



Annual Financial Report
as of 31st December 2011

Table of contents

GENERAL INFORMATION	6
Directors, Officers and Company information	6
Main economic and financial data of the Ascopiave Group	8
REPORT ON OPERATIONS	10
PREMISE.....	10
The structure of the Ascopiave Group	13
The natural gas market	14
The general economic context	14
The gas market: the European scenario	17
The gas market: the Italian scenario	18
Gas sale	21
Gas distribution	21
The regulatory framework	24
National regulations	24
Reference regulatory framework	24
Excise duty and VAT	25
Disposition of the AEEG concerning the natural gas distribution and sale segments	25
Other provisions	27
Dispositions of AEEG concerning energy efficiency	33
Efficiency and energy saving obligations	34
Ascopiave S.p.A. share trend on the Stock Exchange	37
Control of the Company	38
Shares held by Directors and Auditors	39
Corporate Governance and Ethical Code	39
Transactions with related and affiliated parties	40
Directors' and Statutory Auditors' fees	41
Significant events during 2011	42
Company operations that took place during the year 2011	42
Other significant events	44
Sales of natural gas and electric power	49
Gas sale	49
Sale of electric power	53
Initiatives in the photovoltaic	54
Distribution of natural gas	56
Ascopiave Group: management trend	56
Activity of distribution of natural gas	56
Development, expansion and maintenance of the distribution network	57
Estimates and new connections to methane-served areas	62
Metre activities	65
Management of Appointments with the Customers	67
Web site: commercial quality and general price lists for services	68
Heat management	69
Co-generation	69
Efficiency and energy saving	70
Other relevant events	71
Litigations	71
Distribution of dividends	74
New plan for the purchase of own shares	74
Own shares	74
Expected evolution of management trend	74

Human resources	75
Quality	76
Group objectives and policies and description of risks	80
Research and development	80
Other information	81
Seasonal nature of the activity	81
Protection of personal data	81
List of companies' registered offices	82
Leased offices	82
Performance indicators	83
Comments on the economic and financial results of the financial year 2011	84
General operational performance and indicators	84
General operational performance - The Group's economic results	86
General operational performance – Financial situation	88
General operational performance - Investments	90
Statement linking shareholders' equity and net profit of ASCOPIAVE S.p.A. and the corresponding consolidated values	91
Consolidated financial statements	92
as of 31st December 2011	92
Consolidated statement of financial position as of 31 December 2011 and as of 31 December 2010	93
Consolidated income statement for the year 2011 and 2010	94
Consolidated statement of changes in shareholders' equity as of 31 December 2011 and as of 31 December 2010	95
Consolidated statement of Cash Flows for the year 2011 and 2010	96
EXPLANATORY NOTES	97
Company information	97
The activities of the Ascopiave Group	97
General drafting criteria and compliance with IRFS	97
Financial statements representation	98
Recently issued accounting principles	98
Use of estimates	100
Consolidation principles	101
Consolidation area as of 31st December 2011	103
Synthesis data of proportionally consolidated companies and of consolidated companies	104
Evaluation principles	105
COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS	113
Non-current assets	113
Current assets	122
Consolidated shareholders' equity	126
Non-current liabilities	127
Current liabilities	132
COMMENTS ON THE MAIN CONSOLIDATED INCOME STATEMENT ITEMS	139
Revenues	139
Costs	141
Financial income and expenses	146
Taxes	147
Non-recurring components	148
Transactions deriving from unusual and/or atypical operations	148
OTHER COMMENTS ON THE ANNUAL FINANCIAL REPORT AS OF 31st DECEMBER 2011	149

Company mergers:	149
Commitments and risks	153
Business segment reporting	159
Earnings per share	160
Dividends	160
Transactions with related parties	161
Significant events after the end of the period considered	162
Goals and policies of the group	162
Synthesis of the financial year 2011 of the companies proportionally consolidated	163
Synthesis of the financial year 2011 of the companies consolidated with the net equity method	164

Attachments:

- Individual Financial Statement of Ascopiave S.p.A. as of 31st December 2011

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:

- Board of Auditor's Report on the Financial Statements for the period ended on 31st December 2011 (not available)

Independent Auditors:

- Independent Auditors' Report on the Consolidated financial Statements for the period ended on 31st December 2011 (not available)
- Independent Auditors' Report on the Consolidated financial Statements for the financial period ended on 31st December 2011 (not available)

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Statutory Auditors

Name	Office	Duration of office	From	To
Beninatto Alfonso	Director	2008-2010	28/04/2008	28/04/2011
Bortolin Gianantonio	Director	2008-2010	28/04/2008	28/04/2011
Fassina Alessandro	Independent Director	2008-2010	28/04/2008	28/04/2011
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
Salton Gildo	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
Nicolai Paolo	President of the Board of Auditors	2008-2010	13.11.2008	28.04.2011
Sforza Fabio	Statutory Auditor	2008-2010	28.04.2008	28.04.2011
Saccardi Giuliano	Statutory Auditor	2008-2010	28.04.2008	28.04.2011
Zancopè Ogniben Giovanni	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
Trinca Flavio	28/04/2008	28/04/2011
Beninatto Alfonso	28/04/2008	28/04/2011
Fassina Alessandro	28/04/2008	28/04/2011
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
Beninatto Alfonso	28/04/2008	28/04/2011
Trinca Flavio	28/04/2008	28/04/2011
Saccardi Giuliano	28/04/2008	28/04/2011
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.

Via Verizzo, 1030

I-31053 Pieve di Soligo TV Italia

Tel: +39 0438 980098

Fax: +39 0438 82096

Share Capital: Euro 234.411.575 fully paid in

P.IVA 03916270261

e-mail : info@ascopiave.it

Investor relations

Tel. +39 0438 980098

fax +39 0438 964779

e-mail : investor.relations@ascopiave.it

Main economic and financial data of the Ascopiave Group

Economic figures

(Thousands of Euro)	2011	% of revenues	2010	% of revenues
Revenues	1,102,590	100.0%	855,884	100.0%
Gross operating margin *	95,346	8.6%	78,009	9.1%
Operating result	68,037	6.2%	55,754	6.5%
Net income for the period	8,259	0.7%	32,845	3.8%

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

Assets figures

(Thousands of Euro)	31.12.2011	31.12.2010
Net working capital	98,485	52,209
Fixed assets and other non-current assets	547,770	470,712
Non-current liabilities (excluding loans)	(82,466)	(47,526)
Net invested capital	563,789	475,395
Net financial position	(201,221)	(95,995)
Total net equity	(362,568)	(379,400)
Total financing sources	(563,789)	(475,395)

* 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 figures

(Thousands of Euro)	Year 2011	Year 2010
Net operating income	6,266	31,174
Cash flows generated by operating activities	3,207	32,470
Cash flows generated by investments	(70,352)	(27,060)
Cash flows generated (used) by financing activities	88,686	(2,939)
Cash flow for the period	21,541	2,471
Liquid assets at the beginning of the period	23,313	20,842
Liquid assets at the end of the period	44,854	23,313

REPORT ON OPERATIONS

PREMISE

The Ascopiave Group closed 2011 with a net profit of 8.26 million Euro, of which 6.3 million are to be apportioned to the Group.

The consolidated net assets at year end amount to 362.6 million Euro and the net capital invested to 563.8 million Euro. In 2011, the Group accomplished investments for 41.8 million Euro, mainly in the development, maintenance and modernization of the networks and plant of gas distribution, in the establishment of photovoltaic plants 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 and the production of electric power from photovoltaic plants.

The Group currently holds concessions and direct assurances for the supply of the service in 212 municipalities.

Thanks to agreement undersigned at the end of 2010 and revised in the first months of 2011, the Group has strengthened its presence in the gas distribution segment of the Lombardy region, through the acquisition of the company Unigas Distribuzione Gas S.r.l. (48.86%) by the parent company. The company holds concessions for gas distribution management in 31 municipalities in the district of Bergamo.

As of 31st December 2011, the Ascopiave Group is the owner of the managed distribution network, that is extended for 8.500 Km, supplying the service to more that one million inhabitants.

The activity of natural gas sale to end customers is carried out through subsidiaries of the parent company Ascopiave S.p.A., controlled exclusively or jointly with other shareholders. In 2011, from Unigas Distribuzione Gas S.r.l., and through the subsidiary Ascotrade S.p.A., the Group acquired 100% of BlueMeta S.p.A., gas and electric power trader with approx. 80.000 customers. Moreover, from Amgas S.p.A., through the subsidiary Asco Blu S.r.l., the Group acquired 80% of Amgas Blu S.r.l., a gas selling company with about 50,000 sales contracts in the Foggia area.

Thanks to the acquisition operations finalised in the five-year period 2007-2011, the Ascopiave Group has become one of the main gas operators at a national level, both for the number of customers and for the quantity of gas sold. Since 2007, Ascopiave has been operating as gas trader and wholesaler.

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 liberalisation 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 2011 are equal to 1,122.3 million cubic metres, marking an increase of 7.67%, mainly connected to the enlargement of the consolidation area. In 2011, the proportionally controlled companies (Estenergy S.p.A., ASM Set S.r.l., Veritas Energia S.r.l.) sold an overall amount of 621.7 million cubic metres of gas, with a decrease of 2.42% as compared to 2010. As of 31st December 2010, the 100% consolidated companies served 563,186 customers, whereas, as of the same date, the proportionally consolidated companies managed over 292,800 customers.

The sale of gas within the framework of trading operations led to the movement of 1,153.1 million cubic metres (+9.09% as compared to 2010).

As to the activity of gas distribution, in 2011, the volumes distributed through networks managed by the Group have been 1029.7 million of cm (+9.07% compared to 2010).

The distribution network followed the development trends historically consolidated, and as a consequence of new enlargements and consolidation of the activities as of 31st December 2011, has an extension of 8,577 Km.

Economic results and financial situation

Consolidated revenues of 2011 of the Ascopiave Group equal 1102.6 million Euro, compared to 855.9 million Euro of 2010. The increase in the turnover is mainly due to the increase in the revenues on gas sale to final market (+105.0 million Euro), on gas sale operations as trader and wholesaler (+89.2 million Euro) and in the increase in the sale of electric power (+44.6 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 68.0 million Euro, improving as compared to 55.8 of 2010.

The increase in the company's Net Result, as compared to the previous financial year, is connected to the increase in the commercial margins on gas sale, whereas the profitability of gas distribution remained unchanged as compared to last year.

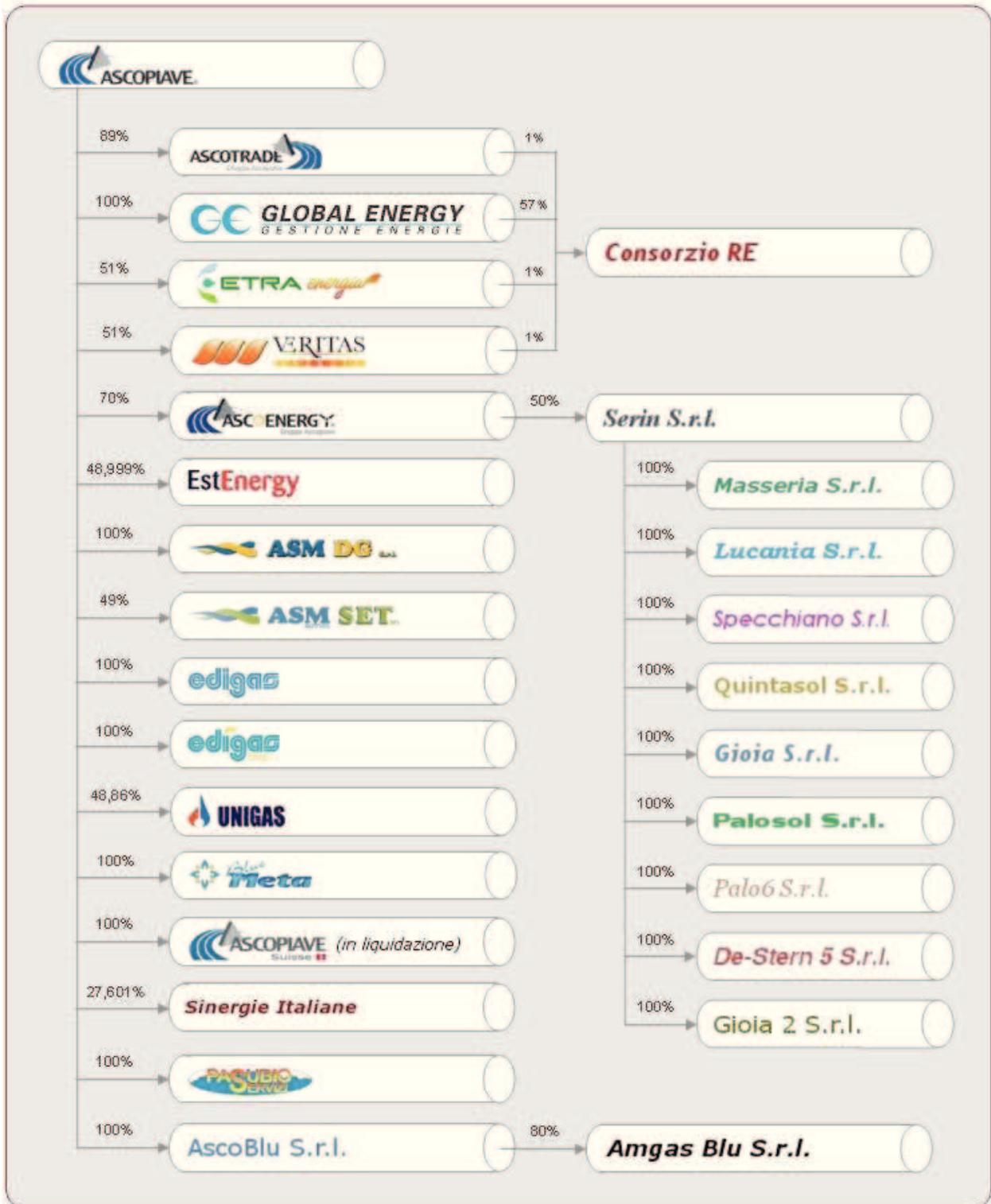
The Group's net result, equal to 6.3 million Euro, has decreased compared to the 31.2 million Euro of 2010 as a consequence of the improvement of operating profitability, the increase in net financial charges, a decrease in the earnings before tax due to the net-equity consolidation method adopted for the affiliate Sinergie Italiane S.r.l. and an overall increase in fiscal charges on income taxes.

The net financial position of the Group as of 31st December 2011 is equal to Euro 201.2 million, with a considerable increase as compared to Euro 96.0 million as of 31st December 2010. The variation in financial indebtedness (+105.2 million Euro) is mainly determined by the cash takeover generated by the management of the circulating capital (-32.2 million Euro), as well as by the net investments in tangible and intangible assets (-39.1 million Euro), by the distribution of dividends and purchase of own shares (-41.0 million Euro), partially counterbalanced by the income cash flow (+33.6 million Euro, obtained from the sum of net result, provisions and amortizations).

The relation between Net financial position and Net equity as of 31st December 2011 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 2011. The group operates through 29 companies.



The natural gas market

The general economic context

General trend of the economy

In 2011, the fears about the sovereign-debt crisis in Europe took on an almost systemic nature and, together with the constant uncertainty regarding the process of consolidation of public finances in the US, affected the growth prospects of developed economies.

According to recent estimates, the United States, Japan and Great Britain are expected to continue the recovery started in the first quarter of 2011, whereas the market stagnation will persist in the Eurozone and the *emerging countries* will experience a moderate slowdown.¹

According to OECD forecasts, in 2011 the gross internal product **worldwide** presented an average increase equal to 3.8% compared to the previous year, and it will decrease to 3.4% in 2012. 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), whereas, as far as the emerging countries are concerned, Brazil will be the most affected by the slowdown, mainly because of the restrictive economic policies adopted in the first semester of the year.

At the end of 2011, consumer price inflation experienced a moderation both in developed and emerging countries, mainly thanks to the decrease in the cost of raw materials.

The average 2011 inflation registered in the **Eurozone**, as measured by the harmonized index of consumer prices, was equal to 2.7%(+2,2% in 2010).

Within the Eurozone, economic indicators outlined a continuation of economic downturn during the last months of 2011, although with persisting differences amongst the major economies of the area. In 2011, the growth of Gross Domestic Product as compared to 2010 was expected to be of about 1.5%. 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.

Moreover, the economic recovery in the Eurozone is also affected by the sovereign-debt crisis, which grew stronger at the end of the year in many countries of the area, in some cases taking on a systemic nature. The value of government securities were affected by the uncertainty of mechanisms adopted to manage the recession, as well as by the worsening of the growth prospects in the Eurozone.

As far as the **Italian economic situation** in 2011 is concerned, the global slowdown of trading, along with the worsening of the sovereign-debt crisis and the impact on family income following the newly introduced national budget laws, did weigh on the general economic trend.

In 2011, the Italian GDP in Italy registered an increase of 1.7% as compared to the previous year. Starting as from the third quarter of 2011, the Italian Gross Domestic Product registered its first downturn since the beginning of 2010,

¹ Brazil, China, India, Russia

marking -0.7% in the fourth quarter (-0.5% as compared to the same period of the previous year). The GDP trend suffered the effects of the weakness of internal demand. Trade with foreign countries actually continued to support the GDP trend, highlighting an increase in exports as compared to the previous financial year (+5.6% of exports of goods and services as compared to 2010) and, at the same time, it marked a weak increase of imports (+0.04%), also connected to the drop in internal demand.

Moreover, in the last period of 2011, one of the most important aspects was the deterioration of the consumers' confidence climate. The weakness of disposable income, combined with the pessimism about the labour market prospects badly affected the families' consumption. Despite wages guarantee funds actually decreased as compared to 2010, employment suffered a setback after the recovery started in the fourth quarter of 2010. In fact, net of seasonal factors, unemployment experienced a slight increase also in 2011, reaching +8.9% in December.

Inflation in Italy in 2011, measured at the harmonised index of consumer prices, was, on average, in line with the one registered in the Eurozone. Since last summer, consumer prices have been affected by the increase in indirect taxes; at the same time, however, they have benefited from the reduction of the pressures coming from internal demand and imported raw materials.

Evolution of international energy prices

In 2011, the Euro/Dollar exchange rate recorded an annual average equal to 1.39 USD per Euro (+5.0% as compared to the 2010 average), achieving a maximum of 1.4882 USD per Euro (May 2011) and a minimum value of 1.2889 USD per Euro (December 2010). After an increase in the first months of 2011, that lasted until May, the Euro started to register a gradual depreciation in relation to the Dollar, reaching its minimum value the end of the year 2011.

Euro/Dollar exchange rate trend in 2010 and 2011



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

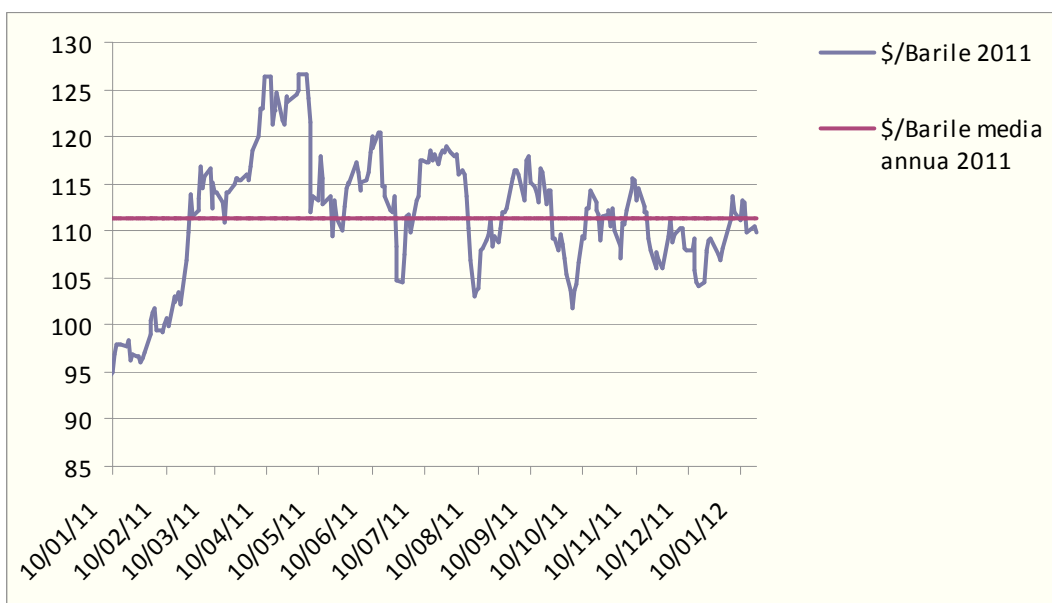
In spite of the economic situation, in 2011 oil prices experienced only a moderate decrease, mainly because of the rising geopolitical tensions in the Middle East. Since January 2011, oil prices (Brent) have started to rise, reaching approximately Euro 126.64 per barrel in early May (highest value in the year), and the increase in the Euro quotations was more buoyant due to increased depreciation of the common currency against the dollar. The increase mirrors the difficulty of oil-producing countries to find an agreement on production increases.

Quotations	2011	2010	2009	2008
Annual average Brent quotation (Dollars per barrel)	111.29	79.6	61.5	97.0
Annual average exchange rate Dollar/Euro	1.39	1.33	1.39	1.47
Annual average Brent quotation (Euro per barrel)	79.95	59.9	43.8	66.0

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

Crude oil, even with swinging quotations, had a positive trend during the year. As shown in the graphic, during 2011 the oil price was rarely outside the price range between 105 and 120 dollars per barrel, which is a clear sign of an increased market stability as compared to the previous years.

Brent trend 2011



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. In Italy, the scenario could be described as even grimmer: the national market marked a decrease of about 5.3 billion cubic metres as compared to 2010 and of 7.1 billion cm as compared to the 2007 figure (8.33%).

According to estimates by Snam Rete Gas, the gas demand in the 27 EU countries is expected to grow at a compound average growth rate equal to 1.0% in the period 2011-2020.

Over the next few years, the gas market is expected to be growing gradually, and one of the major necessities will be to have the supplies secured. Moreover, given the progressive decline in internal production, gas imports are expected to grow at an average annual rate of 3%.

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 - which is estimated to soon reach the threshold of 400 ppm (parts per million) - and the now obvious climate change, mean that we have now to use the energy resources available to date as efficiently as possible. 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.

Moreover, as a result of the nuclear disaster that hit Japan in March 2011, several states (amongst them, Germany) are now gradually abandoning nuclear power to look to produce energy from renewable sources in the medium term and fill the energy gap that will be left in the short-term by producing energy from natural gas power plants.

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.

In 2010, Italy, by Legislative Decree no. 130 dated 13.08.2010, launched a scheme of delegated decree designed to liberalise their stocks which, if upgraded, would bring the country to the scenario of "hub" for Europe. This would

trigger the process of the gas chain (supply, transport and distribution) that will enable the development of the still new and rudimentary gas exchange.

Further support to this project was provided by Legislative Decree no. 93 dated 1st June 2011, with which the Italian Government appears to be willing to implement the measures to safeguard the security of gas supply set forth in EU Regulation no. 994/2010.

The gas market: the Italian scenario

The demand for gas in Italy and its supply coverage

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.)

The demand shows a slight decrease as compared to the previous year, equal to 5.26 billion cubic metres (approx. - 6.3%% as compared to 2010).

The decrease affected all the main consumption sectors. The economic situation worsened during the second semester of 2011, and the thermoelectric sector experienced increased competitiveness - especially as far as renewable sources and carbon are concerned, compared to natural gas -, whereas in the wholesale, medium- and small-sized companies, service and residential sectors, atypical climatic conditions played a major role.

The coverage of gas demand was performed mainly through the recourse to import sources that in 2011 achieved a level of 70.37 billion cm, with a decrease of 4.98 billion cm compared to 2010 (-6.6%). The quantities imported from interconnection points increased as compared to 2010: +17.6% Tarvisio, +38.7% Passo Gries. On the other hand, the interconnection points located in Northern Africa, Mazara del Vallo (-17.9%) and Gela (-71.5%) suffered the effects of the political tensions that affected the area all year long. In particular, in the first six months of 2011, the Libyan production plants and installations were almost totally blocked; in addition, the Greenstream pipeline was closed during the most critical phases of the country's crisis. The volumes of gas imported from the entry point in Cavarzere (coming from the GNL terminal commissioned in the first quarter 2009) remained instead basically unchanged (-0.2% in 2011), whereas a slight decrease affected the volumes coming from the GNL in Panigaglia (-4.3% in 2011).

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

The scenario forecast for the Italian market is similar to the one forecast for Europe.

Snam Rete Gas estimates that, in the decade 2011-2020, the Italian gas market will reach an average annual increase of 1.8% (approx. 97 billion cubic metres a year) and, for the three-year period 2011-2014, an increase of 2.6% per year, with a potential increase in imported gas of 10 billion cubic metres as of 2014 and 15 as of 2020.

According to recent estimates on the evolution of natural gas demand on the Italian market, the moderate growth is going to be mainly connected to the expected increase in the thermoelectric sector.

On the basis of this scenario, and considering a decline in domestic production, it is estimated that the increase in the demand of gas in Italy will be guaranteed always to a larger extent to imports from the points of entrance interconnected with foreign countries.

The contribution offered by GNL re-gasification plants (currently the only working plants are those of Panigaglia and Porto Levante) will be increasingly growing.

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, some of which already completed.

Infrastructures - Methane Pipelines

As confirmed by the "Rating of new infrastructures for importing gas in Italy", published by Nomisma Energia the end of 2011, the new pipelines that would boost gas supplies in Italy are now being approved or implemented.

On the other hand, the upgrade of the Greenstream pipeline was completed (the underwater gas pipeline of the Mediterranean that allows Italy to import gas from Libya), producing an increase in entry capacity equalling 3.5 billion cubic metres / year.

	Gasdotto (società)	Capacità	Dettagli	Stato lavori
In Progetto	ITGI - POSEIDON (Edison, DEPA)	8 mld mc / anno	(Italy Greece Interconnector) metanodotto che, attraverso la Grecia e la Turchia, permetterà all'Italia di importare quantitativi di gas naturale provenienti dal Mar Caspio (in particolare dall'Azerbaijan) e dal Medio Oriente (soprattutto Iran e Iraq), dove si trovano le più grandi riserve mondiali di gas.	in costruzione
	TAP (Trans Adriatic Pipeline Company)	10 mld mc / anno	(Trans Adriatic Pipeline), gasdotto che collegherà la Grecia alla Puglia attraverso l'Albania ed il Mare Adriatico, garantirà un accesso alle riserve di gas naturale situate nella Regione del Mar Caspio, in Russia e in Medio Oriente.	in costruzione
	GALSI	8 mld mc / anno	Gasdotto che collegherà l'Algeria all'Italia attraverso la Sardegna.	in costruzione
Potenziamenti	GREENSTREAM (Eni)	11,5 mld mc / anno	Gasdotto entrato in esercizio nell'ottobre 2004, è il più lungo metanodotto sottomarino del Mediterraneo e consente all'Italia di importare gas dalla Libia.	potenziamento concluso
	TTPC	37,6 mld mc / anno (circa)	(Trans Tunisian Pipeline Company) è il gasdotto che consente all'Italia di importare gas di provenienza algerina attraverso la Tunisia.	potenziamento concluso
	TAG	39,5 mld mc / anno (circa)	(Trans Austria Gas) è un gasdotto che attraversa l'Austria collegando Baumgarten an der March, al confine tra Slovacchia e Austria, e Arnoldstein, al confine con l'Italia. Il TAG convoglia il gas naturale proveniente dalla Russia e lo destina al mercato austriaco e italiano.	potenziamento concluso

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

Infrastructures - Regasification 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 transport 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 3.7 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 (Sito)	Società	Stato lavori
In Progetto	Offshore Livorno	OLT Offshore LNG Toscana	autorizzato
	Porto Empedocle	Nuove Energie	autorizzato
	Brindisi	Brindisi LNG	in fase istruttoria
	Gioia Tauro (RC)	LNG Med Gas Terminal	in fase istruttoria
	Zaule (TS)	Gas Natural International	in fase istruttoria
	FSRU offshore	Gaz de France	in fase istruttoria
	Offshore Falconara (AN)	API	in fase istruttoria
	Augusta-Melilli (SR)	Ionio Gas	in fase istruttoria
	Offshore Monfalcone (GO)	Terminal Alpi Adriatico	in fase istruttoria
	Panigaglia (SP)	ENI	in fase istruttoria
	Rosignano Marittimo (LI)	Edison, BP	in fase istruttoria
	Taranto	Gas Natural International	in fase istruttoria
	Trinitapoli (FG)	Sorgenia	in fase istruttoria
	Offshore Ravenna	ENI, partner	in fase istruttoria
Offshore Civitavecchia (RM)	Italpetroli	in fase istruttoria	

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) 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 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.

