



Annual Financial Report
as of 31st December 2012

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Annexes:

- - Individual Financial Statement of Ascopiave S.p.A. as of 31st December 2012.

In-Company Control:

- Declaration by the Manager - Certification of the Consolidated Financial Statements in accordance with art. 81-ter of Consob regulation no. 11971;
- Report on Corporate Governance and Company Structure

Statutory Auditors:

- Report of the Board of Statutory Auditors on Financial Statements as of December 31, 2012

Independent Auditors:

- Report of the Statutory Auditor Companies on the Consolidated Financial Statements as of December 31, 2012
- Report of the Statutory Auditor Companies on the Financial Statements as of December 31, 2012

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Statutory Auditors

Name	Office	Duration of office	From	To
Zugno Fulvio	Chairman of the Board of Directors*	2011-2014	28/04/2011	30/04/2014
Coin Dimitri	Director	2011-2014	28/04/2011	30/04/2014
Bernardelli Giovanni	Independent Director	2011-2014	28/04/2011	30/04/2014
Colomban Massimino	Independent Director	2011-2014	28/04/2011	30/04/2014
Quarello Enrico	Independent Director	2011-2014	14/02/2012	30/04/2014

(*) 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
Zancopè Ogniben Giovar	President of the Board of Auditors	2011-2014	28/04/2011	30/04/2014
Papparotto Paolo	Statutory Auditor	2011-2014	28/04/2011	30/04/2014
Alberti Elvira	Statutory Auditor	2011-2014	28/04/2011	30/04/2014

In-company Control Committee	From	To
Coin Dimitri	28/04/2011	30/04/2014
Bernardelli Giovanni	28/04/2011	30/04/2014
Colomban Massimino	28/04/2011	30/04/2014

Remuneration Committee	From	To
Coin Dimitri	28/04/2011	30/04/2014
Bernardelli Giovanni	28/04/2011	30/04/2014
Colomban Massimino	28/04/2011	30/04/2014

Independent Auditors

Reconta Ernst & Young S.p.A.

Legal headquarters and Company data

Ascopiave S.p.A.
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 I-31053 Pieve di Soligo TV Italia
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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)	2012	% of revenues	2011	% of revenues
Revenues	1,078,038	100.0%	1,099,241	100.0%
Gross operating margin	102,635	9.5%	93,169	8.5%
Operating result	73,027	6.8%	66,717	6.1%
Net income for the period	29,932	2.8%	8,259	0.8%

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

Assets figures

(Thousands of Euro)	31.12.2012	31.12.2011
Net working capital	102.262	98.485
Fixed assets and other non current assets	520.808	547.770
Non current liabilities	(64.122)	(82.466)
Net invested capital	558.948	563.789
Net financial position	(170.130)	(201.221)
Total net equity	(388.819)	(362.568)
Total financing sources	(558.948)	(563.789)

* 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.

** Please note that 'Net capital invested' is intended as the algebraic sum of the Net working capital (as defined above), assets, other non-current assets and non-current liabilities.

Monetary flow data

(Thousands of Euro)	Financial year 2012	Financial year 2011
Net operating income	27,865	6,266
Cash flows generated by operating activities	45,266	(1,317)
Cash flows used for investing activities	(11,059)	(70,352)
Cash flows generated/(used) by financing activities	(52,070)	93,210
Cash flows for the period	(17,863)	21,541
Liquid assets at the beginning of the period	44,854	23,313
Liquid assets at the end of the period	26,992	44,854

REPORT ON OPERATIONS

FOREWORD

The Ascopiave Group closed 2012 with a net consolidated profit of 29.9 million Euro.

The consolidated net assets at year end amount to 388.8 million Euro and the net capital invested to 558.9 million Euro. In 2012, the Group accomplished investments for 15.5 million Euro, mainly in the development, maintenance and modernization of the networks and plant of gas distribution and in the enlargement of buildings for commercial use.

Activities

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

The Group currently holds concessions and direct assurances for the supply of the service in 200 municipalities and has a distribution network extending for over 8,000 km and providing a service to a catchment area bigger than 1 m inhabitants.

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

In the gas sale segment, Ascopiave is one of the main National operators with about 700,000 end-users (*) and over 1,300 million cu.m (*) of gas sold.

(*) The data indicated as regards to customers and the volumes are obtained by adding each Group company's data, previously pondered according to the relevant consolidation share.

Strategic objectives

Ascopiave aims at pursuing 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 liberalization process currently underway.

In this respect, Ascopiave follows a development strategy whose main guiding principles are dimensional growth, upstream integration in the sector, 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 by the 100% consolidated companies to final market in 2012 are equal to 1,059.1 million cubic metres, marking an increase of 5.6%. In 2012, the proportionally controlled companies (Estenergy S.p.A., ASM Set S.r.l., Veritas Energia S.r.l.) sold an overall amount of 534.4 million cubic metres of gas, with a decrease of 14.1% as compared to 2011.

As of 31st December 2012, the 100% consolidated companies served 559,000 customers, whereas, as of the same date, the proportionally consolidated companies managed over 292,000 customers.

The sale of gas within the framework of trading operations led to the movement of 615,7 million cubic metres (-46,6% as compared to 2011).

As to the activity of gas distribution, in 2012, the volumes distributed through networks managed by the 100% consolidated Group companies have been 877,3 million of cu.m, in line with 2011.

Unigas Distribuzione, proportionally consolidated, has distributed 158.8 million cu.m, showing an increase by 4.6% as compared to 2011, mainly thanks to the growth of its portfolio of allocations.

Economic results and financial situation

Consolidated revenues of 2012 of the Ascopiave Group equal 1,078.0 million Euro, compared to 1,099.2 million Euro of 2011. The decrease in the turnover is mainly due to the reduction in the revenues on gas sale to whole market (-147,1 million Euro) as a consequence of an increase in revenue from gas sale operations to final market (+83.5 million Euro) and of the increase in the sale of electric power (+40.7 million Euro).

The increase in revenues from gas sale to final market is due to the increase in the quantity of gas sold as well as in the average sale prices, mainly connected to the increase in the quotation of the energetic products incorporated in the prices indexation formulas.

The Operative Result of the Group equals Euro 73.0 million Euro, improving as compared to 66.7 of 2011.

The increase in the company's Operative Result, as compared to the previous financial year, is mainly connected to the increase in the commercial margins on gas sale to final market, whereas the profitability of wholesale market and gas distribution (which was connected to the increase in the fees paid to the granting local bodies) reduced.

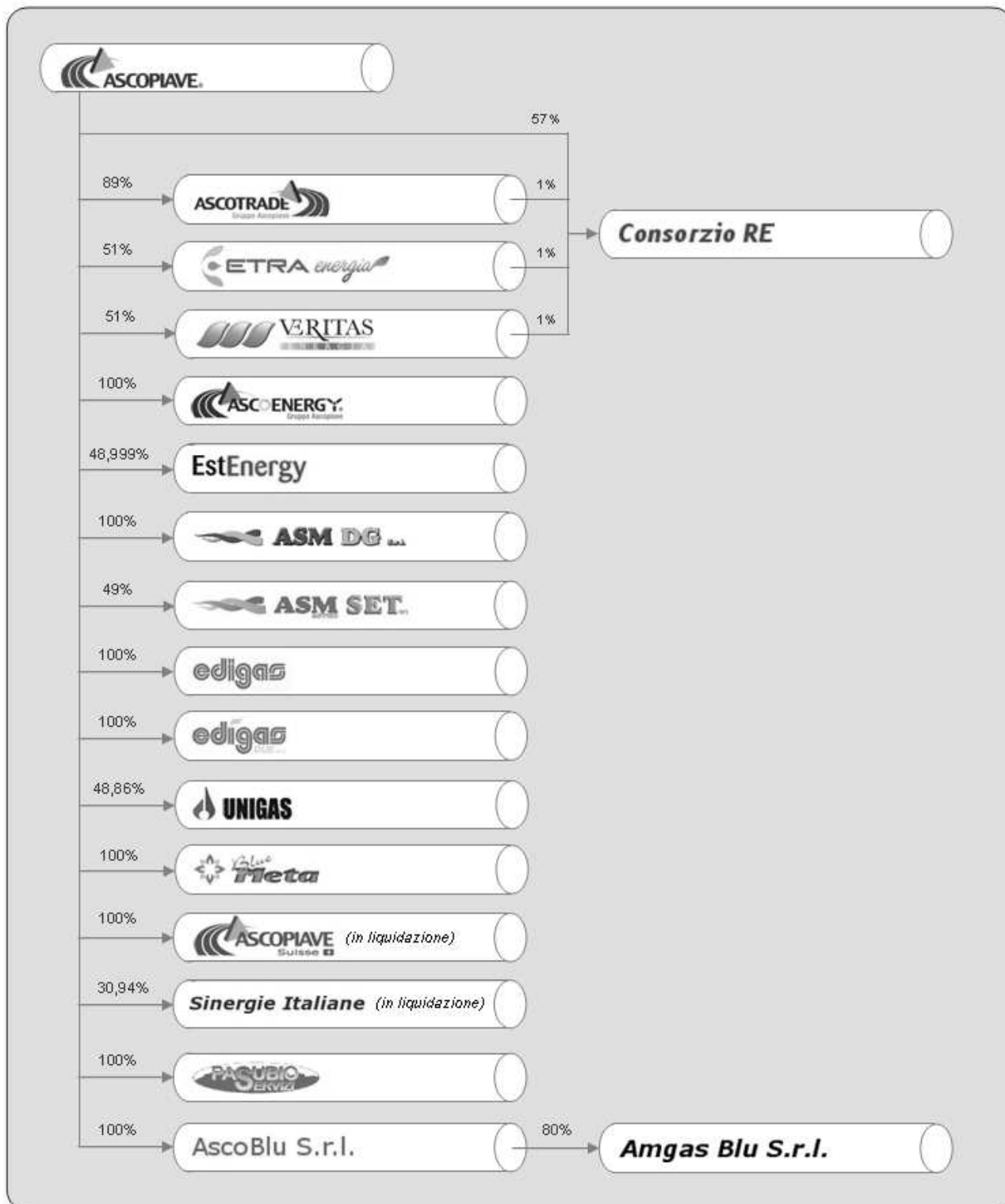
The Group's net result, equal to 27.9 million Euro, has increased compared to the 6.3 million Euro of 2011 as a consequence of the improvement of operating profitability, which is accompanied by an increase in net financial costs, a minor result deriving from the estimation according to the net-equity consolidation method adopted for the affiliate Sinergie Italiane S.r.l., an improve connected to the result deriving from transferred activities gain (Gruppo Serin alienation) and an overall decrease in fiscal charges on income taxes.

The net financial position of the Group as of 31st December 2012 is equal to Euro 170.1 million, with an improvement as compared to Euro 201.2 million as of 31st December 2011. The reduction in financial indebtedness (-31.1 million Euro) is determined by the cash flow of the fiscal year (+57.9 million Euro, given by the sum of the net result, allocations and depreciations) and by the net active flows yielded at the transfer of photovoltaic activities (+23.0 million Euro in terms of "enterprise value"), which have outbalanced the financial needs deriving from investments in tangible and intangible assets (-15.5 million Euro) and in working capital (-30.6 million Euro) and from the management of the net shareholders' equity, mainly due to the distribution of dividends and the purchase of own shares (-3.7 million Euro).

The relation between Net financial position and Net equity as of 31st December 2012 results equal to 0.55.

The structure of the Ascopiave Group

The table below shows the company structure of the Ascopiave Group as on 31st December 2012. The group operates through 18 companies. At the end of 2012, the Group transferred its own participation in the Serin S.r.l. company, which held the full equity of 9 companies operating in the photovoltaic sector, to the Gruppo Casillo. With this operation the Ascopiave Group has left the photovoltaic business segment thus focusing in the core sectors of natural gas sale and distribution.



The natural gas market

The general economic context

In 2012, the weakening of financial tensions in the Eurozone, the U.S. agreement to avoid the *fiscal cliff* and the improvement of perspectives in emerging countries, have reduced the risks for the global economy.

The tensions on financial markets, which worsening has hindered the cyclic economic recovery, have gradually increased in 2012. Though recovery signs have shown up in some emerging countries late in 2012, the perspectives of global growth remain subject to great uncertainty, as they are influenced by the evolution of the crisis in the Eurozone and by the management of the U.S. government unbalance.

The trend in global economy in 2012 therefore kept weak. The steadiness of trading fluxes has prevailed over the strengthening signs coming from some emerging countries, thus negatively influencing the global growth perspectives and analysts, after reducing the International trade growth perspectives; the global growth is expected to strengthen in 2014.

According to OECD forecasts, in 2012 the gross internal product **worldwide** presented an average increase equal to 2.9% compared to the previous year, and it will decrease to 3.4% in 2013. It is forecast that the economic expansion will be differentiated in developed countries (the expansion is expected to reach 2.0% in the US and Japan, as opposed to the market stagnation in Europe). In *emerging economies*¹, thanks to a slight acceleration late in the year, which is expected to be continued in 2013, the growth will be more important in China (+8.5%) and, thanks to the expansion policies applied in 2012, in Brazil (+4.0%).

At the end of 2012, consumer price inflation experienced a moderation both in developed and emerging countries, mainly thanks to the decrease in the cost of raw materials and monetary policies with strongly expansive tones.

The average 2012 inflation registered in the **Eurozone**, as measured by the harmonized index of consumer prices, was equal to 2,2% (+2.7% in 2011).

Within the Eurozone, economic indicators outlined a continuation of economic downturn in 2012, although with persisting differences amongst the major economies of the area. In 2012, the decrease in Gross Domestic Product in the Euro area as compared to the previous year was expected to be of about -0.5%. Exports were the engine of the cyclic recovery in the area, whereas the increase in internal demand provided only a marginal contribution, reflecting the barely positive increase of families' and public consumption.

As in 2011, uncertainties remain in the markets. Despite the late 2012 trends, the EU has confirmed its commitment to adopt the measures needed to guarantee consistency and stabilize the markets (renewed support to Greece); the major risk factors are linked to domestic demand trends and credit conditions. Though at a moderate rate and with large uncertainty margins, the cyclic change should be possible thanks to a recovery in investments, further to the normalization of the financing conditions and to the demand recovery in the Eurozone, as well as to a partially improved trust climate.

As far as the **Italian economic situation** in 2012 is concerned, the 2011 global slowdown of trading went on. Analysts expect moderate growth will start at a moderate rate as of the second half of 2013.

In 2012, the Italian GDP in Italy registered a decrease by 2.4% as compared to the previous year, thus marking a more important flexion to the one recorded in the previous periods by recording a -0,9% economic value in 2012 QIV, and a -2.7% in the same period of the previous year. The GDP trend suffered the effects of the weakness of internal demand, which reduced thus reflecting the persistent weakness in households' consumption and gross fixed investments. Trade with foreign countries actually continued to support the GDP trend, highlighting an increase in exports as compared to the previous financial year (+2.3% of exports of goods and services as compared to 2011, mainly thanks to the metal product, chemical and

¹ Brazil, China, India, Russia

pharmaceutical, food products and mechanical segments) and, at the same time, it marked a decrease in imports (-7.7% as compared to 2011), also connected to the drop in internal demand.

The year 2012 brings with it the persistent deterioration of the consumers' confidence climate. The prolonged weakness of disposable income, combined with the pessimism about the labour market prospects badly affected the families' consumption. Net of seasonal factors, unemployment experienced a slight increase also in 2012, reaching 11.2% in December (+0.1% as compared to November and +1.8% over the 12 months).

Inflation in Italy in 2011, measured at the harmonised index of consumer prices, was, on average, a bit higher than the one registered in the Eurozone: +3.3% with as compared to +2.5% in the Euro area. As of QIV, the difference between the Italian value and the Eurozone value has recorded a net reduction, thus showing the impact of late-2011 manoeuvres on indirect tax faded away and the reduction in the pressures coming from raw oil rating.

Evolution of international energy prices

In 2012, the Euro/Dollar exchange rate recorded an annual average equal to 1.29 USD per Euro (-7.7% as compared to the 2011 average), achieving a maximum of 1.35 USD per Euro (Feb. 2012) and a minimum value of 1.21 USD per Euro (July 2012). After an increase in the Euro/U.S. Dollar exchange rate in the first months of 2012 (up to Feb.), the EU currency has started a slight depreciation with respect to the U.S. Dollar up to reach its current minimum value in July 2012, thus reaching the values recorded in early 2012 only at the end of the year.

Euro/Dollar exchange rate trend in 2010 and 2011



Source: Banca d'Italia and EIA, elaborated by Ascopiave S.p.A.

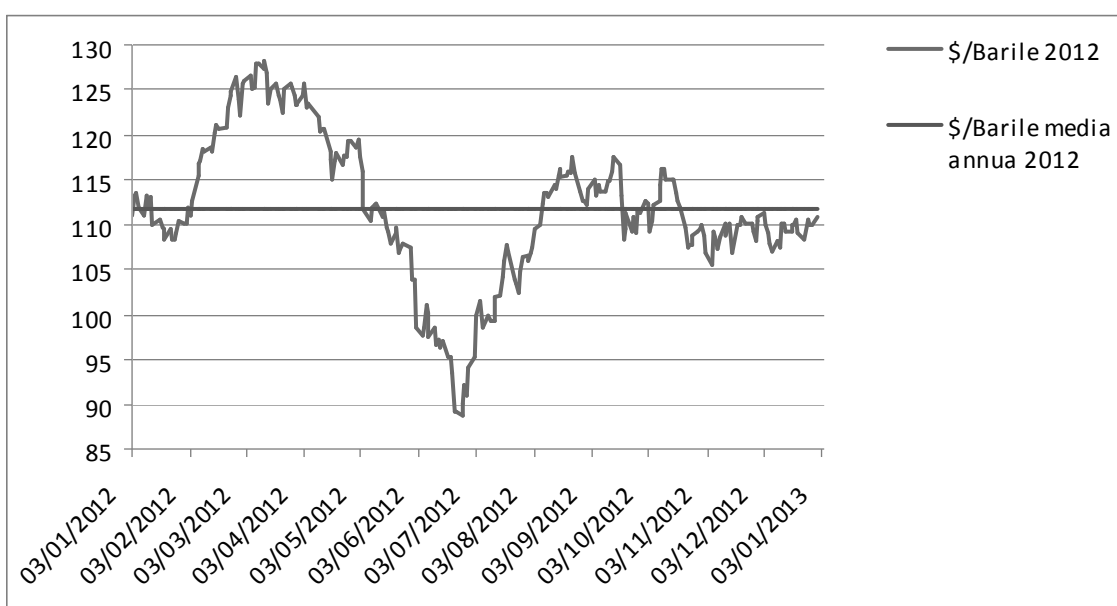
In spite of the economic situation, in 2012 oil prices experienced only a moderate decrease, mainly because of the persisting geopolitical tensions in the Middle East and difficulties in the producing countries in finding agreements on production increase. Since January 2012, oil prices (Brent) have started to rise, reaching approximately Euro 128.14 per barrel in early March (highest value in the year). Afterwards, it started to decrease by reaching its lowest peak in late June 2012 (88.69 U.S. \$/barrel) to then reach the values recorded at the beginning of the year only at the end of 2012. As far as the Euro ratings are concerned, the increase was higher because of the depreciation of the EU currency with respect to the U.S. Dollar.

Quotations	2012	2011	2010	2009
Annual average Brent quotation (Dollars per barrel)	111,63	111,29	79,6	61,5
Annual average Exchange rate Dollar/Euro	1.29	1.39	1.33	1.39
Annual average Brent quotation (Euro per barrel)	86,88	79,95	59,9	43,8

Source: EIA, elaborated by Ascopiave S.p.A.

Crude oil, even with swinging quotations, recorded similar values at the beginning and end of the year. As shown in the graphic, during 2012 the oil price has recorded significant swinging in the first half of the year, while in QIV it was rarely outside the price range between 105 and 120 dollars per barrel, which is a clear sign of a weakness in the world economic situation counterbalanced by the effects of the revived geopolitical tensions in the Middle East.

Brent trend 2012



Source: EIA, elaborated by Ascopiave S.p.A.

The evolution prospects of the crude oil quotations do affect the trend of other combustible products and in particular of gas. Gas international prices at the basis of the long-term supply contracts are in fact mainly linked to the quotation of the Brent, through some defined above indexation formula.

The gas market: the European scenario

Gas demand in Europe registered a downturn following the impact of the recession on production and on electric power demand. According to estimates by “Market Observatory for Energy”, the gas demand in the 27 EU countries has been one of the lowest over the past ten years. In Italy, the scenario could be described as even grimmer: the national market marked a decrease of about 3.0 billion cubic metres as compared to 2011 and of 10.0 billion cu.m as compared to the 2007 figure (-11.77%).

The gas system in Europe: import and re-gasification infrastructures

Until now, the world's energy needs are being met primarily by three traditional fossil fuels: coal, gas and oil and gas among these seems to be the resource with the highest rate of growth in the coming years (according to estimates from Eurogas, it is expected that current consumption will double by 2030).

In fact, the concentration of CO₂ in the atmosphere and the now obvious climate change, mean that we have now to use the energy resources available to date as efficiently as possible.

The EU has undertaken to reduce greenhouse-effect gases by 80-95% with respect to the 1990 levels (Energy Road Map 2050).

Natural gas is a cleaner fossil fuel than coal and oil, easy to control and efficient for distribution and use, and the current economic scenario offers a good alternative in the immediate path towards sustainability. Its use does not require new technological innovations and, at the same time, it is estimated that its conventional reserves can be a good source of energy for another sixty years at current consumption rates. Though demand for gas from households is expected to decrease by one fourth by 2030 (thanks to a number of measures aiming at guaranteeing energy efficiency), it will remain high in other sectors, such as electricity, for a definitely longer period.

In light of what has been illustrated, and compared to a progressive decrease in domestic production, Europe and Italy have begun their journey towards development and strengthening of infrastructure for the import and storage of natural gas in search of a more diversified and flexible supply source.

Italy as a hub for Europe

The geographical position would allow Italy to be a bridge between the producer countries and the European markets, potentially representing to be a hub for the Mediterranean trade and a gas exchange area, resulting in increased competition and access of new operators to the Italian and European market.

Over the past years, Italy has claimed its will to become a reference country in the EU. In 2010, Italy, by Legislative Decree no. 130 dated 13.08.2010, launched a scheme of delegated decree designed to liberalise their stocks which. In 2011, by Legislative Decree no 93 dated 01.06.2011, has highlighted the Italian Government's will to adopt the measures of safety, procurement and flow bi-direction indicated in the European Union EU no 994/2010.

Basing on EU guidelines (Energy Road Map 2050) the "National Energy Strategy: for a more competitive and sustainable energy" document was issued in 2012. The document illustrates the challenges Italy should face to become the main Southern-European hub and to regain its competitiveness and improve its safety measure in the sector.

The gas market: the Italian scenario

Update of the economic conditions of supply

In the solar year 2011, the gross domestic consumption of gas in Italy recorded a decrease of 6.3% as compared to 2010, reaching 77.83 billion cubic metres (source: Ministry of Economic Development.)

Demand highlights a reduction as compared to the previous year with a 3.0 billion cu.m decrease (about 3.9% less than 2011), as a consequence of a reduction in the thermoelectronic (-11.1%) and industrial (-2.3%) consumption, partially lessened by the major consumptions in the residential and tertiary segments (+1.2%), which are supported by the climate effect.

The coverage of gas demand was performed mainly through the recourse to import sources that in 2012 achieved a level of 67.73 billion cu.m, with a decrease of 2.64 billion cu.m compared to 2011 (-3.76%) With respect to 2011, the quantities traded are recording a recovery only at the interconnection point connected to Libya, Gela + 17.6%. On the other hand, the interconnection points to Northern Europe and Russia, Tarvisio -9.8%, Gorizia -0.6%, Passo Gries -16.8% and Northern Africa, Mazara del Vallo -3.2%. The volumes of gas imported from the entry point in Cavarzere (coming from the GNL

terminal commissioned in the second half 2009) reduced (-12.2% in 2012), as well as the volumes coming from the GNL in Panigaglia (-41.3% in 2012).

National production of natural gas

In 2011, Italian production of gas, equal to 8.4 billion cubic metres, recorded a decrease of 0.5% as compared to 2010, reaching the minimum levels ever recorded, covering approximately 11% of the national consumption.

As it is clear, the gas supplies in Italy are running out, and the contribution of national production to cover requirements will become ever more marginal.

Development prospects for Gas Demand in Italy

In Europe, Italy is the country mostly depending on gas, as regards to both the generation of electricity (more than 50%) and primary consumption (about 40%) and the procurement of gas represents a major factor in terms of energy safety, as about 90% of the needed quantities depends on imports.

In light of the energy-system decarbonization the EU has set to achieve by 2050, the National gas sector aims at developing a competitive efficient market by influencing the demand/offer as well as price/safety balances.

Further to the economic crisis impact the Country has recorded over the past few years and the renewable energy development, the consumption of natural gas has recorded important drops. Therefore, a structural capacity higher than demand is recorded today. However, basing on the Country's project to become the main South-European "hub", the energy strategy implies further increasing the capacity to import, and contemporarily aligning national prices to main EU Countries' (thus creating a liquid competitive market), guaranteeing the safety and diversification of procurement sources, as well as integrating the Country to the European network and market (thus enabling Italy to become a territory to inter-exchange, transit, offer high added value services, such as transiting, stocking, modulating, etc.).

According to more recent estimates on the evolution of natural gas demand in the Italian market, a moderate growth is expected to be mainly caused by the increase expected in the thermo-electric sector.

Basing on the scenario outlined and considering the declining trend of domestic production, growth in gas demand in Italy will be more and more guaranteed by imports at entry points interconnected to foreign countries.

The contribution offered by the GNL regasification plants (currently the unique operating plants are in Panigaglia and Porto Levante) will increase more and more.

The gas system in Italy: import and re-gasification infrastructures

The situation of infrastructural lack that characterized our country in recent years is now solving itself thanks to the development of many projects.

Infrastructures - Methane Pipelines

As confirmed by the "Rating of new infrastructures for importing gas in Italy", published by Nomisma Energia the end of 2012, the new pipelines that would boost gas supplies in Italy are now being approved or implemented.

Compared to 2011, a new gas duct is being designed and developed. The Tauerngasleitung (TGL) will connect Italy to Germany through Austria (from Tarvisio to Salzburg) and will be connected to the TAG, thus enabling its operation in both directions. This plant is not realized only to strengthen the gas in-take capacity in Italy, but it should enable an integration of the German and Austrian networks to gasducts from Algeria and Lybia, thus enabling a diversification of procurement (no longer from Russia only) and, consequently, improving safety in Central Europe.

	Pipeline (company)	Capacity	Details
In project	IGI - POSEIDON (Edison, DEPA)	8,8 bls mc / year	(Italy Greece Interconnector) pipeline that through Greece and Turkey will allow Italy to import quantities of natural gas from the Caspian Sea (Azerbaijan in particular) and the Middle East (especially Iran and Iraq) where there are the largest global gas reserves.
	TAP (Trans Adriatic Pipeline Company)	10 - 20 bls mc / year	(Trans Adriatic Pipeline) pipeline that will connect Greece to Puglia through Albania and the Adriatic Sea, will provide access to natural gas reserves located in the region of the Caspian Sea, in Russia and in the Middle East.
	GALSI	8 bls mc / year	Gas pipeline that will link Algeria to Italy via Sardinia.
	TGL	11,4 bls mc / year	Pipeline linking Italy to Germany through Austria, run by Tarvisio conducted in Salzburg and will be connected to the TAG.
	South Stream	31 - 63 bls mc / year	Natural gas pipeline linking Russia to Europe directly, eliminating any non-EU country transit. The track is divided into a section in the Black Sea offshore and one on the ground.

Source: NE Nomisma, Ministry for the Economic Development. elaborated by Ascopiave S.p.A.

Infrastructures - Rigassification Plants

Over the past few years, re-gasification has become a seriously competitive supply alternative to methane pipelines.

Apart from cost competitiveness, many national and international operators of the sector see the recourse to the re-gasification infrastructure as the most efficient way to directly access the end user market, bypassing the obstacles presented by the limited shipment capacity available on the import gas pipelines networks.

The Panigaglia (La Spezia) and Porto Levante (Rovigo) are the only re-gasification plant currently operative in Italy at the moment. The Panigaglia re-classification plant is located in the province of La Spezia and is managed by LNG Italia, a company controlled by Snam Rete Gas. The plant has a rather limited capacity, equal to 3.4 billion cubic metres a year.

The re-gasification terminal of Rovigo is destined to put in 8 billion cm/year of gas, and was opened in October 2009 The Adriatic Lng terminal is placed at around 15 km from the Adriatic coast and it is the first Off-shore terminal of the world (it is placed at 28 meters on the seabed).

Besides these plants, our country has at its disposal a dozen of projects regarding the realization of new GNL terminals. Because of the bureaucratic difficulties, the litigations filed by the local bodies, the technical setbacks and, above all, the decisions taken by the potential investors following the development prospects of the industry and the profitability of the investments, we believe that not all of them can be realised.

	GNL (site)	Company	Works status
In project	Offshore Livorno	OLT Offshore LNG Toscana	Licensed
	Porto Empedocle	Nuove Energie	Licensed
	Brindisi	Brindisi LNG	Licensed
	Gioia Tauro (RC)	LNG Med Gas Terminal	Licensed
	Zaule (TS)	Gas Natural International	Licensed
	Panigaglia (SP) (expansion)	ENI	Licensed
	Augusta-Melilli (SR)	Ionio Gas	Licensed
	FSRU offshore	Gaz de France	In discovery phase
	Offshore Falconara (AN)	API	In discovery phase
	Offshore Monfalcone (GO)	Terminal Alpi Adriatico	In discovery phase
	Rosignano Marittimo (LI)	Edison, BP	In discovery phase
	Taranto	Gas Natural International	In discovery phase
	Trinitapoli (FG)	Sorgenia	In discovery phase
	Offshore Ravenna	ENI, partner	In discovery phase
	Offshore Civitavecchia (RM)	Italpetroli	In discovery phase

Source: NE Nomisma, Ministry for the Economic Development. elaborated by Ascopiave S.p.A.

Gas sale

Gas sale is one of the most important activities of the Group in terms of contribution to company revenues.

This is a liberalised activity, in which a competitive comparison has developed between the operators, which will become ever more fierce following further opening of the markets upstream of the chain (production and import).

The majority of analysts foresee that, on the medium term, shares will be redefined between the strongest subjects, and there will be an overall reduction in the number of operators.

Gas distribution

Together with gas sale, gas distribution is one of the most important activities of the Group in terms of contribution to company revenues.

This activity is carried out as a concession or direct allocation and, as such, is subject to strict regulation by the public authorities, with regards to both management methods and tariffs.

As it is known, Legislative Decree no. 164/00 introduced the compulsory allocation of the gas distribution service through a call for tenders, assuming that a competition mechanism involving the selection of the provider would allow for a limitation of costs for the end customer and an improvement in the quality of the service supplied.

As to the distribution activity, the majority of analysts forecast that, on the medium term, there will be a strong concentration in the offer, with a reduction of the number of operators because of an enlargement of the average size of the companies.

During 2011, and with special reference to calls for tenders in territorial areas, the regulatory framework of the industry was updated yet again, mainly through the issuance of a number of ministerial decrees that determined and implemented the assignment of responsibilities and other aspects provided for in the reference legislation.

In particular:

- 1) 1) the Decree dated 19th January 2011 issued by the Ministry for economic Development in agreement with the Ministry for the Relationship with Regions and Territorial Cohesion, the territorial areas for issuing calls for tenders to entrust the gas distribution service were identified; with subsequent Decree dated 18th December 2011, the municipalities belonging to each territorial area were also identified (the so-called Territorial Areas Decree);
- 2) 2) the Decree issued by the Ministry for Economic Development and the Ministry of Employment and Social Policies on 21st April 2011 contained provisions ruling the social effects connected to the assignment of the new gas distribution concessions, thus implementing paragraph 6 of art. 28 of Legislative Decree no. 164 issued on 23rd May 2000 (the so-called Workforce Protection Decree);
- 3) 3) with the Decree issued by the Ministry for Economic Development on 12th November 2011, the regulatory norms concerning the criteria to be applied to calls for tenders and the evaluation of the offer for assigning the gas distribution service were 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 - favourably welcomed the emerging regulatory framework, believing that it actually creates important opportunities for investments and development to qualified operators of medium size, going in the direction of a positive rationalization of the offer.

The first Territorial Areas Decree identified 177 territorial areas and established, among other things, that as from the date of entry into force, the service can only be entrusted through tenders held by territorial area. Despite said expectation, being considered the immature discipline, the law has harmoniously supported that, at least up to the completion of regulations, municipalities had no hindrance to go for single calls. However, such hindrance was explicitly introduced by art. 24, par. 4, of Leg. Decree 93/11 according to which, considering the current framework, municipalities and local entities cannot be assigned contracts on an individual basis. This provision is currently being analysed by constitutional judges owing to an excess/infringement of power of attorney (ref. art. 76 of the Italian Constitution) Anyway, the sentence should be considered overcome by art. 37, par. 2 of Leg. Decree 83/2012 (converted into Law 134/2012) which, by referring to art. 24 in non-merely formal way, seems to be an “amnesty” for the previously alleged infringement of attorney.

The Workforce Protection Decree has a twofold objective: firstly, to provide employment protection to workers in the field of gas distribution in relation to possible changes in management introduced by the tenders for the assignment of the service; secondly, to ensure the continuity of management in the hands of skilled workers, thereby maintaining the levels of safety and quality of the service. The Decree establishes that the operator will be obliged to employ part of the employees of the outgoing operator in proportion to the number of users of the concessions object of the tender. If the employees to be transferred exceed the minimum ratio of 1 employee per 1,500 users, the contracting authority may establish a lower ratio in the tender, as long as this is justifiable. The decree also establishes that the personnel involved in natural gas distribution systems object of the tender and a portion of the personnel performing central support functions are subject, notwithstanding the termination of the employment relationship and without express waiver of the parties concerned, to the immediate and direct transfer to the operator taking over, safeguarding, however, the individual economic conditions, with regard to ongoing and fixed treatments and to institutions managing seniority of service. In case of redundancies, the decree provides for the application of unemployment benefit systems established by law for employees of publicly held companies, as well as for special unemployment benefit systems, thus including extensions, as permitted by law.

The Decree for Criteria defines key aspects relating to tenders, such as the subjects eligible for launching them assuming the status of contracting authorities, the timing for publishing tenders for each territorial area, the requirements that have to be met

by the participants, and finally the award criteria. The Decree contains several attachments, including a sample call for tenders and a sample service contract to be adopted. The Decree also deals with preliminary matters, such as the determination of the reimbursements to the outgoing operators, filling some previous legislation gaps. With regard to the identification of said reimbursements, the Decree, without prejudice to the assessment criteria agreed upon by the parties, sets out details regarding its application, establishing that the values of new construction shall refer to price lists for construction and installation of technological systems of the local chambers of commerce or, in the absence of these, to similar regional price lists. For the specific components of the distribution (if not indicated in the above-mentioned price lists), it is expected that the price lists issued by the Authority for Electricity and Gas will be used for the valuation of investments or, ultimately, of the market values. The Decree also establishes the useful lives to be used to determine the degradation value of the various components of networks and systems.

As to the current situation, the reimbursement values are determined in accordance with the provisions set out in Article 14, paragraph 8 of the Letta Decree, which was recently amended by virtue of the entry into force of Legislative Decree no. 93/2011 (implementation of Directive 2009/72/EC, 2009/73/EC and 2008/92/EC concerning common regulations for the Electricity and Gas market). The new legislation establishes that *"The new operator, with reference to investments made on the plants involved in the transfer of ownership in the previous assignments or concessions, must take over the guarantees and obligations arising from contracts or funding in force, or to cancel them and pay a sum to the outgoing distributor for an amount equal to the value of reimbursement for facilities whose ownership is transferred from the distributor to the new operator. In the present framework, [...], the reimbursement value due to the outgoing operator is equal to the value of net fixed assets of the service location and size distribution, relating to plants whose ownership is transferred from the distributor to the new operator, including fixed assets in progress, net of capital grants and private contributions relating to assets of locations, calculated using the method of tariff regulation in force and on the basis of the consistency of the plants upon transfer of ownership"*.

Finally, Article 24, paragraph 3 of Legislative Decree no. 93/2011 established that the Authority for Electricity and Gas, limited to the first period of operation of the licenses assigned for territorial areas, ought to include in the tariff the amortization of the difference between the reimbursement value determined in the first period and the value of net fixed assets, net of capital grants and private contributions relating to assets of locations provided for by tariff regulations. Thanks to this new regulation, the successful bidders of the first tender will be able to recover, in the tariff, the difference between the reimbursement value paid to acquire the ownership of the plants managed, which generally responds to the notion of residual industrial value, and the value of the net capital invested recognized for tariff purposes that, as previously indicated, will also substantially represent the value of the reimbursement to which they shall be entitled to upon expiry of the concession. However - according to the provisions established by the Decree for Criteria - the new operator may waive in whole or in part the realization of this difference, offering it to users in the form of a discount rate, which is one of the defining elements of the economic context of the tenders.

Art. 37 of Leg. Decree 83/2012 (converted into Law 134/2012) shall also be taken into primary consideration. Other than considering the aforesaid ban on single tender, the article (par. 1) has introduced very important news concerning the requirements needed to participate to the next calls, esp. as concerns direct allocations, by amending a few parts of Leg. Decree 164/2000 (art. 14, par. 5 and art. 15, par. 10). The limits to take part in the calls deriving from direct calls (possibly existing in the Group companies), in general, have been excluded for the companies listed and, anyhow, have been differed to the second call (to take part in the first call there are no limits) for all other companies. This "new"

regulation is important mainly in light of the way the case law (Legnano) interpreted the original text of art. 14 and 15 of Decree Letta which, already, excluded limitations concerning direct allocations. Basing on the fact the rule intended to exclude, the law only ruled the first call within the transitional period determined by the same Decree Letta and, then, not for subsequent “tenders” (and calls). Such position was approved by the discipline of other public services, esp. referring to art. 23-bis of L.D. 112/2008 (enforced by means of the Regulations in Presidential Decree 168/2010), then cancelled by means of Referendum dated June 2011 and art. 4 of L.D. 138/2011, which has now been declared constitutionally illicit (Sentence n. 199/2012 by the Constitutional Court). Also the third paragraph is worth mentioning: it refers to and approves the obligations in terms of employment safeguard (M.D. 21/04/2011), by precisising that, owing to their obligation (erga omnes), they are not and will not be an appreciation element of the offer.

The actions taken by the AEEG concerning the natural gas distribution and sale segments in order to observe the delegation contained by Decree no 226/2011 shall also be pointed out.

By means of Resolution nr 407/2012/R/gas the Authority has disciplined the methods to determine the one-off compensation for the call costs. The criteria have been defined following the principles of cost relatedness and pertinence, efficiency, simplicity of application and transparency. The amount of the one-off compensation applicable to the contracting stations changes according to the number of users served and Municipalities belonging to each territorial area, within the limits of a max level of expense. Basing on transparency and equity of treatment, the “one-off” treatment provided for by the law shall be minimal and expressed as a fee.

By means of Resolution no 532/2012/R/gas, the Authority has enforced provisions to transmit the data concerning the consistency status of natural gas distribution networks.

By means of Resolution no 514/2012/R/Gas, the Authority has determined the template of the Service Contract, subsequently approved by Decree of the Ministry for Economic Development dated 5th Feb., 2013.

The regulatory framework

National regulations

Reference regulatory framework

Ministerial Decree no 226 dated 12.11.2011 - Regulations for tender criteria and quotation of the offer to assign the natural gas distribution service

In the O.J. dated 27.01.2012 M.D. no 226 dated 12.11.2011 was published. By means of said M.D. the requirements the participating parties need have and the tender awarding criteria to assign natural gas distribution services were indicated.

The criteria to award a tender is the cheapest offer, which is taken into consideration by taking into account the three main criteria: economic conditions, safety and quality criteria and plant-development plans.

Law 24/03/2012, no 27 - Law to convert the so-called Liberalization Decree.

In O.J. no 71 dated 24.03.2012, Law no 27/2012 to convert Leg. Decree no 1/2012 containing measures to promote competitiveness and facility development was published.

The main provisions concern the introduction of measures aimed at reducing the natural gas price for the so-called vulnerable customers and at giving companies the possibility to reduce procurement costs by adopting integrated shipment services by means of foreign (regasification) gas-ducts, including stocking.

Also, the companies operating in the electricity and natural gas production, import, distribution and sale have been forbidden to hold, directly or indirectly, a share higher than 20% of the shareholders' equity of the companies holding or managing energy shipment national networks.

Some other important news is the creation of an Integrated Information System to detect consumptions (SII) at the premises of Acquirente Unico S.p.A. and constituted by a database collecting the information on PDR/POD and the ID data of end users, but also consumption data.

The decree introduces the obligation for public services assignees to supply local entities deciding to call for tenders the data concerning the technical specification of the plants and facilities, the accounting value of and the information needed to determine the calls.

Law 4 April, 2012 no 5 - Law to convert the so-called Simplification Decree.

On 06.04.2012 the O.J. published the law the convert L.D. no 5 dated 9 Feb. 2012, indicating urgent provisions in terms of simplifications and development. Among the most important provisions are regulations concerning energy facilities and methanisation of Southern Italy, the detection of strategic facilities in electricity and gas sectors as well as the integration to the administrative sanctions by AEEG, which was given the power to adopt precautionary measures.

Law 17 December 2012, no 221 - Law to convert the so-called Growth Decree 2.

On 18.12.2012 the O.J. (no 294, ord. suppl. no 208) published the law to convert L.D. no 179/2012 which dictates further measures to make the Country grow (the so-called L.D. Growth 2).

The law confirms the dispositions for the sector provided by the L.D. by introducing partial modifications concerning the diffusion of digital technology, stocking, GNL plants and local public services (the new dispositions introduces do not concerning the gas distribution service).

Excise duties and VAT

Law no 228 dated 24.12.2012 - Stability Law for 2013

The law, published in the O.J. no 302 dated 29.12.2012 and enforced on 1st Jan. 2013, has introduced some provisions as regards to VAT and excise duties.

In particular, as the gas sector is concerned, the law:

- postpones to June 30th, 2013 the term (provided for by art. 3-bis, par. 2, L.D. 16/2012) up to which the production combined of electricity and heat - to detect the quantities of fuel subject to taxes on electricity production - will continue to be adopt the coefficients adopted by AEEG by means of Resolution 16/98 dated 11.03.1998 reduced by 12% (par. 388);

- postpones to July 1st, 2013 the increase in the VAT percentage to 22 points (par. 480), thus modifying par. 1-ter of art. 40 of L.D. 98/2011 converted, with amendments, by law 111/2011.

Disposition of the AEEG concerning the natural gas distribution and sale segments

The main measures issued by the AEEG during 2012 are the following:

Update of the economic conditions of supply

1st quarter 2012

With Resolutions ARG/Gas 195/11, 200/11, 201/11 e 203/11 dated 29.12.2011, the Authority updated the economic terms and conditions for protected categories for the Jan.-Mar. 2012-period.

By means of Resolution ARG/gas 195/11, the Authority has updated the fixed component of the compulsory fee for distribution services and the proportional component of the compulsory fee for distribution services for 2012.

Resolution ARG/Gas 200/11 closed the adjustment procedure - initiated with Resolution ARG/Gas 105/11 dated 29th July 2011 and the related Official Document 31/11 - of the QVD component for retail trading and of the UG2 component for offsetting of the related costs. Moreover, article 7 of the TIVG (Gas Sale Amended Text) was modified, introducing new QVD values (Table 1 QVD). The value of the QVD component is determined based on the Delivery Point type (household, apartment block with consumptions <200,000 Smc/year, public service activities and different uses with consumptions < 50,000 Smc/year) and on the reference period (1st July 2009 - 31st December 2011 and as from 1st January 2012).

The value of the UG2 component, as provided for in article 6 of Resolution ARG/Gas 64/09, as set out in Table 1, are divided based on the reference period (1st July 2009 - 31st December 2011 and as from 1st January 2012) and on the consumption bracket.

With Resolution ARG/Gas 202/11, the Authority adjusted the CCI, QT, QS components (year 2012) and the QOA component, which only included element CVos as from 1st January 2012, whereas with Resolution ARG/Gas 201/11, the Authority adjusted the following tariff components for covering general charges, as well as other components of the electricity and gas sectors: UG1, GSt and REt (only for direct customers).

According to the AEEG, the average gas price goes from 86.38 Euro cents/cu. m, thus increasing by 2.31 Euro cents/cu. m (including taxes) as of 1st Jan. 2012, with the adjustment of the reference economic conditions. For the typical end-user (a household with an autonomous heating and annual consumption of 1,400 cu. m) this implies an expense of about 1,209 €/year (40.38% on the raw material, gas; 34.7% on taxes, including excise duties [17.70%], Additional Regional Tax [2.35%] and VAT [14.70%]; 5.11% for shipment and stocking; 11.64% for distribution, including costs to promote energy saving, improving the service quality and limiting the costs for users with low consumption rates; 8.12% for retailing, wholesaling and additional costs).

2nd quarter 2012

With Resolutions 114/2012/R/com, 115/2012/R/gas, 118/2012/R/gas dated 30.03.2012, the Authority has updated the reference economic conditions applicable to the protected users market for the April-May 2012 period.

In particular, with Resolution 117/2012/R/GAS, the Authority has updated the values of the QETnew procurement variable and the new CCI wholesale trading, as per art. 6 of the TIVG, determined in Table 1 attached to the Resolution, by defining them at: QETnew - 9.271138 euro/GJ, equal to 0.357124 euro/mc; CCI: 10.201622 euro/GJ equal to 0.392966 euro/mc.

The QETnew increase, as compared to the previous quarter equals 0.215530 euro/GJ equal to 0.008302 euro/mc for natural gas supplies with a reference PCS equal to 0.038520 GJ/mc. The QTVt, covering the shipment costs as per art. 8 of the TIVG has been rated, for the period given, to 0.068.47 euro/GJ.

According to the AEEG, the average gas price goes from 87.92 Euro cents/cu. m, thus increasing by 1.5 Euro cents/cu. m (including taxes) as of 1st Jan. 2012, with the adjustment of the reference economic conditions. For the typical end-

user (a household with an autonomous heating and annual consumption of 1,400 cu. m) this implies an expense of about 1,231 €/year (40.6% on the raw material, gas; 34.4% on taxes, including excise duties [17.4%], Additional Regional Tax [2.3%] and VAT [14.7%]; 5.0% for shipment and stocking; 11.9% for distribution, including costs to promote energy saving, improving the service quality and limiting the costs for users with low consumption rates; 8.0% for retailing, wholesaling and additional costs).

3rd quarter 2012

With Resolutions 268/2012/R/com, 270/2012/R/gas, 271/2012/R/gas, and 273/2012/R/com dated 28.06.2012, the Authority has updated the reference economic conditions applicable to the protected users market for the July-September 2012 period.

In particular, with Resolution 270/2012/R/GAS, the Authority has updated the values of the QETnew procurement variable and the new CCI_t wholesale trading, as per art. 6 of the TIVG, determined in Table 1 attached to the Resolution, by defining them at: QET_{new} - 9.730071 euro/GJ, equal to 0.374802 euro/mc; CCI_t: 10.660555 euro/GJ equal to 0.410645 euro/mc. The QET_{new} increase, as compared to the previous quarter, equals 0.458933 euro/GJ equal to 0.017678 euro/mc. The QTV_t, covering the shipment costs as per art. 8 of the TIVG has been rated at 0.068.47 euro/GJ.

According to the AEEG, the average gas price goes from 90.22 Euro cents/cu. m, thus increasing by 2.3 Euro cents/cu. m (including taxes) as of 1st Jul. 2012, with the adjustment of the reference economic conditions. For the typical end-user (a household with an autonomous heating and annual consumption of 1,400 cu. m) this implies an expense of about 1,263 €/year (41.5% on the raw material, gas; 33.9% on taxes, including excise duties [16.9%], Additional Regional Tax [2.3%] and VAT [14.7%]; 4.9% for shipment and stocking; 11.8% for distribution, including costs to promote energy saving, improving the service quality and limiting the costs for users with low consumption rates; 7.9% for retailing, wholesaling and additional costs).

4th quarter 2012

With Resolutions 383/2012/R/com, 385/2012/R/gas, 386/2012/R/gas, and 388/2012/R/com dated 27.09.2012, the Authority has updated the reference economic conditions applicable to the protected users market for the Oct.-Dec. 2012 period.

In particular, with Resolution 385/2012/R/gas, the Authority has updated the shipment components (Q_{Ti,t}), by determining the variable component QTV_t equal to 0.071746 euro/GJ; wholesale trading (CCI_t), providing for the QET increase, as compared to the previous quarter, of 10.660555 euro/GJ equal to 0.410645 euro/mc.

The values indicated in the table attached to the Resolution are as follow: Q_{Et} - 9.836238 euro /GJ equal to 0.378892 euro/mc; CCI_t - 10.766722 euro /GJ equal to 0.414734 euro/mc. With the same provisions, the Authority has entered among the QOA additional costs (as per art. 11 of the TIVG) the unit CVBL cost to cover the non-collected credits.

According to the AEEG, the average gas price goes from 91.24 Euro cents/cu. m, thus increasing by 1.02 Euro cents/cu. m (including taxes) as of 1st Oct. 2012, with the adjustment of the reference economic conditions. For the typical end-user (a household with an autonomous heating and annual consumption of 1,400 cu. m) this implies an expense of about 1,277 €/year (41.53% on the raw material, gas; 33.6% on taxes, including excise duties [16.76%], Additional Regional Tax [2.22%] and VAT [14.70%]; 4.87% for shipment and stocking; 12.09% for distribution, including costs to promote energy saving, improving the service quality and limiting the costs for users with low consumption rates; 7.83% for retailing, wholesaling and additional costs).

1st quarter 2013

With Resolutions 553/2012R/gas dated 20.12.2012, as well as Resolutions 578/2012/R/gas, 579/2012/R/gas, 580/2012/R/gas, and 581/2012/R/com dated 28.12.2012, the Authority updated the economic terms and conditions for protected categories for the Jan.-Mar. 2013-period.

By means of Resolution ARG/gas 195/11, the Authority has updated the fixed component of the compulsory fee for distribution services and the proportional component of the compulsory fee for distribution services for 2013.

In particular, with Resolution 578/2012/R/gas, the Authority has updated: CCI by reducing the element covering the QEt procurement costs, as compared to the previous quarter, by 0.034063 euro/GJ equal to 0.001312 €/mc, variable component concerning self-consumption gas costs, network leakages and non-registered gas (QTVt) equal to 0.030642 euro/GJ. The values indicated in the table attached to the Resolution are as follow: QEt - 9.802175 euro/GJ, equal to 0.377580 euro/mc; CCI: 10.732659 euro /GJ equal to 0.413422 euro/mc. With the same provisions, the Authority modifies the TIVG, as per art. 8.4 by determining, as of 01.01.2013:

- the percentage recognized with reference to network leakages, non-registered gas and self-consumption (λ) equal to 0.002802;

- the component concerning shipment services up to PSV (QTutPSV) equal to 0,202950 euro/GJ;

as per art. 9.1 by determining:

- the share per stocking services (QS) equal to 0.329691 euro/GJ;

- replacing, with those indicated in the Resolution itself, the Tables no 2 and 5 as respectively referred to additional costs (QOA) and to the amount covering the shipment costs (QTFi).

According to the AEEG, the average gas price goes from 92.78 Euro cents/cu. m, thus increasing by 1.54 Euro cents/cu. m (including taxes) as of 1st Jan. 2013, with the adjustment of the reference economic conditions. For the typical end-user (a household with an autonomous heating and annual consumption of 1,400 cu. m) this implies an expense of about 1,299 €/year (40.70% on the raw material, gas; 33.36% on taxes, including excise duties [16.47%], Additional Regional Tax [2.19%] and VAT [14.70%]; 5.15% for shipment and stocking; 13.16% for distribution, including costs to promote energy saving, improving the service quality and limiting the costs for users with low consumption rates; 7.63% for retailing, wholesaling and additional costs).

Update of the economic conditions of supply

Resolution 116/2012/R/gas dated 30.03.2012 - First review of the economic conditions of raw material, gas, and modification to Annex A to Resolution by the AEEG dated 28.05.2009, ARG/gas 64/09 (TIVG) concerning art. 6 and 11.

With the resolution, the AEEG defines the review of the economic supply conditions of raw material, gas, by establishing the first implementation measures as per art. 13 of L.D. 1/12, which implied AEEG, as of 1st April 2012, in order to adjust reference natural gas prices for vulnerable users to the European figures, in determining the variables covering the procurement costs, among the parameters to consider for the adjustment, progressively introduced the gas price detected on the market. The indexing rate to market prices has been revised, too, and fixed to 3% for the QI considered (Apr.-Jun. 2012) and 4% for the second (Jul.-Sep. 2012) - and a new formula for the QETNew component has been calculated.

The AEEG affirms the reforms as of the beginning of the thermal year shall be considered the historical and expectation data, currently being acquired as per resolution 77/11, and concerning the procurement agreement costs and volumes.

Resolution 263/2012/R/Gas dated 21.06.2012 - Review of the raw material, gas, as of Oct. 1st, 2012 and start of an inquiry to know the conditions to procure natural gas retailing services.

With this resolution, the AEEG has determined the methods to define the component concerning wholesaling gas for the CCIt which shall be adopted as of 1st Oct. 2012. The Ruler has kept unchanged the CCIt structure and has introduced new criteria to determine the components. An inquiry was also started to learn some useful data on companies' retail procurement conditions and has renewed its monitoring action on the evolution of procurement conditions of importers.

Resolution no 456/2012/R/gas dated 31.10.2012 - Termination of the inquiry started by means of AEEG's resolution 263/2012/R/gas dated 21st Jun. 2012, on the natural gas retail market structure.

With the resolution, the AEEG has published the results of the inquiry on wholesale prices concerning the company's retail procurement conditions as regards to thermal years 2011/2012 and 2012/2013.

Basing on the Authority's analysis, a progressive approaching of said companies' retail procurement costs to the PSV (P fwd) market values has been noticed. In light of such results, the Authority has started a procedure to reform the protection service economic conditions, the conclusion of which is set on 31st Jan. 2013.

DCO 471/2012/R/gas dated 13.11.2012 - Natural gas market - Reforms the economic conditions of the protection services - First guiding principles.

On 13.11.2012, with DCO 471/2012/R/gas, the AEEG has taken into account the first guiding principles to reform the definition of the natural gas component (CCI) in order to determine the economic conditions to supply protected services. The Document provides for:

a valorisation component of the raw material based on the wholesale market prices (Efficient Average Market Cost EAMC) referring to the quarterly ratings of the future market pondered with the average national profile;

a component connected to an insurance against excessive swinging of prices and volume safety.

The reform, which the Authority intends to enforce as of April 1st, 2013, implies a review of the level of other components of the economic supply conditions for the protected service, concerning QVD, QT, QS and QOA.

Many selling companies, among which Ascopiave, have expressed their disagreement with regards to the AEEG's plan.

The disagreement is firstly caused by the fact a "partial" document, only announcing the first guiding principles of a reform that would radically change the protected market, is referred to by postponing to a subsequent meeting the detection of implementation mechanisms. Secondly, the document announces the review of some important components (QT, QS, and QVD) which determine the final price without anticipating the capacity or the timing of the amendments but only postponing every decision to a subsequent meeting. Also, the reproduction of the market scenery on which the Authority has based its principles has not been deemed correct: in particular, the results of the inquiry to learn the natural gas retail market cost structure, published by means of resolution 456/2012/R/gas. The inquiry could be partial in case it was limited to highlight the difference between the current CCI amount and the procurement market without analysing the effective impact on balance sheets.

Provisions concerning the tariffs of distribution service and natural gas measurements

Resolution 44/2012/R/Gas dated 16.02.2012 - Start of procedure to realize provisions for determining gas distribution services and measurements, as per art. 2, par. 12, lett. d) and e), of law no 481 dated 14th Nov. 1995.

With this resolution, the AEEG has started a procedure to realize provisions to rule the gas distribution service tariff and measurements for the 2013-2016 period.

Reference document no 248/2012/R/Gas dated 14.06.2012 - Enforcement of State Council Sentence no 2521 in terms of natural gas measurement and distribution service tariffs.

With this document, the AEEG has entered the procedure started by AEEG's resolution no 247/2012/R dated 14 Jun. 2012 to realize provisions in terms of adjustment of natural gas and other gas distribution and measurement services as per State Council Sentence nor 2521/12.

In this document the AEEG has defined the methods to determine the planned productivity recovery rate (X-factor) to apply to the 2009-2012 period.

Resolution 315/2012/R/Gas dated 26.07.2012 - Modifications the adjustment of tariffs for natural gas and other gas distribution and measurement services as per State Council 2521/12. Determination of the reference tariffs and tariff options for gases different from natural gas, for 2009 and 2010.

