

ASCOPIAVE S.P.A.

PIEVE DI SOLIGO (TV) – VIA VERIZZO N. 1030

SHARE CAPITAL: €234.411.575,00 FULLY PAID-UP

COMPANY BUSINESS REGISTER AND TAX CODE 03916270261

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REPORT OF THE BOARD OF STATUTORY AUDITORS

TO MEETING OF SHAREHOLDERS

Gentlemen,

In the accounting period ended 31st December 2010, we performed the supervisory activities envisaged by law, pursuant to the principles of the Code of Behaviour (Internal Dealing) recommended by the National Board of Certified Public Accountants and Chartered Accountants, as well as Consob communication dated 6th April 2001 no.1025564 and subsequent clarifications.

During the financial year, we:

- took part in the Shareholders' Meeting as well as all Board of Directors' meetings; we also obtained information from Directors at regular intervals with regard to the activities performed and with regard to operations with the greatest economic, financial and equity importance performed by the Company and its subsidiaries ;

- evaluated the appropriateness of the organizational structure and of the internal controlling system, the adequacy of the administration-accounting system that is considered reliable in representing operations correctly; the Board could check and, therefore, give notice on the observance of correct management principles and on the consistency of the regulations given to the Company and its subsidiaries. All thanks and in virtue of information obtained from the Manager Designate, from the Managers of different offices, the examination of corporate documents and the analysis of work performed by the External Auditors, Reconta Ernst & Young S.p.A. To this end, we have no particular observations to report;

- checked compliance with law and company charter concerning the preparation and issue of both the statutory and consolidated financial statements for the accounting period and the accompanying documents through direct checks and dedicated details obtained from the External Auditors.

With regard to the above-mentioned Consob Regulations, the following information is herein provided:

1. the more relevant transactions of economic, financial and equity importance performed by the Company and its subsidiaries have been performed in compliance with the law and the company charter. Based on the information we obtained, we can affirm that such operations have not been deemed as overtly imprudent or hazardous, in potential conflict of interest, in contrast with meeting resolutions or

with the company charter or such as to compromise the integrity of corporate assets ;

2. in any case, no atypical or untoward operations with group companies or related parties have been recorded;

In their report on operations and explanatory notes to the financial statements, the Directors list and describe the most relevant operations with third parties, associated companies and intra-group, highlighting their characteristics and economic benefits.

No significant mergers were performed in the course of the accounting period. On the other hand, with regard to restructuring, the stake held in Etra Energia S.r.l. was sold by the subsidiary Global Energy S.r.l. to the parent company ASCOPIAVE S.p.A..

We, the Statutory Auditors, have also checked on the completion, by an Independent Appraiser, of impairment tests pertinent to the allocation of the balance between the price disbursed and shareholders' equity in subsidiaries regarding intangible items in the consolidated financial statements. No need for writing-down any intangible asset has emerged from the impairment test..

All commercial operations were concluded in the interest of the company, on arm's length basis, pursuant to procedures in force in the Company.

Amongst other data featured in the Report on Operations, the Directors write about the completion of the organization process, subsequent to the merger through incorporation of Global Energy S.r.l.

with Le Cime Servizi S.r.l.. Furthermore, the fiscal period registers the sale of the stake held in ITALGAS Storage S.r.l..

3. We deem that the details furnished by the Directors in the Report on Operations and the Supplementary Notes regarding point 2) above are adequate. This includes merger operations.
4. The report issued on 30 March 2011 by the external auditors Reconta Ernst & Young S.p.A. regarding Ascopiave S.p.a. fiscal 2010, both at individual and consolidated level, have no untoward remarks.
5. No claims pursuant to Art. 2408 Civil Code. were submitted in fiscal 2010.
6. No other complaints were received by the Board of Statutory Auditors in fiscal 2010.
7. In fiscal 2010, Ascopiave S.p.A. and its subsidiaries conferred no work assignments to Reconta Ernst & Young S.p.A. and to the Italian companies of the network, other than legal auditing and a limited review of the six-month report. The fees for the aforesaid activities, excluding VAT and out-of-pocket expenses, are listed in the table below (€ thousand):

