December 2017, on 18<sup>th</sup> September 2018, Amgas S.p.A. and Ascopiave S.p.A. finalised the agreement governing the transfer of 20% of the share capital of Amgas Blu S.r.l., from Amgas S.p.A. to Ascopiave S.p.A., which already owned 80% of the company's equity. The operation allows Ascopiave S.p.A. to own the full 100% stock of Amgas Blu S.r.l..

For further information, please see the tables in the explanatory notes showing the values generated by the new consolidated companies and the values as of 31<sup>st</sup> December 2017.

## Synthesis data of fully consolidated companies and jointly controlled companies consolidated through the equity method

Description	Revenues from sales and service supply	Net result	Net equity	Net financial position (liquid assets)	Reference accounting principles
Amgas Blu S.r.l.	13,433	644	909	(387)	Ita Gaap
AP Reti Gas S.p.A.	67,241	13,577	312,309	(18,189)	IFRS
Ascopiave S.p.A.	59,687	44,193	402,229	138,920	IFRS
Ascotrade S.p.A.	234,133	10,686	24,529	(21,083)	IFRS
Blue Meta S.p.A.	46,993	2,695	7,537	(10,486)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	4,043	1,088	11,394	(1,473)	Ita Gaap
Estenergy S.p.A.	88,284	6,705	18,608	(27,075)	IFRS
Etra Energia S.r.l.	6,096	280	1,218	(1,638)	Ita Gaap
AP Reti Gas Vicenza S.p.A.	13,541	483	17,331	13,607	Ita Gaap
Ascopiave Energie S.p.A.	25,614	1,220	4,101	(8,178)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	3,408	1,141	16,667	(1,924)	Ita Gaap
ASM Set S.r.l.	18,767	872	1,141	(1,732)	Ita Gaap
Unigas Distribuzione S.r.l.	13,006	1,368	41,540	2,834	Ita Gaap
Veritas Energia S.p.A.	65,739	1,574	6,425	(1,690)	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 30<sup>th</sup> September 2018, remains unchanged as compared to 31<sup>st</sup> December 2017. This amount refers in part to the surplus value created by the delivery of the gas distribution networks by partner municipalities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some company branches related to the distribution and sale of natural gas.

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

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

(Thousands of Euro)	30.09.2018	31.12.2017
Distribution of natural gas	24,396	24,396
Sales of natural gas	56,362	56,362
<b>Total goodwill</b>	<b>80,758</b>	<b>80,758</b>

As of 30<sup>th</sup> September 2018, considering the outcome of the impairment tests carried out while preparing the balance sheet as of 31<sup>st</sup> December 2017, the evolution of the external indicators and of the internal values previously used to estimate the value recoverable from the cash-generating units and that there are no new, significant impairment indicators to take into account, the administrators did not judge it necessary to carry out another impairment test on the book value of the goodwill reported above.

#### 2. Other intangible fixed assets

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

(Thousands of Euro)	30.09.2018			31.12.2017		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	5,579	(5,488)	91	5,579	(5,366)	213
Concessions, licences, trademarks and similar rights	15,256	(9,111)	6,146	15,256	(8,302)	6,954
Other intangible assets	25,632	(20,954)	4,678	25,632	(19,398)	6,234
Tangible assets under IFRIC 12 concession	610,768	(284,479)	326,290	599,302	(271,714)	327,589
Tangible assets in progress under IFRIC 12 concession	9,421	0	9,421	5,945	0	5,945
<b>Other intangible assets</b>	<b>666,656</b>	<b>(320,031)</b>	<b>346,625</b>	<b>651,714</b>	<b>(304,780)</b>	<b>346,934</b>

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

	31.12.2017					30.09.2018
(Thousands of Euro)	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	213	(0)		122		91
Concessions, licences, trademarks and similar rights	6,954	0		808		6,146
Other intangible assets	6,234	0		1,556		4,678
Tangible assets under IFRIC 12 concession	327,589	12,248	782	13,136	(371)	326,290
Tangible assets in progress under IFRIC 12 concessi	5,945	3,563	88			9,421
Other intangible assets	346,934	15,812	870	15,622	(371)	346,625

The investments made during the first nine months of the financial year amount to Euro 15,812 thousand and refer to costs incurred for the construction of the infrastructures for natural gas distribution.

#### Industrial patents and intellectual property rights

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

#### Concessions, licences, trademarks and similar rights

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

#### Other intangible fixed assets

This item includes the fair value of customer lists that result from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous years. The analysis of customers switching performed at the end of the year has not highlighted any switch-out percentages above the expected depreciation percentage, and therefore its useful life (10 years) has not required any changes or write-downs.

#### Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of metering and reduction groups. At the end of the first nine months of the year, the overall net change amounts to Euro 1,299 thousand mainly explained by depreciation for the period and the investments made. The investments, including the reclassifications of assets under construction, totalled Euro 12,248 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 first nine months of the year. The item has changed by Euro 3,563 thousand.

### **3. Tangible assets**

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



(Thousands of Euro)	30.09.2018				31.12.2017			
	Historic cost	Accumulated depreciation	Provision for impairment	Net value	Historic cost	Accumulated depreciation	Provision for impairment	Net value
Lands and buildings	40,108	(12,683)		27,425	40,108	(11,775)		28,333
Plant and machinery	2,737	(1,205)	(995)	536	2,737	(1,396)	(995)	346
Industrial and commercial equipment	3,467	(2,903)		564	3,428	(2,929)		499
Other tangible assets	17,540	(15,343)		2,197	17,107	(14,684)		2,423
Tangible assets in progress and advance paym	1,010	0		1,010	733	0		733
<b>Other tangible assets</b>	<b>64,862</b>	<b>(32,134)</b>	<b>(995)</b>	<b>31,732</b>	<b>64,113</b>	<b>(30,784)</b>	<b>(995)</b>	<b>32,334</b>

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

(Thousands of Euro)	31.12.2017					30.09.2018
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Lands and buildings	28,333	0	4	905		27,425
Plant and machinery	346	0		97		249
Industrial and commercial equipment	499	127		62		564
Other tangible assets	2,423	733	0	671	(0)	2,485
Tangible assets in progress and advance payments	733	285	8			1,010
<b>Other tangible assets</b>	<b>32,334</b>	<b>1,145</b>	<b>12</b>	<b>1,734</b>	<b>(0)</b>	<b>31,732</b>

#### 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 first nine months of the year is explained by the depreciation for the period.

#### Plants and machinery

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

#### Industrial and commercial equipment

The item "Industrial and commercial equipment" in the period considered registered investments equal to Euro 127 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

#### Other assets

The investments made during the first nine months of the year are equal to Euro 733 thousand and they mainly relate to the costs incurred for the purchase of corporate vehicles (Euro 168 thousand), hardware and phones (Euro 178 thousand), as well as furniture and accessories (Euro 86 thousand).

#### Tangible assets under construction and advance payments

The item basically includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the first nine months of the year, the item changed by Euro 285 thousand.

## 4. Shareholdings

The following table shows the changes in the shareholdings in joint companies and in other companies at the end of each period considered:

	31.12.2017			30.09.2018
(Thousands of Euro)	Net value	Increase	Decrease	Net value
Shareholdings in jointly controlled companies	68,871	4,383	8,009	65,245
Shareholdings in other companies	7	0	0	7
<b>Shareholdings</b>	<b>68,878</b>	<b>4,383</b>	<b>8,009</b>	<b>65,252</b>

#### *Shareholdings in joint companies*

Shareholdings in joint companies decrease from Euro 68,871 thousand to Euro 65,245 thousand, marking a net decrease of Euro -3,626 thousand, mainly explained by the dividends distributed by the jointly controlled companies for Euro 7,274 thousand of which Estenergy S.p.A. Euro 5,641 thousand, ASM Set S.r.l. Euro 949 thousand and Unigas Distribuzione S.r.l. Euro 684 thousand. The residual decrease is explained by the equity adjustment performed by the subsidiary Estenergy S.p.A. for the effects of the first application of IFRS 9. These decreases were partially offset by the results achieved in the first nine months of 2018, of which Estenergy S.p.A. Euro 3,285 thousand, ASM Set S.r.l. Euro 426 thousand and Unigas Distribuzione S.r.l. Euro 671 thousand.

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

#### *Shareholdings in affiliate companies*

##### **Sinergie Italiane S.r.l. in liquidation**

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

The scope of activity of the associate company during the financial year 2016-2017 only included the import of Russian gas and its transfer to the sales companies in which shareholders hold a stake as well as the management of agreements, transactions and disputes concerning the regulation of contractual relations, finalised prior to the liquidation.

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

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

Based on the results of the financial statements for the year 2016-2017, as approved by the Shareholders’ meeting on 18<sup>th</sup> December 2017 and on preliminary operating data of the first nine months of 2017-2018 restated in accordance with international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 9,294 thousand, of which Euro 2,876 thousand attributable to the Ascopiave Group. Given that the capital deficit of the affiliate company as of 30<sup>th</sup> June 2018 amounted to Euro 11,737 thousand, of which Euro 3,631 thousand attributable to the Ascopiave Group, the Directors have used the difference accrued in the period (Euro 756 thousand) from the related provision for risks and charges allocated against the capital deficit of the affiliate company, with a positive impact on the profit and loss statement (Euro 564 thousand as of 31st December 2017).

The data as of 30<sup>th</sup> September 2018 were not received in time for their inclusion in the consolidated result, without any significant impacts according to the directors. If included, however, such result would have been positive.

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

## 5. Other non-current assets

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

(Thousands of Euro)	30.09.2018	31.12.2017
Security deposits	8,906	8,877
Other receivables	2,441	4,138
<b>Other non-current assets</b>	<b>11,347</b>	<b>13,015</b>

Non-current assets are mostly made up of security deposits that the companies selling natural gas have issued for the monthly payments due for the import of gas from Russia. Other non-current assets decrease from Euro 13,015 thousand to Euro 11,347 thousand marking a decrease of Euro 1,668 thousand. The change is explained by the reclassification in non-current and current financial assets of the receivables from the municipality of Creazzo, with which a settlement agreement was signed, as better illustrated in the paragraph “Non-current financial assets” herein.

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 31<sup>st</sup> December 2006. The value of the receivables from the municipality corresponds to what the municipality of Santorso has been asked to retrocede as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.
- Receivables from the municipality of Costabissara, for Euro 1,537 thousand. This amount corresponds to the net book value of the distribution systems delivered on 1<sup>st</sup> October 2011.

As of 30<sup>th</sup> September 2018 there is an on-going litigation with the municipalities mentioned in order to define the value of compensation of distribution systems delivered. The Group, also following the opinion of the legal advisor, believes that the result of the litigation and arbitration procedures is uncertain. The evolution of these disputes can be found in the paragraph “Litigations” of these interim financial statements.

## 6. Non-current financial assets

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

(Thousands of Euro)	30.09.2018	31.12.2017
Other non current financial assets over 12 months	1,252	
<b>Non current financial assets</b>	<b>1,252</b>	

The item refers to the receivables from the municipality of Creazzo. The infrastructure was delivered subsequent to the natural expiry of the concession on 31<sup>st</sup> December 2004. The value of the receivables corresponds to what the municipality of Creazzo has been asked to retrocede as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.