This was possible thanks to an adequate protection and enhancement processes of quality, security and service requirements, and by maintaining the current levels of technical and infrastructural efficiency of the Italian distribution system.

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 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, 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.

The regulatory framework

National regulations

Reference regulatory framework

Legislative Decree no. 93 issued on 1st June 2011 - Third Batch.

Legislative Decree no. 93 dated 1st June 2011 implemented EU directives 2009/70/EC and 2008/92/EC concerning common rules for the internal market of electricity and natural gas.

Regarding customer protection, the definition of vulnerable customers is provided, and it refers to: households, public service activities among which hospitals, retirement and nursing homes, prisons, schools and other private or public facilities that provide qualified assistance services and, finally, users with consumptions higher than 50,000 cubic metres / year. For these customers, the AEEG will continue to set the reference prices. Moreover, the Decree establishes that any energy supplier switch has to take place within three weeks for all customers.

The natural gas distribution companies that are part of a vertically integrated enterprise have to be independent as far as organization and decision powers are concerned, with special reference to the activities unrelated to distribution.

Legislative Decree no. 98 issued on 6th July 2011 - "*Provisions for financial stabilization*", *National Budget Law 2011*.

The Decree focuses on the provisions for financial stabilization required by the European Union in order to achieve budget break-even in 2014. The Decree is divided into three Titles: I) "Provisions for the control and reduction of public spending, and regarding revenues", II) "provisions for development" and III) "Final provisions". One of the most important aspects regards transparency for publicly owned companies, for which it is now compulsory to publish - on their official website and within three months as from the date of entry into force of the decree mentioned above - the list of the companies in which stakes (even minority stakes) are held, either directly or indirectly, as well as a graphic representation of the connections between the organization and the companies. Moreover, they will also need to state whether, in the three years following the publication, the single controlled companies did achieve budget break-even.

Law no. 111 dated 15th July 2011 - *Provisions for Financial Stabilization*.

This Law converted Legislative Decree no. 98 dated 6th July 2011 into Law.

The internal stability and growth plan was redesigned, introducing, among other things, new criteria for best practices and a number of favourable measures for compliant bodies. The Law divides the bodies subject to the stability and growth pact into four different categories, in order to determine, for compliant bodies, a lower financial impact of the restrictions provided for by the pact.

As to taxes and tributes, the IRAP rates were increased.

Excise duty and VAT

Law no. 106 issued on 12th July 2011 - *Conversion into law, with amendments, of Decree Law no. 70 dated 13th May 2011.*

The Law entered into force on 13th July 2011, and since the interpretation provision introduced by Decree Law no. 70 dated 13th May 2011 (Development Decree) regarding VAT rates for supplies to apartment blocks had not been modified, ultimately confirmed and clarified (with reference to the provisions established by the Inland Revenue Agency Resolution no.108/E dated 15th November 2010) that the 10% VAT is due for single natural gas supply contracts for apartment blocks and up to 480 cubic metres per year, regardless of the number of real estate units connected to said apartment blocks.

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

The main measures issued by the AEEG during 2011 are the following:

Update of the economic conditions of supply

1st quarter 2011

With **Resolutions ARG/Gas 233/10, 235/10 and ARG/Com 236/10 issued on 14th December 2010**, the Authority updated the economic terms and conditions for protected categories for the first quarter 2011.

In particular, with resolution the ARG/Gas 233/10, the Authority has updated the CCI, QT and QS components, has introduced the new component CVfg within the QOA (Component related to additional charges), equal to 0.000012 €/Smc and has extended the validity of the component on the marketing of retail QVD until 30.06.2011.

The component relating to the wholesale marketing, CCI_{It}, as set forth in Article 6 TIVG, registered an increase as compared to the previous quarter, of 0.241423 €/GJ of the QET element, corresponding to an increase of 0.009300 €/m³ for supplies of natural gas with reference calorific power higher than 0.038520 GJ/cm.

2nd quarter 2011

With **Resolutions ARG/gas 31/11, ARG/Com 34/11 and ARG/Com 35/11 issued on 29th March 2011**, the Authority updated the economic terms and conditions for protected categories for the second quarter 2011.

In particular, the resolution was aimed at updating the CCI, QT and QOA components. As compared to the previous quarter, the other components remain unvaried.

The component relating to the wholesale marketing, CCI_{It}, as set forth in Article 6 TIVG, registered an increase as compared to the previous quarter, of 0.326248 €/GJ of the QET element, corresponding to an increase of 0.012567 €/m³ for supplies of natural gas with reference calorific power higher than 0.038520 GJ/cm. The CCI_{It} value is equal to 8.003530 euro/GJ, corresponding to 0.308296 Euro/cm for natural gas supplies with reference heating power equal to 0.038520 GJ/Smc.

3rd quarter 2011

With Resolutions ARG/Gas 84/11 and ARG/Com 87/11 issued on 28th June 2011, the Authority updated the economic terms and conditions for protected categories for the third quarter 2011.

In particular, Resolution ARG/Gas 84/11 updated the CCI and QT components, whereas Resolution ARG/Com 87/11 updated the components for covering general charges, as well as other components of the electric and gas sectors: *UG1*, *RE* and *REt* and *GSt* (only for direct customers).

4th quarter 2011

With Resolutions ARG/Gas 132/11 and ARG/Com 130/11 issued on 30th September 2011, the Authority updated the economic terms and conditions for protected categories for the fourth quarter 2011.

In particular, Resolution ARG/Gas 132/11 updated the values of the variable supply element QEt, and of the wholesale trading component CCIt, whereas Resolution ARG/Com 130/11 updated the following fee components for covering general charges, as well as other components of the electric and gas sectors: RE component (fourth quarter 2011) and REt (only for direct customers).

As compared to the previous quarter, the other components remain unvaried.

The component relating to the wholesale marketing, CCIt, as set forth in Article 6 TIVG, registered an increase as compared to the previous quarter, of 0.031199 Euro/cm of the QET element, for supplies of natural gas with reference heating power equal to 0.038520 GJ/cm. The CCIt value was equal to 9.550789 Euro/GJ, corresponding to 0.367896 Euro/cm for natural gas supplies with reference heating power equal to 0.038520 GJ/Smc.

1st quarter 2012

With Resolutions ARG/gas 195/11, 200/11, 201/11 and 202/11 issued on 29th December 2011, the Authority updated the economic terms and conditions for protected categories for the first quarter 2012.

Resolution ARG/Gas 195/11 issued on 29.12.2011 updated both the fixed and the proportional components of the compulsory fee for distribution services for the year 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 dated 29th December 2011, 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: *UGI, GSt and REt* (only for direct customers).

Other provisions

Resolution ARG/Com 21/11 issued on 16th March 2011 - Procedure for the establishment of provisions for the subscription of electricity and natural gas supply contracts in active withdrawal/delivery points, and for the alignment of data by different suppliers.

With this Resolution, the Authority made the guidelines regarding the subscription of electricity and natural gas supply contracts available for consultation, with special reference to those in active withdrawal/delivery points and to ownership conditions of other end users.

In particular, the following aspects are regulated: the new customer's right to subscribe a sale contract for an active withdrawal/delivery point; the request to cancel the supply by the old customer; changes in the procedures for the activation of the supply and the special case in which the identification data of the withdrawal/delivery point are changed upon activation; alignment of data by different suppliers.

Resolution ARG/Gas 45/11 dated 14th April 2011 - *Balancing natural gas policy*

With this Resolution, the Authority set out the regulations regarding the policy for balancing natural gas.

In particular, the Resolution establishes that:

- the balancing service be effective as of 1st July 2011;
- the body in charge for balancing (Snam Rete Gas) maintains their role of counterpart in the transactions necessary to cover the imbalanced situations of their customers, as well as of central counterpart in transactions concluded with the procurement of resources for the balancing.
- GME's role be limited to the creation and management of the related negotiation platform;
- by enabled user it is meant the user of storing services (also different from those provided by Stogit), who has resources available to offer for balancing, exception made for transport enterprises and for the users of the strategic storing service only. Therefore, these users include those who have the storing capacity provided for by Legislative Decree no. 130/10 (industrial and thermoelectric customers).
- the determination of the offers accepted in the first balancing session, along with the related imbalance price, take place only on the basis of the offers suitable for covering the overall imbalance of the system.
- In particular, until 31st March 2012, GME shall take into consideration only the offers of the users with an opposite position as compared to the one offered by the body in charge for the balancing.
- the price relating to the purchase offers of the enabled users cannot be negative (i.e. lower than zero), whereas the one relating to sale offers cannot be higher than the total fee established for the unused portion of the strategic storing.

In the first phase, GNL terminals and import gas pipelines will not be involved, and they will be subject to further consultations and decisions. The Resolution closes the consulting procedure initiated with DCO 25/10 and continued with DCO 45/10.

Resolution ARG/Gas 64/11 dated 19th May 2011 - Procedure for the establishment of provisions regarding the quality of gas distribution and measurement for the period 2013-2016.

With this Resolution, the Authority initiated a procedure for the establishment of provisions regarding the quality of gas distribution and measurement for the period 2013-2016.

The process shall be subject to AIR procedure. These provisions also provide for the publication of documents for consultation, as well as for the summoning of interviews in order for the subjects involve to acquire specific knowledge on the matter.

Resolution ARG/Gas 71/11 issued on 9th June 2011 - Changes to the Amended text for the activities of natural gas retail and of gases other than natural gas distributed through urban grids (TIVG), regarding customers of the protected market and terms and conditions for communicating the termination of the provisional application of the protection service.

The Resolution introduces changes in the TIVG (Resolution ARG/Gas 64/09 dated 28th May 2009).

In particular:

- the protection service is extended to:

- 1) public services (public or private facilities carrying out the activity of qualified assistance, among which hospitals, retirement and nursing homes, prisons and schools);
- 2) non-household customers with consumptions higher than 50,000 Smc/year.

At the same time, it establishes that the subjects who can no longer be offered the protection service are the end customers with delivery points that:

- are currently served in the framework of the protection service;
- register consumptions higher than 50,000 Smc/year; and
- do not relate to public service activities.

As a consequence, the subjects with the right to be supplied the protection service are the end customers belonging to one of the following categories:

- a) "Household delivery point";
- b) "Apartment block delivery point with household consumptions" (up to 200,000 Smc/year);
- c) "Delivery point of a public service activity";
- d) "Delivery point for other uses" (consumption not higher than 50,000 Smc/year).

Service obligations

Article 3 of the Resolution establishes that the Providers, after having classified the delivery points based on the information they have available:

- - send specific communication to all their customers having delivery points for other uses together with the first useful invoice, in order to:
- - inform them about the extension of protection service to public service users;
- - identify the customers having delivery points for other uses that fall within letter c): "Delivery point of a public service activity".

The customer, on their part, shall have to inform the Provider in case they fall within a category different from the one proposed, within 45 days.

The Provider shall have to inform the Distributor about the outcome of the classifications, within 30 days starting as from the receipt of the customers' responses.

Article 5 of the Resolution established that the Providers, by 30th June 2010, published on their website a dedicated "communication regarding the termination of the protection service", in order to inform the non-household customers with consumptions higher than 50,000 Smc/year that have not yet entered the free market that, starting as from 1st October 2011, they no longer have the right to have the supply economic conditions established by the AEEG for the Protection Service applied in their bills.

Resolution ARG/Gas 77/11 issued on 23rd June 2011 - Provisions regarding the thermal year 1st October 2011 - 30th September 2012, concerning the criteria under article 6 of Annex A (TIVG) of the resolution by the AEEG ARG/Gas 64/09 dated 28th May 2009 and initiation of the reform procedure for the economic conditions of the natural gas supply for the protection service.

With this resolution, the Authority confirmed for the thermal year 2011 - 2012 the mechanism introduced by the Resolution ARG/Gas 89/10 for the adjustment of the QEt variable fee to cover the procurement cost of gas. In particular, the value of the multiplier parameter QE0 was changed, the so-called "K", which increases from 0.925 to 0.935.

In addition, the measure initiated a process aimed at reforming the economic conditions of supply for the protection service, in particular for the CCIt component, starting from 1st October 2012.

Resolution ARG/Com 82/11 issued on 23rd June 2011 - Postponement of the deadline for the entry into force of the specific standard of transmission timeliness by sellers of electricity and gas to the distributors of commercial quality service requirements of final customers.

With this Resolution, the AEEG postpones to 1st July 2010 the entry into force of the provisions under Resolution ARG/Com 147/10, regarding:

- the specific standard of transmission timeliness by sellers of electricity and gas to the distributors of commercial quality service requirements of final customers;
- the automatic indemnification - to be borne by the sales companies- for failing to comply with the specific standard mentioned above.

The entry into force of said provisions shall, however, have to take place following a consultation process with all the subjects involved.

Moreover, the resolution establishes that, until the entry into force of the above provisions, the current service obligations for transmission timeliness service requirements of final customers are to be maintained.

Resolution VIS 76/11 issued on 21st July 2011 - Implementation of a monitoring process for not requested supply contracts of electricity and/or natural gas.

With this Resolution, the Authority approves a provision to prevent contracts not required for the supply of electricity and gas from being activated. Following the publication of the measure, the Authority will launch a survey to gain more accurate data on this phenomenon; moreover, special hearings with all parties concerned shall be held, in order to find effective solutions agreed upon with the operators and the associations of the energy sector, consumers and any other subject involved.

The primary objective of the provision, as stated by the Authority, is to face a "very dangerous disease for the development and credibility of the competitors, as it jeopardizes the customers' confidence in the free market and in the enterprises operating in the sector".

The most frequent issues concern contracts that have not been signed by the customers, or signed with a false signature, the non-compliance with the provisions on the cooling-off period, as well as the diffusion of untrue information by fraudulent operators in order to obtain the customers' signature on the contracts.

Resolution ARG/Gas 99/11 issued on 21st July 2011 - Provisions for the retail market of natural gas: service of default, purchase and loss of the responsibility on gas withdrawal, and approval of the TIMG (Amended Text for Defaulting Customers). Changes and additions to existing rules concerning the containment of credit risk for the retail market of electricity.

The Resolution, following the consultations undertaken by the Authority with DCO 5/09 and DCO 24/10, establishes important provisions on the retail market for natural gas,

– **by introducing Title IV "Final services for natural gas" into the TIVG.**

It is a specific provision ensuring the continuity of supply to the customers who find themselves, also temporary, without a supplier.

The types of protection identified are the final services (the so-called "FUI", under Resolution 131/10) and the default service (articles 32-36 TIVG), which is provided by the distributor in the cases in which the requirements for the activation of the FUI are not met;

– **It introduces several changes in Resolution AEEG 138/04 (CRDG).**

In particular, the changes concern: administration termination for reasons other than default (art. 16 of Regulation 138/04); invoicing and payment of the distribution service (art. 24 of Regulation 138/04); non-fulfilment of the user and termination of the distribution contract (art. 26-bis of Regulation 138/04); switch procedure (art. 28 of Regulation 138/04);

– **It approves the "Amended Text for Defaulting Customers - TIMG" (Annex A).**

The TIMG regulates the information procedures and obligations for sales and distribution services in case of defaulting end customer.

– **it adjusts the amount of the deposit to be charged to the customer.**

On the other hand, the following issued will be subject to further regulations: extension of the system of indemnity to the gas sector; coverage of the costs for the default service and the enhancement of the related component of the protection service; the mechanism that financially advances expenses incurred into by the distributor for the interruption of the supply; the compensation payable by the distributor in case of failure to comply with the deadlines set by the TIMG.

These provisions, excluding the one regarding the adjustment of the amount of the deposit, which is already applicable, should have entered into force on 1st January 2012. However, following the subsequent Resolution ARG/Gas 207/11 issued on 29th December 2012, their date of effectiveness was postponed to 1st May 2012.

Resolution ARG/Gas 116/11 issued on 4th August 2011 - Public tender procedures for identifying the final suppliers for the period 1st October 2011 – 30th September 2012 and modification of Annex A of Resolution ARG/Gas 64/09 issued on 28th May 2009, ARG/gas 64/09, as amended.

With this Resolution, in compliance with the provisions set out in the Decree issued by the Ministry for Economic Development on 29th July 2011, the Authority defined the selection procedure for identifying the operators supplying the final supply service FUI and the related methods.

The amendments introduced ensure further protection methods, promoting, in compliance with the above mentioned decree, the passage of the customers to the final supply service. In particular, the Resolution establishes that those customers be applied the economic conditions of the FUI service for the first six months, and only later will other conditions be applied (conditions taking into account the higher cost of the service). In this way, customers have time to subscribe another contract with a new supplier, or with the same supplier providing the final supply service (FUI). The FUI provides for simplified contractual conditions, and for an only partial application of the commercial quality obligations under the current regulations.

Resolution ARG/Gas 128/11 issued on 30th September 2011 - Update of the standard withdrawal profiles associated with usage categories of natural gas for the thermal year 2011-2012, in compliance with the Resolution of the Authority for Electricity and Gas no. 17/07 issued on 2nd February 2007, and extension of the deadlines provided for in article 29 of the the Resolution of the Authority for Electricity and Gas no. 138/04 issued on 29th July 2004.

With this Resolution, the Authority updated of the standard withdrawal profiles associated with usage categories of natural gas for the thermal year 2011-2012, in compliance with Resolution no.17/07.

The Resolution confirmed the current provisions for the allocation of gas amounts among the users of the delivery points shared in the transportation system, pursuant to article 29 of Resolution no. 138/04, extending their validity to 30th September 2012.

Resolution ARG/Com 146/11 issued on 27th October 2011 - Provisions for aligning the data of the withdrawal/delivery points managed by different operators and changes introduced to the information required for accessing the natural gas distribution service in cases of switching, with further additions to the related regulations for the electricity sector.

With this Resolution, the AEEG identified the procedures for aligning the identification data of the delivery points (PdR) managed by distribution and sales companies, and it also introduced changes in the information required for the switching process.

The Resolution set the following requirements.

- by 31st December 2011: for each delivery point under their management, vendors have to send distributors the following information: identification code of the delivery point; tax code number or VAT ID of the final customer; name, surname or company name; address of the customer or registered office; name, surname and address of the invoiced subject (if different); usage category and withdrawal class, as well as any VAT or tax incentives.

These data shall have to be sent in accordance with the methods set forth in Annex A of said Resolution;

- by 28th February 2012: distributors shall have to update the data contained in their electronic record, pursuant to article 8 of Resolution no. 138/04, based on the information provided above.

The tax code number or VAT ID of the user of the delivery point will replace the ID of the counting metre as from 1st April 2012.

Moreover, the Resolution establishes that distributors are obliged to keep track of said updates for not less that 5 years and that they will not have to apply the fixed-rate contribution for covering the administrative costs.

Resolution ARG/Com 151/11 issued on 3rd November 2011- Amended text for the monitoring system of electricity and natural gas retail markets.

With this Resolution, the AEEG regulated a new system for the collection of data in order to monitor the conditions of electricity and natural gas retail markets, introducing the TIMR (Amended text for the monitoring system of electricity and natural gas retail markets) in Annex A.

The objectives are to regularly and systematically monitor the conditions of electricity and natural gas retail to families and small-sized customers, the degree of openness, competitiveness and transparency, as well as the satisfaction degree of the final customers.

The new system, introduced following two official documents for consultation (DCO 10/10 and 10/11) and in line with the forecasts of the Third EU Energy Batch, identifies the subjects who have to provide data for the purposes of monitoring (art. 3) and the market indicators and the related calculation methods (art. 4 and Annexes A1 – A2), regulates the basic data collection activity (art. 5), and the procedures for publishing and reporting the outcomes (art. 6). The new obligations regarding data collection are effective as of 1st January 2012, although the provision entered into force on 7th July 2011.

For the purposes of the identification of the subjects obliged to provide said data, vendors and distributors had to notify them by 30th November 2011, pursuant to art. 3 of the TIMR.

Resolution GOP 55/11 issued on 6th December 2011 - Rules regarding the new organizational structure of the Authority for Electricity and Gas, effective as from 1st January 2012.

With this Resolution, the AEEG identifies its own organizational rules (Annex A) and the new organizational structure, divided into Departments, Directions, Special offices and Units (Annex B and Table 1), effective as from 1st January 2012.

A verification of the new organizational structure is to be carried out within six months as from the entry into force of the new organizational rules.

Resolution ARG/Gas 180/11 issued on 15th December 2011 - Changes in the general criteria for fee application in accordance with art. 2 of the TIVG, for the application and determination of the P term and changes introduced in art. 22 of Resolution of the AEEG issued on 29th July 2004 no. 138/04.

With this Resolution, the AEEG changed the conversion methods for amounts expressed in Euro/GJ to be transformed into Euro/Smc, in accordance with paragraph 12.4 of the TIVG.

The Resolution establishes that, as from 1st January 2012, the P term under paragraph 12.4 of the TIVG is to be determined by considering the delta between the P term of the current solar year and the P term of the previous solar year, with subsequent cancellation of the 15% threshold provided for in paragraph 12.5 of the TIVG.

In the cases in which in 2011 the adjustment did not take place, the resolution provides for a dedicated calculation method to be applied when the measure first comes into force.

Moreover, the Resolution modifies article 22 of Resolution no. 138/04, relating to the determination of natural gas heating power. In this regard, the Resolution provides details about how to determine the P term, also in cases in which the interconnected systems are managed by different companies and it also establishes that, by 30th March of each year, the signal transport company has to send to the AEEG the failed or delayed dispatching of P term values by the distribution companies.

Resolution ARG/Com 183/11 issued on 15th December 2011 - Implementation of procedures for the settlement of disputes between end customers and distributors or vendors of electricity and/or natural gas.

With this Resolution, the AEEG initiated the procedures for the settlement of disputes between end customers and distributors or vendors of electricity and/or natural gas.

The Resolution implements the provisions set out in Legislative Decree no. 93/11, which requires the Authority to ensure an effective management of complaints and the settlement of disputes, as well as to supervise the application of the principles for customer protection (art. 44). The Resolution was issued following a survey conducted to verify the diffusion and the impact of out-of-court settlement of disputes (Resolution VIS 98/11).

Resolution ARG/Com 185/11 issued on 15th December 2011 - Implementation of a monitoring process for not requested supply contracts of electricity and/or natural gas.

With this Resolution, which follows Resolution VIS 76/11 issued on 21st July 2011 (Implementation of a monitoring process for not requested supply contracts of electricity and/or natural gas), the AEEG details and makes available for consultation (DCO 46/11) its own views on the provisions regulating not requested contracts and activations.

In the DCO, after examining the issue involving the activation of non requested contracts from the point of view of the sector's regulations, the AEEG proposed preventive measures.

These are divided into two macro-areas:

specific procedure for the management of the disputes over non requested contracts;

introduction of the switching procedure for "erroneous transfer" in cases of non requested activation.

Dispositions of AEEG concerning energy efficiency

With Resolution EEN 04/11 issued on 5th May 2011 the AEEG approved, as far as white certificates are concerned, three new technical forms to quantify the amount of energy savings regarding the realization of highly efficient systems for lighting highway and route tunnels, the realization and installation of highly efficient lighting systems for motorways, following adjustment of technical form no. 17 and cancellation of form no. 18.

With **Resolution EEN 05/11 issued on 7th July 2011**, the AEEG approved the correction of factual errors in the resolution issued by the AEEG on 5th April 2011 - EEN 4/11.

With **Resolution EEN 07/11 issued on 15th September 2011**, the AEEG extended the procedure initiated with Resolution EEN 19/10 issued on 24th November 2010, by summoning a technical committee to discuss the issue with the Central Administrations and the operators involved, and it also reorganized the Guidelines for energy efficiency under Resolution no. 103/03 issued on 18th September 2003, n. 103/03 as amended.

With **Resolution EEN 09/11 issued on 27th October 2011**, the AEEG updated the previous provisions, by replacing Annex A of the AEEG Resolution no. 03/03 issued on 18th September 2003, n. 103/03 as amended, concerning the guidelines for the preparation, execution and evaluation of the projects under art. 5, paragraph 1 of Ministerial Decrees

dated 20th July 2004 as amended, and those concerning the identification of the criteria for releasing the energy efficiency certificates.

With **Resolution EEN 12/11 issued on 24th November 2011**, the AEEG took a decision on tariff-based contribution to achieve the energy saving targets for the year 2012, as per Ministerial Decree dated 20th July 2004 as amended and supplemented by Ministerial Decree dated 21st December 2007.

With **Resolution EEN 13/11 issued on 22nd December 2011**, the AEEG determines the specific objectives for the saving of primary energy in 2012 for electric energy and natural gas distributors subjected to the obligations of which at Ministerial Decrees dated 20th July 2004 as modified and integrated by Ministerial Decree 21st December 2007.

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 fulfilment of energy saving is attested to by the distribution of energy efficiency certificates, the so-called 'White Certificates', each of which represents energy saving of 1 TOE. In order to fulfil the obligations as specified by the Decree dated 20th July 2004, integrated by the Decree of 21st December 2007, and to thus see their White Certificates recognised, distributors can:

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

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.

If, in each of the years of obligation, the distributor consigns a share of its objective equal to or greater than 60%, it may offset the residual amount in the next year, without having to pay a fine. Such fines will, instead, apply any time the distributor consigns a share of its objective that is below 60%. In this case, apart from the fine, the distributor will also be obliged to offset the residual share within the next year.