<u>Nature of assignment</u>	<u>Fees</u>
Auditing of parent company	179,00
Auditing of subsidiary	91,00
Other services to parent company	15,00
Other services to subsidiaries	21,00
<u>Total</u>	<u>306,00</u>

8. No evidence exists of any additional work assignments to parties connected in collaborative business relationships with the external auditors.
9. The Board of Statutory auditors expressed its opinion in fiscal 2010 regarding renewal of permission to purchase and sell own shares as well as regarding the “Procedure on Operations with Related Parties of the Ascopiave Group”.
10. The Board of Directors and the Board of Statutory Auditors met a total of 11 (eleven) times each in the 2010 accounting period. Moreover, the *Internal Controlling Committee* met 4 (four) times. No meeting was held by the *Remuneration Committee*. At least 1 (one) member of the Board of Statutory Auditors was in attendance at all such meetings.
11. The adequacy of the administration-accounting system stands out, being in compliance with the principles of fair and proper governance and observed throughout. No elements worthy of note have emerged in the course of our meetings with the Supervisory Body of the company’s main subsidiaries.
12. The organizational structure of the company is fully in a position to implement the management and coordination duties of the Group’s operating companies; this is executed through the systematic decision-making procedures, supply of services, and the well-tested connection links amongst the Ascopiave Group companies. In particular, fiscal 2010 marked the continuation, as written above,

of the company and organizational activities scheduled to allow the realization of the development programmes, also in virtue of the acquisition processes described above.

We herein notify that measures and decisions taken during meetings – whether those relating to the past or those adopted at the present moment - have also been followed and coordinated by the parent company's Board of Directors.

13. Internal Audit functions, comprising a Manager and an Associate, carried on with its work with the goal of checking and evaluating the in-house activities of the Group's companies, both through dedicated inspections and as a provider of tangible support to the Director designated with the preparation of accounting documents (Art. 154 a) T.U.F. (Consolidated Finance Law)), and the update of the Organizational Model based on Legislative Decree 231/2001.

In their report on operations, the Directors have sharply focussed on the main characteristics of the Internal Controlling System governing financial information and its compliance as well as consistency with the most widespread practices in vogue throughout the regulated markets.

In virtue of the vigilance activities by Internal Audit and thanks to the series of meetings with Group staff and with Ascopiave S.p.A. Supervisory Committee, we herein acknowledge that no omission, reprehensible acts and/or irregularities or, however, significant facts

requiring a report to the controlling bodies or a mention in this statement herein have been observed .

14. During fiscal 2010, Administration continued with the enhancement of the company subsidiaries' technology and communication systems; likewise regarding new acquisitions, as to retain an efficient control over the Group's data and information processing systems.
15. The procedure selected for conveying information from Parent Company down to its main subsidiaries is via information bulletins issued at regular intervals.
16. Consequent to meetings with the managers of auditing companies, in accordance with Art. 150.2 Legislative Decree 58/1998, for the exchange of mutual information and, as well as in the final auditors' report, no data, information and remarks that should be highlighted in the present report, have emerged.
17. We notify that the Board of Directors, in its "Report on Corporate Governance and Property Structure of Ascopiave S.p.A." provides a thorough update on the subject, principles deemed consistent with the provisions of Code of Self-Discipline (March 2006) approved by Borsa Italiana S.p.A., and with the spirit of Art. 123 a) T.U.F. (Consolidated Finance Law).
18. In conclusion, in our controlling activities, no lapses, serious breaches or violations have emerged, worthy of attention of the Supervisory Committee or of the Shareholders.

19. In virtue of the above, this Board, as far as it is concerned, deems that year 2010 Financial Statements as submitted by the Board of Directors, can be approved, and expresses a favourable opinion regarding the allocation of € 0,10 dividend per share, to the tune of € 23.441.157,50, of which € 21.164.848,44 as net profit and € 2.276.309,06 as available reserve.

Pieve di Soligo - 31 March 2011

THE BOARD OF STATUROY AUDITORS

dr. Paolo Nicolai

dr. Giuliano Saccardi

dr. Fabio Sforza