In order to reach an amicable settlement of the dispute, on 1<sup>st</sup> 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 22<sup>nd</sup> March 2018, definitively approved the settlement deed above, executed on 2<sup>nd</sup> August 2018.

Further information can be found in the “Litigations” section herein.

## 7. Advance tax receivables

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

(Thousands of Euro)	30.09.2018	31.12.2017
Advance tax receivables	11,679	11,479
<b>Advance tax receivables</b>	<b>11,679</b>	<b>11,479</b>

Advance taxes increase from Euro 11,479 thousand to Euro 11,679 thousand, marking an increase of Euro 200 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 30<sup>th</sup> September 2018 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 item is broken down for each period considered:

	30.09.2018			31.12.2017		
(Thousands of Euro)	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Gas stockage	3,496	0	3,496	1,608	0	1,608
Fuels and warehouse materials	4,787	(39)	4,748	2,503	(39)	2,464
<b>Fuels and warehouse materials</b>	<b>8,283</b>	<b>(39)</b>	<b>8,244</b>	<b>4,111</b>	<b>(39)</b>	<b>4,072</b>

As of 30<sup>th</sup> September 2018, the inventories are equal to Euro 8,244 thousand, marking an increase of Euro 4,172 thousand as compared to 31<sup>st</sup> December 2017, mainly explained by the increase in the amount of natural gas stored (Euro +1,888 thousand) and the increase in goods in stock (Euro +2,284 thousand).

Goods in stock are used for maintenance works or for the construction of distribution plants. In the latter case materials are reclassified as Tangible Fixed Assets once installation is complete.

Inventories are entered net of the provision for loss in value of stock, equal to Euro 39 thousand, in order to adapt their value to the opportunities for their clearance or use.

The value of gas inventories is calculated based on the weighted average purchase price of the raw material, whereas the provision for gas inventory depreciation is evaluated on the basis of the market price recorded on the last day of the reporting period (30<sup>th</sup> September 2018, that is 29.699 €/MWh source MGS). At the end of the first nine months of the year, no depreciation of stocked gas price was necessary, as the market value was higher than the book value of the stocked natural gas.

## 9. Trade receivables

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

(Thousands of Euro)	30.09.2018	31.12.2017
Receivables from customers	48,132	78,998
Receivables for invoices to be issued	38,839	83,245
Bad debt provisions	(3,982)	(5,358)
<b>Trade receivables</b>	<b>82,989</b>	<b>156,884</b>

Trade receivables decreased from Euro 156,884 thousand to Euro 82,989 thousand, marking a decrease of Euro 73,895 thousand.

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

The decrease in bad debt provisions, equal to Euro 1,376 thousand, is mainly explained by the good capacity of the existing provision, which did not require additional amounts, despite the uses in the first nine months of 2018, thanks 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 nine months of 2018 are shown in the following table:

(Thousands of Euro)	30.09.2018	31.12.2017
Bad debt provisions	5,358	7,148
Provisions	1,248	1,885
Use	(2,624)	(3,675)
<b>Final bad debt provision</b>	<b>3,982</b>	<b>5,358</b>

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

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

(Thousands of Euro)	30.09.2018	31.12.2017
Gross trade receivable invoices issued	48,132	78,998
- allowance for doubtful accounts	(3,982)	(5,358)
<b>Net trade receivables for invoices issued</b>	<b>44,150</b>	<b>73,640</b>
<b>Aging of trade receivables for invoices issued</b>		
- to expire	37,381	72,284
- expired within 6 months	6,467	548
- overdue by 6 to 12 months	1,370	1,945
- expired more than 12 months	2,915	4,221

#### 10. Other current assets

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

(Thousands of Euro)	30.09.2018	31.12.2017
Tax consolidation receivables	1,369	9,601
Annual pre-paid expenses	1,168	435
Advance payments to suppliers	7,287	7,589
annual accrued income	19	19
Receivables due from CSEA	32,572	29,362
VAT Receivables	3,493	7,183
UTF and Provincial/Regional Additional Tax receivables	4,517	912
Other receivables	94	597
Other receivables	2,000	2,167
<b>Other current assets</b>	<b>52,519</b>	<b>57,865</b>

Other current assets decrease from Euro 57,865 thousand to Euro 52,519 thousand, marking a decrease of Euro 5,346 thousand.

The change is mainly explained by the increase in receivables from gas and electricity excise duties for Euro 3,605 thousand, receivables from Cassa per i Servizi Energetici e Ambientali for Euro 3,210 thousand primarily due to the tariff components of natural gas distribution and energy efficiency certificates, the increase in prepaid expenses for Euro 733 thousand, partially offset by the decrease in advance payments to suppliers for Euro 302 thousand and the decrease in VAT receivables for Euro 3,690 thousand.

Assets for forward sales increase from Euro 597 thousand in the previous year to Euro 94 thousand as at 30<sup>th</sup> September 2018, marking a decrease of Euro 503 thousand. They are associated with sales and purchase contracts signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market. Contractual commitments relate to physical deliveries for the period October 2018 - December 2018 for the raw material, while the transport service is for the period October 2018 - September 2019 (2018/19 thermal year).

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



### 11. Current financial assets

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

(Thousands of Euro)	30.09.2018	31.12.2017
Other financial current assets	139	0
<b>Current financial assets</b>	<b>139</b>	<b>0</b>

Current financial assets mainly relate to 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)	30.09.2018	31.12.2017
Receivables related to IRAP	669	1,467
Receivables related to IRES	672	888
Other tax receivables	290	290
<b>Tax receivables</b>	<b>1,631</b>	<b>2,645</b>

Tax receivables decreased from Euro 2,645 thousand to Euro 1,631 thousand, marking a decrease of Euro 1,014 thousand as compared to 31<sup>st</sup> December 2017. The item includes the residual credit, minus the taxes for the first nine months of 2018, 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)	30.09.2018	31.12.2017
Bank and post office deposits	62,337	15,538
Cash and cash equivalents on hand	18	17
<b>Cash and cash equivalents</b>	<b>62,355</b>	<b>15,555</b>

Cash and cash equivalents increased from Euro 15,555 thousand to Euro 62,355 thousand, recording an increase of Euro 46,800 thousand and they mainly refer to the bank accounting balance and to the company funds.

For a better understanding of the changes in cash flows in the first nine months of the year, please refer to the statement of cash flows.

### Net financial position

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

(Thousands of Euro)	30.09.2018	31.12.2017
Cash and cash equivalents	62,355	15,555
Current financial assets	139	0
Current financial liabilities	(1,570)	(406)
Payables due to banks and financing institutions	(93,101)	(80,304)
Payables due to leasing companies within 12 months	(77)	(74)
<b>Net short-term financial position</b>	<b>(32,254)</b>	<b>(65,230)</b>
Non current financial assets	1,252	
Medium- and long-term bank loans	(55,303)	(54,360)
Non-current financial liabilities	(219)	(277)
<b>Net medium and long-term financial position</b>	<b>(54,270)</b>	<b>(54,637)</b>
<b>Net financial position</b>	<b>(86,523)</b>	<b>(119,867)</b>

For comments on the main dynamics that caused changes in the net financial position, please refer to the analysis of the Group's financial data reported under the paragraph "Comments on the economic and financial results of the first nine months of financial year 2018" 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 for each period considered:

(Thousands of Euro)	30.09.2018	31.12.2017
Current assets from derivative financial instruments	711	1,510
<b>Current assets from derivative financial instruments</b>	<b>711</b>	<b>1,510</b>

Current assets from derivative financial instruments decreased from Euro 1,510 thousand in the previous year to Euro 711 thousand as of 30<sup>th</sup> September 2018, showing a decrease of Euro 799 thousand.

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

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	300418-2002	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	30-Apr-18	01-Jul-18	30-Sep-18	Long/Buy	6,624 MWh	3
2	180518-2010	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	18-May-18	01-Oct-18	31-Oct-18	Long/Buy	7,450 MWh	10
3	150618-2001	UniCredit	Commodity Swap	Gas TTF Month Ahead	15-Jun-18	01-Oct-18	30-Jun-19	Long/Buy	90,144 MWh	397
4	23087709	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	04-Jul-17	01-Apr-18	30-Sep-18	Long/Buy	33,480 MWh	24
5	23145776	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	12-Jul-17	01-Oct-17	30-Sep-18	Long/Buy	20,016 MWh	6
6	22155980	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	14-Jun-18	01-Oct-18	30-Sep-19	Long/Buy	12,193 MWh	40
7	23170149	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	17-Jul-17	01-Oct-17	30-Sep-18	Long/Buy	9,084 MWh	3
8	23197768	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	20-Jul-17	01-Oct-17	30-Sep-18	Long/Buy	7,284 MWh	6
9	24683698	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	17-Jan-18	01-Apr-18	30-Sep-18	Long/Buy	21,960 MWh	24
10	27191783	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	30-Jul-18	01-Oct-18	31-Dec-18	Long/Buy	22,090 MWh	100
11	050718-2009	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	05-Jul-18	01-Oct-18	31-Jul-19	Long/Buy	6,523 MWh	17
12	190718-2014	UniCredit	Commodity Swap	Gas TTF Month Ahead	19-Jul-18	01-Oct-18	30-Sep-19	Long/Buy	8,552 MWh	38
13	22175430	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	31-Jul-18	01-Oct-18	30-Sep-19	Long/Buy	4,970 MWh	15
14	22177190	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	31-Jul-18	01-Oct-18	31-Jan-19	Long/Buy	2,590 MWh	6
15	22176498	BNP Paribas	Commodity Swap	Gas TTF Month Ahead	02-Aug-18	01-Oct-18	01-Apr-19	Long/Buy	5,329 MWh	25
<b>Total</b>									<b>258,289</b>	<b>711</b>

## Consolidated shareholders' equity

### 15. Shareholders' equity

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

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

(Thousands of Euro)	30.09.2018	31.12.2017
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(16,981)	(17,521)
Reserves	135,264	134,603
Group's Net Result	29,971	47,135
<b>Net equity of the Group</b>	<b>429,548</b>	<b>445,511</b>
Net equity of Others	2,509	2,872
Third parties Net Result	1,308	2,117
<b>Net equity of Others</b>	<b>3,817</b>	<b>4,989</b>
<b>Total Net equity</b>	<b>433,365</b>	<b>450,500</b>

In the first nine months of 2018, the changes in the consolidated net equity, excluding the result achieved in the period, were mainly due to a positive variation for Euro 1,163 thousand related to a Cash Flow Hedge reserve, to the negative change deriving from the combination of the residual share of Amgas Blu S.p.A. for Euro 3,778 thousand, and the distribution of treasury shares to employees and directors for long-term incentive plans for Euro 540 thousand. For further details on the changes occurred, please see 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 30<sup>th</sup> September 2018. 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 nine month of the year 2018 are:

(Thousands of Euro)	
Opening balance	(1,236)
Effectiveness gained during the period	(151)
Effectively released in the income statement during the period	1,639
<b>Closing balance</b>	<b>252</b>

The value of the cash flow hedge reserve as of 30<sup>th</sup> September 2018 refers to the expected supply flows which will be recognised at cost (and therefore with effects on the income statement) in the last quarter of 2018 (for a negative amount of Euro 117 thousand) and in 2019 (for a positive amount of Euro 369 thousand).