With the resolution, the AEEG has introduced modifications to the adjustment of tariffs to the distribution and measurement services for the 2009-2012 period in order to complete the procedure started to observe State Council 2521/12.

With the resolution, the tariffs concerning the distribution and measurement services for 2009 and 2010 were approved.

Reference document 341/2012/R/Gas dated 02.08.2012 - Criteria to adjust the tariffs and quality of gas distribution and measurement services for the fourth adjustment period.

With the reference document, the AEEG has formally laid out the proposals to prolong the period of enforcement of the provisions ruling the tariffs and quality of the gas distribution and measurement valid through the third regulatory period and showed the main intervention principles for the fourth adjustment period. The document also proposes the validity throughout 2013 of the tariff and quality adjustment criteria adopted for the 2008-2012 period, except for specific updates of some tariff parameters.

The reference document has to be introduced in the provisions concerning the tariffs and quality of gas distribution and measurement services started by means of resolution 44/2012/R/Gas dated 16.02.2012 and ARG/gas 64/11 dated 19th May 2011.

Resolution 436/2012/R/Gas dated 25.10.2012 - Validity throughout 31st Dec. 2013 of the applicability period of the provisions contained in the Consolidating Act regarding the adjustment of the tariffs and quality of the gas distribution and measurement services for the adjustment 2009-2012 period (TUDG). Transitional disposition for 2013

With the resolution at issue, the AEEG has prolonged to 31.12.2013 the adjustment validity period of the tariffs and quality of gas distribution and measurement services contained in the RTDG and RQDG.

Within 19th November 2012, the distributing companies shall transmit the proposals on 2013 tariffs. Transitional provisions concerning tariffs (capital costs, operating costs and funds for mergers) and quality (extension of the waiver application period for the mechanism incentive recoveries, safety and risk limiting mechanism) have been introduced.

Resolution 450/2012/R/Gas dated 31.10.2012 - Determination of the reference tariffs and redetermination of tariff options for gases different from natural gas, for 2011 and 2012, as per State Council Sentence 2521/12.

In order to enforce State Council no 2521/12, the AEEG has determined the reference tariffs for gas distribution, measurement and trading and has re-determined the tariff options for the distribution and measurement of gases different from natural gas concerning 2011 and 2012.

Resolution 553/2012/R/Gas dated 20.12.2012 - Update of the tariffs concerning gas distribution and measurement services for 2013.

In order to enforce State Council no 2521/12, the AEEG has determined the reference tariffs for gas distribution, measurement and trading and has re-determined the tariff options for the distribution and measurement of gases different from natural gas concerning 2011 and 2012.

Other provisions

Resolution 28/2012/R/Gas dated 02.02.2012 - Review and adjustment of the tariff concerning the measurement service on natural gas distribution networks and directives to start gas measuring groups, as per AEEG's Resolution 155/08 dated 22.10.2008.

With this resolution, the AEEG has reviewed and adjusted the tariff of the measurement service, by amending the obligations as per resolution ARG/gas 155/08 to introduce the tele-reading/tele-management of gas meters.

With this document, subsequent to resolution ARG/gas 36/11 and developed in two subsequent public analyses, the AEEG has introduced new obligations and expiries as regards to gas meters. The AEEG action intends to minimize costs for the system though it does not waive the benefits to introduce or implement tele-read and tele-managed meters. As regards to households (meters up to Class G6) only the 2018 expiry was set to install the electronic measurements (with no intermediate steps) and 60% replacement obligation (with respect to 80%). As concerns the obligations to implement higher class meters the expiry is set as at 31.12.2014 for G6 to G40 meters and at 29.02.2012 for meters higher than G40. The Authority has introduced standard methods to recognize meter and telemanagement system costs in order to provide incentives efficient behaviours from the distributors and, then, contain costs for consumers. Also, the trial period for systems with multi-service telemanagement capacity for households has been anticipated to 29.02.2012 to the date from which the new meters install shall be set for such reading. This way, distributors may observe the expiry of obligations with a minimum number of devices to dismiss before their useful life cycle is over. The Authority's decision to issue provision further to resolution [ARG/gas/155/08](#) is to be deemed connected to the changes in the reference framework, to the deeper analyses carried out in light of the experience accrued by introducing "smart" meters, other than the need to keep under control the technological development since 2008. In particular, in order to maximize the benefits for end-users thus limiting costs, further cost-benefit analyses have been carried out to install on the general mass (G4 and G6) technologically advanced meters, thus exploiting the existing technological progress.

Resolution no 72/2012/R/com dated 01.03.2012 - Putting on hold provisions, as per ARG/com 146/11 resolution in terms of alignment of the PDPs and PDRs pertaining to different operators.

With this resolution, the AEEG has put on hold some provisions, as per ARG/com 146/11 resolution in terms of alignment of the PDPs and PDRs pertaining to different operators.

In particular, the 28.02.2012 expiry for the first alignment of databases of the distributors connected to the association of PDP and PDR's ID data to end-users'.

Contemporarily, the AEEG intends to complete the operating instructions concerning the first alignment flows and defines a new calendar of obligations targeted to the success of such activities by means of resolution to approve by 30.04.2012.

With subsequent resolution no 131/2012/R/com dated 05.04.2012 containing further disposition in terms of alignment of ID data, the AEEG has prolonged the timing as per resolution ARG/com 146/11 concerning both the first alignment of characteristic data of PDRs according to the availability of the distribution and sale companies, and the information facilitating the switching process, as per point 2 of resolution 72/2012/R/com.

Resolution no 79/2012/R/com dated 08.03.2012 - Approval of the Integrated Information System Regulations.

By this resolution, the AEEG has approved the regulations for the Integrated Information System (SII) as suggested by Acquirente Unico S.p.A. and has provided for the accreditation of users to the new system. The management of the information flows was based on a centralized database called Official Registry of Procedures and on the accreditation of users (Terna, electric distributors, ecc.) shall terminate on 31st Dec. 2012.

Resolution no 109/2012/A dated 30.03.2012 - Regulating the organisation and operations of AEEG.

With this resolution, the AEEG has approved its Regulations and the new organizational scheme as per annexes A, B and Table 1 enforced as of 01.04.2012.

The new organizational scheme aims to enlarge its controlling and regulating functions of the water services assigned to the Authority by law 214/2011.

With the resolution, the AEEG has also postponed to 31.12.2012 the period provided for by GOP 55/11 to verify the new organizational structure and to set a reasonable period to start the new water sector functions.

Resolution no 153/2012/R/Com dated 19.04.2012 - Adoption of preventive and recovery measures in case of agreements non-required activations of natural gas or electricity supplies.

At completion of a second reference procedure, the AEEG has introduced new measure to prevent the phenomenon of agreements and non-required activation in order to get to the previous situation.

Such discipline is to be applied to the electricity service sales and end-users having the right to be better safeguarded and to the gas service vulnerable customers, except for subscribers of public service agreements.

The obligations to verify sales have been introduced, in particular:

- in case of agreements not concerning business premises, the effective willingness to sign the agreement shall be confirmed by phone or in writing;
- the refusal to accept a claim for non-required activation shall be sent to the Consumer's Desk;
- the implementation of a new flow for non-required activation;
- the participation in monitoring activities for sellers and distributors.

The seller can follow the "recovery procedure" enabling the customer to go back with their previous seller automatically and at no costs and can adopt a Self-regulatory Protocol with additional measures to the ones provided for by the resolution.

The seller who decides to adopt an internal protocol shall publish it on its website and communicate it to the customer together with the information concerning the Code of Ethics of Commerce.

For sellers with a higher number of non-required agreements, a black list is written for the AEEG to publish on its website along with a list of the companies adopting the recovery procedure.

The resolution also concerned the Code of Ethics of Commerce providing for stricter ID obligations for sale agents.

As regards to the Code of Ethics of Commerce, some Lombardy Region Court Sentences promoted by selling companies have cancelled the provision enabling the end-user to rescind the agreement or to go on with the same company at the agreed conditions in case the seller changes the agreement conditions. The board has deemed the obligation for the seller to continue provide its services to the end user under a safeguard regime would make the seller be subject to the users in a way that is not prescribed by the law.

Resolution no 166/2012/R/Gas dated 26.04.2012 - First implementation of the provisions concerning the non-paid arrears and postponement of the enforcement of the Default Service discipline.

With this resolution, the AEEG has set the first implementation of the discipline concerning the gas non-paid arrears and has postponed the enforcement of the Default Service approved by means of resolution ARG/gas 99/2011.

In particular, modifications to the TIMG (Integrated Text for Gas Arrears) with relation to suspension procedures (determination of periodic capacity and calendarisation), to shut down timing and the economic feasibility limit for the intervention was fixed.

In view of a full operation of Default Services, the Authority has determined the first application is limited only to the non-fed PDRs.

With subsequent resolution no 352/2012/R/gas dated 03.08.2012, the AEEG has adopted further provisions to complete the default service discipline, by specifically determining the remuneration of the distribution company supplying the service through a mechanism of detection of procurement, billing, and arrearage costs and and in increase in the economic conditions applied to the protected end-users. Also, the date of enforcement of the discipline has been postponed to 1st Jan. 2013.

The resolution has also excluded the so-called defaulting public services from the Default Service.

With resolution no 353/2012/R/Gas dated 03.08.2012, the AEEG has also defined measures to guarantee the operations of the FUI (Last Resort Supplier) as of 1st Oct. 2012, by particularly providing:

- the extension of the clients eligible for the FUI also to the so-called “defaulting public services without a supplier for any reason, also for their will,” a category previously under the Default Service;
- the criteria and methods to detect the FUI for thermal year 2012-2013.

With subsequent resolution no 540/2012/R/Gas dated 13.12.2012, the AEEG has ruled the Default Service by postponing the enforcement of the Service to 01.02.2013 and introducing the possibility to adopt public procedures to select one or more “Transitional Suppliers” who can become distribution service users for max. six-months.

On 29.12.2012, the Lombardy Regional Court has declared the unlawfulness of the Default Service by moving from an analysis of the National and EU regulatory framework, esp. in terms of separation between the network management and gas sale activities,

On 28.01.2013, the State Council has accepted the withdrawal request promoted by the AEEG by affirming the Default Service would determine a serious detriment to end users that cannot access to FUI. The hearing in the jury room was held on 19.02.2012. On such occasion, the Bureau has not expressed itself but, by accepting the requests from all the parties interested, it has postponed the treatment to 24th April 2013.

By implementing the State Council decrees, the AEEG has approved resolution no 25/2013/R/Gas dated 30.01.2013 with which urgent provisions concerning natural gas distribution networks Defaults have been introduced.

The main interventions concern the modifications to the transitional provisions already introduced by resolution 540/2012/R/Gas, in particular, the territorially competent FUI was given the possibility not to be a transitional supplier; in this case, the distributor can perform the Default Service directly, by getting organized by itself or outsourcing some parts of it, or it can detect one or more transitional suppliers in derogation of the procedure methods provided for by the TIVG.

Resolution no 193/2012/R/Gas dated 18.05.2012 - Urgent modifications to AEEG's resolution 28/12/R/Gas dated 02.02.2012 and start of procedure to review the standard costs to activate gas meters.

With this resolution AEEG has modified some of the dispositions introduced by resolution 28/2012/R/Gas concerning the introduction of tele-reading/tele-managing gas meters, as well as the detection of the relevant costs.

More precisely, the resolution has confirmed the replacement timing already provided for by Resolution 28/2012/R/Gas and, with respect to \leq G6 classes, has eliminated the provision implying 100% of installation subsequent to 29.02.2012 with meters complying to resolution 155/08.

The Authority has also planned the residual amortisation for the replacement of meters installed before 29.02.2012, which meter life-cycle is not expired yet is recognized and has also admitted, in derogation to the 29.02.2012 expiration, the possibility to install traditional meters up to 31.12.2012.

Finally, a procedure to adopt provisions concerning: a standard cost review for G6-G40 class meters, a tariff regulation for traditional measuring groups complying to the minimal functional requirements with the installation of an add-on and the confirmation of the transitional provisions adopted for installations subsequent to 29.02.2012.

Further to the start of the procedure, the AEEG has approved resolution no 246/2012/R/Gas dated 14.06.2012 by which it confirms the provisions indicated in resolution 28/2012/R/Gas and regarding G4/G6 meters and it increases the standard costs for G10-G40 class meters.

With subsequent resolution no 316/2012/R/Gas dated 26.07.2012, the AEEG has determined the standard costs for the add-on devices which, if applied to a pre-installed $>$ G6 traditional meter, enable to adapt the measuring group to the minimal requirements provided for by Resolution 155/08.

Finally, with resolution no 575/2012/R/Gas dated 28.12.2012, the Regulator has started a new temporary installation programme of electronic meters, by adapting the tariff regulation connected.

In particular, it provides for:

- replacing 95% of G40 class meters is executed within 31.12.2013 and completed by the end of 2014;
- replacing 25% of G25-G16 class meters shall be executed within 31.12.2013, 60% by 31.12.2014, and it shall be completed by 31.12.2015;
- replacing 5% of G10 class meters shall be executed within 31.12.2013, 15% by 31.12.2014, but completion date has to be determined.

The same resolution, in derogation to resolution 28/2012/R/Gas, has determined the obligation to install electronic meters on new PDRs is only valid for \geq G25 meters and the penalties for not observing the obligation to activate the service are not applied in 2013.

Resolution no 194/2012/R/com dated 18.05.2012 - Update of the Glossary containing the main terms used in invoicing electricity and gas supplies.

With this resolution, the AEEG has adjusted the Glossary to the new definitions introduced by the regulatory provisions adopted. As regards to the gas sector, we remind you the new classification (enforced by means of resolution ARG/gas

71/11) of client eligible for the protected service and the update of the component concerning the QVD component, determined by resolution ARG/Gas 200/11.

Further to said provisions, the sellers are obliged to publish the New Glossary on their website and to adapt the terminology of the invoices issued as of 1st July 2012.

Resolution no 229/2012/R/Gas dated 31.05.2012 - Approval of the Integrated Text of the regulatory provisions of physical and economic parties of the natural gas settlement service (TISG).

With this resolution, the AEEG has fixed the new defining, attributing and valorising criteria of physical and economic parties of the settlement service, thus starting the settlement reform on 01.01.2012.

The procedure is subdivided into twelve settlement sessions, one for each month of the year, and in annual adjustment sessions.

The adjustment sessions consist of an annual equalization session (within 30th Sep. nth year) referring to the previous solar year and of a 5-year modification sessions (within 30th April nth year), which is longer than the time approved for late modifications.

The AEEG has also taken into consideration the treatment methods of PDRs, for which daily/monthly measurements, if any, are to be taken.

PDRs measured at a different pace are subject to a conventional profile; according to new criteria implying the unique methods to determine the annual measurement which to apply simplified and coded standard measuring profiles in order to allow the introduction of a climate modulating factor defined by a subsequent resolution.

With subsequent resolution no 319/2012/R/Gas dated 26.07.2012, the AEEG has specifically taken into consideration the first application of the discipline concerning the measuring profiles and relevant communications.

- The resolution has postponed to 30.11.2012 expiration date within which distribution companies shall have completed annual measurements and assigned the standard measuring profile to PDRs as per Art. 4 and 7 of TISG and observed the information obligations in favour of users concerning CAPdR (annual measurement) and standard measurement profiles, as per par. 22.1 and 22.2 of TISG.

Finally, with resolution no 555/2012/R/Gas dated 20.12.2012: news concerning the resetting of possible differences applied by shipment companies in the first three months of the year has been introduced, the settlement session expiry has been postponed from 25th to 28th each month, and provisions to allow the correct subdivision of duties between the distribution company and the implied one have been enforced.

As 2013-QI settlement sessions are concerned the expiry of the term by which the Chief of Settlement (RdB) tells the distribution company the lack, if any, of correspondences from the fifth to the eleventh day of each month has been postponed, and the time distribution companies have to communicate the existing network users in case new activations are required from has been modified.

Resolution no 235/2012/R/Com dated 06.06.2012 - Urgent provisions for the interruption of payments of water, electricity and gas supplies for the populations hit by the earthquakes on 20.05.2012 and subsequent.

With this resolution, the AEEG has urgently interrupted the payment of invoices for electricity and gas supplies to the clients located in the towns hit by the earthquakes on 20.05.2012 and subsequent.

With subsequent resolution 314/2012/A dated 26.07.2012, the AEEG has set a six-months period (up to 20.11.2012) as regards to the invoice payment interruption and has decided to arrear discipline is applied in the same period.

Finally, with resolution no 6/2013/R/Com dated 16.01.2013, the Authority has introduced the facilitations in favour of the populations hit by the earthquakes, i.e. discounts of tariffs and the possibility to pay the invoices due in installments. More precisely, discounts on the network use and general system costs, as well as the resetting the costs of new activations, transfer registrations and stepping-in.

Also, the seller shall divide payments into installments automatically and with no interests and shall observe all information obligations via website and invoice.

Resolution no 243/2012/E/Com dated 14.06.2012 - Adoption of the new regulations regarding sanction procedures and procedure methods to assess duties.

With this resolution, the AEEG has approved the new Regulations to discipline the sanction procedures and procedure methods to assess duties of companies in order to compensate prejudiced rights.

With such regulation the general principles of simplification and participation to administrative procedures have been highlighted and the sanction quantification criteria has been guaranteed through a better distinction between the inquiries carried out by the AEEG's office and the decisions made by the AEEG's Board.

The Regulations has taken into account the news introduced by Law Decree no 5/2012 which implies a simplified procedure for the administrative sanctions and recognizes the AEEG the possibility to adopt precautionary measures in case of emergency, both before and during the sanction procedure.

Resolution no 258/2012/R/Com dated 21.06.2012 - Modifications and integrations of the Integrated Text of Retail Monitoring (TIMR).

With this resolution, the AEEG has made some changes to the TIMR as per resolution ARG/com 151/11.

In particular, the Authority has modified the Text where it provided for the coverage methods of Acquirente Unico's costs to collect data as well as some indicators in Annex A1 and A2 of resolution; in particular, the credit-collection (ID: M, O, P, Q) and invoicing (ID: AL, AM) data have been changed as regards to gas supplies.

Resolution no 260/2012/E/Com dated 21.06.2012 - Activation of the Settlement Service for energy customers and approval of the first implementation discipline.

With this resolution, the AEEG has activated a Settlement Service for energy customers by introducing an independent mechanism targeted to guarantee an efficient treatment of claims and extra-judicial solution of conflicts.

The new discipline is applicable to conflicts concerning the energy and gas service between the end-user and an operator. The procedure is mainly carried out online and can be started upon request of electricity service end-users eligible for a major protection regime and gas service vulnerable end-users.

The procedure implies the customer has already sent the seller a claim and, once verified the the validity of the claim, the parties shall appear before the Settler who, in case an agreement is reached, writes a report being mutually efficient as per art. 1965 of the C.C.

The settlement service is expected to start on 01.04.2013, date within which the operators intend to comply with the procedure shall give communication to AEEG.

With subsequent resolution no 475/2012/E/Com dated 15.11.2012, the AEEG has integrated the Settlement Service discipline, by creating a list of operators voluntarily complying with the extra-judicial conflict settlement procedure and by obliging the complying operators to take part in the instruments indicated for a period equal to the period needed to start the Settlement Service and not shorter than 2 years.

Resolution no 308/2012/A dated 26.07.2012 - Adoption of the AEEG's Strategic Plan for electricity and gas for the 2012-2014 period.

With this resolution, the AEEG has published the 2012-2014 strategic plan containing the action lines to follow for the electricity and natural gas sectors as well as the first indications on the evolution lines of water service regulations.

The AEEG's main targets are:

- a selective regulation of the electricity transmission and distribution services and of natural gas shipment, stocking and distribution services, as well as GNL regasification services;
- the enhancement of the electricity and natural gas measurement systems;
- impartiality and independency in managing the infrastructures essential to develop competitiveness;
- the transition towards a new electricity wholesale market paradigm;
- the implementation of a natural gas sector regulation able to combine safety and market;
- making minor consumers aware of their possibilities and responsibilities through information and enforcement;
- monitoring markets, controlling and enforcing rules as a tool to better apply regulations;
- issuing simple high-quality regulations;
- promoting energy efficiency and competitiveness development.

Resolution no 548/2012/E/Com dated 20.12.2012 - Approval of the energy Consumer's Desk Regulations to develop claim-treatment activities and the modifications to the Regulations of the cost coverage methods.

This resolution approves the new energy Consumer's Desk Regulations to develop claim-treatment activities and the modifications to the Regulations of the Desk cost coverage methods.

The Regulations were enforced on 01.01.2013 and a one-stop centre managed by Acquirente Unico S.p.A. has been activated thanks to which customers have all the information they need on their rights, the regulations in force and the methods to solve conflicts.

The customer can then forward a written claim to the one-stop centre only when they have already sent the seller a claim or written request and has waited for the replying period defined in the TIQV or RQDG or TIQE, if any, to elapse.

Otherwise, the claim is considered irregular.

Obligations for operators have been introduced for them to respond to the one-stop centre's requests for information within 20 working days as of the receipt of the request.

To monitor the response quality two new indicators have been introduced: response punctuality and failure.

Resolutions concerning energy efficiency

Resolution 197/2012/R/efr dated 18.05.2012 - Start of the procedure to provide for criteria to adjust the energy title mechanism regulations

With this resolution, the AEEG has started a procedure to provide for criteria to adjust the energy title mechanism regulations (TEE) to Ministerial Decree dated 5th Sept. 2011 and concerning the issuance of white certificates to high-proficiency co-generation plants. Also, the resolution aims at defining the best operational methods to enable GSE check white certificates and the AEEG efficiently monitor the impact of the reference provisions on the operation and efficiency of TEE's mechanisms.

Resolution 202/2012/R/efr dated 18.05.2012 - Start of the procedure to provide for criteria defining the operational methods to assess the offer to assign the gas distribution service, with reference to the energy efficiency investments. With this resolution, the AEEG has started a procedure to implement the “Tender criteria regulations for natural gas distribution services” as per Ministerial Decree dated 12th Nov. 2006, which includes the investments made by the distributor in energy efficiency among the economic tender conditions and that have recognized additional energy efficiency titles (TEE) for the distributor. The resolution aims at defining implementation methods for such provisions that are both efficient and consistent with the reference regulatory framework of TEE mechanism.

Resolution 203/2012/R/efr dated 18.05.2012 - Adjustment of the market regulations of TEEs and bilateral transactional regulations.

With this resolution, the AEEG has provided for the adjustment of the TEE mechanism regulations to Ministerial Decree dated 5th Sept. 2011 and concerning the issuance of white certificates to high-proficiency co-generation plants. Also, the resolution aims at defining the best operational methods to enable the AEEG efficiently monitor the impact of the reference provisions on the operation and efficiency of TEE’s mechanisms.

Resolution 239/2012/R/efr dated 07.06.2012 - Urgent provisions concerning the organization and management of energy saving assessment and certification.

With this resolution, the AEEG has postponed to 31/12/2012 the use of ENEA’s support to perform the assessment of final project proposals and requests for verification and certification submitted in the TEE mechanism of related controlling activities. Such report of use and management of the relevant procedure shall continue to be ruled as per resolution no 4/06, as modified by the subject resolution in order to take into account the further evolutions of the reference context to perform said activities. Enea shall therefore continue to carry on inquiries and controlling the AEEG’s decisions as regards to the aforesaid procedures by submitting the requests for integration and clarification needed, being it understood that each final assessment concerning decisional power is only AEEG’s. The resolution is adopted in order to guarantee the continuity in developing the aforesaid activities while waiting for the implementation of art. 29, par. 1, letter b) of Leg. Decree no 28/11.

Resolution 367/2012/R/efr dated 20.09.2012 - Control over the achievement of updated specific goals regarding energy savings by the distributors obliged for 2011 and provisions to the Compensation Fund for the electricity sector as regards to the relevant tariff contribution.

With this resolution, the AEEG verifies the achievement of the energy saving goals by the distributors obliged in 2011 including the possible compensation for the residual amount in 2010 and provides the Compensation Fund for Electricity with prescriptions to supply the relevant tariff contribution.

Efficiency and energy saving obligations

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

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

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

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

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

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

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

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

There are three types of White Certificate: Type 1 certificates pertain to electrical energy savings, Type 2 certificates to gas savings and Type 3 to savings of other fuels.

With the Decree dated 21st December 2007 the bond that demanded to natural gas distributors to consign for their annual objective at least 50% of Type 2 certificates, while for electric energy distributors to consign 50% of Type 1 certificate, has been surpassed. Without this bond, these two types of certificates (1 and 2) have been substantially equalized.

Apart from the distribution companies, Energy Saving Companies (ESCOs), i.e., companies accredited by the AEEG, can participate in the White Certificates market, and while they may not have any obligation to pursue energy saving objectives, they can achieve savings in primary energy through their own investments, with the intention of obtaining energy efficiency certificates to sell on the market.

The companies of the Ascopiave S.p.A. Group and Unigas Distribuzione S.r.l. are subject to the obligations set out in Decrees dated 20th July 2004 and 21st December 2007, and are obliged to meet the energy saving requirements established annually by the Authority.

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

If a distributor does not meet the agreed objective, it could be subjected to an administrative aim imposed by the Authority, implementing Law no. 481 dated 14th November 1995.

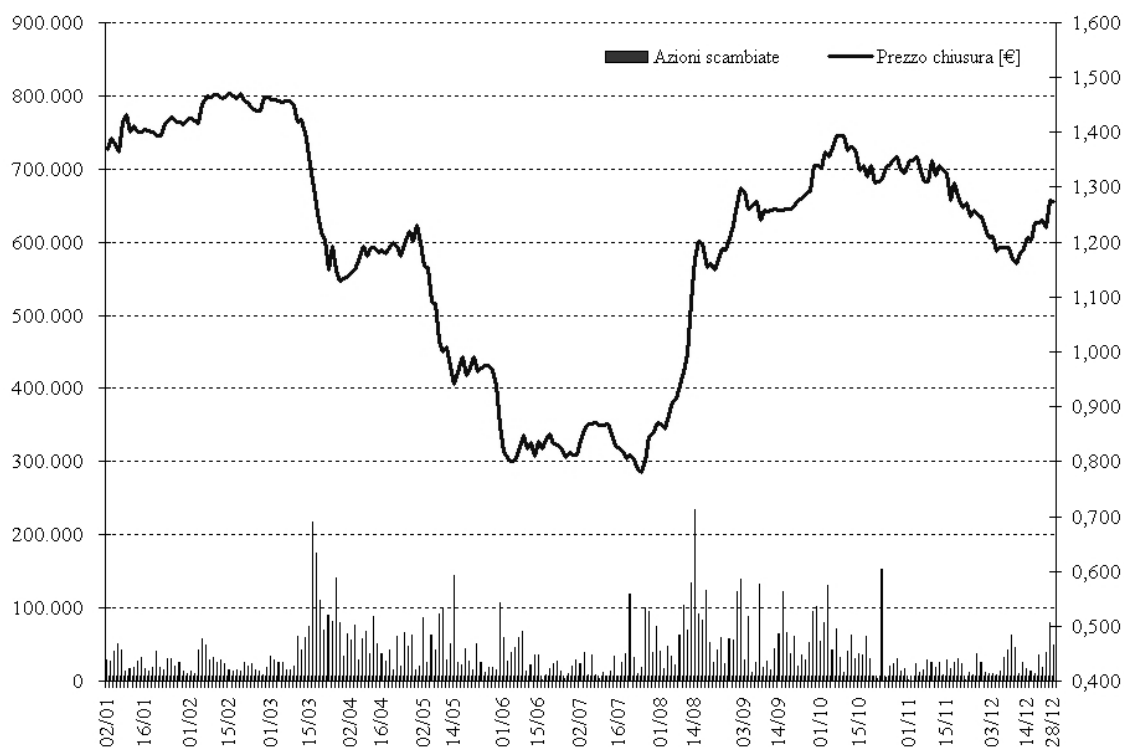
The AEEG, in its own communiqué of 29th December 2004, explained that the level of the fine would be fixed according to the number of T.O.E.s that were not saved, compared to the agreed objective, estimated on the basis of the market price of energy efficiency certificates.

Law Decree dated 28 Dec. 2012 has reviewed a good part of the energy efficiency title mechanism; also, it extends the mandatory period for distributors through 2013-2016 by making a distinction between equivalent tons of oil saved and white certificates the distributors shall submit, the reimbursement mechanism is reviewed and connected to market prices and the GSE (Energy Service Operator) is assigned the operation of the system. As regards to the observance of the obligation it is possible to deliver only 50% of the targeted quantity for the 2013-2014 period and to integrate the remaining part in the next two-year period. As regards to 2015-2016 targets, the previous threshold of 60% is re-set but the integration of the remaining part in the next two-year period is confirmed.

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

As of 28th December 2012, the Ascopiave share has registered a quotation of Euro 1.274 per share, with an approximate increase of 7.0 percentage points as compared with the listing at the beginning of 2012 (Euro 1.370 per share, referred to the quotation of 2nd January 2012).

Capitalisation of the Stock Exchange as at 28 December 2012 was equal to Euro 299.95 million.²



The negative performance of the title rating reflects the general utility companies' sector. During 2012, the quotation of the title shows a negative performance (-3.0%), which mirrors the current trend of both the main reference index FTSE Italia All-Share (-5.9%) and the FTSE Italia Star index (-15.1%).

In the following table we report the main shares and stock-exchange data as of 28th December 2012:

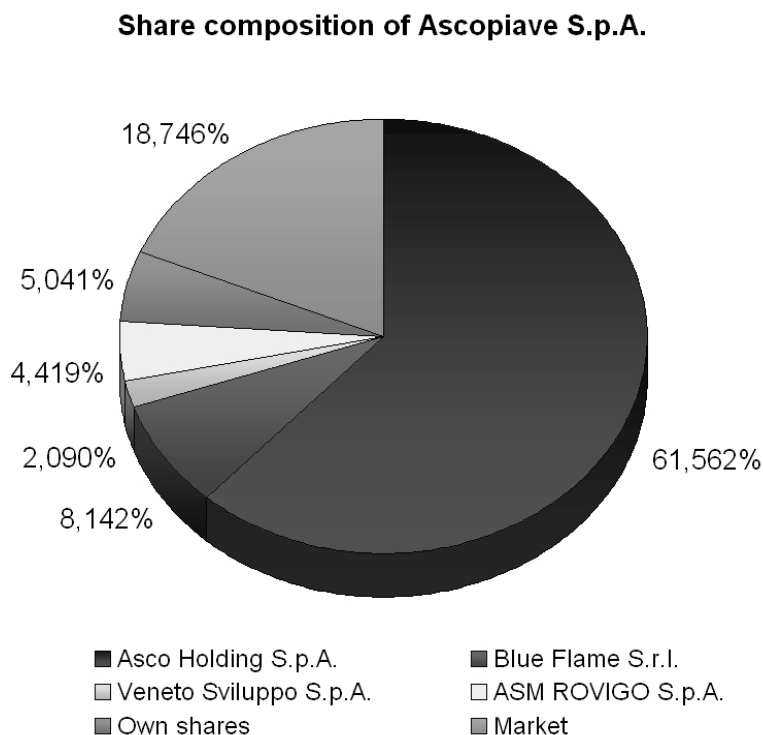
Share and stock-exchange data	28 December 2012
Earning per share (Euro)	0,12
Net equity per share (Euro)	1,64
Placement price (Euro)	1,80
Closing price (Euro)	1,274
Max. annual price (Euro)	1,470
Min. annual price (Euro)	0,780
Stock-exchange capitalization (Millions of Euro)	299,95
No. Of shares in circulation	222.595.127
No. Of shares in share capital	234.411.575
No. Of own share in portfolio	11.816.448

² As of 28th December 2012, the Stock exchange capitalisation of the main quoted companies active in the local public services (A2A, Acea, Acegas-Aps, Acsm-Agam, Hera and Iren) equalled 4.6 billion Euro. Borsa Italiana website (www.borsaitaliana.it).

Control of the Company

As of 31st December 2011, 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, is as follows:



Elaborated by Ascopiave based on data drawn from the Consob website (www.consob.it). The data relate to the updated situation, based on the communications sent to Consob by Ascopiave, as per current regulations and elaborated as of 24th January 2013.

Corporate Governance and Ethical Code

During 2012, Ascopiave S.p.A. continued its operating improvement process of the corporate governance planned during past years, introducing further improvements to the tools in order to defend investors' benefits.

Internal audit

The Company has developed an Internal Audit structure, with the aim of improving the efficiency of the internal audit system and the company organization efficiency. The activity of internal audit control are defined in the audit plan involving the main decisional processes, esp. with regards to the business areas deemed highly strategic. During the year, the optimization process of the ruling and controlling systems of the company has progressed, also by using the addresses expressed in the new Self-Regulatory Code issued by the Italian Stock Exchange.

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 regarding intermediate situations.

Organizational, management, and controlling model as per ex Leg. Decree 231/2001

Following a risk detection action (as per ex L.D. 231) concerning the introduction of new offences and the organizational modifications to the Ascopiave Group has lead to the Board of Directors' attention some proposal to integrate and amend the existing "organizational, management and controlling model". On 20.12.2012, Ascopiave's BoD has deemed necessary to review and extend the organizational model limits in order to cover new offence risks.

The company has also continued its promotional, diffusion and understanding activity of the Code of Ethics as concerns all its interactions, esp. with business and institutional parties. The corporate governance documents can be read in the Investor Relations section at www.ascopiave.it.

Management System

The Board of Directors has promoted a project targeted to strengthen the guiding, managing, and controlling functions of the corporate governance by introducing further organizational and regulatory instruments for both the parent company, Ascopiave, and the controlled companies, also to efficiently implement the managing and coordinating activities. On 15th March 2012, the Board of Directors has adopted the "guidelines regarding Ascopiave Group's guiding and coordinating power", with which the operational method are effectively complying. The Board of Directors has updated the existing powers in view of separating and reinforcing the guiding, managing and controlling functions by defining a new balance between the Board's, Chairman's and Managing Director's functions, and the appointment of a new General Manager.

The "Guidelines concerning the guiding and coordinating power of the Ascopiave Group" have been adopted by each administrative organ of Ascopiave Group's controlled companies and approved by the relevant Shareholders' meetings.

Transactions with related and affiliated parties

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

- ✓ Purchase of IT services from subsidiary ASCO TLC S.p.A;
- ✓ Purchase of materials for the production process and maintenance services from SEVEN CENTER S.r.l.;
- ✓ Credit transactions in favour of Asm Set S.r.l.;
- ✓ Purchase of gas from the affiliate company Sinergie Italiane S.r.l.

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

- ✓ Leasing of owned real properties to the subsidiary ASCO TLC S.p.A;
- ✓ Relations of active current accounts correspondence to Estenergy S.r.l. and to Veritas Energia S.r.l.;
- ✓ Services of the personnel of Ascopiave S.p.A to the affiliated Sinergie Italiane S.r.l.;
- ✓ Administrative services and services of personnel of Ascopiave S.p.A. to ASM Set S.r.l. and Veritas Energia S.r.l.

We would like to point out that these relations are characterized by the higher transparency and by market conditions. As regards to each relationship, please see the Explanatory Notes.

Significant events during 2012

Company operations that took place during the year 2012

Merger through acquisition of controlled company Global Energy s.r.l. into the controlling company Ascopiave S.p.A.

On 1st Oct. 2012, a deed of merger through unipersonal acquisition of “Global Energy S.r.l.” into Ascopiave S.p.A. was signed. The deed was registered in the Company Registration Office on the same day.

For accounting and fiscal purposes, the operations carried out by the acquired company have been recorded into the acquiring company’s balance sheet as of Jan. 1st 2012; for legal purposes, i.e. with regards to third-parties, the merger has been enforced on the date of registration in the Company Registration Office.

Signed an agreement to transfer the participation in Serin s.r.l. to the Casillo Group

On Dec. 18th, 2012, AscoEnergy s.r.l., a company of the Ascopiave Group, has transferred Agroenergetica s.r.l., a company of the Casillo Group, its whole participation in Serin s.r.l.’s equity capital, a holding company having the full equity capital of nine companies operating in the photovoltaic sector, subject to joint-ventures with the acquiring Apulia group.

The participation transferred, which corresponds to 50% of Serin s.r.l.’s equity, represented the only participation held by the Ascopiave Group in the photovoltaic sector, as a consequence of its successful collaboration with the Casillo Group, which has led to the start-up of 9 photovoltaic plants, located in the province of Bari, with an installed power totalling 17Mw.

The price agreed for the transfer was €8.5 million. Other than transferring the participation in Serin s.r.l., the Ascopiave Group has simultaneously acquired AscoEnergy s.r.l.’s (the minority shareholder’s) share equalling 30% of the equity at a price of €19 m.

Transferring the gas distribution company branch to the Municipalities of Arosio, Carugo and Lentate sul Seveso

On Dec. 24th, 2012, Ascopiave S.p.A. has transferred to Gelsia Reti s.r.l. the company branch concerning the gas distribution service management in the Municipalities of Arosio, Carugo and Lentate sul Seveso. The transfer was agreed at a price of about €3.7 m.

The operation was authorized by the Municipalities involved in the natural gas distribution activities included in the company branch transferred.

By means of the operation, the gas distribution service management was transferred in favour of 12,300 end-user by operating a 130-km network.

Other significant events

Appointment of Mr Enrico Quarello as new Director of the Company

The Board of Directors, held on 26th April 2012, has appointed Mr Enrico Quarello as the Company’s new Director, in place of Mr Gildo Salton. Mr Quarello has been co-opted by Ascopiave S.p.A.’s Board of Directors on 14th Feb. 2012.

Appointment of the General Manager

Ascopiave S.p.A.'s Board of Directors, held on 15th March 2012, has appointed Mr Roberto Gumirato (who had been the Company's CFO since 2003). as the Company's General Director.

The General Manager shall directly respond to the President and Managing Director according to the new powers defined by the Board of Directors.

Shareholders' meetings on 26th April, 2012

On 26th April, 2012, Fulvio Zugno presided Ascopiave S.p.A.'s Shareholders' ordinary meetings which has approved the fiscal year balance sheet and read the Group's Consolidated Balance Sheet as at 31st Dec. 2011, and decided not to distribute dividends and allocating the period's net profits to the extraordinary reserve. The Shareholders' Meeting has also approved the Remuneration Policy, corresponding to Section I of the Report on Remunerations under Art. 123-ter of Leg. Decree 58/1998 and approved a long-term incentive plan based on performance indicators and Ascopiave's shares yields in favour of Ascopiave S.p.A. and the Ascopiave Group's companies' executive directors and managing staff with strategically important functions.

2012-2014 long-term incentive plan

On 19th July, Ascopiave's Board of Directors has detected the beneficiaries of the new 2012-2014 long-term Incentive Plan (the "Plan"), approved by the Shareholders' Meetings on 26th April, 2012.

In compliance with the Plan Regulations, the Board of Directors has deemed to indicate as beneficiaries of the prospected results of the Plan the executive directors of Ascopiave and Ascotrade and a group of directive managers and resources of the Ascopiave Group, basing on important criteria for the Group's functions.

Mutual Agreement with Mr Gildo Salton

On 18th Dec. 2012, Ascopiave has reached an agreement and defined by common agreement the conflict arising from the termination of its relationship with former General Manager Gildo Salton.

By means of agreement signed on 28th Jan. 2011, Mr Salton, already President and Managing Director of the Company, was hired on a long-term contract by the previous Board of Directors' as a General Manager, with a minimum gross salary equal to €230,000, additional to the salary he received for his role in the Board of Directors.

On 19th July, 2011, the Company rescinded the contract with Mr Salton for just cause by questioning the validity and effectiveness of said contract, as the nature of the relationship. Mr Salton had questioned the legitimacy of the rescission and asked the Company to pay, in virtue of the contract terms, the termination indemnity, the in-lieu-of-notice compensation due under the Law and CCNL (National Working Contract), the 36-months penalty, including the Gross Annual Remuneration (RAL) and every compensation and/or remuneration received as a Director, as well as compensation for (moral and existential) damage.

In virtue of the agreement reached, Mr Salton has already been given €200,000, as well as €30,000 for legal expenses.

Sinergie Italiane S.r.l. under liquidation

- On 28th March, 2012, Sinergie Italiane s.r.l.'s shareholders' meeting has approved the fiscal year balance sheet for the 01.10.2010-30.09.2011 period closed with a €922m loss and a negative net capital of €88.7 m. Having considered the fiscal year results, as per Art. 2483-ter of the C.C., the Shareholders' meeting decided to zero the equity capital, and to zero the losses by means of cash payments made by the shareholders and to re-establish, by increasing it, the equity capital to the nominal value of €1 m.

- This operation was completed successfully. The loss highlighted have been completely zeroed and the equity increase fully subscribed and freed.

- On 4th April, 2012, Ascopiave S.p.A. has completely subscribed and freed a participation equal to 30.94% of Sinergie Italiane s.r.l. An identical participation has been subscribed and freed by each Blugas S.p.A. and Iren Mercato S.p.A.'s shareholder. The Ambiente Energia Brianza S.p.A.'s shareholder has subscribed and freed its 7.18% participation by conserving the same share it had before the equity operation. The two Alto Milanese Gestioni Avanzate S.p.A. and Utilità Progetti e Sviluppo s.r.l. shareholders, instead, waived the option and left the holding structure. The shareholders have subscribed their participation and zeroed the loss in a percentage proportional to the current equity.

On 13th April, 2012, Sinergie Italiane s.r.l.'s Shareholders' meeting has decided to put under liquidation the company and appointed a board of liquidators. The Board took power on 26th April, 2012.

On 26th July, 2012, Sinergie Italiane s.r.l.'s Board of Directors has approved the statement of accounts on the Directors' management as per ex art. 2487-bis of the C.C. for the 01.10.2011-25-04-2012, showing a positive net balance of €8,820 thousand.

Signature of a convention agreement with the Municipalities to adopt a shared procedure aiming at quantify the “Residual Industrial Value” of networks.

Management of the plants in the municipality of Villaverla

Since 1st February 2012, Ascopiave has ceased to manage the gas distribution systems in the Municipality of Villaverla (VI). The termination follows Resolution no. 27 issued on 11th February 2011 by the City Council, with which the management of gas distribution service was finally awarded (Ascopiave had been providing the service since 2008). The Municipality paid to Ascopiave the sum of Euro 1,728 thousand as a compensation for the acquisition of the plants. The value of the plants recorded by Ascopiave was higher by Euro 42 thousand, for which the related capital loss was recognized.

Signature of a convention agreement with the Municipalities to adopt a shared procedure aiming at quantify the “Residual Industrial Value” of networks.

In 2010 QIV, Ascopiave S.p.A. has developed a Convention proposal to the 93 Municipalities partners of Asco Holding in the provinces of Treviso, Venice, Pordenone and Belluno based on the adoption of a shared procedure targeted to quantify by common agreement the “Residual Industrial Value” or “RIV” of the networks through which gas is distributed to each Municipality.

On 31st Dec. 2012, the Convention showing the procedure to reach a quantification by common agreement of the RIV was approved by all local entities in the aforesaid Provinces.

The Convention implies hiring a renown independent competent professional in order for him to determine the fundamental criteria to apply to calculate the RIV of the gas distribution plants.

The expert, hired basing on a comparative procedure on 29th August, 2011, has written a report on the “Fundamental criteria to calculate the RIV of the natural gas distribution plants located in the Municipalities currently serviced by Ascopiave S.p.A.” which was approved on 2nd Dec. 2011 by Ascopiave's Board of Directors and submitted to the municipalities.

The aforesaid report dated 31st Dec. 2012 is now approved, by means of Municipal Council Resolution, by all the 93 local entities.

According to the current regulatory discipline, the RIV expresses Ascopiave S.p.A.'s value shall be entitled to receive at the end of assignment period by the possibly new contractor for the gas distribution service.

The quantification of the agreed V.I.R. allow to Ascopiave S.p.A. to limit the risk of litigation in the conduct of tenders for the allocation of new concessions for the distribution of gas with the aim of avoiding situations of uncertainty and possible conflict.

Ascopiave S.p.A. shall manage the gas distribution service up to the renewal of the assignment.

With reference to some of the aforesaid Municipalities, Ascopiave S.p.A. has decided to pay an amount consisting of a fixed "one-off" component at the date of the subscription of the convention. The payment of such fixed-component has implied a €3,869 thousand expense as regards to 2010.

The Convention implies, other than the "one-off" amount, the payment by Ascopiave of an annual variable in favour of Municipalities, on condition that the Municipal Council approves the report to determine the RIV valuation criteria. The component amount equals the difference: if positive, between 30% of the "profit recognized by the tariff regulation ("VRT") to Ascopiave S.p.A. to manage the gas distribution service in the Municipal territory interested and the amount already received by the Municipality itself as a dividend in 2009, due to the indirect participation of Ascopiave S.p.A. The payment of such variable component implies a €5200 thousand expense. As regards to 2011 and 2012, further to the VRT approval the amount was €5,006 thousand and €5,254 thousand, respectively.

Sales of natural gas and electric power

Gas sale

General overview of the market

The gas market in Italy was characterized by a progressive increase in prices with respect to the average price in other Countries. This is mainly due to the import method agreements. Most of the agreements are "take or pay" with supply price update conditions determined according to the International price trend of raw oils. This mechanism originates high gas price levels in Italy as it not connected to the gas price trend in Europe, which is decreasing owing to the reduction in domestic demand and the GNL. Prices concerning "take or pay" agreements are influenced by an important gap compared to other Countries, owing to the historical agreement conditions. The incomplete integration to the European markets, caused by hardly available interconnections with Europe to use third-party operators and the lack of important volumes available of GNL regasification capacity under regulatory regimes contribute to a hardly liquid market and higher prices with respect to European competitors, though Italy has an excessive import capacity from productive Countries.

The regulatory action in the sector has continued to be intense and will shortly introduce important changes.

The AEEG has continued to introduce more and more complex rules needed to guarantee the liberalization of the market thanks to the application of rules that can be clear for everybody. This helps all operators reach a high specialization level in managing services.

As regards to sales to end-users, the announced AEEG's resolutions concerning economic conditions in the safeguard service will lead to an important reduction in companies' sales margins, and subsequently re-dimensioning actions to reduce operating costs, thanks to the creation of scales economies. In such a case, it will be very important to support the expected size growth by investing in information systems in order to be efficiently competitive.

The business complexity requires higher quality levels in managing and checking swings from the pre-fixed targets in order to promptly correct situations that, in big segments as in energy trading, can determine critical situations. Managing complexity often leads to higher and higher cost supports. With regards to this, selling companies, through their associations, are trying to make the AEEG aware of major managing costs and charges deriving from the important growth of non-paid arrears, which are supported by the unwillingness of companies to cut off the supply in such cases.

Actions by the AEEG

In November 2012, the AEEG has issued a reference document (DOC 471/2012/R/Gas) with which it has claimed its intention to radically modify the criteria to determine the CCI component for the protected market (component recognizing gas procurement costs as of 1st Apr. 2013), owing to the important worries arising in companies selling gas to end-users.

The intention of the Authority is to determine this component by linking it to end-user gas market ratings, by considering an “insurance” component, aimed at helping operators having long-term agreements with “take or pay” conditions, which are particularly expensive today, but which guarantee the safety of our Country’s gas procurement system.

The reference resolution proposed offers a substantial re-organization of the entire protected customers market structure concerning the whole gas procedure basing on the expected operations of the end-user market not existing yet and which will subsequently involve a start-up period.

If the Authority approved a definitive resolution, by adopting the intentions expressed in the reference document without applying the proper corrections, this would lead to a step backwards in the market liberalization, many market operators say. The important reduction in the company margins as regards to the post-production chain activities, the market would favour vertically integrated operators (which could fully exploit both facilities and procurement), while it would work against all newly-born operators in the gas market, which are more linked to long-term agreements.

Also, the economic advantage for end-users could be mitigated by the loss in competitiveness but also by the insurance cost provided for by the reference document.

In February 2013, the AEEG has issued the reference document 58/2013/R/Gas indicating its final guiding principles on the reform of the determination of the gas market price. The new document substantially confirms what was already expressed in the previous document issued in Nov. 2012 (DOC 471/2012/R/Gas) by supplying more detailed indications on the reform.

The reform targets to guarantee offer end-users a good-quality service and controlled prices through a 3-step path, according to the progress principle provided for by law no 1/12 (“Cresci Italia”).

In step 1, between Apr. 1st and Sep. 30th 2013, the raw gas price shall be calculated by increasing foreign hub ratings from 5% to 20%, which are more convenient with respect to long-term contracts. So, foreign spots prices incidence, which is now 5% on the raw material and 95% of the so-called *take or pay*, will increase to 20% as of April (the incidence will equal 80% and 20%, respectively).

In step 2, from Oct. 1st, a new innovative calculation method of raw material is suggested with a passage to 100% spot prices formed.

In step 3, as of 1st Oct. 2014, the Authority has proposed the possibility to introduce specific instruments to safeguard consumers from possible price peaks or sudden gas lacks. Whether to activate these instruments, which replace the previous “insurance” against gas-price increases, shall be decided in the future only if the current price dynamics can effectively invert.

Management trend

The volumes of gas sold to the final market in 2012 by 100% consolidated companies are equal to 1,059.1 million of cu.m, (of which 25.8 million of cu.m were used for the enlargement of the consolidation area), showing a decrease by -5.6% compared to 2011. To these volumes we have to sum the volumes sold by the proportionally consolidated companies (Estenergy, ASM Set and Veritas Energia), that during 2011 totally sold 621.7 million of mc of gas.

The sale activity by the Virtual point of Exchange and as wholesaler produced, during the period, the movement of 615.7 million of cu.m (-46.6% as compared to the previous year).

As far as 100% consolidated companies are concerned, the growth of sold volumes was accompanied by an increase in customers that, as of 31st December 2012, reached 559.349 units (-0.68% as compared to the end of 2012). As of 31st December 2012, proportionally consolidated companies managed and served 292.028 customers (-0.63% as compared to 2011).

Commercial solutions for gas sale

The provisions being defined are based on the AEEG’s conviction the current updating method of the (long-term contract) economic conditions in the safeguard service no longer fits the new market conditions. The AEEG provides for the creation of a gas market to become the reference to adapt the tariffs in the safeguarded market.

“Non-multinational” operators intending to enlarge their activity outside their historical territory, encounter a number of hindrances in diffusing their “image” as there are not enough competitive offers and high-quality services to conquer new market shares.

Investment in communication imply high costs and the return is not immediate; the benefits expected, can rise after some years.

For the aforesaid reason, the Group has chosen a territory of prospective commercial development in which it has already had a significant present by identifying the area in Veneto, Friuli Venezia Giulia and Eastern Lombardy.

The Group’s commercial and marketing activities have been developed and are implemented by making sure the growth is accompanied by a consistent and adequate organization of the back-office service, in such a way the external growth and “post-agreement” support agreement are adequately balanced.

To achieve this goal, the Group to invest in their HR resources training with the aim to increase both the technical and socializing skills within the workgroup and company.

The business and marketing policies in the gas segment have been developed to expand the portfolio of customers and reduce the passive “switches”, and reducing the switching rate.

The volumes of gas sold have remained unchanged with respect to the previous year, though the last two-year period has recorded a negative “thermal” trend. The average day temperatures have been much higher than over the past twenty years with a sensitive reduction in the average consumption by households.

Within the scope of commercial policies, a particular attention was paid in estimating the supply risk as regards to industrial customers owing to the current economic crisis. Considering the generally downwarding market trend involving low margins and a high credit risk, the business activity has been focused on historical industrial clients within the areas characterised by the important presence of households, both to reduce the aforesaid risk and to obtain benefits to optimize the shipment capacity.

Sale of electric power

The electric power market

In the Italian electricity market, as confirmed by the document of reference “the new national economic energy strategy” in order to exploit the opportunities deriving from the European integration, shall mandatorily harmonize the current system and take actions in order to harmonize all future choices with the EU regulations.

In order to achieve this goal, the Italian electricity market is undergoing a radical transformation phase. The strategy in this sector shall target to the alignment of electricity costs and prices to the EU values, to insure the full integration on the European market, to keep and develop a free market fully integrated with renewable sources production by progressively eliminating all the distortion elements and absorbing the current excessive production capacity.

By analysing the activity from inside the Gruppo Ascopiave S.p.A.: the electricity sector, thanks to the investments in the communication field, has been successful through a “dual-fuel” offer (electricity and gas), with which some companies of the Group in 2012 have almost doubled the number of clients serviced.

The break-even in managing the electric segment is still distant but it could be reached in the next few years. Today, the percentage of electricity customers is still low as compared to the total portfolio of clients and - considering the minor margins that can be gained in the electricity segment - it shall increase by almost 15-20% for the business to reach the economic break-even.

The sales volume growth (Kwh) has proportionally followed the increase in clients with a limited influence by the climatic factor.

Ascopiave Group: management trend

In 2012, the amount of electric power sold by 100% consolidated companies equalled 170.6 GWh, with an increase of 15.0% as compared to 2011. To this amount we have to sum the one sold by proportionally the consolidated companies (Estenergy S.p.A. and Veritas Energia S.r.l.) which, in 2011, equalled 1,568.5 GWh.

Distribution of natural gas

Ascopiave Group: management trend

In 2012, the volumes distributed through the networks managed by the Group have been 955.0 million cu.m, of which 765.5 million by Ascopiave S.p.A., 52.4 million cm by ASM DG, 59.5 million cm by Edigas Esercizio Distribuzione Gas S.p.A. and 77.6 million cm by Unigas distribuzione S.r.l.. (proportionally consolidated company of which the Group owns a share equal to 48.86%).

The distribution network, as a consequence of new extensions in 2012 and considering the variations of managed allocations portfolio, as at 31st December 2011 has an extension of 8,042 km.

(The data indicated as regards to the volumes distributed and network length are obtained by adding each Group company's data, previously pondered according to the relevant consolidation share).

Activity of distribution of natural gas

The management of natural gas distribution is articulated in a number of elementary activities:

- the design and development of distribution systems: pipes, cathodic protection systems, first stage decompression systems (Re. Mi. cabins), final reduction stations (GRF) and reduction and measurement stations for industrial and commercial users (GRM), metre assemblies;
- the construction of the above mentioned systems; particularly, the installation of pipes and GRF/GRM's to ensure the extension and upgrading of the network, the construction of Re. MI. cabins and the installation of rods to ensure the cathodic protection of the pipes;
- the protection of and use of the distribution system;
- ordinary and scheduled maintenance;
- extraordinary maintenance and replacement of the system;
- the respect of the dispositions of the AEEG for what concerns safety and continuity of distribution service (Res. ARG/gas no.120/08 and subsequent amendments) concerning first aid, emergency management and gas accidents, dispersion research, odorising and cathode protection;
- the acquisition and management of concessions;

Following the obligatory separation of the selling activities from the distribution activities, the administrative onuses have greatly increased for the distribution company, in order to guarantee impartial management of the service in the face of selling companies that request access to the network.

These new duties bring with them the necessity to invest considerable sums in information technology.

The distributor's role is very important in guaranteeing an appropriate process of opening the market to competition, and in the experience of Ascopiave S.p.A., proper functioning of the system can only be guaranteed by companies that are technically qualified.

Among other things, distribution companies must be able to face switching requests (contractor change) from the selling companies in a quick and timely manner, they must guarantee a trustworthy billing service, and additionally, must provide for the correct allocation of the monthly costs between the selling companies that use the network for the supply of gas to their personal end customers. Improper management of these processes contributes to making the system more complicated and the activities of the selling companies more risky, with the inevitable consequence of discouraging new entries into the market.

Development, expansion and maintenance of the distribution network

Ascopiave S.p.A.

Ascopiave S.p.A. manages gas distribution activities throughout a territory consisting of 149 municipalities in the Regions of Veneto, Friuli Venezia Giulia, Lombardy and Emilia Romagna.

Network development activities are planned and coordinated by the main headquarters.

Activities of planning, prevention and employee management for the implementation of new distribution systems are carried out centrally on the request of private customers or by the public administration. The design offices of the headquarters design the Re.Mi. cabins, pipes, groups and final reduction stations and metre assemblies (for industrial user) and cathodic protection systems, to ensure that the state of the pipes is preserved over time. In order to properly assess the actions to be taken, designers make use, among other tools, of a cartographic and calculation system that, by creating a fluid-dynamic model of the operating parameters of the network, calibrated on the seasonal trends of consumptions, can predict the effects produced on the network by temperature changes, malfunctions or new points of delivery.

In 2012, the investments for the extension, the empowering and maintenance of distribution network and plants have been significant.

- one new Re. Mi. cabin was developed and commissioned;
- a cabin and the surrounding area was completely re-made (including walls) as a consequence to a fire that had damaged them;
- 18 extraordinary maintenance interventions were carried out on the Re. Mi. cabins and coordinated by the Design Project, in order to adjust the systems to the increase in hourly consumptions and to the requests for new connections and renewals of the plants, execute renovations or decontamination of devices and meet the industrial plan requirements for the tenders awarded;
- 73 GRF's were developed and commissioned;
- about 74 GRM's were designed, developed and commissioned;
- about 52 metre assemblies were designed, developed and commissioned;
- 58 km of pipes were developed and laid, with interventions in 84 municipalities.
- 10 cathodic protection systems for the pipes laid were developed and commissioned;

Ascopiave S.p.A. performs maintenance activities on the distribution systems in order to maintain adequate safety levels, ensure quality and continuity of service, in part through the work of internal personnel, and in part using third-party services.