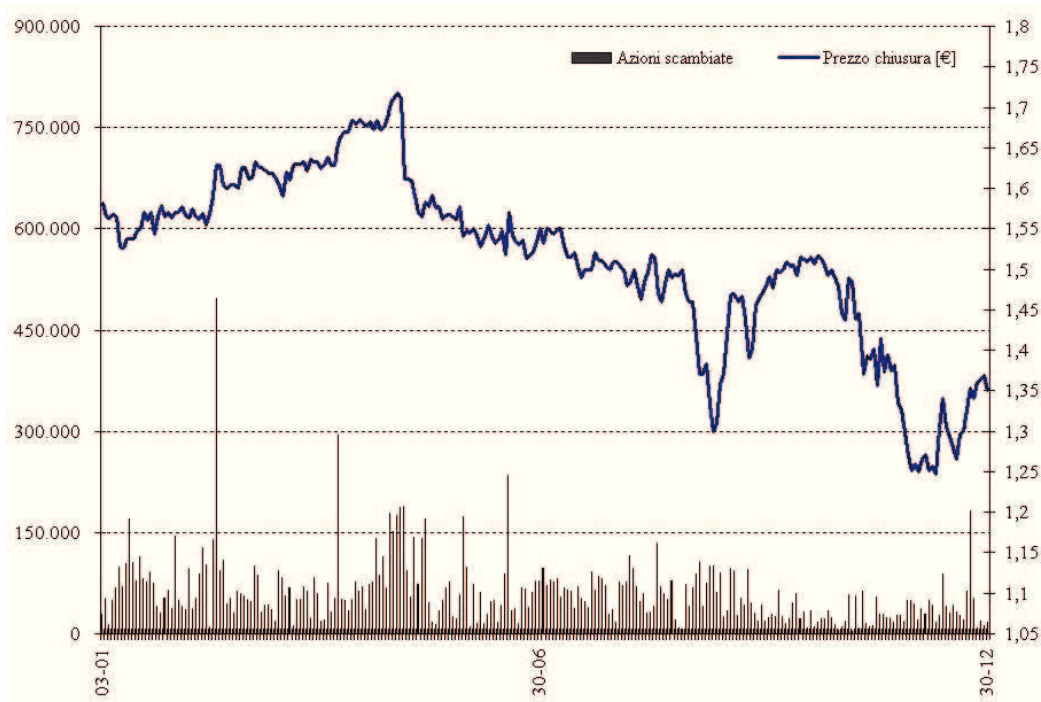
The AEEG, in its own communiqué of 29th December 2004, explained that the level of the fine would be fixed according to the number of T.O.E.s that were not saved, compared to the agreed objective, estimated on the basis of the market price of energy efficiency certificates.

With a new document issued at the end of 2010 and by holding a series of seminars, the Authority presented new regulations aimed at improving the certification system; in particular, the number of issued certificates will be adjusted to the useful life of the project (i.e. more than the 5 years already provided for).

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

As of 30th December 2011, the Ascopiave share registers a quotation of Euro 1.351 per share, with an approximate increase of 14.5 percentage points as compared with the listing at the beginning of 2011 (Euro 1.581 per share, referred to the quotation of 3rd January 2011).

Capitalisation of the Stock Exchange as of 30 December 2011, was equal to Euro 316.69 million².



During 2011, the quotation of the title shows a negative performance (-14.5%), which mirrors the current trend of both the main reference index FTSE All-Share (-25.2%) and the FTSE Italia Servizi di Pubblica Utilità sector index (-15.9%).

In the following table we report the main shares and stock-exchange data as of 31st December 2011:

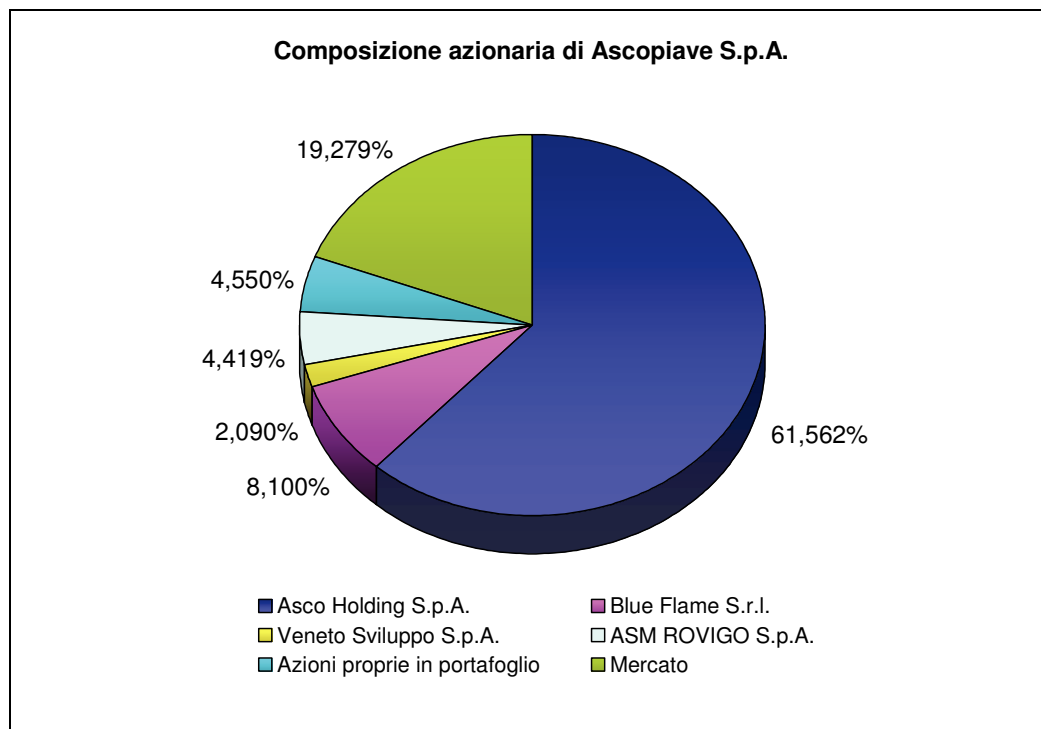
Shares and stock-exchange data	30 December 2011
Earnings per share (Euro)	0.03
Net equity per share (Euro)	1.53
Placement price (Euro)	1.80
Closing price (Euro)	1.351
Max. annual price (Euro)	1.718
Min. annual price (Euro)	1.247
Stock-exchange capitalisation (Millions of Euro)	316.69
No. of shares in circulation	223,744,839
No. of shares in the share capital	234,411,575
No. of own shares in portfolio	10,657,736

² As of 30th December 2011, 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 5.7 billion Euro. Source: 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 13th February 2011.

Shares held by Directors and Auditors

Cognome Nome	Società partecipata	Categoria azioni	Numero azioni possedute al 01.01.2011 (o alla data di nomina)	Numero di azioni acquistate nel corso dell'esercizio 01.01.2011-31.12.2011	Numero di azioni vendute nel corso dell'esercizio 01.01.2011-31.12.2011	Numero azioni possedute al 31.12.2011 (o alla data di cessazione della carica se intervenuta prima)	Titolo di possesso
Zugno Fulvio	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Coìn Dimitri	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Bernardelli Giovanni	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Salton Gildo [1]	Ascopiave	Ordinarie	30.000	-	30.000	0	Proprietà
Colomban Massimino [3][4]	Ascopiave	Ordinarie	145.200	-	-	145.200	Proprietà
Zancopè Ogniben Giovanni	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Papparotto Paolo	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Alberti Elvira	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Beninatto Alfonso	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Bortolin Gianantonio	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Trinca Flavio	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Fassina Alessandro	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Sforza Fabio	Ascopiave	Ordinarie	10.000	-	-	10.000	Proprietà
Saccardi Giuliano	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Nicolai Paolo	Ascopiave	Ordinarie	0	-	-	0	Proprietà
Dirigenti [2]	Ascopiave	Ordinarie	34.560	-	-	34.560	Proprietà
			219.760	0	30.000	189.760	

[1] Azioni detenute dal coniuge.

[2] Nel corso del semestre 01.01.2011 / 31.12.2011 hanno rivestito la qualità di dirigenti con responsabilità strategiche: CFO, Direttore Generale Ascotrade S.p.A., Direttore amministrativo, CTO, Investor relator, per un totale di n.5 posizioni dirigenzia

[3] Il dr. Colomban Massimino attesta che il coniuge non separato detiene 19.200 azioni al 01.01.2011 e al 31.12.2011.

[4] Il dr. Colomban Massimino attesta che la società controllata Quaternario Investimenti detiene 126.000 azioni al 01.01.2011 e al 31.12.2011.

Corporate Governance and Ethical Code

During 2011, 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.

Corporate Governance

Ascopiave adheres to the Self-Discipline Code of Italian listed companies published in March 2006, with additions and amendments resulting from the characteristics of the Group.

In compliance with regulatory obligations, the "Report on Corporate Governance and Company Structure" is annually prepared, which contains a general description of the corporate governance system adopted and includes information on the ownership and the adoption of the Self-Discipline Code, including the main governance practices applied and the characteristics of the system of risk management and internal control in relation to the financial reporting process.

The corporate governance report is available on the company's website (www.ascopiave.it) under the section investor relations. Under the same section of the Company's website, the documents regarding our corporate governance can also be found. The Self-Discipline Code is available on the website of Borsa Italiana s.p.A.

Main characteristics of the risk management and internal control systems

The In-Company Control system is made up of the group of rules, procedures and organisational structures to permit best business practice to achieve the goals set through the processes of identification, measurement, management and monitoring of the main risks involved and for a company direction honest, correct and coherent with pre-fixed objectives.

The internal audit system of Ascopiave involves different subjects to whom specific roles and responsibilities are attributed:

- Board of Directors;
- In-Company Control Committee;
- Vigilance Organism ex Dlgs 231/01;
- Manager in charge for the drawing-up of the company accounting documents;
- Manager in charge for the Internal Audit and Internal Audit Function;
- Board of Auditors and Independent Auditors.

The Board of Directors shall lay out the guidelines for the In-Company Control system and evaluate, at least once a year, the suitability, efficiency and effective functioning, making use of the In-Company Control Committee, the function of Internal Auditing, and the person responsible for In-Company Control.

The Board of Directors has appointed Mr. Fulvio Zugno (President of the Board of Directors), the executive director responsible for supervising the functioning of the In-Company Control system. Furthermore, each business unit manager and company manager is responsible, under the guidelines of the control system set out by the Board of Directors and by the directives received, for implementing these guidelines, defining, managing and monitoring the efficient functioning of the In-company Control system, with reference to their own area of responsibility. All employees, each according to his role, contribute to ensuring an efficient functioning of Ascopiave's In-company Control system.

Without prejudice to the functions of inspection and control reserved by law to the Board of Auditors, whilst auditing is entrusted to the auditing company Reconta Ernst & Young.

Ethical code

In accordance with what specified by arts. 2.2.3, paragraph 3, letter (k) and 2.2.3 bis of the Stock Exchange Regulations, on 27th March 2008, Ascopiave set up the organisation, management and control model as per art. 6 of Legislative Decree no. 231 dated 8th June 2001. The model was updated on the occasion of the Board of Directors Meeting, on 28th January 2011.

During 2011, the Company has been supporting the promotion and diffusion of the Ethical Code with all its partners, in particular, those representing institutional and commercial relationships.

Transactions with related and affiliated parties

The company 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 company 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.

Directors' and Statutory Auditors' fees

Fees of the members of the Board of Directors:

Surname / Name	Office	Duration of office	From	To	Fees as of 31.12.2011	Fees from controlled companies	Total
Beninatto Alfonso	Director	2008-2010	28.04.2008	28.04.2011	16,390		16,390
Bortolin Gianantonio	Director	2008-2010	28.04.2008	28.04.2011	18,006		18,006
Fassina Alessandro	Independent director	2008-2010	28.04.2008	28.04.2011	16,390		16,390
Zugno Fulvio	President of the Board of Directors*	2011-2014	28.04.2011	30.04.2014	190,515	2,383	192,899
Coin Dimitri	Director	2011-2014	28.04.2011	30.04.2014	27,362		27,362
Salton Gildo	Director	2011-2014	28.04.2011	30.04.2011	78,386	6,000	84,386
Bernardelli Giovanni	Independent director	2011-2014	28.04.2011	30.04.2014	31,050		31,050
Colomban Massimo	Independent director	2011-2014	28.04.2011	30.04.2014	33,752		33,752
Total					411,852	8,383	420,235

Statutory Auditors' Fees:

Name	Office	Duration of office	From	To	Fees as of 31.12.2011	Fees from controlled companies	Total
Paolo Nicolai	President of the Board of Auditors	2008-2010	13.11.2008	28.04.2011	12,427		12,427
Fabio Sforza	Statutory Auditor	2008-2010	28.04.2008	28.04.2011	8,388		8,388
Giuliano Saccardi	Statutory Auditor	2008-2010	28.04.2008	28.04.2011	8,388		8,388
Zancopè Ogniben Giovanni	President of the Board of Auditors	2011-2014	28.04.2011	30.04.2014	26,013		26,013
Papparotto Paolo	Statutory Auditor	2011-2014	28.04.2011	30.04.2014	17,559		17,559
Alberti Elvira	Statutory Auditor	2011-2014	28.04.2011	30.04.2014	17,559		17,559
Total					90,335		90,335

Directors' Fees:

The aggregate remuneration of the directors with strategic responsibilities, gross of taxes and of social security contributions is equal to Euro 791 thousand, as compared to Euro 760 thousand of the previous financial year.

First name and Surname	Appointment	Duration of office
Roberto Gumirato	Finance Director	open-ended contract
Giovanni Favaro	Managing Director	open-ended contract
Cristiano Belliato	Director of Administration	open-ended contract
Giacomo Bignucolo	Management control director	open-ended contract
Claudio Fabbi	Ascotrade CEO (Chief executive Officer)	open-ended contract

With reference to Art. 123-ter, paragraph 8 of Legislative Decree no. 58/1998 "National Finance Law" and to the Consob Resolution no. 18049 dated 23rd December 2011, the Report on Remuneration has to include the following fees:

- a) fees of the members of internal administrative and control bodies, as well as those of the general directors;
- b) the fees of other managers with strategic responsibilities who received, during the year, overall fees (obtained by summing cash fees and fees based on financial instruments) exceeding the highest overall fee for the subjects indicated under letter a) hereinabove.

As to letter b), it is to be noted that Mr. Roberto Gumirato's fee, gross of taxes and contributions, is equal to Euro 235 thousand.

Significant events during 2011

Company operations that took place during the year 2011

Acquisition of Unigas Distribuzione S.r.l.

On 13th January 2011, Ascopiave S.p.A. acquired at a price of Euro 19.9 million (of which about 1.7 million for the capital and about 18.4 million as an extra charge), 48.86% of the stakes in Unigas Distribuzione S.r.l.

On the same date, the Shareholders' Meeting of Unigas Distribuzione S.r.l. appointed the new Board of Directors and Auditors.

Unigas Distribuzione operates in the gas distribution sector in 31 Municipalities in the District of Bergamo, with over 175 million cubic metres of gas distributed in 2010 and about 91,000 customers served.

Acquisition of Blue Meta S.p.A.

On 13th January 2011, Ascopiave S.p.A. acquired at a price of Euro 23.8 million the entire shareholding in Blue Meta S.p.A. through the controlled Ascotrade S.p.A. that had previously acquired it. The agreement provides, among other things, for the assignment to Anita S.r.l. of an option to purchase 10% of Blue Meta S.p.A., to be exercised before January 2013.

Blue Meta is a company selling natural gas and electric power, active in the District of Bergamo with over 77,000 customers (about 83 million cubic metres) in the natural gas segment and 2,000 in the electric power segment as of the end of 2010.

Establishment of the RE Consortium

On 25th March 2011, the companies Global Energy S.r.l., Ascotrade S.p.A., Etra Energia S.r.l., Veritas Energia S.r.l., controlled by Ascopiave, and the companies Efi Technology Esco S.r.l. and Gestione Energetica S.r.l., a consortium with independent trading activity named "Consorzio RE" with headquarters in Pieve di Soligo (TV). The aim of the Consortium is to become a reference subject in the industry of energy efficiency providers, interacting with public bodies and taking part, at least initially, in the calls for tenders for public lighting; later on, other opportunities could be taken into account, such as indoor lighting, electric motors, etc.

The choice of establishing a consortium company is also connected to the need to be as present as possible across the area where it operates and to be in contact with the other local providers who might want to be part of the business.

Incorporation of Gioia 2 S.r.l.

On 19th May 2011, Serin S.r.l., a company indirectly controlled by Ascopiave S.p.A., incorporated the company Gioia 2 S.r.l., with headquarters in Pieve di Soligo (TV). The activity of the company is the production of electric power from photovoltaic plants.

On 31st July 2011, the company Gioia 2 S.r.l. activated the photovoltaic power station (with a capacity of about 5 MWp) in the area of Gioia del Colle (BA).

Acquisition of Ascoblu S.r.l.

On 27th June 2011, from the minority shareholder Ascoblu S.r.l., Ascopiave acquired Speedenergy S.r.l. and a 36% of its stakes at their book value, becoming its sole member.

Ascopiave and Speedenergy S.r.l. entered into an agreement whereby the former will transfer and sell the shares previously held, upon payment of the shares at the value Ascopiave acquired them, as well as upon reimbursement of the liquidity provided in advance by Ascopiave and payment of the connected interests; the agreement's duration is of 3 years.

Acquisition of Amgas Blu S.r.l. by the subsidiary Ascoblu S.r.l.

On 30th June 2011, Ascopiave S.p.A., through its fully-controlled company Ascoblu S.r.l., acquired 80% of the shares of Amgas Blu S.r.l., a newly incorporated company to which the operating company branch of the company Amgas Blu S.p.A. was transferred; said company branch involves about 50,000 contracts for natural gas sale in the area of Foggia. The company branch was transferred to Amgas Blu S.r.l. following a partial spin-off of the same company, pursuant to art. 2.506 of the Italian Civil Code. On 30th May 2011, Ascoblu S.r.l. was declared final winner of the public tender through which Amgas S.p.A., a company controlled by the Municipality of Foggia, sold off 80% of the share capital of Amgas Blu S.r.l..

The main assets transferred to Amgas Blu S.r.l. following the spin-off were the contracts and the service contracts for natural gas sale (about 50,000), as well as the trademark "AMGAS BLU". The contracts with the 8 employees employed at Amgas Blu S.p.A. were also transferred to Amgas Blu S.r.l..

The price offered for the acquisition of 80% of Amgas Blu S.r.l. amounted to Euro 11.7 million, was settled in cash and was based on the assumption that the company branch involves no. 50,000 service contracts for natural gas sale as of the date of the closing. During 2011, the price was subject to adjustment following a verification of the actual number of service contracts owned by Amgas Blu S.r.l., in accordance with the provisions of the call for tenders.

Purchase of shares of the companies Palo6 S.r.l. and De-Stern S.r.l.

On 30th June 2011, the company Serin S.r.l., indirectly controlled by Ascopiave S.p.A., finalised the acquisition of the share capital of the company Palo 6 S.r.l., of which it held 96%, and of De-Stern 5 S.r.l., of which it held 77.5%. The activity of the two companies is the production of electric power from photovoltaic plants.

On 29th July 2011, the plant realised by the company De-Stern 5 S.r.l. was commissioned; it is a photovoltaic power station with a capacity of about 5 MWp, in the area of Lequile (Lecce).

Incorporation of Acquaviva 2 S.r.l.

On 30th September 2011, Serin S.r.l., a company indirectly controlled by Ascopiave S.p.A., incorporated the company Acquaviva 2 S.r.l., with headquarters in Corato (BA). The activity of the company is the production of electric power from photovoltaic plants.

The regulatory development of the feed-in tariffs made it impossible to start the economic initiative, and the company will be closed in 2012.

Transfer of a company branch

On 28th December 2011, Ascopiave S.p.A. transferred to BIM Piave Nuove Energie S.r.l. (company controlled by Asco Holding S.p.A.) the company branch carrying out heat supply activities.

The transfer took place at book values, for an amount of Euro 385 thousand, and has been effective since 1st January 2012.

Other significant events

Subscription, with the Municipalities involved, of a convention proposal for the adoption of a shared procedure aimed at the agreed quantification of the "Industrial Residual Value" of the networks.

During the last quarter of 2010, Ascopiave S.p.A. made a proposal to 93 municipalities located in the provinces of Treviso, Venice, Pordenone, Belluno, for a convention concerning the adoption of a common procedure aimed at quantifying the agreed "Industrial Residual Value" or "VIR" of the networks through which the gas distribution service is provided in each municipality.

As of 31st December 2011, the Convention was approved by 92 municipalities located in the districts mentioned above.

The Convention establishes that a qualified and independent expert be identified and appointed, in order to set the basic criteria to be applied for calculating the industrial residual value of gas distribution systems.

The expert, identified on 29th August 2011, produced a report on the "Fundamental criteria for the calculation of the Industrial Residual Value of natural gas distribution plants in the municipalities currently served by Ascopiave S.p.A.," which was approved on 2nd December 2011 by the Board of Directors of Ascopiave and then submitted to the municipalities.

As of 31st December 2011, the above mentioned relation was approved by 62 Local Bodies.

Under the current regulatory framework, the VIR is the value that Ascopiave S.p.A. will be entitled to receive at the end of the concession period from any new winner of the tender for gas distribution.

The agreed quantification of the VIR will allow Ascopiave S.p.A. to limit the risk of litigation in the execution of the bid for the award of new licenses for the gas distribution service, with the aim of preventing situations of uncertainty and possible conflict.

During the procedure and until the renewal of concessions, Ascopiave S.p.A. will remain the subject entitled to manage the gas distribution.

With reference to some of these municipalities, Ascopiave S.p.A. agreed to pay an amount consisting of a fixed component to be paid as a lump sum upon subscription of the Convention. The payment of the fixed component will involve an outlay of Euro 3,869 thousand in case of adhesion to the procedure by all the 93 municipalities.

In addition to the lump sum, Ascopiave S.p.A. agreed with all the municipalities concerned, on the recognition of a variable component to be paid annually to the public bodies upon approval of the Municipal Executive Committee, of the report for the determination of the criteria for assessing the VIR. The amount is equal to the difference, if positive, between 30% of "restriction on the revenues from distribution" ("VRD"), to which Ascopiave S.p.A. is entitled by tariff regulation for the management of the gas distribution service in the municipality concerned, and the amounts already received by that municipality as a dividend in 2009, for the indirect participation in the capital of Ascopiave S.p.A. In 2011, the payment of said variable component involve an outlay of Euro 2,108 thousand.

Update of the organisation model as per Legislative Decree 231/2001

On 28th January 2011, the Board of Directors approved the updated model of organisation, management and control in accordance with Legislative Decree no. 231/2001, incorporating the original model adopted on 27th March 2008, with the crime provisions subsequently introduced into Legislative Decree no. 231/2001.

Renewal of the concessions from the so-called "Bando Sandrigo"

The municipalities of Breganze, Calvene, Fara Vicentino, Lugo di Vicenza, Mason Vicentino, Molvena, Monte di Malo, Montecchio Precalcino, Pianezze, Salcedo, Sandrigo, Sarcedo, Schiavon and Zugliano, all located in the District of Vicenza, approved the tender procedure for subcontracting the gas distribution service. The call for tenders was published on the Official Gazette of the Italian Republic on 3rd September 2010. The above mentioned municipalities were served by Ascopiave S.p.A. in its capacity as holder of no. 14 licenses for organising and managing the gas distribution service. The licenses were issued by direct assignment, i.e. without a public call for tenders. Therefore, in accordance with article 15 of the "Letta Law", the licenses were bound to expire on 31st December 2010. Said licenses were purchased and entered into the "Assets" section of the company's financial statements as part of a process of business combination that took place during the financial years 1999-2003, with the company VENETA SERIVZI PUBBLICI S.p.A., incorporated following deed of merger into the parent company Ascopiave S.p.A. in November 2003.

Because of Ascopiave S.p.A.'s economic and financial interest in continuing the activity of gas distribution in the municipalities that issued the call for tenders, on 27th October 2010 the company presented its offer, which was admitted and evaluated by the appointed committee. In December 2010, the licenses for gas distribution were finally assigned and on 18th April 2011 the new agreement regarding the management of the plants until 30th April 2023 was signed.

Following the signing of the agreement, the licensed company gave up its property rights on the network in favour of the right to distribute its natural gas for twelve years, though it maintains all the risks connected to the property and the actual control on the network.

The signing of the agreement did not generate financial flows for neither the local bodies nor the licensed company, because of the correspondence between the old and the new licensed companies.

For the purposes of business continuity, and in line with the activities carried out over the past financial years, the revenues and costs connected to this activities remain unchanged, except for the costs relating to the service fees paid annually to the local bodies, which equal Euro 502 thousand. As to the investments in the network - necessary to maintain its use value - the company estimates that, during the twelve years, the investment will amount to Euro 8,733 thousand.

Appointment of the Board of Directors and of the Board of Auditors

On 28th April 2011 following the expiry of the term of office of the governing bodies of Ascopiave, the Shareholders voted on the appointment of members of the Board of Directors and Statutory Auditors of the Company, which shall remain in office for three financial years until the approval of the financial statements for the year ended 31st December 2013.

The Board of Directors appointed by today's Assembly is composed by five directors elected on the basis of lists of candidates submitted by the shareholders. In accordance with the provisions set out in article 15.12 of the Articles of Incorporation, from the list presented by the majority shareholder Asco Holding S.p.A., which obtained the highest number of votes, Mr. Fulvio Zugno, Mr. Dimitri Coin, Mr. Giovanni Bernardelli and Mr. Gildo Salton were elected as directors, in the order in which they were listed in the aforesaid list. From the list filed by the shareholder Blue Flame S.r.l., which obtained the second highest number of votes, Mr. Massimino Colomban was elected director, the first candidate on the list. Today's meeting also appointed the Chairman of the Board of Directors in the person of Mr. Fulvio Zugno. Mr. Giovanni Bernardelli and Mr. Massimino Colomban meet the requirements of independence under Article 148, paragraph 3 of the Consolidated Law on Finance, as well as under the Corporate Governance Code for Listed Companies.

The Board of statutory Auditors appointed by today's Assembly was elected on the basis of lists of candidates submitted by the shareholders. Pursuant to Article 22.5 of the Articles of Incorporation, from the list presented by the majority shareholder Asco Holding SpA, which obtained the highest number of votes, Mr. Paolo Papparotto and Mrs. Elvira Alberti were elected regular auditors, and Mr. Andrea Sartor alternate auditor. From the list filed by the shareholder Blue Flame S.r.l., which obtained the second highest number of votes, Mr. Giovanni Zancopè Ogniben was elected regular auditor and president of the Board of Auditors; Mr. Paolo Nicolai was elected alternate auditor.

Development of the activities of Sinergie Italiane S.r.l.

During 2011, the relationship with Sinergie Italiane S.r.l., main shipper of the Group for the supply of natural gas was unsatisfactory. The prices proposed to its customers turned out to be not sustainable, and the company suffered a loss of Euro 92.2 thousand upon closing of the financial year, a financial deficit of Euro 88.4 thousand and a negative fair value equal to Euro 14.0 million, mainly connected to the derivative financial instruments subscribed by the company in order to cover the raw material risk. The negative results were justified by the administrators with reference to the burden of natural gas purchase agreements subscribed before the end of the financial year. The analysis of the portfolio of the company's supply sources carried out by an independent expert revealed that the company widely used swap agreements in order to try and contain the sudden change that took place in the reference scenario provided for in the original industrial plan. The actions taken by the company caused significant losses, which became known on 13th March 2012, when the company sent its draft financial statements for the period ended 30th September 2011 to Ascopiave S.p.A.

Such significant losses forces to proceed with a recapitalisation, or with a winding-up operation.

Because of the way the losses were caused and made known, the parent company doubts that the business relationship can be continued. As to the evolution of the accounting data of the company, refer to paragraph "Shareholdings" of the explanatory notes.

Implementation of the new plan for the purchase of own shares

On 28th October 2011, the new plan for the purchase of own shares approved by the Shareholders' Assembly on 28th April 2010 was implemented.

According to the provisions and contents of the Plan, no. 2,226,909 ordinary shares were purchased, at an average price of Euro 1.49 each and a total value of Euro 3,318,545. The purchase price was never higher or lower than 10% of the reference price registered by the share in the stock market session previous to every single purchase operation. The purchase operations started on 19th May 2010 and ended on 27th October 2011. They were carried out on the screen-based stock exchange organised and managed by Borsa Italiana S.p.A., on which the company's shares are listed, in accordance with all the relevant laws and regulations.