Assuming a 10% change in the future quotes of natural gas (i.e. TTF Month Ahead) as of 30<sup>th</sup> September 2018, upward and downward, there would be, respectively, an improvement and a worsening of approximately Euro 456 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 30<sup>th</sup> September 2018 (fair value of Euro 898 thousand) a negative differential is expected to be settled in the last quarter of 2018, equal to Euro 193 thousand and in 2019, equal to Euro 704 thousand.

#### *Net equity of minority interests*

This item includes the net assets and the result not attributable to the Group, and refers to third party shares of the subsidiaries Ascotrade S.p.A. 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)	30.09.2018	31.12.2017
Provisions for pension for gas sector employees	(376)	(1,740)
Other reserves for risks and charges	(3,420)	(4,172)
<b>Reserves for risks and charges</b>	<b>(3,796)</b>	<b>(5,913)</b>

Reserves for risks and charges decreased from Euro 5,913 thousand to Euro 3,796 thousand, thus recording a decrease of Euro 2,117 thousand. The change is mainly explained by the decrease in retirement funds and similar obligations for Euro 1,364 thousand related to the distribution of allowances for employees and directors in previous years in accordance with long-term incentive plans. The variation in the item other reserves for risks and charges is mainly explained by the decrease in the provisions for risks related to Sinergie Italiane S.r.l. in liquidation.

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

(Thousands of Euro)	
Reserves for risks and charges as of 1st January 2018	5,913
Provisions for risks hedging losses of associates with the equity method	(756)
Provisions for risks and charges	3
Use of provisions for risks and charges	(1,364)
<b>Provisions for risks and charges 30th of September 2018</b>	<b>3,796</b>

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

(Thousands of Euro)	30.09.2018	31.12.2017
Cover losses associated companies	2,876	3,632
Risk of litigation with suppliers	235	232
Funds on just working causes	309	309
Retirement fund and similar obligations	376	1,740
<b>Total</b>	<b>3,796</b>	<b>5,913</b>

The “retirement fund and similar obligations” item includes commitments to employees and managers regarding long-term incentive plans.

## 17. Severance indemnity

Severance indemnity increases from Euro 4,836 thousand as of 1<sup>st</sup> January 2018 to Euro 4,989 thousand as of 30<sup>th</sup> September 2018, marking an increase of Euro 153 thousand.

(Thousands of Euro)	
Severance indemnity as of 1st January 2018	4,836
Retirement allowance	(1,179)
Payments for current services and work	1,280
Actuarial loss/(profits) of the period (*)	52
<b>Severance indemnity as of 30th of September 2018</b>	<b>4,989</b>

\* including the interest cost booked in the income statement.

## 18. Medium- and long-term loans

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

(Thousands of Euro)	30.09.2018	31.12.2017
Loans from Prealpi	8,803	610
Loans from European Investment Bank	21,500	26,250
Loans from BNL	25,000	27,500
<b>Medium- and long-term bank loans</b>	<b>55,303</b>	<b>54,360</b>
Current portion of medium and long-term loans	8,073	10,181
<b>Medium- and long-term loans</b>	<b>63,376</b>	<b>64,541</b>

Medium and long term loans, mainly represented as of 30<sup>th</sup> September 2018 by the payables of the Parent Company to BNL for Euro 27,500 thousand and the European Investment Bank for Euro 26,250 thousand, decrease from Euro 64.541 thousand to Euro 63,376 thousand, marking a decrease of Euro 1,165 thousand, explained by the payment of the instalments in the first nine months of 2018.

Specifically:

- the loan with BNL, taken out in 2017 for an amount equal to Euro 30,000 thousand, has a residual debt of as of 30<sup>th</sup> September 2018 of Euro 27,500 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 30<sup>th</sup> June 2018, such covenants were met.

- the loan with the European Investment Bank, granted in two tranches in 2013 totalling Euro 45,000 thousand, has an outstanding debt as of 30<sup>th</sup> September 2018 of 26,250 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 30<sup>th</sup> June 2018, such covenants were met.
- The loan with Cassa Centrale Banca, granted at the beginning of 2018 for an amount equal to Euro 10,000 thousand, has a residual debt as of 30<sup>th</sup> September 2018 of Euro 9,626 thousand, with the recognition of Euro 823 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..

Chart of medium- and long-term loans deadlines:

(Thousands of Euro)	30.09.2018
Year 2018	251
Year 2019	8,014
Year 2020	8,028
Year 2021	8,042
After 31st December 2021	39,041
<b>Medium and long-term loans</b>	<b>63,376</b>

## 19. Other non-current liabilities

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

(Thousands of Euro)	30.09.2018	31.12.2017
Security deposits	11,409	11,599
Multi-annual passive prepayments	15,178	11,330
<b>Other non-current liabilities</b>	<b>26,587</b>	<b>22,930</b>

Other non-current liabilities increased from Euro 22,930 thousand in the previous year to Euro 26,587 thousand as of 30<sup>th</sup> September 2018, with an increase of Euro 3,657 thousand. The change is mainly explained by the rise in long-term deferred income, which recorded an increase of Euro 3,847 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.

During the year, the reporting activities of several sections of the gas distribution network were completed and, consequently, the investments made were recognised under the item "Fixed assets under concession". The start of the useful life of the plants led to the reclassification of the contributions received for their construction, previously suspended in the item "Advances from customers", totalling Euro 1,293 thousand. In order to align the item with the contributions deducted from the technical assets, the long-term deferred income was further increased by a total of Euro 821 thousand.

Security deposits refer to deposits of gas and electricity users.



## 20. Non-current financial liabilities

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

(Thousands of Euro)	30.09.2018	31.12.2017
Payables due to leasing companies (over 12 months)	219	277
<b>Non-current financial liabilities</b>	<b>219</b>	<b>277</b>

Non-current financial liabilities decreased from Euro 277 thousand as of 31<sup>st</sup> December 2017 to Euro 219 thousand, marking a decrease of Euro 58 thousand, and mainly include payables to leasing companies due after 12 months; the relating current portion is classified in Current financial liabilities.

## 21. Deferred tax payables

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

(Thousands of Euro)	30.09.2018	31.12.2017
Deferred tax payables	14,916	15,733
<b>Deferred tax payables</b>	<b>14,916</b>	<b>15,733</b>

Payables for deferred taxation decrease from Euro 15,733 thousand to Euro 14,916 thousand, marking a decrease of Euro 817 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 30<sup>th</sup> September 2018 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)	30.09.2018	31.12.2017
Payables due to banks	85,028	70,123
Current portion of medium-long-term loans	8,073	10,181
<b>Payables due to banks and financing institutions</b>	<b>93,101</b>	<b>80,304</b>

Payables to banks increase from Euro 80,304 thousand to Euro 93,101 thousand, with an increase of Euro 12,797 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)	30.09.2018	31.12.2017
Payables to suppliers	13,986	44,843
Payables to suppliers for invoices not yet received	65,064	72,810
<b>Trade payables</b>	<b>79,050</b>	<b>117,653</b>

Trade payables decrease from Euro 117,653 thousand to Euro 79,050 thousand, marking a decrease of Euro 38,603 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)	30.09.2018	31.12.2017
IRAP payables	1,005	625
IRES payables	269	
<b>Tax payables</b>	<b>1,274</b>	<b>625</b>

Tax payables increase from Euro 625 thousand to Euro 1,274 thousand, with an increase of Euro 649 thousand and include payables accrued as of 30<sup>th</sup> September 2018 for IRAP, and the IRES payable related to the companies which do not adhere to Asco Holding S.p.A.'s tax consolidation system.

#### 25. Other current liabilities

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

(Thousands of Euro)	30.09.2018	31.12.2017
Advance payments from customers	1,309	3,386
Amounts due to parent companies for tax consolidation	4,855	4,550
Amounts due to social security institutions	1,355	1,604
Amounts due to employees	6,298	5,240
VAT payables	10,862	4,694
Payables to revenue office for withholding tax	365	1,119
Annual passive prepayments	568	988
Annual passive accruals	341	471
UTF and Provincial/Regional Additional Tax payables	7,227	3,534
Liabilities for short-term purchases	78	611
Other payables	8,826	12,114
<b>Other current liabilities</b>	<b>42,087</b>	<b>38,312</b>

Other current liabilities increased from Euro 38,312 thousand to Euro 42,087 thousand, with an increase of Euro 3,775 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 30<sup>th</sup> September 2018. The change recorded in the first

nine months is explained by the reclassification of the contributions received for the construction of the gas distribution network, subsequent to the completion of the relevant reporting activities (as described in the paragraph “Other non-current liabilities” herein). The completion of the reporting of the distribution network included in the works of first urban development (so-called “parcelling”) resulted in the recognition in the income statement, and specifically in the item “Revenues derived from services performed by distributors”, of the contributions received for construction for Euro 765 thousand.

#### Tax consolidation payables

This heading includes the accrued payables to the parent company Asco Holding S.p.A., as part of the National Consolidation regime contracts signed by the Group companies with Asco Holding S.p.A.. The balance corresponds to the IRES payables accrued for taxation up to 30<sup>th</sup> September 2018 with an increase of Euro 305 thousand as compared to 31<sup>st</sup> December 2017.

#### Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employers and managers, accrued as 30<sup>th</sup> September 2018 but not yet paid on that date.

#### Payables to personnel

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 30<sup>th</sup> September 2018 but not paid out on that date as well as social security contributions.

#### VAT payables

VAT payables increased by Euro 6,168 thousand as compared to 31<sup>st</sup> December 2017. The increase in VAT payables is explained by the quarterly compensation of the tax, granted to the subsidiaries selling natural gas and electricity, in that they fall within the category of the subjects billing a high number of end customers. As of 30<sup>th</sup> September 2018, the Group accrued VAT payables for an amount equal to Euro 10,862 thousand as compared to Euro 4,694 thousand in 2017.

#### Annual deferred income

The change in the item is mainly related to revenues from cogeneration/heat supply.

#### Annual accrued liabilities

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

#### UTF payables and Additional Regional/Provincial Tax

They relate to amounts payable to the technical department of finance and to the payment of excise duty and additional taxes on natural gas. The balance is explained by the different timing of billing gas consumption to users, in contrast with the monthly payments carried out by the sales company with reference to the previous year. As of 30<sup>th</sup> September 2018, the Group’s total amount of payables is Euro 7,227 thousand as compared to Euro 3,534 thousand in the previous year.

#### Liabilities for forward sales

As of 30<sup>th</sup> September 2018, sales and purchase contracts were signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market. Contractual commitments relate to physical deliveries for the period October 2018 - December 2018 for the raw material, while the transport service is for the period October 2018 - September 2019 (2018/19 thermal year).

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

#### Other payables

Other payables decrease by Euro 3,288 thousand. The decrease is mainly related to lower payables to Cassa per i

Servizi Energetici e Ambientali concerning the tariff components of natural gas transport for Euro 3.829 thousand and payables to employees for incentive plans partially offset by higher payables to the Tax Authority for the introduction of the Rai television license fee in the electricity bill for Euro 650 thousand.

The item also includes payables for personnel charges accrued as of 30<sup>th</sup> September 2018.