In order to operate the network and distribution plants, Ascopiave adopts a calculation system which, through a fluid-dynamic model of the operating parameters of the network set according to the consumption season, enables to calculate in real time the effects produced on the network by thermal changes, anomalies or new re-distribution points.

By using these instruments, accompanied by a research on gas leakages with leak detector vehicle on 100% of the distribution network (outsourced activity) Ascopiave can pre-detect gas leakages and repair them to increase the level of service safety and continuity.

The 24/7 monitoring of the main parameters of operation of the plants is carried out through the computerized control of the Re.Mi. cabins, of the amount of odorizer introduced into the network, of the GRF's and of the cathodic protection

systems and by signalling, in real time, non-standard operating conditions.

On the first stage decompression systems (Re.Mi.), on final reduction stations (GRF) and on reduction and measurement stations (GRM), preventive and corrective maintenance required under the norms in effect are performed for the most part by personnel employed by Ascopiave S.p.A.; all other maintenance is performed by third-party companies.

With the aim of controlling the correct operation of plants and of reducing the probability of damage or malfunction, ordinary maintenance is carried out through operations of Programmed Preventive Maintenance (MPP), i.e. partial or total disassembly of the apparatus, cleaning, control of the component parts and replacement of the parts subjected to wear and tear and of Functional Verification (VF). In 2012, 21 MPP, 180 VF and 4,531 inspections on Re.Mi. have been performed, plus 248 MPP, 1,496 VF and 1,337 inspections on reduction groups. A large part of the interventions performed in 2012 were aimed at checking the accessibility and functionality of line shut-off valves and general shut-off valves of the groups of reduction stations, for a total of 1,693 interventions. These action, but for the detecting valves of railway passages, are not provided for by the law. Ascopiave takes them in order to enhance the trustworthiness of the devices in case of need, with a subsequent increase in the distribution service safety. Further to this, a specialising company has taken action to solve the problem; about 170 interventions were carried out.

The company staff has carried out more than 870 interventions: duct moving, underground connections, cuts, dielectric joints and valves, etc.

The safety indicators (arrival time, planned inspection of the network, etc.) and continuity indicators (service shut down) have been efficiently kept under control, in full compliance with the service obligations fixed by the AEEG.

In 2012, the company 24/7 first aid, which can be activated by calling a dedicated free-toll number working on the Ascopiave S.p.A. territory, carried out 4,569 interventions with times largely lower 60 minutes.

In 2012, 100% of the distribution network was inspected to reduce the risks deriving from uncontrolled gas leakages caused by damage to the plants. The inspection programme was higher than the minimum standards required by the AEEG for the distribution plant and corresponds to the particular attention paid by Ascopiave S.p.A. to the service safety.

Proper odorization of the gas is periodically monitored, and some first stage gas pressure reduction stations use automatic injection systems that allow timely dosage of the odorization contents. In 2012, 561 measurements of the level of odorising have been made (with the gas chromatographic instrumental method) in the moment of maximal and minimal period of withdrawal; all measurements suited the current technical norms. In view of a continuous monitoring of the odorizing capacity, 712 measurements were taken by means of a portable device.

ASM DG S.r.l.

ASM DG S.r.l. manages the gas distribution network in the municipality of Rovigo.

Like the previous financial year, 2012 was characterised by the alignment of corporate procedures with the standards of

the Parent Company. In particular, important synergies were implemented in all administrative and technical activities, as well as in those regarding process control and HR management. As to the operational sector, the management systems adopted by Ascopiave S.p.A. were implemented and the related IT platforms were unified.

Finally, the management of a call-centre service for emergencies was entrusted to all the companies of the Ascopiave group, by means of a sole contract, with a clear and positive economic outcome and management uniformity.

Activities of planning, prevention and employee management for the implementation of new distribution systems are carried out centrally on the request of private customers or by the public administration.

In 2012 the investments for the extension, the empowering and maintenance of distribution network have been significant. In fact, the important network extension programme agreed with the Municipality of Rovigo in 2010 was completed when renewing the gas allocation. Basing on the tele-programme 10 km of network extension have already been activated.

Also, 668 meters of cast ducts were replaced well ahead the deadline as per the AEEG's total elimination programme. Gas works were also carried out on 5 lots for 2 kms of ducts.

In the industrial and residential area "interporto area", the local network capacity was increased by increasing the pressure from 20 mbar to 300 mbar, and proper technical adjustment of ducts and user derivations.

ASM DG carries out the activity of maintenance of the distribution network and of the plants in order to maintain proper level of safety, quality and continuity in the service, partly through the intervention of internal personnel and partly using other companies.

The 24 hours on 24 hours monitoring of the main parameters of operation of the plants is carried out through:

- the computerized control of all Re.Mi. Cabins and of all main final reduction plants with signal in real time, of the functioning state of the fixed standards;
- the monitoring and management from far of the electric plants of cathode protection, with the constant maintenance in full efficiency of the active protection of the pipe from the corrosion and the execution with celerity and efficiency of the maintenance necessary interventions.

The indicators of safety (time of arrival at the place of call for the first aid, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, with respect of the obligation of service prefixed by the AEEG.

The company's emergency intervention service can be contacted by means of the specific free-phone number, that is operative 365 days a year, 24/7. In 2012, it has carried out more than 575 interventions; the arrival time was less than 60 minutes.

During the year, inspection of 100% of the distribution network was carried out, with the aim of reducing risks coming from the uncontrolled leaks of gas due to deterioration of or damage to the systems. All the leaks detected were repaired within the deadlines set as standards by the Authority. The inspection programme implemented in 2012 was even stricter compared to the requirements of the AEEG, thus clearly showing the commitment and attention paid by ASM

DG S.r.l. to safety.

Proper odorization of the gas has been periodically monitored. All first stage gas pressure reduction stations use automatic injection systems that allow timely dosage of the odorization contents. Moreover, the checks on odorization amounted to at least twice as many as those provided for by the Service Standard Authority.

Edigas Esercizio Distribuzione Gas S.p.A.

Edigas Esercizio Distribuzione Gas S.p.A. (hereinafter Edigas DG S.p.A.) manages the gas distribution activity in 27 municipalities in Lombardy, Piedmont and Liguria.

In 2012, the investments for the extension, the empowering and maintenance of distribution network have been significant. The network was extended to the new industrial areas of Canneto sull'Oglio and Albenga, and two high-consumption forgeries were connected to the gas supply network.

During the year, more than 5 km of distribution network have been laid down, with interventions in 8 municipalities.

Also, the new Re.Mi cabin servicing the Sabbioneta municipality has been built as provided for by the investment plan suggested during the call.

The company carries out the activity of maintenance of the distribution network and of the plants in order to maintain proper level of safety, quality and continuity in the service, partly through the intervention of internal personnel and partly using other companies.

On the first stage decompression systems (so-called Re.Mi.), on final reduction (GRF) and on reduction and measurement stations (GRM), preventive and corrective maintenance required under the regulations in force are performed for the most part by personnel employed, but also by specialized third-party companies.

During 2012, 2 new plants of final reduction needed maintenance and 1 new group of reduction and measurement for industrial use was replaced. Also, 6 Re.Mi. were equipped with a system for injecting the odorizer.

The indicators of safety (time of arrival at the place of call for the first aid, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, with respect of the obligation of service prefixed by the Deliberation AEEG n. 168/04.

The company's emergency intervention service is operative 365 days a year, 24/7. In 2012 has carried out 669 interventions and the arrival time was less than 60 minutes.

Over the course of 2012, inspection of 100% of the distribution network was carried out, with the aim of reducing risks coming from the uncontrolled leaks of gas due to deterioration of or damage to the systems. The inspection programme carried out is superior to the minimum standards required by the AEEG for distribution systems, and demonstrates the attention paid by Edigas DG to the safety of its services.

In 2012, over 161 measurements of the level of odorizing were made (with the gas chromatographic instrumental method) upon maximal and minimal period of withdrawal, and all measurements were compliant the current technical regulations. Moreover, the Italian Finance Police and the AEEG performed checks on the odorizing level in the Salussola (BI) plant, with results meeting the current regulatory requirements.

Unigas Distribuzione S.r.l.

Unigas Distribuzione S.r.l. (hereinafter Unigas S.r.l.) manages the gas distribution activity in 32 municipalities of the district of Bergamo.

Network development activities are planned and coordinated by the main headquarters located in Nembro.

Activities of planning, prevention and employee management for the implementation of new distribution systems are carried out centrally on the request of private customers or by the public administration. The central technical structure has a cartography and calculation system, which, through the creation of a fluid-dynamic model of the network's functional parameters, calibrated on seasonal consumption progress, allows the constant prediction of the effects produced to the network of sudden thermal changes, anomalies, or the insertion of new delivery points.

In 2012 the investments for the extension, the empowering and maintenance of distribution network have been significant, and in line with the previous years.

During 2012, over 12 km of distribution network were laid, and upgrading, renewals and extensions were also carried out.

Unigas Distribuzione S.r.l. performs maintenance activities on the distribution systems in order to maintain adequate safety levels, ensure quality and continuity of service, in part through the work of internal personnel, and in part using third-party services.

On the first stage decompression systems (so-called Re.Mi.), on final reduction (GRF) and on reduction and measurement stations (GRM), preventive and corrective maintenance required under the regulations in force are performed for the most part by third-party companies specialising in this activity.

With the aim of controlling the correct operation of plants and of reducing the probability of damage or malfunction, ordinary maintenance is carried out through operations of Programmed Preventive Maintenance (MPP), i.e. partial or total disassembly of the apparatus, cleaning, control of the component parts and replacement of the parts subjected to wear and tear and of Functional Verification (VF). In 2012, 29 VF's and 37 Inspections, and 8 Planned Maintenance Actions were performed (by internal personnel guided by the staff of a specialising third-party company). The Re.Mi. were controlled by the company staff totalling 1,500 controls over the year.

As regards to GRFs 132 VF, 141 Inspections and 9 planned maintenance actions were carried out.

In 2012, 10 new final reduction groups and 1 GRM to feed a thermal power station were activated.

The safety indicators (arrival time, planned inspection of the network, etc.) and continuity indicators (service shut down) have been efficiently kept under control, in full compliance with the service obligations fixed by the AEEG.

The company's emergency intervention service can be contacted by means of the dedicated free-phone number, active 365 days a year, 24/7 and managed by Unigas Distribuzione S.r.l. In 2012, about 1,300 interventions were performed,

and the average arrival time was largely below the average time set by the Authority (60 minutes). In total the calls received by the call centre were about 3,200 (increasing with respect to 2,600 of the previous year).

Over the course of 2012, inspection of over 34.4% of the distribution network was carried out, with the aim of reducing risks coming from the uncontrolled loss of gas due to deterioration of or damage to the systems. The inspection program carried out exceeds the minimum standards required by the AEEG for distribution systems, and demonstrates the attention paid by Unigas to the safety of its services.

In particular, 71 Km of Medium-pressure distribution network and 274 Km of Low-pressure distribution network were inspected, and 57 leakages were detected.

Proper odorization of the gas is periodically monitored, and some first stage gas pressure reduction stations use automatic injection systems that allow timely dosage of the odorization contents. Measurements of the level of odorizing have been made (with the gas chromatographic instrumental method) in the moment of maximal and minimal period of withdrawal; all measurements suited the current technical norms.

Estimates and new connections to methane-served areas

Ascopiave S.p.A.

The processes of budgeting and execution of new connections on enlargement of the distribution network (usually financed by the company) and/or parcelling are carried out on a peripheral level by the territorial units, which, in this field, benefit of organizational autonomy; they are, however, coordinated by the "Planning and Construction" Department of the headquarters. In relation to the cost estimates accepted by the customers, Ascopiave S.p.A. performed 611 interventions. For these types of interventions, the processes of budgeting and execution of new connections are not subject to the corporate commercial quality standards or to AEEG monitoring, as their performance time is closely related to the completion time of the distribution network.

On many newly built methane-served areas, 157 grounded prearrangements were performed, against 50 cost estimates accepted by the contractor of the primary urban works.

These provisions are established by the new assignee municipalities and are aimed at preventing the public wearing course from being damaged upon future execution of connections.

The processes of budgeting, preparing cost estimates and executing new connections are carried out on a peripheral level by the Territorial Units. In 2012, over 3,447 cost estimates were issued, to meet the increasing demand of connection to the service and of changes in the existing redelivery points, mainly by private customers and sale companies.

In 2012, a total of 1,268 transfers in methane-covered areas were performed. The "Modification Jobs" to the redelivery points (PDR) to final customers under contract, to be run on-demand by the sale companies and/or entities holding roadwork concessions, were equal to 691, a slight increase compared to last year

As a result of the offers accepted regarding new service connections on the existing network (scattered connections) in the year 2012, 3,623 delivery points were built, with a decrease (-12.5 %) compared those built in the year 2011. These PDR were also equipped with measurement assemblies.

On these new connections, Ascopiave S.p.A. performed over 2,648 "Simple Jobs" in 2011 (recording a decrease as compared to 2011). The average execution time (in 95% of the cases performed by a subcontractor) improved significantly as compared to the previous year, with a percentage of compliance with the maximum time of 98.5% and only 40 indemnifications paid.

In 2012, Ascopiave carried out 57 "Complex Jobs" (with a decrease as compared to the previous financial year): they are special interventions carried out on the medium-pressure distribution network (mainly serving industrial production cycles). This type of jobs is subject to a general reference standard (not subject, however, to automatic indemnification in case of non-compliance): as in the previous year, in 2011 target of 100% of the general level (on a reference of 85% prescribed by AEEG and adopted by the Company) was achieved.

ASM DG S.r.l.

In 2012, 143 estimates were issued and 111 connections were performed.

The average, actual time for the issue of simple jobs estimates resulted to be much lower than the maximum standard level established by the AEEG.

The average, actual time for the issue of simple jobs estimates resulted to be much lower than the maximum standard level established by the AEEG (10 days).

In 2012, 88 derivations of use in new methane-served areas have been executed (extension of existing networks and new lots).

Edigas Esercizio Distribuzione Gas S.p.A.

The process of estimate budgeting and execution of new connections is carried out on a peripheral level by the territorial units, which, in this field, benefit from organisational autonomy.

Without prejudice to the quality standards met and the current price lists, during 2012, a slight increase in execution times took place, although they still meet the requirements of the AEEG.

In 2012, over 345 cost estimates were issued, and following their acceptance, over 286 interventions were performed in favour of end customers, almost exclusively subject to only one specific standard (automatic indemnification in case the maximum execution time parameter provided for by the Service Charter is not respected).

In 2012, the actual average time for issuing an estimate and executing simple and complex works was by large lower than the standard identified by the AEEG.

Unigas Distribuzione S.r.l.

All the operational activities are carried out on a peripheral level by the territorial units, which, in this field, benefit from organisational autonomy, without prejudice to the AEEG and the Service (Area or Municipal) Charter regulations. The process is always coordinated and monitored at a central level (Nembro Headquarters) by the Department of "Commercial Services for Distribution", which periodically identifies and updates the Operating Procedures and the Price Lists for "Connections" and "Activities on PDR's/Counting Metres, in accordance with the Network Code and with the recent provisions issued by the AEEG on laying and replacing measurement assemblies.

The processes of budgeting and execution of new connections on enlargement of the distribution network (usually

financed by the company) and/or parcelling are carried out on a peripheral level by the territorial units, which, in this field, benefit of organisational autonomy; they are, however, coordinated by the "Planning and Construction" Department of the headquarters located in Nembro.

In relation to the cost estimated accepted by the customers, Unigas S.r.l. executed about 100 new connections. For these types of interventions, the processes of budgeting and execution are not subject to AEEG monitoring, as their performance time is closely related to the completion time of the distribution network.

The processes of budgeting and execution of new connections on methane-covered areas are carried out at a peripheral level by the territorial units, which benefit from organizational autonomy (including the collection of estimate requests at the Customer Care Offices), without prejudice to the compliance with quality standards, current price lists and corporate service charters.

In 2012, over 400 cost estimates were issued, to meet the increasing demand of connection to the service and of changes in the existing redelivery points, mainly by private customers and sale companies.

In 2012, the new connections executed amounted to 800 (new connections and/or upgrading of existing connections) and about 1,500 PDR's were either installed or upgraded.

Metre activities

Ascopiave S.p.A.

The activities carried out on delivery points (PDR), supplied exclusively by the accredited trading companies, are subject to the specific standards identified by the AEEG and to possible improving standards adopted by the Company as per the Municipal provisions in force in each Municipality and acquired by means of a call.

New activations:

The overall amount of new activations recorded a slight decrease as compared to 2011 (-12.2%).

The maximum reference times for activating a new supply were all lower than the specific reference standard of 10 days and in line with 2011.

Transfers:

As compared to the major national distributors and the Authority's directives, Ascopiave S.p.A. introduced, in 2006, an improvement standard for supply transfers (from ex final customers who cancelled the supply), identifying it as 50% of the maximum time needed for a new activation (specific reference standard equal to 5 working days until class G.25).

The requests decreased slightly as compared to 2011 (-4%).

In 2012, the improvements in the reference quality standards adopted by the Company were confirmed: out of a total of 8,303 transfers, the average time improved a little as compared to 2011, 7 indemnifications were paid for failing to comply with the maximum time and a percentage of approximately 100% of compliance with the maximum time as per the specific reference standard was attained.

Supply cancellations:

As compared to 2011, the services supplied recorded a slight increase (+4.6%).

Out of a total of 8,327 supplies, 4 indemnifications were paid, in line with 2011, whereas the average reference time

improved as compared to the average data concerning the past 3-year period.

Supply reactivations following interruption for arrears not paid:

In 2012, a huge increase in reactivations following interruption for arrears not paid was recorded (+15.3%). Out of a total of 3,477 reactivations, the average execution time is in line with 2011; whereas the number of indemnifications paid increased, thus reaching a figure of 125.

Supply reactivations following interruption for ex customers:

In 2012, this level of service recorded a decrease (-19.6%). Out of a total of 484 reactivations, quality standards are in line with 2011.

Tele-reading:

Over 2012, 890 electronic meter groups with add-on devices have been activated to tele-read the consumption data on a daily basis. Over the year, the plan to adjust tele-readers with a class higher than G25 as per resolution 155/08 by the AEEG was almost completed.

ASM DG S.r.l.

Interventions on meters, such as activations, transfers, cancellations, reactivations after delayed payment, to the service of the sales company were carried out in compliance with the standards specified by the company Service Charter, and in a lower time range than the one provided for by the Authority.

As it concerns the renewal of meters to conform to the AEEG's standards as per resolution 155/08 and subsequent, all G40 meters have been completely adjusted over the year by means of conversion devices provided with an integrated modem for tele-reading. Overall, almost 148 groups of measure have been adjusted.

Edigas Esercizio Distribuzione Gas S.p.A.

Interventions on meters, such as activations, transfers, cancellations, reactivations after delayed payment, to the service of the sales company were 2,080 and were carried out in compliance with the standards specified by the company Service Charter. No non-standard activities were reported.

The average time for supply activation and deactivation has been much lower than the maximum national standard.

By means of AEEG's resolution no 155/08, Edigas DG S.p.A. has normalized all G40 (as well as some G25 and G16) meters and has started integrate an electronic corrector with tele-reading.

Unigas Distribuzione S.r.l.

The activities carried out on the counting metres, supplied exclusively by the accredited trading companies, are subject to the specific standards identified in the Service Charter and are the following: new activations, transfers, cancellations, reactivations.

The services supplied in 2011 are in line with those supplied in the previous years. The services were carried out in accordance with the standards identified in the corporate Service Charter.

In 2012, the new activations were about 955, a figure in line with that recorded in 2011.

The requests for supply cancellation (equal to 2.150) recorded a slight increase as compared to 2011, whereas the average time for the above mentioned interventions was basically unchanged as compared to 2011.

Supply reactivations following interruption for ex customers and arrears not paid also registered a slight decrease (from 662 to 492 in 2011), and the qualitative parameters are in line with those of the previous year.

Over the year, the plan to adjust meters concerning resolution 155/08 by completing the replacement of G40 meters through the installation of tele-reading devices and systems with a dedicated modem and battery.

Management of Appointments with the Customers

Ascopiave S.p.A.

In 2012, 29,622 "ordinary appointments" were agreed upon with the customers (or which the customer accepts the first date proposed, as per Appointment Calendar). The service standard was complied with also in qualitative terms, with a percentage of over 99.9%: in fact, only 6 non-standard services were indemnified for failing to comply with the time slot agreed upon.

In 2012, 1,328 "postponed appointments" were agreed upon with the customers (appointments agreed upon for a date subsequent to the first one proposed). The analysis of the data shows that the total number of appointments and the specific service standard (100% compliance) are in line with FY 2011; only one non-standard indemnification was paid.

ASM DG S.r.l.

In 2012, 179 postponed appointments were agreed with final clients (ARG/gas Resolution 120/08). These deferred appointments are required by clients in case the scheduled appointment does not meet their needs. Therefore the low number of said postponements is an indicator of the high quality of the 3000+ commercial services that were carried out during the year.

All ASM DG scheduled services have respected the time range of two hours within schedule, and none of them was outside the quality standards.

Edigas Esercizio Distribuzione Gas S.p.A.

Thanks to the new managing software, all personalized meetings were standardized and monitored. During the year, including all types of services, a total of 2,504 appointments were monitored.

Unigas Distribuzione S.r.l.

General notes:

From January 2010 the electric power and gas authority had introduced a new reference standard for client-agreed appointments to carry out commercial activities to at the client's location/at the redelivery point.

In addition to existing "Postponed Appointment" standards (scheduled at a different day from the proposed one, according to the Distributor Calendar), AEEG has imposed to distributors a national standard even for "normal" appointments (of a time range of two hours within the expected scheduled appointment) i.e. when a client accepts the date proposed by the distributor.

Postponed appointments:

In 2012 108 Postponed Appointments were scheduled with clients, to be intended as postponed meetings to a proposed date by the supplier that could not be attended by the client.

An analysis of data highlights that the number of appointments is higher than the previous year (2011), while the respect of the service standard is in line with 2012.

Normal Appointments

In 2012 4,800 Normal Appointments were scheduled, i.e. appointments where the client (normally during sale) had accepted the date and time proposed by Unigas.

The total number of appointments is lower compared to 2011.

In quality terms, the service has successfully respected the percentage of 100%: no indemnifications for appointments outside the time standard were requested.

Information and diffusion through the Web Site

Sections: Services, Trade Quality, List of Services

The company Website includes 3 specific sections pertaining commercial standards, charter of service and the General List of Services and Performances. These pages are constantly updated according to purchases and sales in Municipalities and Locations, as well as according to costs variations (ISTAT).

Web software enables an efficient and effective consultation not only by authorized sale companies, but by private clients as well (such as in the event of a new service connection) and/or by citizen, in order to acquire and consult specific “personalized documents” related to a Municipality or an entire Location (in case of areas of a Municipality that are served by another distributor). Thus anyone who wishes to verify the quality standard of the commercial activities may do so, consulting the List of Services and Performances of Ascopiave in single Municipalities managed by the company.

Access modalities include a search interface that enables users to consult the aforementioned “commercial documentation” for a specific municipality with a fly-over menu, for its entire territory or for specific locations (personalization). In case of variation in the published documents the parties are duly informed of said variation (accredited sales).

During 2012 the Standard Charter of Service has been revised (Counter/Communication Area Section) as well as the Casteggio Municipality (PV) General List, which prices have been updated according to the annual ISTAT variations.

Section: Certification of Management Systems

The company website is constantly updated in its “Certifications” sections pertaining to the Ascopiave Group and specifically for Ascopiave S.p.A. (Environment and Safety). All updated Certifications for the Management Systems and the Quality, Environment and Safety at Work may be freely downloaded.

In the specific section “Quality Certifications of the Ascopiave Group” up-to-date references and documentation are available, concerning Quality Certification of the Companies (100% controlled) of the Group and of Asco Holding. The remaining two companies (partially controlled) are linked in these sections, to access their respective websites.

Co-generation

In 2012 the co-generation activity of the Ascopiave Group S.p.A. has been carried out by Global Energy S.r.l. up to 30th September 2012. Subsequently the activity was taken over by Ascopiave S.p.A., which continued the activity, following the merger by incorporation of Global Energy S.r.l. into Ascopiave S.p.A. on 1st October 2012.

As far as the activity of heat generation plants in co-generation is concerned, in 2012 four plants have been managed.

The plant called Le Cime in Mirano (VE) has not been modified and its network of heating has not extended, whilst a slight increase in saturation of home utilities has been registered.

On the plant there is an on-going leasing agreement and it benefits from the incentives deriving from Green Certificates.

The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients and in summer to supply the absorber for the production of cooling for air conditioning of connected users.

An extraordinary event took place, related to the maintenance of the co-generator turbine, as well as a maintenance activity of the MT booth to comply with the newly introduced law regulations during the year.

The plant called Bella Mirano in Mirano (VE) has registered an increase in saturation for household clients connected to the network of up to 80%. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients.

The plant called Ca' Tron in Dolo (VE) did not register significant variations in saturation for the connected household clients. It is however specified that as of today only 50% of the new urban area envisaged in the agreement has been built. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients.

Extraordinary events took place, related to maintenance activities of the MT booth to comply with the newly introduced law regulations during the year and the issuing of Enel Distribuzione contribution following said maintenance.

The plant called Ponte Teresa in Ponte Teresa (VA) did not register significant variations in saturation for the connected household clients. The plant and the heating network were not modified. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients.

As far as the activities on thermal plants are concerned, in 2012 Ascopiave S.p.A managed some ten plants.

Efficiency and energy saving

In order to meet the energy saving requirements specified by Decree dated 20th July 2004, in 2006 and 2007 Ascopiave realised the following two projects (the second in several phases):

- The installation of thermoregulation and computerized management tools in public buildings;
- Distribution of florescent light bulbs for electrical energy savings and a kit including a low-flow shower head and a low-flow tap to save hot water to all of its domestic clients.

The project on remote management was concluded in 2009, whereas the main one, relating to the distribution of the energy saving kit, ended in the first semester 2010, with the assignment of about 5,000 certificates.

In order to fulfil its current and future need, Ascopiave will have to realize new projects of energy saving and buy titles on the market. With Resolution AEEG EEN 9/11 issued on 27th October 2011, the new guidelines for the energy efficiency market were established, which also provide for an adjustment of the certificates to the useful life of the project. In 2012, this should support the offer of certificates, which is still below the expectations of the targets set for distributors.

With Resolution EEN 13/11, AEEG determines the specific objectives for the saving of primary energy in 2012 on the charge of electric energy and natural gas distributors subjected to the obligations of which at Ministerial Decree dated 20th July 2004 as modified and integrated by Ministerial Decree 21st December 2007.

The 2012 objective of 66,121 TEP has been virtually already reached and titles will be delivered by 31 May 2013.

With regard to 2011, Ascopiave met its objective for energy savings with the transfer in May 2012 of 55,773 White Certificates, as requested by their 2011 objective.

The company Unigas Distribution S.r.l., having no on-going projects for the production of white certificates, had to purchase them through bilateral transactions in order to fulfil the energy saving obligations for 2009, 2010 and 2011.

As there is no on-going project for the production of white certificates, also in 2012 the Company will purchase the white certificates needed to achieve its energy saving target on the market or through bilateral transactions, pursuant to the AEEG Resolution EEN 13/11 (13,305 TEP).

Other relevant events

Litigations

CLASS I – ADMINISTRATIVE LITIGATIONS

As of 31st December 2012, the following litigations are pending:

MUNICIPALITY OF VILLAVERLA:

An appeal before the Regional Administrative Court of Veneto against the Municipality of Villaverla filed by Ascopiave on 18th March 2011 for the repeal of the tender acts. The related suspension request was rejected.

MUNICIPALITY OF CASTELLO DI GODEGO:

An appeal to the Regional Administrative Court of Veneto against the Municipality of Castello di Godego by Ascopiave, filed at the beginning of February 2012, in order to proceed to the cancellation of the Town Council Resolution n. 122 dated 29 November 2011 (which pursuant to art. 46 bis of Law 222/2007 requests the payment of an annual rent up to 10% of the Distribution Revenue for years 2008, 2009, 2010, 2011 and 2012). Pertaining this appeal, currently no hearing has been yet scheduled and no decision has been taken.

MUNICIPALITY OF TEZZE SUL BRENTA:

An appeal before the Regional Administrative Court of Veneto against the municipality of Tezze sul Brenta, drawn up as a precaution by Ascopiave S.p.A. to cancel the Resolution of the Manager for Public Works no. 698 dated 29th September 2011, following which the Local Authority reopened the tenders previously suspended. On 03/08/2012 the Company obtained the concession. Therefore, it is highly likely that the appeal will be dropped and the proceedings will expire.

An appeal to the Regional Administrative Court of Veneto filed by Enel Rete Gas (classified at second place) to obtain the annulment of the final concession in favour of Ascopiave. With decision n. 1463 dated 03.12.2012 the Regional Administrative Court of Veneto rejected said appeal. Terms to file a counter-appeal are still open.

MUNICIPALITY OF SAN VITO DI LEGUZZANO:

An appeal before the Council of State against the Municipality of di San Vito di Leguzzano (and Pasubio Group S.R.L.) for cancelling or reviewing Sentence no. 541/2011 issued by the Regional Administrative Court of Veneto, which rejected and declared partly inadmissible the appeal filed by Ascopiave on 14th July 2011.

The hearing took place on 13/07/2012 decision was pending. On 18/10/2012 with ruling 5352/2012, the Council of State permanently rejected Ascopiave S.p.A. appeal.

MUNICIPALITY OF SANTORSO:

An appeal before the Regional Administrative Court of Veneto against the Municipality of Santorso filed by Ascopiave in 2007 for the repeal of the tender acts (plants delivered in 2007 - effective as of 1st August 2007). With regard to this appeal, in spite of the request for withdrawal presented, no hearing was scheduled and no sentence was issued.

On 08/03/2012 the notice of extinction was issued pursuant to Art. 82 paragraph 1 of Legislative Decree 104/2010, which terms expired on 29/08/2012.

MUNICIPALITY OF GALLIERA VENETA:

An appeal before the Regional Administrative Court of Veneto against the Municipality of Galliera Veneta, filed in 2006 and for which, after failing to issue a sentence and after having reached an agreement with the municipality was declared extinguished with Decision n. 1513 dated 19th September 2012.

MUNICIPALITY OF TEZZE SUL BRENTA:

A (further) appeal before the Regional Administrative Court of Veneto against the Municipality of Tezze sul Brenta, filed in 2008 and for which, with reference to what stated above about the Local Authority, the administrative proceedings shall be extinguished.

CLASS II – LITIGATIONS ON THE VALUE OF PLANTS - CIVIL LAW

As of 31st December 2012, the following litigations are pending:

MUNICIPALITY OF CREAZZO:

A trial is pending before the Civil Court of Vicenza 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). After the examination of the court-appointed expert witness report, the Judge scheduled the conclusive hearing for 13th March 2013.

MUNICIPALITY OF SANTORSO:

A trial is pending before the Civil Court of Vicenza between Ascopiave and the Municipality of Santorso for the establishment of the industrial residual value of the distribution plants (delivered in 2007 to the new operator). After the examination of the court-appointed expert witness report, the Judge scheduled the conclusive hearing for 14th January 2015.

CLASS III – LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 31st December 2012, the following litigations are pending:

MUNICIPALITY OF COSTABISSARA:

An arbitration is pending between Ascopiave and the Municipality of Costabissara for the establishment of the industrial residual value of the distribution plants (delivered in 2011 to the new operator). The Arbitration Jury has met for the first time on 16/01/2012. The parties were unable to reach an agreement and the jury decided for a partial arbitration in order to assess the acceptability (Ascopiave) or unacceptability (Municipality) of the arbitral clause that was envisaged in the agreement.

MUNICIPALITY OF SAN VITO DI LEGUZZANO:

An arbitration is pending between Ascopiave and the Municipality of San Vito di Laguzzano for the establishment of the industrial residual value of the distribution plants (delivered in 2010 to the new operator). The Arbitration Commission was formed on 4th March 2011. The proceedings were expected to end within 240 days starting as from 28th March 2011, but the deadline was postponed by the Commission with the agreement of both parties up to February 2013.

With Order number 3 dated 18th June 2012 the Commission has appointed its Technical Expert and Ascopiave and the Municipality appointed their *ex-parte* technical experts. The Chairman of the Commission resigned, claiming that he could not hold his position following the introduction of the new legislation (albeit not applicable to current arbitration procedures). Ascopiave proposed his reinstating but the Administration refused. Therefore, a substitute must be appointed by the President of the Court.

CLASS IV – OTHER PENDING ADMINISTRATIVE LITIGATIONS (NOT CONCERNING CONCESSIONS)

As of 31st December 2012, the following litigations are pending:

ASCOPIAVE – NEW OFFICES:

An appeal before the Council of State filed by the company Setten Genesisio S.p.A., for the tender involving the construction of the new company headquarters and aimed at obtaining the review of the sentence no. 6335/2010 issued by the Regional Administrative Court of Veneto that, despite admitting the appeal filed by the company and thereby annulling the tender acts, rejected the request for compensation for damage against Ascopiave and the company Carron (amounting to approximately € 1,300 thousand).

AEEG – DELIBERE ARG/GAS 99/11 – 207/11 – 166/12 – 352/12:

An appeal before the Regional Administrative Court of Lombardy – Milan, against the Authority for Electricity and Gas for cancelling Resolution ARG/gas 99/11 for the "Default Service" regulated by it, promoted by Ascopiave and other distribution companies on 8th November 2011. The Regional Administrative Court of Lombardy, by court order no. 16 dated 16th December 2011, approved the request for suspending the proceedings, scheduling the merit hearing for 6th June 2012. The AEEG, in spite of this court order, issued Resolution ARG/Gas 207/11, extending the entry into force of Resolution 99 to 1st May 2011.

The AEEG, in spite of this court order, issued Resolution ARG/Gas 207/11, extending the entry into force of Resolution 99 to 1st May 2011. To avoid the risk of a judgement of "lack of interest", the order was appealed against with "Additional grounds".

Subsequently, the AEEG took further action on the topic issuing Resolution 166/2012. Although this further resolution did not have any effects on the aspects object of the appeal against Resolution 99 - given that one of the lawyers of the other appellants clearly stated that the appeal was deemed appropriate - the company filed an appeal with additional grounds as a precautionary measure. As a consequence, the trial hearing was postponed to October.

AEEG subsequently intervened with Resolution 352/12. This resolution was contested and appealed against for additional grounds, in its part where the default service of distribution is confirmed and assimilated to an offsetting service, and in its part concerning formulas for calculation of costs and remuneration of service. With Resolution n. 3272 dated 28/12/2012 the Regional Administrative Court of Lombardy has accepted the appeals and therefore the entire Default regulation has been cancelled. Terms for counter-appeal by AEEG are still open.

AEEG – RESOLUTION ARG/GAS 28/12 – 193/12 – 246/12:

An appeal before the Regional Administrative Court of Lombardy – Milan, against the Authority for Electricity and Gas for cancelling Resolution ARG/gas 28/12, relating to the change from traditional meters to electronic meters, remotely read and managed; in particular: for the failure to recognize the residual value of the replaced meters still having a valid seal; for the wrong (underestimated) indication/recognition of standard costs for the new appliances; for the obligation to use electronic meters only as from 1st March 2012 in spite of the fact that the technology needed is not yet available at an industrial level. Should the Resolution not be cancelled, the estimated damage for Ascopiave would be of a few million Euros within 2018.

Subsequently, as partial modifications to Resolution 28, the AEEG issued Resolutions 93/2012 and 246/2012, which, however, were not sufficient to withdraw the company's complaint. The deadlines set on 1st March 2012 was cancelled and postponed to 31st December 2012. The company will file an appeal against both resolutions with additional grounds. Similarly, AEEG with Resolution 316/2012 intervened in this matter again.

Relationships with the Agenzia delle Entrate (Tax collection agency)

During 2008, the company Ascopiave S.p.A. was subject to tax audit by the Inland Revenue Office. Following the audit, a report on findings with observations on the indirect and direct taxes was issued. During the month of July, the local Internal Revenue Office issued a notice of assessment regarding the contents of the report on findings. The major tax ascertained and the charges due for the establishment of the litigation are conservatively estimated to be around Euro 92 thousand, which were set aside in a special fund risks, also following the advice of the tax advisor.

The company, on 20th January 2010, filed an appeal to the Provincial Tax Commission and paid the sum of Euro 243 thousand needed for the settlement of the dispute; on 27th January 2010, it filed an appeal and the discussion of the appeal was scheduled for 30th September 2010.

On 22nd December 2010, the Commission of the Province of Treviso acknowledged the correct tax behaviour of the company.

On 27th June 2011, the local Inland Revenue Agency filed an appeal against the decision of the Provincial Tax Commission, which set the date of the discussion on 23rd April 2011.

As of today the terms for filing an Appeal to the second order by the Agenzia delle Entrate in the appeal court are still pending.

On 16th January 2012 the Treviso Section of the Italian Finance Police started its auditing activities on Ascotrade S.p.A.'s financial records, in the framework of a wider operation involving large taxpayers. Auditing activities concluded on 26th March 2012 and targeted yearly revenues of 2008 to 2012 and involved both direct taxes (IRES, IRAP, and IRAP additional tax) and VAT.

Pursuant to article 5-bis of Legislative Decree 218/1997, the company proceeded to the settlement of the tax assessment (report of findings) issued by the Italian Finance Police.

The settlement procedure was concluded with the presentation of formal notification to the Italian Finance Police and to the Regional Direction of the Inland Revenue Agency and the subsequent payment, made on 29th June 2012, of the amounts to be settled by the company.

For FY 2011, the amounts were recognised directly in the VAT declaration as required by the settlement procedure (afore-mentioned article 5-bis).

Territorial areas

During 2012, a number of norms have been added to the normative framework of the sector. In particular mainly through the issuance of a number of ministerial decrees that determined and implemented the assignment of responsibilities and other aspects provided for in the reference legislation.

Specifically

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

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

The first Territorial Areas Decree identified 177 territorial areas and established, among other things, that as from the date of entry into force, the service can only be entrusted through tenders held by territorial area. In this way, the individual municipalities and local authorities can no longer entrust the service independently.

The Workforce Protection Decree has a twofold objective: firstly, to provide employment protection to workers in the field of gas distribution in relation to possible changes in management introduced by the tenders; secondly, to ensure the continuity of management in the hands of skilled workers, thereby maintaining the levels of safety and quality of the service.

The Decree establishes that the operator will be obliged to employ part of the employees of the outgoing operator in proportion to the number of users of the concessions object of the tender. If the employees to be transferred exceed the minimum ratio of 1 employee per 1,500 users, the contracting authority may establish a lower ratio in the tender, as long as this is justifiable.

The decree also establishes that the personnel involved in natural gas distribution systems object of the tender and a portion of the personnel performing central support functions are subject, notwithstanding the termination of the employment relationship and without express waiver of the parties concerned, to the immediate and direct transfer to the operator taking over, safeguarding, however, the individual economic conditions, with regard to on-going and fixed treatments and to institutions managing seniority of service.

In case of redundancies, the decree provides for the application of unemployment benefit systems established by law for employees of publicly held companies, as well as for special unemployment benefit systems, thus including extensions, as permitted by law.

The latter decree was upgraded to primary law pursuant to its mention in Art. 37, paragraph 3 of Law Decree 83/2012 (converted in Law 134/2012). Furthermore, pursuant to its *erga omnes* nature, the aforesaid will not be included in the assessment criteria of a bid.

The Decree for Criteria (n. 226/2011) defines key aspects relating to tenders, such as the subjects eligible for launching them assuming the status of contracting authorities, the timing for publishing tenders for each territorial area, the requirements that have to be met by the participants, and finally the award criteria.

The Decree contains several attachments, including a sample call for tenders and a sample service contract to be adopted.

The Decree also deals with preliminary matters, such as the determination of the reimbursements to the outgoing operators, filling some previous legislation gaps.

With regard to the identification of said reimbursements, the Decree, without prejudice to the assessment criteria agreed upon by the parties, sets out details regarding its application, establishing that the values of new construction shall refer to price lists for construction and installation of technological systems of the local chambers of commerce or, in the absence of these, to similar regional price lists. For the specific components of the distribution, it is expected that the price lists issued by the Authority for Electricity and Gas will be used for the valuation of investments or, ultimately, of the market values.

The Decree also establishes the useful lives to be used to determine the degradation value of the various components of networks and systems.

With regard to the identification of said reimbursements, the Decree, without prejudice to the assessment criteria agreed upon by the parties, sets out details regarding its application, establishing that the values of new construction shall refer to price lists for construction and installation of technological systems of the local chambers of commerce or, in the absence of these, to similar regional price lists. For the specific components of the distribution, it is expected that the price lists issued by the Authority for Electricity and Gas will be used for the valuation of investments or, ultimately, of the market values.

The Decree also establishes the useful lives to be used to determine the degradation value of the various components of networks and systems.

As to the current situation, the reimbursement values are determined in accordance with the provisions set out in Article 14, paragraph 8 of the Letta Decree, which was amended by virtue of the entry into force of Legislative Decree no. 93/2011 (implementation of Directive 2009/72/EC, 2009/73/EC and 2008/92/EC concerning common regulations for the Electricity and Gas market). The new legislation establishes that "The new operator, with reference to investments made on the plants involved in the transfer of ownership in the previous assignments or concessions, must take over the guarantees and obligations arising from contracts or funding in force, or to cancel them and pay a sum to the outgoing distributor for an amount equal to the value of reimbursement for facilities whose ownership is transferred from the distributor to the new operator. In the present framework, the reimbursement value due to the outgoing operator is equal to the value of net fixed assets of the service location and size distribution, relating to plants whose ownership is transferred from the distributor to the new operator, including fixed assets in progress, net of capital grants and private contributions relating to assets of locations, calculated using the method of tariff regulation in force and on the basis of the consistency of the plants upon transfer of ownership".

Finally, Article 24, paragraph 3 of Legislative Decree no. 93/2011 established that the Authority for Electricity and Gas, limited to the first period of operation of the licenses assigned for territorial areas, ought to include in the tariff the

amortization of the difference between the reimbursement value determined in the first period and the value of net fixed assets, net of capital grants and private contributions relating to assets of locations provided for by tariff regulations. Thanks to this new regulation, the successful bidders of the first tender will be able to recover, in the tariff, the difference between the reimbursement value paid to acquire the ownership of the plants managed, which generally responds to the notion of residual industrial value, and the value of the net capital invested recognized for tariff purposes that, as previously indicated, will also substantially represent the value of the reimbursement to which they shall be entitled to upon expiry of the concession. However - according to the provisions established by the Decree for Criteria - the new operator may waive in whole or in part the realization of this difference, offering it to users in the On 26th June 2012, on the Official gazette, the Decree Law no. 83 dated 22nd June 2012 was published ("Urgent measures for Italian financial stabilization"). Under article 37 ("Tender procedures for natural gas distribution"), the subjects eligible to take part in the tenders for territorial areas are specified. In particular, the Decree Law establishes that those subjects that already hold concessions or service agreements for gas distribution can take part in the first tenders for territorial areas, held after the first transitional period, across all the country and without territorial limitations. Moreover, the subjects holding direct service agreements for local public services other than gas distribution can also take part in the tenders.

To complete the regulation framework on this matter, the following provisions must be included:

- AEEG 407/2012/R/GAS Resolution, which set "*Criteria for the definition of the one-off payment for the tender costs for the assignment of natural gas distribution services*" up to a maximum of Euro 600 thousand.
- AEEG 532/2012/R/GAS Resolution, which established the communication formats to plan's significant data
- Ministry Decree 05/02/2013, which approved the contents of the Agreement Template.

Distribution of dividends

On 26th April 2012 the Shareholders' Meeting approved the yearly statement and acknowledging the consolidated statement of the Group as of 31st December 2011 it decided not to proceed with distribution of dividends, setting aside a provision as extraordinary reserve instead.

Own shares

In accordance with Art. 40 of Legislative Decree 127 2 d), as of 31st December 2012, the value of own shares held by the company is equal to Euro 17,109 thousand, accounted for as a reduction from the other reserves, as can be seen in the Net Equity variations.

Outlook for the Year

As for the distribution segment, in 2013 the Group will be involved in the enhancement of its portfolio of concessions and in the agreed definition with local grantors, of the industrial value of the networks and distribution systems, as well as participation in the bidding for the acquisition of new managements. The stability of the profitability of the distribution depends on the certainty of regulation and, from this point of view, there are no reasons to believe the Group cannot reach at least the results achieved in 2012.

As far as the sale segment is concerned, commercial margins in 2013 are expected to be lower than 2012, mainly due to the consequences of the adoption Authority market protection measures on supply, which are expected to have

repercussions on clients.

Said results may however be influenced, aside from the aforementioned tariff measures which at this time cannot be fully foreseen, by the increasingly competitive general trade framework, and by the provisioning strategy of the Group.

The actual results of 2013 may differ from those predicted in relation to several factors including: the evolution of demand, supply and gas prices; actual operating performance; the general macroeconomic conditions; the effect of regulations in the energy and environment sectors; the successful development and implementation of new technologies; changes in stakeholders' expectations and other changes in business conditions.

Human resources

As of 31st December 2012, Ascopiave Group had 625 employees³, divided between the various companies of the Group as outlined below:

Company	31/12/2012	31/12/2011	Hirings	Terminations	Var.
Ascopiave S.p.A.	291	294	+18	-21	-3
Ascotrade S.p.A.	60	56	+9	-5	+4
Global Energy S.r.l.	0	4	0	-4	-4
Estenergy S.p.A.	87	87	0	0	0
ASM DG S.r.l.	20	20	0	0	0
ASM Set S.r.l.	9	8	+1	0	+1
Edigas Distribuzione S.p.A.	32	32	+1	-1	0
Edigas Due S.p.A.	4	4	0	0	0
Pasubio Servizi S.r.l.	20	19	+1	0	+1
Etra Energia S.r.l.	6	1	+5	0	+5
Veritas Energia S.r.l.	35	32	+4	-1	+3
Blue Meta S.p.A.	14	16	+3	-5	-2
Amgas Blu S.r.l.	6	8	0	-2	-2
Unigas Distribuzione S.r.l.	41	34	+7	0	+7
Total	625	615	+49	-39	+10

Compared to 31st December 2011, there are now 10 new employees; the increase is mainly due to:

- Reduction of workforce of Ascopiave S.p.A.: -3 employees, with 18 new people hired and 21 people laid-off. New employees mainly relate to the transfer of personnel from Company Global Energy, which was merged by incorporation on October 2012 (+4 employees) and the strengthening of various branches of the company, including Administration (+4 employees), IT department (+1), general services (+1), purchases (+1), executive support staff (+3). In addition, the increase in workforce was also due to the transfer of personnel (4 employees) from subsidiary company Ascotrade. Laid-off personnel mainly pertains heat supply personnel of company BIM Piave Nuove Energie (-10 employees).
- The increase in workforce of Ascotrade S.p.A.: +4 employees with 9 new employees hired and 5 layoffs. New employees mainly relate to the strengthening of back office (+2 units), invoicing (+3 units) and executive support staff (+2 units). Layoffs relate mainly to the transfer of 4 employees to parent company Ascopiave.
- Workforce reduction in company Global Energy S.r.l.: -4 employees entirely transferred to Ascopiave after the merger by incorporation of the company in the parent company.

³ The data concerning the proportionally consolidated companies, i.e. Estenergy (48.999%), Unigas Distribuzione (48.86%) and Veritas Energia (51%), are represented at 100%.

- Increase in workforce of ASM Set S.r.l.: +1 employee assigned to front office activities.
- Increase in workforce of Pasubio Servizi S.r.l.: +1 employee, supporting credit collection office activities.
- Increase in workforce of Etra Energia S.r.l.: +5 employees assigned to front office activities.
- Increase in workforce of Veritas Energia S.r.l.: +3 employees, with 4 new employees hired and one lay-off.
- Decrease in workforce of Blue Meta S.r.l.: with 3 new employees hired and 5 lay-offs, of which one person as a consequence of sale of heat supply company branch.
- Decrease in workforce of Amgas Blu S.r.l.: -2 employees
- Increase in workforce of Unigas Distribuzione S.r.l.: +7 employees to support internalization of previously outsourced services.

The following table illustrates the division of the staff complement by skill level/grade:

Type	31/12/2012	31/12/2011	Variation
Managers	23	27	-3
Office workers	470	454	15
Manual workers	132	134	-2
Total	625	615	+10

Quality

Management Systems and related certifications Quality, Safety, Environment

The certifications of management systems such as quality, safety and environment, are a guarantee of a reliable organization, a shared work culture, based on excellent professional skills. An integrated system implies that a company has reached the peak of organizational efficiency, successfully combining processes (Quality) with law-related obligations in matters pertaining Environment or Work Safety.

Each of them represents an important milestone for the company: in addition to the shareholders, it is important also to employees, customers, suppliers, the communities in which it is established and its performer (outsourcing).

Certifications of Quality Management Systems, bestowed upon every company in the Group herein, represent a tangible award of an efficient and effective management of every company: adequate and constantly upgraded skills, availability of useful indicators and reference objectives, both economic and performance-wise, in single areas and in complex processes and finally, full compliance with laws/regulations and Authority issued norms (AEEG).

Ascopiave Group's Management System

The certification of the Quality Management System involves Parent Company (two certificates) as well as five other subsidiary companies. All seven management systems are certificated with the reference European norm UNI EN ISO 9001:2008, through four different certification agencies: Kiwa Italia S.p.A. of San Vendemiano (TV), Cersa S.r.l. of Milan, Cermet Soc. Cons. a.r.l. of Cadriano di Granarolo E. (BO), Di.Qu. S.r.l. of Marghera (VE).

In 2012 Ascopiave Group delegated to only one function within the Group to assume the role of manager responsible for the quality management for three companies (shareholding 100%): Ascopiave S.p.A. (two certificates, gas distribution and electrical power management), Ascotrade S.p.A. and Pasubio Servizi S.r.l. (methane

commercialization).

This function has the same task in two other AscoHolding participated companies that are not documented herein.

For the three jointly controlled companies, three different managers were the internal referents of the Quality System.

Said functions ensure that the company's policy is adequate and the continuity of certification of the aforementioned seven Quality Management Systems. Herein the events of 2012 are listed:

- Ascopiave S.p.A. (Gas Distribution)

Ascopiave S.p.A. Ascopiave operates in the field of "Natural gas distribution" in four Italian regions and ten districts. The service, certified since January 2001 (initially for both distribution and sale) has been constantly implemented over the past 10 years in order to upgrade it to the activities set by the Letta Decree and to the requirements set by the new reference regulations. The quality management system is now UNI EN ISO 9001:2008 certified, with the following field of application: "management of methane gas distribution service; development, building, running and maintenance of methane gas distribution systems". In May 2012, all corporate processes were subject to an "internal verification" by the Group's Quality Manager, and they all had a positive outcome.

Three-year renewal of the UNI EN ISO 9001:2008 Certificate is expected within May 2013 (valid through 07/06/2013)

At the end of June company processes (random sample from 10 territorial units) have undergone "annual periodical verification" by the certification agency, which confirmed the validity of the certification.

- Ascopiave S.p.A. "Energy Service Contracts Management and Responsible Third Party"

As of 1st January 2012, Ascopiave sold its company branch working in the certified "heat supply" sector to AscoHolding controlled company Bim Piave N.E. S.r.l., with effect as of 01.01.2012.

On 1st October Ascopiave purchased "company branch" Global Energy, through merger by incorporation with the company itself, for the activity of "Management of heating, cogeneration and remote heating systems".

The managed plants (co-generation and heat production plants) are located near Venice and Padua.

Last December Ascopiave has requested and obtained by certification agency DI.QU. S.r.l. of Marghera (VE) the variation of company purpose on the quality certificate, which will be valid through 19 May 2014.

- Ascotrade S.p.A. (Sale)

In April 2004, Ascotrade certified its quality management system with the following field of application: "Methane gas trading via grid". In June 2010, Ascotrade and Ascopiave adapted the certification to the new reference standard UNI EN ISO 9001:2008. In May 2012, all corporate processes were subject to an "internal verification" by the Group's Quality Manager, and they all had a positive outcome.

On 27th June 2012, the corporate processes were subject to an "annual verification" by the certification body, which confirmed the validity of the certification.

Three-year renewal of the UNI EN ISO 9001:2008 Certificate is expected within May 2013 (valid through 07/06/2013), jointly with the Ascopiave Distribuzione Certificate

Pasubio Servizi S.r.l. (Sales)

The Company was already certified before its acquisition in summer 2009. In April 2010, the quality management system was updated to the new regulation, UNI EN ISO 3001:2008, with the following field of application: "Methane gas trading via grid". After the "internal verification", carried out in February 2012 by the Quality Manager with a positive outcome

As of 13th March 2012 (with the approach of the expiry of the three-year Certificate), company functions have undergone a “three-year renovation verification” by the certification agency, which confirmed the validity of the certification and issued a new Certificate, valid through 25/03/2015.

- Bluemeta S.p.A.

The company Bluemeta S.p.A. chose to adopt an organization compliant with the UNI EN ISO 9001:2008 reference standard, obtaining the certification through the certification body CERSA S.r.l. of Milan, Italy.

The achievement of this certification ensures that the activities of Bluemeta S.p.A. are carried out through a streamlined, functional and effective quality management system, i.e. capable of ensuring the achievement of targets set in a context of profitability and customer satisfaction.

Certification has been renewed on 5th July 2011 (three year renewal with expiry on 17/07/2014).

During the first quarter of 2012 internal audit procedures have been successful and on 19th and 20th July the Certification Agency carried out “surveillance verifications” that have also been successful. In consideration of the sale, last November, of the “heat management” branch of the company, in the next months the Certification Agency shall amend the certificate by taking out said activity for purpose of certification.

- Unigas Distribuzione S.r.l. (Gas Distribution)

Unigas Distribuzione S.r.l. operates in the field of “Distribution of natural gas” in the District of Bergamo, in particular in Valle Seriana, Bassa Bergamasca and Zona dell’Isola.

The service, certified in November 2007, has ever since been implemented, also in order for it to meet the requirements set by the new reference standards.

The Quality Management System is now UNI EN ISO 9001:2008 certified by Certification Agency CERSA S.r.l. of Milan, with the following field of application: "Management of natural gas distribution systems and service providing".

During the second half of 2012, all company processes underwent the annual “periodical verification”, with internal audits by the Quality Manager of the company and external audits by CERSA S.r.l.. Both audits confirmed the validity of the certification valid through 27th November 2013.

- ASM Set S.r.l. (Sale)

Company Asm Set deals in natural gas sale activities and in the construction of systems for the production of electrical power. In May 2011 the company renewed and extended the UNI EN ISO 9001:2008 certification for “Activities of purchase and sale of methane gas; design and construction of electrical power production systems”.

During the first half of 2012, all company processes underwent the annual “periodical verification”, with internal audits by the Quality Manager of the company and external audits by CERMET Soc. Cons S.r.l. Both audits confirmed the validity of the certification valid through 18th May 2014.

Ascopiave's Integrated Management System - Quality, Environment and Safety at Work

The ten-year experience of a well-established quality management system led the organization to pursue the objective to have its "environmental management system" and "management system for health and safety at work" certified.

After a 14-month long process of development and design, supported and shared by technical area executives and managers, on 24th October 2011 the company obtained two new certifications:

- management of safety at work, pursuant to regulation BS OHSAS 18001;
- management of environmental issues, pursuant to regulation UNI EN ISO 14001.

The compliance of the two systems with the international reference standards is ensured by:

- bi-monthly monitoring activities by the appointed technicians.
- internal yearly auditing procedures, carried out by authorized third-party collaborators in collaboration with internal resources.
- the internal certification authority, Kiwa Italia, in charge of verifying consistency through processes of "annual survey" and "three-year re-evaluation" as it is done with the quality management system.

During the second half of 2012, the "annual surveys" have been carried out: the internal auditing has been performed during the second half of July (8 days/man), while the external auditing by the certification institution (Kiwa Italia) has been carried out between 19th and 21st of September (5 days/men). Both verifications have confirmed the validity of the integrated certification "environment and safety". The three-year renewal of the two certificates is due in September 2014 (valid through 24/10/2014).

Environment and Safety at Work Policies

The implementation of an international norm BS OHSAS 18001 certified management system enables the monitoring of risks related to work activities, perfecting performances and improving the safety, respecting and correctly complying with law obligations in this matter and ensuring conformity in case of verifications.

The adoption of a certified Management System enables the company to access a reduction of INAIL premium: for Ascopiave, this reduction amounts to 12%.

"Environmental management" system

Awareness of environmental issues, evolution of national and European legislation and indirect environment-correlated benefits for choices that limit the environmental impact of activities and risks have been a driving force for Ascopiave S.p.A. policies. The company therefore decided to adopt and maintain an Environmental Management System.