Pursuant to the current regulations, the Plan allowed the Company to take action in order to control any unusual fluctuation of the listings, and to regulate the trend of the negotiations, especially when connected to abnormal phenomena due to an excessive price volatility or a low liquidity of the exchanges.

Authorisation for a new plan for the purchase and disposal of own shares

The Shareholders' Assembly (first call) was held on 29th November 2011, and it authorized the implementation of a new plan for the purchase and disposal of own shares.

The Assembly shall have to decide whether to authorise the Board of Directors to provide for purchase and disposal acts, in one or more times and on a rotary basis, of a maximum number of ordinary shares of 46,882,315 (as of the date of the resolution), with a par value of Euro 1.00 each, so that the Company does not hold, at any time, a shareholding higher than 20% of its share capital, in accordance with the terms and conditions established by the Assembly, as well as with the applicable laws and regulations.

The Plan is intended to allow the Company to acquire own shares to be used for investment transactions consistent with the strategies of the Company, also by exchanging, in-kind exchanging, transferring, assigning or other disposition of own shares, for the acquisition of shares or stakes or other capital transactions involving the allocation or disposal of own shares. The Plan shall pursue the following objectives: (i) to act in accordance with the provisions in force to stabilize the title and to regularize the development of trading and prices as a result of distortions connected to an excess of volatility or a lack of trading liquidity, (ii) to offer shareholders an additional means for monetizing their investment, (iii) to acquire its own shares to be allocated, where appropriate, to serve future share-based incentive plans reserved for administrators and/or employees and/or collaborators of the Company or other subsidiaries or companies controlled by the parent company.

The authorization establishes that purchase transactions be carried out on the market in accordance with the provisions of art. 144-bis, first paragraph, letters b), c) and d) of the Issuer's Regulations and, thus, in any manner provided for by the regulations in force with the sole exception of public tender offers or public exchange offers. The unit price for the shares will be determined from time to time by the Board of Directors, provided that said price cannot be higher or lower than 10% compared to the reference price recorded by the share in the trading session previous to each operation. The duration of the authorization to perform the purchases is of max. 18 months starting as from the date the Assembly issues said authorization.

The Board of Directors is also authorized to dispose of the own shares purchased without time limits and according to the manner deemed most appropriate, at a price to be determined from time to time by the Board but which shall not (except for certain specific exceptions) be 10% lower than the reference price recorded by the share in the trading session previous to each operation.

Approval of a plan of guarantees in favour of Sinergie Italiane and development of activities

On 28th January 2011, the Board of Directors approved a plan of financial guarantees in favour of the subsidiary Sinergie Italiane S.r.l.. The guarantees issued in favour of Sinergie Italiane S.r.l. are detailed in the explanatory notes to the consolidated financial statements.

Termination of the contract with the CEO

On 19th July 2011, the Board of Directors of Ascopiave S.p.A. resolved to terminate the contract with the CEO.

Mr. Salton was employed on 28th January 2011 by the previous Board of Directors as CEO with an open-ended contract and a gross annual remuneration equal to Euro 320 thousand. He was also entrusted with all the powers relating to the ordinary administration of the company, except for those reserved (by Law and/or by the Company Statutes) to the Board of Directors or Shareholders' assembly (in the contract referred to as "Powers").

Moreover, he was entrusted with powers of delegation (in the contract referred to as "Delegations") as President of the Board of Directors (in the contract referred to as "The Office").

According to the contract, should the following conditions occur:

- dismissal without just cause, pursuant to art. 2199 of the Italian Civil Code;
- resignation with just cause to be notified within 6 (six) months from the event, which conventionally includes the following conditions:
 - significant change in the position of Mr. Salton, including, for example, the reduction of the Powers and/or termination of the Office and/or reduction of the Powers of Delegation;
 - failure to renew the Office or the Delegation as of their date of expiry;
 - appointment of a CEO;
 - appointment of other general directors who are not hierarchically subordinate to the CEO;
 - creation, within the Company, of divisions and/or departments not subject to the organisational and hierarchical authority of the CEO;
 - maintenance and /or assignment to other subjects of tasks, delegations or powers that result, also as a whole, substantially equivalent to the Powers or Delegation or, in any case, owed to the manager by virtue of their tasks and/or Office and/or so significant as to have a substantial impact on the overall position of the manager;
 - resignation within twelve months as from the transfer of the manager in the framework of a company transfer or of a change in the company structure, meaning the acquisition, by one or more third -party subjects, of the control of the company, or, in any case, of a share allowing to have a substantial influence on the company itself;

Mr. Salton, or his legitimate heirs, would have the right to receive, in addition to the ordinary severance indemnity compensation and to the due advance notice as provided by law and collective bargaining regulations, an amount equal to 36 months of the remuneration being applied as of the date of resignation, notwithstanding the fact that said amount will include any wage and/or remuneration due to him in relation to the office, as well as the relevant Gross Annual Salary.

The fact that, in the meeting held on 28th April 2011, the Shareholders' Assembly failed to re-appoint Mr. Salton as

CEO, in itself represented a just cause that justified his resignation, as well as the right to obtain the payment of the amount described above from the Company. He would have had the right to receive said payment also if there had been any change in the Powers/Delegations assigned to him by the previous Board of Directors, and, furthermore, if a new CEO had been appointed (i.e. a general Director not hierarchically subordinate to Mr. Salton).

On 19th July 2011, the Company resolved to notify Mr. Salton with the termination of the contract with just cause, disputing, moreover, the validity and effectiveness of said contract, as well as the nature of the relationship. Subsequently, via registered letter dated 1st August 2011, Mr. Salton objected the legitimate nature of the termination/dismissal, and required the Company to pay a severance indemnity for failing to notify him with a 12-month forewarn; the indemnity requested was equal to Euro 230 thousand, whereas the amount due to him from the Company as established in the contract amounted to Euro 840 thousand. Moreover, Mr. Salton required a "compensation for the financial, professional, moral and existential damage suffered and being suffered" for an amount of Euro 200 thousand.

Therefore, Mr. Salton's requirements to the Company equal an overall amount of Euro 1,270 thousand, of which Euro 1,070 thousand by virtue of the contract, and Euro 200 thousand as a compensation for damages.

Subsequently, on 25th November 2011, Mr. Gildo Salton filed an appeal under Article 633 et seq. of the Code of Civil Procedure, requiring that the Court sentence the Company to pay Euro 280 thousand in his favour, equal to one third of the penalty specified in the contract, plus the interests accrued and revaluation of the balance due, with award of costs, claims and legal fees. It was asked that the injunction be provisionally enforceable.

Following the appeal, with injunction issued on 22nd December 2011, the Court of Treviso - Department of Labour Disputes esentenced Ascopiave S.p.A. to proceed with the payment in favour of Mr. Gildo Salton, for an amount of Euro 280 thousand, plus the interests accrued and revaluation of the balance due, However, the Judge for Labour Disputes did not deemed it appropriate to declare the injunction provisionally enforceable as required by Mr. Salton, as it was clear that the amount of the penalty was, according to the Judge, clearly excessive.

The Company promptly filed an appeal against the injunction, asking that Mr. Salton's request be denied. The first hearing is scheduled for next 19th September, 2012.

Sales of natural gas and electric power

Gas sale

General overview of the market

Lately, business proposals providing the combined supply of gas and electricity are increasingly attracting the interest of final customers, who recognize the validity and the convenience of having a single partner administering their energy supply contracts.

The two services are complementary in the marketing and offer the possibility to obtain clear synergies. Thanks to the "Bi-Fuel" contract, customers interface with a single point of reference and at the same time - keeping two separate billings for the energy resources provided - they can avoid a concentration of payments in connection with the periods of higher consumption.

The Authority for Electricity and Gas is continuing to introduce changes in the regulations regarding the electricity and

gas market, with interventions that entail profound deep changes in the service management and against which it is often necessary to redesign procedures and computer programmes. These adjustments are particularly expensive and many times, when finalized, they should be corrected due to the continuous reinterpretations of the law.

The regulatory framework is also influenced by the intervention of the Italian Authority for Competition and Market, which aims at fostering a more competitive market situation, by increasing the number of operators and the maintenance of their competitiveness, with the ultimate goal of reducing energy costs for final customers.

In this regard, it is to be noted that the costs related to taxes, excise duties, transport services, distribution and modulation, have a very high impact; therefore, the economic benefits that may result from a possible optimization of supply costs, although recognized in the form of discounts on sales prices, would entail a rather low reduction of the total cost to final customers.

Any economic benefit in the actual costs of supply, i.e. prices below the tariff levels established by Authority for the protection market, can be achieved thanks to the differentials between the prices of contracts negotiated in the medium- to long-term contracts with take-or-pay clauses (which are reflected into the tariff adjustments) and the prices which are formed in the spot markets.

However, even in the presence of long markets, and therefore with significant price advantages on the spot contracts, the commercial offers for the civil segment, in order to be still economically sustainable, could not diverge and never actually diverge by more than 2/3% of the total fee determined by the Authority for Electricity and Gas for the protected market.

Despite the objective economic situation, consumers continue to have very high expectations on the possibility to achieve significant savings on energy consumption, expectations fuelled both by regulatory bodies - through their institutional communication activities, much publicized in the press - and by the communication campaigns promoted by the commercially aggressive companies of the industry.

In particular, some operators poorly bonded to the territory and strongly supported by advertising and marketing policies and initiatives, propose commercial offers that are actually not transparent and only apparently attractive from the economic point of view.

To this end, the associations of consumers have urged the Authority for Energy and Gas and the Competition Authority to intervene conclusively on companies that do not allow end users to make clear comparisons between the reference offers for the protection market and the proposals made by the companies themselves.

Moreover, one of the most worrying aspects is that even important sales company, with internationally recognized "brands", give consumers economically unprofitable commercial options, relying on expensive advertising campaigns or using commercial agencies that adopt often incorrect behaviours.

Price trends and economic conditions of gas supply

Although most of the wholesalers - who were suffering from being in a non-competitive position, due to their exposure to sources of supply in the medium- to long-term with take-or-pay clauses - managed to renegotiate their purchase prices, bringing them closer to the most favourable "spot" supply prices, the gas market is still experiencing the effects of a certain instability.

In this context, sales companies carefully monitor the price trends in the "international hubs", since the increase of transport capacity towards our country can allow them to benefit from favourable pricing conditions, particularly next summer.

However, it should be noted that the ability to seize these opportunities present significant critical aspects, especially for operators of smaller size and with limited financial capacity.

AEEG's dispositions on tariffs

In December 2011, the Authority for Electricity and Gas issued a provision which adjusted the value of the QVD component of the tariff for protected categories to cover the retail activity management costs, starting as from 2012.

During the year, the Authority also initiated the procedures to issue a number of other provisions concerning tariffs or, in any case, concerning the formation of prices, which are to date still being discussed.

As to the CCI component (component of the tariff for protected categories for covering wholesale costs), the Authority expressed its intention to change the adjustment method as follows:

firstly, in order to be able to reflect the actual average cost of the import sources, the value of the adjustment should take into account both the changes in the supply costs in relation to take-or-pay contracts, and the changes in gas prices recorded in the European markets, at least for an amount corresponding to the volumes imported by alternative contracts.

Secondly, since the related costs are not subject, upstream, to the price trends of international markets, the adjustment should exclude the portion relating to the demand covered by the production of gas in the gas fields located in the national territory. To date, national production represents 10% of the volumes, so the adjustment should concern a percentage of about 90% of the CCI component.

In accordance with the requirements of the companies operating in the industry, these new provisions should become effective as from October 2012, keeping into account that some operators have not yet negotiated the "take-or-pay" supply cost of gas, and that the "spot" gas represents only about 10% of the overall volume of imported gas.

With reference to these provisions, which could, however, cause a significant change in the CCI value, the Authority intends to introduce the figure of the Wholesaler into the system, an operator that should ensure the supply of gas to the sales companies under the new conditions to be established by the Authority itself, so as to avoid any litigation connected to prices not consistent with the current market situation.

The method for choosing the wholesaler (a supplier ensuring that the economic terms and conditions established by the Authority are complied with) has not yet been defined, and it is also unclear how the mechanism should be applied, especially in relation to small and/or large supply requirements.

Another difficult issue, about which the Authority is taking action by seeking to introduce simplifications in favour of the sales companies, concerns the management of arrears to be paid by customers.

After the functional and corporate separation between the sale and distribution activities, this issue has become increasingly important: the distribution companies, when deactivating the supply to defaulting customers reported by

sale companies, do implement the procedure established by the standard but in an ineffective way, without having the right incentive to operate more effectively.

The sales companies, despite having proceeded to terminating the contract from an administrative point of view, often find themselves in a situation where they have no certainty on when the counting metre will actually be closed, and have therefore to bear the upstream procurement costs relating to the consumption of defaulting customers, even for a long period of time, suffering a significant financial loss.

In this regard, the Authority for Electricity and Gas, introducing a final deadline in order to identify the responsibilities for the consumption of customers, would prefer that it could be possible to transfer these charges to the distribution companies, after six months following the administrative termination of the contract.

The costs incurred into by these companies, both for management and unpaid consumption, should be restored through the establishment of a national fund involving a new tariff component.

The distribution companies do not agree on adopting this approach because they should, after years, reorganize a business with their end customers whose contracts had been terminated upon implementation of the separation between distribution and sale activities, and also because they fear having to be held responsible in cases in which it is impossible to close the counting metres after the time allowed by the Authority.

As to the solution described above, beyond any other considerations, it is to be underlined that the general reaction was of puzzlement. In fact, it would not be correct to establish a fund to cover the charges generated by defaulting customers that should in the end be borne by non-defaulting ones. Should the Authority fail to find alternative solutions, it would be desirable that these compensations be at least implemented within the single territorial areas and not a national level, thus allowing the closure rate of counting metres for defaulting customers to become a new element on which to base the tenders for the renewal of the gas distribution concessions.

Management trend

The volumes of gas sold to the final market in 2011 by 100% consolidated companies are equal to 1,122.3 million of cm, showing an increase of 7.7% as compared to 2010, of which 137.1 million of cm were used for the enlargement of the consolidation area. 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 1,153.1 million of cm (+9.1% 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 2011, reached 563.186 units (+26.3% as compared to the end of 2010), obtained thanks to the enlargement of the consolidation perimeter. As of 31st December 2011, proportionally consolidated companies managed and served 292.855 customers (-1.9% as compared to 2010).

Commercial solutions for gas sale

In 2011, the Group's sales companies identified and proposed new commercial solutions, aimed at achieving customer retention and development, thereby expanding the options available to consumers.

The economic conditions applied to customers of the civil segment and micro-business do not involve specific risks on the profit margins achievable, because the indexing formulas proposed are aligned with those provided for in the purchase agreements, which in turn generally refer to those adopted by the Authority of Electricity and Gas for adjusting the regulated prices for the protected market.

The risk is also mitigated by the fact that for these segments of customers, the possibility of termination of the supply contract by the customer has a negligible impact.

Critical issues on this front stand out instead in the segment of industrial customers, which includes customers with significant annual consumptions that have personalized contractual conditions.

Industrial customers usually renew their supply contract on an annual basis, by carefully studying the conditions offered by the market and by comparing them with the proposals of the leading competitors. Given the significant competitiveness, for this segment of customers, failure to renew the contract is a concrete hypothesis with potentially significant effects. Moreover, these customers often require price indexation formulas differentiated and different from those provided for in the supply contracts.

This twofold situation involves the fact there is less certainty about the margins achieved and the need to keep them carefully monitored, evaluating their prospects in relation to the trend of variables such as fuel prices and, more generally, price indexation parameters.

To this end, the Group's sales companies have to constantly evaluate the convenience and the opportunity to adopt coverage tools and methods in relation to implicit risks of "changes during the contract" of the trade margins on this portfolio of clients.

This risk is further accentuated by the fact that the expiry dates of the contracts are distributed throughout the year, unlike the those of purchase contracts, usually stipulated at the beginning of the thermal year.

Sale of electric power

The electric power market

The electricity supply has been normalised with the full development of the Electricity Market, a tool that allowed companies operating only in marketing to the final customers to have access to electricity supply companies under the same conditions that are integrated into the production. The creation of the electricity market actually cancelled, for the companies across the industry, most of the benefits derived from being able to transfer only the production costs in the supply price, without adding any other charge.

In 2011, the electric sector was characterised by a continuing instability, mainly connected to the national and international economic recession, which especially affected the industrial sector. To date, the most interesting segment is the "civil customers" segment, in which the service provided is highly valued, as opposed to the "large customers" segment, where price is the only element to evaluate when choosing the type of contract.

Ascopiave Group: management trend

In 2011, the amount of electric power sold by 100% consolidated companies equalled 147.8 GWh, with a decrease of 67.2% as compared to 2010, of which 75.8 GWh are connected to the enlargement of the consolidation perimeter. 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 1,329.2 GWh.

Initiatives in the photovoltaic

The photovoltaic market in Italy

The segment of energy production from renewable sources is one of the most dynamic in the Italian market, with numerous small actors that entered presenting ambitious projects of dimensional growth. After several years of stall, the Italian photovoltaic market is reviving and seems to be promising and strategic both for investors and for producers of the sector.

The installation by Enel of several photovoltaic plants (also of big dimension) in the first half of the 1990's produced a big excitement in the Italian photovoltaic market. But the absence of incentive forms for plants caused a slowdown in the market that started to accelerate after several years, with the introduction of "Conto Energia" (Energy Bill) in September 2005 by the Ministry of Economic Development.

"Conto Energia", with the objective of promoting the production of electric energy from photovoltaic plants, introduced a system of incentive of the plants connected to the electric network for the injection of produced energy. But the Decree was fixing a bond of maximal power allowable to the incentive, equal to 85MWp per year.

In spite of the excessive bureaucratization, the interest from companies and users for the photovoltaic market has been considerable, thus largely surpassing expectations.

The further development of the photovoltaic market started with the Decree 19th February 2007, when the Ministry of Economic Development, in accordance with the Ministry of Environment and of the Protection of Territory and Sea, introduced the new "Conto Energia". The new dispositions give more favourable conditions for the development of the photovoltaic market, modifying and simplifying the original scheme defined by previous Decrees dated 28th July 2005 and 6th February 2006. The incentives have been re-modulated and the bureaucratic aspects (authorization process) have been simplified. Besides, the maximal level of installable power for the incentives has been eliminated.

As said before, the growth of the photovoltaic market in the last years has been very strong. 2009 consolidated the growth that marked 2008: the installed plants increased of 146%, going from 24,400 at the beginning of 2008 to the current 60,000, while the power installed has grown of more than 170% going from 300MW of 2008 to the current 815 MW.

2010 was the year in which photovoltaic installations boomed; in fact, two important psychological thresholds were crossed:

- during the first quarter 2010, there was over 1 GW of installed photovoltaic power
- at the end of the first semester 2010, the GSE photovoltaic counting metre had over 100,000 connected to the network

At the end of the year, the power installed was of about 1,850 MW (+160% as compared to 2009) and 130,000 plants were connected to the national network.

Besides, 2010 was very important also as far as the approval of Ministerial Decree dated 6th August, which governs the incentives of the sector starting from 1st January 2011 until 31st December 2012, the so-called "Terzo Conto Energia".

Moreover, remaining in the field of regulations and in the month of August, the Law 129/10 called "Salva Alcoa" was issued, which allows the photovoltaic plants installed by 31/12/2010 to receive the incentives of the year 2010 even though they have been connected only during the first 6 months of 2011.

This regulation provided a further stimulus to the photovoltaic market; in fact, it is estimated that in June 2011 the total power installed might reach the threshold of 7 GW, getting nearer and nearer to the 8 GW threshold identified by the government as a goal to be achieved by 2015.

Finally, in 2010 the prices of modules decreased (approx. -15%), approaching another goal largely in advance, i.e. the so-called grid parity between the price by KWh produced by renewable energy sources and the price by KWh produced with fossil fuels.

In 2011, also because of the negative economic situation that hit Europe and Italy, the Ministry for Economic Development, after several months of regulatory uncertainty that had discouraged large investors and slowed the growth of the industry, issued, in May, a new decree which modified certain aspects of the incentives for energy produced from renewable sources. The so-called "Quarto Conto Energia" (Fourth Energy Bill), in fact, carried out a downward revision the tariff ranges for producers of green energy, in addition to introducing, for the large-sized plants installed on the ground, complex bureaucratic procedures for accessing the incentive mechanisms. In this way, the Italian government decided to significantly slow down the development of large plants on the ground, in order to encourage those household systems and, more generally, all photovoltaic systems for electric energy.

AscoEnergy activity

In 2008 Ascopiave S.p.A. constituted with Bioenergy Italia S.r.l. the company AscoEnergy S.r.l., entrusting to the subsidiary the mission to start the construction of big dimension plants for the production of electric energy from photovoltaic source.

In 2009, Ascoenergy acquired the companies Lucania S.r.l. (100%), Masseria S.r.l. (100%) and Specchiano S.r.l. (50%), and incorporated the company Serin S.r.l. (50%).

During 2009 AscoEnergy S.r.l. proceeded with the phase of development of photovoltaic plants through the acquisition of the company Gioia S.r.l. (100%) and Quintasol S.r.l. (50%). During the last quarter of 2010, a major change in the corporate structure of the Ascoenergy Group took place: all the companies that were directly controlled by Ascoenergy are now indirectly controlled by it (all of them at 50%), through the company Serin S.r.l.. In December 2010, Serin acquired the companies Palosol S.r.l. (100%) and Palo6 S.r.l. (96%).

In 2011, Ascoenergy's activity, through its subsidiary Serin S.r.l., continued with the purchase of the remaining stakes of Palo6 S.r.l., but most of all, with the realisation of two photovoltaic power stations with a capacity of 5 MWp each;

one is located in the Municipality of Gioia del Colle and is named Gioia2 S.r.l., the other in the area of Lequile (Lecce) and is named DeStern5 S.r.l..

Both power stations, having been connected to the electric grid in July 2011, can benefit from the incentives provided for in the "Terzo Conto Energia" (Third Energy Bill), because the "Quarto Conto Energia" entered into force starting as from September 2011.

With these two power stations, Serin S.r.l. manages photovoltaic plants for an overall power of 17MWp.

Distribution of natural gas

Ascopiave Group: management trend

In 2011, the volumes distributed through the networks managed by the Group have been 1,029.7 million cm (+9.1% compared to 2010), of which 771.0 million by Ascopiave S.p.A., 52.3 million cm by ASM DG, 54.4 million cm by Edigas Esercizio Distribuzione Gas S.p.A. and 151.9 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 followed development trends historically consolidated, and as a consequence of new extensions and of the consolidation of the activities of ASM DG and of Edigas Esercizio Distribuzione Gas and Unigas Distribuzione S.r.l. as of 31st December 2011 has an extension of 8,578 km.

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 153 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, designer 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 2011 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;
- 11 extraordinary maintenance interventions were carried out on the Re. Mi. cabins, in order to adjust the systems to the increase in hourly consumptions, the requests for new connections and renewals of the plants.
- 41 GRF's were developed and commissioned;
- about 100 GRM's were designed, developed and commissioned;
- about 50 metre assemblies were designed, developed and commissioned;
- 58 km of pipes were developed and laid, with interventions in 83 municipalities.
- 11 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.

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 2011, 27 MPP, 182 VF and 4,368 inspections on Re.Mi. have been performed, plus 321 MPP, 2,046 VF and 1,640 inspections on reduction groups. A large part of the interventions performed in 2011 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 1,550 interventions. Then, in cases in which the valve was inaccessible, the interventions were carried out jointly with the third-party company (a total of about 200 interventions).

Over 1,150 maintenance works have been carried by specialised personnel, among which: interventions of conduct shift, interventions of shift of the riser and underground connections, socket cuts, executions of U-bolts, insertions of dielectric joints and valves on conducts and connections, as well as interventions on zinc-coated/existing uprights.

In 2011, 1,023 systems for remote measurement of consumption were installed on connections with counting metre with capacity higher than G40 (higher or equal to 100 Smc/hour).

During the year, the plan for upgrading counting metres with capacity higher than G40 was almost completed, as provided by Resolution 155/08 of the AEEG. With Resolution of the AEEG no. 28/2012, the final deadline for the upgrading was extended to 29th February 2012.

The indicators of safety (time of arriving on 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 2011, Ascopiave S.p.A. carried out over 4,018 interventions, and the average arrival time was of 31 minutes.

Over the course of 2011, inspection of 100% 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 is superior to the minimum standards required by the AEEG for distribution systems, and demonstrates the attention paid by Ascopiave S.p.A. to the safety of its services.

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 2010, 547 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.

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, 2011 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 2011 the investments for the extension, the empowering and maintenance of distribution network have been significant. In particular, in 2010, over 4 km of pipes have been laid while 60metres of cast iron joint with hemp-lead conducts have been cast-off because obsolete. The programme of complete elimination continues according to the times previewed by the Authority.

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.

During the year, the plan for upgrading counting metres with capacity higher than G40 was almost completed, as provided by Resolution 155/08 of the AEEG, by installing remote measurement equipment and systems.

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 2011, it has carried out more than 458 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 2011 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.

Following the participation in the tender for the assignment of gas distribution in the municipality of Sabbioneta, Edigas DG S.p.A. won the tender and will be operating as gas distributor from 1st February 2011 for 12 years.

In 2011 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.

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 2011, 2 new plants of final reduction needed maintenance and 2 new groups of reduction and measurement for industrial use were activated. 4 Re.Mi. were equipped with a system for injecting the odorizer.

With the issue of Resolution AEEG no. 155/08, Edigas DG S.p.A. normalized all counting metres with class equal to or higher than G40, prearranging them for the introduction of the electronic corrector with remote reading, which were installed during the year.

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 2011 has carried out 591 interventions and the arrival time was less than 60 minutes.

Over the course of 2011, 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 2011, over 156 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 Castellucchio 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 31 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 2011 the investments for the extension, the empowering and maintenance of distribution network have been significant.

During 2011, over 15 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 2011, 40 VF's and 40 Inspections were performed on Re. Mi. plants, which were also checked on a weekly basis by internal personnel, for a total of about 2,000 checks. About 200 VF's and inspections were performed on GRF's.

During 2011, 5 new plants of final reduction have been activated, of which 1 have received extraordinary maintenance (substitution of old apparatus, normative updating, increase of the carrying capacity after enlargement of the network, etc.).

During the year, the plan for upgrading counting metres with capacity higher than G40 was almost completed, as provided by Resolution 155/08 of the AEEG.

The indicators of safety (time of arriving on 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 dedicated free-phone number, active 365 days a year, 24/7 and managed by Unigas S.r.l.. In 2011, over 2,600 interventions were performed, and the average arrival time was less than 30 minutes, half the average time set by the Authority (60 minutes).

Over the course of 2011, inspection of over 50% 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, 106 Km of Medium-pressure distribution network and 399 Km of Low-pressure distribution network were inspected, and 98 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. In 2010, over 500 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.

All the operational activities are carried out on a peripheral level by the Territorial Areas, which, in this process, benefit from organizational autonomy, without prejudice to the compliance with the obligations set by the AEEG and with the

service quality standards (Territorial Areas and/or Municipalities).

The process is constantly and centrally monitored and coordinated from the headquarters, by the "Commercial Services for Distribution", with the task of periodically identifying and updating the operational procedures and the reference price lists.