## 26. Current financial liabilities

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

(Thousands of Euro)	30.09.2018	31.12.2017
Financial payables within 12 months	1,570	406
Payables to leasing companies within 12 months	77	74
<b>Current financial liabilities</b>	<b>1,646</b>	<b>480</b>

Current financial liabilities increase from Euro 480 thousand to Euro 1,646 thousand, marking an increase of Euro 1,166 thousand and mainly consist of payables to the jointly controlled company ASM Set S.r.l. pertaining to the intragroup cash pooling agreement and payables of the subsidiary Blue Meta S.p.A. to the Region of Lombardy.

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

## 27. Current liabilities from derivative financial instruments

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

(Thousands of Euro)	30.09.2018	31.12.2017
Current liabilities from derivative financial instruments	898	7
<b>Current liabilities from derivative financial instruments</b>	<b>898</b>	<b>7</b>

Liabilities from derivatives consist in the fair value of the following commodity derivatives as of 30<sup>th</sup> September 2018:

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	080518-2017	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	08-May-18	01-Dec-18	31-Mar-19	Long/Buy	16,752 MWh	74
2	22129609	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	30-Apr-18	01-Dec-18	31-Mar-19	Long/Buy	83,400 MWh	449
3	22134291	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	09-May-18	01-Jan-19	28-Feb-19	Long/Buy	14,160 MWh	79
4	27191751	Intesa Sanpaolo	Commodity Swap	Gas TTF Quarter Ahead	30-Jul-18	01-Oct-18	31-Dec-18	Long/Buy	22,090 MWh	38
5	27521974	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	10-Sep-18	01-Oct-18	31-Oct-18	Long/Buy	7,450 MWh	6
6	200918-2002	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	20-Sep-18	01-Jan-19	31-Mar-19	Long/Buy	39,570 MWh	80
7	200918-2005	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	28-Sep-18	01-Jan-19	28-Feb-19	Long/Buy	7,400 MWh	5
8	22188815 EE	BNP Paribas	Commodity Swap	EE PUN	31-Aug-18	01-Oct-18	31-Dec-18	Long/Buy	9,919 MWh	41
9	22197873	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	20-Sep-18	01-Jan-19	30-Sep-19	Long/Buy	21,060 MWh	39
10	22201582	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	28-Sep-18	01-Jan-19	01-Mar-19	Long/Buy	4,400 MWh	3
11	27523971	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	10-Sep-18	01-Oct-18	31-Oct-18	Long/Buy	11,160 MWh	10
12	27580999	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	17-Sep-18	01-Oct-18	31-Oct-18	Long/Buy	7,450 MWh	1
13	27581117	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	17-Sep-18	01-Oct-18	31-Oct-18	Long/Buy	14,900 MWh	2
14	27616867	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	20-Sep-18	01-Oct-18	31-Oct-18	Long/Buy	11,175 MWh	5
15	27631724	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	21-Sep-18	01-Jan-19	31-Mar-19	Long/Buy	10,795 MWh	18
16	424853336	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	10-Sep-18	01-Jan-19	28-Feb-19	Long/Buy	24,600 MWh	49
Total									306,281	898

## COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS

### Revenues

#### 27. Revenues

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

(Thousands of Euro)	Nine months	
	2018	2017
Revenues from gas transportation	25,574	22,389
Revenues from gas sale	286,703	270,764
Revenues from electricity sale	51,630	43,263
Revenues from connections	198	194
Revenues from heat supply	5	32
Revenues from distribution services	7,108	4,535
Revenues from services supplied to Group companies	1,312	1,315
Revenues from ARERA contributions	19,127	30,938
Revenues from forward sales of raw materials	7,207	(55)
Other revenues	3,962	3,968
<b>Revenues</b>	<b>402,825</b>	<b>377,344</b>

At the end of the period considered, the Ascopiave Group's revenues amounted to Euro 402,825 thousand, an increase of Euro 25,480 thousand as compared to the same period in the previous year (Euro 377,344 thousand).

The *transportation of natural gas* to the distribution network generated revenues for gas carriage to sales companies not belonging to the Group for Euro 25,574 thousand, with an increase as compared to the first nine months of 2017 of Euro 3,185 thousand.

The revenues from *natural gas sale*, equalling Euro 286,703 thousand, increased by Euro 15,938 thousand as compared to the first nine months of 2017. The increase is mainly explained by higher volumes of gas sold in the reference period as well as the recognition of revenues from the sale of raw materials for Euro 8,737 thousand connected with gas settlement. In June, Snam Rete Gas published the volumetric differentials related to the settlement of the volumes allocated to the station for the years 2013-2016 as well as the volumetric differential introduced by resolutions 670/2017/R/gas and 782/2017/R/gas which neutralised the in-output delta for users of the distribution network. The balancing of volumes in the station led to the recognition of higher revenues for Euro 3,565 thousand. The differential related to the quantities of gas injected into the local distribution network and withdrawn by the end consumers, on the other hand, led to the recognition of higher revenues for Euro 5,172 thousand. During the first nine months of the year, the Group's sales companies sold a volume of natural gas equal to 535.8 million cu.m compared to 520.9 million in the period shown for comparison purposes (+2.9%).

At the end of the first nine months of the year, the revenues deriving from the sale of natural gas to wholesalers or at the virtual trading point (so-called VTP) were booked totalling Euro 48,343 thousand (Euro 44,546 thousand in September 2017). They mainly relate to the amounts of natural gas imported from Russia. These sales are aimed at the redemption of the procurement risk and at improving the effectiveness of the purchase price of the raw material.

At the end of the first nine months of the year, the revenues from *electricity sales* amounted to Euro 51,630 thousand (Euro 43,263 thousand in 2017). The GWh sold in the period considered amount to 291.6 million (290.2 million in 2017). The item includes higher revenues (Euro 2,053 thousand) pertaining to the determination of the economic items related to the 2017 annual adjustment for the withdrawal points not processed on an hourly basis described in the paragraph "Management trend - Economic results of the Group" herein.

The revenues from *connection services to the distribution network* are equal to Euro 198 thousand, an increase of Euro 4 thousand as compared to the same period in the previous year. The revenues from the distribution companies of the Group are fully recognised among the non-current liabilities and posted to the profit and loss statement based on the useful life of the plants built.

The revenues derived from *services provided by distributors*, being equal to Euro 7,108 thousand, show an increase of Euro 2,573 thousand as compared to the same period in the previous year. The increase is partially explained by the recognition of Euro 765 thousand related to the contributions received for the construction of the distribution network based on parcelling (as described in the paragraph “Other current liabilities” herein).

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 19,127 thousand recording a decrease of Euro 11,812 thousand as compared to the same period in the previous year. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the obligated distributors. The contributions recognised as of 30<sup>th</sup> September 2018 are calculated by evaluating at the fair value the quantities of energy efficiency certificates accrued as compared to the 2018 target (regulatory period June 2018 - May 2019). The unit contribution used for the economic quantification of the fulfilment of the obligation is equal to the fair value of the forecast contribution announced by GSE for the 2018 target (regulatory period June 2017 - May 2018) and amounting to Euro 250 (Euro 281.73 as of 30<sup>th</sup> September 2017; source STX).

The revenues from trading activities in the gas market at the end of the period considered amounted to Euro 7,207 thousand, an increase of Euro 7,262 thousand as compared to 30<sup>th</sup> September 2017, and refer to the sales and purchase contracts signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market.

The item “*Other revenues*” decreased from Euro 3,968 thousand in the first nine months of 2017, to Euro 3,962 thousand in the period considered, recording a decrease of Euro 6 thousand.

## Costs

### 28. Cost for gas purchase

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

(Thousands of Euro)	Nine months	
	2018	2017
Purchase costs for raw material (gas)	201,866	172,400
<b>Purchase costs for raw material (gas)</b>	<b>201,866</b>	<b>172,400</b>

At the end of the first nine months of 2018, the costs for natural gas procurement amounted to Euro 201,866 thousand, showing an increase, as compared to the same period in the previous year, of Euro 29,466 thousand. The increase is partly explained by the recognition of purchase costs of raw materials for Euro 10,818 thousand, connected with gas settlement. In June, Snam Rete Gas published the volumetric differentials related to the settlement of the volumes allocated to the station for the years 2013-2016 as well as the volumetric differential introduced by resolutions 670/2017/R/gas and 782/2017/R/gas which neutralised the in-output delta for users of the distribution network. The balancing of volumes in the station led to the recognition of higher costs for Euro 2,668 thousand. The differential related to the quantities of gas injected into the local distribution network and withdrawn by the end consumers, on the other hand, led to the recognition of higher costs for Euro 8,149 thousand. The residual difference, equal to Euro 10,499 thousand, is partly explained by the higher quantities of natural gas sold and the trend of the price basket to which the raw material is adjusted. The procurement activity of the raw material to be sold to the end market has involved the purchase of 535.8 million cu.m (520.9 million in the first nine months of 2017).

At the end of the period considered, gas inventories amount to Euro 3,495 thousand as compared to Euro 2,035 thousand as of 30<sup>th</sup> September 2017.

The costs from trading activities in the gas market at the end of the period amounted to Euro 6,928 thousand, while at the end of the nine months shown for comparative purposes they were not significant, as the business was started in September 2017.

The accounting of the economic effects of the hedging derivatives accrued during the period considered has determined the recognition of lower costs totalling Euro 1,639 thousand with, a significant increase as compared to Euro 541 thousand in the previous year.



It is to be noted that, in the first nine months of 2018, the most significant amounts of natural gas for the supply to end customers were provided to the Ascopiave Group by the company Eni Gas & Power S.p.A..

## 29. Cost of other raw materials

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

(Thousands of Euro)	Nine months	
	2018	2017
Purchase of electricity	17,846	14,411
Purchase of other raw material	1,892	1,265
<b>Purchase costs for other raw materials</b>	<b>19,737</b>	<b>15,676</b>

At the end of the first nine months of 2018, the costs incurred for the purchase of other raw materials are equal to Euro 19,737, an increase of Euro 4,061 thousand as compared to the same period in the previous year. The increase has involved both the costs incurred for the purchase of *electricity* and those incurred for other materials (Euro +626 thousand).

The costs incurred to procure *electricity*, at the end of the first nine months of 2018, amounted to Euro 17,846 thousand, recording an increase of Euro 3,435 thousand as compared to the same period in 2017. The GWh sold increased by 1.4 GWh, from 290.2 in the first nine months of 2017 to 291.6 in the first nine months of 2018 (+0.5%). The item includes higher costs (Euro 1,112 thousand) pertaining to the determination of the economic items related to the 2017 annual adjustment for the withdrawal points not processed on an hourly basis described in the paragraph "Management trend - Economic results of the Group" herein.

The costs incurred for the *purchase of other materials* register an increase equal to Euro 626 thousand, from Euro 1,265 thousand in the first nine months of 2017, to Euro 1,892 thousand in the period considered. This item mainly includes costs related to the purchase of materials for the construction of natural gas distribution plants. The increase is mainly explained by the consolidation of Ap Reti Gas Vicenza S.p.A. which, as of 30<sup>th</sup> September in the previous year, contributed to the Group's results for the second and third quarter only, whereas during financial year 2018 for nine months.