The Administration, through an appointed Environment Manager, set its goals to adopt and update every six months an "environmental analysis document". This document represents for the company a key instrument (like the RAD for Security) in order to identify relevant environmental aspects, reference indicators, system organization and highlight potential areas of improvement (goals).

Environment and Safety at Work Policies

This document formalizes the commitment of the company board to respect requisites and constantly strive to improve the effectiveness of the Integrated Management System. Furthermore, the board commits the entire company to concrete objectives and values and it is guaranteed the circulation of policy, improvement objectives on matters related to Environment and Safety, as well as of the established protocols to reach these objectives, throughout the entire company.

The "Policy" is available to all employees through the "IT web folder" in the Integrated System and it is published on company Website (Certification) in order to inform all involved parties (partners, suppliers/executors, clients and community).

Group objectives and policies and description of risks

Credit and liquidity risk

The main financial instruments in use by our group are represented by commercial debt and credits, 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 delivery. To keep residual credit risks under control, there is in any case a fund for the devaluation of credit equal to approximately 6.5% of the total gross credit of third parties. Significant commercial operations take place in Italy.

With reference to the company financial management, the administrators consider it appropriate to generate a cash flow suitable for covering its needs. The main payment obligations opened as of 31st December 2012 are associated with contracts for natural gas supply.

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

As of 30th June 2012, the Ascopiave Group holds a portfolio of approximately 200 natural gas distribution concessions located throughout the country. On the basis of the provisions set forth in the current legislation applicable to the concessions owned by the company, the tenders for new assignments of gas distribution services will no longer involve only the single municipality, but the territorial areas determined by Ministerial Decrees dated 19th January 2011 and 18th October 2011, and in accordance with the deadlines listed in Annex 1 to the Ministerial Decree on tender criteria and evaluation of bids, issued on 12th November 2011.

With the gradual progress of the tenders, Ascopiave might not win the new licences, or it could win them on less favourable terms than the current ones, with possible negative impacts on the activities and on the economic and financial situation, notwithstanding - should it fail to win the bids and in relation to the Municipalities formerly managed by the company - the proceeds of the redemption value provided for in favour of the outgoing operator.

Risks relating to the possible claim by Municipalities to acquire ownership of distribution networks for gas and 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, the evolution of the legislation determines property issues and the elements necessary for determining the redemption value for the outgoing operator, both in the first period (i.e. at the end of the transitional period as per article 15 of Legislative Decree no. 164/00 as amended) and the following ones. In particular, the aforementioned Decree on tender criteria and evaluation of bids establishes that:

- in the first period, the redemption value to the owners of the concessions will be calculated on the basis of what set forth in the conventions or, in case of ambiguity, on the basis of the Royal Decree no. 2578 dated 15th October 1925 (industrial estimate criterion);
- in case of dispute on the determination of the redemption value for the outgoing operator, reference shall be made to the call for tender and the winning operator shall pay - upon ownership transfer of the plants - the higher value between the estimate of the Local Authority and the value of the local net intangible assets, net of public capital contributions and of private ones for local fixed assets, as acknowledged by the tariff system of the Authority (RAB). Any difference that should arise downstream the resolution of the dispute shall be regulated between the new and the outgoing operator;
- 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 redemption 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).

Given the above, there is the risk that the resolution of the dispute with the Local Authority for the determination of the redemption value shall involve an amount lower than the one established as initial in the tender and actually paid to the Group, with possible negative effects on the activities and on the economic and financial situation.

Research and development

IT Systems

In 2012 the IT service of the group has pursued the implementation of the following projects:

- the management of the updates required by the current regulations, of improvements and functional completions of the system “Geutweb Sale” for all the customers of Ascotrade S.p.A., Pasubio Servizi S.r.l., Etra Energia S.r.l., Edigas Due S.p.A. and ASM SET S.r.l.;
- The “Geutweb sale” system was subsequently extended, with a complex data conversion and normalization activity, to the companies Amgas Blu (approximately 50,000 clients) and Bluemeta (75,000 clients), unifying the entire management software of the sale department of the group.
- In 2012 important modules for the CRM project concerning the sale companies were developed. Specifically, the “TouchPortal” system for management of gas contracts and EE by third party commercial agencies, management of complaints, management of telephone credit collection campaigns outstanding customers, and creation of an operating protocol platform.
- Strengthening of the graphic elaboration system for billing documents, with the installation of dedicated hardware and the upgrade of software to the latest versions of Transform program.
- Constant monitoring of the performance of SQL Server database of “Geutweb Sale, Distribution and Electrical Power”, with the support of a specialist in this field.
- In the first half of 2012 a new environment for the invoicing of electrical power, deriving from the gas system, has been developed and completed, for companies Ascotrade, Etra and Pasubio.
- Management of upgrades pursuant to norms, improvement and functional completion of the “Geutweb Distribution” system for all the redelivery points in Ascopiave S.p.A., Edigas DG S.p.A. and ASM DG S.r.l. managed municipalities. A very important activity has been carried out in 2012: the development of the environment portal of distribution, with the introduction of new operating functions related to the new law requirements (Authority Resolutions 146, 99, 229).
- the consolidation of the activity of physical and logic division of the archives, procedures and users of the two information systems “Geutweb Sale” and “Geutweb Distribution”, according to the expressed requests of the Authority in term of the process of company “unbundling”;
- Upgrading of the ERP management system of the group to its ECC 6.0 version, for newly acquired companies and inclusion in the SAP ECC environment of the group of specific companies such as Veritas Energia and Sinergie Italiane

- For company Veritas Energia a new automatic interface module between the company's own SAP ECC and Ascopiave's SAP ECC has been created. Veritas Energia developed its own IT SAP, ISU, ECC, CRM and BW systems that is autonomous and independent from former parent company Veritas.
- Maintenance and development of consolidated budget and purchased gas modules in SAP BPC environment, in particular, new administrative report functions have been developed.
- Management and help desk applications on server systems, PCs and printers, part of an on-going renovation and upgrading process for the installed PCs and printers.
- In particular, for the gas distribution sector, the territorial IT system has been upgraded, along with the Asset Management system. In addition, the new remote meter management system has been implemented.
- Environment management –with SharePoint technology- to control the life cycle of internally developed software – optic archiving, asset elaboration, AEEG Decision n. 40/2004 pursuant to Law 262/2005;
- Maintenance of the interface SAP procedures –accounting module, vehicle management, service management and heat supply timetables.

Throughout 2012, we proceeded with the issuing of the IT service and the printing of the bills for various municipalities and municipal society waterworks.

Additional information

Compensation give to the managing and controlling organs, managing directors and directors with strategic responsibilities and participations held.

For further information pertaining remuneration members of administration and auditing bodies, general directors and executives with strategic responsibilities and their share participation please refer to the Remuneration Report drafted pursuant to Art. 123 – third paragraph of the Legislative Decree 58/1998 (National Finance Law), approved by on 14th March 2013.

Safety of personal data

Declaration in accordance with Legislative Decree no. 196 dated 30th June 2003.

The President of the Boards of Directors, as the person responsible for the treatment of the personal data of the Company, states the adequacy of the Privacy Policy set forth in Legislative Decree no. 196 dated 30th June 2003 and subsequent amendments. The personal data protection system has been developed and implemented by Ascopiave, in its capacity as responsible for the databases, managed either with electronic or non-electronic systems.

List of company headquarters

Owner	Location	Intended use
Ascopiave S.p.A.	Treviso - Piazza delle Istituzioni 32/1	Building leased to ASCOTRADE hosting offices
Ascopiave S.p.A.	Treviso - Piazza delle Istituzioni 32/1	Building hosting warehouse
Ascopiave S.p.A.	Pieve di Soligo (TV) - Via Verizzo 1030	Building hosting company offices and customer service center
Ascopiave S.p.A.	Pieve di Soligo (TV) - Via Verizzo 1030	Building hosting warehouse and workshop
Ascopiave S.p.A.	Pieve di Soligo (TV) - Via Verizzo 1030	Garage
Ascopiave S.p.A.	Pieve di Soligo (TV) - Via Verizzo 1030	Building leased to ASCOTRADE hosting offices
Ascopiave S.p.A.	Pieve di Soligo (TV) - Via Verizzo 1030	Building leased to ASCOTLC hosting warehouse
Ascopiave S.p.A.	Sandriago (VI) - Via G.Galilei n° 27	Building leased to ASCOTRADE hosting offices
Ascopiave S.p.A.	Sandriago (VI) - Via G.Galilei n° 27	Building hosting warehouse and workshop
Ascopiave S.p.A.	Castel San Giovanni (PC) - Via Borgonovo 44/A	Building leased to ASCOTRADE hosting offices
Ascopiave S.p.A.	Castel San Giovanni (PC) - Via Borgonovo 44/A	Building hosting warehouse and workshop
Ascopiave S.p.A.	San Vendemiano (TV) - Complesso "Quaternario"	Building leased to ASCOTLC
Ascopiave S.p.A.	Milano - via Turati n. 6	Building hosting company offices
Ascopiave S.p.A.	Milano - via Turati n. 6	Building leased to SINERGIE ITALIANE hosting offices
Ascopiave S.p.A.	Cordovado (PN) - Via Teglio	Building hosting warehouse + gas cabin

Leased offices

Owner	Location	Intended use
Ascopiave S.p.A.	Lentate sul Seveso (MB) - Via Padova n°35	Building hosting company offices
Ascopiave S.p.A.	Castelfranco (TV) - Piazza Serenissima n°40	Building hosting company offices
Ascopiave S.p.A.	Castelfranco (TV) - Piazza Serenissima n°60	Garage
Ascopiave S.p.A.	Castelfranco (TV) - Via della Cooperazione n°8	Building hosting warehouse
Ascopiave S.p.A.	Novedrate (Co) - Via Papa Giovanni XXIII	Building hosting company offices
Ascopiave S.p.A.	Portogruaro (VE) - Via Giotto 8	Building leased to ASCOTRADE hosting offices
Ascopiave S.p.A.	Marchirolo (VA) - Via Cavalier Busetti n°7/h	Building hosting company offices
Ascopiave S.p.A.	Ormelle (TV) - Via Roma n°42	Building leased to ASCOTRADE hosting offices
Ascopiave S.p.A.	Casteggio (PV) - Via Anselmi n° 33	Building leased to ASCOTRADE hosting offices
Ascopiave S.p.A.	Casteggio (TV) - Via Anselmi n° 33	Building hosting warehouse
Ascopiave S.p.A.	Porto Viro (RO) - Via dell'Artigianato n°9/A	Building leased to ASCOTRADE hosting offices
Ascopiave S.p.A.	Conegliano (TV) - Via C. Battisti n°5 C	Building leased to ASCOTRADE hosting offices
Ascotrade S.p.A.	Castelfranco (TV) - Piazza Serenissima n°20	Building hosting company offices
Ascotrade S.p.A.	Vittorio V. galleria IV Novembre n. 10	Building hosting company offices
Ascotrade S.p.A.	Vicenza Viale Mercato Nuovon. 75	Building hosting company offices

Performance indicators

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

- **Gross operative spread (Ebitda):** defined by the company as the result of amortisations, credit depreciation, financial managing and taxes;
- **Operating result:** this indicator is accounted for by the accounting principles we refer to, and it is defined as operative spread (Ebit) minus the balance of costs and non-recurrent revenues. This last voice includes extraordinary incomes and losses, appreciations and capital losses for alienation of assets, insurance reimbursements, taxes and others positive and negative components with less relevance.
- **Revenues from the tariff on the activity of gas distribution:** the Company defines it as the amount of revenue realised by the distribution companies of the Group for the implementation of tariffs for distribution and measurement of natural gas to their end customers, net of amounts equalisation managed by the Electricity Equalisation Fund;

- **First margin on gas sales:** the Company defines it as the amount obtained from the difference between the sales proceeds (realised by the Group's sale companies to end customers or final market within the business of trading and selling as a wholesaler) and the sum of the following costs: the cost of transmission service (gross of amounts subject to elimination and distribution tariffs applied by the distribution companies) and the purchase cost of gas sold;
- **First margin on electric power sale:** the Company defines it as the amount obtained from the difference between the proceeds of sale of electricity and the sum of the following costs: cost of transport services, dispatching and balancing cost and purchase of electricity sold.

Comments on the economic-financial results of the year 2012

General operational performance and indicators

NATURAL GAS DISTRIBUTION	2012	2011	Var.	Var. %
Totally consolidated companies				
Number of concessions	177	181	-4	-2.2%
Length of distribution network (km)	7,547	7,655	-108	-1.4%
Volumes of gas distributed (cm/mln)	877.3	877.8	-0.4	0.0%
Proportionally consolidated companies				
Number of concessions	32	31	1	3.2%
Length of distribution network (km)	1,014	976	38	3.8%
Volumes of gas distributed (cm/mln)	158.8	151.9	6.9	4.6%
Ascopiave Group*				
Number of concessions	193	196	-4	-1.8%
Length of distribution network (km)	8,042	8,132	-90	-1.1%
Volumes of gas distributed (cm/mln)	955.0	952.0	3.0	0.3%

* The data have been obtained by summing the data relating to consolidated companies, considering their consolidation quota.

NATURAL GAS SALE TO FINAL MARKET	2012	2011	Var.	Var. %
Totally consolidated companies				
Number of customers	559,349	563,186	-3,837	-0.7%
Volumes of gas sold (cm/mln)	1,059.1	1,122.3	-63.2	-5.6%
Proportionally consolidated companies				
Number of customers	292,028	293,871	-1,843	-0.6%
Volumes of gas sold (cm/mln)	534.4	621.7	-87.4	-14.1%
Ascopiave Group*				
Number of customers	703,134	707,826	-4,691	-0.7%
Volumes of gas sold (cm/mln)	1,323.0	1,429.1	-106.1	-7.4%

* The data have been obtained by summing the data relating to consolidated companies, considering their consolidation quota.

SALE OF ELECTRIC POWER	2012	2011	Var.	Var. %
Totally consolidated companies				
Volumes of electric power sold (GWh)	170.6	148.3	22.3	15.0%
Proportionally consolidated companies				
Volumes of electric power sold (GWh)	1,568.5	1,329.2	239.3	18.0%
Ascopiave Group*				
Volumes of electric power sold (GWh)	946.6	807.5	139.1	17.2%

* The data have been obtained by summing the data relating to consolidated companies, considering their consolidation quota.

NATURAL GAS SALE - WHOLESALING AND TRADING	2012	2011	Var.	Var. %
Volumes of gas sold (cm/mln)	615.7	1,153.1	-537.4	-46.6%

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 them according to the share of consolidation.

The volume of gas sold to the final market during 2012 amounted to 1,323.0 billion cubic metres, marking a decrease of 7.7% as compared to 2011.

The enlargement of the consolidation perimeter of company Amgas Blu S.r.l., consolidated as from 1st July 2011, led to an increase in volumes sold for about 25.5 million cubic metres, while with the same consolidation perimeter, the Group sold smaller quantities, equal to 89.0 million cubic metres, with a percentage decrease of 7.9%.

Sales activity at the virtual trading point and wholesaling led to the movement of 1,153.1 million cubic metres of gas, an

increase of 46.6% compared to 2011.

As of 31st December 2012, the Group manages the sale of natural gas to approximately 703,000 customers. As compared to the same date in the previous financial year, the number of customers decreased of approximately 4,700 units. This decrease in customers depends both on the low switch rates, and the modest growth in new gas users in the regional reference markets (new connections, conversion to methane heating systems, etc.).

As to the activity of gas distribution, in 2012, the volumes distributed through networks managed by the Group have been 955.0 million cm (+0.3% compared to 2011).

Following the new extensions, as of 31st December 2012 the distribution network extends for 8,042 km.

General operational performance - The Group's economic results

(Thousands of Euro)	Financial year 2012	% of revenues	Financial year 2011	% of revenues
Profits	1,078,038	100.0%	1,099,241	100.0%
Operating costs	975,403	90.5%	1,006,072	91.5%
Gross operative margin	102,635	9.5%	93,169	8.5%
Amortization	22,116	2.1%	19,081	1.7%
Bad debt provisions	7,491	0.7%	7,372	0.7%
Operating result	73,027	6.8%	66,717	6.1%
Financial income	2,159	0.2%	1,769	0.2%
Financial expenses	9,075	0.8%	4,567	0.4%
Evaluation of associated companies with equity method	(11,007)	1.0%	(22,425)	2.0%
Income before taxes	55,104	5.1%	41,494	3.8%
Taxation for the period	29,509	2.7%	33,874	3.1%
Income before taxes	25,595	2.4%	7,620	0.7%
Net result from discontinued operations/assets held for sale	4,336	0.4%	639	0.1%
Income/losses for the period	29,932	2.8%	8,259	0.8%
Net income of the Group	27,865	2.6%	6,266	0.6%
Net income of third parties	2,067	0.2%	1,993	0.2%

In accordance with CONSOB communication DEM/6064293 dated 28th July 2006, the alternative performance indicators are defined at page 15 of the present report.

In 2012, the Group incomes amount to Euro 1,103,038 thousand, with an increase of 1.9% as compared to the previous financial year. The following table reports the details of income.

(Thousands of Euro)	31.12.2012	31.12.2011
Revenues from gas transportation	16,744	12,711
Revenues from gas sale	885,177	948,782
Revenues from electricity sale	148,289	107,993
Revenues from connections	4,450	4,868
Revenues from heat supply	519	2,242
Revenues from distribution services	5,185	5,879
Revenues from billing and taxes	193	222
Revenues from services supplied to Group companies	1,781	2,343
Revenues from AEEG contributions	6,317	5,734
Other revenues	9,383	8,465
Revenues	1,078,038	1,099,241

The **revenues from gas sale** decrease from Euro 948,782 thousand to Euro 885,177 (-Euro 63,606 thousand, +6.7%); this variation was determined by:

- the increase in revenues from final market sale - with the same consolidation area - for Euro 66,772 thousand.

- the increase in revenues from gas sale to the final market following the enlargement of the consolidation perimeter of Amgas Blu S.r.l. for Euro 16,747 thousand.
- the decrease in the sales of the Group as trader and wholesaler, for Euro 147,125 thousand;

Revenues from electricity sales increased from Euro 107,993 thousand to Euro 148,725 thousand, recording an increase of Euro 40,732 thousand (+37.7%), mainly due to the increase of the quantities sold and the increase in sale prices

Other revenues, mainly attributable to the distribution of gas, increased from Euro 42,466 thousand to Euro 44,136 thousand (+ Euro 1,670 thousand, +3.9%), of which:

- Euro 203 thousand increase for the enlargement of the consolidation structure to include Amgas Blu S.r.l.
- Euro 1,468 thousand increase at equal consolidation area

The operating result for 2012 amounts to Euro 73,027 thousand (+Euro 6,311 thousand, +9.5.0% compared to the previous year).

The enlargement of the consolidation perimeter resulted in an increase in operating income of approximately Euro 968 thousand, due to the consolidation of Amgas Blu S.r.l.

At equal consolidation area, the increase in operating income amounts to Euro 5,343 thousand (8.0%). The increase is due to several factors:

- increase in the revenues from the tariffs on the activity of gas sales, equal to Euro 3,546
- increase in the first margin on the activity of gas sales, equal to 13,502 Euro thousand.
- increase in the first margin on the activity of electricity sales, equal to Euro 52 thousand
- decrease in other items of cost and revenues, equal to Euro 11,652 thousand

The increase in the **revenues from tariffs in the distribution** activity (increasing from Euro 66,685 thousand to Euro 70,231 thousand) is mainly due to the application of the gradual mechanism and to the positive consequence of AEEG 315/2012/R/GAS Decision, with which the Authority redetermined the reference tariffs for years 2009 and 2010 pursuant to State Council decision N. 2521/12 and application of AEEG 450/2012/R/GAS Decision, which decided the reference tariffs for years 2011 and 2012.

The decrease of **other items of cost and revenues** (from Euro 79,057 thousand to Euro 94,957 thousand) is due to:

- enlargement of the consolidation perimeter: decrease of Euro 2,397 thousand;
- increase in first margin of sale to final customers (at equal perimeter) for Euro 15,096 thousand;
- reduction of first sale margin in the gas sale activity to wholesale customers and trading activity (at equal perimeter) for Euro 1,595 thousand.

The decrease in the **first margin on the activity of electric power sale** (from Euro 2,560 thousand to Euro 2,508 thousand) is due to a reduced unitary marginality.

The decrease in the item **other costs and revenues**, amounting to Euro 13,082 thousand is due to:

- Increase of consolidation area: decrease of Euro 1,430 thousand
- Increased revenues (at equal perimeter) for Euro 1,468 thousand
- Increased costs for materials and other costs (at equal perimeter for Euro 9,863 thousand of which Euro 3,118 thousand for risk provision and Euro 2,929 thousand for leasing costs to local authorities for the distribution system
- Increased personnel costs (at equal perimeter) for Euro 2,399 thousand

Consolidated net income for 2012 amounts to Euro 29,932 thousand, with an increase of Euro 21,672 thousand (+262.4%) compared to the previous year.

The variation is due to the following factors:

- increase in the operating result, for Euro 6,311 thousand as previously stated
- the depreciation, with the net equity method, of the affiliate company Sinergie Italiane S.r.l (in liquidation) for Euro 11,417 thousand
- increase in financial revenues for Euro 390 thousand
- increase of other net financial charges for Euro 4,508 thousand;
- increase in non-current assets for sale for Euro 3,697 thousand following sale of subsidiary Serin S.r.l., working in the photovoltaic sector, in December 2012
- reduction of taxes for Euro 4,365 thousand, following the decrease in taxable amounts and due to the fact that 2011 tax dues had been influenced by non-recurrent taxation for Euro 4,366 thousand caused by the increased tax rates and by the increase in the subjective application of so-called Robin Hood Tax.

The tax rate, calculated by normalizing the pre-tax result from the effects of consolidation by equity method of the company Sinergie Italiane (in liquidation), and the one-off tax effect due to the first time application of so-called Robin Hood Tax on advance/deferred taxation, decreases from 46.2% to 44.6%.

General operational performance – Financial situation

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

(Thousands of Euro)	31.12.2012	31.12.2011
A Cash	16	21
B Other liquid assets	26,975	44,833
C Negotiable shares		
D Liquid assets (A) + (B) + (C)	₹ 26,992	44,854
E Current financial receivables	₹ 24,723	14,189
F Current bank debt	₹ (176,286)	(186,145)
G Current share of non current debt	(6,990)	(6,934)
H Other current financial debts	(8,534)	(21,679)
I Current financial indebtedness (F) + (G) + (H)	(191,811)	(214,757)
J Net current financial indebtedness (I) - (E) - (D)	(140,096)	(155,714)
K Non-current bank debt	(29,420)	(44,889)
L Bonds issued		
M Other non-current debts	(613)	(619)
N Non-current financial indebtedness (K) + (L) + (M)	(30,033)	(45,507)
O Net financial indebtedness (J) + (N)	(170,130)	(201,221)

As of 31st December 2012, the financial position decreased from Euro 201,221 thousand to Euro 170,130 thousand, reporting an improvement of Euro 31,092 thousand.

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

(Thousands of Euro)	2012	2011
Group's net income	29,932	8,259
Amortizations	20,527	19,938
Bad debt provisions	7,491	7,372
(a) Auto-financing	57,950	35,569
(b) Adjustment to reconcile net income with the variation in financial position generated by operating management:	(7,742)	(32,340)
(c) Variation in financial position generated by operating activities = (a) + (b)	50,208	3,229
(d) Variation in financial position generated by investments	(11,059)	(70,819)
(e) Other variation in financial position	(8,058)	(37,637)
Net variation in financial position = (c) + (d) + (e)	31,092	(105,227)

The cash flow generated by the operating management, equal to Euro 50,208 thousand, is mainly due to self-financing (Euro 57,950 thousand) partially off-balanced by other financial negative variations, amounting to Euro 7,742 in total. This decrease is partially related to the net circulating capital management and to the amounts related to economic operation which did not have direct manifestation in the financial year. Management of net circulating capital has absorbed financial resources amounting to Euro 14,185 and it was influenced mainly by a variation in the overall balance with the Technical Office for Taxation on Building and Regional Taxation, which generated financial resources of Euro 5,728 thousand, by the worsening of VAT and tax allocation, which absorbed financial resources of Euro 6,314 thousand and finally by the worsening of the management of net operating capital, which absorbed financial resources of Euro 14,739 thousand. Income statement items that did not have financial manifestation on the current financial year mainly pertain the provision for the loss of Sinergie Italiane by the Group, for Euro 11,007 thousand and the write-off of plus values generated by the sale of photovoltaic activities (Euro 4,565 thousand).

Investment activities in fixed assets and company investment has generated a cash requirement of Euro 11,059 thousand, net of divestments. Net investments in tangible and intangible fixed assets, amounting to Euro 15,508 thousand, have been partially compensated by the result of divestment in the photovoltaic sector, selling assets connected to company Serin S.r.l. for Euro 4,499 thousand. For additional details on investments, please refer to the next paragraph.

Additional variations in the net financial position, generating a cash requirement of Euro 8,058 thousand, are mainly due to distribution of dividends to third parties (which absorbed resources for Euro 1,830 thousand), purchase of own shares (Euro 1,388 thousand), coverage of losses related to subsidiary company Sinergie Italiane (Euro 27,455 thousand) and the deconsolidation of the financial position of companies working in the photovoltaic sector, controlled by Serin S.r.l. (with a reduction of net financial indebtedness –net of cash allowance- of Euro 22,616 thousand).

General operational performance - Investments

(Thousands of Euro)	31.12.2012
Industrial patents and intellectual property rights	103
Concessions, licences, trademarks and similar rights	200
Other intangible fixed assets	984
Tangible assets under IFRIC 12 concession	15,087
Intangible assets in progress under IFRIC 12 concession	2,786
Intangible assets in progress and advance payments	125
Other tangible fixed assets	19,285
Lands and buildings	346
Plant and machinery	7
Industrial and commercial equipment	188
Other assets	1,201
Tangible assets in progress and advance payments	2,060
Tangible assets	3,802
Total investments	23,087

The investments in intangible assets carried out during the considered period are equal to Euro 23,087 thousand, of which 19,285 in intangible fixed assets and Euro 3,802 thousand for tangible fixed assets.

Reconciliation statement of results for the year and shareholders' equity

The schedule below shows the reconciliation of net income and consolidated shareholders' equity of the Issuer at 31.12.2012 and 31.12.2011:

	31.12.2012	31.12.2012	31.12.2011	31.12.2011
	Groups' Operating Result	Total net equity	Groups' Operating Result	Total net equity
(Thousands of Euro)				
Net income and results for the period as recorded in the statutory financial statements of the parent company	27,538	359,526	6,174	336,041
Elimination of the book value of the consolidated equity investments	(0)	(101,323)	(0)	(109,324)
Results obtained by subsidiary companies	38,431	38,431	32,127	32,127
Variations		(0)	(0)	(0)
Goodwill	(204)	72,179	(204)	72,896
Trade relation value, net of tax effects	(1,604)	5,409	(2,190)	7,013
Appreciation of gas distribution network, net of tax effects	(702)	14,091	(2,040)	14,793
Differences in traslation of IFRS of balance sheets with different accounting methods	272	(471)	(612)	370
Elimination of infra-group dividends	(25,963)	0	(26,606)	0
Effects of the evaluation of companies consolidated with the net assets method	(8,044)	(8,044)	2,897	(4,173)
Other effects	207	9,020	(1,287)	12,825
Total variations, net of tax effects	(36,038)	92,184	(30,042)	103,723
Net Shareholders' equity and result for the period as recorded in the consolidated financial statement	29,932	388,819	8,259	362,568
Minority interests and results	2,067	4,765	1,993	4,696
Operating result and net equity for the period as recorded in the consolidated financial statement	27,865	384,053	6,266	357,871

Ascopiave Group

Consolidated financial statement as of 31st December 2012

Consolidated statement of financial position as of 31st December 2012 and as of 31st December 2011

(Thousands of Euro)		31.12.2012	31.12.2011
ASSETS			
Non-current assets			
Goodwill	(1)	115,630	116,143
Other intangible assets	(2)	334,827	342,903
Tangible assets	(3)	40,534	61,983
Shareholdings in other companies	(4)	1	1
Other non-current assets	(5)	11,763	10,659
Deferred tax assets	(6)	18,054	16,082
Non-current assets		520,808	547,770
Current assets			
Inventories	(7)	3,053	5,297
Trade receivables	(8)	301,449	298,692
Other current assets	(9)	57,287	77,376
Current financial assets	(10)	24,723	14,189
Tax receivables	(11)	1,648	318
Cash and cash equivalents	(12)	26,992	44,854
Current assets		415,151	440,726
Assets		935,959	988,496
NET EQUITY AND LIABILITIES			
Total net equity			
Share capital		234,412	234,412
Reserves		149,642	123,460
Net equity of the Group		384,053	357,871
Net equity of Others		4,765	4,696
Total Net equity	(13)	388,819	362,568
Non-current liabilities			
Provisions for risks and charges	(14)	11,218	24,868
Severance indemnity	(15)	3,384	3,686
Medium- and long-term bank loans	(16)	29,420	44,889
Other non-current liabilities	(17)	16,622	19,390
Non-current financial liabilities	(18)	613	619
Deferred tax payables	(19)	32,897	34,523
Non-current liabilities		94,155	127,973
Current liabilities			
Payables due to banks and financing institutions	(20)	183,277	193,078
Trade payables	(21)	231,735	250,083
Tax payables	(22)	2,716	6,125
Other current liabilities	(23)	26,724	26,990
Current financial liabilities	(24)	8,534	21,679
Current liabilities		452,986	497,955
Liabilities		547,141	625,929
Net equity and liabilities		935,959	988,496

Consolidated income statement

(Thousands of Euro)		Financial year 2012	Financial year 2011
Revenues	(25)	1,078,038	1,099,241
Total operating costs		982,894	1,013,444
Purchase costs for raw material (gas)	(26)	688,084	772,580
Purchase costs for other raw materials	(27)	92,738	71,688
Costs for services	(28)	152,434	124,572
Costs for personnel	(29)	25,442	24,323
Other management costs	(30)	24,443	20,894
Other income	(31)	247	612
Amortization and depreciation	(32)	22,116	19,081
Operating result		73,027	66,717
Financial income	(33)	2,159	1,769
Financial charges	(33)	9,075	4,567
Evaluation of subsidiary companies with the net equity method	(33)	(11,007)	(22,425)
Earnings before tax		55,104	41,494
Taxes for the period	(34)	29,509	33,874
Result for the period		25,595	7,620
Net result from transfer/disposal of assets	(35)	4,336	639
Net result for the period		29,932	8,259
Group's Net Result		27,865	6,266
Third parties Net Result		2,067	1,993
Consolidated statement of comprehensive income			
Net variation of reserves for evaluation of subsidiary companies net equity	*		(2,564)
Total comprehensive income		29,932	5,695
Group's overall net result		27,865	3,702
Third parties' overall net result		2,067	1,993
Base income per share		0.12	0.02
Diluted net income per share		0.12	0.02

* The item refers to Sinergie Italiane S.r.l. as described under note 4 "Shareholdings"

Consolidated statement of changes in shareholders' equity as of 31st December 2012 and as of 31st December 2011

(Thousands of Euro)	Share capital	Legal reserve	Own shares	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1 January 2012	234,412	46,882	(15,721)	86,031	6,266	357,871	4,696	362,567
Result for the period					27,865	27,865	2,067	29,932
Total result of overall income statement				(0)	27,865	27,865	2,067	29,932
Allocation of 2011 result				6,266	(6,266)	(0)		(0)
Dividends paid to shareholders						(0)	(1,830)	(1,830)
Other operations				(294)		(294)	(168)	(462)
Share buyback			(1,388)			(1,388)		(1,388)
Balance as of 31 December 2012	234,412	46,882	(17,109)	92,003	27,865	384,053	4,765	388,818

(Thousands of Euro)	Share capital	Legal reserve	Own shares	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1 January 2011	234,412	46,882	(13,073)	76,140	31,173	375,534	3,866	379,401
Result for the period					6,266	6,266	1,993	8,259
Reserve for evaluation of subsidiary companies' net equity				1,270		1,270		1,270
Total result of overall income statement				1,270	6,266	7,537	1,993	9,530
Allocation of 2010 result				31,173	(31,173)	(0)		(0)
Dividends paid to Ascopiave S.p.A.				(22,557)		(22,557)		(22,557)
Dividends paid to shareholders						(0)	(1,626)	(1,626)
Changes in consolidated area						(0)	464	464
Share buyback			(2,648)			(2,648)		(2,648)
Other operations				4		4		4
Balance as of 31 December 2011	234,412	46,882	(15,721)	86,031	6,266	357,870	4,696	362,567

Consolidated statement of Cash Flows for the year 2012 and 2011

(Thousands of Euro)	Financial year 2012	Financial year 2011
Net income of the Group	27,865	6,266
Cash flows generated/(used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-party operating result	2,067	1,993
Amortization	20,527	19,938
Bad debt provisions	7,491	7,372
Variations in deferred/advance taxes	(23)	72
Variations in severance indemnity	(302)	216
Net variation of other funds	2,798	(5)
Evaluation of subsidiaries with the net equity method	11,007	22,425
Gains on disposal of investments	(4,565)	0
Current taxes	29,509	34,136
Accrued interests	4,942	4,524
Interests paid	(4,885)	(4,441)
Taxes paid	(38,492)	(23,443)
Variations in assets and liabilities:		
Inventories	2,243	(844)
Trade receivables	(10,493)	(34,188)
Other current assets	16,988	(47,936)
Trade payables	(16,312)	45,860
Other current liabilities	(3,711)	(35,115)
Other non-current assets	(1,129)	(1,466)
Other non-current liabilities	(258)	3,319
Total adjustments and variations	17,402	(7,583)
Cash flows generated/(used) by operating activities	45,266	(1,317)
Cash flows generated/(used) by investments		
Investments in intangible assets	(19,285)	(19,701)
Realisable value of intangible assets	7,505	2,654
Investments in tangible assets	(3,802)	(22,057)
Realisable value of tangible assets	75	5
Disposal/(acquisitions) in investments and advance payments	4,449	(31,721)
Other net equity operations	0	467
Cash flows generated/(used) by investments	(11,059)	(70,352)
Cash flows generated/(used) by financial activities		0
Net changes in non-current financial liabilities	(6)	(78)
Net changes in short-term bank borrowings	6,134	78,265
Net changes in current financial assets and liabilities	(19,676)	7,044
Purchase of own shares	(1,388)	(2,648)
Net changes in medium- and short-term loans	(7,850)	34,810
Dividends distributed to Ascopiave S.p.A. shareholders	(0)	(22,557)
Dividends distributed to other shareholders	(1,830)	(1,626)
Coverage of losses of subsidiary companies	(27,455)	0
Cash flows generated/(used) by financing activities	(52,070)	93,210
Variations in cash	(17,863)	21,541
Cash and cash equivalents at the beginning of the period	44,854	23,313
Cash and cash equivalents at the end of the period	26,992	44,854

EXPLANATORY NOTES

Company information

The publication of the Ascopiave S.p.A. consolidated financial statements as of 31st December 2012 was authorised by resolution of the Board of Directors dated 14th March 2013. Ascopiave S.p.A. is a public limited company incorporated and established in Italy.

The activities of the Ascopiave Group

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

Thanks to its broad customer base and for the quantity of gas sold, Ascopiave is at present one of the main operators of the industry at a national level.

The Group owns concessions and direct entrusting for the management of the activity of gas distribution approximately 200 municipalities, supplying the service to more than one million users. The group is the owner of the distribution network managed that is extended for more than 8,000 kilometres.

The activity of natural gas sale 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 exercise a joint control with other shareholders. In the Gas sale sector Ascopiave is one of the main National operators, featuring approximately 700,000 (*) final customers and more than 1,300(*) million metric cubes of sold gas.

(*) Said data are obtained summing the data of single Group companies and weighting them against their consolidation share.

General drafting criteria and declaration of conformity with IFRS

The Ascopiave S.p.A. Consolidated Financial Statements as of 31st December 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure set forth in Art. 6 of EC Directive no. 1606/2002 issued by the European Parliament and Council on 19th July 2002 as well as with the provisions issued for the implementation of Art. 9 of Legislative Decree no. 38/2005.

The consolidated financial statements is based on the principle of historical cost, taking into account the adjustments as appropriate, with the exception of the budget items that under IFRS must be recognized at fair value as described in the evaluation criteria and according to the principle of going-concern.

The accounting principles adopted are consistent with those used as of 31st December 2011.

This consolidated financial statement of Ascopiave Group S.p.A. was prepared by the Board of Directors on the basis of the accounting record as of 31st December 2013 and was approved during the Board of Directors meeting of 14th

March 2013. It is accompanied by the report of Ascopiave S.p.A trend. The financial statement of the Ascopiave Group as of 31st December 2012 is subject to auditing procedure by the auditing company Reconta Ernst & Young.

For comparative purposes the consolidated profiles present balance sheet figures as of 31st December 2011 reclassified following the sale of photovoltaic energy production company, as stated in the paragraph "Remarkable events during the fiscal year" of this section.

The consolidated financial statements are expressed in thousands of Euro, rounded off to the thousands unless otherwise stated and includes the consolidated statement of financial position, the consolidated income statement, the statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the statement of cash flows and the following explanatory notes.

The values used for consolidation were gathered from income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data have been adjusted and reclassified, where necessary, to ensure compliance with international accounting standards and with the classification criteria applied throughout the Group.

Financial statements representation

The items of the financial position are classified into "current" and "non-current"; those in the income statement are classified by their nature. The statement of changes in shareholders' equity reconciles the opening and closing balances of each net equity item. The cash flow statement has been defined according to the indirect method, by adjusting operating income of non-monetary components. We believe that these patterns adequately represent the economic situation and financial position.

Recently issued accounting principles

The accounting principles adopted by the Group are consistent with those used as of 31st December 2011 with the exception of the following modifications that were enforced on 1st January 2012

- IFRS 7 Integrating information – Transfers of financial assets

The amendment requires additional information if the transferred assets are not entirely erased from the balance sheet, i.e. the Group has to provide information that allow the balance sheet users to understand the relationship between the assets that have not been erased and the liabilities associated with them. If the transferred assets are completely erased but the Group is still involved, information has to be provided in order for the balance sheet users to assess the nature of the company's involvement in the erased assets, and the risks associated with it. The actual date of adoption of this change is 1st July 2011 or later; the Group as of today does not meet said criteria and therefore this principle does not affect the issuing of the consolidated financial statement.

Principles issued but not yet enforced

Hereby we report principles and interpretations that, as of the closure date of the Consolidated Financial Statement of the Group, had been issued but not yet enforced.

IAS 1 Presentation of financial statement – Presentation of Items of Other Components of Comprehensive Financial Statement

This change involves a modification in the grouping method applicable for other items in the overall financial statements. The items that could be reclassified (or "recycled") in future income statements (e.g. upon cancellation or liquidation) should be presented separated from the items that will never be reclassified. The change only affects the presentation of the balance sheet and has no impact on the financial position or performance of the Group. This modification is applicable to financial years starting as from 1st July 2012;

IAS 19 (2011) Benefits to employees

IASB issued several changes regarding IAS 19. These amendments involve radical changes such as the cancellation of the corridor mechanism and of the returns expected from the activities of the plan, as well as simple clarifications and terminology. These amendments will impact the net costs of the plan, since the expected income on plan assets will be calculated using the same interest rates used to discount the liability. These changes are applicable to financial years starting as from 1st January 2013 or later;

IAS 12 – Deferred taxes: recovery of underlying assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment will be effective for annual periods beginning on or after 1 January 2013 and it shall have no effect on the Group's financial position, performance or its disclosures.

IAS 28 (2011) Shareholdings in subsidiaries and in jointly controlled companies

Following the introduction of the new IFRS 11 and IFRS 12, IAS 28 was renamed Shareholdings in subsidiaries and in jointly controlled companies, and it describes the application of the net equity method for shareholdings in this type of companies. These changes are applicable to financial years starting as from 1st January 2014 or later.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters of IFRS to apply the requirements of IAS 20 "Accounting for government grants and disclosure of government assistance", prospectively to government loans existing at the date of

transition to IFRS. Entities may choose to apply the requirements of IAS 39 and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1st January 2013.

IFRS 10 Consolidated financial statements (2011)

IFRS 10 replaces the part of IAS 27 (Consolidated and separate financial statements) which regulates the entry into accounts of the consolidated financial statements. It also includes the problems and issues arising from the SIC-12 Consolidation - Special purpose entities. IFRS 10 establishes a single control model to be applied to all companies, including special purpose entities. In relation to the requirements set forth in IAS 27, the changes introduced by IFRS 10 will require the management to carry out significant discretionary evaluation in order to determine which companies are actually controlled and have to be consolidated by the parent company. This principle is applicable to financial years starting as from 1st January 2014 or later;

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective latest from 1 January 2013 or subsequently and shall be applied retrospectively to joint agreement still enforced at the initial date of application.

IFRS 12 Information on shareholdings in other companies

IFRS 12 includes all the provisions on the subject matter that were previously included under IAS 27 regarding the consolidated financial statements, as well as all the information provisions contained in IAS 31 and AS 28. The information contained in IFRS 12 concerns the shareholdings of a company in controlled companies, jointly controlled companies, subsidiaries and market value vehicles. New cases are also included and provided for. This principle is applicable to financial years starting as from 1st January 2014 or later;

IFRS 13 Fair value assessment

IFRS 13 establishes a single guideline for all fair value assessments. According to IFRS 13, the cases in which the use of the fair value is required remain unchanged, but it provides a sort of guide on how to assess the fair value under IFRS provisions when the fair value application is required or allowed. This principle is applicable to financial years starting as from 1st January 2013.

Use of estimates

The preparation of the financial statements and related explanatory notes in application of the IFRS requires that management to provide estimates and assumptions that affect the values of the assets and liabilities reported on the consolidated financial statements and information relating to potential assets and liabilities as of that date.

Estimates are used to report:

- Duration and residual value of the goods in concession: the gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree n. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, between 31st December 2010 and 31st December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;
- Permanent reductions in the value of non-financial assets: At each balance sheet date, the Group assesses whether there are permanent reductions in the value of all non-financial assets.

In particular, goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist, this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting on the basis of a suitable discount rate.

As of 31st December 2011, the book value of goodwill amounts to Euro 115,630 thousand (2011: Euro 116,143 thousand). Further details can be found under Note 1;

- The valuation of the revenues from gas consumption for which the actual reading is not yet available.
- Provisions for risks on receivables
- Obsolete inventories,
- The useful lives of intangible and tangible fixed assets and related amortisation,
- Employee benefits and payment plans based on stock options (so-called phantom stock option),
- Taxes,
- Provisions for risks on receivables,

The estimates and assumptions are reviewed periodically, and the variations are immediately reflected in the income statement. In applying the Group accounting principles, the directors have taken decisions based on the stated discretionary evaluations, with a significant effect on the values reported on the statements. However, the uncertainty

surrounding these assumptions and estimates may determine results that, in the future, will need to be significantly adjusted at the book value of such assets and/or liabilities.

Consolidation principles

The consolidated financial statements comprise the balances Ascopiave S.p.A. and those of the subsidiaries prepared as of 31st December every year.

The subsidiary companies are integrally consolidated from the date of acquisition or the date that the group acquires control, and they cease to be consolidated on the date in which control is transferred outside of the group.

The statements of the subsidiary companies have been prepared, adopting the same accounting principles as the parent company, for each accounting period.

All balances and infra-group transactions, including any profits or losses that have not been realised, deriving from relations between companies of the group, have been entirely eliminated.

Fractions of shareholders' equity and of revenues of third-party interests are recorded in dedicated items of the shareholders' equity and income statement. In case non-total control is acquired, the share of net assets of third-party interests is determined on the basis of the portion attributable to the current value assigned to assets and liabilities as of the date of acquisition of control, excluding any goodwill attributable to them (so-called *partial goodwill method*). Otherwise, if non-total control is acquired, the total amount of goodwill (negative goodwill) generated from the acquisition is recorded considering, therefore, the share attributable to third-party interests (so-called *full goodwill method*); in this respect, the interests of other parties are expressed at their total fair value, including, therefore, goodwill (negative goodwill).

In the presence of additional interests acquired subsequent to the takeover (acquisition of third-party interests), any positive difference between purchase price and the corresponding percentage of net assets acquired is recorded in the equity; similarly, the effects resulting from the sale of minority interests without losing control are also recorded in the equity.

The joint ventures are consolidated using the proportional method, summing line by line the shares in any assets, liabilities, revenues and expenses of the joint venture with the respective entries of the consolidated financial statements. The joint ventures prepare their financial statements for the financial year of the parent company and apply uniform accounting principles. Any inconsistency in the accounting principles applied are corrected by adjustments.

Associated companies are accounted for using the equity method with separate indication in the consolidated financial statement of the profit attributable to the Group. The most recent financial statements available of the affiliate company are used in applying the net equity method. When the closing date of the parent company is different from the one of the affiliate, or if the accounting principles used are different, the affiliate prepares a financial statement to be used by the parent company, on the same date as the parent company's financial statements and with the same accounting principles, unless this is absolutely not feasible. When the financial statements of an affiliate company used in applying the net equity method refer to a date different from the one of the parent company, the appropriate adjustments are made for the significant transactions or events that occurred between that date and year end.

Consolidation area as of 31st December 2012

The companies included in the consolidation area as of 31st December 2012 and consolidated through the line-by-line, proportional method or net equity method are the following:

Company name	Registered offices	Paid-up capital	Group interest	Direct controlling interest	Indirect controlling interest
Parent company					
Ascopiave S.p.a.	Pieve di Soligo (TV)				
100% consolidated companies					
Ascotrade S.p.a.	Pieve di Soligo (TV)	1,000,000	89.00%	89,00%	0%
Consorzio RE	(1) Pieve di Soligo (TV)	100,000	58.91%	57.00%	3%
Etraenergia S.r.l.	Cittadella (PD)	100,000	51.00%	51.00%	0%
ASM DG S.R.L.	Rovigo (RO)	7,000,000	100.00%	100.00%	0%
Edigas Due S.r.l.	Cernusco sul Naviglio (MI)	120,000	100.00%	100.00%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Cernusco sul Naviglio (MI)	1,000,000	100.00%	100.00%	0%
AscoEnergy S.r.l.	Pieve di Soligo (TV)	300,000	100.00%	100.00%	0%
Amgas Blu S.r.l.	(2) Foggia (FG)	10,000	80.00%	0.00%	80%
Blue Meta S.p.A.	Orio Al Serio (BG)	606,123	100.00%	100.00%	0%
Pasubio Servizi S.r.l.	Schio (VI)	250,000	100.00%	100.00%	0%
Ascoblu S.r.l.	Pieve di Soligo (TV)	10,000	100.00%	100.00%	0%
Companies under joint control proportionally consolidated					
ASM SET S.R.L.	(3) Rovigo (RO)	200,000	49.00%	49.00%	0%
Estenergy S.p.A.	(4) Trieste (TS)	1,718,096	49.00%	49.00%	0%
Veritas Energia S.r.l.	(5) Venezia	1,000,000	51.00%	51.00%	0%
Unigas Distribuzione S.r.l.	(6) Nembro (BG)	3,700,000	48.86%	48.86%	0%
Subsidiary companies consolidated with net equity method					
Sinergie Italiane S.r.l.	Milano (MI)	1,000,000	30.94%	30.94%	0%

(1) 57% is controlled by Global Energy S.r.l., 1% by Ascotrade S.p.A. 1% by Etra S.r.l., 1% by Veritas S.r.l.

(2) Controlled by Asco Blu S.r.l.;

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

(4) Joint control with Acegas-APS S.p.A. :

(5) Joint control with Veritas S.p.A. ;

(6) Joint control with Anita S.p.A. :

Synthesis data of proportionally consolidated companies and of consolidated companies

Description	Revenues from sales and service supply	Net result	Net equity	Net financial position (liquid assets)	Reference accounting principles
Ascoblu S.r.l.		(21)	84	11,183	Ita Gaap
AscoEnergy S.r.l.	167	4,260	6,212	(6,465)	Ita Gaap
Amgas Blu S.r.l.	25,880	1,537	1,803	(2,656)	Ita Gaap
Ascopiave S.p.a.	78,406	27,538	359,526	150,479	IFRS
Ascotrade S.p.a.	568,703	16,585	30,639	(4,702)	IFRS
Blue Meta S.p.A.	82,701	2,952	6,176	10,159	Ita Gaap
Consorzio RE		(5)	19	(16)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	5,612	1,386	8,988	(730)	Ita Gaap
Estenergy S.p.A.	397,196	8,810	18,123	31,738	IFRS
Etraenergia S.r.l.	8,572	(99)	165	(1,032)	Ita Gaap
Edigas Due S.r.l.	39,338	1,185	2,803	2,019	Ita Gaap
Pasubio Servizi S.r.l.	55,118	2,951	5,831	(3,582)	Ita Gaap
ASM DG S.R.L.	4,888	1,596	12,298	130	Ita Gaap
ASM SET S.R.L.	43,841	2,531	3,291	(3,753)	Ita Gaap
Unigas Distribuzione S.r.l.	12,997	989	38,581	(13)	Ita Gaap
Veritas Energia S.r.l.	115,748	(541)	1,732	25,070	Ita Gaap

The changes that took place in the consolidation area as compared with 31st December 2012, are reported below:

- Merger by incorporation of company Global Energy S.r.l. into parent company Ascopiave S.p.A.
- Sale to Agroenergetica S.r.l. (Casillo Group) of 50% of company Serin S.r.l., previously held by Ascoenergy S.r.l.. It is noted that, as a consequence to this sale, other companies that were previously proportionally consolidated Masseria S.r.l., Lucania S.r.l., Specchiano S.r.l., Quintasol S.r.l., Gioia S.r.l., Gioia 2 S.r.l., Palosol S.r.l., Palo 6 S.r.l. and De Stern S.r.l. as they were controlled entirely by Serin S.r.l. have all left the consolidation area of the Group.

- Increase in share control of subsidiary Sinergie Italiane S.r.l. (in liquidation) from 27.6% to 30.94% (+3.34%) compared to 31st December 2011. Please refer to the paragraph “Shareholding” for additional information.

It is also noted that during 2012 Ascopiave S.p.A. has extended its control to 100% of Ascoenergy S.r.l. as a consequence of the purchase of 30% of the share capital from Bioenergy S.r.l. of Ascoenergy S.r.l. shares.

For additional information pertaining the aforementioned operations, please refer to the paragraph “Relevant events happened during 2012 – Company operations during 2012” of the Management Report.

It is noted that the data in the P&L statement of 2012 cannot be automatically compared to those of 2011, since subsidiary Amgas Blu S.r.l. was consolidated on 30th June 2011.

Concerning the variation of the consolidation area following sale of Serin S.r.l. and its subsidiaries, the economic profit and loss elements for 2011 have been reclassified net of the tax effect in the item “revenues from sold companies”, while in 2012 said item only contains the results of the sale of “Group Serin”, net of the tax effect.

Evaluation principles

The evaluation principles adopted by the Group are reported below:

Non-current assets

Goodwill: the goodwill obtained from the acquisition of business branches operating in the supply and sale of gas is initially booked at cost and represents the excess of the purchase price compared to the portion pertaining to the purchaser for the net fair value referred to values identifying the current and potential assets and liabilities. After the initial booking, goodwill can no longer be amortized and is reduced by any losses of value.

Goodwill is subjected to an annual recoverability analysis, or a more frequent one if events or changes in circumstances occur which can lead to the emergence of possible losses of value.

With the intent of analysing the recoverability, the goodwill acquired through groups of company is allocated, as of the acquisition date, to each of the units (or groups of units) that generate financial flows with the Group that it is held would benefit from the synergy effects of the acquisition, without regard to the allocation of other assets or liabilities of these units (or groups of units).

Units generating financial flows:

- (i) represent the lowest level, within the Group, to which the goodwill is monitored for internal management purposes;
- (ii) are no greater than one sector, as defined in the primary or secondary indication scheme of the Group in accordance with IFRS 8 "Product information sector".

Loss of value is determined by defining the recoverable value of a unit which generates flows (or groups of units) to which the goodwill is allocated. When the recoverable value of a unit which generates flows (or group of units) is inferior to the book value, a loss of value is indicated. In cases in which the goodwill is attributed to a unit which generates financial flows (or group of units) which is activated through partial abandonment the goodwill associated with the transferred profit is considered in order to determine the positive or negative change derived from the

operation. Goodwill transferred in such cases is calculated on the basis of the values relative to the asset transferred with respect to the asset still held with reference to the same unit.

Other intangible assets: intangible assets acquired separately are initially capitalised at cost, whilst those acquired through company mergers are capitalised at the fair value as of the date of acquisition.

After the initial reporting, as they have a defined useful life, intangible assets are booked net of the accumulated relevant amortization operations and net of any losses in value, determined with the same basis indicated below for tangible assets. The useful life is then re-examined on an annual basis, and any changes, if necessary, made prospectively.

Intangible assets include assets pertaining concessions between the public and the private sectors (so-called service concession agreements) related to development, financing, management and maintenance of infrastructures in concession, of which i) the lessor controls or regulates the services supplied by operator through the infrastructure and their prices; ii) the lessor controls through property, ownership of benefits or in other ways any significant remaining profit-sharing at the end of the concession.

Any profits or losses deriving from the sale of an intangible asset is determined as the difference between the disposal value and the book value of the asset, and are reported on the income statement at the time of the sale.

Other intangible assets also include agreements for service under concession for the development, management and maintenance of infrastructure under concession agreements.

Duration and residual value of assets under concession: The gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree n. 164/00 (so-called Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, after 31st December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate.

In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value.

Tangible fixed assets: tangible assets are booked at their historic cost, including accessory costs directly ascribable to the putting into operation of the asset for the use for which it was acquired.

Lands - both free of constructions and annexed to civil and industrial buildings - were generally accounted for separately and are not depreciated since they are elements with an unlimited useful life.

Maintenance and repair costs that are not subject to valuing and/or extending the residual useful life of assets, are spent in the year in which they are borne. Otherwise, they are capitalised.

Tangible assets are presented net of the relevant accumulated depreciation, and any losses of value determined according to the basis described below. Amortisation is calculated in uniform instalments on the basis of the estimated useful life of the asset for the company, which is re-examined annually, and any changes, if necessary, are made prospectively.

The main economical-technical rates used are as follows:

Buildings	2%
Equipment	8.5% - 8.3%
Furniture	8.80%
Electronic equipment	16.20%
Basic hardware and software	20%
Motorcars, motor vehicles and similar	20%

The book value of tangible fixed assets is subject to verification in order to report any loss of value, should events or changes of situation suggest that the book value may not be recovered. Should there be an indication of this type and, in the event that the book value should exceed the presumed realisation value, the assets are devalued so as to reflect their realisation value. The realisation value of the tangible fixed assets is represented by the greater of the net sales price and the value of use.

Losses of value are reported on the income statement with the costs for amortizations and write downs. Such losses of value are restored should the reasons for their cause cease to exist.

When the asset is sold or if there are no future economic benefits expected from the use of the asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the book value) is entered in the income statement of the year of the above mentioned elimination.

Shareholdings in joint companies: The shareholdings in affiliate companies, i.e. in which the Group has a significant influence, are accounted for using the net equity method. The income statement shows the share of the Group in the operating profit of the affiliate.

If an affiliate company detects adjustments directly attributable to the net equity, the Group recognizes its share and includes it, where applicable, in the statement of changes in the net equity.

In the event that the loss attributable to the Group exceeds the book value of the shareholding, the latter is cancelled and any excess is recognized in a special fund to the extent that the Group has legal or constructive obligations towards the subsidiary to cover its losses or, however, to make payments on its behalf.

Shareholdings in other companies: The financial assets consisting of shareholdings in other companies, if their fair value at the date of the balance sheet cannot be determined because the related shares are not listed, are valued at their cost of purchase or subscription, minus any repayment of principal, and are subsequently adjusted for losses in value determined in the same manner previously described for the tangible assets.

Other non-current assets: non-current assets are valued at their first accounting at the lowest between the accounting value and their fair value.

Current assets

Inventories: inventories are booked at whichever of the following is lower: purchase and/or manufacturing cost, determined in accordance with the weighted average cost basis, or the estimated realizable net value. The net realisation value is determined on the basis of the estimated sales price in normal market conditions, net of direct sales costs.

Obsolete and/or slow to realise inventories are written down in relation to their presumed possibility of use or future realisation. The write down is eliminated in the following years, should the reasons for its cause cease to exist.

Trade receivables: trade receivables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value) net of the relevant value losses. These are suited to their presumed realisation value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Group will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement.

In case of natural gas supply and / or sale contracts, whose volume of natural gas have not yet been withdrawn and / or delivered, these are valued at fair value by discounting the price formulas provided for in contracts and are recognized as a trade receivables and / or trade payables, offset in the income statement.

Cash and cash equivalents: they include the ready cash values, i.e. values with the following requirements: availability at sight or in a very short term, good outcome, and no collection expenses. They are accounted at face value.