Price lists for "Cost Estimates/Connections" and for "Activities on PDR's" are updated as of June 2010. In June 2011, 2 new price lists were adopted for the Municipality of Marostica and for the 14 municipalities served in the district of Vicenza (acquired by tender on May last year).

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 550 interventions (increased as compared to 2010). 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, 171 grounded prearrangements were performed, against 60 cost estimates accepted by the contractor of the primary urban works.

The total number of interventions is in line with the figures of 2010.

These provisions are established by the 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, 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 specific service charters (where applicable).

In 2011, over 3,950 cost estimates were issued (in line with 2010), 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 2011, a total of 1,370 transfers in methane-covered areas were performed (a 19% decrease compared to 2010). 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 822, 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 2011, 4,140 delivery points were built, with a decrease (-17 %) compared those built in the year 2010. These PDR were also equipped with measurement assemblies.

On these new connections, Ascopiave S.p.A. performed over 2,922 "Simple Jobs" in 2011 (recording a decrease as compared to 2010). 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% and only 47 indemnifications paid (a lower figure as compared to 2010).

In 2011, Ascopiave carried out 82 "Complex Jobs" (with a 18% 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.

The process of budgeting and execution of new connections in 2011 has been totally lined up to the modalities in use by the parent company Ascopiave S.p.A., introducing also the use of the same management, control and accounting programs.

In 2011, 156 estimates were issued and 101 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 2011, 87 derivations of use in new methane-served areas have been executed.

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 2011, a slight increase in execution times took place, although they still meet the requirements of the AEEG.

In 2011, over 424 cost estimates were issued, and following their acceptance, over 356 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 2011, 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 meeting of quality standards and current price lists. The process is always coordinated and monitored at a central level (Nembo 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 2011, over 600 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 2011, the new connections executed amounted to 790 (new connections and/or upgrading of existing connections) and about 2,500 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 in the Service Charter and are identified as follows: new activations, transfers, supply cancellations, supply reactivations (following interruption for arrears not paid and danger situations downstream the PDR).

The services supplied in 2010 registered a slight decrease as compared to those supplied in 2010. The services were carried out in accordance with the "commercial quality standards of the service" adopted by the company and in compliance with the directives of the Authority, as well as with the personalised improvement standards adopted by the Company pursuant to the municipal regulations of the single municipalities served.

New activations:

The overall amount of new activations recorded a slight decrease as compared to 2010 (-9%).

The maximum reference times for activating a new supply were all lower than the specific reference standard of 10 days and in line with 2010.

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 2010 (-2%).

In 2011, the improvements in the reference quality standards adopted by the Company were confirmed: out of a total of 8,722 transfers, the average time remained unvaried as compared to 2010 (1.9 working days), no indemnification was

paid for failing to comply with the maximum time and a percentage of 100% of compliance with the maximum time as per the specific reference standard was attained.

Supply cancellations:

The total number of interventions is in line with the figures of 2010, but with an improvement of the reference quality standards.

In fact, out of 8,035 interventions, only one indemnification was granted, as compared to 9 of the previous year; the average intervention time was of 2.1 working days, in line with the average data of the past three-year period.

Supply reactivations following interruption for ex customers and arrears not paid:

In 2011, these two levels of service recorded an increase (+3.5%).

Out of a total of 3,670 reactivations, quality standards are in line with 2010.

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 2,080 and 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.

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.

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 2011, the new activations were about 600, a figure in line with that recorded in 2010.

The requests for supply cancellation recorded a slight decrease as compared to 2010, whereas the average time for the above mentioned interventions was basically unchanged as compared to 2010.

Supply reactivations following interruption for ex customers and arrears not paid also registered a slight decrease, and

the qualitative parameters are in line with those of 2010.

Management of Appointments with the Customers

Ascopiave S.p.A.

General information

In January 2010, the Authority for Electricity and Gas introduced a new specific reference standard that regarded the appointments to be taken with the customers, needed in order to carry out commercial activities at the customer's/delivery points, to be agreed upon with those who required them. As compared to 2009, in fact, along with the "Postponed Appointments" standard (agreed upon for a date subsequent to the one proposed, by means of the Distributor's Appointment Calendar), the AEEG issued a specific, national reference standard for distributors that applies to "Ordinary Appointments" as well, i.e. to those appointments for which the customer accepts the first date proposed by the distributor.

Postponed Appointments:

In 2011, 1,120 "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 2010.

Ordinary Appointments:

In 2011, 31,000 "ordinary appointments" were agreed upon with the customers (or which the customer accepts the first date proposed, as per Appointment Calendar). The analysis of the data shows that the total number of appointments are in line with FY 2010. 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, out of a total of 31,000 appointments taken in 2011 (in 2010, the percentage of compliance was 100%).

Edigas Esercizio Distribuzione Gas S.p.A.

Thanks to the new management software, it was possible to standardise and monitor all personalised appointments. During the year, for all service categories, 2,815 appointments were monitored.

ASM DG S.r.l.

In 2011, 144 postponed appointments were agreed upon with the end customers (Resolution ARG/Gas 120/08). Since these were "postponed appointments" (appointments agreed upon for a date subsequent to the first one proposed), the low figure indicates the high-quality standard of the services provided.

For all appointments agreed upon, ASM DG always complied with the 2 hours' intervention time range, with no exceptions.

Unigas Distribuzione S.r.l.

General information:

In January 2010, the Authority for Electricity and Gas introduced a new specific reference standard that regarded the appointments to be taken with the customers, needed in order to carry out commercial activities at the customer's/delivery points, to be agreed upon with those who required them.

As compared to 2009, in fact, along with the "Postponed Appointments" standard (agreed upon for a date subsequent to the one proposed, by means of the Distributor's Appointment Calendar), the AEEG issued a specific, national reference standard for distributors (max. 2 hours' time) that applies to "Ordinary Appointments" as well, i.e. to those appointments for which the customer accepts the first date proposed by the distributor.

Postponed Appointments:

In 2011, 17 "postponed appointments" were set, i.e. appointments agreed upon for a date subsequent to the one proposed by Unigas.

The analysis of the data shows that the total number of appointments and the specific service standard (100% compliance) are in line with FY 2010.

Ordinary Appointments:

In 2011, 5,800 "ordinary appointments" were set, i.e. appointments for which the customer accepted the first date proposed by the distributor.

The analysis of the data shows that the total number of appointments are in line with FY 2010.

From the point of view of quality, standards were 100% met. There were no cases of out-of-standard services and the service was provided promptly and timely.

Web site: commercial quality and general price lists for services

Last September, Ascopiave S.p.A. completed the implementation of the company's website in relation to the three sections concerning commercial quality, standard levels and service charters, as well as price lists of general service as a result of new acquisitions following calls for tenders.

Since last May, the gas distribution in the municipality of Marostica (VI) and 14 municipalities that are part of the "Gara di Sondrigo" (all in the province of Vicenza, already managed by the company), is managed by Ascopiave S.p.A., who basically "redesigned" the three above mentioned sections to achieve greater "personalization" (already present in other 2 municipalities) for the consultation procedure of "commercial standards" and "general price list" of services.

This service now allows for an efficient and effective consultation not only to accredited sales companies, but also to applicants for private service (such as requests for new connections) and/or ordinary citizens, to know and/or acquire specific "custom documents" related to a municipality or a city (service overlapped with the one provided by another distributor): thanks to this method, anyone can verify the quality standards of the commercial activity, as well as the price lists of services adopted by Ascopiave in the single municipalities managed.

In these specific sections of the web site, an "interactive research mask" was created, that allows the user to view the "business records" for each municipality served (whether it be wholly or only partially managed by Ascopiave)

regarding the following issues:

- levels of commercial quality (specific and general standards);
- service charters: the general service charter (concerning 90% of the Municipalities included in the Territorial Areas), updated as of 2nd May 2011; a "customized" service charter concerning the municipality of Casteggio (PV), updated as of 4th January 2011.
- general price lists of services.

Heat management

The heat management department of Ascopiave offered a high-quality, professional service to clients involving mainly local administrative organisations; in short, the Department performs the following activities:

- manage winter heating and summer cooling systems in buildings;
- offer avant-garde solutions for the implementation and/or technological reworking of systems, introducing state-of-the-art technology that optimises the use of traditional energy and promotes renewable energy sources;
- pursue the objective of energy saving and reduction of atmospheric pollution,;
- wide use of the most modern system of computerized management (control at distance of the plants), with a constant improvement of the quality of service provided;
- efficiently and rationally maintain the plants to valorise and preserve the plant patrimony, based on the type, characteristics and state of the plants.

In particular, the main activities were developed through the following stages:

- Management, control, ordinary and extraordinary maintenance of winter heating systems, with the figure of the 'third party manager' and fuel supplier, according to D.P.R. 412/93 and subsequent amendments;
- Supply of necessary fuel for the operation of plant;
- management, ordinary and extraordinary maintenance of summer cooling systems;
- Design of thermal and/or air conditioning systems of all types, aimed at implementing and technological re-qualification, limiting consumption and fighting atmospheric pollution and exploiting renewable energy sources;
- Design and installation of thermo-regulation systems and tele-management for air conditioning systems;
- remote monitoring of the systems.

As of 31st December 2011, the "Heat Management" company branch ceased to carry out its activity in Ascopiave S.p.A. as it was transferred to the Company BIM Piave Nuove Energie.

Co-generation

In 2011, the co-generation activity for the Ascopiave Group was carried out by Global Energy S.r.l..

As far as the activities on thermal plants in co-generation are concerned, in 2010 the company managed three functioning plants.

The network of the first plant built ("Le Cime" in Mirano - Venice) is being enlarged, and the users connected to it are

increasing thanks to two new buildings completed in 2011, counting 52 and 28 connections, respectively.

The other two plants (Bella Mirano in Mirano and Cà Tron in Dolo), on the other hand, have been now functioning since 2009 and 2010 respectively, and they will become fully operational on a progressive basis over the next years.

At the end of 2011, the "Bella Mirano" plant reached a 65% saturation and, during the year, the co-generation group became fully operational.

At the end of 2011, the "Cà Tron" plant reached a 22% saturation; this was due to the fact that only 50% of the new urban area was built, and that the co-generation group became operational only at the end of the year (with the application of the favourable excise duties for methane gas consumption in the power plant).

As far as the activities on thermal plants are concerned, in 2011 Global Energy S.r.l. 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.

Ascopiave, as obliged distributors, has for 2012 an objective of 66,121 TEP. The 2011 target of 55,733 TEP has been 90% achieved; the remaining certificates will be purchased before their expiry and they will be deposited within the deadlines.

With regard to 2010, Ascopiave met its objective for energy savings with the transfer in May 2010 of 50,491 White Certificates, as requested by their 2010 objective.

The company Unigas Distribution S.r.l., having no ongoing 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 ongoing 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

Pending administrative litigations regarding distribution concessions

As of 31st December 2011, the following litigations are pending:

- 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.
- 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.
- 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. At the end of December 2011, Ascopiave received official communication for having obtained the highest score; the Company is thus about to obtain the concession. As a consequence, the appeal and the administrative proceedings will be extinguished.
- An appeal before the Regional Administrative Court of Veneto against the Municipality of Creazzo filed by Ascopiave in 2005 for the repeal of the tender acts (plants delivered in 2005 - effective as of 1st June 2005). The related suspension request was rejected. As stated above, the Company is waiting for the administrative proceedings to be extinguished.
- 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.
- 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 shall be extinguished.
- 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.
- An appeal before the Regional Administrative Court of Veneto against the Municipality of Tombolo, filed in 2006 and for which, after failing to issue a sentence and after having reached an agreement with the municipality, the administrative proceedings shall be extinguished.

Litigations on the value of plants - Civil Law

As of 31st December 2011, the following litigations are pending:

- 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.
- 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.

Litigations on the value of plants - Arbitrations

As of 31st December 2011, the following litigations are pending:

- 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 arbitrator appointed by Ascopiave is Lawyer Todarello. Having the parties not reached an agreement, the President of the Arbitration Commission was appointed by Resolution of the President of the Court of Vicenza on 30th August 2011, and its first meeting was held on 16th January 2012. The parties were sentenced to pay a first overall advance payment of Euro 60,000.00 (Euro 30,000.00 each) by 3rd March 2012.
- 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 2012. The proceedings were expected to end within 240 days starting as from 28th March 2012, but the deadline was postponed by the Commission.

Other pending administrative litigations (not concerning concessions)

As of 31st December 2011, the following litigations are pending:

- 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.
- 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 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 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. It is very likely that the company shall have to appeal in court; to date, an application for internal review was filed.

Relations with Customs

In October 2011, Amgas Blu S.r.l., pursuant to its obligation in its capacity as beneficiary of the gas sale branch of the company GC Amgas Blu S.p.A., received a payment notice from the Customs Office of Foggia for unpaid excise duties by Amgas Blu S.p.A., amounting to overall Euro 546 thousand. In November, within the deadline set, Amgas S.p.A. paid the total amount required.

In November 2011, the Company Amgas Blu S.r.l. received a notification dated 13th September 2011 for a payment notice amounting to Euro 1,219 thousand from Equitalia to Amgas Blu S.p.A. and Amgas Blu S.r.l., jointly and severally liable for delayed payment of excise duties for the year 2004. In early January 2012, Amgas S.p.A., company merging Amgas Blu S.p.A., received a notification approving the request for 72 instalments.

Relations with the Agenzia delle Entrate (Inland Revenue Office)

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.

On 20th 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. The auditing regards financial years 2009 and 2010, and is focused on direct taxes and VAT. To date, the auditing is still being carried out, and the outcome will be available once they are finished, based on the report on findings.

Territorial areas

With regard to the most significant regulations issued in the reference period, on 31st March 2011, the Decree dated 19th January 2011 issued by the Ministry for economic Development (Territorial Areas Decree) was published on the Official Gazette. The decree establishes the 177 Territorial Areas (ATEM) for gas distribution and the criteria used to identify them.

Art. 3 of the Territorial Areas Decree contains a provision whereby calls for tenders can only be won through the ATEM's. In this framework, the existing calls for tenders announced by the single municipalities would be blocked, even if they started before the publication of the decree on the Official Gazette.

The regulatory framework will therefore be completed by the following provisions:

- Ministerial Decree for Criteria, containing the criteria to be applied in the calls for tenders;
- Ministerial Decree to identify in which ATEM the different municipalities are located.

On 28th June 2011, Legislative Decree no. 93/11 (implementation of the EC Directives 2009/72/EC and 2008/92/EC, regarding common provisions for the Gas and Electricity Market) was published on the Official Gazette.

The aspects dealt with in art. 24 of the decree are of major importance:

- at the end of the first period of service provision, the outgoing utility will receive a reimbursement for an amount equal to the Regulatory Asset Base;
- for the first assignment of the service provision in the framework of a territorial tender, the amortisation of the difference between the reimbursement (calculated on the basis of the licenses) and the Regulatory Asset Base will be included in the tariff;
- all new tenders will be blocked until the announcement of the territorial tenders.

On the Official Gazette no. 252 issued on 28th October 2011, the "MSE - Regional Affairs" Decree dated 18th October 2011 was published, containing the list of Municipalities that fall within the 177 territorial areas involved in the assignment upon call for tenders of the natural gas distribution service, in accordance with the provisions set forth in the Decree dated 19th January 2011. The reform of the whole system of calls for tenders shall be complete upon publication on the Official Gazette of the general rules to be applied for said calls for tenders, on which the Council of State have recently expressed their favourable opinion.

Distribution of dividends

On 28th April 2011, Ascopiave S.p.A. shareholders' ordinary meeting approved the balance sheet as of 31st December 2010, and the distribution of dividends for an amount equal to Euro 0.10 per share having right with release of the warrant on 9th May 2011 and payment on 12th May 2011.

New plan for the purchase of own shares

Own shares

In accordance with Art. 40 of Legislative Decree 127 2 d), as of 31st December 2011, the value of own shares held by the company is equal to Euro 15,720 thousand, accounted for as a reduction from the other reserves, as can be seen in the Net Equity variations.

Expected evolution of management trend

As for the distribution segment, in 2012 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 2011.

As for the segment of the sale, the profit margins for the year 2012 are expected to be in line with those of 2011.

However, these results may be affected by the sourcing strategy of the Group, as well as by the evolution of the regulatory framework (review of regulated prices for the protected market).

The events relating to the affiliate Sinergie Italiane S.r.l., main shipper of the Group for the most significant part of natural gas sold to final customers, will lead the Group to further diversify its sources of supply, as from the future thermal year.

At any rate, it is expected that the difficulties experienced in procurement costs in 2011 - and that could last well into next year - will not lead to increases in selling prices for the end customers of the Group. The prices applied to customers belonging to the so-called protected market are in fact regulated by the Authority for Electricity and Gas, while in the so-called free market, the competitive forces will prevent from an upward renegotiation of supply prices.

The actual results of 2012 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 2011, Ascopiave Group had 615 employees³, divided between the various companies of the Group as outlined below:

Company	31/12/2010	31/12/2011	Hirings	Terminations	Var.
Ascopiave S.p.A.	287	294	15	-8	7
Ascotrade S.p.A.	48	56	8	0	8
Global Energy S.r.l.	4	4	0	0	0
Estenergy S.p.A.	71	87	16	0	16
ASM DG S.r.l.	23	20	0	-3	-3
ASM Set S.r.l.	11	8	0	-3	-3
Edigas DG S.r.l.	32	32	3	-3	0
Edigas Due S.r.l.	3	4	1	0	1
Pasubio Servizi S.r.l.	19	19	1	-1	0
Etra Energia S.r.l.	0	1	1	0	1
Veritas Energia S.r.l.	30	32	4	-2	2
Bluemeta S.p.A.	0	16	16	0	+16

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%.

Amgas Blu S.r.l.	0	8	8	0	+8
Unigas Distribuzione S.r.l.	0	34	34	0	+34
Total	528	615	106	-19	87

Compared to 31st December 2010, there are now 87 new employees; the increase is mainly due to:

- The increase concerning Ascopiave S.p.A.: +7 employees, for 15 new hirings and 8 terminations. The new resources were employed in strategic corporate departments such as administration (+3 employees), metering (+3 employees) and business development (+2 employees).
- The increase concerning Ascotrade S.p.A.: +8 employees, for 8 new hirings and no terminations. Hirings refer to the call centre personnel (+3 hirings) and to the back office personnel (+2 hirings).
- The increase concerning Veritas Energia S.r.l. +2 employees;
- The increase concerning Estenergy S.p.A.: +16 employees;
- the increase related to the change in the consolidation area of the companies Bluemeta S.p.A. (+16 employees), Amgas Blu S.r.l. (+8 employees), and Unigas Distribuzione S.r.l. (+34 employees), new companies that became part of the Ascopiave Group in 2011.

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

Type	31/12/2010	31/12/2011	Variation
Managers	21	27	+6
Office workers	383	454	+71
Manual workers	124	134	+10
Total	528	615	+87

Quality

Management Systems and related certifications Quality, Safety, Environment

Acquiring and maintaining the certification of the management systems applied represent an acknowledgement of the entrepreneurial skills of the companies that were able to optimize their organization by adopting an efficient and effective management, adequate and constantly updated skills, in addition to suitable reference indicators, both economic and of performance, relating to individual areas and processes.

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.

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

Ascopiave Group's Management System

The four quality management systems of the Group relating to the Companies Ascopiave S.p.A., Ascotrade S.p.A. and

Pasubio Servizi S.r.l., are currently certified with the European quality reference standard UNI EN ISO 9001:2008, through the certification body Kiwa Italia S.p.A..

The Ascopiave Group delegated to only one responsibility within the Group to assume the role of manager responsible for the quality management. This resource has the task of ensuring that the company's policy is adequate and the continuity of certification of the quality management systems detailed below:

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

Ascopiave operates in the field of "Natural gas distribution" in four Italian regions and twelve 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 Decreto Letta 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 last year, all corporate processes were subject to an "internal verification" by the Group's Quality Manager, and they all had a positive outcome.

In July 2011, the (random) corporate processes were subject to an "annual verification" by the certification body, which confirmed the validity of the certification.

- Ascotrade S.p.A. (Sales)

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 2011, all corporate processes were subject to an "internal verification" by the Group's Quality Manager, and they all had a positive outcome. In July 2011, the (random) corporate processes were subject to an "annual verification" by the certification body, which confirmed the validity of the certification.

- Ascopiave S.p.A. "Heat management"

Ascopiave also holds a Quality Certification for the "Heat Management" process, which started back in 1996; in 2002 it was adapted and adjusted to the UNI EN ISO 9001:2000 reference standard, and in October 2010 to the UNI EN ISO 9001 - 2008 Edition. The "field of application" of the certification of the Heat Department is "management of energy service contracts and responsible third-party; design, installation, operation, maintenance and upgrading of heating systems".

After the positive outcome of the internal audit performed by the Quality Manager of the Group (June 2011), on 20th and 21st September all business processes were subjected to "annual verification" by the certifying body, which confirmed the validity of the certification.

- 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 March 2011 by the Quality Manager with a positive outcome, on 21st April 2011 the corporate processes were subject to "annual periodical verification" by the certifying body; this verification also gave a positive outcome. The three-year certification will expire in the first quarter of 2012 and will have to be confirmed by March 25th.

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, with the following field of application: "Management of natural gas distribution systems and service providing".

In December 2011, all corporate processes were subject to a "third-party annual verification", which confirmed the validity of the certification.

This year, all corporate processes will be subject to annual verification, conducted by the Quality Manager.

The Quality Management System of the company is currently certified with the European quality reference standard UNI EN ISO 9001:2008, through the certification body CERSA S.r.l. of Milan, Italy.

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.

On 18th July 2008, the UNI EN ISO 9001:2008 certification was obtained for the activities of planning and distribution of heat management service, as well as for the sale of gas and electricity. The certification was renewed on 5th July 2011.

In May 2011, the company Asm SET S.r.l., active in the field of natural gas sale and building of plants for producing electricity, renewed the UNI EN ISO 9001:2008 certification for the purchase and sale of natural gas, and obtained the UNI EN ISO 9001:2008 certification for the design and construction of plants for the production of electricity.

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.

In June 2010, the management of Ascopiave set itself the goal to adopt and certify a system of environmental management and occupational safety for gas distribution, which is the primary business activity. A corporate project was then initiated and entrusted to the internal division "quality, safety and environment" with the support of the consulting company appointed, to adopt a management system compliant with the international reference standards for both safety at work and environmental protection. The project involved the implementation of the existing certified quality system, with the aim of obtaining a single, integrated business management system, applied to all processes and activities of the gas distribution service.

The goal was achieved on 24th October 2011, when 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 and systematically verified by the certifying body Kiwa Itala S.p.A.. The institution systematically checks for its compliance, through processes of "annual survey" and "three-year re-evaluation".

The application of a management system for health and safety at work, certified with the BS OHSAS 18001 international standard, allows to control the risks concerning working activities, as well as to improve performance, to make the workplace safer, to respect and correctly apply the related laws and regulations and to ensure they are complied with in case of audits. Other objectives set and identified by Ascopiave in the "policy for the environment, health and safety of the workers", to be achieved and always improved in the framework of "Safety at Work", are:

- the adoption of an organizational model certifying the practice previously adopted by the company in accordance with Legislative Decree 81/2008 (National Law);
- the strengthening of the corporate culture on safety at the workplace, by involving and motivating employees.

The sensitivity to ecological issues, the evolution of the European and national legislation on the matter, combined with indirect economic benefits from choices that limit the environmental impact of the activities and services rendered, were decisive factors for the choice made by Ascopiave to adopt an environmental management system.

Other aims and objectives that the company's is committed to pursue in the field of "environmental protection" are:

- to ensure full respect for the environment in service provision, by preventing and mitigating environmental impacts, optimizing the management of waste products and consumption of resources (water and energy);
- to ensure constant compliance with the reference standards and requirements;
- to enhance the corporate image to all stakeholders and parties involved.

Environment and Safety at Work Policies

Following the certification process for "environment and safety at work", Ascopiave drew up and published the document "Environmental and Safety at Work Policy", which will be periodically updated.

The document officializes the commitment of the management to constantly complying with the requirements and improving the efficiency, as well as the effectiveness, of the integrated management system. The organization is also required to set and pursue specific objectives and values, promoting advocacy, information and training on environmental issues and on the safety at work of employees, collaborators, suppliers and contractors.

Information and diffusion through the Web Site

In late October 2011, the sections "Certifications" of the company's website were updated and now feature documentation on the process for obtaining the two new certifications "Environment" and "Safety". The link "certifications" was divided into two different Web pages by separating the certification of the Ascopiave Group's quality system and the Parent Company's integrated quality system ("Environment / Safety"). All updated certificates regarding corporate management systems, environmental policy and safety at work are available for download.

Group objectives and policies and description of risks

Research and development

Information systems

During 2011, the "Information Systems" service of the Group implemented 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 management of the updates required by the current regulations, of improvements and functional completions of the system “Geutweb Distribution” for all the re-delivery points (PDR) of the municipalities managed by Ascopiave S.p.A., Edigas DG S.p.A. and ASM DG S.r.l.;
- 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”;
- the completion of the project "Safety measures" for the Geutweb software programme;
- the updating to version ECC 6.0 of the Group's management software programme ERP in the newly acquired companies; maintenance and development of the software modules for consolidation, budget and gas purchased in SAP BPC environment;
- the complete implementation and extension to all the companies of the Group of the "Piteco" software for treasury management;
- the adoption of HR management modes (management of presences, payrolls, working hours and activities) by all the companies of the Group and their updating to the new management software "Zucchetti", as per AEEG Resolution no. 11/2007
- management and help desk activity for server systems, PCs and printers, with a gradual upgrading of all the company's PCs and printers;
- the updating of the territorial information system and of the management system Asset Management;
- the management of the control environments for the life cycle of the internal software (SharePoint technology): optical storage, fixed assets processing, AEEG Resolution no. 40/2004 and the activities connected to Law 262/2005;
- the maintenance of the procedures of inter-facing SAP- accounting module, vehicles management, service management, and heat supply times;

during 2011, we proceeded with the issuing of the IT service and the printing of the bills for various municipalities and municipal society waterworks.

Other information

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.