## 30. Costs for services

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

(Thousands of Euro)	Nine months	
	2018	2017
Costs of conveyance on secondary networks	52,801	52,589
Costs for counting meters reading	550	541
Costs for mailing bills	1,341	1,052
Mailing and telegraph costs	117	412
Maintenance and repairs	2,493	2,211
Consulting services	3,850	3,612
Commercial services and advertisement	1,671	2,107
Sundry suppliers	484	680
Directors' and Statutory Auditors' fees	1,010	901
Insurances	648	543
Personnel costs	680	794
Other managing expenses	5,081	5,699
Costs for use of third-party assets	13,095	11,234
Storage services	433	423
Forward freight transport costs	262	(60)
<b>Costs for services</b>	<b>84,516</b>	<b>82,738</b>

The costs for services incurred in the first nine months increase from Euro 82,738 thousand in 2017 to Euro 84,516 thousand in 2018, showing an increase of Euro 1,778 thousand.

This variation is mainly explained by the higher costs incurred for use of third-party assets (Euro +1,861 thousand) and for the transport of forward raw materials (Euro +322 thousand), which were partially offset by the decrease in costs incurred for commercial services and advertising (Euro -436 thousand).

The costs incurred for the *transportation of natural gas* on the secondary and primary networks in the period considered amount to Euro 22,080 thousand and refer to volumes of natural gas on the networks managed by companies not belonging to the Group. As compared to the first nine months of the previous year, they decreased by Euro 5,575 thousand.

Costs incurred for transportation of *electricity* amount to Euro 30,721 thousand (Euro 24,935 thousand in 2017) and refer to amounts of electricity marketed during the reference period totalling 291.6 GWh (290.2 in 2017). The item includes higher costs (Euro 2,315 thousand) pertaining to the determination of the economic items related to the 2017 annual adjustment for the withdrawal points not processed on an hourly basis described in the paragraph "Management trend - Economic results of the Group" herein.

At the end of the first nine months of 2018, the costs incurred for *marketing and advertising services* decreased by Euro 436 thousand, from Euro 2,107 thousand in 2017 to Euro 1,671 thousand in 2018.

*Other operating costs* decreased by Euro 618 thousand, mainly explained by a decrease in costs for bank current accounts (Euro - 302 thousand) and the decrease in costs incurred for services rendered by distributors (Euro -388 thousand).

The item "*costs for use of third-party assets*" mainly includes the fees paid to the Local Authorities for the management of natural gas distribution concessions and recorded an increase equal to Euro 1,861 thousand. The increase recorded is mainly explained by the registration of the fees paid to local authorities by the subsidiary AP Reti Gas Vicenza S.p.A. during the first quarter of the year (Euro 1,868 thousand). The comparative period, on the other hand, only included the costs incurred by the company during the second and third quarter of the year, because of the company's first consolidation date.

The item "costs of transporting the raw materials deriving from the gas trading activity", at the end of the period, amounted to Euro 262 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.

### 31. Costs for staff

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

(migliaia di Euro)	Nine months	
	2018	2017
Wages and salaries	18,003	16,094
Social security contributions	5,392	4,808
Severance indemnity	1,280	1,168
Other costs	68	18
<b>Total personnel costs</b>	<b>24,743</b>	<b>22,088</b>
Capitalized personnel costs	(5,407)	(3,938)
<b>Personnel costs</b>	<b>19,336</b>	<b>18,150</b>

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 22,088 thousand in the first nine months of 2017 to Euro 24,743 thousand in the period considered, showing an increase of Euro 2,655 thousand. The increase is mainly explained by the recognition of fees paid to the Group's General Manager and Chief Financial Officer for the termination of the employment relationship notified during the third quarter of the financial year. The agreements signed with them, better described in "Significant events during the first nine months of 2018", led to the recognition of higher costs totalling Euro 2,411 thousand. The increase is also explained by the recognition of personnel costs of Ap Reti Vicenza S.p.A. which was consolidated with effect from 1<sup>st</sup> April 2017.

Capitalised personnel cost registered an increase of Euro 1,469 thousand, from Euro 3,938 thousand in the previous period, to Euro 5,407 thousand in the period considered.

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

Description	30.09.2018	30.09.2017	Variation
Managers (average)	17	17	0
Office workers (average)	396	389	7
Manual workers (average)	123	122	1
<b>No. of persoal employed</b>	<b>536</b>	<b>528</b>	<b>8</b>

### 32. Other operating costs

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

	Nine months	
(Thousands of Euro)	2018	2017
Provision for risks on credits	1,248	1,134
Other provisions	3	31
Membership and ARERA fees	602	573
Capital losses	648	2
Extraordinary losses	896	278
Other taxes	677	649
Other costs	556	609
Costs of contracts	157	100
Energy efficiency certificates	16,561	27,894
<b>Other management costs</b>	<b>21,348</b>	<b>31,271</b>

Other operating costs, decreasing from Euro 31,271 in the first nine months of 2017 to Euro 21,348 thousand in the period considered, show a decrease of Euro 9,923 thousand. This change is mainly due to lower costs incurred for the purchase of Energy efficiency certificates (Euro -11,333 thousand), partially offset by the increase in capital losses and contingencies of Euro 1,263 thousand. The item "Contingent liabilities" includes Euro 821 thousand related to the alignment of deferred income with the amount of the contributions deducted from the assets as described in the paragraph "Other non-current liabilities" herein.

The costs recognised as of 30<sup>th</sup> September 2018 for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2018 target (regulatory period June 2018 - May 2019). The unit cost for certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 30<sup>th</sup> September 2018, and amounting to Euro 259.78 source STX (Euro 332.93 as of 30<sup>th</sup> September 2017).

### 33. Other operating revenues

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

	Nine months	
(Thousands of Euro)	2018	2017
Other income	234	662
<b>Other income</b>	<b>234</b>	<b>662</b>

At the end of the period considered, the item "other operating income" shows a decrease of Euro 428 thousand, from Euro 662 thousand in 2017, to Euro 234 thousand in the period considered. The values recorded during the first nine months of the previous year included the surplus value amounting to Euro 373 thousand deriving from the acquisition of AP Reti gas Vicenza S.p.A..

### 34. Amortisation, depreciation and write-downs

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

(Thousands of Euro)	Nine months	
	2018	2017
Intangible fixed assets	15,622	14,365
Tangible fixed assets	1,734	1,812
<b>Amortization and depreciation</b>	<b>17,356</b>	<b>16,176</b>

Amortisation and depreciation show an increase of Euro 1,180 thousand, from Euro 16,176 thousand in the first nine months of 2017, to Euro 17,356 thousand in the period considered. The increase is mainly explained by the registration of the amortisation and depreciation of AP Reti Gas Vicenza S.p.A., which was consolidated with effect from 1<sup>st</sup> April 2017.

## Financial income and expense

### 35. Financial income and expense

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

(Thousands of Euro)	Nine months	
	2018	2017
Interest income on bank and post office accounts	65	0
Other interest income	231	249
Other financial income	4	4
<b>Financial income</b>	<b>299</b>	<b>253</b>
Interest expense on banks	46	35
Interest expense on loans	680	343
Other financial expenses	162	125
<b>Financial charges</b>	<b>888</b>	<b>503</b>
Evaluation of subsidiary companies with net equity method	756	601
Result quota from jointly controlled companies	4,383	4,361
<b>Evaluation of subsidiary companies with the net equity method</b>	<b>5,139</b>	<b>4,962</b>
<b>Total net financial expenses</b>	<b>4,550</b>	<b>4,712</b>

At the end of the first nine months of 2018, the balance between financial income and expenses showed a loss of Euro 589 thousand, an increase as compared to the same period in the previous year of Euro 339 thousand.

The item “*Evaluation of associated companies using the equity method*” amounts to Euro 756 thousand and includes the use of a portion of the bad debt provision for the coverage of the capital deficit of the affiliate company Sinergie Italiane S.r.l. in liquidation following the profit achieved during the period as detailed in the section “Shareholdings” of these explanatory notes. The item registers an increase as compared to the same period of the previous year equal to Euro 155 thousand.

The item “*Result quota from jointly controlled companies*” includes the net results achieved by the jointly controlled companies in the reference period; they increased by Euro 22 thousand, totalling Euro 4,383 thousand.

## Taxes

### 36. Taxes in the reference period

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

	Nine months	
(Thousands of Euro)	2018	2017
IRES current taxes	11,058	11,776
IRAP current taxes	2,142	1,999
(Advance)/Deferred taxes	(1,031)	(1,077)
<b>Taxes for the period</b>	<b>12,169</b>	<b>12,698</b>

Taxes accrued decrease from Euro 12,698 thousand in the first nine months of the previous year, to Euro 12,169 thousand in the period considered, recording a decrease of Euro 529 thousand mainly due to a decrease in result before tax.

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

	Nine months	
(Thousands of Euro)	2018	2017
Earnings before tax	43,448	46,307
Taxes for the period	12,169	12,698
<b>Percentage of income before taxes</b>	<b>28.0%</b>	<b>27.4%</b>

The tax-rate as of 30<sup>th</sup> September 2018 is 28.0%, an increase of 0.6% as compared to 30<sup>th</sup> September 2017.

### Non-recurrent components

In accordance with CONSOB communication no. 15519/2005, the items “Revenues from gas sales” and “Costs for gas purchase” include respectively revenues amounting to Euro 8,737 thousand and costs totalling Euro 10,818 thousand connected to the so-called gas settlement. In June, Snam Rete Gas published the volumetric differentials related to the settlement of the volumes allocated to the station for the years 2013-2016 as well as the volumetric differential introduced by resolutions 670/2017/R/gas and 782/2017/R/gas which neutralised the in-output delta for users of the distribution network. The balancing of volumes in the station led to the recognition of higher costs for Euro 2,668 thousand and higher revenues for Euro 3,565 thousand. The differential related to the quantities of gas injected into the local distribution network and withdrawn by the end consumers, on the other hand, led to the recognition of higher costs for Euro 8,149 thousand and higher revenues for Euro 5,172 thousand. These income components, due to the long-term effects released, are not recurring and are described in paragraph “Evolution of the adjustment sessions of natural gas allocations” herein.

The item “Cost for staff” includes costs to the tune of Euro 2,411 thousand related to the fees paid to the Group’s General Manager and Chief Financial Officer for the termination of the employment relationship notified during the third quarter of the financial year.

### Transactions deriving from unusual and/or atypical operations

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

### Acquisition of 20% of Amgas Blu S.r.l.'s shares

On 18<sup>th</sup> September 2018, Amgas S.p.A. and Ascopiave S.p.A. finalised the agreement governing the transfer of 20% of the share capital of Amgas Blu S.r.l., from Amgas S.p.A. to Ascopiave S.p.A., which already owned 80% of the company's equity. The operation allows Ascopiave S.p.A. to own the full 100% stock of Amgas Blu S.r.l..

The equivalent amount disbursed for the purchase, amounting to Euro 3,778 thousand, and the difference between the price paid and the portion of equity acquired was recorded as a change in equity reserves pertaining to the Group in accordance with "IFRS 3 revised" for an amount equal to Euro 3,545 thousand.

The business combination was temporarily recognised on 30<sup>th</sup> September 2018 in accordance with the international accounting standard IFRS 3.62. The business combination process began in 2011 and resulted in a financial commitment of Euro 15,143 thousand for the parent company ASCOPIAVE S.p.A..