Own shares: Re-acquired own shares are taken as a decrease of the assets. The original cost of own shares, revenues from sales and any other subsequent variation are recognized under the net equity.

Non-current liabilities

Benefits for employees: benefits guaranteed to employees, paid when or after employment ceases, by means of programs with defined benefits (Employees' leaving indemnities) or with other long-term benefits (retirement indemnity) are recognized in the period when the right accrues.

The liabilities relative to the programme of defined benefits, net of eventual assets of the service plan, is determined on the basis of actuarial assumptions and indicated for fees coherently for the work that is necessarily performed in order to obtain the benefits. The liability was determined by independent actuaries using the projected unit credit method. Any profits or losses deriving from the actuarial calculation are reported on the income statement as a cost or income, regardless of the value of such, without using the so-called 'corridor method'.

The amount reflects not only the debts accrued at the financial statements closing date, but also future salary rises and the related statistical dynamics.

Reserves for risks and charges: The reserves for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the financial year are undetermined in terms of amount or due date.

Provisions are reported when: (i) there is a current obligation (legal or implicit) that derives from a past event; (ii) an outlay of resources is likely in order to meet the obligation; (iii) a reasonable estimate can be made as to the amount of the obligation.

On the other hand, where it is not possible to carry out a probable estimate as to the obligation, or alternatively, it is deemed that the outlay of financial resources is only possible and not probably, the relevant potential liability is not marked in the financial statements, but rather mentioned appropriately in the explanatory notes.

Provisions are reported at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties upon period end. If the effect of discounting is significant, the allocations are determined by discounting back the expected future financial flows at a pre-tax rate which reflects the market's current valuation in relation to time. When discounting is carried out, the increase of the allocation due to the passing of time is reported as a financial charge.

Medium/Long-term loans: loans are initially booked at fair value, net of any transaction costs and, subsequently, are valued at amortization cost, calculated by applying the actual interest rate.

When a condition of a long-term financing contract is violated, on or before the date of the financial statements, causing the liability to become payable on demand, the liability is classified as current, even if the lender has agreed - after the reference date of the financial statements and before the authorization for its publishing - not to require the payment as a result of the breach. The liability is classified as current because, as of the date of the financial statements, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

Current liabilities

Trade payables and other payables: trade payables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value).

Payables in a currency differing from the account currency, are booked at the exchange rate of the day of the operation and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported on the income statement.

Other payables are reported at cost (identified from the face value).

Non-current financial liabilities: non-current financial liabilities are stated at their face value.

Current financial assets and liabilities: Current financial assets and liabilities are stated at their face value.

Share-based payments: Group employees (and in particular certain Directors) receive part of their salaries in the form of options that can only be sold for cash. The cost of cash operations is evaluated initially at the fair value as of the date of allocation, using an evaluation formula better explained in the note. This fair value is spent in the period until maturation with reporting of a corresponding payable. The liability is re-calculated upon each closure of the period, until the date of regulation, with all changes made to the fair value reported on the income statement.

Revenues: revenues and costs are booked on an accrual basis.

The revenues from sales and service performance are recognized to the extent to which it possible to determine their fair value, and it is likely that the connected economic benefits will be enjoyed upon transfer of the risks and advantages typical of the property or upon performance of the service. Depending on the type of operation, revenues are entered on the basis of the following specific criteria:

- the revenues from natural gas transportation are recognized at the time when the supply or the service are provided - although not yet invoiced - and are determined by combining estimates with the values recorded during the financial year on the basis of the so-called reference tariffs, in order to determine the restriction on total revenues as provided for by the regulations issued by the Authority for Electricity and Gas.

The revenues for gas sales are recognized at the moment of disbursement and also depend on the type of customer. In particular, the product sector norms hold that, in relation to customers that have not chosen to utilize the right to directly negotiate the conditions for supplies with the company that sells the gas, mainly consisting of domestic users, the tariffs for natural gas sales are regulated and updated quarterly on the basis of deliberations made by the Authority for Electrical Energy and Gas (AEEG).

- contributions received by users for connection services or for parcelling works, if not in relation to costs incurred into for network extension, are reported in the Income statement;

- the revenues for service performance are recognized with reference to the level of completion of the activity, based on the same criteria applied to works performed upon order. In case it is impossible to determine their value, the revenues will not be not booked until the amounts of the costs incurred into are deemed recovered.

- Revenues are entered net of all discounts, rebates and premiums, as well as the fees directly connected with the sale of the commodities and service performance.

Public contributions: public contributions are reported when there is a reasonable certainty that they will be received and all relevant conditions are met. When public contributions are linked to costs components, they are reported as income, but are systematically divided up over the periods, so as to be measured to the costs they are intended to offset. In case the contribution is related to an asset, the asset and the contribution are recorded at their nominal value and their

recording into the income statement is accounted for progressively along the useful life of the reference asset, with constant shares.

Financial income and expenses: income and costs are booked by competence according to the interest accrued on the net value of the relevant financial assets and liabilities, using the actual interest rate.

Income taxes: current taxes are calculated based on an estimate of the income before tax and are entered at the amount that is expected to be recovered or paid to the tax authorities.. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxation relating to elements reported directly under assets are reported directly as assets and not on the income statement.

As far as the Tax on Company Revenue is concerned (IRES), Ascopiave and the almost entirety of its subsidiaries benefited in 2010 and for a three-year period of the national fiscal consolidation regime pursuant to art. 117/129 of the Single Reference Text on Revenue Taxes (TUIR). This option enabled the calculation of IRES based on a taxable amount equalling to the mathematical sum of the positive and negative taxable amounts of the single companies that comprise the consolidation. AscoHolding S.p.A. acts as consolidating company and determines a single taxable amount for the entire group of companies that are part of the national consolidation regime.

Each of the participating companies (Ascopiave S.p.A., Ascotrade S.p.A., Asm Dg S.r.l., Pasubio Servizi S.r.l., Edigas Distribuzione Gas S.p.A., Edigas Due S.p.A., Blue Meta S.p.A.,) transfers its income tax (taxable income or tax loss) to the consolidating company; in particular, Ascopiave S.p.A. and the controlled companies who joined the consolidation regime transfer a taxable income or a loss to the consolidating company, recognizing therefore in the income statement the item "tax consolidation charges" for an amount equal to the current IRES rate for the financial year (in case of positive value of the taxable base), that will be paid by the parent company Asco Holding S.p.A..

Deferred tax assets are reported against all deductible temporary differences and for tax assets and liabilities brought forward, in the amount in which the existence of suitable future tax income is probable that can make the use of the deductible temporary differences and tax assets and liabilities brought forward applicable, with the exception of the following:

- when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with holdings in subsidiaries, associated companies and joint ventures, the deferred tax assets are reported only in the amount in which it is probable that the deductible temporary differences will reverse in the immediate future and that there are suitable tax income against which the temporary differences can be used.

Ascopiave S.p.A. and almost all of its subsidiaries decided to join the national tax consolidation regime, pursuant to articles 117/129 of the T.U.I.R. (Income Tax Consolidated Act). The option was renewed in 2010 for a three-year period.

Asco Holding S.p.A., in its capacity as consolidating company, determines only one taxable base for the group of companies joining the national tax consolidation regime. Each member company, including Ascopiave S.p.A., transfers its income tax (taxable income or tax loss) to the consolidating company; in particular, Ascopiave S.p.A. and the controlled companies who joined the consolidation regime transfer a taxable income or a loss to the consolidating

company, recognizing therefore in the income statement the item "tax consolidation charges" for an amount equal to the current IRES rate for the financial year (in case of positive value of the taxable base), that will be paid by the parent company Asco Holding S.p.A..

Earnings per share: the basic earnings per share is calculated by dividing the net income for the period attributable to the shareholders holding ordinary shares of the Parent Company by the weighted average number of ordinary shares in circulation during the period. 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.

Net result from discontinued assets: this represents the result of sold or discontinued assets and/or the economic result of said sale.

In the current statement, discontinued operations include the company branch related to photovoltaic, Company Serin S.r.l. and its subsidiaries, which was sold as of 1st January 2012 to company Agroenergetica S.r.l.. This sale resulted in a plus value of Euro 4,564 thousand gross of tax effects.

Considering the remarkable size of the amount, the sum net of tax effects has been included in a specific heading of the Profit and Loss Statement (net revenue (loss) from sold assets) as required by IFRS 5. For comparison purposes, it is noted that, pursuant to IFRS 5, the Profit and Loss Statement of the previous year has been recalculated as if the asset had been sold at the beginning of the compared periods and therefore the corresponding values for the previous year deriving from the photovoltaic branch have been reclassified (costs and revenues net of tax effect).

EXPLANATORY NOTES AND COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

Non-current assets

1. Goodwill

Goodwill, equal to Euro 115,630 thousand as of 31st December 2012, marks a decrease of Euro 513 thousand as compared to the previous financial year, due to the goodwill depreciation following the operation of merger by acquisition of the Parent Company with the subsidiary company Global Energy S.r.l.. Please see paragraph “Merger operation between Ascopiave S.p.A. and the subsidiary company Global Energy S.r.l.” of the financial statements for the year for further details.

The amount, as of 31st December 2012, 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 Principle 36, goodwill is not subject to depreciation, but its impairment is verified at least annually.

In order to determine the recoverable value, goodwill was allocated to the natural gas distribution CGU and to the natural gas sale CGU. The composition of the goodwill for the two CGUs described above is the following:

The financial flow-generating units to which goodwill was allocated are the following:

(Thousands of Euro)	31.12.2011	Increase	Decrease	31.12.2012
Distribution of natural gas	25,284			24,771
Sales of natural gas	90,859		(513)	90,859
Total goodwill	116,143	0	(513)	115,630

The depreciation audit on goodwill has been carried out by checking the depreciation in the activity of natural gas distribution and natural gas sale, comparing the recoverable value of the relevant assets with their accounting value, including the goodwill allocated to them. As no reliable criteria exist to evaluate the sale value between the aware and available parties in the activity of gas sale and distribution, other than the criteria put forward in literature to evaluate the branches of a company, the recoverable value of the audited asset is defined by its use value. The recoverable value of gas sale and distribution financial flow-generating units has been estimated using the Discounted Cash Flow method, discounting back the operating financial flows generated by the assets themselves at a discount rate representative of the cost of capital.

The financial flows used to calculate the recoverable value are those of the Multi-annual Plan for the gas sale and distribution financial flow-generating units, which cover the forecasts formulated by the management in the Economic and Financial Plan for the period 2013-2015 approved with resolution of the Board of Directors dated 26th February 2013.

The current sector legislation establishes that the natural gas distribution service is awarded by means of tender procedures in the minimum territorial areas within pre-established time limits.

The tenders for the award of the service in the territorial areas where the Group currently holds the municipal concessions – if the deadlines illustrated in the so-called Criteria Decree (Ministry for Economic Development Decree 226/2011) are respected) – will mainly take place during the three-year period 2015-2017. As concerns in particular the tenders which will be launched before 31st December 2015, the duration of the tender procedure may reasonably be regarded as sufficiently extended and suitable to entail the award and the delivery of the plants to the successful

tenderer after that date. The Economic and Financial Plan - and consequently also the assessment methods adopted to determine the use value of the distribution CGU - is based on the reasonable assumption that the Group, during the three-year period 2013-2015, will maintain the management of the current portfolio of concessions.

With reference to the activity of gas distribution, it was hypothesised that in the three-year period 2013-2015 the management would generate financial flows in line with those envisaged in the Economic and Financial Plan 2013-2015 while, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the gas distribution CGU by hypothesising two alternative scenarios, i.e. (i) the Group ends the activity of gas distribution in 2015, realising the return value of the plants as per Art. 15 of Legislative Decree no. 164/2000, and (ii) the Group obtains in 2015 the renewal of all the concessions and credits in effect on 31st December 2012.

With reference to this second scenario, the terminal has been estimated as an estimate of perpetuity as from the last year specified in the financial forecasts, and considering the economic terms and conditions of the renewals. The growth factor used for the purpose of calculating final value, estimated at 2.0% (2011:2.0%), takes into account inflation, growth of the client base and increased efficiency.

The cost of capital (WACC) of the gas distribution CGU was calculated assuming:

- a) the coefficient b (beta levered) equal to that assumed in the definition of income rate on invested capital established for tariff purposes by the AEEG with Deliberation no. 159/08;
- b) the level of financial leverage (ratio between financial debt and own means) is in line with the financial structure of reference presumed by the AEEG to the end of tariff regulation;
- c) the market risk equal to 5%;
- d) the Risk-Free Rate adopted - equal to net yields on 10-year government bonds recorded as peak value as of 31st December 2012.

On the basis of these elements, the average weighted cost of the post-tax capital will be equal to 6.32% in 2013 and 6.39% in the two-year period 2014-2015 (2011: 6.7%). These rates have been used for updating cash flows in the period provided for by the Plan 2013-2015.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 7.06% and was calculated on the basis of the above parameters and providing for an "additional risk premium" for the calculation of the cost of equity (Ke) of 1.0%, to take into account the uncertainty on the possible renewal of the concessions and their conditions of renewal.

On the basis of these elements, for both scenario (i) and (ii), the recoverable value of the gas distribution CGU is higher than the accounting values and therefore the conditions are not met to proceed to devaluing the goodwill for depreciation.

With reference to the activity of gas sale, cash flows used to calculate the recoverable value implement the forecasts made by management for the period 2013-2015.

The terminal value has been estimated as an estimate of a perpetuity as from the last year specified in the financial forecasts.

The growth factor used for the purpose of calculating final value, estimated at 2.0% (2011:2.0%), takes into account inflation, growth of the client base and increased efficiency.

The cost of capital (WACC) of the gas sale CGU was calculated assuming:

- a) the coefficient b (beta levered) determined on the basis of beta unlevered related to a sample of comparable companies (listed local utilities) and considering the specific target financial structure of the business;
- b) the market risk equal to 5%;

c) the Risk-Free Rate adopted - equal to net yields on 10-year government bonds recorded as peak value as of 31st December 2012;

d) an additional risk premium for the cost of equity (Ke), equal to 2.0%, to account for the specific risks of the business, the negative phase of the economic cycle and the current instability of financial markets.

On the basis of these elements, the average weighted cost of the post-tax capital is equal to 5.84% in 2013 and to 5.99 in the two-year period 2014-2015 (2011: 6.9%). These rates have been used for updating cash flows in the period provided for by the Plan 2013-2015.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 6.33% and was calculated on the basis of the above parameters and providing for a further "additional risk premium" or the calculation of the cost of equity (Ke) of 1.0%, to take into account the uncertainty about future changes in the regulatory framework and their impact on marginality.

Considering the other hypotheses described, the recoverable value of financial flow-generating units for gas sales is higher than the accounting values and therefore the conditions are not met to proceed to devaluing the goodwill for depreciation.

For the financial flow generating unit relating to the sale of natural gas a sensitivity analysis has been carried out on the results, which has not affected the correctness of the observations, even if assuming an increase in WACC of 0.5% and a decrease in the growth factor of 1.5% (2011; 1.5%).

2. Other intangible fixed assets

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

(Thousands of Euro)	31.12.2012			31.12.2011		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	5,279	(3,789)	1,490	5,200	(3,475)	1,724
Concessions, licences, trademarks and similar rights	7,279	(1,915)	5,364	9,959	(1,620)	8,339
Other intangible assets	32,984	(12,562)	20,421	31,773	(9,072)	22,701
Tangible assets under IFRIC 12 concession	498,373	(197,535)	300,838	495,366	(189,249)	306,116
Intangible assets in progress under IFRIC 12 concession	6,660	0	6,660	3,949	0	3,949
Intangible assets in progress and advance payments	57	0	57	73	0	73
Other intangible assets	550,631	(215,801)	334,829	546,319	(203,417)	342,903

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

(Thousands of Euro)	31.12.2011				31.12.2012	
	Net value	Increase	Decrease	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	1,724	103	11	337	11	1,490
Concessions, licences, trademarks and similar rights	8,339	200	2,502	776	102	5,364
Other intangible assets	22,701	984	4	3,259		20,421
Tangible assets under IFRIC 12 concession	306,116	15,087	11,772	13,115	4,522	300,838
Intangible assets in progress under IFRIC 12 concession	3,949	2,786	76	0		6,660
Intangible assets in progress and advance payments	73	125	141	0		57
Other intangible assets	342,903	19,285	14,506	17,487	4,635	334,829

The investments made during the financial year amount to Euro 19,285 thousand, and they mainly refer to costs incurred into for the realization of the infrastructures for natural gas distribution for a total amount of Euro 17,873 thousand which include fixed assets in progress at the end of the period.

Industrial patents and intellectual property rights

During the period considered, the item "Industrial patents and intellectual property rights" shows an increase equal to Euro 103 thousand. The investment mainly relates to costs incurred into for software implementation and purchase.

Concessions, licences, trademarks and similar rights

They represent the costs for the acquisition of licences and servitude rights connected to the gas distribution network. During the financial year, the item records net divestures equal to Euro 2,400 thousand due to the transfer of the shareholdings held in Serin S.r.l., which determined the exit from the consolidation perimeter for the photovoltaic companies. The divested concessions relate to building rights connected to the land on which the solar panels built by those companies were installed. They were consolidated until 31st December 2011.

Other intangible fixed assets

The item "Other intangible assets" marked an increase of Euro 984 thousand.

It is to be pointed out that the investments of the period also include the purchase of the energy efficiency certificates necessary to achieve the target set by the Authority for Electricity and Gas for financial year 2013 for Euro 281 thousand.

Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of measurement and reduction groups. At the end of the year considered, they show a net book value of Euro 300,838 thousand.

The investments for the construction of infrastructure suitable for the distribution of natural gas, including the reclassification of intangible assets in progress, amount to Euro 15,087 thousand, and mainly relate to the creation of connections for Euro 4,379 thousand and to the construction of the distribution network for natural gas for Euro 4,136 thousand. The investments for the construction of first stage gas pressure reduction stations and measurement and final groups amount to Euro 2,371 thousand. It should be noted that the activity of implementing the network of natural gas has involved the installation of 56,202 meters of pipelines.

Following the change of the economic subject in charge of managing natural gas distribution in the municipality of Villaverla, in the province of Vicenza, the Parent Company transferred the distribution network to the granting Local Body. The operation entailed the disposal of fix assets for a net accounting value equal to Euro 1,771 thousand, whose value was recognized by the successful operator in February 2012.

The further decreases recorded during the fiscal period mainly relate to the transfer of the corporate branch in charge of the service of natural gas distribution in the municipalities of Arosio, Carugo and Lentate sul Seveso (Lombardy) to Gelsia S.r.l. against a compensation equal to Euro 3,714 thousand, which was collected in December of the reference financial year.

Intangible assets in progress under concession

The item includes the costs incurred into for the building of the natural gas distribution plants and systems constructed partially on a time and materials basis and not completed at the end of the period considered. The item involved investments amounting to Euro 2,786 thousand.

Intangible assets in progress and advance payments

During the period, the item “Intangible assets in progress and advance payments” involved investments amounting to 125 thousand, mainly explained by costs incurred into for the implementation of software applications unused at the end of the financial year.

3. Tangible assets

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

(Thousands of Euro)	31.12.2012			31.12.2011		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	34,698	(5,511)	29,187	34,380	(4,509)	29,871
Plant and machinery	3,109	(1,183)	1,926	26,685	(1,964)	24,722
Industrial and commercial equipment	3,123	(2,091)	1,032	2,957	(1,874)	1,083
Other tangible assets	14,119	(10,223)	3,896	13,413	(9,577)	3,836
Tangible assets in progress and advance paym	4,493	0	4,493	2,470	0	2,470
Other tangible assets	59,543	(19,008)	40,534	79,906	(17,923)	61,983

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

(Thousands of Euro)	31.12.2011				31.12.2012	
	Net value	Increase	Decrease	Amortizations during the period	Depreciations	Net value
Lands and buildings	29,871	346	12	1,024	5	29,187
Plant and machinery	24,722	7	23,545	209	952	1,926
Industrial and commercial equipment	1,083	188	26	235	21	1,032
Other tangible assets	3,836	1,201	495	1,059	413	3,896
Tangible assets in progress and advance payme	2,470	2,060	37	0	0	4,493
Other tangible assets	61,983	3,802	24,115	2,527	1,391	40,534

Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. At the end of the period, the item recorded increases, including reclassifications of fixed assets in progress for an overall amount equal to Euro 346 thousand, mainly concerning the costs incurred into for the construction of the new multi-purpose building located in the municipality of Pieve di Soligo.

Plants and machinery

The item "Plants and machinery" decreases from Euro 24,722 thousand in the previous year, to Euro 1,926 thousand in the reference year. The net decreases, equal to Euro 22,593 thousand, are explained by the fact that the companies belonging to the transferred photovoltaic branch, left the consolidation area with effect from 1st January 2012. At the end of the previous year, the item included costs incurred into for the construction of photovoltaic systems in the Region of Puglia.

At the end of the reference year, the item mainly includes costs incurred into for the construction of cogeneration plants located in the area of Venice and marked an increase of Euro 7 thousand.

Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 188 thousand. It includes costs incurred into for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during the current financial year, increased the item “Other assets” for Euro 1,201 thousand, and they mainly relate to the costs incurred into for the purchase of hardware for Euro 720 thousand, and for the purchase of office furniture for Euro 175 thousand.

Tangible assets in progress and advance payments

The investments made during the financial period, amounting to Euro 2,060 thousand, mainly relate to the costs incurred into for the construction of the multi-purpose building located in via Verizzo, in the municipality of Pieve di Soligo.

4.Shareholdings in other companies

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

	31.12.2011	31.12.2012
	Net value	Net value
(Thousands of Euro)		
Shareholdings in subsidiary companies	0	0
Shareholdings in other companies	1	1
Total shareholdings	1	1

Shareholdings in joint companies

The Group has shareholdings in the affiliate Sinergie Italiane S.r.l., company in liquidation, which meets part of the needs for natural gas. The financial year of the affiliate company ended as of 30th September 2011 and showed shortfall in own funds, due to which the Board of Directors decided to recover the past losses and restore the affiliate's own funds and, at the same time, the Board decided the winding up of the company and appointed liquidators. Due to this decision, a number of minority shareholders of the affiliate did not opt for their previous shareholdings and caused, as a consequence, the increase of Ascopiave S.p.A.'s shareholdings, which increased from 27.6% to 30.94%. This action needed a repayment of Euro 27,765 thousand in April 2012, which was registered in the profit and loss statement by partially using the provisions for liabilities and charges that had already been allocated as of 31st December 2011, having a net effect on the profit and loss statement of Euro 2,964 thousand. The changes in the company system did not change the *governance* of the affiliate company so much as to let the Directors think that they are deeply influencing the affiliate itself; therefore, the company is still considered as an affiliate company.

Liquidators started a restructuring and reorganization process that envisages the gradual cessation of supply services and sale of natural gas and electric energy, the only contracts that are not included in this process are the “take or pay” types of contract for the supply of natural gas; in addition to that, the management of agreements, transactions and litigations related to contractual relations that have been developed and implemented before the winding-up of the company, are also not included. During 2012, the operational activities of the affiliate have, therefore, been limited to import of Russian gas and the supply of the gas to the gas-selling companies in which shareholders have shareholdings. On 27th February 2013, liquidators approved the budget as of 30th September 2012 and summoned the Board of Directors for them to approve it on 20th March 2013, the shortfall on own funds is equal to Euro 32.5 million and the operating loss is equal to Euro 0.8 million: according to what is envisaged by regulations, this document was written according to the liquidation criteria and in line with the national accounting standard. Liquidators said that - among the assumptions used as the starting points of the assessment proposals - the possibility of signing a contract for a three-year supply with the sale companies of the shareholders has been taken into consideration. The consequences of such a choice will allow the affiliate company to achieve the economic balance as of 1st October 2012-30th September 2013. As of the date of this document, such contracts have already been signed by most customers and have been already finalized by the subsidiary Ascotrade S.p.A..

The Directors - on the basis of the information they may get from liquidators - evaluated the accounts of the company for the financial year that ended on 31st December 2012, which has been reworked according to the international accounting standard: such a situation shows the shortfall on own funds as being equal to Euro 25,364 thousand and losses equal to Euro 26,364 thousand. The loss can be explained by the negative margin connected to the sale of Russian natural gas and the decreased value of part of the fixed assets, whose cash flows and the available information on the potential market value do not support the corresponding chargeable value.

The assessment by means of the equity capital has caused the Group to pay Euro 11,007 thousand, of which Euro 2,964 thousand that are to be ascribed to the increase in the above mentioned ownership share. The shareholding value is therefore equal to zero and the provisions for liabilities and charges is equal to Euro 7,848 thousand as of 31st December 2012.

The contractual conditions governing the supply of natural gas to the shareholder-controlled sale companies are likely to allow the company to regain the shortfall on own funds as of 31st December 2012 almost entirely and this will happen during the next three financial years.

The possible positive outcome of litigations aiming at recovering elements of the current assets, the improvement of the offer conditions related to the reference market for those elements of the fixed asset that have been devaluated or the effects of new negotiations of the supply conditions of the long-term gas purchase contracts, might allow the partial recovery of the large losses that have been suffered in the past.

The essential data of the shareholdings in the subsidiary as of 31st December 2012 and 30th September 2012 are listed below:

(Values referred to pro-rata participation) (Millions of Euro)	31/12/2012	30/09/2012
Non-current assets	6.53	7.55
Current assets	20.74	60.54
Net equity	(7.82)	(6.77)
Non-current liabilities	0.48	0.48
Current liabilities	34.61	74.38
Revenues	37.59	(753.28)
Costs	37.60	(754.00)
Gross operating margin	(0.01)	0.72
Amortizations and depreciations	(0.08)	4.43
Operating result	(0.08)	5.15
Net result	(0.14)	6.94
NFP	(1.04)	(12.12)

On the basis of the values available as of 11th March 2013, the net financial position of the company is now positive and equal to Euro 14,307 thousand.

5. Other non-current assets

(Thousands of Euro)	31.12.2012	31.12.2011
Security deposits	1,210	1,197
Other receivables	10,553	9,461
Other non-current assets	11,763	10,659

The other non-current assets increase from Euro 10,659 thousand to Euro 11,763 thousand, the annual increase is Euro 1,104 thousand and it is mainly due to the re-exposure of UTF receivables to the Province of Bergamo, equal to Euro 1,680 thousand, of the subsidiary Blue Meta S.p.A., among the other non-current assets and after the submission of the reimbursement request to the Agenzia delle Dogane related to the wrong declaration of the excise tax for the financial year 2010. Such difference has been partially counterbalanced by the decrease of Amgas Blu S.r.l. receivables to Amgas Blu S.p.A. for Euro 654 thousand.

The item "Other receivables" is made up of:

- Receivables to Amgas Blu S.p.A. for Euro 1,722 thousand corresponding to the amount of receivables that must be bestowed to Amgas Blu S.r.l., beyond 12 months, by Amgas Blu S.p.A., which is to be paid in biannual instalments of Euro 344 thousand and postponed over 4 years; the first instalment was to be paid by 31st December 2011 and the last instalment will have to be paid by 31st December 2015;
- Receivables amounting to Euro 1,480 thousand that have been registered to Anita S.r.l., the company having 51.14% of Unigas Distribuzione Gas S.r.l., due to the non-existence of the asset related to Blue Meta S.p.A., sold by Unigas Distribuzione Gas S.r.l. to Ascopiave S.p.A. in January 2011;
- Receivables from the local authority of Creazzo, for a value of Euro 2,141 thousand, which is unchanged since 31st December 2006, corresponding to the net book value of the distribution plants delivered in June 2005 to the above-mentioned local authority. The delivery of said infrastructures occurred following the date of expiry of the

concession, on 31st December 2004. The value of the receivables from the municipality corresponds to what the municipality of Creazzo has been asked to retrocede, as per the 'Letta' legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal. A litigation is going on with the municipality, in order to define the value of the compensation of the distribution plants delivered to new distributors;

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

- Receivables from the municipality of San Vito di Leguzzano, for Euro 990 thousand. The value corresponds to the net book value of the distribution plants delivered on 1st November 2010 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2009. The value of the credit is equal to the net book value of the divested asset, which is considered lower than the reconstruction value as per new request of the Local Body;

- Receivables from the municipality of Costabissara, for Euro 1,537 thousand. This amount corresponds to the net book value of the distribution systems delivered on 1st October 2011;

As of 31st December 2012, there are on-going litigations with the municipalities mentioned in order to define the value of compensation of the delivered distribution systems, and there is an on-going arbitration procedure with the municipality of San Vito di Leguzzano for determining the value of the network. The Group, also following the opinion of its legal advisors, believes that the result of the litigation and arbitration procedures is uncertain.

6. *Deferred tax assets*

The advance taxes increase from Euro 16,082 thousand to Euro 18,054 thousand, corresponding to the increased amount of Euro 1,972 thousand, as shown in the table below:

(Thousands of Euro)	31.12.2012	31.12.2011
Advance tax receivables	18,054	16,082
Advance tax receivables	18,054	16,082

The Group has been performing a full accounting of advance taxes concerning temporary differences between tax-imposition and balance sheet values, as the Group believes that future tax-imposition could take up all differences that generated them. In determining the advanced taxes, the IRES rate (taxes on the companies income) and, where applicable, the current IRAP rate were taken into consideration: the rates in force at the moment in which the temporary differences are supposed to be deposited again.

In particular, a 27.5% IRES tax rate has been applied, 10.5% has been added to it in order to take into consideration the so-called "Robin Hood Tax" applied to those subsidiaries that are subjected to this extra rate, and a 3.9% IRAP tax rate

was applied, instead of the 4.2% rate that is applied to the enterprise heading the Group and its subsidiaries subjected to the Law no. 111 dated 15th July 2011, art. 23, paragraph 5 of Law Decree 98 dated 6th July 2011.

The advance tax payables are shown in the following table according to the temporary differences that created them:

Description	31.12.2012			31.12.2011		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	7,890	38,0%	2,998	6,438	38,0%	2,446
Allocation of bad debt provisions	9,501	34,0%	3,230	8,549	34,0%	2,907
Allocation of inventory write-down	413	38,2%	158	413	38,2%	158
Other - IRES 27,5% + IRAP 4,2%	1,830	31,7%	580	2,415	31,7%	766
Exceeding amortizations within 2013	506	42,2%	214	1,362	42,2%	575
Exceeding amortizations after 2013	14,519	38,2%	5,546	14,593	38,2%	5,575
Other	1,974	38,2%	754	1,215	38,2%	464
Phantom stock option+risks fund	753	34,0%	256	143	34,0%	49
Customer lists - goodwill	523	37,9%	198	348	37,9%	132
Other - IRES 27,5%	0	27,5%	0	454	27,5%	125
IRES exceeding amortizations	9,462	34,0%	3,217	7,579	34,0%	2,577
Other - gas sale IRES 34%+3,9%	792	37,9%	300	818	37,9%	310
Other - gas distribution IRES 27,5% + IRAP 3,9%	1,918	31,4%	602	0	0	0
Total advance taxes	50,080		18,054	44,327		16,082

Current assets

7. Inventories

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

(Thousands of Euro)	31.12.2012			31.12.2011		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Fuels and warehouse materials	3,308	(413)	2,895	3,571	(413)	3,157
Sub-contracted work in progress	158		158	2,139		2,139
Total inventories	3,467	(413)	3,053	5,710	(413)	5,297

As of 31st December 2012, inventories are equal to Euro 3,053 thousand and show an overall increase equal to Euro 2,244 thousand as compared to 31st December 2011.

The decrease in on-going contracted works for Euro 1,981 thousand is mainly due to the end of the works on photovoltaic plants, which have been concluded during the financial year 2012, of which Euro 1,186 thousand refer to the Asm Set S.r.l. company, and Euro 794 thousand refer to the Global Energy S.r.l. company.

The warehouse materials 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.

On-going works refer to the construction of photovoltaic plants used to generate electricity and are intended to be sold.

Inventories are shown as net values under the devaluation inventory fund and are equal to Euro 413 thousand, in order to adapt their value to the opportunity of their use or realization of the assets. During this financial year, no movements were registered in the fund.

8. Trade receivables

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Receivables from customers	156,460	184,129
Receivables for invoices to be issued	165,950	132,934
Bad debt provisions	(20,961)	(18,370)
Trade receivables	301,449	298,692

Trade receivables increased from Euro 298,692 thousand to Euro 301,449 thousand, thus registering an increase of Euro 2,757 thousand.

The increase is mainly explained by higher prices for raw materials, the timing of billing and payments of winter consumption.

During 2012, receivable increase was partially affected by delays in billing in the electric energy sector of the Estenergy S.p.A. subsidiary and the changes of the Blue Meta S.p.A. subsidiary's billing software.

The increase is partially counterbalanced by the non-recourse assignment operation of receivables of the Estenergy S.p.A subsidiary for Euro 284,000 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 full payment, equal to Euro 301,449 thousand, comprises Euro 165,950 thousand, i.e. those receivables referring to invoices to be issued for any consumption that is still to be measured at the end of the financial year on 31st December 2012.

The adjustment of the nominal value of receivables to the break-up value was achieved by means of the corresponding receivable devaluation fund. The provision increase in 2012 is explained by the changes to the calculation techniques of the credit risk related to gas bills by the gas companies, such techniques have been implemented during the latest financial years in order to shape these techniques according to the Group accounting standards; in addition to that, the risk profile of civil customers has increased due to non-payments of gas consumption during winter and the seasonal nature of business cycles.

As for the period considered, changes related to the receivable devaluation fund are shown in the table below:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Initial bad debt provision	18,370	10,963
Bad debt provision from acquisitions		
Provisions	7,491	7,372
Use	(4,900)	(2,491)
Final bad debt provision	20,961	18,370

9. Other current assets

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Tax consolidation receivables	2,069	575
Annual pre-paid expenses	776	1,523
Advance payments to suppliers	4,612	4,849
Annual active accruals		3
Receivables due from Conguaglio Settore Elettrico	12,050	8,511
VAT Receivables	9,922	11,037
UTF and Provincial/Regional Additional Tax receivables	19,790	23,755
Other receivables	8,068	27,123
Other current assets	57,287	77,376

Other current assets increased from Euro 77,376 thousand to Euro 57,287 thousand, a decrease of Euro 20,089 thousand is registered.

The main variation related to this decrease is linked to the decrease of the other assets for Euro 19,055 thousand, also due to the counterbalancing of advance payments made during the financial year 2011 by the Ascotrade S.p.A. subsidiary to the related company, Sinergie Italiane S.r.l., now in liquidation, and the existing debts due to the natural gas supply.

More changes and variations related to this item, refer to UTF receivables that increase by Euro 3,965 thousand, as well as the receivable increase involving the Cassa Conguagli Settore Elettrico (CCSE) for Euro 3,539 thousand. Such increase has been partially counterbalanced by the decrease of VAT receivables, Euro 1,115 thousand, and prepaid expenses, Euro 747 thousand, due to the transfer of heat supply contracts by the subsidiary, Blue Meta S.p.A..

It should be noted that IRES receivables for the national tax consolidated statement refer to receivables to the controlling company AscoHolding S.p.A., with reference to the companies belonging to the Group that accepted such an option; receivables to CCSE are mainly referred to additional tariff components of the sector related to the distribution of natural gas, whereas the other receivables are advances, amounting to Euro 6,085 thousand, paid by Ascotrade S.p.A. to the related company, Sinergie Italiane S.r.l., now in liquidation.

10. Current financial assets

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Associated companies	18,001	
Other financial current assets	6,722	11,619
Financial current assets	24,723	14,189

The current financial assets increase from Euro 14,189 thousand to Euro 24,723 thousand, an increase of Euro 10,534 thousand is registered.

The increase is mainly explained due to the advance that the controlled company Ascotrade S.p.A. gave to Sinergie Italiane S.r.l now in liquidation, and equal to Euro 18,001 thousand, to fund the gas purchasing operations for this very

company. Such an advance will be repaid by Sinergie Italiane S.r.l now in liquidation by 30th September 2013. More variations are due to the increase of financing for the jointly controlled company Veritas Energia S.r.l., Euro 1,418 thousand, and the increase of financing granted to the jointly controlled company ASM Set S.r.l., Euro 283 thousand, which is partially counterbalanced by the decrease of financing for Estenergy S.p.A., Euro 5,100 thousand.

11. Tax receivables

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Receivables related to IRAP	193	27
Receivables related to IRES	1,077	130
Other tax receivables	378	161
Tax receivables	1,648	318

Tax receivables increase from Euro 318 thousand to Euro 1,648 thousand, thus registering an increase of Euro 1,330 thousand. The item includes the amount paid of the IRAP tax for the financial year 2012, after deducting the advances that have already been paid; as well as the amount paid of the IRES surtax due for the financial year 2012, after deducting the advances that have already been paid; and the amount paid of the IRES tax for the financial year 2012 for the companies belonging to the Group, which did not accept the option of the national tax consolidated statement with the controlling company AscoHolding S.p.A.. The other tax receivables are related to reimbursements requested on taxes.

12. Cash and cash equivalents

The following table shows how the items are broken down at the end of the periods considered:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Bank and post office deposits	26,975	44,833
Cash and cash equivalents on hand	16	21
Cash and cash equivalents	26,992	44,854

Cash resources decreased from Euro 44,854 thousand to Euro 26,992 thousand, a decrease of Euro 17,862 thousand, and are mainly referred to the bank account balances and social funds.

Bank deposits are sight deposits and bear interest based on the conditions agreed with the banks.

Net financial position

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Cash and cash equivalents	26,992	44,854
Current financial assets	24,723	14,189
Current financial liabilities	(8,534)	(21,572)
Payables to banks and financing institution	(183,277)	(193,078)
Payables to leasing institution within 12 months	(58)	(107)
Net short-term financial position	(140,096)	(155,714)
Medium and long-term loans	(29,420)	(44,889)
Non-current financial liabilities	(613)	(619)
Net medium and long-term financial position	(30,033)	(45,507)
Net financial position	(170,130)	(201,221)

For comments on the main dynamics that caused significant changes in the net financial borrowing, please see the analysis of the Group's financial data as per paragraphs "Remarks related to the economic and financial results of the financial year 2012" and paragraph "Medium- and long-term financing" of this note.

Consolidated shareholders' equity

13. Net shareholders' equity

Ascopiave S.p.A.'s share capital as of 31st December 2012 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:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Net equity	234,412	234,412
Legal reserve	46,882	46,882
Reserve and income carried forward	74,895	70,311
Group's result for the period	27,865	6,266
Groups' net equity	384,053	357,871
Third-party equity and reserves	2,698	2,704
Third-party result for the period	2,067	1,993
Third-party net equity	4,765	4,696
Total net equity	388,819	362,568

The reasons of the variations in the Consolidated Shareholders' Equity during 2012 are mainly due to a purchase of own shares (1,151,687) for a value of Euro 1,388 thousand and partially due to the purchase of third party shares in

controlled companies (30% of Ascoenergy S.r.l.), where the positive difference between the purchase cost and its corresponding share of Shareholders' Equity has been included in the Consolidated Shareholders' Equity.

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., AscoEnergy S.r.l., Etra Energia S.r.l., and Amgas Blu S.r.l. as well as the companies controlled by these.

Non-current liabilities

14. Reserves for risks and charges

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

(Thousands of Euro)	31.12.2012	31.12.2011
Other reserves for risks and charges	(11,218)	(24,868)
Reserves for risks and charges	(11,218)	(24,868)

Reserve for risks and charges decrease from Euro 24,868 thousand to Euro 11,218 thousand, a decrease of Euro 13,650 thousand.

The variation in the heading, amounting to Euro 24,491 thousand, has been explained in Paragraph 4- shareholding of this document. At the same time, following an evaluation of net financial position of subsidiary company Sinergie Italiane S.r.l (in liquidation), the heading has registered an increase of Euro 7,848 thousand, as stated in the aforementioned paragraph 4.

Other increases are related to the creation of a risk provision for Euro 2,431 thousand by subsidiary company Ascotrade S.p.A., related to the agreed price difference for gas purchase, for Euro 585 thousand and provisions for risks related to former employee and INPS litigation, and finally to the creation of a Euro 249 thousand fund related to a litigation with cooperative CARIIEE by subsidiary company Asm Set S.r.l.

The changes in reserves for risk and charges in the year considered are shown in the following table:

(Thousands of Euro)	
Reserves for risks and charges as of 1 January 2012	24,868
Provisions for risks hedging losses of associates with the equity method	7,848
Provisions for risks and charges	3,268
Use of provisions for risks and charges	(24,766)
Reserves for risks and charges as of 31 december 2012	11,218

15. Severance indemnity

Severance indemnity decreases from Euro 3,686 of 1st January 2012 to Euro 3,384 of 31st December 2012, marking a decrease of Euro 302 thousand.

(Thousands of Euro)	
Severance indemnity as of 1 January 2012	3,686
Values of new companies acquired	(0)
Retirement allowance	(1,678)
Payments for current services and work	1,301
Previous actuarial losses/(profits) recorded	(22)
Actuarial loss/(profits) in Financial Year 2012	97
Severance indemnity as of 31 December 2012	3,384

The actuarial evaluation of severance indemnity is accomplished on the basis of method “matured benefits”, through the Projected Unit Credit Method as forecast by IAS 19. This method consists in evaluation that express the average current value of pension bond matured according to the service that the employee gave as of the date of the evaluation, non-projecting employee’s retribution according to normative of recent social security reform. The method of calculation can be summarised with these phases:

- Projection for each employee at the date of evaluation of the severance indemnity matured till the aleatory due date.
- Determination for each employee of probable severance indemnity payments, that should be done by the company in case of employee’s leaving for firing, dismissal, inability, death and retirement and also in case of advanced payments requests;
- Discounting, at the date of evaluation, of each probable payment

The actuarial model for the evaluation of severance indemnity is based on different hypotheses, both of demographic and economic-financial type. The main hypotheses of the model are:

- ✓ mortality rate: survival table ANIA IPS55
- ✓ invalidity rate: INPS tables year 2000
- ✓ personnel rotation rate: 3.00%
- ✓ discounting rate: 4.00%
- ✓ increase in remuneration rate: 3%
- ✓ inflation rate: 2.00%
- ✓ anticipation rate: 2.00%

The use of actuarial techniques for the identification of severance indemnity in accordance with IFRS implied, at the end of 2010, the record of a profit equal to Euro 97 thousand.

16. Medium- and long-term loans

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Loans from Cassamarca S.p.A.	2,359	8,591
Loans from Cassa DD.PP. With direct guarantee	555	740
Loans from Cassa DD.PP. With guarantee from municipalities	792	1,130
Loans from Unicredit S.p.A.	25,714	31,429
Loans from Mediocredito Italiano		1,301
Loans from BCC Prealpi		621
Loans from Banca Popolare di Bari		1,078
Medium and long-term loans	29,420	44,889
Current portion of medium and long-term loans	6,990	6,934
Medium and long-term loans	36,411	51,822

Medium and long term financing decrease from Euro 51,822 thousand to Euro 36,411 thousand, marking a decrease of Euro 15,411 due mainly to the variation in the consolidation area, amounting to Euro 7,168 thousand and by the payment of expired instalments during year 2012.

The following table shows the deadlines of medium- and long-term loans:

	31.12.2012
<i>(Thousands of Euro)</i>	
Financial year 2014	6,938
Financial year 2015	6,911
Financial year 2016	6,715
Financial year 2017	5,984
Financial year 2018	2,873
Total medium and long-term loans	29,420

Medium-long financings refer mainly to the remaining payable to Cassa Depositi e Prestiti S.p.A. for Euro 1,858 thousand, of which Euro 511 thousand as current share, subscribed to pay enlargement works of natural gas distribution network.

Total payables include several smaller payables to said bank institution, with deadlines ranging from 2010 to 2016, at fixed rates between 6% and 7.5%.

Furthermore, medium-long financings include a loan by Parent Company with Unicredit S.p.A. to finance important company aggregation operations. The original amount of the financing was Euro 40,000 thousand and the loan has a seven-year duration. The prepayment of the loan is set on six-month postponed instalments, from 31st December 2011 to 30th June 2018.

During 2012 two instalments of said loan have been paid for Euro 2,857,142.86 each, leading to a decrease of the heading "Payable for loans to Unicredit S.p.A." of Euro 5,715 thousand compared to the previous year.

The interest rate is variable, and it involves a three-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the "spread" parameter. The value of the fixed margin is apt to increase on the basis of the value of the ratio between the consolidated net financial position and the consolidated gross operative margin at the end of each financial year. The variation in the fixed margin on the basis of the index described above is reported in the following table

Value of N.F.P./G.O.M. ratio	Spread value
Index>2.5	125 basis point
2<Index<2.5	90 basis point
Index<2	75 basis point

Along with the terms and conditions provided for to calculate the interest rate to be applied to the financed capital, the continuation of the loan agreement is subject to the following financial and operating terms and conditions:

- a) the value of the index described above cannot be higher than 2.75;
- b) R.A.B.'s value (Regulatory Asset Base, i.e. the value of the gas network) cannot be lower than Euro 270,000 thousand;
- c) the stake of ASCOHOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

In particular, this funding is subject to a financial covenant, annually reviewed based on the consolidated financial statements. This covenant (which provides for future advance reimbursements or spread increase) concerns the ratio between net financial indebtedness and gross operative margin, and it refers to what stated under letter a). As of 31st December 2011, having complied with the index under letter a), equal to 2.1 and with the ratio under letter b), the spread applied as from 1st January 2012 will increase from 75 to 90 basis points. The values of the indexes imply a 90 basis point spread, with an increase of 15 basis points and an economic burden of Euro 45 thousand.

17. Other non-current liabilities

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Security deposits	14,325	14,399
Multi-annual passive prepayments	2,250	2,957
Other payables	47	2,033
Other non-current liabilities	16,622	19,390

Other non-current liabilities decrease from Euro 19,390 thousand to Euro 16,622 thousand, marking a decrease of 2,768 thousand mainly related to the decrease of other payables, for Euro 1,986 thousand, due to the variation in consolidation area which in the previous year included periodic instalments for rent of land where the photovoltaic panels were installed.

18. Non-current financial liabilities

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Payables due to leasing companies (over 12 months)	613	619
Non-current financial liabilities	613	619

Non-current financial liabilities decrease from Euro 619 thousand as of 31st December 2011 to Euro 613 thousand, a decrease of Euro 6 thousand. These liabilities are mainly related to payables by subsidiary company Global Energy S.r.l., merged by incorporation into Parent Company Ascopiave S.p.A. for a rental contract for the co-generation plant of Mirano (VE).

19. Deferred tax payables

Payables for deferred taxation decrease from Euro 34,523 thousand to Euro 32,897 thousand, a Euro 1,626 thousand decrease that is highlighted in the following table:

	31.12.2012	31.12.2011
(Thousands of Euro)		
Deferred tax payables	32,897	34,523
Deferred tax payables	32,897	34,523

The Group, in its calculation of deferred taxes, used the IRES rate and when applicable the IRAP rate of the period in which the temporary differences will be applied. In particular, IRES rate of 27.5%, with an additional rate of 10.5% has been applied to consider the so-called “Robin Hood Tax” for subsidiary companies that are subjected to this additional rate. In addition, an IRAP rate of 3.9% has been applied, against the normal rate of 4.2% for the Group and for those subsidiary companies subjected to it, in accordance with the changes introduced by Law 111 dated 15th July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6th July 2011.

The following table shows the details of deferred taxes at the end of each period considered:

Description	31.12.2012			31.12.2011		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations	24,531	34,0%	8,341	17,134	34,0%	5,826
Exceeding amortizations	7,396	38,2%	2,825	14,793	38,2%	5,651
Severance indemnity	110	34,0%	37	215	34,0%	73
Exceeding amortizations	16,253	42,2%	6,859	17,205	42,2%	7,261
Goodwill deductibility for tax purposes - gas sale	1,444	37,9%	547	1,265	37,9%	479
Customer lists within 2013	3,141	42,2%	1,326	3,141	42,2%	1,326
Other operations	2,975	38,0%	1,131	4,095	38,0%	1,556
Customer lists after 2013	14,597	38,2%	5,576	17,738	38,2%	6,776
Goodwill deductibility for tax purposes	16,110	38,2%	6,154	14,439	38,2%	5,516
Other operations	298	34,0%	101	176	34,0%	60
Total deferred tax payables			32,897			34,523

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

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

	31.12.2012	31.12.2011
(Thousands of Euro)		
Payables due to banks	176,286	186,145
Current portion of medium-long-term loans	6,990	6,934
Bank overdraft and loans	183,277	193,078

Payables to banks decrease from Euro 193,078 thousand to Euro 183,277 thousand, a decrease of Euro 9,801 thousand and include debtor accounting balance to credit institutions and of the short-term quota of loans.

The following table shows the allocation of Group’s credit lines used and available and related rates applied as of 31st December 2012.

Credit institution	Type of credit line	Max reliance	Rate as of 31/12/2012	Use as of 31/12/2012
Banca Antonveneta	Bank credit for overdraft	5,000	2.19%	4,953
Banca Antonveneta	Fido roofing on commodities	2,000		
Banca Intesa	Bank credit for overdraft	40,000	1.11%	31,149
Banca Nazionale del Lavoro	Bank credit for overdraft	50,000	2.19%	49,599
Cassa di Risparmio del Veneto	Bank credit for overdraft	13,000	1.11%	12,985
Credito Emiliano	Bank credit for overdraft	15,000	2.12%	15,000
Banca Friuladria	Bank credit for cash flexibility	10,000		
Banca Popolare di Verona	Fido for financing / guarantees Italian and foreign	30,000		
Banca Popolare di Vicenza	Various loans B / T	52,000		
Banca Popolare di Vicenza	Ceiling surities	500		
Banca di Credito Cooperativo delle Prealpi	Bank credit	5,000		
Banca Sella	Bank credit	5,000	1.79%	4,954
Unicredit Banca	Fido promiscuous class 1	40,000	1.91%	39,400
Veneto Banca	Overdraft facility c / financial	30,000		
Banca Intesa	Fido for guarantees / credit commitments	5,132		
Cassa di Risparmio di Padova e Rovigo	Fido for RID presentations	20,000		
Banca Popolare di Verona	Release sureties Italian and foreign	10,000		
Banca Popolare di Vicenza	Ceiling sureties Italy	2,000		
Unicredit Banca	Fido for guarantees / credit commitments	10,800		
Unicredit Banca	Emission of credit cards	24		
Unicredit Banca	Fido promiscuous class 2	500		
Veneto Banca	Effects subject to collection in currency gained	5,000		
Veneto Banca	Sureties Italy	200		
Unicredit Banca	Credit cards	20		
Cassa di Risparmio del Veneto	Opening cash credit facilities	735		
Cassa di Risparmio del Veneto	Fido for credit commitments	735		
Banca Popolare di Verona	Guarantees and / or documentary credit	980		
Rovigo Banca	Credit commitments	35		
Banca di Credito Cooperativo di Caravaggio	Fido effects subject to collection	500		
Banca di Credito Cooperativo Valle Seriana	Fido effects subject to collection	300		
Credito Bergamasco	Bank credit for cash flexibility / sureties	500		
Credito Bergamasco	Trade receivables	500		
Banca Intesa San Paolo	Fido effects subject to collection	2,000		
Banca Intesa San Paolo	Advances on invoices	1,000		
Banca Intesa San Paolo	Self-liquidating	1,000		
Banca Popolare di Bergamo	Fido for guarantees / credit commitments	2,005		
Unicredit Banca	Credit cards	10		
Duetsche Bank	Fido for guarantees / credit commitments	105		
Monte dei Paschi di Siena	Guarantees and endorsements	100		
Banca Sella	Fido for guarantees / credit commitments	200		
Banca Sella	Bank credit for cash flexibility	55		
Banca Popolare di Marostica	Sureties	132		
Unicredit Banca	Guarantees/credit commitments	120		

Cassa di Risparmio del Veneto	Bank credit for cash flexibility	1,000		
Cassa di Risparmio del Veneto	Release guarantee commitments	13		
Banca Popolare di Vicenza	Fido for cash flexibility	500		
Unicredit Banca	Fido promiscuous class 1	1,100		
Unicredit Banca	Fido for guarantees / credit commitments	1,410		
Banca Antonveneta	Bank credit for cash flexibility	255		212
Banca Antonveneta	Fido for credit commitments	2,550		
Banca Nazionale del Lavoro	Bank credit for cash flexibility	51		48
Banca Nazionale del Lavoro	Fido advances IFITALIA	5,100		
Banca Nazionale del Lavoro	Fido for guarantees / credit commitments	1,964		
Cassa di Risparmio di Venezia	Bank credit for cash flexibility	51		
Cassa di Risparmio di Venezia	Fido for credit commitments	765		
Banca Popolare di Verona	Fido for guarantees / credit commitments	1,020		
Banca Popolare di Verona	Bank credit for cash flexibility	255		255
Banca Popolare di Verona	C / advance sale of receivables	2,550		
Banca Popolare di Vicenza	Bank credit for cash flexibility to withdraw	1,020		1,006
Banca Popolare di Vicenza	Fido for funding	1,530		
Unicredit Banca	Bank credit for cash flexibility	255		
Unicredit Factoring	Fido advances UniCredit Factoring	4,080	3.07%	4,065
Banca Unipol	Bank credit for cash flexibility	102		6
Banca Unipol	Fido for bank receipts and invoices advance	3,213		3,213
Banca Unipol	Fido for guarantees / credit commitments	1,020		
Cassa di Risparmio del Friuli Venezia Giulia	Bank credit for overdraft	212		212
Banca Nazionale del Lavoro	Bank credit for overdraft	41		41
Banca Nazionale del Lavoro	Bank credit for overdraft	6,716		6,716
Banca Friuladria	Bank credit for overdraft	2,341		2,341
Unicredit Banca	Bank credit for overdraft	132		132
Total		401,433		176,286

21. Trade payables

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Payables to suppliers	104,673	112,632
Payables to suppliers for invoices not yet received	127,062	137,452
Trade payables	231,735	250,083

Trade payables decrease from Euro 250,083 thousand to Euro 231,735 thousand, a decrease of Euro 18,348 thousand. This decrease is mainly due to the inclusion at its negative fair value of natural gas purchase contracts in the previous year for Euro 19,950 thousand, by subsidiary company Ascotrade S.p.A with several parties.

22. Payables to tax authorities

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
IRAP payables	628	847
IRES payables	2,019	5,277
Payables to tax authorities	2,716	6,125

Tax payables decrease from Euro 6,125 thousand to Euro 2,716 thousand, marking a decrease of Euro 3,409 thousand. This heading includes IRAP balance due for 2012, net of advance payments, additional IRES balance due for 2012, net of advance payments and the balance of regular IRES tax for 2012, for companies that did not subscribe to the National Consolidation regime with Parent Company AscoHolding S.p.A.

23. Other current liabilities

The following table shows how the items are broken down at the end of each period considered:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Advance payments from customers	822	1,321
Amounts due to parent companies for tax consolidation	1,583	3,286
Amounts due to social security institutions	2,291	2,192
Amounts due to employees	3,584	3,224
VAT payables	959	2,095
Payables to revenue office for withholding tax	1,140	917
Annual passive prepayments	250	2,985
Annual passive accruals	1,117	1,163
UTF and Provincial/Regional Additional Tax payables	6,542	4,779
Other payables	8,436	5,027
Other current liabilities	26,724	26,990

Other current liabilities decrease from Euro 26,990 thousand to Euro 26,725 thousand, marking a Euro 266 thousand reduction.

Advances from clients

Advances from clients they represent the amounts paid by the customers as contribution for works of allotments and connection, realisation of photovoltaic and thermal plants in progress as of the end of the financial period.

Tax consolidation payables

This heading includes the accrued payables to parent company AscoHolding S.p.A. and company Acegas APS S.p.A., having joint control over Estenergy S.p.A., proportionally consolidated by Ascopiave S.p.A. as part of the National Consolidation regime contracts signed by the Group companies with AscoHolding S.p.A. and Acegas APS S.p.A. The balance of the IRES payables accrued for taxation up to 31st December 2012 is Euro 52 thousand, with a decrease of Euro 1,583 thousand.

Amounts due to social security bodies

The amount due to social security institutions mainly relates to charges of FY 2012 that were paid at the beginning of April.

Amounts due to employees

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31st December 2012 but not paid out on that date.

VAT payables

VAT payables decreased of Euro 1,136 thousand as compared to 31st December 2010. The decrease in VAT payables is explained by the quarterly compensation of the tax, granted to the subsidiaries selling natural gas, in that they fall within the category of the subjects billing a high number of end customers.

Annual deferred income

Heading "Other deferred income" increased by Euro 2,735 thousand from the previous year, mainly related to the income for the sale of photovoltaic plants that had not been completed by company Asm Set S.r.l.

Annual accrued expenses

Accrued expenses decrease by Euro 46 thousand, mainly related to rents for public land and local entities land renting, for the extension of concession duration for methane gas distribution accrued as of 31st December 2012.

UTF payables and Additional Regional/Provincial Tax

The increase of Euro 1,763 thousand in amounts payable to the technical department of finance is due to the peculiarity of the method of liquidation, to the payment of excise duty and additional taxes on natural gas, which 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. During 2012, the Group's total amount of payables is of Euro 6,542 thousand.