Protection 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 companies' registered offices

Owner	Location	Intended use
Ascopiave S.p.A.	Treviso – Piazza delle Istituzioni 32/1	Building hosting company offices and customer service centre
Ascopiave S.p.A.	Pieve di Soligo (TV) - Via Verizzo 1030	Building hosting company offices and customer service centre
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.	Sandrigo (VI) - Via G.Galilei 27	Building hosting company offices and customer service centre
Ascopiave S.p.A.	Sandrigo (VI) - Via G.Galilei 27	Building hosting warehouse and workshop
Ascopiave S.p.A.	Castelsangiovanni (PC) - Via Borgonovo 44/A	Building hosting company offices and customer service centre
Ascopiave S.p.A.	Castelsangiovanni (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.	Treviso - Piazza delle Istituzioni 32/1	Building hosting warehouse
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.	Milano - via Turati 6	Building hosting company offices
Ascopiave S.p.A.	Milano - via Turati 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 - 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	Warehouse
Ascopiave S.p.A.	Novedrate (CO) - Via Papa Giovanni XXIII	Building hosting company offices
Ascopiave S.p.A.	Portogruaro (VE) - Via Giotto	Building hosting company 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 hosting company offices
Ascopiave S.p.A.	Casteggio (PV) - Via Anselmi n° 33	Building hosting company offices
Ascopiave S.p.A.	Porto Viro (RO) - Via dell'Artigianato n°9/A	Building hosting company offices
Ascopiave S.p.A.	Conegliano (TV) - Via C. Battisti n°5 C	Building hosting company offices
Ascopiave S.p.A.	Casteggio (TV) - Via Anselmi n° 33	Warehouse

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 and financial results of the financial year 2011

General operational performance and indicators

NATURAL GAS DISTRIBUTION	2011	2010	Var.	Var. %
Totally consolidated companies				
Number of concessions	181	181	0	0.0%
Length of distribution network (km)	7,601	7,583	18	0.2%
Volumes of gas distributed (cm/mln)	877.8	944.1	-66.3	-7.0%
Proportionally consolidated companies				
Number of concessions	31	0	31	n.a.
Length of distribution network (km)	976	0	976	n.a.
Volumes of gas distributed (cm/mln)	151.9	0.0	151.9	n.a.
Ascopiave Group*				
Number of concessions	196	181	15	8.4%
Length of distribution network (km)	8,078	7,583	495	6.5%
Volumes of gas distributed (cm/mln)	952.0	944.1	7.9	0.8%

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

NATURAL GAS SALES TO FINAL MARKET	2011	2010	Var.	Var. %
Totally consolidated companies				
Number of customers	563,186	446,047	117,139	26.3%
Volumes of gas sold (cm/mln)	1,122.3	1,042.4	79.9	7.7%
Proportionally consolidated companies				
Number of customers	292,855	298,487	-5,632	-1.9%
Volumes of gas sold (cm/mln)	621.7	637.1	-15.4	-2.4%
Ascopiave Group*				
Number of customers	707,308	592,905	114,403	19.3%
Volumes of gas sold (cm/mln)	1,429.1	1,356.6	72.5	5.3%

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

SALE OF ELECTRIC POWER	2011	2010	Var.	Var. %
Totally consolidated companies				
Volumes of electric power sold (GWh)	147.8	88.4	59.4	67.2%
Proportionally consolidated companies				
Volumes of electric power sold (GWh)	1,329.2	855.7	473.5	55.3%
Ascopiave Group*				
Volumes of electric power sold (GWh)	807.0	514.0	293.1	57.0%

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

NATURAL GAS SALE - WHOLESALING AND TRADING	2011	2010	Var.	Var. %
Volumes of gas sold (cm/mln)	1,153.1	1,057.1	96.1	9.1%

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 2011 amounted to 1,429.1 billion cubic metres, marking a growth of 5.3% as compared to 2010.

The enlargement of the consolidation perimeter of the companies Blue Meta S.p.A., consolidated as from 1st January 2011, and of Amgas Blu S.r.l., consolidated as from 1st July 2011, led to an increase in volumes sold for about 137.1 million cubic metres, while with the same consolidation perimeter, the Group sold smaller quantities, equal to 64.5 million cubic metres, with a percentage decrease of 4.8%.

Sales activity at the virtual trading point and wholesaling led to the movement of 1,153.1 billion cubic metres of gas, an increase of 9.1% compared to 2010.

As of 31st December 2011, the Group manages the sale of natural gas to approximately 707,000 customers. As compared to the same date in the previous financial year, the number of customers increased of over 114,000 units, thanks to the acquisition of Blue Meta S.p.A., and Amgas Blu S.r.l., which effect was partially offset by the decrease in the number of customers with the previous consolidation perimeter.

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 2011, the volumes distributed through networks managed by the Group have been 952.0 million cm (+0.8% compared to 2010).

The enlargement of the consolidation perimeter of the company Unigas Distribuzione S.r.l., consolidated as from 1st January 2011, led to an increase in volumes sold for about 74.2 million cubic meters, while with the same consolidation perimeter, the Group sold smaller quantities, equal to 66.3 million cubic meters, with a percentage decrease of 7.0%.

Following the new extensions, as of 31st December 2011 the distribution network extends for 8,078 km.

General operational performance - The Group's economic results

(thousands of Euro)	Financial year 2011	% of profits	Financial year 2010	% of profits
Profits	1,102,590	100.0%	855,884	100.0%
Operational costs	1,007,244	91.4%	777,874	90.9%
Gross operative margin	95,346	8.6%	78,009	9.1%
Amortization	19,938	1.8%	17,414	2.0%
Bad debt provision	7,372	0.7%	4,841	0.6%
Operating result	68,037	6.2%	55,754	6.5%
Financial income	1,795	0.2%	1,309	0.2%
Financial expenses	4,959	0.4%	2,077	0.2%
Evaluation of associated companies with net equity method	(22,478)	2.0%	735	0.1%
Income before taxes	42,395	3.8%	54,253	6.3%
Taxation for the period	34,136	3.1%	21,408	2.5%
Income/loss for the period	8,259	0.7%	32,845	3.8%
Net income of the Group	6,266	0.6%	31,174	3.6%
Net income of third parties	1,993	0.2%	1,671	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 2011, the Group incomes amount to Euro 1,103 thousand, with an increase of 28.8% as compared to the previous financial year. The following table reports the details of income.

(Thousands of Euro)	2011	Value of new companies acquired	Values net of the new companies acquired	2010
Revenues from gas transport	12,711	619	12,092	8,166
Revenues from gas sale	948,782	67,935	880,847	754,632
Revenues from electricity sale	108,684	10,900	97,784	64,081
Revenues from connections	4,868		4,868	5,658
Revenues from heat supply	2,242	834	1,409	2,474
Revenues from distribution	5,480	80	5,400	5,803
Revenues from billing and tax services	222		222	273
Revenues from general services supplied to Group's companies	2,343	20	2,323	1,843
Revenues from AEEG contributions	5,734	513	5,221	4,656
Other revenues	11,523	1,781	9,742	8,298
Total revenues	1,102,590	82,681	1,019,910	855,884

The **revenues from gas sale** increased from Euro 754,632 thousand to Euro 948,782 (+Euro 194,150 thousand, +25.7%); this variation was determined by:

- the increase in the sales of the Group as trader and wholesaler, for Euro 89,176 thousand;
- the increase in revenues from final market sale - with the same consolidation area - for Euro 37,039 thousand.
- the increase in revenues from gas sale to the final market following the enlargement of the consolidation perimeter of Bluemeta S.p.A. and Amgas Blu S.r.l. for Euro 67,935 thousand.

Revenues from electricity sales increased from Euro 64,081 thousand to Euro 108,684 thousand, recording an increase of Euro 44,603 thousand (+69.6%), mainly due to the increase of the quantities sold and to the enlargement of the consolidation perimeter.

Other revenues, mainly attributable to the distribution of gas, increased from Euro 37,171 thousand to Euro 45,125 thousand (+ Euro 7,953 thousand, +21.4%), of which Euro 4,051 for the enlargement of the consolidation perimeter.

The operating result for 2011 amounts to Euro 68,037 thousand (+Euro 12,282 thousand, +22.0% compared to the previous year).

The enlargement of the consolidation perimeter resulted in an increase in operating income of approximately Euro 5,600 thousand, while the increase with the same consolidation perimeter amounted to Euro 6,683 thousand (+12.0%).

The improved result is due to the following factors:

- increase in the revenues from the tariffs on the activity of gas sales, equal to Euro 8,573 thousand (of which Euro 5,215 thousand due to the enlargement of the consolidation perimeter);
- increase in the first margin on the activity of gas sales, equal to Euro 19,750 thousand (of which Euro 9,750 thousand due to the enlargement of the consolidation perimeter);
- increase in the first margin on the activity of electricity sales, equal to Euro 124 thousand (of which Euro -158 thousand due to the enlargement of the consolidation perimeter);
- decrease in other items of cost and revenues, equal to Euro 16,164 thousand (of which Euro 9,207 thousand due to the enlargement of the consolidation perimeter);

The increase in **revenues from tariffs in the distribution activity** (which increased from Euro 58,113 thousand to Euro 66,685 thousand) was mainly determined by the consolidation of Unigas Distribuzione S.r.l. .

The increase in the first margin on the activity of gas sale (from Euro 59,307 thousand to Euro 79,057 thousand) was determined by a increase in specific profitability (euro cent/cm), mainly driven by an improvement in the economic conditions of supply.

The increase in the **first margin on the activity of electric power sale** (from Euro 2,436 thousand to Euro 2,560 thousand) is due to an increase in quantities sold, as well as to a specific improvement in margins (cents/kWh)

The decrease of **other items of cost and revenues** of Euro 16,164 thousand, is due to:

- enlargement of the consolidation perimeter: decrease of Euro 9,207 thousand;
- increase in revenues (with equal consolidation perimeter) of Euro 3902 thousand;
- higher costs for materials, services and other expenses (with equal consolidation perimeter) for Euro 7,365 thousand;
- increased personnel costs (with equal consolidation perimeter) for Euro 1,372 thousand;
- increased depreciation and provisions (with equal consolidation perimeter) for Euro 2,122 thousand;

Consolidated net income for 2011 amounts to Euro 8,259 thousand, with a decrease of Euro 24,585 thousand (-74.9%) compared to the previous year.

The variation is due to the following factors:

- increase in the operating result, for Euro 12,282 thousand;
- the evaluation, with the net equity method, of the affiliate company Sinergie Italiane S.r.l. which, following the losses suffered, had a negative impact for Euro 21,743 thousand;
- increase of other net financial charges for Euro 2397 thousand;
- increase in taxes equalling Euro 12,728 thousand, following higher tax bases and higher tax-rates.

The tax rate, calculated by normalizing the pre-tax result from the effects of consolidation by equity method of the company Sinergie Italiane, increases from 38.9% to 52.6% mainly because of the increase in the tax rates introduced by the recent government measures (Legislative Decree no. 138, issued on 13th August 2011 converted into Law by Law no. 148 issued on 14th September 2011).

The increase in the tax burden relating to the introduction of the surcharge on IRES tax rates is equal to Euro 8.9 million, of which Euro 4.0 million for higher current taxes and Euro 4.9 million for deferred taxes with a non-repetitive nature.

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)	31.12.2011	31.12.2010
A	Cash	21	40
B	Other liquid assets	44,833	23,273
C	Negotiable shares		
D	Liquid assets (A) + (B) + (C)	44,854	23,313
E	Current financial receivables	14,189	4,088
F	Current bank debt	(186,145)	(112,039)
G	Current share of non current debt	(6,934)	(848)
H	Other current financial debts	(21,679)	(4,283)
I	Current financial indebtedness (F) + (G) + (H)	(214,757)	(117,170)
J	Net current financial indebtedness (I) - (E) - (D)	(155,714)	(89,769)
K	Non-current bank debt	(44,889)	(5,529)
L	Bonds issued		
M	Other non-current debts	(619)	(697)
N	Non-current financial indebtedness (K) + (L) + (M)	(45,507)	(6,225)
O	Net financial indebtedness (J) + (N)	(201,221)	(95,995)

As of 31st December 2011, the financial position decreased from Euro 95,995 thousand to Euro 201,221 thousand, reporting an decrease of Euro 105,226 thousand.

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

(Thousands of Euro)	2011	2010
Group's net income	6,266	31,174
Amortization	19,938	17,085
Bad debt provisions	7,372	4,481
(a) Auto-financing	33,576	53,100
(b) Adjustment to reconcile net income with the variation in financial position generated by operating management	(30,347)	(20,630)
(c) Variation in financial position generated by operating activities = (a) + (b)	3,229	32,470
(d) Variation in financial position generated by investments	(70,819)	(27,060)
(e) Other variations in financial position	(37,637)	(22,317)
Net variation in financial position = (c) + (d) + (e)	(105,227)	(16,907)

The cash flow generated by the operating management, equal to Euro 3,229 thousand, is mainly due to self-financing (Euro 33,576), while the net invested circulating capital absorbed financial resources for Euro 30,347 thousand.

The variation in the net circulating capital was significantly influenced by the variation of the total debt position to the Ufficio Tecnico Imposte di Fabbricazione e Regioni , which determined a capital requirement equal to Euro 28,855 thousand, as well as by the worsening of the management of commercial net circulating capital, which determined a capital requirement equal to Euro 22,925 thousand, and by the provision for risks established to cover the losses of Sinergie Italiane for an amount of Euro 21,154 thousand.

Investments in intangible and tangible assets net of divestments generated financial resources for a total amount equal to Euro 70,819 thousand. Investments in intangible and tangible assets are detailed in the next paragraph.

Other changes in the net financial position equal to Euro 37,637 thousand are mainly connected to net assets variations due to the distribution of dividends (Euro 24,183 thousand) and to the purchase of own shares, equal to Euro 2,648 thousand.

General operational performance - Investments

Thousands of Euro	31.12.2011	From new acquisitions	Net of new acquisitions
Industrial patents and intellectual property rights	108	26	82
Concessions, licences, trademarks and similar rights	6,606	1,915	4,691
Other intangible fixed assets	10,014	9,482	532
Leased plants and machinery	24,993	12,750	12,243
Tangible assets in progress under concession	3,241	104	3,137
Intangible assets in progress and advance payments	115	70	45
Other intangible fixed assets	45,079	24,349	20,730
Land and buildings	4,584		4,584
Plants and machinery	14,244		14,244
Industrial and commercial equipment	175	59	116
Other assets	1,637	206	1,431
Tangible assets in progress and advance payments	814		814
Tangible assets	21,453	265	21,189
Total investments	66,532	24,613	41,918

The investments in intangible assets carried out during the considered period are equal to Euro 20,730 thousand and mainly concern the realisation of the infrastructures needed for natural gas distribution (Euro 15,380 thousand); concessions, licenses, trademarks and similar rights, for Euro 4,691 thousand.

The investments made during 2011 for the construction of infrastructure suitable for the distribution of natural gas, including the reclassification of assets under construction, amount to Euro 13,241 thousand and mainly relate to costs incurred into for the creation of connections for Euro 4,266 thousand, for the implementation of the distribution of natural gas for Euro 4,408 thousand, and the realisation of transformer rooms and reduction groups for Euro 760 thousand.

The investments in concessions and licenses, trademarks and rights are mainly explained by the costs incurred into for the acquisition for the license for the activity of natural gas distribution in the Municipality of Marostica, in the District of Vicenza. The duration of the license is of twelve years and the price paid to the Local Body amounts to Euro 3,016 thousand.

With the same consolidation perimeter, the investments in tangible assets carried out during the period considered are equal to Euro 21,189 thousand and mainly concern the costs incurred into for the realisation of photovoltaic plants and the costs incurred into for the construction of the multi-purpose building located in Via Verizzo in the municipality of Pieve di Soligo.

During 2011, the item "Lands and Buildings" recorded investments for an overall amount equal to Euro 4,584 thousand and mainly concern the costs incurred into for the construction of the multi-purpose building located in Via Verizzo in the municipality of Pieve di Soligo.

The investments in plants and machinery involve the costs incurred into for the realisation of photovoltaic plants partially constructed on a time and materials basis. The photovoltaic plants realised and commissioned in 2011 were built by the subsidiaries Gioia S.r.l. (Euro 573 thousand), Palo 6 S.r.l. (Euro 614 thousand), Ascoenergy S.r.l. (Euro 136 thousand), Gioia 2 S.r.l. (Euro 6,074 thousand). and De Stern 5 S.r.l. (Euro 6,757 thousand).

Statement linking shareholders' equity and net profit of ASCOPIAVE S.p.A. and the corresponding consolidated values

	31.12.2011	31.12.2011	31.12.2010	31.12.2010
	Groups' Operating Results	Total Net Equity	Groups' Operating Results	Total Net Equity
(Thousands of Euro)				
Net income and results for the period as recorded in the statutory financial statements of the parent company	6,174	336,041	21,165	335,072
Elimination of the book value of the consolidated equity investments	(0)	(109,323)	(0)	(85,914)
Results obtained by subsidiary companies	32,127	32,127	25,242	25,242
Variations				
Goodwill	(204)	72,896	(614)	65,110
Trade relation value, net of tax effects	(2,190)	7,013	(1,244)	9,381
Appreciation of gas distribution network, net of tax effects	(2,040)	14,793	(496)	14,022
Differences in the translation of IFRS of balance sheets with different accounting methods	(612)	370	84	785
Elimination of infra-group dividends	(26,606)	0	(10,439)	
Effects of the evaluation of companies consolidated with the net assets method	2,897	(4,173)	(2,049)	(4,243)
Other effects	(1,287)	12,825	1,196	(55)
Total variations, net of tax effects	(30,042)	103,723	13,561	(85,000)
Net Shareholders' equity and result for the period as recorded in the consolidated financial statement	8,259	362,568	32,845	379,000
Minority interests and results	1,993	4,696	1,671	3,866
Operating result and net equity for the period as recorded in the consolidated financial statement	6,266	357,871	31,174	375,535

Ascopiave Group

Consolidated financial statements

as of 31st December 2011

Consolidated statement of financial position as of 31 December 2011 and as of 31 December 2010

(thousands of Euro)		31.12.2011	31.12.2010
ASSETS			
Non-current assets			
Goodwill	(1)	116,143	91,896
Other intangible assets	(2)	342,903	318,870
Intangible assets	(3)	61,983	43,814
Shareholdings in other companies	(4)	1	1
Other non-current assets	(5)	10,659	4,472
Advance tax receivables	(6)	16,082	11,660
Non-current assets		547,770	470,712
Current assets			
Inventories	(7)	5,297	4,249
Trade receivables	(8)	298,692	229,806
Other current assets	(9)	77,376	26,471
Current financial assets	(10)	14,189	4,088
Tax receivables	(11)	318	610
Cash and cash equivalents	(12)	44,854	23,313
Current assets		440,726	288,538
Assets		988,496	759,250
NET EQUITY AND LIABILITIES			
Total net equity			
Share capital		234,412	234,412
Reserves		117,193	109,949
Group's operating result		6,266	31,174
Group's Net Equity		357,871	375,535
Third-Party Net Equity		4,696	3,866
Total net equity	(13)	362,568	379,400
Non-current liabilities			
Provisions for risks and charges	(14)	24,868	3,622
Severance indemnity	(15)	3,686	2,870
Medium- and long-term bank loans	(16)	44,889	5,529
Other non-current liabilities	(17)	19,390	15,044
Non-current financial liabilities	(18)	619	697
Deferred tax payables	(19)	34,523	25,989
Non-current liabilities		127,973	53,751
Current liabilities			
Payables due to banks and financing institutions	(20)	193,078	112,887
Trade payables	(21)	250,083	166,079
Tax payables	(22)	6,125	3,722
Other current liabilities	(23)	26,990	39,127
Current financial liabilities	(24)	21,679	4,283
Current liabilities		497,955	326,098
Liabilities		625,929	379,849
Net equity and liabilities		988,496	759,250

Consolidated income statement for the year 2011 and 2010

(thousands of Euro)		31.12.2011	31.12.2010
Revenues	(25)	1,102,590	855,884
Total operating costs		1,104,616	782,715
Purchase costs for raw material (gas)	(26)	772,580	608,458
Purchase costs for other raw materials	(27)	71,698	51,572
Costs for services	(28)	125,203	87,528
Costs for personnel	(29)	24,323	21,091
Other management costs	(30)	21,425	15,054
Other income	(31)	612	989
Amortization and depreciation	(32)	19,938	17,414
Operating result		68,037	55,754
Financial income	(33)	1,795	1,309
Financial charges	(33)	4,959	2,077
Evaluation of companies consolidated with the net equity method	(33)	(22,478)	(735)
Earnings before tax		42,395	54,253
Taxes for the period	(34)	34,136	21,408
Net result for the period		8,259	32,845
Group's Net Result		6,266	31,174
Third-Party Net Result		1,993	1,671
Consolidated statement of comprehensive income			
Net variation of reserves for evaluation of subsidiary companies' net equity	*	1,270	(1,158)
Total comprehensive income		9,530	31,686
Group's overall net result		7,537	30,016
Third parties' overall net result		1,993	1,671
Base income per share		0.03	0.13
Diluted net income per share		0.03	0.13

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

Consolidated statement of changes in shareholders' equity as of 31 December 2011 and as of 31 December 2010

	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
(thousands of Euro)								
Balance as of 01st 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 distributed to Ascopiave S.p.A. shareholders				(22,557)		(22,557)		(22,557)
Dividends distributed to third-party shareholders						(0)	(1,626)	(1,626)
Purchase and adjustments on own shares						(0)	464	464
Shares buyback			(2,648)			(2,648)		(2,648)
Other operations				4		4		4
Balance as of 31st December 2011	234,412	46,882	(15,721)	86,031	6,266	357,870	4,696	362,567

	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
(thousands of Euro)								
Balance as of 01st January 2010	234,412	46,882	(11,747)	72,410	25,288	367,245	2,851	370,096
Result for the period					31,173	31,173	1,671	32,844
Reserve for evaluation of subsidiary companies' net equity				(1,159)		(1,159)		(1,159)
Total result of overall income statement				(1,159)	31,173	30,014	1,671	31,685
Allocation of 2009 result				25,288	(25,288)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders				(20,349)		(20,349)		(20,349)
Dividends distributed to third-party shareholders						(0)	(642)	(642)
Purchase and adjustments on own shares			(1,326)			(1,326)		(1,326)
Other operations				(50)		(50)	(14)	(63)
Balance as of 31st December 2010	234,412	46,882	(13,073)	76,141	31,173	375,534	3,867	379,401

Consolidated statement of Cash Flows for the year 2011 and 2010

	Financial year 2011	Financial year 2010
STATEMENT OF CASH FLOW		
Net income of the Group	6,266	31,174
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-party operating result	1,993	1,671
Amortization	19,938	17,085
Bad debt provisions	7,372	4,841
Variations in deferred/advance taxes	894	(1,626)
Variations in severance indemnity	216	(67)
Net variation of other funds	(5)	(61)
Evaluation of subsidiaries with the net equity method	22,425	2,049
(Gains)/depreciation of shares	0	(365)
Variations in assets and liabilities		
Inventories	(844)	(823)
Accounts payable	(34,188)	(47,280)
Other current assets	(47,936)	(6,092)
Tax payables and receivables	2,229	2,746
Trade payables	45,860	14,218
Other current liabilities	(22,867)	13,901
Other non-current assets	(1,466)	204
Other non-current liabilities	3,319	896
Total adjustments and variations	(3,060)	1,296
Cash flows generated by operating activities	3,207	32,470
Cash flows generated by investments		
Realisable value/(decrease) goodwill		329
Investments in intangible assets	(19,700)	(12,324)
Realisable value of intangible assets	2,654	410
Investments in tangible assets	(22,057)	(16,787)
Realisable value of tangible assets	5	230
Transfer of shareholdings	(31,721)	1,146
Other net equity operations	467	(64)
Cash flows generated by investments	(70,352)	(27,060)
Cash flows used by financial activities		
Net changes in non-current financial liabilities	(78)	(50)
Net changes in short-term bank borrowings	73,741	18,255
Net changes in current financial assets/liabilities	7,044	(29)
Purchase of own shares	(2,648)	(1,326)
Net changes in medium- and short-term loans	34,810	1,202
Dividends distributed to shareholders of Ascopiave S.p.A.	(22,557)	(20,349)
Dividends distributed to third-party shareholders	(1,626)	(642)
Cash flows used by operating activities	88,686	(2,939)
Variations in cash	21,541	2,471
Cash and cash equivalents at the beginning of the period	23,313	20,842
Cash and cash equivalents at the end of the period	44,854	23,313

Additional information	2011	2010
Interests paid	4,524	1,531
Taxes paid	6,741	3,493

EXPLANATORY NOTES

Company information

The publication of the Ascopiave S.p.A. consolidated financial statements as of 31st December 2011 was authorised by resolution of the Board of Directors dated 15th March 2012. 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 in 212 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 8,500 kilometres.

The activity of natural gas sale is carried out through different companies, some of which are controlled with majority shares, others are shared at 49%-51% and on them the Group exercise a joint control with other shareholders. Considered as a whole, the controlled and affiliate companies supply gas to more than one million citizens.

General drafting criteria and compliance with IRFS

Drafting criteria

The Ascopiave S.p.A. Consolidated Financial Statements as of 31st December 2011 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, within 31st December 2010, 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 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 2010, with the exception of the adoption of newly introduced IFRS or IFRIC detailed in the paragraph "Recently issued accounting principles".

The financial statements of the Ascopiave Group as of 31st December 2011 is subject to auditing procedure by the auditing company Reconta Ernst & Young.

This consolidated financial statements was prepared by the Board of Directors on the basis of the accounting record as of 31st December 2011 and is accompanied by the report of Ascopiave S.p.A trend.

The consolidated financial statements present the comparison between the balance sheet as of 31st December 2010 and with the 2010 economic data.

The consolidated financial statements are expressed in thousands of Euro, rounded off to the thousands unless otherwise stated and includes the consolidated assets and liabilities statement, the consolidated income statement and overall consolidated income statement, the consolidated statement of changes in shareholders' equity, the consolidated financial statement 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 balance sheet 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 financial 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 2010; there are no accounting principles, amendments or interpretations that have been applied for the first time by the Company as from 1st January 2011.

The adoption of the following IFRS or IFRIC principles, either new or amended, effective as from 1st January 2011, did not have any economic or financial effects on the Group's consolidated balance sheet, also because they regulate cases not present within the Group as of the date of this financial statements, but they could have effects on future transactions or agreements.

- IFRIC 14 Advance payments relating to a minimum funding requirement - The change involves the removal of a unintentional consequence that takes place when an entity subject to minimum financing requirements carries out advance payments in order to meet said requirements. The change introduced allows an entity to recognise the advance payments for the purposes of minimum financing requirements as an asset. The Company is not subject to minimum financing requirements in Europe. This change had no impact on the financial position or performance of the Company;
- IAS 32 Financial instruments: balance sheet exposure - The amendment involves a change in the definition of a financial liability for the purposes of the classification of the issue of rights in a foreign currency (and of some options and warrants) as equity instruments in cases where these instruments are allocated on a pro-quota basis to all holders of the same class of an equity (not derivative) instrument of the entity, or to purchase a fixed

number of equity instruments of the entity for a fixed amount in any currency. This change had no impact on the financial position or performance of the Company since it does not possess similar instruments;

- IFRS 3 - Company mergers - The options for measuring the minority interests (NCI). Based on their fair value or, alternatively, in relation to the proportional share of the net assets identifiable by the acquired company, it is possible to assess only the minority interest shares that ensure that their owners obtain a proportional share in the company's net equity in case of liquidation. All other components have to be assessed based on their fair value as of the date of acquisition;
- IFRS 7 Financial instruments: additional information - the change is aimed at simplifying and improving the integrating information by reducing, on the one hand, the part regarding the guarantees held, and, on the other, by including more information on quality in order to better set the quantitative part in context;

It should be noted that the IASB issued the following principles or interpretations already adopted by the European Union, which the Group has not adopted in advance but whose adoption will be mandatory for accounting periods commencing after 1st January 2012:

- IAS 1 Presentation of financial statements - 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 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 changes are applicable to financial years starting as from 1st January 2013 or later;
- IAS 27 Separate financial statements - Following the introduction of the new IFRS 10 and IFRS 12, IAS 27 simply refers to method of entry into accounts of controlled companies, jointly controlled companies and subsidiaries, into the separate financial statements. These changes are applicable to financial years starting as from 1st January 2013 or later;
- IAS 28 - Shareholdings in subsidiaries - 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 2013 or later;
- IFRS 10 Consolidated financial statements - 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 2013 or later;

- 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 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. 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 (Decreto Letta) 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 a 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 2010, the book value of goodwill amounts to Euro 116,143 thousand (2010: Euro 91,896 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, and the

valuation of the revenues to determine the restriction on total revenues is established, 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, which 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 2011 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 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;
- 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.