## OTHER COMMENTS ON THE INTERIM FINANCIAL STATEMENTS AS OF 30<sup>TH</sup> SEPTEMBER 2018

### Commitments and risks

#### Guarantees given

As of 30<sup>th</sup> September 2018, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	30th of September 2018	31st of December 2017
On credit lines	8,400	8,400
Guarantees on credit lines (letter of comfort)	223	127
On execution of works (letter of comfort)	991	1,128
On UTF offices and regions for taxes on gas (letter of comfort)	5,986	5,737
On UTF offices and regions for taxes on electricity (letter of comfort)	319	319
On distribution concession (letter of comfort)	5,882	6,097
On purchase/sale of shares (letter of comfort)	500	500
On agreements for transport of gas (letter of comfort)	11,312	10,010
On agreements for transport of electricity (letter of comfort)	17,727	17,751
On purchase of gas agreements (letter of comfort)	0	22
On purchase of electricity agreements (letter of comfort)	3,000	3,000
On storage of natural gas service	410	410
<b>Total</b>	<b>54,749</b>	<b>53,501</b>

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

(Thousands of Euro)	30th of September 2018	31st of December 2017
On credit lines	26,665	26,665
On execution of works (letter of comfort)	0	142
Agreements on incentives art. 4 of Law no. 92/2012	242	495
On UTF offices and regions for taxes on gas (letter of comfort)	503	928
On UTF offices and regions for taxes on electricity (letter of comfort)	33	68
On distribution concession (letter of comfort)	0	210
On agreements for transport of gas (letter of comfort)	428	872
On agreements for transport of electricity (letter of comfort)	0	100
On leases agreements	55	117
<b>Total</b>	<b>27,927</b>	<b>29,597</b>

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 30<sup>th</sup> September 2018 to Euro 26,665 thousand, unchanged since 30<sup>th</sup> September 2017.

## Risk and uncertainty factors

### Information on agreements not disclosed in the balance sheet

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

### Management of financial risk: objectives and criteria

The investments in the operative activities of the Group mainly consist of short-term and medium/long-term bank loans, financial leasing, lease contracts with the possibility of purchase and short-term bank deposits at sight. The recourse to such forms of investment exposes the Group to the risk connected with the fluctuation of interest tax rate, that successively determine possible variations on financial costs.

Operations put the Group on the position of possible receivable risks with the 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 to manage the need for cash by means of temporary credit lines and short-term loans at variable rates that, given their constant change, do not make it possible to suitably cover the interest rate risk.

Furthermore, the Group manages medium-long term loans at variable rates with primary bank institutions, with an outstanding debt as of 30<sup>th</sup> September 2018 of Euro 63,376 thousand and due dates between 1<sup>st</sup> October 2018 and 28<sup>th</sup> February 2030.

Medium and long term loans at variable rate envisage reimbursement between 2018 and 2025, with residual balance as of 30<sup>th</sup> September 2018 of Euro 26,250 thousand (Euro 34,541 thousand as of 31<sup>st</sup> December 2017), 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 30<sup>th</sup> September 2018 of Euro 27,500 thousand, and the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as of 30<sup>th</sup> September 2018 of Euro 9,626 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	April	May	June	July	August	September
Net Financial Position 2018	(115,558)	(79,197)	(55,735)	(17,693)	(64,426)	(57,130)	(73,613)	(93,381)	(86,523)
Borrowing rates of interest	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.01%	0.01%	0.00%
Lending rates of interest	0.58%	0.61%	0.68%	0.69%	0.69%	0.69%	0.68%	0.67%	0.63%
Borrowing rate of interest plus 200 basis points	2.00%	2.00%	2.00%	2.01%	2.00%	2.00%	2.01%	2.01%	2.00%
Lending rates of interest plus 200 basis points	2.58%	2.61%	2.68%	2.69%	2.69%	2.69%	2.68%	2.67%	2.63%
Borrowing rate of interest reduced of 50 basis points	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Lending rates of interest reduced of 50 basis points	0.08%	0.11%	0.18%	0.19%	0.19%	0.19%	0.18%	0.17%	0.13%
Net Financial Position recalculated with the increase of 200 basis points	(115,754)	(79,323)	(55,830)	(17,722)	(64,535)	(57,224)	(73,738)	(93,539)	(86,666)
Net Financial Position recalculated with decrease of 50 basis points	(115,509)	(79,166)	(55,712)	(17,685)	(64,398)	(57,107)	(73,582)	(93,341)	(86,488)
Effect on pre-tax result of the increase of 200 basis points	(196)	(126)	(95)	(29)	(109)	(94)	(125)	(159)	(142)
Effect on pre-tax result of the decrease of 50 basis points	49	31	24	7	27	23	31	40	36
									269

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 1,075 thousand (2017: Euro 1,000 thousand) or positive for Euro 269 thousand (2017: Euro 275 thousand).

### **Receivable risk**

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

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

### **Liquidity risk**

The liquidity risk consists in the lack of available and sufficient financial resources in order to meet the Group's financial obligations, in the forecast terms and deadlines, due to the impossibility of raising new funds or selling assets on the market, affecting the income statement if the Group is obliged to incur additional costs to meet its obligations, or in case of insolvency entailing risks for the business.

The Group constantly aims at highest balance and flexibility of financing sources and uses, 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 30<sup>th</sup> September 2018, the existing derivative instruments, detailed in sections no. 14 “*Current assets from derivative financial instruments*” and no. 27 “*Current liabilities from derivative financial instruments*” whose mark to market totals Euro -187 thousand (Euro 1,503 thousand as of 31<sup>st</sup> December 2017), are prospectively and retrospectively effective.

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

## Specific risks in the business sectors in which the Group operates

### Regulations

The activities carried out by the Ascopiave Group in the gas sector are subject to regulations. Directives and regulatory measures adopted in the European Union and by the Italian Government, as well as the resolutions of the Regulatory Authority for Energy, Networks and the Environment can have a significant impact on the operations, the operating results and the financial balance. Future changes in the regulatory policy adopted by the European Union or at a national level could have unexpected effects on the regulatory reference framework and, consequently, on the activity and results of the Ascopiave Group.

## Management of Capital

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

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

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

(Thousands of Euro)	30.09.2018	31.12.2017	30.09.2017
Financial position in the short term	32,254	65,230	35,659
financial position in the medium-long term	54,270	54,637	54,656
<b>Financial gross debt</b>	<b>86,523</b>	<b>119,867</b>	<b>90,315</b>
Share capital	234,412	234,412	234,412
Own shares	(16,981)	(17,521)	(17,521)
Reserves	185,964	186,475	184,904
Undistributed net profit	29,971	47,135	32,200
<b>Total Net equity</b>	<b>433,365</b>	<b>450,500</b>	<b>433,994</b>
<b>Total capital and gross debt</b>	<b>519,889</b>	<b>570,367</b>	<b>524,309</b>
Debt/Net assets ratio	0.20	0.27	0.21

The debt/net equity ratio as of 30<sup>th</sup> September 2018 is 0.20, an improvement as compared to 31<sup>st</sup> December 2017, when it amounted to 0.27, and 30<sup>th</sup> September 2017.

The trend of this indicator is related to the combined effect of the change in the Net financial position, which improved by Euro 33,344 thousand in the first nine months of 2018, and the Shareholders' equity, which decreased by Euro 17,135 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 30<sup>th</sup> September 2018 and 31<sup>st</sup> December 2017 is as follows:

							30.09.2018	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				11,191			11,191	11,191
Trade receivables and Other current assets	94			126,960			127,054	127,054
Current financial assets				139			139	139
Cash and cash equivalents				62,355			62,355	62,355
Current assets from derivative financial instruments		711					711	711
Medium- and long-term bank loans						55,303	55,303	55,303
Other non-current liabilities						11,409	11,409	11,409
Non-current financial liabilities						219	219	219
Payables due to banks and financing institutions						93,101	93,101	93,101
Trade payables and Other current liabilities	78					119,182	119,261	119,261
Current financial liabilities						1,646	1,646	1,646
Current liabilities from derivative financial instruments		898					898	898

							31.12.2017	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				12,840			12,840	12,840
Trade receivables and Other current assets	597			206,129			206,725	206,725
Cash and cash equivalents				15,555			15,555	15,555
Current assets from derivative financial instruments		1,510					1,510	1,510
Medium- and long-term bank loans						54,360	54,360	54,360
Other non-current liabilities						11,599	11,599	11,599
Non-current financial liabilities						277	277	277
Payables due to banks and financing institutions						80,304	80,304	80,304
Trade payables and Other current liabilities	611					150,979	151,590	151,590
Current financial liabilities						480	480	480
Current liabilities from derivative financial instruments		7					7	7

### Legend

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

## Business segment reporting

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

Based on the information required by the IFRS 8 “Business Segment Reporting, Operative segments”, the company has identified as segments subjects of the reporting the activities of gas and electricity sales and distribution. Information for geographic sectors is not provided, since the Group does not have any business activity outside of the national territory.

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

9M 2018 (Thousand of Euro)	Gas distribution	Gas sale	Trading gas	Electricity sale	Other	30.09.2018 values from new acquisitions	Elisions	Total
Net revenues of third-party customers	42,145	300,564	7,207	51,630	1,279	0		402,825
Intra-group revenues among the segments	46,089	4,375	0	28,233	8,891	0	(87,587)	0
<b>Segment revenues</b>	<b>88,233</b>	<b>304,939</b>	<b>7,207</b>	<b>79,863</b>	<b>10,170</b>	<b>0</b>	<b>(87,587)</b>	<b>402,825</b>
<b>Result before taxes</b>	<b>23,938</b>	<b>22,260</b>	<b>17</b>	<b>3,810</b>	<b>(6,578)</b>	<b>0</b>		<b>43,448</b>

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

## Transactions with related parties

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

(Thousands of Euro)	Trade	Other	Trade	Other	Costs			Revenues		
	receivables	receivables	payables	payables	Goods	Services	Other	Goods	Services	Other
Parent company										
ASCO HOLDING S.P.A.	18	886	0	11,398	0	0	11,416	0	62	871
Total parent company	18	886	0	11,398	0	0	11,416	0	62	871
Affiliated companies										
ASCO TLC S.P.A.	84	0	143	0	0	442	33	201	112	29
SEVEN CENTER S.R.L.		0	0	0	0	0	0	0	12	0
Total affiliated companies	84	0	143	0	0	442	33	201	123	29
Subsidiary companies										
Estenergy S.p.A.	6	0	17	7	0	0	0	0	0	0
ASM SET S.R.L.	1,005	0	358	1,164	0	149	3	5,029	375	53
Unigas Distribuzione Gas S.r.l.	55	0	380	761	0	6,353	1	80	62	0
SINERGIE ITALIANE in liquidazione S.R.L.	5	7,510	0	0	53,558	44	0	0	32	0
Total subsidiary companies	1,071	7,510	5	1,918	53,558	6,546	4	5,109	469	53
Total	1,173	8,396	138	13,315	53,558	6,988	11,452	5,310	654	954

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

As far as the jointly controlled companies are concerned:

- Estenergy S.p.A.:
  - o The revenues for services are connected to services of gas transportation from AP Reti Gas S.p.A.;
- ASM Set S.r.l. :
  - o The other receivables: are related to intragroup current account agreements with Ascopiave S.p.A.;
  - o The costs for assets are related to the purchase of Gas with AP Reti Gas Rovigo S.r.l.;
  - o The costs for assets are related to the purchase of Electricity with Veritas Energia S.p.A.;
  - o The costs for services are connected to administrative services provided to Ascopiave S.p.A.;
  - o The other costs relate to interest payable on the current account with Ascopiave S.p.A.;
  - o The revenues for services are connected to gas transportation revenues and distribution services with AP Reti Gas Rovigo S.r.l.;
  - o The other revenues relate to interests accrued on the current account with Ascopiave S.p.A..
- Unigas Distribuzione S.r.l.;
  - o The costs for services are connected to gas transportation costs and distribution services with Blue Meta S.p.A.;
  - o The revenues for assets concern 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 30<sup>th</sup> September 2018 to Euro 26,665 thousand (Euro 26,665



thousand as of 31<sup>st</sup> December 2017).