Other payables

Other payables mainly include payables for family allowances and payables to the Authority for Electricity and Gas regarding the new tariff components of transport. These figures increased of Euro 3,409 thousand as compared to 31st December 2011.

Benefits based on financial instruments

The Group grants additional benefits to Chairman of Ascopiave S.p.A. and to Chairman and Vice-chairman of Ascotrade S.p.A. as well as to some employees of these companies in strategic positions within the Group. These benefits are based on financial instruments.

In particular, the plans adopted by the Group include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the reaching of pre-set objectives, the financial regulation of which is based on the trend of the share title (so-called phantom stock option).

24. Current financial liabilities

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

(Thousands of Euro)	31.12.2012	31.12.2011
Financial payables within 12 months	7,004	18,008
Payables to shareholders	1,473	3,563
Payables to leasing companies within 12 months	57	107
Current financial liabilities	8,534	21,679

Current financial liabilities decrease from Euro 21,679 thousand to Euro 8,534 thousand, a decrease of Euro 13,145 thousand. This variation is mainly due to the variation in consolidation area caused by sale of Serin and its subsidiaries. This variation had influenced the heading for Euro 1,988 thousand.

Further variations are due to a decrease in payables to Acegas APS S.p.A. for Euro 8,927 thousand and to the decrease in payables to ASM Rovigo S.p.A. for Euro 2,211 thousand.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS**Revenues***25. Revenues*

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

<i>(Thousands of Euro)</i>	31.12.2012	31.12.2011
Revenues from gas transportation	16,744	12,711
Revenues from gas sale	885,177	948,782
Revenues from electricity sale	148,725	107,993
Revenues from connections	4,450	4,868
Revenues from heat supply	519	2,242
Revenues from distribution services	5,200	5,879
Revenues from billing and taxes	193	222
Revenues from services supplied to Group companies	1,781	2,343
Revenues from AEEG contributions	6,317	5,734
Other revenues	8,933	8,465
Revenues	1,078,038	1,099,241

At the end of the fiscal year, the Ascopiave Group revenues amount to Euro 1,078,038 thousand, with a decrease as compared to the previous fiscal year amounting to total Euro 21,230 thousand. The decrease is mainly explained by lower revenues from sales of natural gas for Euro 63,606 thousand, partially offset by higher revenues from the sale of electricity to Euro 40,732 thousand by higher revenues for the transportation service of natural gas on the distribution network for Euro 4,033 thousand. The same were partially offset by lower revenues for the realization of connections for Euro 418 thousand and the decrease in revenues from the activity of providing heat for Euro 1,723 thousand, in consideration of the company division.

Revenues from sales of natural gas, amounting to Euro 868,430 thousand, show a decrease from the previous year of Euro 80,363 thousand. The decrease is mainly explained by lower revenues from trading activities of natural gas for Euro 147,110 thousand, partially offset by increases in revenues from the sale of the natural gas market to the final market for Euro 66.737 thousand.

The decrease in the revenues from natural gas trading is mainly explained by the lower quantity of cubic metres traded, which was equal to 537.4 million units. During the financial year of reference, the trading activities had revenues of Euro 175,521 thousand affecting the sale of 615.7 million cubic meters, compared to 1.1531 billion in the previous year which led to the recognition of revenues of Euro 322,631 thousand. It is to be noted that the item includes revenues from natural gas forward sale, for Euro 142 thousand.

The increase in revenues from sales of natural gas to the final market, which rose from Euro 626,152 thousand in the previous year to Euro 692,909 thousand for the year of reference, is mainly explained by the price charged to the end customers, which led to the recognition of higher revenues totalling Euro 128,286 thousand. The positive effect of the price increase was partially offset by the decrease in natural gas volumes sold, which detect a decrease of 61.5 million of cubic meters, rising from 1.4291 billion sold in 2011, to 1,297.3 million marketed in 2012, resulting in a negative effect on revenues amounting to Euro 61,529 thousand.

The transportation of natural gas to the distribution network generated revenues for Euro 16,744 thousand, with an

increase of Euro 4,033 thousand compared to the previous year. The increase is mainly explained by the increase of rate applied to companies selling natural gas which operate through the distribution network of the Group, which has led to the registration of higher revenues of Euro 7,205 thousand as well as to higher volumes of natural gas transported during the fiscal year. During the fiscal year, the distribution of natural gas has involved the transport of 952 million cubic meters, compared to 952 million of the previous fiscal year, an increase of volumes transported equal to 3 million, resulting in a positive effect on revenues, equal to Euro 41 thousand

The restriction on the revenues from gas distribution is determined, year after year, on the basis of the number of delivery points the Company actually served during the reference period, as well as on the reference price, whose values are established and published by the Authority for Electricity and Gas by 15th December of the year before that in which the price becomes effective.

At the end of the year, the revenues from electricity sales amounted to Euro 148,725 thousand, showing an increase over the previous year of Euro 40,732 thousand. The increase is mainly explained by higher volumes of KWh sold, which increased from 807.5 million in 2011, to 946.6 million in the reference fiscal year, marking an increase of 139.1 million.

At the end of fiscal year, revenues from connection services are equal to Euro 4,450 thousand, showing a decrease of Euro 418 thousand as compared to 2011. This is due to the decrease in the number of new connections to the natural gas distribution network, associated with the crisis of the building industry in the North of Italy, where the gas distribution network of the Group is active.

The revenues from the heat supply service decreased from Euro 2,242 thousand in 2011 to Euro 519 thousand of the current financial year. This is mainly attributable to the sale of the plant management to third companies outside the Group.

The revenues derived from services provided by distributors show a decrease of Euro 679 thousand, passing from Euro 5,879 thousand in 2011 to Euro 5,200 thousand in the reference fiscal year.

The revenues from contributions made by the Authority for Electricity and Gas amount to Euro 6,317 thousand, recording an increase of Euro 583 thousand.

The item includes revenues in respect of contributions paid for the delivery of energy efficiency certificates called "white certificates" for the achievement of objectives aimed at energy saving designated for the parent company Ascopiave S.p.A and for the joint venture company Unigas Distribuzione S.r.l. The contributions are recognized as a result of the achievement of the objectives set by the same Authority in terms of energy saving and published by resolution 13/11 of 22nd December 2011 EEN. The resolution defines the specific obligations of primary energy savings paid by the obligated distributors. The increase registered is mainly explained by a higher specific target set by the Authority for Electricity and Gas, as well as by a higher contribution granted for each energy efficiency certificate that the Company shall return in order to comply with the regulations.

Other revenues increased from Euro 8,465 thousand in the previous fiscal year, to 8,933 thousand for the fiscal year of reference, showing an increase of Euro 468 thousand. The item includes revenues earned by the construction of

photovoltaic plants for domestic and industrial use for Euro 3,417 thousand and from the production of electricity, heat and hot water: by means of cogeneration sites in the Venetian area for Euro 910 thousand.

Costs

26. Purchase costs for raw material (gas)

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

(Thousands of Euro)	31.12.2012	31.12.2011
Costs for gas purchase	688,084	772,580
Costs for gas purchase	688,084	772,580

At the end of the fiscal year, the costs incurred for the supply of natural gas amount to Euro 688,084 thousand, with a decrease from the previous year of Euro 84,496 thousand.

The natural gas supply for the end market showed an increase of Euro 50,033 thousand, from Euro 450,559 thousand in 2011 to Euro 500,656 thousand in the reference fiscal year. The increase in the cost for natural gas purchase is mainly explained by the decrease of the market prices of the hydrocarbons to which the cost of natural gas is indexed, causing an increase in costs of Euro 94,390 thousand. The negative effect produced by the increase in the prices of raw materials is partially offset by the decrease in the quantity of cubic metres purchased, with a subsequent decrease in costs incurred to for Euro 44,292 thousand. The volumes of traded gas purchased in 2012 are equal to 1,297.3 million of cubic metres, with a decrease of 131.9 million cubic metres as compared to 2011.

The operations of natural gas purchase for trading activities have decreased from Euro 322,021 thousand of 2011 to 176,491 thousand of the current financial year, with a decrease of Euro 145,530 thousand.

The decrease is associated with the decreased volumes of cubic metres purchased to cover these activities; in 2011 the purchased volumes were 1,153.1 million cubic metres, and 615.7 million cubic metres in the year of reference.

It is to be noted that the amounts of natural gas the most significant, both for the supply of end customers and for trading, were provided to the Group by the associate Sinergie Italiane S.r.l. in liquidation until September. From the month of October the reference shipper has become Eni Gas & Power S.p.A. with framework supply agreement that also regulates imports of Russian gas.

27. Purchase costs for 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)	31.12.2012	31.12.2011
Costs for gas purchase	29	348
Diesel fuel and LPG purchase	113	37
Purchase of electricity	88,129	67,986
Purchase of other raw material	4,466	3,316
Costs for purchase of other raw material	92,738	71,688

At the end of 2012, the costs incurred for the purchase of other raw materials showed an increase of Euro 21,050 thousand, from Euro 71,688 thousand in 2011 to Euro 92,738 thousand in the reference fiscal year. The increase is

mainly explained by higher costs for electricity supply and higher costs incurred for the purchase of other materials. The costs incurred for the purchase of electricity to the end-user market, showed an increase of Euro 20,143 thousand compared to 2011, passing from Euro 67,986 thousand to Euro 88,129 thousand in the period of reference. The increase is mainly explained by a higher amount of kilowatt hours purchased during the year amounting to 139.1 million. The costs included in the purchase of other materials show an increase of Euro 1,131 thousand, from Euro 3,316 thousand in 2011 to Euro 4,446 thousand in the year of reference. This item mainly includes costs related to the purchase of materials for the construction of natural gas distribution plants.

28. Costs of services

The following table shows the breakdown of costs for services in the fiscal years considered:

(Thousands of Euro)	31.12.2012	31.12.2011
Costs of conveyance on secondary networks	106,920	80,264
Costs for counting meters reading	1,156	1,593
Costs for mailing bills	635	495
Mailing and telegraph costs	1,329	2,157
Maintenance and repairs	4,679	4,502
Consulting services	5,776	6,524
Commercial services and advertisement	3,191	1,955
Sundry suppliers	2,158	2,635
Directors' and Statutory Auditors' fees	1,310	1,103
Insurances	951	843
Personnel costs	752	709
Other managing expenses	6,976	8,870
Costs for use of third-party assets	16,601	12,923
Total costs for services	152,434	124,572

The costs for services incurred during the year showed an increase of Euro 27,862 thousand, from Euro 124,572 thousand in 2011 to Euro 152,434 thousand. The increase is mainly explained by higher costs incurred for the transportation of natural gas and electricity on the distribution network for a total of Euro 26,657 thousand, from the increase in costs for commercial and advertising services for Euro 1,236 thousand, and from the increase of costs for the enjoyment of others' properties for Euro 3,678 thousand. The same are partially offset by a decrease in costs incurred for consultancies, amounting to Euro 748 thousand, by postal and telegraphic expenses for Euro 827 and by other operating expenses of Euro 1,894 thousand.

The costs incurred for the transportation of natural gas on the distribution network increase from Euro 43,172 thousand in 2011 to Euro 48,828 thousand for the year considered, noting an increase of Euro 5,656 thousand. The increase is mainly explained by a lower amount of natural gas injected into the network of distribution companies owned or managed by companies not belonging to the Group.

The costs incurred for the transport of electricity register an increase of Euro 12,803 thousand, from Euro 37,091 thousand in 2011 to Euro 49,894 thousand in the reference fiscal year. The observed increase is mainly explained by higher kilowatt-hour sold by the joint ventures Estenergy S.p.A. and Veritas Energia S.r.l.

The advisory costs incurred in the course of the period of reference showed a decrease of Euro 748 thousand, mainly due to the fact that in the previous year the costs incurred for the acquisition of subsidiaries Blue Meta SpA, Unigas Distribuzione gas Srl and Amgas Blue S, r. l. had been charged in this item.

At the end of the fiscal year 2012, the greatest increases detected from the service costs are represented by higher costs for commercial and advertising services amounting to Euro 1,236 thousand, mainly related to the development of expansion activities on the market called "off-network" launched by the Group during the previous year, in order to counteract the pressure of other business competitors.

A breakdown of other operating expenses shows a decrease of Euro 1,894 thousand, from Euro 8,870 thousand in 2011 to Euro 6,976 thousand in the reference year. The decrease is mainly explained by lower costs incurred for the construction of photovoltaic systems amounting to Euro 1,111 thousand, which was partially offset by higher costs for call centre services amounting to Euro 258 thousand.

The costs incurred for the enjoyment of third party assets registered an increase of Euro 3,678 thousand, from Euro 12,923 thousand in the previous year to Euro 16,601 thousand in the considered fiscal year. The increase is explained by the higher concession fees paid to local authorities because of the economic compensation, proposed by the Parent Company for the prosecution of the management of the distribution of natural gas in the performing of the custody proceedings of the same. The agreement provides for the recognition of an annual payment, starting from 2011, quantified according to the constraint of distribution revenues and conditioned to the fulfilment of specific events. The procedural process directed to a fair and objective evaluation of the distribution systems as act prior to the renewal of the public gas distribution, conditioning event provided for by the agreements, was concluded only in the fourth quarter of 2011 and for some of the local governments involved in the subsequent year. The year 2012 saw, therefore, the registration of the remaining concession fees after the completion of the process by the remaining bodies.

29. Costs for personnel

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Wages and salaries	18,854	17,915
Social security contributions	6,137	6,035
Severance indemnity	1,329	1,279
Current severance indemnity actualization	97	(22)
Other costs	655	811
Total personnel costs	27,072	26,017
Capitalized personnel costs	(1,630)	(1,695)
Personnel costs	25,442	24,323

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

Costs for staff show an increase of Euro 1,055 thousand, from Euro 26,017 thousand in 2011 to Euro 27,072 thousand in the year of reference. The increase is mainly explained by the increase in average staff working in the companies of the Group of 14 units and by wage increases paid during the reference fiscal year.

The table below shows the average number of Group employees by category at the end of 2011 and in 2012:

Type	31.12.2012	31.12.2011	Variation
Executives	22	22	0
Office workers	387	370	17
Manual workers	125	128	-3
Total	534	520	14

It should be noted that some employees of the Group are holders of phantom stock option plans:

30. Other management costs

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Provision for risks on credits	7,491	7,372
Other provisions	3,268	150
Membership and AEEG fees	943	936
Capital losses	299	285
Extraordinary losses	1,179	1,340
Other taxes	882	1,293
Other costs	1,305	1,467
Costs of contracts	2,063	1,911
Energy efficiency certificates	7,013	6,140
Other operating costs	24,443	20,894

Other operating costs, increasing from Euro 20,894 thousand in 2011 to Euro 24,443 thousand in 2012, show an increase of Euro 3,549 thousand. The increase is almost entirely attributable to the item other provisions, which records an increase of Euro 3,118 thousand from Euro 150 thousand in 2011 to Euro 3,268 thousand for 2012.

This increase is explained by Euro 2,342 thousand from the commitment made by the subsidiary Ascotrade S.p.A regarding the purchase of a share in the volume of natural gas stored by Sinergie Italiane S.r.l. - in liquidation as at 30 September 2012. The subsidiary, not being entitled to rights of storage, has asked the shipper to maintain the quantities of natural gas mentioned in the contract at the storage of the same, pledging itself not to take over directly or indirectly in the related space, and delegating Sinergie Italiane Srl – in liquidation to the sale of the volumes covered by the obligation in the first quarter of the fiscal year 2013 according to predetermined conditions. The sale took place during the first quarter of this year at the Gas Balancing Platform (PB-GAS), realizing a loss in line with the expected burden expected by the subsidiary Ascotrade S.p.A because of the observed differential between the contracted purchase price and the average sales price of these volumes formed daily in the Gas Balancing Platform. This item also includes other provisions for risks, amounting to Euro 585 thousand, primarily explained by the likely economic effects of the decision of the Territorial Directorate of Labour of Venice on 16th May 2012 that criticizes the manner of grading and the economic and social contribution treatment of a category of employees of the customer acquisition, so-called promoters, used by the subsidiary Veritas Energia S.r.l as of all 31st March 2011.

31. Other income

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Contingent assets	103	0
Other income	144	612
Total of other income	247	612

At the end of 2012, other operating incomes show a decrease of Euro 365 thousand, decreasing from Euro 612 thousand in 2011 to Euro 247 thousand for the year 2012 because of lower capital gains realized during the year 2012

32. Amortization and depreciation

The following table shows a breakdown of depreciation in the years considered

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Intangible fixed assets	17,487	16,782
Tangible fixed assets	2,527	2,299
Impairment losses and reversals as	2,102	
Total amortizations	22,116	19,081

The item devaluations and re-enactments includes Euro 1,589 thousand as devaluation of the assets transferred to Gelsia Reti Srl, and related to the distribution of natural gas in the Lombard cities of Arosio, Carugo and Lentate sul Seveso, which had a net book value amounting to Euro 5,361 thousand, while the sale was completed to the amount of Euro 3,714 thousand, however received in December of the reference year.

The remainder of the item, amounting to Euro 513 thousand, is explained by the impairment of goodwill for the CGU cogeneration (Global Energy S.r.l) described in paragraph 1 – Beginning of this document

Financial income and expense

33. Financial income and charges

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Interest income on bank and post office accounts	224	301
Other interest income	1,536	1,448
Other financial income	398	20
Financial income	2,159	1,769
Interest expense on banks	3,561	2,559
Interest expense on loans	800	798
Other financial expenses	4,714	1,210
Financial charges	9,075	4,567
Evaluation of subsidiary companies with net equity method	11,007	22,425
Evaluation of subsidiary companies with net equity method	11,007	22,425
Total net financial expenses	17,923	25,222

At year end the balance between financial income and expenses showed a net loss of Euro 6,916 thousand, an increase from the previous year of Euro 4,118 thousand due to the significant financial expenses of Euro 4,508 thousand partially offset by the increase of the financial income amounting to Euro 390 thousand.

Higher borrowing costs are mainly explained by the costs incurred by the subsidiary Estenergy S.p.A. that during the year resorted to the sale of "without recourse" loans, as outright of a securitization contract that led to the recognition of higher financial charges amounting to Euro 3,051 thousand.

The item "evaluation of associated companies with the equity method" amounts to Euro 11,007 thousand and consists of Euro 2,964 thousand relating to the increase in the percentage of ownership of the associated Sinergie Italiane S.r.l under winding up, in addition to Euro 8,043 thousand due to the equity evaluation of the same as explained in section "Participations" of this note. The same shows a decrease from the previous year of Euro 11,417 thousand.

Taxes

34. Taxes for the period

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Current taxes - IRES	28,565	28,414
Current taxes - IRAP	4,792	4,366
(Advance)/Deferred taxes	(3,848)	1,094
Total taxes for the period	29,509	33,874

Accrued taxes decreased from Euro 33,874 thousand in 2011 to Euro 29,509 thousand in the accounted FY, marking a decrease of Euro 4,365 thousand. This decrease is mainly due to the lower taxable amount in 2012, as well as to the adjustment of sums related to deferred taxation, consequent to the modification of tax rates introduced with the Summer law legislations passed in August 2011. These changes in tax rates had negatively influenced the first nine months of the previous year. In particular, it is noted that, pursuant to modifications introduced by Law 111 under conversion dated 15th July 2011 to art. 23 paragraph 5 of Law Decree 89 dated 6th July 2011, distribution companies of the Group have been subjected to a IRAP rate of 4.2%, as companies operating in concession related activities of services and public works.

As to the IRES tax, some sales companies of the Group were already subject to the 10.5% IRES surcharge pursuant to art. 81 of Decree-Law 112 dated 25th June 2008, which was amended pursuant to art. 7 of Law 138, in force as from 13th August 2011 for a three-year period from 2011. It is noted that the surcharge of the additional IRES tax and its purpose have been contested and appealed by the main operators in the electricity and gas sectors and a court decision concerning this matter is expected during 2013.

The amount of revenue taxation for the accounted year benefits from the norm contained in Art. 2 of Law-Decree n. 201 of 2011 (so-called Monti Decree), as modified by Law Draft 16/2012, which admitted the analytical deductibility of company revenue of IRAP related to the cost of work, even for the previous years. The accrued receivables, in favour of Parent Company AscoHolding S.p.A as part of the National Consolidation regime for the Group companies that are part of it amounts to Euro 830 thousand for the period of time 2007 to 2011.

This tables illustrates the relevance of the revenue taxes on the result before taxation, for the accounted periods herein:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Income before taxes	55,104	41,494
Income taxes for the period	29,509	33,874
Percentage of income before taxes	53,6%	81,6%

Effective tax-rate decreases from 81.6% of 2011 to 53.6% of 2012, marking a decrease of 28%. The decrease in tax rate is mainly due to the decrease in losses by subsidiary company in liquidation Sinergie Italiane S.r.l. for Euro 11,418 thousand (-20.7%) and by increased fiscal costs in 2011 related to the adjustment of the tax rates for advanced/deferred taxation issued in the previous year, according to the new tax rates deriving from the application of the additional IRES tax in 2011 (“Robin Hood tax”) for Euro 4,800 (-8.7%)

35. Net result from transfer/disposal of assets

Net result from sold activities in 2012 amounts to Euro 4,336 and it is related to the plus value of Ascoenergy S.r.l. for the sale of 50% of share capital of Serin S.r.l. and its controlled companies, net of tax effect. Data related to the previous fiscal year have been recalculated as the operation had been carried out from the beginning of the accounted period and therefore the values of the previous year related to the photovoltaic branch have been reclassified under this heading (costs and revenues net of tax effect). Net result amounts to Euro 639 thousand.

<i>(Thousands of Euro)</i>	De Stern 5 S.r.l.	Gioia S.r.l.	Gioia 2 S.r.l.	Lucania S.r.l.	Masseria S.r.l.	Palo6 S.r.l.	Palosol S.r.l.	Quintasol S.r.l.	Serin S.r.l.	Specchiano S.r.l.	Totale segmento
Revenues	354	304	487	339	331	320	329	343	199	344	3,349
Operating costs	90	72	36	61	52	89	45	56	637	34	1,172
Costs for purchase of other raw material	10										
Costs for services	21	59	33	54	50	82	43	44	216	27	631
Other operative costs	59	13	3	6	2	7	2	12	421	6	532
Amortization	163	78	147	73	75	73	74	76	3	96	857
Operative result	100	155	304	205	204	158	210	211	441	214	1,320
Financial income	1	0	1	1	1	0	1	0	20	0	26
Financial charges	59	45	52	21	22	23	36	35	52	47	392
Depreciation of shareholdings									53		
Earnings before tax	42	109	253	185	183	135	176	176	526	168	901
Taxes for the period	14	37	81	59	52	39	58	55	187	54	262
Net result	28	72	171	126	131	96	118	121	339	114	639

Non-recurrent components

Pursuant to CONSOB regulation n.15519/2005 it is noted that no non-recurrent economic components exist as of 31st December 2012.

During 2011, the Group established a provision for risks and charges, as a consequence to the economic losses of subsidiary company in liquidation Sinergie Italiane S.r.l..

Losses at the closure of the year on 30th September 2011 led to the establishment of the provision for risks and charges for the accounted amount at the end of the previous year, proportionally to the time of closure. Said operation can be considered as non-recurrent as it was related to the charges of natural gas purchase agreements.

Transactions deriving from unusual and/or atypical operations

In accordance with CONSOB communication N. DEM/6064296 of 28th July 2006, we report that during 2012 no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE ANNUAL FINANCIAL REPORT AS OF 31st DECEMBER 2012

Company mergers

Merger by incorporation of subsidiary Global Energy S.r.l. into parent company Ascopiave S.p.A.

As of 1st October 2012, a deed of merger by incorporation has been signed, to merge “Global Energy S.r.l.”, single member company, into “Ascopiave S.p.A.”. Said deed was registered in the same date at the Registry of Companies.

For accounting and fiscal purposes, operations carried out by the incorporated company are entered in the Statement of controlling company as of 1st January 2012. For legal purposes, i.e. in relation to third parties, the merger has been initiated at the date in which it has been registered at the Registry of Companies.

The merger did not have impact on the net consolidated Shareholders’ Equity.

Sale of shareholding of Serin S.r.l. to Group Casillo and purchase of Ascoenergy S.r.l. shares

As of 18th December 2012 (Deed of Notary Public Fabbronicini dated 20th December 2012), company AscoEnergy S.r.l. sold to Agroenergetica S.r.l. the entirety of its share capital (50%), with nominal value of Euro 250 thousand, of company Serin S.r.l.. Said sale has been paid Euro 8,350 thousand.

Shareholding was transferred to the purchaser as of 1st January 2012, acknowledging that any economic result on-going at that date, possible dividends, interests or any other distribution of any type subsequent to that date shall be attributed to the purchasing company, even if pertaining previous years. Sale of Serin caused a plus value to be entered in the individual Statement of AscoEnergy S.r.l., caused by the sale (in PEX), amounting to Euro 6,299 thousand i.e. the difference between book value and sale value.

As of 18th December 2012 (Deed of Notary Public Fabbronicini dated 20th December 2012), company Bioenergy S.r.l. has sold to Parent Company its entire shareholding (30%) of company AscoEnergy S.r.l., with face value of Euro 90 thousand. The sale has been paid Euro 1,854 thousand.

The purchase of the share capital of 30% of Bioenergy S.r.l. was entered in the consolidated statement of Ascopiave Group S.p.A. as a minority purchase (30% of Bioenergy S.r.l.), which led to an amendment of the plus value made by AscoEnergy S.r.l. for Euro 1963 thousand. Therefore a net plus value of Euro 4,336 thousand, the difference between purchase price of 30% and Shareholders’ Equity of AscoEnergy.

Hereby the balance sheet values for 2011 are highlighted

	De Stern 5 S.r.l.	Gioia S.r.l.	Gioia 2 S.r.l.	Lucania S.r.l.	Masseria S.r.l.	Palo6 S.r.l.	Palosol S.r.l.	Quintasol S.r.l.	Serin S.r.l.	Specchiano S.r.l.	Already proportional	Serin 50% consolidated
											Book values	Fair value from Area Serins' sale
Non-current assets												
Goodwill	0	0	0	0	0	0	0	0	0	0	0	0
Other intangible assets	679	206	656	134	158	155	1	215	11	201	2,415	2,400
Tangible assets	6,613	1,612	5,947	1,305	1,321	1,533	1,376	1,286	18	1,600	22,612	22,612
Shareholdings	0	0	0	0	0	0	0	0	3,752	0	3,752	11
Other non-current assets	0	0	0	0	0	25	0	0	0	0	25	25
Advance tax receivables	0	0	0	0	0	0	0	0	0	0	0	274
Total non-current assets	7,292	1,818	6,603	1,439	1,479	1,713	1,376	1,501	3,781	1,801	28,804	25,309
Current assets												
Inventories	0	0	0	0	0	0	0	0	0	0	0	0
Trade receivables	30	7	36	6	6	9	6	5	151	7	264	264
Other current assets	999	146	985	93	82	136	510	102	0	49	3,102	3,102
Financial current assets	0	0	0	0	0	0	0	0	8,105	0	8,105	8,060
Tax receivables	0	0	0	0	0	1	12	1	7	0	16	18
Cash and cash equivalents	393	265	142	310	275	270	169	235	25	114	2,157	2,157
Total current assets	1,421	418	1,163	409	363	414	697	312	8,289	170	13,656	13,611
Total assets	8,713	2,235	7,765	1,848	1,842	2,127	2,074	1,813	12,070	1,971	42,459	38,920
Net equity and liabilities	8,713	2,235	7,765	1,848	1,842	2,127	2,074	1,813	12,070	1,971	42,459	42,672
Non-current liabilities												
Provisions for risks and fund	0	0	0	0	0	0	0	0	0	0	0	0
Severance indemnity	0	0	0	0	0	0	0	0	0	0	0	0
Medium/long-term loans	0	0	0	0	0	0	0	1,078	5,240	1,301	7,618	7,618
Other non-current liabilities	536	164	521	106	125	114	8	175	0	159	1,893	2,509
Non-current financial liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Deferred tax liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	536	164	521	106	125	114	8	1,253	5,240	1,460	9,512	10,127
Current liabilities												
Loans from bank and financing institution	5,155	0	4,451	0	0	0	1,189	71	17	111	10,994	10,994
Trade payables	1,144	64	567	57	39	81	17	38	47	11	2,055	2,055
Tax payables	13	30	81	46	42	31	58	44	85	71	439	439
Other current liabilities	79	9	42	71	71	91	24	7	503	71	695	729
Financial current liabilities	205	1,930	1,675	1,175	1,175	1,791	0	0	3,952	0	12,093	12,093
Total current liabilities	6,597	1,993	7,016	1,284	1,263	1,913	1,288	160	4,604	127	26,246	26,280
Total liabilities	7,133	2,158	7,538	1,390	1,388	2,027	1,280	1,413	9,844	1,587	35,758	36,407
Total assets and liabilities transferred												2,513
Changes in consolidated net equity												462
Net assets and liabilities transferred												2,051
Revenues from sale												8,350
Surplus												6,299
Surplus quote implied by 30% Ascoenergy												1,963
Surplus at net of sale												4,336

Commitments and risks

Bank guarantees

As of 31st December 2012, the Group provided the following bank guarantees:

(Thousands of Euro)	31.12.2012	31.12.2011
On credit lines	108,402	231,200
On financial leasing agreements	956	956
On gas supply agreements	10,000	11,667
On electricity supply agreements	-	7,660
On electricity purchase agreements (letter of comfort)	-	5,000
On gas purchase agreements (letter of comfort)	2,550	-
On photovoltaic plants realization (letter of comfort)	-	4,196
Guarantees on credit lines (letter of comfort)	4,994	17,477
On execution of works (letter of comfort)	525	2
On UTF offices and regions for taxes on gas (letter of comfort)	12,722	4,886
On UTF offices and regions for taxes on electricity (letter of comfort)	5,715	184
On distribution concession (letter of comfort)	3,294	22,866
On public lighting concession (letter of comfort)	-	99
On services agreements (letter of comfort)	120	120
On purchase/sale of shares (letter of comfort)	2,500	2,500
On commercial agreements (letter of comfort)	21	17
On conveyance agreements (letter of comfort)	2,566	2,552
On agreements for transport of electricity (letter of comfort)	5,533	7,408
On active agreements of electricity administration (letter of comfort)	106	142
On active agreements of gas administration (letter of comfort)	87	-
On company's activities (letter of comfort)	7	7
On purchase of gas agreements (letter of comfort)	-	3
On purchase of electricity agreements (letter of comfort)	6,700	6,752
On realization of photovoltaic plants (letter of comfort)	804	2,419
Total	167,602	328,113

Patronages on lines of credit and gas purchase contracts issued in favour of subsidiary Sinergie Italiane S.r.l. amount as of 31st December 2012 to Euro 85,367 thousand (Euro 226,877 thousand during the previous year).

It is noted that company Speedenergy S.r.l has right of first refusal over 20% of share capital of Amgas Blu S.r.l. controlled by Ascoblu S.r.l., for three years starting from July 2011.

Risk and uncertainty factors

Management of financial risk: objectives and criteria

The investments in the operative activities of the Group mainly consist of bank loans, financial leasing, lease contracts with the possibility of purchase and bank deposits at sight and short-term. 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 variation on financial costs.

The operative activity, on the contrary, put the Group on the position of possible receivable risks with the counterparts.

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

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

Interest rate risks

Because of the seasonality of the natural gas business cycle, the Group aims at managing the need for cash by means of temporary and medium-term loans at variable rates.

Furthermore the Group manages credit lines at fixed rates (loans) for minor amounts, which originated upon assignment of gas distribution networks by local authorities that are now partners of AscoHolding S.p.A.

The Group manages medium-long term financings with primary bank institutions as part of its gas distribution activity. The total amount of said financings is Euro 5,240 thousand; rate variation is covered by a derivative, while for the Euro 40,000 thousand it is covered by covenants.

Moreover, in 2011, the parent company entered into a medium-to-long-term loan agreement with Unicredit S.p.A.. The amount of the agreement is equal to Euro 40,000 thousand and its duration is of seven years.

The interest rate is variable, and it involves a three-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the "spread" parameter. The value of the fixed margin is subject to hypothetical increases on the basis of the value of the ratio between the consolidated net financial position and the consolidated gross operative margin at the end of each financial year. Along with the terms and conditions provided for to calculate the interest rate to be applied to the financed capital, the continuation of the loan agreement is subject to the following financial and operating terms and conditions:

- a) the value of the index described above cannot be higher than 2.75;
- b) R.A.B.'s value (Regulatory Asset Base, i.e. the value of the gas network) cannot be lower than Euro 270,000 thousand;
- c) the stake of ASCOHOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

At the end of FY 2012 the covenant envisaged by the contract has been respected with an index of 1.66, calculated as the ratio between the consolidated net financial position (amounting to € 170,130 thousand) and the consolidated gross operating margin (€ 102,634).

Sensitivity analysis of the interest rate risk

The following table shows the impacts on the Group's Pre-tax result of the possible variations in interest rates in a reasonably possible interval.

	January	February	March	April	May	June	July	August	September	October	November	December
Net financial position 2012	(177,443)	(162,692)	(141,711)	(148,075)	(126,723)	(142,325)	(143,541)	(153,317)	(180,715)	(121,088)	(146,502)	(170,130)
Average rate	2.61%	2.49%	2.52%	2.12%	2.15%	1.96%	1.76%	1.72%	1.73%	1.71%	1.82%	1.81%
Average rate + 200 basis point	4.61%	4.49%	4.52%	4.12%	4.15%	3.96%	3.76%	3.72%	3.73%	3.71%	3.82%	3.81%
Average rate - 50 basis point	2.11%	1.99%	2.02%	1.62%	1.65%	1.46%	1.26%	1.22%	1.23%	1.21%	1.32%	1.31%
NFP recalculated with increase of 200 basis point	(177,744)	(162,941)	(141,952)	(148,319)	(126,938)	(142,559)	(143,784)	(153,577)	(181,012)	(121,293)	(146,742)	(170,419)
NFP recalculated with reduction of 50 basis point	(177,368)	(162,629)	(141,651)	(148,015)	(126,669)	(142,267)	(143,480)	(153,252)	(180,641)	(121,036)	(146,441)	(170,058)
Effect on pre-tax result with increase of 200 basis points	(301)	(250)	(241)	(243)	(215)	(234)	(244)	(260)	(297)	(206)	(241)	(289)
Effect on profit before tax with a reduction of 50 basis points	75	62	60	61	54	58	61	65	74	51	60	72
												Total

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 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 3,021 thousand or positive for Euro 755 thousand, respectively.

Receivable risk

The operative activity put the Group in a position of possible receivable risk caused by the market for the missed

respect of trading obligations between the counterparts.

The Group constantly monitors this type of risk through an appropriate credit management procedure, helped in that sense also by the division of a significant component of accounts receivable. The Group policy is fully writing down the receivables that show an older expiry date than the year, and to apply write-down percentages determined by historical series on the remaining part of the credit.

Liquidity risk

The liquidity risk concerns the risk of the Group not to dispose of available and sufficient financial resources in order to meet its financial obligations, in the forecast terms and deadlines.

The Group constantly pursues a maintenance of the balance and flexibility of financing sources and uses. 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 and of Euro/Dollar exchange rate

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 2012, in order to reduce the afore-stated risk, the company subscribed contracts of provisioning that predict index clauses in the purchase of raw material, lined up with the index formula of the AEEG for the calculation of the component raw material in the sale tariff to domestic customers, which represent the most significant quote of the market.

Thus the risk is still linked to the remaining minor market quote, mainly represented by the business client, for which the company can't give coverage to the different time of index of the cost of raw material compared to the index of sale price.

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 AEEG can have a significant impact on the operations, the operating results and the financial balance. Future changes in 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.

Seasonal nature of the activity

Gas consumption varies considerably on a seasonal basis, with a higher demand during winter, in relation to higher consumption for heating.

Such seasonal nature influences the rise in gas sales and supply costs, while other management costs are fixed and evenly supported by the Group during the year.

The seasonal nature of the activity also affects the performance of the Group's net financial position, as the active and passive billing cycles are not aligned with each other and also depend on the performance of gas volumes sold and purchased during the year.

Therefore, the data and information contained in the interim financial statements do not allow to draw meaningful conclusions as to the overall trend of the year.

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, i.e. comparing the net debt to the total of the capital plus the net debt.

The Group includes financial charges, accounts payable and other liabilities in the net liabilities, net of liquid funds and equivalent.

(Thousands of Euro)	31.12.2012	31.12.2011
Medium-long term loans	29,420	44,889
Loans from banks net of equivalents on hand	156,285	148,224
Financial gross debt	185,706	193,113
Share capital	234,412	234,412
Legal reserve	126,542	121,890
Undistributed net profit	27,865	6,266
Total shareholders' equity	388,819	362,568
Total capital and gross debt	574,524	555,680
Debt/Net assets ratio	0,48	0,53

The debt/net equity ratio decreases from 0.53 as of 31st December 2011 to 0,48 as of 31st December 2012 (-0.05), mainly because of the decrease in medium term financings related to the sale of the photovoltaic branch, partially balanced by the increase of receivables from banks.

Remuneration of Auditing Company

Pursuant to Art. 149-duodecies of Consob Issuers' Regulation, hereby a full overview of remuneration of the Auditing Company for 2012 is provided. Payment includes both the auditing service and additional services as well.

Type of services	Entity providing the service	Recipient	Fees (Thousands of Euro)
Audit	Reconta Ernst & Young SpA	Ascopiave S.p.A. Controlled companies	178 203
Attestation services	Reconta Ernst & Young SpA	Ascopiave S.p.A. Controlled companies	3 10
Audit and other services	Reconta Ernst & Young SpA	Ascopiave S.p.A. Controlled companies	13 43
Other services	Ernst & Young Financial Business Advisors S.p.A.	Ascopiave S.p.A.	13
Total			463

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 IAS 8 'Business Segment Reporting, Operative segments', the company has identified as segments subjects of the reporting the activities of gas sales and distribution.

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

The following tables show the information on revenues, financial results and balance sheet items concerning the business segments of the Group for the years 2012 and FY 2011.

Financial year 2012 (Thousands of Euro)	Distribution	Sale	Trading	Electricity sale	Other	31.12.2012 values from new companies acquisitions	Cancellations and adjustments	Total
Net revenues of third-party customers	39,533	709,656	175,521	148,289	5,039			1,078,038
Intra-group revenues among the segments	63,630	1,306	0	7,563	336		(72,835)	0
Segment revenues	103,163	710,961	175,521	155,852	5,375	0	(72,835)	1,078,038
Operating result before amortization	36,137	62,299	(3,914)	960	(338)	0		95,144
Amortization	18,349	3,442	1	68	256	0		22,116
Operating result	17,788	58,857	(3,915)	892	(594)	0		73,027
Result before taxes	4,745	54,878	(3,925)	604	(1,197)	0		55,104
Assets	606,481	369,378	18,001	28,049	1,126	0	(87,075)	935,959
Liabilities	(351,274)	(275,715)	0	(7,118)	(109)	0	87,075	(547,141)

Financial year 2011 (Thousands of Euro)	Distribution	Sale	Trading	Electricity sale	Other	31.12.2012 values from new companies acquisitions	Cancellations and adjustments	Total
Net revenues of third-party customers	26,358	566,049	322,634	97,734	3,785		82,681	1,099,241
Intra-group revenues among the segments	63,208	1,349	0	3,819	0		(68,376)	0
Segment revenues	89,566	567,398	322,634	101,554	3,785	82,681	(68,376)	1,099,241
Operating result before amortization	36,549	39,272	490	1,475	658	7,353		85,798
Amortization	14,026	2,976	1	151	177	1,750		19,081
Operating result	22,524	36,296	488	1,324	481	5,604		66,717
Result before taxes	(2,918)	36,918	497	1,179	1,156	5,563		42,395
Assets	201,140	427,446	43,715	58,904	33,935	115,630	107,726	988,496
Liabilities	(127,292)	(263,405)	(19,590)	(25,060)	(27,042)	(55,813)	(107,726)	(625,929)

Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The basic earnings per share is calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares.

For the purposes of calculating the profit per base share, the numbering used the financial result of 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.

The result and the number of ordinary shares used to calculate base earning per share, identified according to the method forecast by IAS 33 are reported below:

Description	31.12.2012	31.12.2011
Average weighted number of share in circulation	234,411,575	234,411,575
Group's result for the period	27,865	6,266
Net result per share	0,12	0,03

Dividends

On 26th April 2012 the Shareholders' Meeting approved the yearly statement and acknowledging the consolidated statement of the Group as of 31st December 2011 it decided not to proceed with distribution of dividends, setting aside a provision as extraordinary reserve instead.

Transactions with related parties

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

Company	31.12.2012				FY 2012						
	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.	13	0	368	0	0	368	0	0	33	0	
Parent company	13	0	368	0	0	368	0	0	33	0	
<i>Affiliated companies</i>											
Sinergie Italiane S.r.l. under liquidation	373	24,086	10,831	0	355,155	0	423	3,644	138	221	
Affiliated companies	373	24,086	10,831	0	355,155	0	423	3,644	138	221	
<i>Subsidiary companies</i>											
ASCO TLC S.P.A.	106	0	164	0	0	869	0	1	171	305	
MIRANT ITALIA S.R.L.	13	0	264	0	69	923	34	0	0	0	
Subsidiary companies	120	0	429	0	69	1,791	34	1	171	305	
Totale	506	24,086	11,627	0	355,224	2,159	457	3,645	342	526	

Moreover, in 2012, Ascopiave S.p.A. and Ascotrade S.p.A., Asm DG S.r.l., Edigas Due S.r.l., Edigas Distribuzione

S.r.l., Pasubio Servizi S.r.l. and Bluemeta 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".

In order to effectively manage the liquidity of the Group, the afore-stated companies have current account relations of correspondence with the parent company Ascopiave S.p.A..

Cost for services to the subsidiary Asco TLC S.p.A. refers to a rental fee for the server. 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 relate to the purchase of natural gas in 2011, carried out mainly by Ascotrade S.p.A., PasubioServizi S.r.l., Veritas Energia S.r.l., Etra Energia S.r.l., Amgas Blu S.r.l., Blumeta S.r.l. and Edigas Due S.r.l., while costs and revenues for services relate to service contracts between the parties and re-invoicing of consultancy.

It is also noted that the Patronages on credit lines and on gas purchase contracts issued in favour of controlled company in liquidation Sinergie Italiane S.r.l amount to Euro 85,367 thousand as of 31st December 2012.

The costs for services for the subsidiary Seven Centre S.r.l 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 Legislative Decree no. 58 of 24th February 1998, no operations have been carried out that could potentially represent a conflict of interest with companies of the Group, by members of the Board of Directors.

Significant events after the end of the period considered

Management agreement on gas distribution signed with Municipality of Trezze sul Brenta

With Resolution N. 603 dated 03.08.2012 the Municipality of Trezze sul Brenta has permanently assigned the bid for the management of the gas distribution service to Ascopiave.

Said assignment has been contested by Enel Rete Gas (second place), with an appeal at the Administrative Court of Region Veneto (RG 1468/2012).

Pending resolution of appeal, the Municipality and Ascopiave decided to suspend the signature of the new service agreement, out of prudence and uncertainty of results.

Subsequently, with Resolution n. 1463/2012 the Administrative Court of Region Veneto rejected Enel Rete Gas appeal. The term for a possible counter-appeal has expired as of 03.03.2013.

Consequently, without the risk of annulment of the municipal council decision, on 01.03.2013 the new service agreement regulating the following 12 years of management has been signed.

In consideration of the pending terms for counter-appeal presentation, a further agreement has been signed, stating suspension of terms of implementation of the industrial plan for enlarging, developing and strengthening of plants up to

the expiry of said deadline or up to final decision by the Council of State.

Tezze sul Brenta is a 12,600 people Municipality. Gas distribution network in Tezze sul Brenta extends on over 70 km and reaches 4,500 users. The agreement between the Municipality and Ascopiave envisages an operating office within 40 km, opening of a front office for users within the territory and a web front office.

Letter of intents with Eni on development of a partnership in commercialization activities of gas and electric power signed

On 12th March 2013, Ascopiave S.p.A. and Eni S.p.A. signed a Letter of Intents where the principles of a partnership aimed at the joint development of commercialization activities of gas and electric power are set. This joint effort shall relate to the residential and SME market, in the area of North East Italy (Veneto, Friuli-Venezia Giulia and Trentino Alto-Adige regions), with possible extension to other territories as well.

Through shared know-how this partnership will enable improved quality of commercial offer and service to customers, in order to attain the highest quality standards of competitiveness and managing efficiency.

The Letter of Intent defines the course that the Parties will undertake jointly in order to perfect the operation and the scope of the effort: among the others, it includes the creation of one or more special purpose vehicle(s) with joint shareholding, in which the shares held in sale companies of North East Italy may be pooled together, along with other commercial assets.

The details on the operation, pending authorization by the Antitrust Authority, are expected for the second half of 2013.

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, 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 acquiring new customers, both through extraordinary company mergers and acquisitions.

Synthesis of the financial year 2012 of the companies proportionally consolidated

(Amounts referred to participation pro-quotas) (Millions of Euro)	Estenergy S.p.A.	A.S.M. Set S.r.l.	Veritas Energia S.r.l.	Unigas Distribuzione Gas S.r.l.
Share membership	49.00%	49.00%	51.00%	48.86%
Revenues	4,2	21,48	59,03	6,35
Costs	183,39	19,33	58,36	3,75
Gross operating margin	0,01	2,14	0,47	1,89
% on net revenues	0.25%	9.97%	0.80%	29.80%
Amortizations and depreciations	0,22	0,01	0,20	0,90
Operating result	-0,05	2,13	0,28	0,99
Net result	-0,05	1,24	(0,28)	0,48

(Amounts referred to participation pro-quotas) (Millions of Euro)	Estenergy S.p.A.	A.S.M. Set S.r.l.	Veritas Energia S.r.l.	Unigas Distribuzione Gas S.r.l.
Share membership	49.00%	49.00%	51.00%	48.86%
Non-current assets	2,10	0,45	2,49	18,60
Current assets	76,88	7,98	30,23	8,04
Non-current liabilities	2,52	0,36	1,30	3,29
Current liabilities	67,58	6,46	30,54	4,50

Synthesis of the financial year 2012 of the companies consolidated with the net equity method

(Values referred to pro-rata participation) (Millions of Euro)	31/12/2012
Non-current assets	6,53
Current assets	20,74
Non-current liabilities	0,48
Current liabilities	34,61
Revenues	37,59
Costs	37,60
Gross operating margin	(0,01)
Amortizations and depreciations	(0,08)
Operating result	(0,08)
Net result	(0,14)
NFP	(1,04)

This statement has been cleared for publishing by the Board of Directors of Ascopiave S.p.A. during the 14th March 2013 Meeting. Said publication shall be carried out pursuant to Law regulations. The Board has authorized the Chairman to modify this statement to perfect the form of this document within the time frame between 14th March 2013 and the Shareholders' Meeting in which this statement will be approved.

Pieve di Soligo, 14th March 2013

Chairman of the Board of Directors
Fulvio Zugno



Annual Financial Report
as of 31st December 2012

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Premise

Pursuant to the provisions set forth in Legislative Decree no. 32 dated 2nd February 2007, with which EU Directive 2003/51/EC was implemented, the Company avails itself of the possibility to draw up and prepare a single document for both the Report on Operations of the Parent Company Ascopiave S.p.A. and the Report on Consolidated Operations, to be included in the Consolidated Financial Statements.

Therefore, the Report on Consolidated Operations also contains all information relating to the balance sheet of Ascopiave S.p.A., as required by article 2428 of the Italian Civil Code.

ASCOPIAVE S.p.A.

Statement of financial position as of 31st December 2012 and as of 31st December 2011

(Euro)		31.12.2012	31.12.2011
Assets			
Non-current assets			
Goodwill	(1)	20,433,126	20,433,126
Other intangible assets	(2)	259,204,821	263,704,772
Tangible assets	(3)	37,587,510	33,030,510
Shareholdings	(4)	181,160,375	172,720,031
Other non-current assets	(5)	7,280,058	7,254,873
Deferred tax assets	(6)	9,886,576	8,494,028
Non-current assets		515,552,465	505,637,340
Current assets			
Inventories	(7)	2,438,525	2,731,183
Trade receivables	(8)	21,516,769	20,819,777
Other current assets	(9)	19,214,416	11,633,205
Current financial assets	(10)	44,244,128	76,798,767
Tax receivables	(11)	730,798	26,359
Cash and cash equivalents	(12)	9,344,238	2,252,388
Current assets		97,488,875	114,261,680
Assets		613,041,340	619,899,020
NET EQUITY AND LIABILITIES			
Total net equity			
Share capital		234,411,575	234,411,575
Reserves		125,114,800	101,629,378
Total net equity	(13)	359,526,375	336,040,953
Non-current liabilities			
Provisions for risks and charges	(14)	6,608	24,498,030
Severance indemnity	(15)	1,108,226	1,261,790
Medium- and long-term bank loans	(16)	27,018,447	33,243,429
Other non-current liabilities	(17)	324,223	6,000
Non-current financial liabilities	(18)	613,052	
Deferred tax payables	(19)	18,546,022	18,674,496
Non-current liabilities		47,616,579	77,683,744
Current liabilities			
Payables due to banks and financing institutions	(20)	164,322,539	170,025,101
Trade payables	(21)	18,049,544	15,659,603
Tax payables	(22)	69,095	2,034,943
Other current liabilities	(23)	11,344,207	9,137,677
Current financial liabilities	(24)	12,113,001	9,317,000
Current liabilities		205,898,387	206,174,323
Liabilities		253,514,966	283,858,067
Net equity and liabilities		613,041,340	619,899,020

Income statement for the 2012 and for the year 2011

(Euro)		Financial year 2012	Financial year 2011
Revenues	(25)	78,406,285	75,035,313
Total operating costs		51,420,751	44,660,831
Purchase costs for other raw materials	(26)	2,513,506	1,533,369
Costs for services	(27)	25,291,085	20,733,538
Costs for personnel	(28)	13,880,556	13,020,041
Other management costs	(29)	9,800,688	9,969,322
Other income	(30)	65,084	595,440
Amortization and depreciation	(31)	15,850,001	13,114,048
Operating result		11,135,533	17,260,434
Financial income	(32)	27,496,939	27,193,471
Financial charges	(32)	4,104,201	3,172,729
Depreciation of associated companies		2,963,817	25,388,471
Earnings before tax		31,564,454	15,892,704
Taxes for the financial year	(33)	4,025,961	9,719,077
Net result for the financial year		27,538,493	6,173,627

Statement of changes in shareholders' equity as of 31st December 2012 and as of 31st December 2011

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Net result of the financial year	Total net equity
Balance as of 1st January 2011	234,411,575	46,882,315	(13,072,466)	65,685,748	21,164,848	355,072,020
Allocation of 2010 result				21,164,848	(21,164,848)	-
Dividends paid to shareholders				(22,556,726)		(22,556,726)
Purchase/sale of own shares			(2,647,968)			(2,647,968)
Net result of the financial year					6,173,627	6,173,627
Balance as of 31 december 2011	234,411,575	46,882,315	(15,720,434)	64,293,870	6,173,627	336,040,953

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Net result of the financial year	Total net equity
Balance as of 1st January 2012	234,411,575	46,882,315	(15,720,434)	64,293,870	6,173,627	336,040,953
Allocation of 2011 result				6,173,627	(6,173,627)	(0)
Dividends paid to shareholders						(0)
Incorporation of Global Energy S.r.l.				(2,664,858)		(2,664,858)
Purchase/sale of own shares			(1,388,213)			(1,388,213)
Net result of the financial year					27,538,493	27,538,493
Balance as of 31 december 2012	234,411,575	46,882,315	(17,108,647)	67,802,639	27,538,493	359,526,375

Statement of Cash Flows for the year 2012 and 2011

(Euro)	FY 2012	FY 2011
STATEMENT OF CASH FLOWS		
Net income	27,538,493	6,173,627
Adjustments to reconcile net income to net cash		
Amortization	15,850,001	13,114,048
Bad debt provisions		195,558
Variations in severance indemnity	(153,564)	(55,743)
Depreciation of shareholdings	2,963,817	25,388,472
Current interests	4,104,201	3,172,729
Interests paid	(4,070,353)	(3,161,743)
Current taxes	4,025,961	9,719,077
Taxes paid	(10,081,401)	(5,378,487)
Variations in assets and liabilities:		
Inventories	292,658	206,128
Trade receivables	(1,690,384)	606,600
Other current assets	(6,663,299)	(498,838)
Trade payables	1,867,431	(681,927)
Other current liabilities	(306,829)	(1,112,011)
Other non-current assets	(4,508)	2,856
Other non-current liabilities	45,156	6,000
Total adjustments and variations	6,178,887	41,522,720
Cash flows generated/(used) by operating activities	33,717,380	47,696,347
Cash flows generated/(used) by investments		
Investments in intangible assets	(13,163,379)	(16,292,909)
Realisable value of intangible assets	7,798,975	2,625,721
Investments in tangible assets	(6,496,854)	(5,370,007)
Realisable value of tangible assets	51,664	523
Disposal/(acquisitions) in investments and advance payments	(1,984,710)	(44,694,465)
Cash flows generated/(used) by investments	(13,794,304)	(63,731,136)
Cash flows generated/(used) by financial activities		
Net changes in short-term bank borrowings	(1,632,209)	77,345,750
Net variation in current financial assets/liabilities	23,869,416	(66,089,915)
Purchase of own shares	(1,388,213)	(2,647,968)
Net changes in medium- and short-term loans	(6,224,981)	30,858,005
Dividends distributed to shareholders		(22,556,726)
Coverage of losses of subsidiary companies	(27,455,238)	
Cash flows generated/(used) by financing activities	(12,831,226)	16,909,146
Variations in cash	7,091,850	874,357
Cash and cash equivalents at the beginning of the year	2,252,388	1,378,031
Cash and cash equivalents at the end of the year	(9,344,238)	(2,252,388)

IAS/IFRS ACCOUNTING PRINCIPLES ADOPTED IN DRAWING UP THE BALANCE SHEET AS OF 31ST DECEMBER 2012

Drafting criteria and compliance with IFRS

The Ascopiave S.p.A. balance sheet as of 31st December 2012 was prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) adopted by the European Commission as per art. 6 of the Regulation (EC) no. 1606/2002 of the European Parliament and of the European Council of 19th July 2002, and 9 of Legislative Decree no. 38/2005.

The annual financial report was drawn up based on the principle of historical cost, taking into account the adjustments as appropriate, with the exception of the budget items that under IFRS must be recognised at fair value as described in the evaluation criteria and according to the principle of going-concern.

The accounting principles adopted are consistent with those used as of 31st December 2011.

This balance sheet as of 31st December 2012 has been approved by the Board of Directors on the occasion of the meeting held on 14th March 2013, has been drafted based on the accounting records updated as of al 31st December 2012 and is subject to auditing procedure by the auditing company Reconta Ernst & Young S.p.A..

This balance sheet includes the Statement of Financial position, the Income Statement, the Statement of Changes in Shareholders' Equity and the Statement of cash flows; the figures are expressed in Euro units, as provided for by art. 2423 of the Italian Civil Code. In the Explanatory Notes, the figures are instead expressed in thousands of Euro.

Financial statements representation

The items of the financial position are classified into "current" and "non-current"; those in the income statement are classified by their nature.

Since there are no management-related issues which could imply a representation of the elements of the comprehensive income statement in financial years 2012 and 2011, it was deemed unnecessary to present a comprehensive income statement representation.

The statement of changes in shareholders' equity reconciles the opening and closing balances of each net equity item, reconciling through the profit or the loss of the FY, operations with shareholders and variations in the net equity.

The cash flow statement has been defined according to the indirect method, by adjusting operating income of non-monetary components.

We believe that these schemes adequately represent the economic situation and financial position of the company.

Amendments and new principles and interpretations

The accounting principles adopted are consistent with those used as of 31st December 2011, except the following amendments to IFRS, in force since 1st January 2012:

IFRS 7 – Disclosures – Transfer of financial assets

The amendment requires additional information on transferred assets that are not derecognised in their entirety; the company must provide information that enables the users of the financial statements to understand the relationships

between the assets that are not derecognised and the liabilities associated to them. If the assets are derecognised in their entirety, but the company still holds a residual involvement, information must be provided so that the users of the financial statements can evaluate the nature of the residual involvement of the company in the derecognised assets and the related risks. The actual adoption date of the amendment is for fiscal years commencing 1st July 2011 or later. The company does not hold assets of this type, so there were no impacts on the presentation of these financial statements.

Issued principles, not yet in force

Below are the principles and the interpretations that, at the time of drafting the financial statements, had already been issued but not yet in force.

IAS 1 Presentation of financial statements – Illustration in the financial statements of the items of the other components of comprehensive income statement.