The determination of the bad debt provision relating to Sinergie Italiane S.r.l., that was estimated by the administrators on the basis of information made available by the company, could differ from the final financial statements data of Sinergie Italiane S.r.l., which will be made available following the approval of this balance sheet project.

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 statements 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 2011

The companies included in the consolidation area as of 31st December 2011 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%	0%
Global Energy S.r.l.		Pieve di Soligo (TV)	20,000	100.00%	100%	0%
Consorzio RE		Pieve di Soligo (TV)	100,000	58.91%	0%	60%
Etraenergia S.r.l.		Citadella (PD)	100,000	51.00%	51%	0%
ASM DG S.r.l.		Rovigo (RO)	7,000,000	100.00%	100%	0%
Edigas Due S.r.l.		Cernusco sul Naviglio (MI)	120,000	100.00%	100%	0%
Edigas Esercizio Distribuzione Gas S.p.A.		Cernusco sul Naviglio (MI)	1,000,000	100.00%	100%	0%
AscoEnergy S.r.l.		Pieve di Soligo (TV)	300,000	70.00%	70%	0%
Amgas Blu S.r.l.	(2)	Foggia (FG)	10,000	80.00%	0%	80.00%
Blue Meta S.p.A.		Orio al Serio (BG)	606,123	100.00%	100%	0%
Pasubio Servizi S.r.l.		Schio (VI)	250,000	100.00%	100%	0%
Ascoblu S.r.l.		Pieve di Soligo (TV)	10,000	100.00%	100%	0%
Companies under joint control consolidated proportionally						
ASM SET S.r.l.	(1)	Rovigo (RO)	200,000	49.00%	49%	0%
Estenergy S.p.A.	(2)	Trieste (TS)	1,718,096	49.00%	49%	0%
Veritas Energia S.r.l.	(3)	Venice (VE)	1,000,000	51.00%	51%	0%
Unigas Distribuzione S.r.l.	(4)	Nembro (BG)	3,700,000	48.86%	49%	0%
Serin S.r.l.	(5)	Carugo (BA)	100,000	35.00%	0%	50%
Specchiano S.r.l.	(6)	Pieve di Soligo (TV)	10,000	35.00%	0%	100%
Lucania S.r.l.	(6)	Pieve di Soligo (TV)	10,000	35.00%	0%	100%
Palosol S.r.l.	(6)	Corato (BA)	100,000	35.00%	0%	100%
Palo6 S.r.l.	(6)	Pieve di Soligo (TV)	10,000	35.00%	0%	100%
Gioia S.r.l.	(6)	Pieve di Soligo (TV)	10,000	35.00%	0%	100%
Masseria S.r.l.	(6)	Pieve di Soligo (TV)	10,000	35.00%	0%	100%
De Stern 5 S.r.l.	(6)	Parma (PR)	55,000	35.00%	0%	100%
Quintasol S.r.l.	(6)	Pieve di Soligo (TV)	30,000	35.00%	0%	100%
Gioia 2 S.r.l.	(6)	Pieve di Soligo (TV)	111,995	35.00%	0%	100%
Subsidiaries consolidated with the net equity method						
Sinergie Italiane S.r.l.		Milano (MI)	3,000,000	27.60%	27.60%	0%

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

(2) Joint control with Acegas-APS S.p.A. ; ;

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

(4) Joint control with Anita S.p.A. ; ;

(5) Joint control of Asco Energy S.r.l. with Agroenergetica S.r.l.;;

(6) Controlled by Serin S.r.l.;

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

88) 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.

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
Ascopiave S.p.A.	75,035	6,174	336,041	133,534	IFRS
AscoEnergy S.r.l.	84	(111)	97	2,474	Ita Gaap
Ascotrade S.p.A.	664,923	16,637	30,691	22,776	IFRS
Global Energy S.p.A.	1,334	(539)	1,850	(134)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	5,525	1,037	8,639	(1,294)	Ita Gaap
Estenergy S.p.A.	329,323	8,986	15,330	19,753	IFRS
Etraenergia S.r.l.	4,170	(175)	264	(367)	Ita Gaap
Edigas Due S.r.l.	42,734	1,067	2,685	893	Ita Gaap
Gioia S.r.l.	609	143	155	3,251	Ita Gaap
Lucania S.r.l.	678	250	915	1,730	Ita Gaap
Masseria S.r.l.	662	261	909	1,799	Ita Gaap
Pasubio Servizi S.r.l.	51,512	2,303	5,183	(4,939)	Ita Gaap
Quintasol S.r.l.	685	240	800	1,885	Ita Gaap
De Stern 5 S.r.l.	707	55	3,161	9,935	Ita Gaap
ASM DG S.r.l.	3,932	843	11,503	199	Ita Gaap
ASM SET S.r.l.	39,353	2,014	2,660	(9,438)	Ita Gaap
Veritas Energia S.r.l.	100,295	1,272	3,273	7,478	Ita Gaap
Serin S.r.l.	1,196	339	4,451	2,158	Ita Gaap
Specchiano S.r.l.	689	226	768	2,596	Ita Gaap
Ascoblu S.r.l.		(153)	104	11,053	Ita Gaap
Amgas Blu S.r.l.	8,814	255	265	2,261	Ita Gaap
Unigas Distribuzione S.r.l.	12,552	5,675	38,992	(6,486)	Ita Gaap
Blue Meta S.p.A.	71,622	641	3,864	7,912	Ita Gaap
Palo6 S.r.l.	640	191	201	3,043	Ita Gaap
Palosol S.r.l.	658	232	1,587	2,040	Ita Gaap
Gioia 2 S.r.l.	974	344	456	12,369	Ita Gaap
Consorzio RE		(1)	24	(21)	Ita Gaap

The changes that took place in the consolidation area as compared with 31st December 2011, are reported below:

- Acquisition of 100 % of Blue Meta S.p.A.;
- Acquisition of 48.86% of Unigas Distribuzione Gas S.r.l.;
- Acquisition of 100% of the stakes of De Stern 5 S.r.l. by the company Serin S.r.l.;
- Acquisition of residual 20% of Asco Blu S.r.l.;
- Acquisition of 80% of Amgas Blu S.r.l.;
- Acquisition of 58.91% of Consorzio RE;
- Acquisition of 4% of Palo6 S.r.l.;

For the chronology of the operations, refer to paragraph "Significant events during 2011" – "Corporate operations during FY 2011" of the Report on Management.

Evaluation principles

The evaluation principles adopted by the Group are reported below:

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 fixed assets with an undefined 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. No amortisation is reported for these assets.

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 (Decreto Letta) 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 a 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.

Tangible assets in financial leasing

The activities owned through financial leasing contract, through which all risks and benefits linked to the property of the assets are substantially transferred to the Group, are inscribed as activities at their fair value, or, if inferior, to the current value of minimal payments due for the leasing, included the eventual sum to be paid for the financial year of the purchase option. The correspondent liability to the hirer is represented in the financial statement between the financial liabilities.

Furthermore, for the operations of transfer and back-location of assets on the basis of financial leasing contract the plus-values realised are deferred for the duration of the contract, or, if inferior, for the residual life of the asset.

Since there is no reasonable certainty about the acquisition of the asset at the end of the leasing, the asset in financial leasing are depreciated on a period equal to the lesser between the leasing contract and the useful life of the asset itself.

The leasing in which the hirer substantially maintains all the risks and the benefits of the property of the assets are classified as operative leasing. The canon referred to operative leasing are pointed out in the income statement in constant quotes in the years of duration of the leasing contract.

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.

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.

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.

Distribution of dividends: The distribution of dividends to the shareholders of the Company determines the inclusion of a debt on the balance of the period in which the distribution was approved by the shareholders of the company.

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.

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.

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).

Financial instruments: derivative financial instruments are used in order to reduce the interest rate risk. In accordance with IAS 39, derivative financial instruments can be accounted for with the methods established for hedge accounting only when, at the beginning of the hedge, there is formal designation and documentation of the hedging relationship, when it is assumed that the hedge is highly effective, when its effectiveness can be reliably measured and the hedge is highly effective throughout the reporting periods for which it is designated. If hedge accounting cannot be applied, the profits or losses arising from the evaluation at fair value of the derivative financial instrument are recognized immediately in the income statement.

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.

Current financial liabilities: Financial liabilities are stated at their face value.

Assets and Liabilities held for divestment, sale and discontinued operations - IFRS 5:

Assets and Liabilities held for divestment, sale and discontinued operations whose book value will be recovered mainly via sale, and not through constant usage, are recognized at the lower value between their net book value and their fair value net of sale costs.

In this financial statements, discontinued operations refer to the company branch for heat management, which was sold to the company Bim Piave Nuove Energie at a book value equal to Euro 385 thousand (date of entry into effectiveness of the operation: 1st January 2012).

Given the low amount, and with reference to the sold company branch only, the economic result by it achieved and the connected comparative data of the previous financial year were not recognized under a specific item of the Income Statement (profit/(loss) net of discontinued operations/operations to be discontinued) as required by IFRS 5.

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 determined 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.

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;

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 earning 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.

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS
Non-current assets*1. Goodwill*

Goodwill, equal to Euro 116,143 thousand as of 31st December 2011, increases of Euro 24,247 thousand as compared to the previous financial year. The increase in goodwill is explained by the acquisition of the Company Blue Meta S.p.A. for Euro 14,141 thousand, of the company Unigas Distribuzione Gas S.r.l. for Euro 888 thousand and of the company Amgas Blu S.r.l. for Euro 9,217 thousand (details can be found under the paragraph "Company mergers" of this note).

The remaining amount as of 31st December 2011 refers in part to the surplus value created by the contribution of the gas distribution networks by members of 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 and sale of natural gas, as well as the acquisition of certain holdings in the photovoltaic segment.

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 CGU described above is the following:

Thousands of Euro	31.12.2010	Increase	Decrease	31.12.2011
Distribution of natural gas	24,909	888		25,284
Sale of natural gas	67,499	23,360		90,859
Total goodwill	91,896	24,247	0	116,143

The depreciation audit on goodwill has been carried out by checking the depreciation in the activities of natural gas distribution and natural gas sales, 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 the sales and distribution of gas, 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 units in the sales and distribution of natural gas has been estimated using the Discounted Cash Flow methodology, 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 value recoverable are those of the Multi-annual Plan for the financial flow-generating gas distribution and sales units, which cover the forecasts formulated by the management in the Economic and Financial Plan for the period 2012-2014, approved with resolution of the Board of Directors on 22nd February 2012. 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 Group currently holds the municipal concessions will be launched on a date subsequent to 31st December 2014, therefore in the period indicated in the 2012-2014 Economic and Financial Plan. The Group believes that it will be maintaining the management of the current portfolio of concessions.

With reference to the activity of gas distribution, it has been assumed that in 2012/2014 the financial flow generated will be in line with the one forecast by the Economic and Financial Plan 2012-2014. Furthermore, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the financial

flow-generating gas distribution unit by hypothesising two alternative scenarios, i.e. (i) In 2014 (in advance in relation to the deadlines of the calls for tenders currently provided for by the regulations) Ascopiave ends the activity of gas distribution, realising the return value of the plants as per Art. 15 of Legislative Decree no. 164/2000, and (ii) the company obtains in 2014 the renewal of all the concessions and credits in effect on 31st December 2010.

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% (2010: 1.8%) takes into account inflation, growth of the client base and increased efficiency.

The cost of capital of the financial flow-generating unit gas distribution was calculated assuming:

- a) that coefficient β (beta levered) equal to that assumed in the definition of income rate on invested capital established for tariff purposes by the AEEG with deliberation n. 159/08;
- b) that 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 taken from the average over a long period for an international sample group of countries;
- d) the Risk-Free Rate adopted - equal to net yields on 10-year government bonds, taken as an average for the period January 2011-31st December 2011 in order to neutralize the distortion/speculation effects of the financial markets on the yields of long-term Italian government bonds.

On the basis of these elements, the average weighted cost of the post-tax capital will be equal to 6.3% in the two-year period 2012-2013 and 6.7% in 2014 (2009: 5.9%). This rate has been used for updating cash flows in the period provided for by the Plan 2012-2014.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 7.3% and was calculated on the basis of the above parameters and providing for an "additional risk premium" or the calculation of the cost of equity (K_e) 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 gas sales, cash flows used to calculate the recoverable value implement the forecasts made by management for the period 2012-2014.

The final value was determined with a perpetuity estimate starting from the last year since the last financial projections. The growth factor used for the purposes of terminal value calculation, estimated to be equal to 2.0% (2010: 1.8%) takes into account inflation, the growth of the customer base and efficiency recovery.

The cost of capital of the financial flow-generating unit gas sale was calculated assuming:

- (a) that coefficient β (beta levered) was defined based on the beta unlevered compared to a sample of comparable companies (local units quotation) and considering the specific target financial structure of the business;
- b) the market risk taken from the average over a long period for an international sample group of countries;
- d) the Risk-Free Rate adopted - equal to net yields on 10-year government bonds, taken as an average for the period January 2011-31st December 2011 in order to neutralize the distortion/speculation effects of the financial markets on the yields of long-term Italian government bonds;
- d) an additional risk premium for the cost of equity (K_e), equal to 2.0%, to account for the specific risks of the business.

On the basis of these elements, the average weighted cost of the post-tax capital will equal to 6.8% in the two-year

period 2012-2013 and to 6.9% in 2014 (2010: 6.7%). These rates have been used for updating cash flows in the period provided for by the Plan 2012-2014.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 7.4% 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 and distribution 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 distribution generating unit relating to the sale of natural gas, a sensitivity analysis has been carried out on the results: in any case, the values of use remain higher than the accounting values, even assuming variations in increase of the weighted average capital cost of 50 basis points and a reduction of the growth factor of 1.5%.

2. Other intangible fixed assets

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

Thousands of Euro	31.12.2011			31.12.2010		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patents and intellectual property rights	5,200	(3,475)	1,724	4,554	(2,747)	1,808
Concessions, licences, trademarks and similar rights	9,959	(1,620)	8,339	3,589	(1,255)	2,335
Other intangible assets	31,773	(9,072)	22,701	21,912	(6,108)	15,804
Intangible assets under IFRIC 1 concession	495,339	(189,223)	306,116	473,231	(176,788)	296,443
Intangible assets in progress under IFRIC 12 concession	3,949	0	3,949	1,821	0	1,821
Intangible assets in progress and advance payments	73	0	73	659	0	659
Other intangible assets	546,293	(203,390)	342,903	505,766	(186,897)	318,870

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

Thousands of Euro	31.12.2010		Value of new companies acquired	Decrease	Amortizations during the period	Reclassifications	Depreciation	31.12.2011
	Net Value	Increase						Net value
Industrial patents and intellectual property rights	1,808	82	26		349	158		1,724
Concessions, licences, trademarks and similar rights	2,335	4,691	1,915		602			8,339
Other intangible assets	15,804	532	9,482		3,118			22,701
Intangible assets in progress under IFRIC 1 concession	296,443	12,243	12,750	5,848	12,786	998	2,316	306,116
Intangible assets in progress under IFRIC 12 concession	1,821	3,137	104	115		(998)		3,949
Intangible assets in progress and advance payments	659	45	70	543		(158)		73
Other intangible assets	318,870	20,730	24,349	6,506	16,855	0	2,316	342,903

With equal consolidation perimeter, the investments reported during FY 2011 are equal to Euro 20,730 thousand and they mainly relate to the costs incurred into for the realisation of the infrastructures for natural gas distribution (Euro 15,380 thousand) and for the acquisition of concessions, licenses and similar rights (Euro 4,691 thousand).

Industrial patents and intellectual property rights

During 2011, the item "Industrial patents and intellectual property rights" shows an increase equal to Euro 240 thousand, that comprehends the re-classifications for intangible assets in progress. The investment mainly relates to costs incurred into for software implementation.

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 includes investments amounting to Euro 4,691 thousand, mainly explained by the costs incurred into for the acquisition of the license for natural gas distribution in the municipality of Marostica (Euro 3,016 thousand); a useful life of twelve years (equalling the duration of the license) was assigned to the newly acquired intangible asset.

Other intangible fixed assets

The item "Other intangible assets" increased from Euro 15,804 thousand in the previous year, to Euro 22,701 thousand as of 31st December 2011. The increase is mainly due to the investments, following the respective business combinations, in customer lists in the two companies operating in natural gas sale Blue Meta S.p.A. (Euro 6,000 thousand) and AMGAS Blu S.r.l. (Euro 3,800 thousand).

With the same consolidation perimeter, investments amount to Euro 532 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, they show a net book value of Euro 306,116 thousand. The investments made during 2011 for the construction of infrastructure suitable for the distribution of natural gas, including the reclassification of assets under construction, amount to Euro 13,241 thousand and mainly relate to costs incurred into for the creation of connections for Euro 4,266 thousand, for the implementation of the distribution of natural gas for Euro 4,408 thousand, and the realisation of transformer rooms and reduction groups for Euro 760 thousand. It should be noted that the activity of implementing the network of natural gas has involved the installation of 50,021 meters of pipelines.

Following the change of economic subject designated to manage the distribution of natural gas in the municipality of Zané, in the District of Vicenza, the parent company provided the granting local body with the distribution network. The operation involved the divestment of intangible assets for a net book value equalling Euro 1,868 thousand (value paid to the new operator), collected in the month of July 2011.

Following the change of economic subject designated to manage the distribution of natural gas in the municipality of Costabissara, in the District of Vicenza, the parent company provided the granting local body with the distribution network. The operation involved the divestment of the intangible assets for a net book value equal to Euro 1,537 thousand, included under the item "Other non-current assets", because to date, an arbitration is pending against the Local Authority in order to identify the assets subject to sale and their economic value.

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 3,137 thousand.

Intangible assets in progress and advance payments

During 2011, with equal consolidation perimeter, the item "Intangible assets in progress and advance payments" involved investments amounting to Euro 45 thousand.

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	31.12.2011			31.12.2010		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	34,380	(4,509)	29,871	19,450	(3,667)	15,783
Plants and machinery	26,685	(1,964)	24,722	8,843	(1,035)	7,808
Industrial and commercial equipment	2,957	(1,874)	1,083	2,684	(1,546)	1,138
Other tangible assets	13,413	(9,577)	3,836	11,361	(8,126)	3,235
Tangible assets in progress and advance payments	2,470	0	2,470	15,849	0	15,849
Other tangible assets	79,906	(17,923)	61,983	58,188	(14,374)	43,814

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

Thousands of Euro	31.12.2010							31.12.2011
	Net Value	Increase	Value of new companies acquired	Decrease	Amortizations in the period	Reclassifications	Depreciation	Net value
Lands and buildings	15,783	4,584			835	10,339		29,871
Plants and machinery	7,808	14,244		5	984	3,658		24,722
Industrial and commercial equipment	1,138	116	59		229			1,083
Other tangible assets	3,235	1,431	206	30	1,035		30	3,836
Tangible assets in progress and advance payments	15,849	814		196		(13,997)		2,470
Other tangible assets	43,814	21,189	265	231	3,083	0	30	61,983

Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. During 2011, the item "Lands and Buildings" recorded investments including reclassifications of intangible assets in progress for an overall amount equal to Euro 14,923 thousand, mainly concerning the costs incurred into for the construction of the multi-purpose building located in Via Verizzo in the municipality of Pieve di Soligo.

Plants and machinery

With equal consolidation perimeter, the investments made during 2011 for the realisation of plants and machinery amount to Euro 17,902 thousand gross of the re-classifications of assets under construction, and they mainly relate to the capitalisation of photovoltaic systems, for an overall amount of Euro 9,100 thousand. The photovoltaic plants realised and commissioned during 2011 were built by the subsidiaries Gioia S.r.l. (Euro 1,688 thousand), Palo 6 S.r.l. (Euro 1,598 thousand), Ascoenergy S.r.l. (Euro 473 thousand) and Gioia 2 S.r.l. (Euro 6,074 thousand) and De-Stern 5 S.r.l. (Euro 6,757 thousand).

Industrial and commercial equipment

With equal consolidation perimeter, the item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 116 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 the first half of 2011 increased the voice “Other assets”, for Euro 1,431 thousand (with equal consolidation perimeter), and they mainly relate to the costs incurred into for the purchase furniture (Euro 957 thousand), hardware (Euro 109 thousand) and for the purchase of new corporate vehicles (Euro 139 thousand).

Tangible assets in progress and advance payments

The item includes costs incurred into for the construction of photovoltaic and co-generation plants, partly carried out on a time and material basis. The investments made during the financial year equalled Euro 814 thousand.

4. Shareholdings

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

	31.12.2010			31.12.2011
Thousands of Euro	Historic cost	Increase	Net equity assessment	Net value
Shareholdings in other companies	1			1
Total shareholdings	1	0		1

Shareholdings in joint companies

The draft financial statements approved by the Board of Directors of the affiliate Sinergie Italiane S.r.l. for the financial year ended as of 30th September 2011, drawn up in accordance with national accounting principles, presents a net equity deficit of Euro 88,737 thousand, mainly explained by the negative result of the financial year (Euro 92,160 thousand), which includes a provision for future risks and charges equal to Euro 98,122 thousand. In the draft financial statements, the company Administrators reported that the establishment of the provision was necessary because of the worsening of the general electric scenario and of the increase in natural gas prices as from 1st October 2011 (current financial year).

The sudden change in the scenario caused the supply contracts subscribed during the period, but with effects deferred in the subsequent periods, excessively expensive.

The data provided show an unexpected variation as compared to the previous forecasts on the result, which were constantly reported to the Administrators until 30th September 2011, and which showed a positive result for the affiliate company at year end. The affiliate, following the significant loss and the subsequent net equity deficit, found itself in the conditions provided for in art 2482-ter of the Italian Civil Code, and proceeded to summon the Shareholders' Assembly in order for the shareholders to take the decisions they deemed most appropriate. As of the date of this document, the outcome of the Assembly is still uncertain.

The essential data of the shareholdings in the subsidiary as of 30th September 2011 and 30th September 2010 are reported below:

(Thousands of Euro)	FY 2010-2011*	FY 2009-2010*
Revenues from sales and services	2,205,057	1,174,957
Net result	(92,100)	5,021
Net shareholders' equity	(88,737)	8,183
Net financial position	(348,896)	(312,397)
Reference accounting principles	ITAGAAP	ITAGAAP

* Draft financial statements as of 30th September 2011 approved by the Board of Directors on 8th March 2012

On the basis of the values reported above, the value of the shareholding, assessed with the net equity method, is now equal to zero. On the basis of existing commitments, the Administrators established a provision for risks and charges (comments on the provision can be found in the dedicated explanatory note).

It is to be noted that, according to the last set of data reported by the company as of 13th March 2012, the net financial position of the company is negative for Euro 348,896 thousand, and the bank guarantees granted by Ascopiave S.p.A. in favour of the affiliate are equal to Euro 189,710 thousand, on a total amount of 570,000 thousand*.

* Data included in the draft financial statements approved by the Board of Directors on 8th March 2012.

5. Other non-current assets

(thousands of Euro)	31.12.2011	Values of new companies acquired	Values net of New companies acquired	31.12.2010
Security deposits	1,197	17	1,181	593
Other receivables	9,461	2,565	6,896	3,879
Other non-current assets	10,659	2,582	8,077	4,472

With equal consolidation perimeter, the "Other non-current assets" increased from Euro 4,472 thousand to Euro 8,077 thousand (+Euro 3,605 thousand), mainly related to other receivables. The increase is connected, for Euro 1,480 thousand, to a credit due from Anita S.r.l., company holding 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 Gas S.r.l. to Ascopiave S.p.A. in January 2011.

Prior year losses, which was notified to the seller and to Anita S.r.l. during the second quarter of FY 2011, relates 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.

Moreover, it is to be noted that the credit due from the municipality of Costabissara increased of 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 sentence issued by the court, considering the quantity and quality of value-exceeding assets.

The increase in security deposits, equal to Euro 588 thousand, is mainly connected to a guarantee deposit payment for Euro 568 thousand made by Veritas Energia S.r.l. in favour of the GME, for guarantees on purchases on the electricity market.

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 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. 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 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. This amount corresponds to the net book value of the distribution systems delivered on 1st October 2011.

As of 31st December 2011, 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 Group, also following the opinion of the legal advisor, believes that the result of the contentious and arbitration procedures is uncertain.

As to the credits of the new companies acquired, it is to be noted that the amount of Euro 2,565 thousand refers to a long-term liability of the controlled company Amgas Blu S.r.l. due to Amgas S.p.A. (amounting to Euro 2,376 thousand), which was recognized as part of the spin-off operation "natural gas sale company branch" from Amgas Blu s.p.A. to Amgas Blu S.r.l.. This interest-bearing credit is being reimbursed in six-months instalments of Euro 344 thousand each, postponed in 4 years, the last of which will expire on 31st December 2015.

6. Advance tax receivables

The following table shows how the items are broken down at the end of each period considered:

(Thousands of Euro)	31.12.2011	Values of new companies acquired	Values net of new companies acquired	31.12.2010
Advance taxes receivables	16,082	1,340	14,742	11,660
Advance taxes receivables	16,082	1,340	14,742	11,660

With the same consolidation area, advance taxes increased from Euro 11,660 thousand to Euro 14,742 thousand (+Euro 3,082 thousand), mainly due to the trends of the bad debts provision and to the trends of IRES-exceeding amortizations.

The Group has been performing a full accounting of advance taxes concerning temporary differences between tax-imposition and balance sheet value, as the Group suppose 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 and a 3.9% IRAP tax rate were applied; moreover, 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 Group's companies operating in the business of distribution were subject to a 4.2% IRAP tax rate, in that they provide services and public works.

As to the IRES tax, some sales companies of the Group were already subject to the 6.5% 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 (the so-called "Mid-August National Budget Law"). The so-called "Robin Hood Tax" was increased of 4 percentage points (current tax rate: 10.5%) and is now also applicable to subjects operating in the industries of transportation and distribution of natural gas and electric power whose turnover was higher than 10 million Euro in the previous tax period (i.e. 25 million Euro in the previous financial year) and a non-taxable income higher than a million Euro.

As a result of the provisions described above, the Group is subject to payment of a 10.5% additional IRES tax for the years 2001, 2012 and 2013, and a 6.5% additional IRES tax as from 2014. The application of the "Robin Hood tax" produced a positive effect on the income statement of FY 2011 due to higher deferred taxes (Euro 1,883 thousand), mainly connected to the adjustment of advance taxation as of 31st December 2010.

The temporary differences that produced the advance tax payables are the following:

Description	31.12.2011			31.12.2010		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	6,438	38.0%	2,446	9,874	34.0%	3.357
Allocation of bad debt provisions	8,549	34.0%	2,907	402	27.5%	111
Allocation for inventory write-downs	413	38.2%	158	413	31.4%	130
Other - IRES 27.5%+ IRAP 4.2%	2,415	31.7%	766	0	31.4%	0
Exceeding amortizations within 2013	1,362	42.2%	575	18,989	31.4%	5.963
Exceeding amortizations after 2013	14,593	38.2%	5,575	0	31.4%	0
Other	1,215	38.2%	464	361	31.4%	113
Other – gas sale	0	42.2%	0	19	37.9%	7
Phantom stock option	143	34.0%	49	50	27.5%	14

Customer lists - Goodwill	348	37.9%	132	395	37.9%	150
Other -IRES 27.5%	454	27.5%	125	0	33.0%	0
IRES exceeding amortizations	7,579	34.0%	2,577	4,991	27.5%	1,372
Other – gas sale IRES 34%	818	37.9%	310	1,306	34.0%	444
Other – gas sale IRES 34%- IRAP 3.9%						
Total advance taxes	44,327		16,082	36,799		11,660

Current assets

7. Inventories

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

Thousands of Euro	31.12.2011			31.12.2010		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Fuels and warehouse materials	3,571	(413)	3,157	3,595	(413)	3,181
Sub-contracted works in progress	2,139		2,139	1,068		1,068
Total inventories	5,710	(413)	5,297	4,663	(413)	4,249

As of 31st December 2As of 30th September 2011, inventories are equal to Euro 5,297 thousand and show an overall increase equal to Euro 1,048 thousand as compared to 31st December 2010, of which 171 thousand relate to the new consolidation area.