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

The costs for services for the subsidiary Seven Center S.r.l. in liquidation mainly refer to maintenance services for the natural gas distribution network.

Furthermore:

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

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

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

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

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

## Financial statements representation pursuant to Consob resolution 15519/2006

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

### Consolidated assets and liabilities statement

(Thousands of Euro)	30.09.2018	Of which related parties						30.09.2017	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
<b>ASSETS</b>														
<b>Non-current assets</b>														
Goodwill	80,758							80,758						
Other intangible assets	346,625							346,934						
Tangible assets	31,732							32,334						
Shareholdings	65,252			65,245		65,245	100.0%	68,878			68,871		68,871	100.0%
Other non-current assets	11,347			7,510		7,510	66.2%	13,015			7,510		7,510	57.7%
Non current financial assets	1,252													
Advance tax receivables	11,679							11,479						
<b>Non-current assets</b>	<b>548,645</b>			<b>72,755</b>		<b>72,755</b>	<b>13.3%</b>	<b>553,397</b>			<b>76,381</b>		<b>76,381</b>	<b>13.8%</b>
<b>Current assets</b>														
Inventories	8,244							4,072						
Trade receivables	82,989	18	84	1,071		1,173	1.4%	156,884		98	827		925	0.6%
Other current assets	52,519	886				886	1.7%	57,865	1,971				1,971	3.4%
Current financial assets	139							0						
Tax receivables	1,631							2,645						
Cash and cash equivalents	62,355							15,555						
Current assets on derivative financial instruments	711							1,510						
<b>Current assets</b>	<b>208,587</b>	<b>904</b>	<b>84</b>	<b>1,071</b>		<b>2,059</b>	<b>1.0%</b>	<b>238,532</b>	<b>1,971</b>	<b>98</b>	<b>827</b>		<b>2,896</b>	<b>1.2%</b>
<b>ASSETS</b>	<b>757,232</b>	<b>904</b>	<b>84</b>	<b>73,826</b>		<b>74,814</b>	<b>9.9%</b>	<b>791,929</b>	<b>1,971</b>	<b>98</b>	<b>77,208</b>		<b>79,277</b>	<b>10.0%</b>
<b>Net equity and liabilities</b>														
<b>Total Net equity</b>														
Share capital	234,412							234,412						
Own shares	(16,981)							(17,521)						
Reserves	212,117							228,620						
Result for the period	29,971							47,135						
<b>Net equity of the Group</b>	<b>429,548</b>							<b>445,511</b>						
<b>Net equity of Others</b>	<b>3,817</b>							<b>4,989</b>						
<b>Total Net equity</b>	<b>433,365</b>							<b>450,500</b>						
<b>Non-current liabilities</b>														
Provisions for risks and charges	3,796							5,913						
Severance indemnity	4,989							4,836						
Medium- and long-term bank loans	55,303							54,360						
Other non-current liabilities	26,587							22,930						
Non-current financial liabilities	219							277						
Deferred tax payables	14,916							15,733						
<b>Non-current liabilities</b>	<b>105,810</b>							<b>104,048</b>						
<b>Current liabilities</b>														
Payables due to banks and financing institutions	93,101							80,304						
Trade payables	79,050		143	458		601	0.8%	117,653		114	582		468	0.4%
Tax payables	1,274							625						
Other current liabilities	42,087	12,409				12,409	29.5%	38,312	7,738				7,738	20.2%
Current financial liabilities	1,646			1,455		1,455	88.4%	480			2,071		2,071	431.2%
Current liabilities from derivative financial instruments	898							7						
<b>Current liabilities</b>	<b>218,057</b>	<b>12,409</b>	<b>143</b>	<b>1,913</b>		<b>14,465</b>	<b>6.6%</b>	<b>237,382</b>	<b>7,738</b>	<b>114</b>	<b>2,653</b>		<b>10,277</b>	<b>4.3%</b>
<b>Liabilities</b>	<b>323,867</b>	<b>12,409</b>	<b>143</b>	<b>1,913</b>		<b>14,465</b>	<b>4.5%</b>	<b>341,430</b>	<b>7,738</b>	<b>114</b>	<b>2,653</b>		<b>10,277</b>	<b>3.0%</b>
<b>Net equity and liabilities</b>	<b>757,232</b>	<b>12,409</b>	<b>143</b>	<b>1,913</b>		<b>14,465</b>	<b>1.9%</b>	<b>791,929</b>	<b>7,738</b>	<b>114</b>	<b>2,653</b>		<b>10,277</b>	<b>1.3%</b>

#### Legend for the Related parties column heading:

*A Parent companies*

*B Associates*

*C Affiliates and Jointly controlled companies*

*D Other related parties*

## Income statement and comprehensive consolidated income statement

(Thousands of Euro)	Nine months 2018	Of which related parties						Nine months 2017	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
Revenues	402,825	62	353	5,630		6,045	1.5%	377,344	53	360	8,360		8,773	2.3%
Total operating costs	346,570		475	60,103	4,038	64,616	18.6%	319,573		530	47,445	1,232	49,206	15.4%
Purchase costs for raw material (gas)	201,866			53,558		53,558	26.5%	172,400			41,505		41,505	24.1%
Purchase costs for other raw materials	19,737							15,676						
Costs for services	84,516		442	6,546	426	7,414	8.8%	82,738		529	5,940	308	6,777	8.2%
Costs for personnel	19,336				3,611	3,611	18.7%	18,150				923	923	5.1%
Other management costs	21,348		33			33	0.2%	31,271		1			1	0.0%
Other income	234							662						
Amortization and depreciation	17,356							16,176						
Operating result	38,898	62	(122)	(54,474)	(4,038)	(58,571)	-150.6%	41,595	53	170	39,085	1,232	40,433	-97.2%
Financial income	299			1		1	0.5%	253			1		1	0.2%
Financial charges	888			4		4	0.5%	503			4		4	0.7%
Evaluation of subsidiary companies with the net equity method	5,139		3	(0)		3	0.1%	4,962		5	(0)		5	0.1%
Earnings before tax	43,448	62	(119)	(54,476)	(4,038)	(58,570)	-134.8%	46,307	53	164	39,088	1,232	40,431	-87.3%
Taxes for the period	12,169							12,698						
Result for the period	31,278							33,610						
Net result for the period	31,278							33,610						

### Legend for the Related parties column heading:

*A Parent companies*

*B Associates*

*C Affiliates and Jointly controlled companies*

*D Other related parties*

## Consolidated financial statements

( Thousands of Euro )	Nine months 2018	Of which related parties					Nine months 2017	Of which related parties				
		A	B	C	D	Totale		A	B	C	D	Totale
Net income of the Group	29,971						32,200					
Cash flows generated (used) by operating activities												
Adjustments to reconcile net income to net cash												
Third-parties operating result	1,308					0	1,410					0
Amortization	17,356					0	16,176					0
Bad debt provisions	1,248					0	1,134					0
Variations in severance indemnity	197					0	141					0
Current assets / liabilities on financial instruments	1,720					0	951					0
Net variation of other funds	(2,016)					0	471					0
Evaluation of subsidiaries with the net equity method	(5,139)	0		(3,648)		(3,648)	(4,962)	0		(4,364)		(4,010)
Impairment losses / (gains) on shareholdings	0					0	(373)					0
Interests paid	(877)					0	(403)					0
Taxes paid	(8,695)					0	(14,517)					0
Interest expense for the period	851					0	410					0
Taxes for the period	12,169					0	12,698					0
Variations in assets and liabilities												
Inventories	(4,172)					0	(927)					0
Accounts payable	72,647	(18)	14	(244)	0	(248)	94,363	45	115	1,103	0	1,251
Other current assets	5,849	1,085	0	0	0	1,085	(13,890)	2,533	0	0	0	0
Trade payables	(38,602)	0	257	(124)	0	133	(59,760)	0	(300)	(2,054)	0	(2,154)
Other current liabilities	(1,318)	4,671	0	0	0	4,671	5,400	(7,471)	0	0	0	10,207
Other non-current assets	1,668	0	0	0	0	0	592	0	0	(1,024)	0	683
Other non-current liabilities	3,657	0	0	0	0	0	1,137	0	0	0	0	0
Total adjustments and variations	57,853	5,737	271	(4,016)	0	1,993	40,051	(4,892)	(184)	(6,339)	0	5,976
Cash flows generated (used) by operating activities	87,824	5,737	271	(4,016)	0	1,993	72,251	(4,892)	(184)	(6,339)	0	5,976
Cash flows generated (used) by investments												
Investments in intangible assets	(15,812)					0	(14,010)					0
Realisable value of intangible assets	499					0	2					0
Investments in tangible assets	(1,142)					0	(682)					0
Realisable value of tangible assets	8					0	(0)					0
Disposals / (Acquisition) of investments and advances	(3,778)					0	(9,655)					0
Other net equity operations	0					0	212					0
Cash flows generated/(used) by investments	(20,224)	0	0	0	0	0	(24,133)	0	0	0	0	0
Cash flows generated (used) by financial activities												
Net changes in debts due to other financiers	(58)	0	0	0	0	0	(61)	0	0	0	0	0
Net changes in short-term bank borrowings	(4,094)					0	(7,856)					0
Net variation in current financial assets and liabilities	(226)	0	0	(616)	0	(616)	(1,374)	0	0	(2,985)	0	(3,872)
Purchase of own shares	540					0	0					0
Ignitions loans and mortgages	150,000					0	300,000					0
Redemptions loans and mortgages	(132,166)					0	(266,430)					0
Dividends distributed to Ascopiave S.p.A. shareholders'	(40,016)					0	(40,016)					0
Dividends distributed to other shareholders	(2,054)					0	(3,237)					0
Dividends distributed from subsidiary companies	7,274			7,274		7,274	6,706			6,706		6,706
Cash flows generated (used) by financial activities	(20,800)	0	0	6,658	0	6,658	(12,268)	0	0	3,720	0	2,834
Variations in cash	46,800					0	35,851					0
Cash and cash equivalents at the beginning of the period	15,555					0	8,822					0
Cash and cash equivalents at the end of the period	62,355					0	44,672					0

### Legend for the Related parties column heading:

*A Parent companies*

*B Associates*

*C Affiliates and Jointly controlled companies*

*D Other related parties*

## Consolidated net debt

(Thousands of Euro)	30.09.2018	Of which related parties						31.12.2017	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
Cash and cash equivalents on hand	18							17						
Bank and post office deposits	62,337							15,538						
Securities held for trading														
<b>Liquid assets (A) + (B) + (C)</b>	<b>62,355</b>							<b>15,555</b>						
Current financial assets	139							0						
Payables due to banks	(85,028)							(70,123)						
Current portion of medium-long-term loans	(8,073)							(10,181)						
Current financial liabilities	(1,646)			(1,455)		(1,455)	88.4%	(480)			(279)		(279)	58.1%
<b>Current financial indebtedness (F) + (G) + (H)</b>	<b>(94,747)</b>			<b>(1,455)</b>		<b>(1,455)</b>	<b>1.5%</b>	<b>(80,785)</b>			<b>(279)</b>		<b>(279)</b>	<b>0.3%</b>
<b>Net current financial indebtedness (I) - (E) - (D)</b>	<b>(32,254)</b>			<b>(1,455)</b>		<b>(1,455)</b>	<b>4.5%</b>	<b>(65,230)</b>			<b>(279)</b>		<b>(279)</b>	<b>0.4%</b>
Medium- and long-term bank loans	(55,303)							(54,360)						
Non current financial assets	1,252													
Non-current financial liabilities	(219)							(277)						
<b>Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(54,270)</b>							<b>(54,637)</b>						
<b>Net financial indebtedness (J) + (N)</b>	<b>(86,523)</b>			<b>(1,455)</b>		<b>(1,455)</b>	<b>1.7%</b>	<b>(119,867)</b>			<b>(279)</b>		<b>(279)</b>	<b>0.2%</b>

### Legend for the Related parties column heading:

**A** Parent companies

**B** Associates

**C** Affiliates and Jointly controlled companies

**D** Other related parties

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

#### Group A - Parent companies:

- Asco Holding S.p.A.