This change involves a modification in the grouping method applicable for other items in the comprehensive income statement. The items that could be reclassified (or "recycled") in future income statements (for example, the net profit on the hedges of net investments, the translation differences of foreign financial statements, net profit on cash flow hedge and net profits/losses from financial assets available for sale) should be presented separated from the items that will never be reclassified (for example, the actuarial profit/loss on defined benefit assets and the revaluation of land and buildings). The change only affects the presentation of the balance sheet and has no impact on the financial position or performance of the Company. This modification is applicable to financial years starting as from 1st July 2012 or later.

IAS 19 (2011) Benefits to employees

IASB issued several changes regarding IAS 19. These amendments involve radical changes such as the cancellation of the corridor mechanism and of the returns expected from the activities of the plan, as well as simple clarifications and terminology. Furthermore, the amendments to the principle will have an impact on the net cost of the benefit, since the expected return on the benefit assets will be calculated using the same interest rate applied to actualize the obligation. These changes are applicable to financial years starting as from 1st January 2013 or later.

IAS 12 - Deferred taxes: Recovery of underlying assets

This amendment clarifies the determination of deferred taxes on property investments measured at fair value. The amendment introduces the rebuttable presumption that the accounting value of a property investment assessed using the fair value method pursuant to IAS 40, will be recovered through its sale and that, consequently, the related deferred taxes should be assessed on a sale basis. The presumption is rebutted if the property investment is amortizable and held with the purpose of substantially using over time all the benefits derived from the property investment itself, instead of acquiring these benefits through sale. The actual adoption date of the amendment is for fiscal years commencing 1st January 2013 or later. It is expected that the amendment will have no impacts on the financial position, the performance or on corporate information.

IAS 28 (2011) Shareholdings in subsidiaries and joint venture (reviewed in 2011)

Following the introduction of the new IFRS 11 Joint Agreements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 was renamed Shareholdings in subsidiaries and in jointly controlled companies, and it describes the application of the net equity method for shareholdings in this type of companies. These changes are applicable to financial years starting as from 1st January 2014 or later.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

The amendments clarify the meaning of “currently has a legally enforceable right to set off”. Moreover, the amendments clarify the application of the set off standard illustrated in IAS 32 in case of settlement systems (such as centralized clearing houses) which apply non real-time gross settlement mechanisms. These amendments should not affect the company's financial position or performance and they shall enter into force for fiscal years commencing 1st January 2014 or later.

IFRS 1 Government Loans – Amendments to IFRS 1

This amendment requires the entities that adopt the IFRS for the first time, to apply prospectively the provisions contained in IAS 20 Accounting for Government Grants and Disclosure of Government Assistance available at the transition date to IFRS. The entity can choose to apply the provisions of IAS 39 and IAS 20 to government grants retrospectively if the information needed to do so was obtained at the moment of initial accounting of that loan. The exemption will give the new user the advantage of not having to evaluate retrospectively the government grants with an interest rate lower than the market rate. The amendment shall enter into force for fiscal years commencing 1st January 2013 or later.

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require the entities to provide information on rights of set-off and related agreements (such as guarantees). The disclosures will provide the reader of the financial statements with useful information in order to evaluate the effect of set-off agreements on the financial position of the entity. New disclosures are required for all the financial instruments, subject to set-off pursuant to IAS 32 Financial instruments: disclosure and presentation. The disclosures are also required for financial instruments subject to enforceable master netting arrangements or similar agreements, irrespective of whether the financial instruments are set off in accordance with IAS 32. These amendments will have no impacts on the performance or financial position of the company and shall enter into force for fiscal years commencing 1st January 2013 or later.

IFRS 13 Fair value assessment -

IFRS 13 establishes a single guideline for all fair value assessments. According to IFRS 13, the cases in which the use of the fair value is required remain unchanged, but it provides a sort of guide on how to assess the fair value under IFRS provisions when the fair value application is required or allowed. The company is currently evaluating the impact that this principle will have on performance and financial position but, based on a preliminary analysis, no significant effect is expected. This principle is applicable to financial years starting as from 1st January 2013 or later.

Use of estimates

The preparation of the financial statements and related explanatory notes in compliance with the IFRS requires that management to provide accounting estimates based on complex and/or subjective assumptions, on past experience and hypotheses that are considered reasonable and realistic and that affect the values of the assets and liabilities reported on the financial statements and the information relating to potential assets and liabilities as of that date, as well as the amount of revenues and costs in the reference financial year.

Estimates are used to report:

- Duration and residual value of the goods in concession: the gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for Ascopiave S.p.A., between 31st December 2010 and 31st December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives a compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by the Management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;
- Permanent reductions in the value of all non-financial assets: at each balance sheet date, the Group assesses whether there are permanent reductions in the value of all non-financial assets.
- In particular, goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting on the basis of a suitable discount rate.
- As of 31st December 2012, the book value of goodwill amounts to Euro 20,433 thousand (2010: Euro 20,433 thousand). Further details can be found under Note 1;
- The valuation of the revenues for the determination of the restriction on total revenues for which it is not determined yet, year after year, on the basis of the number of delivery points the Company actually served during the reference period, as well as on the reference tariff, whose values are established and published by the Authority for Electricity and Gas by 15th December of the year before the one in which the tariff becomes effective. The date of approval of the restriction on total revenues for the financial year 2012 was postponed by the Authority for Electricity and Gas; therefore, the restriction was accounted for by means of a procedure that applied the calculation algorithms included in the regulation to the data provided by the Authority for Electricity and Gas, and by using general parameters also provided for by the Authority.
- Provisions for risks on receivables;
- The effects of litigations concerning the application of distribution and/or sale tariffs and litigations with municipalities
- To recognise the surrender value of the goods that are the object of the concession returned at the moment of its expiration,

- The useful lives of intangible and tangible fixed assets and related amortization;
- Employee benefits and payment plans based on stock options (so-called phantom stock option).

The estimates and assumptions are reviewed periodically, and the variations are immediately reflected in the income statement. In applying the Group accounting principles, the directors have taken decisions based on the stated discretionary evaluations, with a significant effect on the values reported on the statements. However, the uncertainty surrounding these assumptions and estimates may determine results that, in the future, will need to be significantly adjusted at the book value of such assets and/or liabilities.

Accounting principles adopted

The accounting principles adopted by Ascopiave S.p.A. are reported below.

Non-current assets

Goodwill: as of 1st January 2005, goodwill refers to the surplus values paid for the acquisition of distribution companies, as well as to those recognized to the shareholders upon allocation of the distribution network. Goodwill is entered at cost price. As from the transition date of IFRS (1st January 2005), goodwill is no longer depreciated is reduced by any impairment.

Goodwill is subject to an annual recoverability analysis or a more frequent one if events or changes in circumstances occur which can lead to the emergence of possible losses of value.

With the intent of analysing the recoverability, the examination is performed at the level of the smallest aggregate on the basis of which the Management evaluates, directly or indirectly, the return on investment (units which generate flows or groups of units) which includes the goodwill itself. Loss of value is determined by defining the recoverable value of a unit which generates flows (or groups of units) to which the goodwill is allocated. When the value entered in the financial statements of the cash generating unit which includes the goodwill attributed to it exceeds the recoverable value, the difference is subject to depreciation attributed as a matter of priority to the goodwill up to its amount; any depreciation surplus with respect to goodwill is ascribed pro-rata at book value of the assets which constitute the cash generating unit. Therefore, the original value is not restored if the reasons that determined the reduction in value cease to exist.

Other intangible fixed assets: Other intangible fixed assets are entered at cost price, determined with the same method used for tangible fixed assets. For having a defined useful life, intangible assets are booked net of the accumulated relevant amortization operations and net of any losses in value, determined with the same basis indicated below for tangible assets.

The useful life is then re-examined on an annual basis, and any changes, if necessary, made prospectively.

Other intangible assets also include agreements for service under concession between the public and the private sector (so-called service concession arrangements) for the development, funding, management and maintenance of infrastructure under concession in which: (i) the grantor controls or governs the services provided by the operator through the infrastructure and the related price to apply; (ii) the grantor controls — through ownership, beneficial entitlement or otherwise — any significant residual interest in the infrastructure at the end of the term of the arrangement.

Intangible fixed assets with a defined life are verified annually in order to find any losses in their value when events or changes of situation indicate that the book value cannot be realized.

Any profits or losses deriving from the sale of an intangible asset is determined as the difference between the disposal value and the book value of the asset, and are reported on the income statement at the time of the sale.

The goods acquired through financial lease are booked at fair value, net of contributions within the scope of the lessee or, if lower, at the actual value of the minimum payments due for the leasing, including any amount to pay to exercise the purchase option, among the intangible assets in consideration of financial debt towards the lessor.

Tangible fixed assets: tangible assets are booked at their historic cost, including accessory costs directly ascribable to the putting into operation of the asset for the use for which it was acquired.

Lands - both free of constructions and annexed to civil and industrial buildings - were generally accounted for separately and are not depreciated since they are elements with an unlimited useful life.

Maintenance and repair costs that are not subject to valuing and/or extending the residual useful life of assets are spent in the year in which they are borne. Otherwise, they are capitalised.

Tangible assets are presented net of the relevant accumulated depreciation and any losses of value determined according to the basis described below. Amortisation is calculated in uniform instalments on the basis of the estimated useful life of the asset for the company, which is re-examined annually, and any changes, if necessary, are made prospectively.

The main economical-technical rates used are as follows

Category	Depreciation rate
Buildings	2%
Equipment	8.5% - 8.3%
Furniture	8.8%
Electronic equipment	16.2%
Basic hardware and software	20%
Vehicles, motor vehicles and similar	20%

The book value of tangible fixed assets is subject to verification in order to report any loss of value, should events or changes of situation suggest that the book value may not be recovered. Should there be an indication of this type and in the event that the book value should exceed the presumed realisation value, the assets are depreciated until they reach their realisable value. The realisation value of the tangible fixed assets is represented by the greater of the net sales price and the value of use.

Losses of value are reported on the income statement with the costs for amortizations and write downs. Such losses of value are restored should the reasons for their cause cease to exist.

When the asset is sold or if there are no future economic benefits expected from the use of the asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the book value) is entered in the income statement of the year of the above mentioned elimination.

The amortizations of said assets are calculated based on the economic useful life, like for the other tangible assets.

Shareholdings: shareholdings in subsidiaries, jointly controlled and associated companies are entered at the cost adjusted for any impairment. The value entered in the financial statements is determined on the basis of the purchase or subscription price.

Shareholdings in subsidiaries, jointly controlled and associated companies are reviewed annually or, if necessary, more frequently, for impairment detection. The analysis of recoverability of the value entered in the financial statements is performed by comparing this value with the recoverable value, which is the higher between the fair value, net of disposal charges, and the use value. If there is no binding sale agreement, the fair value is estimated on the basis of the values expressed by an active market, by recent transactions or on the basis of the best information available to represent the amount that the company could obtain by selling the asset. The use value is determined by actualizing the asset's expected cash flows and, if considerable and reasonably determinable, by its transfer net of disposal charges. Cash flows are determined on the basis of reasonable assumptions which can be documented and which represent the best estimate of future economic conditions. The actualization is performed at a rate which reflects current market evaluations of the time value of money and of the specific risks of the asset not reflected in cash flow estimates.

If there is evidence that these shareholdings have suffered an impairment loss, this is recognized in the income statement as depreciation. If the share of the controlled company exceeds the book value of the shareholding and the company has the obligation or the intention to cover such losses, the value of the shareholding is reduced to zero and the losses are recognized as a provision in the liabilities. If, subsequently, the loss is reduced or cancelled, the value is restated in the income statement, within the limits of the cost.

Current assets

Inventories: inventories are booked at whichever of the following is lower: purchase cost, determined in accordance with the weighted average cost basis, or the estimated realizable net value. The net realisation value is determined on the basis of the estimated sales price in normal market conditions, net of direct sales costs.

Obsolete and/or slow to realise inventories are written down in relation to their presumed possibility of use or future realisation. The write down is eliminated in the following years, should the reasons for its cause cease to exist.

Trade receivables and other current assets: trade receivables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value) net of the relevant value losses. These are suited to their presumed realisation value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Company will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement.

Cash and cash equivalents: they include the ready cash values, i.e. values with the following requirements: availability at sight or in a very short term. They are booked at nominal value.

Non-current liabilities

Benefits for employees: benefits guaranteed to employees, paid when or after employment ceases, by means of programs with defined benefits (Employees' leaving indemnities) or with other long-term benefits (retirement indemnity) are recognized in the period when the right accrues.

The liabilities relating to defined benefits programmes, net of eventual assets of the service plan, are determined on the basis of actuarial assumptions and accrual-based, consistently with the work that is necessary to perform in order to obtain the benefits; the evaluation of the liabilities is carried out by independent parties, using the projected unit credit method. Any profits or losses deriving from the actuarial calculation are reported on the income statement as a cost or income, regardless of the value of such, without using the so-called 'corridor method'.

The amount reflects not only the debts accrued at the financial statements closing date, but also future salary rises and the related statistical dynamics.

Reserves for risks and charges: The reserves for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the reference period are undetermined in terms of amount or due date.

Provisions are reported when: (i) there is a current obligation (legal or implicit) that derives from a past event; (ii) an outlay of resources is likely in order to meet the obligation; (iii) a reasonable estimate can be made as to the amount of the obligation.

On the other hand, if it is not possible to make an estimate of the obligation, or if it is deemed that the outlay of financial resources is only possible but not likely, the related potential liabilities are not entered in the financial statements, but it is detailed and described in the explanatory notes.

Provisions are reported at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties upon period end. If the effect of discounting of the value of money is significant, the allocations are determined by discounting back the expected future financial flows at a pre-tax rate which reflects the market's current valuation of the value of money in relation to time. When discounting is carried out, the increase in the allocation due to the passing of time is reported as a financial charge.

Medium/Long term loans: loans are initially booked at fair value, net of any transaction costs and, subsequently, are valued at amortization cost, calculated by applying the actual interest rate.

When a condition of a long-term financing contract is violated, on or before the date of the financial statements, causing the liability to become payable on demand, the liability is classified as current, even if the lender has agreed - after the reference date of the financial statements and before the authorization for its publishing - not to require the payment as a result of the breach. The liability is classified as current because, as of the date of the financial statements, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

Current liabilities

Trade payables and other payables: trade payables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value).

Other payables are reported at cost (par value).

Current financial assets and liabilities: Financial assets and liabilities are recognized at par value.

Share-based payments: Group employees (and in particular certain Directors) receive part of their salaries in the form of options that can only be sold for cash. The cost of cash operations is evaluated initially at the fair value as of the date of allocation, using an evaluation formula better explained in note 21. This fair value is spent in the period until maturation with reporting of a corresponding payable. The liability is calculated upon each closure of the period, until the date of regulation, with all changes made to the fair value reported on the income statement.

Own shares: Re-acquired own shares are taken as a decrease of the assets. The original cost of own shares, revenues from sales and any other subsequent variation are recognized under the net equity

Revenues and costs

Revenues: revenues and costs are booked on an accrual basis.

The revenues from sales and service performance are recognized to the extent to which it is possible to determine their fair value and it is likely that the connected economic benefits will be enjoyed upon transfer of the risks and advantages typical of the property or upon performance of the service. Depending on the type of operation, revenues are entered on the basis of the following specific criteria:

- the revenues from natural gas transportation are recognized at the time when the supply or the service are provided - although not yet invoiced - and are determined according to the restriction on total revenues as provided for by the regulations issued by the Authority for Electricity and Gas;
- the contributions received by users for connection services or for parcelling works, if not in relation to costs incurred into for network extension, are reported in the Income statement;
- the revenues for service performance are recognized with reference to the level of completion of the activity, based on the same criteria applied to works performed upon order. In case it is impossible to determine their value, the revenues will not be booked until the amounts of the costs incurred into are deemed recovered.
- the revenues are entered net of all discounts, rebates and premiums, as well as the fees directly connected with the sale of the commodities and service performance;

Public contributions: public contributions are reported when there is a reasonable certainty that they will be received and all relevant conditions are met. When public contributions are linked to costs components, they are reported as income, but are systematically divided up over the periods, so as to be measured to the costs they are intended to offset. In case the contribution is related to an asset, the asset and the contribution are recorded at their nominal value and their recording into the income statement is accounted for progressively along the useful life of the reference asset, with constant shares.

Dividends received

The dividends received by the controlled companies are recognized under the income statement at the time when their payment is due.

Financial income and expenses: income and costs are booked by competence according to the interests accrued on the net value of the relevant financial assets and liabilities, using the actual interest rate.

Income taxes: current taxes are calculated based on an estimate of the income before tax and are entered at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxation relating to elements reported directly under assets is reported directly as assets and not on the income statement.

As concerns taxes on companies' income (IRES) Ascopiave S.p.A. decided to join in 2010 for a three-year period the national tax consolidation regime, pursuant to articles 117/129 of the T.U.I.R. (Income Tax Consolidated Act). This option allows the determination of IRES on a taxable base made up of the sum of the negative and positive taxable amounts of companies joining the national tax consolidation regime. AscoHolding S.p.A., in its capacity as consolidating company, determines only one taxable base for the group of companies joining the national tax consolidation regime.

Each member company, including Ascopiave S.p.A., transfers its income tax (taxable income or tax loss) to the consolidating company; in particular, Ascopiave S.p.A. transfers a taxable income to the consolidating company, recognizing therefore in the income statement the item "tax consolidation charges" for an amount equal to the current IRES rate for the financial year, that will be paid by the parent company AscoHolding S.p.A..

Deferred taxes are calculated using the so-called *liability method* on the temporary differences resulting from the date of the statements between the tax values taken as reference for the assets and liabilities and the values reported on the statements. Deferred tax liabilities are reported against all taxable temporary differences, except for:

- when deferred payable taxes derive from the initial reporting of goodwill or an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- with reference to temporary taxable differences associated with holdings in subsidiaries, associated companies and joint ventures, should the reversal of the temporary differences be able to be controlled, and it is probable that this does not take place in a foreseeable future;

Advance taxes are reported against all deductible temporary differences and for tax assets and liabilities brought forward, in the amount in which the existence of suitable future tax income is probable that can make the use of the deductible temporary differences and tax assets and liabilities brought forward applicable, except when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes.

Merger operation of the subsidiary Global Energy S.r.l. into Ascopiave S.p.A.

The controlled company Global Energy S.r.l. was merged by acquisition into the parent company Ascopiave S.p.A., by deed dated 1st October 2012, prepared by Notary Maurizio Bianconi. The extraordinary operation had statutory, accounting and fiscal effect as of 1st January 2012

It is to be pointed out that the financial statements as of 31st December 2011 of the subsidiary company Global Energy S.r.l. were drafted according to Italian accounting principles. The Directors, following the merger operation which determined the recording of the subsidiary's assets and liabilities in the financial statements of the surviving entity as of 1st January 2012, have also assessed the impacts derived from the translation of the above-mentioned items according to international accounting principles; in particular, the main effect was caused by the entry into accounts of leasing operations according to the financial method pursuant to IFRS 17.

The merger operation described above determined a merger deficit equal to Euro 3,158 thousand derived from the cancellation of the shareholding value, totalling 4,887 thousand, against the subsidiary's IFRS net equity as of 1st January 2012 equal to Euro 1,728 thousand.

This “deficit”, according to the principle of continuity of values, applied in the presence of operations between companies under common control, was entered under the item “goodwill” for Euro 513 thousand in continuity with the value previously entered in the Consolidated Financial Statements. The exceeding value, equal to Euro 2,665 thousand, was entered as a decrease of the reserves recorded in the company's net equity. It is to be noted that the goodwill derived from the merger operation was subsequently depreciated.

INFORMATION ON MANAGEMENT AND COORDINATION ACTIVITIES

Ascopiave S.p.A. is not subject to management and coordination activities on the part of AscoHolding S.p.A. since it operates in conditions of corporate and entrepreneurial autonomy with respect to its parent company. Ascopiave S.p.A. avails itself of some services offered by AscoHolding S.p.A. and other subsidiary companies, under market conditions, for organization and economic reasons.

EXPLANATORY NOTES AND COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

Non-current assets

1. Goodwill

Goodwill, equal to Euro 20,433 thousand at the end of the reference period, refers in part to the surplus value created by the contribution of the gas distribution networks by the local authorities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some branches of the company related to the distribution of natural gas.

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

In order to determine the recoverable value, goodwill was allocated to the natural gas distribution CGU, carried out in 153 municipalities. The depreciation audit on goodwill has been carried out by checking the depreciation in the activities of natural gas distribution, comparing the recoverable value of the relevant assets with their accounting value, including the goodwill allocated to them. As no reliable criteria exist to evaluate the sales value between the aware and available parties in the activities of gas distribution, other than the criteria put forward in literature to evaluate the branches of a company, the recoverable value of the audited activity is defined by its use value. The value recoverable from the financial flow-generating unit in the distribution of natural gas has been estimated using the Discounted Cash Flow method, discounting back the operating financial flows generated by the activity itself at a discount rate representative of the cost of capital.

The financial flows used to calculate the recoverable value are those of the Multi-annual Plan for the gas distribution CGU, which implements the forecasts formulated by the management in the Economic and Financial Plan for the period 2013-2015, approved with resolution of the Board of Directors on 26th February 2013.

The current legislation establishes that the natural gas distribution service is provided by means of tender procedures in the territorial areas within pre-established time limits.

The tenders for the award of the service in the territorial areas where the Company currently holds the municipal concessions – if the deadlines illustrated in the so-called Criteria Decree (Ministry for Economic Development Decree 226/2011) are respected – will mainly take place during the three-year period 2015-2017. As concerns in particular the tenders which will be launched before 31st December 2015, the duration of the tender procedure may reasonably be regarded as sufficiently extended and suitable to entail the award and the delivery of the plants to the successful tenderer after that date. The Economic and Financial Plan - and consequently also the assessment methods adopted to determine the use value of the distribution CGU - is based on the reasonable assumption that the Company, during the three-year period 2013-2015, will maintain the management of the current portfolio of concessions.

With reference to the activity of gas distribution, it was hypothesised that in the three-year period 2013-2015 the management would generate financial flows in line with those envisaged in the Economic and Financial Plan 2013-2015 while, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the gas distribution CGU by hypothesising two alternative scenarios, i.e. (i) the Company ends the activity of gas distribution in 2015, realising the return value of the plants as per Art. 15 of Legislative Decree no. 164/2000, and (ii) the Company obtains in 2015 the renewal of all the concessions and credits in effect on 31st December 2012.

With reference to this second scenario, the terminal has been estimated as an estimate of a perpetuity as from the last year specified in the financial forecasts, and considering the economic terms and conditions of the renewals. The growth factor used for the purpose of calculating final value, estimated at 2.0% (2011:2.0%), takes into account inflation, growth of the client base and increased efficiency.

The cost of capital (WACC) of the gas distribution CGU was calculated assuming:

- the coefficient b (beta levered) equal to that assumed in the definition of income rate on invested capital established for tariff purposes by the AEEG with Deliberation no. 159/08;
- the level of financial leverage (ratio between financial debt and own means) is in line with the financial structure of reference presumed by the AEEG to the end of tariff regulation;
- the market risk equal to 5%;
- the Risk-Free Rate adopted - equal to net yields on 10-year government bonds recorded as peak value as of 31st December 2012.

On the basis of these elements, the average weighted cost of the post-tax capital will be equal to 6.32% in 2013 and 6.39% in the two-year period 2014-2015 (2011: 6.7%). These rates have been used for updating cash flows in the period provided for by the Plan 2013-2015.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 7.06% and was calculated on the basis of the above parameters and providing for an "additional risk premium" for the calculation of the cost of equity (Ke) of 1.0%, to take into account the uncertainty on the possible renewal of the concessions and their conditions of renewal.

On the basis of these elements, for both scenario (i) and (ii), the recoverable value of the gas distribution CGU is higher than the accounting values and therefore the conditions are not met to proceed to devaluing the goodwill for depreciation.

2. Other intangible fixed assets

The changes in the historical cost and accumulated amortization of intangible assets at the end of the periods considered are shown in the following table

	31.12.2012			31.12.2011		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
(Thousands of Euro)						
Industrial patent and intellectual property rights	3,991	(3,190)	802	3,969	(2,904)	1,065
Concessions, licences, trademarks and similar rights	5,637	(1,883)	3,754	5,637	(1,494)	4,142
Other intangible assets	1,522	(601)	922	284	(280)	4
Intangible assets under IFRIC 12 concessions	422,000	(174,595)	247,406	423,042	(168,263)	254,779
Intangible assets in progress under IFRIC 12 concessions	6,323	0	6,323	3,714	0	3,714
Intangible assets in progress and advance payments	0	0	0	0	0	0
Other intangible assets	439,473	(180,268)	259,205	436,646	(172,941)	263,705

The changes in the inventory allowance for other intangible assets in the financial year considered are shown in the following table:

	31.12.2011				31.12.2012	
	Net value	Increase	Decrease	Amortizations during the period	Depreciation	Net value
(Thousands of Euro)						
Industrial patent and intellectual property rights	1,065	30	11	294	11	802
Concessions, licences, trademarks and similar rights	4,142	0		389		3,754
Other intangible assets	4	973		55		922
Intangible assets under IFRIC 12 concessions	254,779	10,657	11,700	10,821	4,489	247,406
Intangible assets in progress under IFRIC 12 concession	3,714	2,684	76	0		6,323
Intangible assets in progress and advance payments	0	0		0		0
Other intangible assets	263,705	14,345	11,786	11,559	4,500	259,205

In 2012, investments were equal to Euro 14,345 thousand, and they mainly refer to costs incurred into for the realization of the infrastructures for natural gas distribution.

Industrial patents and intellectual property rights

During the financial year, the item "Industrial patents and intellectual property rights" produced investments for Euro 30 thousand comprehensive of the reclassifications for intangible assets in progress. The investment mainly refers to the costs incurred into for the implementation of the personnel management software.

It is to be pointed out that the FY variation is explained for Euro 3 thousand by the entry of fixed assets recorded after the merger by acquisition of the subsidiary company Global Energy S.r.l. into Ascopiave S.p.A..

Concessions, licences, trademarks and similar rights

They represent the costs for the acquisition of licences and servitude rights connected to the gas distribution network. During the financial year, the item did not record investments and the variation is explained by the amortization amounts of the period, equal to Euro 294 thousand.

Other intangible fixed assets

The item "Other intangible fixed assets" increased from Euro 4 thousand in the previous year, to Euro 922 in the year considered, recording an increase equal to Euro 918 thousand. Following the merger by acquisition of the subsidiary company Global Energy S.r.l. the item marked an increase equal to Euro 637 thousand due to the entry of the cogeneration plant in leasing called "Le Cime", which will be transferred to the condominium that benefits from the service at the end of the leasing contract itself.

Furthermore, it is to be pointed out that the investments of the period also include the purchase of energy efficiency certificates for Euro 282 thousand necessary to achieve the target set by the Authority itself with regard to energy saving for financial year 2012 and published by resolution 13/11 EEN dated 22nd December 2011.

Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of measurement and reduction groups. At the end of the year considered, they show a net book value of Euro 247,406 thousand. The investments for the construction of infrastructure suitable for the distribution of natural gas, including the reclassification of intangible assets in progress, amount to Euro 10,657 thousand, and mainly relate to the construction of the distribution network for natural gas for Euro 3,214 thousand, to the creation of connections for Euro 3,962 thousand, and to works on first stage gas pressure reduction stations and groups for Euro 1,909 thousand. It should be noted that the activity of implementing the network of natural gas has involved the installation of 42,603 meters of pipelines.

Following the change of the economic subject in charge of managing natural gas distribution in the municipality of Villaverla, in the province of Vicenza, the Company transferred the distribution network to the granting Local Body. The operation entailed the disposal of fix assets for a net accounting value equal to Euro 1,771 thousand, whose value was recognized by the successful operator in the month of February of the fiscal year considered.

At the end of the financial period, the agreement for the transfer from Ascopiave S.p.A. to Gelsia Reti S.r.l. of the corporate branch for the distribution of natural gas in the municipalities of Arosio, Carugo and Lentate sul Seveso

(Lombardy) was perfected. The transfer envisages a consideration to be paid by Gelsia S.r.l. to the Company, equal to Euro 3,714 thousand, which was collected in December of the reference financial year.

Intangible assets in progress and advance payments

During the year, the item "Intangible assets in progress and advance payments" has enhanced investment for Euro 2,684 thousand, which are mainly related to network extension works and construction of distribution plants, partly realised on a time-and-material basis.

3. Tangible assets

The changes in the historical cost and accumulated amortization of tangible assets at the end of the periods considered are shown in the following table:

	31.12.2012			31.12.2011		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
(Thousands of Euro)						
Lands and buildings	32,841	(5,400)	27,440	32,434	(4,411)	28,023
Plant and machinery	2,868	(1,057)	1,811	1,041	(653)	388
Industrial and commercial equipment	2,594	(1,769)	824	2,442	(1,575)	867
Other tangible assets	11,516	(8,449)	3,067	10,846	(7,885)	2,961
Tangible assets in progress and advance payments	6,382	0	4,444	3,774	0	791
Other tangible assets	56,200	(16,675)	37,588	50,537	(14,524)	33,031

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

	31.12.2011				31.12.2012	
	Net value	Increase	Decrease	Amortizations during the period	Depreciation	Net value
(Thousands of Euro)						
Lands and buildings	28,023	411	12	987	5	27,440
Plant and machinery	388	1,585		161		1,811
Industrial and commercial equipment	867	175	26	212	21	824
Other tangible assets	2,961	974	383	828	343	3,067
Tangible assets in progress and advance payme	791	3,653		0		4,444
Other tangible assets	33,031	6,797	421	2,189	369	37,588

Land and buildings

This item is mainly made up of the buildings owned in relation to the company's headquarters, peripheral offices and warehouses, as well as the building works related to the transformer rooms. During the financial year considered, no significant investments were made and the variation is mainly explained by the amortization amounts of the period.

It is to be noted that the variation of the fiscal year is explained for Euro 155 thousand by the entry of fixed assets recorded following the merger by acquisition of the subsidiary company Global Energy S.r.l. into Ascopiave S.p.A..

Plants and machinery

The item "Plants and machinery" increases from Euro 388 thousand in the previous year, to Euro 1,811 thousand in the reference year. The increase is explained, for Euro 1,082 thousand, by the entry of fixed assets of the subsidiary company Global Energy S.r.l. following its merger by acquisition, and composed of the cogeneration plants built by the Company in the area of Venice aimed at producing and supplying electric and thermal energy and hot water to condominiums.

Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 175 thousand. It refers to the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during 2012 increased the voice “Other assets” for Euro 974 thousand, and they mainly relate to the costs incurred into for the purchase of furniture (Euro 686 thousand), hardware (Euro 150 thousand).

Tangible assets in progress and advance payments

Fixed assets in progress and advance payments increase from Euro 791 thousand of the previous year, to Euro 4,444 thousand of the reference year, marking an increase of Euro 3,653 thousand. The investments are basically related to the construction of corporate offices and cogeneration plants partly performed on a time-and-material basis and included following the merger by acquisition of the subsidiary company Global Energy S.r.l., totalling Euro 1,702 thousand.

4. *Shareholdings*

The list of the shareholdings held by Ascopiave S.p.A. as of 31st December 2012 is reported below:

Name	Location	Share capital	Total net equity	Result for the period	%
Controlled companies					
Ascotrade S.p.a.	Pieve di Soligo (TV)	1,000,000	30,638,728	16,585,123	89.00%
ASM DG S.R.L.	Rovigo (RO)	7,000,000	12,298,363	1,596,428	100.00%
Edigas Due S.r.l.	Cernusco sul Naviglio (MI)	120,000	2,803,231	1,185,033	100.00%
Edigas Esercizio Distribuzione Gas S.p.A.	Cernusco sul Naviglio (MI)	1,000,000	8,987,862	1,385,975	100.00%
AscoEnergy S.r.l.	Pieve di Soligo (TV)	300,000	6,211,646	4,260,118	100.00%
Pasubio Servizi S.r.l.	Schio (VI)	250,000	5,831,157	2,950,753	100.00%
Blue Meta S.p.A.	Orio al Serio (BG)	606,123	6,175,926	2,952,484	100.00%
Etraenergia S.r.l.	Cittadella (PD)	100,000	165,098	(99,006)	51.00%
Ascoblu S.r.l.	Pieve di Soligo (TV)	10,000	83,520	(20,504)	100.00%
Consorzio RE		25,000	19,272	(4,635)	57.00%
Ascopiave Suisse SA					100.00%

Name	Location	Share capital	Total net equity	Result for the period	%
Jointly controlled companies					
Estenergy S.p.A.	Trieste (TS)	1,718,096	18,122,684	8,809,750	49.00%
ASM SET S.R.L.	Rovigo (RO)	200,000	3,290,775	2,531,101	49.00%
Veritas Energia S.r.l.	Venezia	1,000,000	1,732,291	(541,110)	51.00%
Unigas Distribuzione S.r.l.	Nembro (BG)	3,700,000	38,580,621	988,579	48.86%

Name	Location	Share capital	Total net equity	Result for the period	%
Affiliated companies					
Sinergie Italiane S.r.l. - under liquidation	Milano (MI)	1,000,000	(32,500,415)	(8,120,545)	30.94%

Name	Location	Share capital	Total net equity	Result for the period	%
Shareholdings in other companies					
B.Cred.Coop.Prealpi					

It is to be pointed out that the net equity and results for the period of the controlled or jointly controlled companies reported in the tables above refer to financial statements for the periods ended 31st December 2012 and approved by the Boards of Directors of the associated companies.

The following table summarizes the changes in shareholdings in the reference period:

	31.12.2011			31.12.2012
	Historic cost	Increase	Decrease	Net value
(Thousands of Euro)				
Shareholdings in controlled companies	106,352	13,018	4,887	115,313
Shareholdings in jointly controlled companies	65,537			65,537
Shareholdings in associated companies	0	309		309
Shareholdings in other companies	1			1
Total shareholdings	172,720	13,327	4,887	181,160

The increase in shareholdings (+Euro 13,327 thousand), is mainly explained by the positive variation recorded in the item "shareholdings in controlled companies" derived from the reclassification of the loan granted at the end of the previous FY to the subsidiary company Ascoblu S.r.l. for Euro 11,149 thousand, which the Directors deemed reasonably representative of an investment in capital; in addition, the increase also refers to the purchase, for Euro 1,854 thousand, of shares which represent 30% of the share capital of the company Ascoenergy S.r.l..

The decrease concerning the controlled companies relates to the cancellation of the shareholding connected to Global Energy S.r.l. following the above-mentioned operation of merger by acquisition of the company.

The increased shareholding in affiliate companies is explained by the recapitalization of the shareholding in Sinergie Italiane S.r.l. – in liquidation for Euro 309 thousand, as illustrated in the paragraph "Shareholdings in affiliate companies" of the consolidated balance sheet document attached to this report.

The comparison between the entered value of shareholdings in controlled companies and jointly controlled companies and the share of the Company reveals situations in which the value reported on the statements exceeds the overall net equity of the affiliate company as of 31st December 2012.

For the purposes of the annual impairment verification (for the values recognized for shares in controlled or jointly controlled companies), the value in use of each company was determined.

The calculation of the value in use was carried out on the basis of the forecasts on cash-flows included in the Economic and Financial Plan 2013-2015 of the single controlled companies, approved by the BoD on 26th February 2013. Following the results of the impairment tests on the single shareholdings, no depreciation was recognized. The main criteria adopted in evaluating impairment, both in terms of growth rates for other periods than those illustrated on the plans and in terms of discount rate, are consistent with those considered in the impairment tests of the goodwill allocated to the CGU in the consolidated financial statements.

Similarly, impairment was verified for the shareholding in the affiliate company Sinergie Italiane S.r.l. in liquidation, based on expected flows in the three-year plan which was illustrated to the body of shareholders by the panel of administrators. The expected cash flows support the achievement of the economic-financial balance of the company and, subsequently, the possibility to maintain the inclusion of the cost for the shareholding.

The information on synthesis data related to financial year 2012 of associated companies or proportionally controlled or

jointly controlled companies is illustrated in the consolidated financial report attached in the paragraph "Synthesis of the financial year 2012 of proportionally consolidated companies", while the information related to associated companies is contained in the paragraph "Synthesis of the financial year 2012 of companies consolidated through the net equity method".

5. Other non-current assets

The following table shows the details of the items included under the "Other non-current assets" in the financial years considered:

(Thousands of Euro)	31.12.2012	31.12.2011
Deposits and guarantees	384	359
Other receivables	6,896	6,896
Other non-current assets	7,280	7,255

The "Other non-current assets" increase from Euro 7,255 thousand in 2011 to Euro 7,280 thousand in 2012 and include receivables for deposits (Euro 384 thousand) and other receivables (Euro 6,896 thousand).

The item "Other receivables" is made up of:

- receivables from the local authority of Creazzo, for a value of Euro 2,141 thousand (unvaried since 31st December 2006), corresponding to the net book value of the distribution plants awarded in June 2005 to the above-mentioned local authority. The delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2004. The value of the receivables from the municipality corresponds to the 'Letta' law, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal. A litigation is going on with the municipality, in order to define the value of the compensation of the distribution plants delivered.
- receivables from the municipality of Santorso, for Euro 748 thousand. The amount corresponds to the net book value of the distribution plants consigned in 2007 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2006. The value of the receivable from the municipality corresponds to the 'Letta' law, 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 San Vito di Leguzzano, for Euro 990 thousand. The value corresponds to the net book value of the distribution plants delivered on 1st November 2010 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2009. The value of the credit is equal to the net book value of the divested asset, considered lower than the reconstruction value as per new request of the Local Body.
- receivables from the municipality of Costabissara, for Euro 1,537 thousand. The value corresponds to the net book value of the distribution plants delivered on 1st October 2011 to the same municipality; the delivery of the infrastructures took place following the concession's natural expiry. The receivables value corresponds to the net book value of the transferred good, which is deemed lower than the value of reconstruction as new requested to the Local Body.

As of 31st December 2012, there is an ongoing litigation with the municipalities mentioned in order to define the value of compensation of distribution systems delivered, while there is an ongoing arbitration procedure with the municipality of San Vito di Leguzzano for determining the value of the network. The Company, also following the opinion of the legal advisor, believes that the result of the contentious and arbitration procedures is uncertain.

At the end of the financial year, the item includes receivables from the controlled company Unigas Distribuzione Gas S.r.l. (Euro 1,480 thousand) and, alternatively, from the company Anita S.r.l., which holds 51.14% of Unigas Distribuzione Gas S.r.l., because of prior year losses of the company Blue Meta S.p.A., sold by Unigas Distribuzione S.r.l. to Ascopiave S.p.A. in January 2011.

Prior year losses, which were notified to the seller and to Anita S.r.l. during the second quarter of FY 2011, relate to the reimbursement right for an excise duty receivable from the Bergamo Customs Agency. The company, in accordance with the guarantees obtained by the seller upon the purchase of the shares, reasonably believes that it should be indemnified for the higher price paid for Blue Meta S.p.A., equal to Euro 1,480 thousand.

6. Deferred tax assets

Advance taxes increased from Euro 8,494 thousand to Euro 9,886 thousand (+ Euro 1,394 thousand) as shown in the following table:

	31.12.2012	31.12.2011
(Thousands of Euro)		
Advance taxes receivables	9,887	8,494
Advance taxes receivables	9,887	8,494

The Company has been performing a full accounting of advance taxes concerning temporary differences between tax-imposition and balance sheet value, as the Group supposes that future tax-imposition could take up all differences that generated them. In determining the advanced taxes, we referred to IRES (taxes on the companies income) and, where applicable, to the current IRAP at the moment in which the temporary differences are supposed to be deposited again. In particular, a 27.5% IRES tax rate, subject to an additional tax equal to 10.5% in order to take into account the so-called "Robin Hood Tax", and a 4.2% IRAP tax rate were applied in accordance with the changes introduced by Law 111 dated 15th July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6th July 2011.

The following table shows advance taxes on the basis of the temporary differences which generated them:

Description	31.12.2012			31.12.2011		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	612	34.0%	208	163	34.0%	55
Allocation of inventory write-down	413	38.2%	158	413	38.2%	158
IRES exceeding amortizations	9,265	34.0%	3,150	6,835	34.0%	2,324
Exceeding amortizations before 2007 after 2013	14,093	38.2%	5,384	14,093	38.2%	5,384
Other	385	38.2%	147	348	38.2%	133
Phantom stock option	57	34.0%	19	103	34.0%	35
Devaluation of fixed assets	1,589	38.2%	607	0	38.2%	0
Exceeding amortizations before 2007 after 2013	506	42.2%	213	960	42.2%	405
Total advance taxes			9,886			8,493

Current assets

7. Inventories

The following table shows the composition of inventories at the end of the periods considered:

(Thousands of Euro)	31.12.2012			31.12.2011		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Fuels and warehouse materials	2,852	(413)	2,439	3,144	(413)	2,731
Total inventories	2,852	(413)	2,439	3,144	(413)	2,731

Inventories mainly include materials used for maintenance works or for the realization of natural gas distribution plants. Inventories are entered into the balance sheet under the Net Devaluation of Inventory fund, established in order to adapt their value to the opportunities for their clearance or use.

The item marks a decrease equal to Euro 292 thousand, from Euro 2,731 thousand of the previous year to Euro 2,439 thousand of the reference year.

8. Trade receivables

The following table shows the composition of trade receivable and the related adjustment provisions at the end of each period considered:

(Thousands of Euro)	31.12.2012	31.12.2011
Trade receivables	9,730	11,276
Trade receivables for invoices to be issued	12,399	9,957
Bad debt provision	(613)	(412)
Trade receivables	21,517	20,820

Receivables from customers relate to receivables due from Italian debtors.

Trade receivables are entered net of the advance payments in bills and net of provision for doubtful accounts accrued as of the closing date of the financial year. These receivables are due within the following financial year, and mainly relate to natural gas transportation service on the distribution network.

The item "Trade receivables" increases from Euro 20,820 thousand as of 31st December to Euro 21,517 thousand of the current financial year (+Euro 697 thousand).

This variation is mainly explained by the increase, compared to 2011, of Euro 2,114 thousand of the item "Trade receivables for invoices to be issued" due to higher revenues from Service Agreements towards the controlled companies. The composition of this item at the end of the period is mainly explained by invoices to be issued for the gas distribution service provided to sales companies which operate on the territory where the distribution network of the Company rests for a total amount of Euro 10,142 thousand.

The changes in the provision for doubtful accounts are shown in the following table:

(Thousands of Euro)	31.12.2012	31.12.2011
Initial bad debt provision	412	217
Provisions	200	196
Final bad debt provision	613	412

At the end of FY 2012, the item registered an increase equal to Euro 200 thousand, due to provisions established during the year. The increase is mainly ascribable to unrecoverable credits related to Global Energy S.r.l. and acquired by Ascopiave S.p.A. after the merger.

9. Other current assets

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Tax consolidation receivables	1,772	
Annual pre-paid expenses	345	205
Advance payments to supplier	4,193	4,371
Receivables from Cassa Conguaglio Settore Elettrico	9,972	6,892
VAT Receivables	1,880	
Receivables from Regional/Provincial Additional	158	
Other receivables	893	166
Other current assets	19,214	11,633

The item "Other current assets" registered an increase equal to Euro 7,581 thousand (from Euro 11,633 thousand in 2011 to Euro 19,214 thousand in 2012). The variation is mainly due to the increase in receivables from the Electric Sector Compensation Fund (Euro 3,080 thousand) and to VAT credit (Euro 1,880 thousand), which, at the end of the previous year, recorded an outstanding debt.

The receivables from the Electric Sector Compensation Fund increased from Euro 6,892 thousand of 2011, to Euro 9,972 thousand in the current financial year (+Euro 3,080 thousand). The increase is mainly due to the upgrading of the energy saving targets set by the AEEG (Euro 530 thousand) for FY 2012, as well as to the increase in the contribution granted upon delivery of energy efficiency certificates - target 2012 - and to higher credits following the equalization of the revenues from gas distribution (Euro 2,550 thousand).

10. Current financial assets

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
<i>Controlled companies</i>		
intercompany current account - Ascotrade S.p.A.	17,508	26,308
intercompany current account - Le Cime Servizi		85
intercompany current account - Asm Distribuzione Gas S.r.	290	270
intercompany current account - Etra Energia		390
intercompany current account - Ascoenergy S.r.l.		5,915
intercompany current account - Edigas Due S.p.A.	2621	1,756
intercompany current account - Ascoblu S.r.l.		14,219
intercompany current account - Blue Meta S.p.A.	11,270	8,750
intercompany current account - Estenergy S.p.A.	5,000	15,000
intercompany current account - Veritas Energia S.r.l.	7,000	4,106
intercompany current account - Asm Set S.r.l.	555	
Current financial assets	44,244	76,799

Receivables for current financial assets during the year amounted to Euro 44,244 thousand, compared to Euro 76,799 thousand in the previous year, with a decrease of Euro 32,555 thousand. The item includes balances of intercompany

accounts through which the company manages the Group Treasury, granting the necessary funding to its subsidiaries and affiliates, in order for them to meet their financial requirements.

The variation is mainly explained by the decrease in funds, in particular in financing granted to Ascotrade S.p.A. (Euro 8,800 thousand), and Estenergy S.p.A. (Euro 10,000 thousand). As concerns the decrease (Euro 11,149 thousand) related to the loan granted to the subsidiary company Ascoblu S.r.l., please see the paragraph "Shareholdings" of the document herein.

In December, the subsidiary AscoEnergy S.r.l. paid off the loans granted in previous financial years thanks to the liquidity generated by the transfer of the shareholding in Serin S.r.l..

The decrease in current financial assets described above, was partially offset by the increase in funds allocated to the companies Blue Meta S.p.A. (Euro 2,520 thousand) and Veritas Energia S.r.l. (Euro 2,894 thousand).

11. Tax receivables

The following table shows how the items are broken down at the end of each period considered:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
IRAP receivables	161	
IRES receivables	435	
Other tax receivables	135	26
Tax receivables	731	26

The item includes the balance of IRAP taxes due for FY 2012 minus the advance payments paid, the balance for the additional IRES tax due for FY 2012, minus the advance payments paid and other tax receivables whose refund has been requested.

12. Cash and cash equivalents

The following table shows how the items are broken down at the end of each period considered:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Bank and post office deposits	9,338	2,244
Cash and cash equivalents on hand	6	8
Liquid assets	9,344	2,252

The item "Cash and cash equivalents" is equal to Euro 9,344 thousand, an increase of Euro 7,092 thousand compared to year 2011. The figures reported refer to the balances of bank accounts and to the values of company funds.

Bank deposits bear interest based on the conditions agreed with the banks.

Net shareholders' equity

13. Net shareholders' equity

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

(Thousands of Euro)	31.12.2012	31.12.2011
Share capital and reserves	331,988	329,867
Net result of the Group	27,538	6,174
Total net shareholders equity	359,526	336,041

Ascopiave S.p.A.'s share capital as of 31st December 2012 is made up of 234,411,575 shares with a par value of Euro 1.00 each.

The composition of the net shareholders' equity is reported below:

(Thousands of Euro)	31.12.2012	31.12.2011
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Reserves and retained earnings	50,694	48,573
Net result of the Group	27,538	6,174
Total net shareholders equity	359,526	336,041

On 26th April 2012, the Shareholders' Assembly decided to entirely allocate the profits earned at the end of the previous year, equal to Euro 6,173,627.08 for the increase of the extraordinary reserve which, as of 31st December 2012, is equal to Euro 49,867 thousand.

During the year 2012, the purchase of own shares regarded a number of 1,151,687 thousand ordinary shares at a value of Euro 1,388 thousand.

The company's reserves decreased following the merger by acquisition into Ascopiave S.p.A. of the subsidiary company Global Energy S.r.l. which revealed a merger deficit equal to Euro 3,158 thousand, which, according to the principle of value continuity, applied in the presence of operations between companies under common control, was entered under the item "goodwill" for Euro 513 thousand, in continuity with the value previously entered in the Consolidated Financial Statements, while the exceeding value, equal to Euro 2,665 thousand, was entered as a decrease of the reserves recorded in the company's net equity.

The changes in the net shareholders' equity in FY 2012 are reported in the following tables:

Shares in circulation as of 31 December 2012 and 31 December 2011

(Number of shares)	31.12.2012	31.12.2011
Number of shares from shareholders' capital	234,412	234,412
Number of shares in portfolio	(11,809)	(10,658)
Total number of shares in circulation	222,603	223,754

Value of the shares in circulation	31.12.2012	31.12.2011
Ordinary shares	234,412	234,412
Own shares in portfolio	(17,109)	(15,720)
Total value of shares in circulation	217,303	218,691

Pursuant to article 2427-bis of the Italian Civil Code, the prospects indicating the origin, possibility of use and distributability of the net equity items are reported below:

Description	Amount	Possibility of use	Portion available	Usage in the previous three financial period	
				For coverage of losses	For other reasons
Share capital	234,411,575	-	0		
CAPITAL RESERVES					
Reserves for own shares in portfolio	(17,108,647)	-			
Share premium fund	50,171,613	A, B, C	50,171,613		
EARNINGS RESERVES					
Legal reserve	46,882,315	B	0		
Extraordinary reserve					
Free reserve					
Other reserve	17,631,027	A, B, C	17,631,027		
Profit/(loss) carried forward					
Total	97,576,307		67,802,639	0	0
Portion non available					
Residual value of available portion			67,802,639		

Note: "A" = capital increase "B" = coverage of losses, "C" = distribution to shareholders

The share premium fund is available considering that the legal reserve reached a value equal to one fifth of the share capital, in accordance with civil law provisions. The uses of the other reserves refer to distributions of dividends that took place in previous financial years.

Non-current liabilities

14. Provisions for risks and charges

Reserves for risks and charges at the end of the years considered are analysed in the following table:

	31.12.2012	31.12.2011
(Thousands of Euro)		
Other reserves for risk and charges	7	24,498
Reserves for risk and charges	7	24,498

The item "Reserves for risks and charges" decreases from Euro 24,498 thousand in 2011 to Euro 7 thousand in 2012, marking a decrease of Euro 24,491 thousand.

The changes in the inventory allowance for the reserves for risks and charges in the year considered are shown in the following table:

(Thousands of Euro)	31.12.2012
Reserves for risks and charges as of 1 January 2012	24,498
Use of provisions for risks and charges	(24,491)
Reserves for risks and charges as of 31 December 2012	7

The change is mainly explained by the use of Euro 24,491 thousand of the reserve, previously allocated, to cover the losses suffered by the affiliate company Sinergie Italiane S.r.l., in liquidation.

15. Severance indemnity

The changes in severance indemnity in the year considered are shown in the following table:

(Thousands of Euro)	31.12.2012	31.12.2011
Severance indemnity as of 1 January 2012	1,262	1,318
Retirement allowance	(983)	(757)
Payments for current services and work	741	718
Previous actuarial losses/(profits) recorded	(17)	
Actuarial loss/(profits) recorded	88	(17)
Severance indemnity as of 31 December 2012	1,108	1,262

The actuarial evaluation of severance indemnity is accomplished on the basis of method “matured benefits”, through the Projected Unit Credit Method as envisaged in IAS 19. This method consists in evaluations that express the average current value of the pension bonds matured according to the service that the employee provided as of the date of the evaluation, not projecting the employee’s retribution according to normative amendments of the recent social security reform. The method of calculation can be summarised with these phases:

- Projection for each employee at the date of evaluation of the severance indemnity matured until the aleatory date of :
- payment;
- Determination for each employee of probable severance indemnity payments, that should be done by the company in case of employee’s leaving for firing, dismissal, inability, death and retirement and also in case of advanced payments requests;
- Discounting, at the date of evaluation, of each probable payment.

The actuarial model for the evaluation of severance indemnity is based on different hypotheses, both of demographic and economic-financial type. The main hypotheses of the model are:

- mortality rate: survival table ANIA IPS55
- invalidity rate: INPS tables year 2000
- personnel rotation rate: 3.00%
- discounting rate: 4.00%
- increase in remuneration rate: 3%

- inflation rate: 2.00%
- anticipation rate: 2.00%

The application of actuarial techniques for the identification of severance indemnity in accordance with IFRS implied, at the end of 2012, the record of a profit equal to Euro 88 thousand.

16. Medium- and long-term loans

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Loans from Cassa Depositi e Prestiti reimbursable between 2008 and 2016, with fixed interest rate, renegotiated periodically	1,815	2,385
Mortgages from Unicredit S.p.A.	31,486	37,143
Medium/long-term loans	33,301	39,528
Current portion of medium/long-term loans	6,283	6,285
Medium/long-term loans	27,018	33,243

Medium- and long-term loans refer to the residual debt due to Cassa Depositi e Prestiti S.p.A. for Euro 1,815 thousand (of which, Euro 511 thousand represent the current portion), subscribed following investments for extension of the natural gas distribution network. The overall debt is made up of several overdue debts payable to the above mentioned institution, with deadlines between 2010 and 2016, and fixed interest rates between 6% and 7.50%.

Medium- and long-term loans, in addition, include a loan taken out in 2011 with Unicredit S.p.A. in order to finance important corporate integration operations. The amount of the agreement is equal to Euro 40,000 thousand and its duration is of seven years. The biannual instalments will be paid starting from 31st December 2011 to 30th June 2018.

During 2012, 2 instalments have been paid, whose amount is equal to Euro 2,857,142.86 each, entailing a decrease in the account "Unicredit Spa Passive Loans" of Euro 5,715 thousand compared to the previous year.

The interest rate is variable, and it involves a three-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the "spread" parameter. The value of the fixed margin is apt to increase on the basis of the value of the ratio between the consolidated net financial position and the consolidated gross operative margin at the end of each financial year. The variation in the fixed margin on the basis of the index described above is reported in the following table:

Value of N.F.P./G.O.M. ratio	Spread value
Index>2.5	125 basis points
2<Index<2.5	90 basis points
Index<2	75 basis points

Along with the terms and conditions provided for to calculate the interest rate to be applied to the financed capital, the continuation of the loan agreement is subject to the following financial and operating terms and conditions:

- the value of the index described above cannot be higher than 2.75;
- R.A.B.'s value (Regulatory Asset Base, i.e. the value of the gas network) cannot be lower than Euro 270,000 thousand;
- the stake of ASCOHOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

The table below shows the deadlines of the medium- and long-term loans for each financial year considered:

	31.12.2012
<i>(Thousands of Euro)</i>	
Financial year 2014	6,215
Financial year 2015	6,175
Financial year 2016	6,056
Financial year 2017	5,714
Financial year 2018	2,857
Total medium and long-term loans	27,018

17. Other non-current liabilities

The following table shows the details of other non-current liabilities at the end of each period considered:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Security deposits	148	6
Multiannual deferred income	176	
Other non-current liabilities	324	6

The other non-current liabilities increase from Euro 6 thousand of the previous year, to Euro 324 thousand of 2012, an increase equal to Euro 318 thousand. The amounts recorded were recognized following the merger by acquisition of the subsidiary company Global Energy S.r.l.. The item "security deposits" is determined by the deposits from users in relation to services of electric and thermal energy and hot water supply performed through cogeneration plants built by the merged company, while the item "long-term deferrals" relates to the amount of received contributions for the construction of the plants themselves, which will reveal their economic effect in the following financial years.

18. Non-current financial liabilities

The following table shows how the items are broken down at the end of each period considered:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Financial liabilities with leasing companies after 12 months	613	
Non-current financial liabilities	613	

Non-current financial liabilities, equal to Euro 613 thousand, and booked at the end of the reference period, relate to the debts of the merged company Global Energy S.r.l. during fiscal year 2007 for entering into a leasing contract concerning the cogeneration plant in Mirano (Venice). The balance recognized at the end of the financial year corresponds to the amount of the principal of the instalments envisaged in the amortization plan of the loan expiring in 2022.

The table below shows the deadlines of the non-current financial liabilities for each financial year:

31.12.2012	
<i>(Thousands of Euro)</i>	
Financial year 2014	61
Financial year 2015	64
Financial year 2016	67
Financial year 2017	70
Financial year 2018	351
Non-current financial liabilities	613

19. Deferred tax payables

Deferred taxes mark a variation from Euro 18,674 thousand, to Euro 18,546 thousand, an increase of Euro 128 thousand.

<i>(Thousands of Euro)</i>	31.12.2012	31.12.2011
Deferred tax liabilities	18,546	18,674
Deferred tax liabilities	18,546	18,674

The item "Deferred tax payables" mainly includes deferred tax payables concerning temporary differences between tax-imposition and balance sheet value regarding exceeding amortizations of tangible fixed assets and goodwill. In determining deferred taxes, we referred to IRES (taxes on the companies income) and, where applicable, to the current IRAP at the moment in which the temporary differences are supposed to be deposited again. In particular, a 27.5% IRES tax rate, subject to an additional tax equal to 10.5% in order to take into account the so-called "Robin Hood Tax", and a 4.2% IRAP tax rate were applied, in accordance with the changes introduced by Law 111 dated 15th July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6th July 2011.

Deferred taxes are detailed below based on the temporary differences which generated them:

Description	31.12.2012			31.12.2011		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
IRESexceeding amortizations after 2013	31,927	34.0%	10,855	31,927	34.0%	10,855
Severance indemnity	110	34.0%	37	198	34.0%	67
Goodwill deductibility for tax purposes within 2013	16,110	38.2%	6,154	14,439	38.2%	5,516
IRESexceeding amortizations after 2013	2,889	38.0%	1,098	3,788	38.0%	1,440
Capital gains on sale of buildings and network after 2013	173	34.0%	59	173	34.0%	59
Capital gains on sale of buildings and network within 2013	86	38.0%	33	307	38.0%	117
IRAP exceeding amortizations	7,396	4.2%	311	14,793	4.2%	621
Total deferred tax payables			18,546			18,675

Current liabilities

20. Payables due to banks and financing institutions

The following table shows how the items are broken down at the end of each period considered:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Payables due to banks	158,040	163,740
Current portion of medium/long-term loans	6,283	6,285
Loans and payables due to banks	164,323	170,025

Short-term bank debt is made up of debit balances of bank accounts opened and of the short-term mortgage quotas.

The decrease in bank exposure (Euro 5,703 thousand as compared to the previous financial year) is mainly due to the increase in debts payable to credit institutions.

The following table shows the allocation of Ascopiave S.p.A. credit lines used and available and relative rates applied as of 31st December 2012.

Credit institution	Type of credit line	Rate as of		Use as of
		Max credit	31/12/2012	31/12/2012
Banca Antonveneta	Bank credit for overdraft	5,000	2.19%	4,953
Banca Antonveneta	Trust for roofing on commodities	2,000		
Banca Intesa	Bank credit for overdraft	40,000	1.11%	31,149
Banca Nazionale del Lavoro	Bank credit for overdraft	50,000	2.19%	49,599
Cassa di Risparmio del Veneto	Bank credit for overdraft	13,000	1.11%	12,985
Credito Emiliano	Bank credit for overdraft	15,000	2.12%	15,000
Banca Friuladria	Bank credit for cash flexibility	10,000		
Banca Popolare di Verona	Credit line for financing/guarantees Italian and foreign	30,000		
Banca Popolare di Vicenza	Various funding B/T	52,000		
Banca Popolare di Vicenza	Ceiling guarantees	500		
Banca di Credito Cooperativo delle Prealpi	Bank credit	5,000		
Banca Sella	Bank credit	5,000	1.79%	4,954
Unicredit Banca	Trust promiscuous class 1	40,000	1.91%	39,400
Veneto Banca	Bank credit for overdraft	30,000		
Total		297,500		

21. Trade payables

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Payables to supplier	7,760	4,889
Payables to supplier for invoices not yet received	10,290	10,770
Trade payables	18,050	15,660

The item "Trade payables" increases from Euro 15,660 thousand of 2011 to Euro 18,050 thousand of the current financial year (+Euro 2,390 thousand). The item includes payables for invoices received for Euro 7,760 thousand, and for invoices to be received for Euro 10,290 thousand. The item mainly refers to payables due to suppliers for construction works of the natural gas distribution infrastructures.

22. Tax payables

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
IRAP payables		238
IRES payables		1,797
Other tax payables	69	
Tax payables	69	2,035

The variation illustrated in the item "tax payables" is linked to the fact that in the previous year the balance of the due IRAP tax and the additional IRES tax revealed an outstanding debt.

23. Other current liabilities

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Advance payments from customers	803	768
Tax consolidation payables	(0)	431
Payables for social security institutions	754	756
Amounts due to employees	2,366	2,002
VAT payables	3	245
Payables to revenue office for withholding tax	737	498
Annual passive prepayments	659	974
Annual passive accrual	986	1,047
Payables to UTF and Regional/Provincial Additional	58	
Other payables	4,978	2,416
Other current liabilities	11,344	9,138

At the end of the year, other current liabilities amounted to Euro 11,344 thousand, compared to Euro 9,138 thousand in the previous year, with an increase of Euro 2,207 thousand.

Advances from customers

Advances from customers represent the amounts paid by the users as contributions for apportionment works and connections in progress as of the closing date of the financial statements. The item increases from Euro 768 thousand of 2011 to Euro 803 thousand of the current financial year (+ Euro 36 thousand).

Amounts due to social security bodies

Amounts due to social security bodies include payables for the social security charges for November and December that will be paid in the first quarter of FY 2013.

Amounts due to employees

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31st December 2012 but not paid out on that date.

Accruals and deferrals

Accruals and deferrals mainly refer to real estate fees accrued in FY 2012 but not yet paid to the local authorities. The item registers a decrease of Euro 376 thousand as compared to 31st December the previous financial year.

Other payables

At the end of FY 2012, the item "Other payables" amounts to Euro 4,978 thousand, recording an increase as compared to the previous financial year equal to Euro 2,562 thousand. The variation is mainly explained by the increase in payables towards the Electric Sector Compensation Fund concerning the tariff components charged to the sales companies operating on the territory where the natural gas distribution network of the Company rests and which are paid to the Fund itself every two months as established by the Authority for Electricity and Gas with resolution ARG/gas 159/08.

Benefits based on financial instruments

The company acknowledges additional benefits to the President of Ascopiave S.p.A., to the President and the vice president of Ascotrade S.p.A. and to some employees holding important positions, through payment plans based on financial instruments.

In particular, the plans adopted by the Group include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the reaching of pre-set objectives, and the financial regulation of which is based on the trend of the share title (so-called phantom stock option).

24. Current financial liabilities

The following table shows how the items are broken down at the end of each period considered:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
<i>Controlled companies</i>		
Intercompany current account - Etra Energia	406	
Intercompany current account - Ascoenergy S.r.l.	6,365	
Intercompany current account - Edigas Es.Distribuzione Gas S.p.A.	362	1,012
Intercompany current account - Pasubio Servizi S.r.l.	2,976	3,970
Intercompany current account - Asm Set S.r.l.		4,335
Intercompany current account - Ascoblu S.r.l.	2,005	
Current financial assets	12,113	9,317

Current financial liabilities amount to Euro 12,113 thousand, an increase of Euro 2,796 thousand with respect to the previous year. The item includes negative payables of intercompany bank accounts through which the Company manages the Group treasury. The variation is mainly explained by the increase in financial debts towards Ascoenergy s.r.l. for Euro 6,365 thousand and towards Ascoblu S.r.l. for Euro 2,005 thousand. The variation is partially offset by the decrease in financial debts towards Asm Set S.r.l. for Euro 4,335 thousand, Pasubio Servizi S.r.l. for euro 994 thousand and Edigas Esercizio Distribuzione Gas S.p.A. for Euro 650 thousand.

Net financial position

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

(Thousands of Euro)	31.12.2012	31.12.2011
A Cash	6	8
B Other liquid assets	9,338	2,244
C Negotiable shares		
D Liquid assets (A) + (B) + (C)	9,344	2,252
E Current financial receivables	44,244	76,799
F Current bank debt	(158,040)	(163,740)
G Current portion of non-current debt	(6,283)	(6,285)
H Other current financial debt	(12,113)	(9,317)
I Current financial indebtedness (F) + (G) + (H)	(176,436)	(179,342)
J Net current financial indebtedness (I) - (E) - (D)	(122,847)	(100,291)
K Non-current bank debt	(27,018)	(33,243)
L Bond issued		
M Other non-current debts	(613)	
N Non-current financial indebtedness (K) + (L) + (M)	(27,631)	(33,243)
O Net financial indebtedness (J) + (N)	(150,479)	(133,534)

Net financial indebtedness of Ascopiave S.p.A. records an increase of Euro 16,945 thousand compared to the previous year, amounting to 150,479 thousand.

It is to be pointed out that no covenants or negative pledges are provided for in the short-term bank loans, while with regard to the loan granted by Unicreditbanca S.p.A. covenants are provided for as established in paragraph 16 "Medium- and long-term loans" – to be verified based on the results of the consolidated financial statements.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS*Revenues*25. *Revenues*

The following table shows the revenues in the periods considered:

<i>(Thousands of Euro)</i>	31.12.2012	31.12.2011
Revenues from gas transport	55,897	53,517
Revenues from connections	4,008	4,386
Revenues from heat supply	67	1,328
Revenues from distribution	4,189	4,301
Revenues from billing and tax services	529	546
Revenues from general services supplied to Groups' companies	4,523	4,348
Revenues from AEEG contributions	5,751	5,221
Other revenues	3,443	1,388
Total revenues	78,406	75,035

At the end of the period, the item amounted to Euro 78,406 thousand, with an increase of Euro 3,371 thousand compared to the previous year. The increase is mainly explained by the higher revenues from natural gas transportation (Euro 2,380 thousand) and from AEEG contributions (Euro 530 thousand). The increase is partially offset by the decrease in revenues from connections (-Euro 378 thousand) and by the decrease in revenues from heat supply services (-Euro 1,261 thousand). As concerns the latter, it is to be specified that the decrease in revenues is connected to the fact that the management of the plants was transferred during financial year 2012 to the company Bim Piave Nuove Energie.

At the end of the financial year, revenues from natural gas distribution amount to Euro 55,897 thousand, marking an increase of Euro 2,380 thousand as compared to the previous financial year, mainly explained by the increase in the restriction on total revenues. The restriction on the revenues from gas distribution is determined, year after year, on the basis of the number of delivery points the Company actually served during the reference period, as well as on the reference tariff, whose values are established and published by the Authority for Electricity and Gas by 15th December of the year before the one in which the tariff becomes effective.

The increase in the tariff applied to firms who sell natural gas through the distribution network of the Company entailed higher revenues for Euro 2,763 thousand. The positive effect due to the increase in the average unit tariff, from Eurocents 6.94 of 2011, to Eurocents 7.30 in 2012, is partially offset by the decrease in the volume of cubic meters of natural gas distributed. During the year, the activity of natural gas distribution involved the transportation of 765.5 million of cubic meters, with respect to 771 million in the previous year, marking a decrease of 5.5 million, determining a negative effect on revenues equal to Euro 383 thousand.

It is to be noted that the item "gas transportation revenues" include an equalisation amount equal to Euro 6,914 thousand.

Revenues from connections to the natural gas distribution network decrease from Euro 4,386 thousand of 2011 to Euro 4,008 thousand of 2012; The decrease, equal to Euro thousand, is mainly explained by the lower number of connections performed during the year because of the continuing crisis of the building industry in the North of Italy.

Revenues from distribution services decreased from Euro 4,301 thousand of the previous financial year to Euro 4,189

thousand in 2012 (- Euro 112 thousand). The item includes the revenues from the activities performed on counting metres of the end customers on behalf of the sale companies.

At the end of 2012, the item "revenues from AEEG contributions" registers an increase equal to Euro 530 thousand, from Euro 5,221 thousand in 2011, to Euro 5,751 thousand in 2012.

The item includes the revenues from the use of the energy efficiency certificates (the so-called "white certificates") and from energy saving targets achieved. In fact, these contributions are recognized when the energy saving targets set by the AEEG and published through resolution 13/11 EEN dated 22nd December 2011 are achieved. The deliberation defines the specific primary energy saving obligations that the distributors are required to respect. The increase recorded is mainly explained by the upgrading of the specific target set by the Authority for Electricity and Gas and by the increase in the contribution recognized for each energy efficiency certificate that the company will return in order to comply with the obligation set by law.

At the end of the reference period, revenues from general services to companies of the group register an increase equal to Euro 175 thousand, from Euro 4,348 thousand of the previous financial year to Euro 4,523 thousand of the current financial year.

The item "Other revenues" increases from Euro 1,388 thousand of 2011 to Euro 3,443 thousand of the current financial year (+Euro 2,055 thousand). The increase is mainly explained by the entry of revenues obtained by supplying electric and thermal energy produced by cogeneration plants following the merger by acquisition of the subsidiary company Global Energy Srl dated 1st October 2012.

Operational costs

26. Cost of raw materials

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Gas purchases	35	348
Diesel fuel and LPG purchases	88	12
Purchase of other material	2,391	1,173
Costs for purchase of other raw material	2,514	1,533

The costs for the purchase of other raw materials increase from Euro 1,533 thousand in 2011 to Euro 2,514 thousand in 2012. The increase is mainly explained by the entry of costs for the purchase of materials for the production of solar panels for re-sale for Euro 795 thousand following the merger by acquisition of the subsidiary company Global Energy S.r.l..

27. Costs for services

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

<i>(Thousands of Euro)</i>	31.12.2012	31.12.2011
Costs for counting metres reading	808	831
Costs for mailing bills	982	975
Maintenance and repairs	3,531	3,400
Consulting services	3,176	3,178
Commercial services and advertisement	55	68
Sundry supplies	1,879	1,663
Directors' and Statutory Auditors' fees	574	464
Insurances	348	312
Personnel costs	605	549
Other managing expenses	783	669
Costs for use o third-party assets	12,550	8,626
Total costs for services	25,291	20,734

The costs for services amount to Euro 25,291 thousand at the end of the period considered, recording an increase as compared to the previous financial year equal to Euro 4,557 thousand. The increase is mainly explained by higher costs for the use of third-party assets from Euro 8,626 of 2011 to Euro 12,550 thousand of the current financial year.

Costs for maintenance and repairs increase from Euro 3,400 thousand of 2011 to Euro 3,531 thousand of 2012 mainly explained by the increase in the costs incurred into for the maintenance of facilities for the distribution of natural gas; they are partially offset by the decrease in costs for consulting, commercial and advertising costs and by lower costs of counting metres reading.

Personnel costs include costs for the management of vehicles assigned to employees, expenses for the canteen service and costs for training and education, and record an increase of Euro 56 thousand compared to the previous year.

The item "Costs for services" includes costs for concession fees, which mark an increase of Euro 3,748 thousand, mainly explained by the higher fees for concessions paid to Local Bodies due to economic compensation, suggested by Ascopiave S.p.A. in order to continue managing the service in the default of the completion of the re-award procedure, which envisages an annual consideration, starting from 2011, equal to an amount calculated on the basis of the formula illustrated in the Supplementary Deed of the Agreement submitted to the Local Bodies for examination and to be signed and recorded as an Administrative Public Deed. The procedures aimed at a fair and objective evaluation of the distribution plants as a preliminary initiative before awarding again the gas distribution public service was completed only in the fourth quarter of 2011 and for some of the Local Bodies involved. In financial year 2012 the remaining concession fees were booked following the completion of the procedures by the remaining Local Bodies.

28. Personnel costs

Personnel costs for the relevant periods are analysed in the following table:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Wages and salaries	10,849	10,304
Social security contributions	3,473	3,453
Severance indemnity	741	718
Current severance indemnity actualization	88	(17)
Other costs	68	56
Total personnel costs	15,220	14,515
Capitalized personnel costs	(1,340)	(1,495)
Personnel costs	13,881	13,020

Personnel costs are reported net of capitalised costs in relation to increases in intangible assets for works carried out partially on a time and material basis, which are directly attributed to the creation of facilities for the distribution of natural gas.

The item increases from Euro 14,515 thousand of 2011 to Euro 15,220 thousand of the current financial year (+Euro 706 thousand). The variation is mainly explained by the increase in salaries paid during the year. It is to be noted that the capitalization of personnel costs decreased from Euro 1,495 thousand of 2011, to Euro 1.340 thousand of 2012 (-Euro 155 thousand), mainly due to a lower amount of hours capitalized during the financial year.

The table below shows the number of employees of the Group, divided by category, at the end of 2012 and 2011:

Type	31.12.2012	31.12.2011	Variation
Executives	15	15	0
Office workers	189	185	4
Manual workers	87	94	(7)
No. Of personnel employed	291	294	(3)

It is to be noted that some employees of the company hold phantom stock option plans.

29. Other management costs

Other operating costs for the relevant periods are analysed in the following table:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Provision for risks on credits		196
Membership and AEEG fees	449	494
Capital losses	275	270
Extraordinary losses	480	468
Other taxes	625	905
Other costs	638	635
Costs for tenders	978	1,439
Energy efficiency certificates	6,356	5,563
Other operating costs	9,801	9,969

The item decreases from Euro 9,969 thousand of 2011, to Euro 9,801 thousand of the current financial year (-Euro 168 thousand). The item includes the costs incurred into by the Company for membership fees paid to the AEEG, for other taxes and for calls for tenders.

The increase is mainly explained by higher costs incurred into for the purchase of energy efficiency certificates (the so-called "white certificates"), for Euro 793 thousand offset by the decrease in costs for calls for tenders equal to 461 thousand and by lower other taxes (Euro 280 thousand).

The increase in the purchase of energy efficiency certificates is connected to the energy saving targets set for the current financial year by the AEEG, published following resolution no. 13/11 EEN dated 22nd December 2011, which defines the specific energy saving standards which the Company will have to meet during the financial year 2012, by purchasing or producing energy efficiency certificates. It is to be noted that, compared to the previous year, the Authority upgraded the targets.

30. Other operating incomes

Other operating incomes for the relevant periods are analysed in the following table:

	31.12.2012	31.12.2011
(Thousands of Euro)		
Other income	65	595
Total other income	65	595

At the end of the reference period, the item "Other operating incomes" amounted to Euro 65 thousand, with a decrease as compared to the previous financial year equal to Euro 530 thousand due to lower capital gains in 2012 following the transfer of some gas distribution facilities.

31. Amortisations and depreciations

Amortisations and depreciations for the relevant periods are analysed in the following table:

	31.12.2012	31.12.2011
(Thousands of Euro)		
Intangible fixed assets	11,559	11,238
Tangible fixed assets	2,189	1,876
Impairment losses and reversals assets	2,102	
Amortizations and depreciations	15,850	13,114

At the end of the financial year, amortizations amount to Euro 15,850 thousand, with an increase as compared to the previous year of Euro 2,736 thousand.

The item "Depreciation and restoration" includes Euro 1,589 thousand as depreciation of fixed assets transferred to Gelsia Reti S.r.l., and related to the natural gas distribution service in the municipalities of Arosio, Carugo and Lentate sul Seveso (Lombardy), which had a net book value equal to Euro 5,361 thousand, while the transfer was completed for Euro 3,714 thousand, collected in December of the reference year.

The residue of the item, equal to Euro 513 thousand, is explained by the depreciation of the goodwill revealed following the merger by acquisition of the subsidiary company Global Energy S.r.l. described in the paragraph "Operation of merger by acquisition of the subsidiary company Global Energy S.r.l. into Ascopiave S.p.A." of the document herein.

32. Net financial income and expenses

Financial income and expenses in the years considered are analysed in the following table:

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
Interest income on bank and post office deposits	9	53
Other interest income	97	24
Distribution of dividends from controlled companies	25,963	26,520
Interest income from controlled companies	1,426	593
Other financial income	1	3
Financial income	27,497	27,193
Interest expense on banks	3,124	2,152
Interest expense on mortgage loans	718	692
Other financial expense	262	329
Financial charges	4,104	3,173
Depreciation of shares	2,964	25,388
Total net financial expenses/(revenues)	20,429	1,368

Financial income increases from Euro 27,193 thousand of 2011, to Euro 27,497 thousand of 2012, (+Euro 304 thousand).

The variation is mainly explained by higher interest revenue accrued during the financial year on loans granted to subsidiary companies for Euro 833 thousand with respect to 2011; they are partially offset by the decrease of bank and postal interest revenue for Euro 44 thousand and by lower dividends received by controlled companies for an amount of Euro 557 thousand.

Financial expenses increase from Euro 3,173 thousand of 2011, to Euro 4,104 thousand of 2012, (+Euro 931 thousand). The financial charges entered following the evaluation of affiliate companies relate to the covering of the losses suffered by the subsidiary company Sinergie Italiane S.r.l. – in liquidation as of 26th April 2012. The amount paid during 2012 exceeds the provision established at the end of the previous year by Euro 2,964 thousand, due to the higher stake percentage in the shares of the subsidiary.

33. Taxes for the financial year

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

	31.12.2012	31.12.2011
<i>(Thousands of Euro)</i>		
IRES current taxes	4,120	6,348
IRAP current taxes	1,411	1,547
(Advance)/Deferred taxes	(1,505)	1,824
Total taxes for the period	4,026	9,719

Taxation for the period decreases from Euro 9,719 thousand of 2011, to Euro 4,026 thousand of the period considered, marking a decrease equal to Euro 5,693 thousand.

The allocation for taxation on income for the period benefits from the regulation contained in art.2 of Decree-law no. 201 of 2011 (so-called Monti Decree), as amended by Legislative Decree 16/2012, which recognized that the IRAP which refers to labour costs can be analytically deducted from business income and self employment also for previous financial years. The credit accrued, towards the parent company AscoHolding S.p.A. within the scope of the Italian National Tax Consolidation Regime, for financial years 2007-2011 amounts to Euro 641 thousand.

The following table highlights the impact of taxes on income:

(Thousands of Euro)	31.12.2012	31.12.2011
Income before tax	31,564	15,893
Income taxes for the period	4,026	9,719
Percentage of income before taxes	12,8%	61,2%

The actual tax rate decreased from 61.2% in 2011 to 12.8% of the period considered, recording a decrease of 48.3%. The decrease in the tax-rate is mainly explained by the decrease in losses suffered by the affiliate company Sinergie Italiane S.r.l. in liquidation, which are almost entirely not taxable.

(Thousands of Euro)	31.12.2012		31.12.2011	
Ordinary tax rate applicable	38,0%		38,0%	
Pre-tax results	31,564		15,893	
Theoretical tax charges	11,994	38,0%	6,039	38,0%
Taxes on dividends	(9,382)	29,7%	(9,574)	60,2%
Costs/(income) not taxable (vehicles, phones)	1,508	4,8%	9,883	62,2%
Advance/Deferred taxes	(1,284)	4,1%	2,004	12,6%
Actual IRES charges	2,836	9,0%	8,352	52,6%
IRAP (current and deferred)	1,190	3,8%	1,367	8,6%
Total actual tax charges	4,026	12,8%	9,719	61,2%
Effective tax rate	12,8%		61,2%	

OTHER EXPLANATORY NOTES

Non-recurring components

In accordance with CONSOB communication no. 15519/2005, we report that there have been no non-recurring economic components reported in the annual financial statements as of 31st December 2012.

During the year 2011, the Company was forced to proceed with an impairment and the establishment of a provision for risks and charges, because of the negative economic performance of Sinergie Italiane S.r.l. – in liquidation.

The losses suffered in the financial year ended as of 30th September 2011 by the company, caused the impairment and the establishment of the provision for risks and charges equal to the amount entered at the end of the previous year in proportion to its share. The operation had to be considered as a non-recurring component because it is connected to the excessive economic burden of natural gas purchase agreements.

Information on related parties

The Company is controlled by Asco Holding S.p.A., which holds 61.562% of the shares.

All operations with the companies of the Group are part of the ordinary management of the enterprise and are regulated at market conditions. In 2012, there were no other operations carried out with companies, entities or administrators of the Company, of the parent companies and of the controlled companies.

Companies	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.	13	0	258	0	0	258	0	0	33	0
Total parent company	13	0	258	0	0	258	0	0	33	0
<i>Controlled companies</i>										
Ascoblu S.r.l.	15	0	0	2,005	0		0	0	5	200
Ascoenergy S.r.l.	32	0	1	6,365	0	103	1	0	11	145
Ascotrade S.p.a.	14,705	17,508	433	0	1,108	456	100	44,941	5,368	409
Blue Meta S.p.A.	139	11,270	16	0	0	31	0	7	162	180
Edigas Esercizio Distribuzione Gas S.p.A.	61	0	8	362	0	25	16	0	96	0
Etraenergia S.r.l.	34	0	1	406	0		3	27	73	3
Edigas Due S.p.A.	81	2,621	3	0	1	0	15	0	166	23
Pasubio Servizi S.r.l.	117	0	8	2,976	0	1	57	1	241	4
ASM DG S.R.L.	88	290	26	0	1	100	3	0	215	6
Unigas Distribuzione Gas S.r.l.	31	0	9	0	0	8	0	0	62	31
Veritas Energia S.r.l.	301	7,000	289	0	161		0	50	62	358
SINERGIE ITALIANE S.R.L.	139	0	0	0	0		0	273	138	0
Amgas Blu S.r.l.	68	0	0	0	0		0	0	116	0
<i>Jointly controlled companies</i>										
ASM SET S.R.L.	95	555	1		0		27	0	207	35
Estenergy S.p.A.	134	5,000			0		0	0	0	80
Total controlled companies	16,041	44,244	795	12,113	1,271	724	223	45,300	7,039	1,412
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	48	0	163	0	0	828	0	0	165	77
SEVEN CENTER S.R.L.	13	0	218	0	69	811	18	0	1	0
Total affiliated companies	62	0	380	0	69	1,639	18	0	165	77
Total	16,115	44,244	1,433	12,113	1,340	2,620	241	45,300	7,237	1,488

Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The earnings per share are calculated by dividing the net income for the period by the number of shares. 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.

There are no shares or warrants that could influence the calculation of the diluted earnings per share. Therefore, the calculation of earnings per share shows the same values as the diluted earnings per share.

The result and the number of ordinary shares used to calculate base earning per share are reported below:

	31.12.2012	31.12.2011
Number of shares	234,411,575	234,411,575
Earnings (in thousands of Euro)	27,538,493	6,173,627
Earnings per share (Euro)	0,12	0,03

Fees of the Auditing Company

Pursuant to Article 149-duodecies of the Issuer's Regulations, this item includes the fees received in 2012 for auditing services and for services other than auditing provided by the Auditing Company. No services were provided by entity belonging to its network.

Type of services	Service provider	Beneficiary	Fees (Thousands of Euro)
Auditing	Reconta Ernst & Young SpA	Ascopiave S.p.A.	178
Certification services	Reconta Ernst & Young SpA	Ascopiave S.p.A.	3
Auditing/other services	Reconta Ernst & Young SpA	Ascopiave S.p.A.	13
Other services	Reconta Ernst & Young SpA	Ascopiave S.p.A.	13
Total			207

Commitments and risks

Bank guarantees

As of 31st December 2012, the Group provided the following potential bank guarantees:

(Thousands of Euro)	31.12.2012	31.12.2011
On credit lines	108,402	231,200
On financial leasing agreements	956	956
On gas supply agreements	10,000	11,667
On electricity supply agreements	-	7,660
On electricity purchase agreements (letter of comfort)	-	5,000
On gas purchase agreements (letter of comfort)	2,550	-
On photovoltaic plants realization	-	4,196
Guarantees on credit lines	3,494	15,977
On execution of works	520	2
On UTF offices and regions for taxes on gas	2,715	1,415
On UTF offices and regions for taxes on electricity	100	15
On distribution concession	3,143	22,690
On public lighting concession	-	99
On purchase/sale of shares	2,500	2,500
On commercial leasing agreements	21	17
On conveyance agreements	14	14
Total	134,414	303,407

*The items "Letters of comfort on credit lines", "Letters of comfort on gas supply agreements" and "Letters of comfort on electricity supply agreements" include letters of comfort released by Ascopiave S.p.A. in favour of Sinergie Italiane S.r.l. for an overall amount of Euro 224,087 thousand, Euro 164,397 thousand in previous year.

Risk coverage policies

Management of financial risk: objectives and criteria

The main financial liabilities of Ascopiave S.p.A. include bank loans, financial leasing, lease contracts with the possibility of purchase and short-term and at-sight bank deposits. The main objective of these financial liabilities is to finance the company's operating activities. Ascopiave S.p.A. holds several financial assets such as trade receivables and short-term deposits and reserves, that derive directly from the company's operating activity. Trade receivables, as well as financial receivables, are mainly due to the controlled company Ascotrade S.p.A..

The main risks generated by the financial instruments of Ascopiave S.p.A. are the interest rate risk and the liquidity risk. The Board of Directors re-examines and identifies the policies for risk management, described hereinafter.

Interest rate risk

The exposure of Ascopiave S.p.A. to the risk of interest rate fluctuation is mainly connected to the variable interest rate loans and financings subscribed with credit institutions, being the Company responsible for managing the financial requirements of the controlled companies.

Ascopiave S.p.A.'s policy, depending on the seasonality of the natural gas business cycle, aims to manage the need for cash by means of temporary loans at variable rates that, given their constant change, do not make it possible to suitably cover the interest rate risk.

Ascopiave S.p.A. also manages fixed rate loans for non-significant amounts that depend on the granting of the gas distribution networks of the local bodies, now shareholders of Asco Holding S.p.A.

The impact on the result of FY 2012 are detailed below, based on a hypothetical increase of 200 basis points, and on a hypothetical decrease of 50 basis points of the interest rates applied to the medium-/long-term loan granted by Unicredit Banca during FY 2011.

Garanting body	Income statement 2012	
	+ 200 basis point	- 50 basis point
Unicredit (loan)	(716)	179

The sensitivity analysis obtained thanks to the simulation leads to an estimation of an effect on the result before taxes which is negative for Euro 716 thousand, or positive for Euro 179 thousand, respectively.

Sensitivity analysis of the interest rate risk

The following table shows the sensitivity of the Company's earnings before tax, on the basis of possible variations in interest rates, keeping all the other variables constant.

	January	February	March	April	May	June	July	August	September	October	November	December
Net financial position 2012	(126,026)	(99,712)	(116,781)	(122,438)	(118,668)	(123,882)	(129,902)	(134,768)	(126,325)	(129,087)	(137,563)	(126,649)
Average rate	2.61%	2.49%	2.52%	2.12%	2.15%	1.90%	1.76%	1.72%	1.73%	1.71%	1.62%	1.81%
Average rate + 200 basis point	4.61%	4.49%	4.52%	4.12%	4.15%	3.90%	3.76%	3.72%	3.73%	3.71%	3.82%	3.81%
Average rate - 50 basis point	2.11%	1.99%	2.02%	1.62%	1.65%	1.46%	1.26%	1.22%	1.23%	1.21%	1.32%	1.31%
NFP recalculated with increase of 200 basis point	(126,240)	(99,865)	(116,979)	(122,640)	(118,870)	(124,085)	(130,122)	(134,997)	(126,533)	(129,306)	(137,789)	(126,865)
NFP recalculated with reduction of 50 basis point	(125,973)	(99,674)	(116,731)	(122,388)	(118,618)	(123,831)	(129,846)	(134,711)	(126,273)	(129,032)	(137,506)	(126,586)
Effect on pre-tax result with increase of 200 basis points	(214)	(153)	(198)	(201)	(202)	(204)	(221)	(229)	(208)	(219)	(226)	(215)
Effect on profit before tax with a reduction of 50 basis points	54	38	50	50	50	51	55	57	52	55	57	54
												622

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Company equal to 50 basis points in decrease and 250 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 2,490 thousand or positive for Euro 622 thousand, respectively.

Receivable risk policy

Credit risk represents the company's exposure to potential losses arising from the counterparts' failure to meet their obligations. The failure or delay in the payment of fees owed may have a negative impact on the economic and financial stability of the Company.

Ascopiave S.p.A. provides its business services to a limited number of operators in the gas sector, the most significant in terms of turnover being Ascotrade S.p.A.. The rules for the access of customers to the services offered are determined by the Authority for Electricity and Gas and are provided for in the network codes, i.e. documents that establish, for each type of service, the rules governing the rights and obligations of the parties involved in the delivery of services, and they provide for contract terms and conditions that reduce the risk of default by customers. In particular, the network codes provide for the issuance of adequate guarantees to cover part of the obligations undertaken if the customer does not hold a credit rating issued by major international bodies.

Liquidity risk

Ascopiave S.p.A. constantly pursues the aim of maintaining the stability and flexibility between financing sources and uses, in its capacity as treasury manager for the Group.

The two main factors influencing the liquidity of Ascopiave S.p.A. are, on the one hand, the resources generated or absorbed by the operating or investment assets, on the other hand, the expiry and debt renewal characteristics.

Under note 31, financial payables are detailed according to their date of expiry (as of 31st December).

Liquidity requirements are constantly monitored by the Treasury Department of Ascopiave S.p.A., in order to ensure that financial resources are easily identifiable and collectible, or that appropriate investments are made in relation to cash or cash equivalents.

The Administrators believe that the reserves and credit lines currently available, as well as those that will be generated by the operating and financial activities, will allow meeting the requirements connected to investments, management of circulating capital and to the reimbursement of debt upon date of expiry.

Specific risks in the business sector in which the Company operates

Regulations

The activities carried out by Ascopiave S.p.A. 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 AEEG can have a significant impact on the operations, the operating results and the financial balance of the Company. Future changes in regulatory policy adopted at a national level could have unexpected effects on the regulatory reference framework and, consequently, on the activity and results of the Company.

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

As of 31st December 2012, Ascopiave S.p.A. holds 149 concessions for the distribution of natural gas Nation-wide. In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19th January 2011 and 18th October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12th November 2011. With new tenders being launched, Ascopiave S.p.A. may not be able to obtain one or more new concessions, or it could obtain them at less advantageous conditions than the current ones, with possible negative impacts on the operative activity and the economic, equity and financial situation, it being understood that, if the company is not awarded with a new concession, limited to the Municipalities previously managed by the company, it will obtain a reimbursement value envisaged for the outgoing operator.

Risks relating to the existence of the right of municipalities to acquire ownership of distribution networks for gas and to the amount of reimbursement paid by the new operator

With regard to the concessions under which Ascopiave S.p.A. also owns the gas distribution networks and facilities, the evolution of sector regulations determines the legal framework of the property and the necessary elements for the determination of the reimbursement value for the outgoing operator, both in the first period, that is to say until the termination of the transition period pursuant to art. 15 of Legislative Decree no. 164/00 and subsequent amendments, and in the following periods. In particular, the above-mentioned Decree on tender criteria and bid assessment standards and the Ministry for Economic Development Decree dated 5th February 2013, which definitively approved the framework service agreement proposed by the Authority for Electricity and Gas, establish that:

- in the first period, the reimbursement value for the subjects holding the current awards and concessions will be calculated based on the agreements' provisions, or, if not inferable, based on criteria set by Royal Decree dated 15th October 1925, no. 2578

(criteria of the industrial estimate);

- in case of litigation concerning the determination of the reimbursement value to the outgoing operator, the call for tenders reports and the contractor pays, upon the sale of its facilities, the highest value between the estimate of the Local Body (grantor) and the value of the net fixed assets of the location, net of capital grants and private contributions relating to assets of locations, recognized by the tariff system of the Authority (RAB).

If a difference arises, after the resolution of litigation, it will be handled between the successful operator and the outgoing operator;

- the successful operator acquires the property of the facility against payment of the reimbursement value to the outgoing operator, except any facility portions owned by the Municipality;

- in regular periods, that is to say in periods following the first one, the reimbursement to the outgoing operator shall be equal to net fixed assets of the location net of capital grants and private contributions relating to assets of locations, calculated using the criteria adopted by the Authority to determine distribution tariffs (RAB).

In the light of the above-mentioned legal framework, there is a risk that the resolution of the litigation with the Local Body for the determination of the reimbursement value will lead to a lower amount than the base price in the tender notice and actually paid to the Group, with consequent negative effects on the business, as well as on its economic and

financial conditions.

Management of Capital

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

Ascopiave S.p.A. checks its capital by means of a debt/capital ratio, i.e. comparing the net debt to the total of the capital plus the net debt. Ascopiave S.p.A. includes financial charges, accounts payable and other liabilities in the net liabilities, net of liquid funds and equivalent.

(Thousands of Euro)	31.12.2012	31.12.2011
Medium and long-term loans	27,018	33,243
Loans from banks net of equivalents on hand	154,978	167,773
Financial gross debt	181,997	201,016
Share capital	234,412	234,412
Reserves	97,576	95,456
Undistributed net profit	27,538	6,174
Total Net Equity	359,526	336,041
Total capital and gross debt	541,523	537,057
Debt/Net equity ratio	0,51	0,60

Policies for the coverage of risks connected to fluctuations of interest rates

The Company is exposed to risks connected to fluctuations of interest rates, mainly in relation to short-term payables to banks.

Significant events after the end of FY 2012

Agreement for the management of the gas distribution service in the Municipality of Tezze sul Brenta

With Determination no. 603 dated 3rd August 2012, the Municipality of Tezze sul Brenta definitively awarded the tender for the management of the gas distribution service to Ascopiave S.p.A..

The award deed was contested by Enel Rete Gas S.p.A. (second place) with application lodged at the Regional Administrative Court of Veneto (RG 1468/2012).

Since the judgment is still pending, the Municipality and Ascopiave, with a prudent attitude and in order to guarantee legal relationships, agreed not to immediately proceed with the stipulation of the new service contract.

Subsequently, by Judgment no. 1463/2012, the Regional Administrative Court of Veneto rejected the appeal of Enel Rete Gas S.p.A.. The deadline for the appeal expired on 3rd March 2013.

Consequently, considering a lower risk of annulment of the Municipality's measure, as of 1st March 2013, the service contract aimed at governing the relationships for the 12 -year management was signed.

Taking into account the fact that the deadline for filing an appeal is still pending, a supplementary agreement was signed which established the suspension of time limits for the implementation of the industrial plan for the extension, development and enhancement of facilities until the unfruitful expiry of time limits themselves, or until the definitive Judgment of the Italian Council of State.

Tezze sul Brenta is a Municipality with a population of about 12,600 inhabitants; the gas distribution network in Tezze sul Brenta extends for over 70 km and reaches about 4,500 users. The agreement between the Municipality and Ascopiave S.p.A. envisages an operative base within 40 Km, the opening of an information point for users on the territory and one online.

Letter of intent signed with Eni for the development of a partnership in gas and electricity marketing

On 12th March 2013, Ascopiave S.p.A. and Eni S.p.A. signed a Letter of Intent in which they identify the principles for a partnership aimed at jointly developing gas and electricity marketing activities for the household and small and medium enterprise market, focused on Triveneto territory, but which can be extended to other areas as well.

Availing of the shared experiences of both companies, the partnership will permit to enhance commercial offer and services to clients, in order to guarantee maximum competitiveness and management efficiency.

The Letter of Intent defines the procedures that the Parties will jointly undertake in order to perfect the operation, and the reference hypothesis on which the intent is based, including the incorporation of one or more special purpose companies, in which the Parties will hold an interest, which will receive the shareholdings respectively held in sales companies based in the North-East of Italy and further commercial assets.

The operation should be defined in the second quarter of 2013, after authorization on the part of the Italian Antitrust Authority.

Sinergie Italiane S.r.l. in liquidation

On 27th February 2013 the Liquidation Council of the subsidiary company approved the project related to the first liquidation intermediate financial statements closed at 30th September 2012, which record a negative net equity balance equal to Euro 32,501 thousand.

Litigations

CATEGORY I – ADMINISTRATIVE LITIGATIONS

As of 31st December 2012 the following are pending:

MUNICIPALITY OF VILLAVERLA:

An application lodged by Ascopiave before the Regional Administrative Court of Veneto against the Municipality of Villaverla on 18th March 2011 for annulment of the tender procedure. The related suspensory measure was rejected.

MUNICIPALITY OF CASTELLO DI GODEGO:

An appeal before the Regional Administrative Court of Veneto against the Municipality of Castello di Godego filed by Ascopiave in early February 2012 for the annulment of the City Council Resolution no. 122 dated 29th November 2011 (which requires, pursuant to art. 46 bis of Law 222/2007 the payment of an annual fee up to 10% of the restriction on revenues from gas distribution for years 2008, 2009, 2010, 2011 and 2012). No hearing was scheduled and no sentence was issued.

MUNICIPALITY OF TEZZE SUL BRENTA:

An appeal before the Regional Administrative Court of Veneto against the Municipality of Tezze sul Brenta lodged by way of precaution by Ascopiave for the annulment of the Determination of the Supervisor for Public Works no. 698 dated 29th September 2011 through which the Local Body reopened the tender time limits previously suspended. On 3rd August 2012 Ascopiave received the definite award. As a consequence, the appeal and the administrative proceedings will probably be extinguished.

Application to the Regional Administrative Court of Veneto, proposed by Enel Rete Gas (second place) for the cancellation of the Determination of definitive award related to tender procedures in favour of Ascopiave.

By judgement no. 1463 dated 3rd December 2012, the Regional Administrative Court of Veneto rejected the appeal. The deadlines for contestation are still pending.

MUNICIPALITY OF SAN VITO DI LEGUZZANO:

An appeal before the Council of State against the Municipality of di San Vito di Leguzzano (and Pasubio Group S.R.L.) for cancelling or reviewing Sentence no. 541/2011 issued by the Regional Administrative Court of Veneto, which rejected and declared partly inadmissible the appeal filed by Ascopiave on 14th July 2011. The hearing took place on 13th July 2012 and a decision was expected. On 18th October 2012, with judgment no. 5352/2012, the Council of State definitively rejected Ascopiave S.p.A.'s appeal.

MUNICIPALITY OF SANTORSO:

An appeal before the Regional Administrative Court of Veneto against the Municipality of Santorso filed by Ascopiave in 2007 (r.g. 295/07) for the repeal of the tender acts (plants delivered in 2007 - effective as of 1st August 2007). With regard to this appeal, in spite of the request for withdrawal presented, no hearing was scheduled and no sentence was issued.

On 8th March 2012, extinguishment notice was received pursuant to art. 82, paragraph 1, of Legislative Decree 104/2010, expired on 29th August 2012.

MUNICIPALITY OF GALLIERA VENETA:

An appeal before the Regional Administrative Court of Veneto against the Municipality of Galliera Veneta, filed in 2006 and for which, after failing to issue a sentence and after having reached an agreement with the municipality, the administrative proceedings was extinguished by Resolution Decree no. 1513 dated 19th September 2012.

MUNICIPALITY OF TEZZE SUL BRENTA:

A (further) appeal before the Regional Administrative Court of Veneto against the Municipality of Tezze sul Brenta, filed in 2008 and for which, with reference to what stated above about the Local Authority, the administrative proceedings shall be extinguished.

CATEGORY II – LITIGATIONS ON THE VALUE OF PLANTS - CIVIL LAW

As of 31st December 2012, the following litigations are pending:

MUNICIPALITY OF CREAZZO:

A trial is pending before the Civil Court of Vicenza between Ascopiave S.p.A. and the Municipality of Creazzo for the establishment of the industrial residual value of the distribution plants (delivered in 2005 to the new operator). After the examination of the court-appointed expert witness report, the Judge scheduled the conclusive hearing for 13th March 2013.

MUNICIPALITY OF SANTORSO:

A trial is pending before the Civil Court of Vicenza between Ascopiave and the Municipality of Santorso for the establishment of the industrial residual value of the distribution plants (delivered in 2007 to the new operator). After the examination of the court-appointed expert witness report, the Judge scheduled the conclusive hearing for 14th January 2015.

CATEGORY III – LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 31st December 2012, the following litigations are pending:

MUNICIPALITY OF COSTABISSARA:

An arbitration is pending between Ascopiave and the Municipality of Costabissara for the establishment of the industrial residual value of the distribution plants (delivered in 2011 to the new operator). The first meeting of the Arbitration Commission was held on 16th January 2012. Having the parties not reached an agreement, the Commission decided a partial final award aimed at deciding the validity (Ascopiave) or not (Municipality) of the arbitration clause envisaged in the agreement.

MUNICIPALITY OF SAN VITO DI LEGUZZANO:

An arbitration is pending between Ascopiave and the Municipality of San Vito di Laguzzano for the establishment of the industrial residual value of the distribution plants (delivered in 2010 to the new operator). The Arbitration Commission was formed on 4th March 2011. The proceedings were expected to end within 240 days starting as from 28th March 2011. The deadline, as authorized by the Parties, was postponed by the Commission to February 2013. By Order no. 3 dated 18th June 2012 the commission appointed the court expert witness while Ascopiave and the Municipality appointed their own experts. The President of the Commission resigned, believing he could no longer occupy his position after the new regulations (even if they surely do not apply to arbitrations in progress). Ascopiave suggested his reconfirmation, but the Local Body denied its approval. Therefore, a new request shall be submitted to the President of the Court for the appointment of a substitute.

CATEGORY IV – OTHER PENDING ADMINISTRATIVE LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31st December 2012, the following litigations are pending:

ASCOPIAVE - NEW HEADQUARTERS:

An appeal before the Council of State filed by the company Setten Genesisio S.p.A., for the tender involving the construction of the new company headquarters and aimed at obtaining the review of the sentence no. 6335/2010 issued by the Regional Administrative Court of Veneto that, despite admitting the appeal filed by the company and thereby annulling the tender acts, rejected the request for compensation for damage against Ascopiave and the company Carron S.p.A. (about Euro 1,300 thousand).

AUTHORITY FOR ELECTRICITY AND GAS – RESOLUTIONS ARG/GAS 99/11 – 207/11 – 166/12 – 352/12:

An appeal before the Regional Administrative Court of Lombardy – Milan, against the Authority for Electricity and Gas for cancelling Resolution ARG/gas 99/11 for the "Default Service" by it regulated, promoted by Ascopiave S.p.A. and other distribution companies on 8th November 2011. The Regional Administrative Court of Lombardy, by court order dated 16th December 2011, approved the request for suspending the proceedings, scheduling the merit hearing for next 6th June. The AEEG, in spite of this court order, issued Resolution ARG/Gas 207/11, extending the entry into force of Resolution 99 to 1st May 2011. In order to avoid the risk of a declaration of “lack of interest”, the judgment was contested with “additional reasons”. Later, the Authority for Electricity and Gas further intervened on the matter with Resolution 166/2012. Even if this further Resolution did not affect the contested aspects of Resolution 99, considering that one of the lawyers of the other claimants explicitly declared in his defence that the appeal is right and proper, as a matter of prudence, the judgement was contested with additional reasons. As a consequence, the hearing was postponed to October. The Authority for Electricity and Gas further intervened with Resolution 352/12, a measure contested and criticized by appeal for additional reasons. In particular, two sections were contested: where the default service, still considered a balance service, is confirmed on the part of the distributors, and where it sets formulae for the covering of costs and the compensation for the service. By judgement no. 3272 dated 28th December 2012, the Regional Administrative Court of Lombardy granted the appeals thus cancelling all the regulations concerning the Default. The deadlines for contestation (on the part of the Authority for Electricity and Gas) are still pending.

AUTHORITY FOR ELECTRICITY AND GAS – RESOLUTIONS ARG/GAS 28/12 – 193/12 – 246/12:

An appeal before the Regional Administrative Court of Lombardy – Milan, against the Authority for Electricity and Gas for cancelling Resolution ARG/gas28/12 concerning the envisaged transition from traditional counting meters to tele-read and tele-managed electronic meters and in particular: because it is foreseen that residual amortizations of replaced meters but with a still valid seal will not be recognized from a tariff point of view; because the indication/recognition of standard costs for the new equipment is incorrect (underestimated); because only the use of

electronic meters is envisaged starting from 1st March 2012 even if the related technology is not yet available on “industrial” orders. The estimated “loss” for Ascopiave S.p.A., should the resolution be confirmed, in the period from the current date to 2018, would amount to some million Euros.

Subsequently, the Authority for Electricity and Gas issued as a partial amendment to Resolution no. 28, Resolutions 193/2012 and 246/2012 which, nevertheless, have not eliminated the issues mentioned above. Only the above-mentioned deadline scheduled on 1st March 2012 has been removed (postponed to 31st December 2012). Both decisions have been contested with additional reasons. Similarly, Resolution 316/2012 through which the Authority for Electricity and Gas further intervened on the matter, has also been contested.

Relations with the Agenzia delle Entrate (Inland Revenue Agency)

During 2008, the company Ascopiave S.p.A. was subject to tax audit by the Inland Revenue Office. Following the audit, a report on findings with observations on the indirect and direct taxes was issued. During the month of July, the local Internal Revenue Office issued a notice of assessment regarding the contents of the report on findings. The major tax ascertained and the charges due for the establishment of the litigation are conservatively estimated to be around Euro 92 thousand, which were set aside in a special fund risks, also following the advice of the tax advisor.

The company, on 20th January 2010, filed an appeal to the Provincial Tax Commission and paid the sum of Euro 243 thousand needed for the settlement of the dispute; on 27th January 2010, it filed an appeal and the discussion of the appeal was scheduled for 30th September 2010.

On 22nd December 2010, the Commission of the Province of Treviso acknowledged the good tax behaviour of the company.

On 27th June 2011, the local Inland Revenue Agency filed an appeal against the decision of the Commission of the Province of Treviso, which set the date of the discussion on 20th September.

On 23rd December 2012 the Commission of the Province acknowledged the good tax behaviour of the company.

As of today, the deadlines still enable the Agency to file an appeal against the second judgement through the State legal service before the Court of Cassation.

Territorial areas

During 2012, the regulatory framework of the sector was further defined, in particular with reference to territorial calls for tenders, through the issue of some ministerial decrees, which implemented several authorisations and directions envisaged by legislation.

In particular:

- 1) with the Decree dated 19th January 2011 issued by the Ministry for Economic Development, in agreement with the Ministry for the Relationships with Regions and Territorial Cohesion, minimum territorial areas for tenders aimed at the award of the gas distribution service were identified and with subsequent Decree dated 18th December 2011 the municipalities belonging to each area were also identified (the so-called Territorial Areas Decree);
- 2) the Decree issued by the Ministry for Economic Development and the Ministry of Labour and Social Policy dated 21st April 2011, sets provisions to govern the social effects connected to the new awards of gas distribution concessions in compliance with paragraph 6 of art. 28 of legislative decree dated 23rd May 2000, no. 164 (the so-called Employment Protection Decree);

3) with Decree of the Ministry for Economic Development no. 226 dated 12th November 2011, the regulations on tender criteria and bid assessment standards for the award of the gas distribution service were approved (so-called criteria decree).

The issue of Ministerial Decrees significantly helped guarantee the competitive context within which the operators will operate in the next years, allowing the market opening process, started with the transposition of European directives, to concretely produce the expected advantages.

The first Territorial Areas Decree defined 177 minimum territorial areas, envisaging that, commencing with the date of entry into force, the service can only be awarded through tenders launched in the minimum territorial area, so that single municipalities and local bodies cannot award the service individually.

The Employment Protection Decree has two goals; first of all, offering employment protection for gas distribution staff against possible changes in management entailed by tenders; secondly, guaranteeing management continuity on the part of skilled workers, ensuring service quality and safety.

The Decree establishes that the successful operator will be obliged to employ a part of the outgoing operator's personnel in proportion to the number of users of the tendered concessions. If the workers to be transferred exceed the minimum ratio of 1 employee every 1,500 users, the awarding entities can establish a lower ratio in the invitation to tender, as long as it is justified.

In addition, the decree establishes that the personnel in charge of the management of the natural gas distribution plants, object of the tender, and a portion of the staff with central support tasks is subject, without prejudice to the dissolution of the work relationship and if the involved subjects do not explicitly renounce, to be directly and immediately transferred to the successful operator, enjoying the same existing individual economic conditions, with reference to regular and continuous salaries and to compensations linked to years of service.

In case of redundancy, social welfare measures envisaged by law for employees of wholly publicly-owned entities and additional social welfare measures, including any extension, pursuant to regulations in force, should be applied.

This was substantially elevated to primary legislation by virtue of the reference contained in art. 37, paragraph 3, of Decree-law 83/2012 (converted into Law 134/2012 with amendments). In addition, since the above is mandatory *erga omnes*, what has been described above shall not be included among the bid's evaluation elements.

The Criteria Decree (no. 226/2011) defines fundamental aspects related to tenders, such as the subjects that shall publish the tender, which will be named "awarding entities", tendering times for each territorial area, requirements that the participating subjects must possess, and award criteria.

The Decree contains several attachments, including the framework invitation to tender (with its annexes) and the framework discipline to be adopted.

The Decree also deals with preliminary issues, such as the determination of the reimbursement values due to outgoing operators, filling previous regulations gaps.

With reference to the definition of reimbursement values, the Decree, respecting the evaluation criteria mutually agreed between the parties, defines application details, envisaging that for the values of reconstruction as new, reference must be made to price lists for construction works and for installation of technological plants of the local chambers of commerce or, in their absence, to similar regional price lists. For specific distribution components, price lists issued by the Authority for Electricity and Gas are expected to be used for the evaluation of investments or, as a last resort, market values.

The Decree also defines the useful lives to be applied in order to determine the deterioration value of the various network and plant components.

As concerns the regular situation, reimbursement values are determined in compliance with article 14, paragraph 8 of the Letta Decree, which was reformulated by virtue of the entry into force of Legislative Decree no. 93/2011 (implementation of directives 2009/72/EC, 2009/73/EC and 2008/92/EC concerning common regulations for the Electricity and Gas market). The new regulations envisage that “The new operator, with reference to the investments in the facilities which were transferred in previous awards or concessions, must assume all the guarantees and the obligations related to existing loan agreements or to pay them off and pay to the outgoing operator an amount equal to the reimbursement value for the facilities whose property is transferred from the outgoing operator to the new distributor. In the regular situation, the reimbursement value to the outgoing operator is equal to the value of the net fixed assets of the location of the distribution and measurement service, related to the facilities whose property is transferred from the outgoing operator to the new distributor, including fixed assets in progress, net of capital grants and private contributions relating to assets of locations, calculated using the method of tariff adjustment in force and based on facilities' consistency at the time of property transfer”.

Finally, article 24, paragraph 3 of Legislative Decree no. 93/2011 established that the Authority for Electricity and Gas, limited to the first period of management of the concessions awarded for minimum territorial areas, must recognize in the tariff to the successful operator the amortization of the difference between the reimbursement value determined in the first period and the net fixed assets value, net of capital grants and private contributions relating to assets of locations pursuant to tariff regulation. Thanks to this new legislation, the winners of the first territorial tender will be able to recover in the tariff the difference between the reimbursement value paid to acquire the property of the facilities they manage, which generally corresponds to the concept of residual industrial value, and the value of the net invested capital recognized for tariff purposes which, as mentioned above, will also substantially represent the reimbursement value they are entitled to obtain upon expiry of the concession. Moreover – pursuant to the Criteria Decree – the successful operator can decide not to cash in wholly or partially this difference, offering it to the end Clients as a tariff discount, which represents one of the qualifying elements of the territorial tender.

In the Official Journal issued 26th June 2012, Decree-law dated 22nd June 2012, no. 83 was published, which establishes “Urgent measures for the Country's growth” which for article 37, mentioned above (“Regulation of tenders for natural gas distribution”) clarifies the subjects which can access territorial areas tenders. In particular, it lays down that the subjects which already hold gas distribution awards or concessions can participate in the first territorial areas tenders, after the transition period, Nation-wide and without territorial limits. Subjects directly granted with local public services “other than” natural gas distribution can participate as well.

The following deliberations that complete the regulatory framework should be highlighted:

- Resolution of the Authority for Electricity and Gas 407/2012/R/GAS which established “*Criteria for the definition of one-time compensation for covering tender charges for the award of natural gas distribution service*” up to Euro 600 thousand.
- Resolution of the Authority for Electricity and Gas 532/2012/R/GAS which laid down communication formats for plant significant data;
- Ministerial Decree dated 5th February 2013 which approved the text of the Framework Agreement.

Proposals by the Board of Directors to the Shareholders' Assembly

The Board of Directors of Ascopiave S.p.A., taken into consideration the result of the fiscal year and the solidity of the equity and financial structure of the Group, will propose to the Shareholders' Assembly the distribution of a dividend equal to Euro 0.11 per share, for a total amount of Euro 25,785,320 using the financial year result and allocating to reserves the residual amount equal to Euro 1,753,173. Ascopiave S.p.A. informs that, if approved, the dividend will be paid on 23rd May 2013 and registration will take place on 20th May 2013. The Board of Directors will not suggest amounts for the legal reserve, since the reserve already equals one fifth of the share capital.

Pieve di Soligo, 14th March 2013

The President of the Board of Directors

Fulvio Zugno

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
ASCOPIAVE S.p.A.

1. We have audited the consolidated financial statements of ASCOPIAVE S.p.A. and its subsidiaries, (the "ASCOPIAVE Group") as of 31 December 2012 and for the year then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of ASCOPIAVE S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 29, 2012.
3. In our opinion, the consolidated financial statements of the ASCOPIAVE Group at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the ASCOPIAVE Group for the year then ended.
4. The Directors of ASCOPIAVE S.p.A. are responsible for the preparation of the Report on Operations and the Report on Corporate Governance and the Company Structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company Structure, are consistent with the consolidated financial statements of the ASCOPIAVE Group at December 31, 2012.

Treviso, March 29, 2013

Reconta Ernst & Young S.p.A.

Signed by: Maurizio Rubinato, partner

This report has been translated into the English language solely
for the convenience of international readers.

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
ASCOPIAVE S.p.A.

1. We have audited the financial statements of ASCOPIAVE S.p.A. as of 31 December 2012 and for the year then ended, comprising the statement of financial position, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of ASCOPIAVE S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 29, 2012.
3. In our opinion, the financial statements of ASCOPIAVE S.p.A. at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of ASCOPIAVE S.p.A. for the year then ended.
4. The Directors of ASCOPIAVE S.p.A. are responsible for the preparation of the Report on Operations and the Report on Corporate Governance and the Company Structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company Structure, are consistent with the financial statements of ASCOPIAVE S.p.A. at December 31, 2012.

Treviso, March 29, 2013

Reconta Ernst & Young S.p.A.
Signed by: Maurizio Rubinato, partner

This report has been translated into the English language
solely for the convenience of international readers.