#### Group B - Affiliates 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 nine months of 2018

### **Riccardo Paggiaro appointed as CFO and Executive in Charge of the Ascopiave Group**

Ascopiave S.p.A.'s Board of Directors, which convened today, advised by the Board of Auditors, subsequent to verifying that the requirements of integrity and professionalism stated in the Articles of Association are fulfilled, appointed, effective 31<sup>st</sup> October 2018, Mr Riccardo Paggiaro as the Chief Financial Officer, the Executive in charge of compiling accounting and corporate documents pursuant to article 154-*bis* of Italian Legislative Decree 58/98, and the strategic manager of the Ascopiave Group.

University Ca' Foscari of Venice in 2001. He has been specialising for years in tax matters and corporate finance at leading consulting and auditing companies, which has enabled him to gain significant experience in administration, finance and control.

Since 2011, he has been serving as the Finance and Treasury Manager of the Ascopiave Group and as the Administrative Manager of the subsidiaries; he also held other positions in Group companies.

A summary of Mr Paggiaro's CV is available in the Corporate Governance section of the website [www.gruppoascopiave.it](http://www.gruppoascopiave.it).

As required by the Instructions for the Rules of the Markets organised and managed by Borsa Italiana, we inform you that Mr Paggiaro does not hold ordinary shares in Ascopiave S.p.A..

The outgoing CFO and Executive in Charge, Mr Cristiano Belliato, resigned on 28<sup>th</sup> September 2018 in order to pursue a new career path, maintaining his duties and responsibilities until 30<sup>th</sup> October 2018.

### **Press release by Ascopiave S.p.A.**

On 15<sup>th</sup> October 2018, Ascopiave's Board of Directors has resolved to start the preparatory stage of a process aimed at (i) enhancing its activities in the gas sales sector and (ii) strengthening and consolidating its presence in the distribution sector, in both cases also through one or more strategic partnerships, hiring prominent financial and legal consultants. Ascopiave will keep the market informed about any subsequent developments of such process.

### **Resignation of Cristiano Belliato, CFO, Ascopiave Group**

On 30<sup>th</sup> October 2018, Mr Cristiano Belliato, CFO and Executive in charge of compiling accounting and corporate documents, terminated its employment relationship with the company.

### **Reform of the gas settlement regulatory framework by Resolution 72/2018/R/GAS dated 8<sup>th</sup> February 2018**

On 6<sup>th</sup> November 2018, the Group's main shipper issued the certificates related to the volumetric adjustments for the years 2013-2016 due to the updating of the data used for the first allocation with the closure of the station. At the date of approval of this interim report, the Company is preparing and comparing the documents received with respect to the estimates made internally.

On 7<sup>th</sup> November 2018, Snam Rete Gas published the non-definitive data on the adjustment sessions for the year 2017. The data received as concerns the volumetric adjustments due to the updating of the data used for the first allocation with the closure of the station, as well as the economic impacts deriving from the ARERA resolutions 670/2017/R/gas and 782/2017/R/gas, which neutralised the in-output delta for users of the distribution network, are being prepared and examined by the Group. The positive or negative economic effects that will result will be recorded in the fourth quarter of the year.

## Goals and policies of the Group

As for the natural gas distribution segment, the Group intends to enhance its portfolio of concessions, aiming at confirming its service provision in the territorial areas served, in which it boasts a significant presence, and at expanding its activities to other fields, with the goal of increasing its market share and strengthen its local leadership. As for the segment of gas sale, the Group intends to implement the necessary actions to safeguard the current levels of profitability in an ever-changing market, through a trade policy focused on the proposition of differential pricing formulas and improvement of the quality of service. In this segment, the Group intends to pursue the objectives of increasing its market share by direct acquisition of new customers, and through extraordinary company mergers

and/or partnerships. Furthermore, Ascopiave has recently started the preparatory stage of a process aimed at enhancing its activities in the gas sales sector and strengthening and consolidating its presence in the distribution sector, in both cases also through one or more strategic partnerships.

## Synthesis data as of 30<sup>th</sup> September 2018 of jointly controlled companies consolidated through the equity method

### Estenergy S.p.A.

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

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

#### Balance sheet - summary data

(Thousands of Euro)	30.09.2018	31.12.2017
<b>Current assets</b>	<b>44,938</b>	<b>63,213</b>
of which		
Cash and cash equivalents	27,090	12,953
<b>Non-current assets</b>	<b>67,809</b>	<b>67,147</b>
<b>Current liabilities</b>	<b>23,635</b>	<b>34,801</b>
of which		
Current financial liabilities	4	132
<b>Non - current liabilities</b>	<b>4,444</b>	<b>4,577</b>
	<b>84,666</b>	<b>90,982</b>
Group interest	<b>48.999%</b>	<b>48.999%</b>
<b>Net profit for the period attributable of the Group</b>	<b>41,486</b>	<b>44,580</b>

The recognition of higher provisions for bad and doubtful accounts is mainly attributable to the fact that the international accounting standard IFRS 9 was applied for the first time to the measurement of the estimate of losses on receivables. The provision amounts to Euro 1,517 thousand (net of the relevant tax effect) as an adjustment of the shareholders' equity on the receivables recorded as at 31<sup>st</sup> December 2017. The provisions posted to the income statement in relation to the half-yearly provision made, were equal to Euro 1,231 thousand, marking a decrease as compared to the same period in the previous year.



## Income Statement - summary data

(Thousands of Euro)	Nine months	
	2018	2017
Revenues	88,284	85,741
Total operating costs	79,037	76,111
<b>Gross operative margin</b>	<b>9,247</b>	<b>9,629</b>
Amortization and depreciation	26	1,281
<b>Operating result</b>	<b>9,221</b>	<b>8,349</b>
Financial income	159	156
Financial charges	1	5
<b>Earnings before tax</b>	<b>9,379</b>	<b>8,501</b>
Taxes of the period	2,674	2,557
<b>Result of the period</b>	<b>6,705</b>	<b>5,944</b>
Group inteterest	48.999%	48.999%
<b>Net profit for the period attributable of the Group</b>	<b>3,285</b>	<b>2,912</b>

## Unigas Distribuzione S.r.l.

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

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

## Balance sheet - summary data

(Thousands of Euro)	30.09.2018	31.12.2017
<b>Current assets</b>	<b>16,976</b>	<b>18,234</b>
of which		
Cash and cash equivalents	5,041	3,141
<b>Non-current assets</b>	<b>47,298</b>	<b>47,867</b>
<b>Current liabilities</b>	<b>20,192</b>	<b>22,319</b>
of which		
Current financial liabilities	0	0
<b>Non - current liabilities</b>	<b>1,455</b>	<b>1,139</b>
	<b>42,626</b>	<b>42,643</b>
<b>Group inteterest</b>	<b>48.860%</b>	<b>48.860%</b>
<b>Net profit for the period attributable of the Group</b>	<b>20,827</b>	<b>20,835</b>

	Nine months	
(Thousands of Euro)	2018	2017
Revenues	13,006	13,395
Total operating costs	9,193	8,991
<b>Gross operative margin</b>	<b>3,813</b>	<b>4,404</b>
Amortization and depreciation	1,808	1,820
<b>Operating result</b>	<b>2,006</b>	<b>2,584</b>
Financial income	6	4
Financial charges	51	152
<b>Earnings before tax</b>	<b>1,960</b>	<b>2,436</b>
Taxes of the period	586	633
<b>Result of the period</b>	<b>1,374</b>	<b>1,803</b>
Group inteterest	48.86%	48.86%
<b>Net profit for the period attributable of the Group</b>	<b>671</b>	<b>881</b>

#### Asm Set S.r.l.

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

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

#### Balance sheet - summary data

(Thousands of Euro)	30.09.2018	31.12.2017
<b>Current assets</b>	<b>5,052</b>	<b>10,339</b>
of which		
Cash and cash equivalents	277	664
<b>Non-current assets</b>	<b>5,069</b>	<b>5,078</b>
<b>Current liabilities</b>	<b>3,201</b>	<b>7,423</b>
of which		
Current financial liabilities	0	0
<b>Non - current liabilities</b>	<b>937</b>	<b>943</b>
	<b>5,983</b>	<b>7,051</b>
<b>Group inteterest</b>	<b>49.000%</b>	<b>49.000%</b>
<b>Net profit for the period attributable of the Group</b>	<b>2,932</b>	<b>3,455</b>

## Income Statement - summary data

	Nine months	
(Thousands of Euro)	2018	2017
Revenues	18,767	17,720
Total operating costs	17,546	15,950
<b>Gross operative margin</b>	<b>1,221</b>	<b>1,770</b>
Amortization and depreciation	4	152
<b>Operating result</b>	<b>1,217</b>	<b>1,618</b>
Financial income	21	14
Financial charges	3	6
<b>Earnings before tax</b>	<b>1,234</b>	<b>1,627</b>
Taxes of the period	364	467
<b>Result of the period</b>	<b>870</b>	<b>1,159</b>
Group interest	49.00%	49.00%
<b>Net profit for the period attributable of the Group</b>	<b>426</b>	<b>568</b>

Pieve di Soligo, 14<sup>th</sup> November 2018

Chairman of the Board of Directors  
Nicola Cecconato

## **DECLARATION**

*(Translation from the original issued in Italian)*

### **CERTIFICATION OF THE QUARTERLY REPORT as of 30<sup>th</sup> September 2018**

**Pursuant to Article 154-bis paragraph 5, part IV, section III, sub-section II, heading V-bis, Legislative Decree n. 58, dated 24<sup>th</sup> February 1998: Consolidated Law on Finance compliant with Articles 8 and 21, Law 52 dated 6<sup>th</sup> 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 on Finance, that the accounting information stated in the Quarterly Report as of 30<sup>th</sup> September 2018 tallies with the documental results, book-keeping entries and the accounting records.

Pieve di Soligo, 14<sup>th</sup> September 2018

Ascopiave S.p.A.  
dr. Riccardo Paggiaro