The increase in sub-contracted works in progress for Euro 1,071 thousand is mainly due to works on photovoltaic plants not yet finished, of which Euro 719 thousand refer to the company Asm Set S.r.l., and Euro 335 thousand to Global Energy S.r.l..

The warehouse materials are used for maintenance works or to realise distribution plants. In the latter case the material is reclassified as Tangible Fixed Assets once installation is complete.

Works in Progress refers to the construction of photovoltaic plants which are intended to be sold off.

Inventories, equalling Euro 413 thousand, are entered into the balance sheet under the Net Devaluation of Inventory fund in order to adapt their value to the opportunities for their clearance or use; during the financial year 2011, there were no movements in the fund.

8. Trade receivables

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Receivables from customers	184,129	21,876	162,253	133,455
Receivables for invoices to be issued	132,934	18,168	114,765	109,664
Bad debt provisions	(18,370)	(2,337)	(16,033)	(13,313)
Trade receivables	298,692	37,708	260,985	229,806

With the same consolidation area, trade receivables increased from Euro 229,806 thousand to Euro 260,985 thousand (+Euro 31,179 thousand).

The increase is mainly explained by higher prices for raw materials, the timing of billing and collection of winter consumption.

The increase was partially offset by the transaction initiated by one jointly controlled companies of the Group at the end of the year, involving the sale of trade receivables without recourse for a total nominal amount of Euro 31,519 thousand, which result in the Group's consolidated financial statements has an impact of Euro 15,444 thousand. The structure of the transaction under consideration resulted in the complete transfer of the risks and benefits associated with these receivables to a primary financial counterpart. The nominal amount not expired on 31st December 2011 amounts to Euro 15,281 thousand.

Moreover, the increase is explained (for Euro 19,447 thousand) by the inclusion, under this item, of the positive fair value of natural gas sale contracts with forward delivery subscribed by the subsidiary Ascotrade S.p.A. with various counterparts, among which the most important is Eni Gas & Power S.p.A.

As of the closing date of the financial statements, the fair value of natural gas purchase agreements is negative for Euro 142 thousand. The portfolio of existing contracts at year-end is balanced in terms of volumes and is represented only by fixed-price contracts; therefore, the margin generated by these contracts has already been fixed and its expected result is immune to future changes in the price of gas. In this context, any increases or decreases in price expected in the reference market would have no net impact on the income statement of the financial year under consideration, because any appreciation or depreciation of contracts with positive fair value would be offset by that of the related contracts with negative fair value.

Trade receivables are all due from Italian debtors and are reported net of advance payments of invoicing and are all due within the next 12 months.

With equal consolidation perimeter, the balance of receivables from customers, equal to Euro 260,985 thousand, includes Euro 114,765 thousand which concern the invoices to be issued for consumptions not yet measured as of 31st December 2011. The invoices to be issued in connection with the new consolidation area amount to Euro 18,168 thousand.

The nominal value has been adjusted to the presumed realisable value by means of an allowance for doubtful accounts. The increase in the provision in 2011 is mainly explained by the change of the techniques for calculating the credit risk on gas bills adopted by the companies acquired during the past financial years, in adapting them to the Group's accounting practices. Moreover, the risks related to the civil and industrial segment of the customer base is connected to the increase in failed payments of gas bills in winter.

The changes in the provision for doubtful accounts in the period considered are shown in the following table:

Thousands of Euro	31.12.2011	31.12.2010
Initial bad debt provision	13,313	10,963
Bad debt provision from acquisitions	2,337	
Provisions	6,189	4,841
Use	(3,469)	(2,491)
Final bad debt provision	18,370	13,313

9. *Other current assets*

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Tax consolidation receivables	575		575	2,223
Annual pre-paid expenses	1,523	650	873	694
Advance payments to suppliers	4,849	81	4,768	4,015
Annual active accruals	3		3	8
Receivables due from Cassa Conguaglio Settore Elettrico	8,511	1,403	7,109	5,973
VAT receivables	11,037	1,588	9,449	3,361
UTF and Provincial/Regional Additional Tax receivables	23,755	3,448	20,307	8,269
Other receivables	27,123	657	26,467	1,929
Other current assets	77,376	7,826	69,550	26,471

With the same consolidation area, other current assets increased from Euro 26,471 thousand to Euro 69,550 thousand (+Euro 43,079 thousand).

The variation is explained by advance payments from Ascotrade S.p.A. to Sinergie Italiane S.r.l. for future gas supplies for an amount equalling Euro 24,268 thousand; by receivables from the Customs Agency for Euro 12,038 thousand and for VAT payables for an amount of Euro 6,088 thousand.

It should be noted that the increase in receivables for advances, amounting to Euro 24,268 thousand, is mainly due to the need to give financial support to the affiliate company during the period of maximum financial exposure caused by the deterioration of the creditworthiness of the company and to a decrease in the guarantees granted by the shareholders. The support given to the company was also partly affected by the unilateral reduction of the guarantees provided by the shareholder IREN Mercati S.p.A..

10. *Current financial assets*

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

Thousands of Euro	31.12.2011	31.12.2010
Current financial assets	14,189	4,088

With the same consolidation area, current financial assets increased from Euro 4,088 thousand to Euro 14,189 thousand (+Euro 10,101 thousand).

This is mainly explained by the increase in current account financing for Euro 7,650 thousand granted to the APS Group through the jointly controlled company Estenergy S.p.A., and for Euro 564 thousand to the Veritas Group through the jointly controlled company Veritas Energia S.r.l.. The increase is also explained by the amounts paid for the photovoltaic sector for Euro 1,461 thousand.

11. Tax receivables

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Receivables related to IRAP	27		27	349
Receivables related to IRES	130	5	125	7
Other tax receivables	161	135	26	255
Tax receivables	318	139	179	610

With the same consolidation area, tax receivables decreased from Euro 610 thousand to Euro 179 thousand (-Euro 431 thousand). The item mainly includes the IRES residual credit, minus the taxes for FY 2011, and the advance payments settled by the subsidiaries that do not adhere to the fiscal consolidation regime with AscoHolding S.p.A..

12. Cash and cash equivalents

The following table shows how the items are broken down at the end of the periods considered:

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Bank and post office deposits	44,833	8,775	36,059	23,273
Cash and cash equivalents on hand	21	3	17	40
Tax receivables	44,854	8,778	36,076	23,313

With the same consolidation area, cash and cash equivalents increased from Euro 23,313 thousand to Euro 36,076 thousand (+Euro 12,763 thousand). The figures reported refer to the balances of bank accounts redeemable at sight and to the values of company funds.

Bank deposits 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:

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Cash and cash equivalents	44,854	8,778	49,451	23,313
Current financial assets	14,189	0	12,225	4,088
Current financial liabilities	(21,572)	(204)	(21,368)	(4,201)
Payables to banks and financing institutions	(193,078)	(10,023)	(183,055)	(112,887)
Payables to leasing institution within 12 months	(107)		(107)	(81)
Net short-term financial position	(155,714)	(1,449)	(142,853)	(87,769)
Medium- and long-term loans	(44,889)	(3,351)	(8,411)	(5,529)
Non-current financial liabilities	(619)		(619)	(697)
Net medium- and long-term financial position	(45,507)	(3,351)	(9,029)	(6,225)
Net financial position	(201,221)	(4,800)	(151,883)	(95,995)

For comments on the main dynamics that caused significant changes in the net financial position, see the analysis of the Group's financial data reported under the paragraphs "General operational performance-Financial situation" of the Report on Management and under "Medium- and long-term loans" of this note.

Consolidated shareholders' equity

13. Net shareholders' equity

Ascopiave S.p.A.'s share capital as of 31st December 2011 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

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

Thousands of Euro	31.12.2011	31.12.2010
Net equity	234,412	234,412
Legal reserve	46,882	46,882
Reserve and income carried forward	70,311	63,067
Group's result for the period	6,266	31,174
Group's net equity	357,871	375,535
Third-party equity and reserves	2,704	2,195
Third-party result for the period	1,993	1,671
Third-party net equity	4,696	3,866
Total net equity	362,568	379,400

The reasons for the net consolidated equity movement happened during 2011 are reported below:

In 2011, upon approval of the 2010 balance sheet by the Shareholders' Assembly, dividends were distributed for an amount equalling Euro 23,442 thousand, using the result of FY 2010 for Euro 21,165 thousand and available reserves for Euro 2,276 thousand.

The increase of Euro 885 thousand is instead explained by the dividends assigned for the remuneration of own shares.

During 2011, the purchase of own shares regarded a number of 1,814 thousand ordinary shares at a value of Euro 2,648 thousand.

Net equity of minority interests

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

The variations in third-party net equity during 2011 are due to the presence of new minority shareholders for Euro 464 thousand, following the acquisition of Amgas Blu S.r.l.

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	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Other reserves for risks and charges	(24,868)	(150)	(24,718)	(3,622)
Reserves for risks and charges	(24,868)	(150)	(24,718)	(3,622)

With the same consolidation area, reserves for risks and charges increased from Euro 3,622 thousand to Euro 24,718 thousand (+Euro 21,096 thousand).

The variation is mainly explained by the evaluation with the net equity method of the affiliate company Sinergie Italiane S.r.l., which resulted in the establishment of a provision of Euro 21,154 thousand, partially offset by the use of funds for the closure of contractual disputes. This provision was represented by the Directors considering both the provisions set out in IAS 28 on the application of the net equity method, and the incomplete and absolutely not timely information that was made available by the directors of the company. It is to be pointed out that it was only on 13th March 2012 that the Group received the draft financial statements as of 30th September 2011 from the company, which showed as unexpected and significant a loss as to require the prompt disclosure to the market by the Directors. The Directors had therefore to allocate a sum to the provision for risks and charges considering the equity deficit of the company and the commitments undertaken in its favour, having limited information available.

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 st January 2011	3,622
Values of new companies acquired	150
Hedge fund for joint companies consolidated with net equity method	21,154
Provisions for risks and charges	44
Use of provisions for risks and charges	(102)
Reserves for risks and charges as of 31st December 2011	24,868

The change relating to the newly consolidated companies refers to a provision established in FY 2011 by Amgas Blue S.r.l. in relation to a service agreement in favour of Amgas S.p.A. that was not usable.

15. Severance indemnity

The severance indemnity increased from Euro 2,870 thousand as of 1st January 2011 to Euro 3,686 thousand as of 31st December 2011, with an increase equal to Euro 816 thousand mainly due to the new consolidation area (Euro 685 thousand).

Thousands of Euro)	
Severance indemnity as of 1 st January 2010	2,870
Values of new companies acquired	685
Retirement allowance	(1,034)
Payments for current services and work	1,185
Previous actuarial losses/(profits) recorded	1
Actuarial loss/(profit) in FY 2011	(22)
Severance indemnity as of 31st December 2011	3,686

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: 4.5%
- ✓ increase in remuneration rate: 3%
- ✓ inflation rate: 2%
- ✓ anticipation rate: 2%

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 22 thousand.

16. Medium- and long-term loans

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

(migliaia di Euro)	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Loans from Cassamarca spa	8,591	3,351	5,240	
Loans from Cassa DD.PP. with direct guarantee	740		740	911
Loans from Cassa DD.PP. with guarantee from municipalities	1,130		1,130	1,541
Loans from Unicredit Spa	31,429		31,429	
Loans from Mediocredito Italiano	1,301		1,301	1,412
Loans from BCC Prealpi	621		621	700
Loans from Banca Popolare di Bari	1,078		1,078	965
Loans from other credit institutions	44,889	3,351	41,538	5,529
current portion of medium / long-term loans	6,934	417	6,517	848
Medium- and long-term loans	51,822	3,768	48,054	6,377

With the same consolidation perimeter, medium- and long-term loans increased from Euro 5,529 thousand to Euro 41,538 thousand (+Euro 36,009 thousand); the increase is mainly due to the granting of a loan to Ascopiave S.p.A. amounting to Euro 40,000 thousand, and to a Euro 10,480 thousand mortgage granted by BIIS to the company Serin, proportionally consolidated at 50%; the increase is partially offset by the payment of instalments of ongoing mortgages at their deadlines.

The figures relating to the newly acquired companies concern mortgages with credit institutions, of which one is a mortgage loan subscribed by Unigas Distribuzione S.r.l., its value after 5 financial years amounting to Euro 417 thousand.

The following table shows the deadlines of medium- and long-term loans:

Thousands of Euro	31.12.2011
Financial year 2013	7,459
Financial year 2014	7,451
Financial year 2015	7,418
Financial year 2016	7,264
After 31 st December 2016	15,298
Total medium- and long-term loans	44,889

During 2011, the Group concluded important company mergers, involving financial flows equal to Euro 31,720 thousand. In order to establish a better connection between the fixed component of the assets, represented by the shares of the parent company, and the liabilities structure, which mainly involves non-current liabilities, 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 six-months instalments will be paid starting from 31st December 2011 to 30th June 2018.

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:

- 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 Euro270,000 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 54 thousand.

During FY 2011, the company Serin S.r.l., controlled by Ascoenergy S.r.l., owned at 70% by Ascopiave S.p.A. concluded a medium- and long-term loan of Euro 10,480 thousand in order to offset the investments made in photovoltaic plants in the companies Masseria S.r.l., Lucania S.r.l., Palo6 S.r.l., Gioia S.r.l.. With an appropriate duration of the indebtedness, the duration of the loan is of 15 years.

The six-months instalments will be paid starting from 29th June 2012 to 31st December 2026.

The interest rate is variable, and it involves a six-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the "spread" parameter.

In order to avoid the risk of an excessive increase of the interest rate, higher than the "CAP" limit (4.645%), the company subscribed a hedging derivative agreement on 50% of the total amount of the loan, which establishes the maximum rate of loan remuneration at said level for its period of validity. As of 31st December 2011, the fair value of the hedging derivative instrument was interest-bearing for Euro 90 thousand.

17. Other non-current liabilities

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Security deposits	14,399	3,068	11,331	11,770
Multi-annual passive prepayments	2,957		2,957	2,351
Other payables	2,033	1,058	976	923
Other non-current liabilities	19,390	4,126	15,264	15,044

With the same consolidation area, other non-current assets increased from Euro 15,044 thousand to Euro 15,264 thousand; the increase of Euro 220 thousand is mainly due to the higher multi-annual prepayments for Euro 606 thousand, partially offset lower number of security deposits paid by the customers (Euro 439 thousand).

The other liabilities relate to the instalments paid for the surface rights on land where the photovoltaic plants were installed, in the district of Bari.

18. Non-current financial liabilities

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Payables due to leasing companies (over 12 months)	619		619	697
Non-current financial liabilities	619		619	697

With the same consolidation area, non current financial liabilities have decreased from Euro 697 thousand as of 31st December 2010, to Euro 619 thousand as of 30th June 2011 (-Euro 78 thousand), and they are represented by debts contracted by the subsidiary Global Energy S.r.l. in relation to the subscription of a financial leasing contract with object the co-generation plant in Mirano (VE).

19. Deferred tax payables

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Deferred tax payables	34,523	3,605	30,918	25,989
Deferred tax payables	34,523	3,605	30,918	25,989

With the same consolidation area, deferred tax payables increased from Euro 25,989 thousand to Euro 30,918 thousand; the increase of Euro 4,929 thousand is mainly due to the decrease in the tax funds allocated to the customer lists of the companies selling natural gas. The values of the newly acquired companies, amounting to Euro 3,605 thousand, mainly relate to the fund for deferred taxes recorded in the value of the customer lists obtained following the acquisition of Blue Meta S.p.A. and Amgas Blu S.r.l., as described in paragraph "Company mergers" above.

The item "Deferred tax liabilities" includes mainly the deferred taxes allocated for the temporary differences between fiscally significant values and budget values relating to the excess depreciation of fixed assets and goodwill. In addition, as a result of price allocations relating to corporate acquisitions made in recent years, tax funds for customers identified as fiscally irrelevant have been allocated. In determining deferred taxes, we referred to IRES 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 and a 3.9% IRAP tax rate were applied; moreover, 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 Group's companies operating in the business of distribution were subject to a 4.2% IRAP tax rate, in that they provide services and public works.

As to the IRES tax, some sales companies of the Group were already subject to the 6.5% 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 (the so-called "Mid-August National Budget Law"). The so-called "Robin Hood Tax" was increased of 4 percentage points (current tax rate: 10.5%) and is now also applicable to subjects operating in the industries of transportation and distribution of natural gas and electric power whose turnover was higher than 10 million Euro in the previous tax period (i.e. 25 million Euro in the previous financial year) and a non-taxable income higher than a million Euro.

As a result of the provisions described above, the Company is subject to payment of a 10.5% additional IRES tax for the years 2001, 2012 and 2013, and a 6.5% additional IRES tax as from 2014. The application of the "Robin Hood tax" produced a negative effect on the income statement of FY 2011 due to higher deferred taxes (Euro 3,443 thousand), mainly connected to the adjustment of deferred taxation as of 31st December 2010.

The following table shows the details of deferred taxes at the end of each period considered:

Description	31.12.2011			31.12.2010		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations	17,134	34.0%	5,826	41,174	31.4%	12,929
Exceeding amortizations	14,793	38.2%	5,651	14,374	27.5%	3,953
Severance indemnity	215	34.0%	73	198	27.5%	54
Exceeding amortizations	17,205	42.2%	7,261	0	31.4%	0
Goodwill deductibility for tax purposes – gas sale	1,265	37.9%	479	1,079	37.9%	409
Customer lists within 2013	3,141	42.2%	1,326	13,675	31.4%	4,294
Other operations	4,095	38.0%	1,556	103	31.4%	32
Gas sale	0	42.2%	0	215	34.0%	73
Customer lists after 2013	17,738	38.2%	6,776	445	27.5%	122
Goodwill deductibility for tax purposes	14,439	38.2%	5,516	13,128	31.4%	4,122
Other operations	176	34.0%	60	0	0.0%	0
Total deferred tax payables			34,523			25,989

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:

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Amounts payable to banks	186,145	9,606	176,538	112,039
Current portion of medium- and long-term bank loans	6,934	417	6,517	848
Deferred tax payables	193,078	10,023	183,055	112,887

With the same consolidation area, debts due to banks increased from Euro 112,887 thousand to Euro 183,055 thousand (+Euro 70,168 thousand), and they refer to debtor accounting balance to credit institutions and of the short-term quota of loans.

The following table shows the allocation of Ascopiave S.p.A. credit lines used and available and related rates applied as of 31st December 2011.

Istituto di credito	Tipologia di Linea di credito	Affidamento Max	Tasso al 31/12/2011	Utilizzo al 31/12/2011
Banca Antonveneta	Affidamento bancario per scoperto di conto corrente	5.000	3,98%	4.983
Banca Popolare di Bari	Affidamento bancario	5.000		0
Banca Infrastrutture Innovazione e Sviluppo	Affidamento bancario per scoperto di conto corrente	40.000	2,23%	39.242
Banca Nazionale del Lavoro	Affidamento bancario per scoperto di conto corrente	50.000	2,18%	42.169
Cassa di Risparmio del Veneto	Fido per finanziamento	13.000	2,72%	13.000
Credito Emiliano	Affidamento bancario per scoperto di conto corrente	15.000	2,68%	15.000
Banca Friuladria	Affidamento bancario per elasticità di cassa	10.000		0
Banca Popolare di Verona	Fido per finanziamento/fidejussioni italia ed estero	30.000		0
Banca Popolare di Vicenza	Affidamento bancario	55.000		0
Banca di Credito Cooperativo delle Prealpi	Affidamento bancario	5.000	3,02%	4.993
Banca Sella	Affidamento bancario	5.000	1,80%	4.985
Unicredit Banca	Fido promiscuo classe 1	40.000	2,99%	39.400
Banca Antonveneta	Fido per fidejussioni/Anticipi Vari	10.000		0
Banca Popolare di Vicenza	Fido per fidejussioni	8.800		0
Banca Popolare di Vicenza	Plafond fidejussioni	500		0
Ubi - banca	Fido per fidejussioni	155		0
Unicredit Banca	Emissioni carte di credito	780		0
Unicredit Banca	Fido per fidejussioni	12.400		0
Banca Popolare di Bari	Portafoglio a maturazione valuta	5.000		0
Banca Infrastrutture Innovazione e Sviluppo	Fido per fidejussioni/crediti di firma	5.132		0
Banca Nazionale del Lavoro	Fido per fidejussioni/crediti di firma	0		0
Cassa di Risparmio del Veneto	Fido per presentazioni RID	20.000		0
Banca Popolare di Verona	Rilascio fidejussioni Italia e estero	10.000		0
Banca Popolare di Vicenza	Plafond fidejussioni italia	2.000		0
Unicredit Banca	Fido per fidejussioni/crediti di firma	10.800		0
Unicredit Banca	Emissioni carte di credito	24		0
Unicredit Banca	Fido promiscuo classe 2	500		0
Veneto Banca	Effetti salvo buon fine a valuta maturata	5.000		0
Veneto Banca	Fidejussioni Italia	200		0
Banca Sella	Avalli e/o fidejussioni	200		0
Banca Sella	Elasticità di cassa	55		0
Deutsche Bank	Fido per Fidejussioni	105		0
Cassa di Risparmio del Veneto	Apertura di credito	106		0
Cassa di Risparmio del Veneto	Rilascio impegni di firma	1.364		0
Rovigo Banca	Affidamento bancario/crediti di Firma	1.225		0
Rovigo Banca	Fido per crediti di firma	98		0
Unicredit Banca	Cassa	1.100		0
Unicredit Banca	Fidejussioni	1.410		0
Banca Popolare di Bergamo	Cassa	1.500		0
Banca Popolare di Bergamo	SBF	2.500		0
Intesa San Paolo	SBF	2.000		0
Intesa San Paolo	Anticipo fatture	1.000		0
Intesa San Paolo	Auto Liquidanti	1.000		0
Credito Bergamasco	Cassa	500		0
Credito Bergamasco	SBF	500		0
Banca di Credito Cooperativo di Treviglio	Cassa	2.000		0
Banca di Credito Cooperativo Valle Seriana	SBF	300		0
Banca di Credito Cooperativo di Caravaggio	SBF	500		0
Cassa di Risparmio del Friuli Venezia Giulia	Revoca	3.430		0
Cassa di Risparmio del Friuli Venezia Giulia	Anticipo RID	1.960		0
Unicredit Banca	Anticipo RID	980		0
Cassa di Risparmio del Friuli Venezia Giulia	Fidejussione Commerciale	9.800		0
Cassa di Risparmio del Veneto	Revoca	980		0
Banca Popolare Friuladria	Revoca	2.450		2.317
Unicredit Banca	Revoca	490		0
Banca Nazionale del Lavoro	Revoca	7.350		6.057
Banca Popolare Friuladria	Anticipo Fatture	7.350		0
Unicredit Banca	cassa	245		222
Cassa di Risparmio del Veneto	cassa	49		0
Cassa di Risparmio del Veneto	rilascio impegni di firma	735		0
Banca Antonveneta	Affidamento bancario per scoperto di conto corrente	245		243
Banca Antonveneta	crediti di firma	2.450		0
Banca Popolare di Vicenza	cassa-A REVOCA	980		977
Banca Nazionale del Lavoro	Elasticità di cassa	49		0
Banca Nazionale del Lavoro	fidejussioni	1.887		0
Banca Nazionale del Lavoro	anticipi	980		490
Ugf Banca	cassa	98		0
Ugf Banca	promiscui ricevute bancarie e anticipo fatture italia	2.352		1.020
Ugf Banca	fidejussioni	980		0
Banco San Marco	cassa	245		232
Banco San Marco	fidejussioni	1.960		0
Banco San Marco	anticipo fatture	245		0
Banca Popolare di Bergamo	Fido di cassa	342		0
Banca Popolare di Bergamo	Fido di cassa	489		0
Credito Bergamasco	Fido di cassa	1.466		0
Banca Nazionale del Lavoro	Fido di cassa	147		0
Totale		432.485		175.328

It is to be noted that the item "Amounts due to banks" include financings granted in favour of the companies De Stern S.r.l., Palosol S.r.l., and Gioia 2 S.r.l. for an overall amount of Euro 10.795 thousand as bridge loans. These are not included in the table above.

21. Trade payables

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Payables to suppliers	112,632	11,197	101,435	64,112
Payables to suppliers for invoices not yet received	137,452	18,505	118,947	101,968
Trade payables	250,083	29,701	220,382	116,079

With the same consolidation area, trade payables increased from Euro 166,079 thousand to Euro 220,382 thousand (-Euro 54,303 thousand). The increase in trade payables is mainly explained by the increase in the costs of raw materials, partially offset by the decrease in winter consumptions.

Moreover, the increase is explained (for Euro 19,950 thousand) by the inclusion, under this item, of the negative fair value of natural gas sale purchase contracts with forward delivery subscribed by the subsidiary Ascotrade S.p.A. with various counterparts, among which the most important is Sinergie Italiane S.r.l..

As of the closing date of the financial statements, the fair value of natural gas purchase agreements is negative for Euro 142 thousand. The portfolio of existing contracts at year-end is balanced in terms of volumes and is represented only by fixed-price contracts; therefore, the margin generated by these contracts has already been fixed and its expected result is immune to future changes in the price of gas. In this context, any increases or decreases in price expected in the reference market would have no net impact on the income statement of the financial year under consideration, because any appreciation or depreciation of contracts with positive fair value would be offset by that of the related contracts with negative fair value.

22. Payables to tax authorities

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
IRAP payables	847	204	643	913
IRES payables	5,277	738	4,540	2,763
Payables to tax authorities	6,125	942	5,183	3,722

With equal consolidation perimeter, payables to tax authorities increase from Euro 3,722 thousand to Euro 5,183 thousand (+Euro 1,461 thousand) and they include the debts accrued in FY 2011 for additional IRES taxes that do not fall within the framework of tax consolidation of the Group, as well as IRAP taxes. Moreover, the item includes the IRES payables for the companies that do not adhere to the consolidation regime with Asco Holding S.p.A..

23. Other current liabilities

The following table shows how the items are broken down at the end of each period considered:

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Advance payments from customers	1,321		1,321	2,076
Amounts due to parent companies for tax consolidation	3,286	953	2,333	5,698
Amounts due to social security institutions	2,192	154	1,953	1,798
Amounts due to employees	3,224	257	2,967	2,982
VAT payables	2,095	342	1,754	127
Payables to revenue office for withholding tax	917	60	857	789
Annual passive prepayments	2,985	29	2,956	531
Annual passive accruals	1,163	68	1,095	1,265
UTF and Provincial/Regional Additional Tax payables	4,779	316	4,449	18,148
Other payables	5,027	1,061	3,966	5,714
Other current liabilities	26,990	3,241	23,651	39,127

With the same consolidation area, other current liabilities decreased from Euro 39,127 thousand to Euro 23,651 thousand (+Euro 15,476 thousand).

Advances from customers

Advances from customers have decreased of Euro 755 thousand; 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.

VAT payables

VAT payables increased of Euro 1,627 thousand as compared to 31st December 2010. The increase 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.

UTF payables and Additional Regional/Provincial Tax

The decrease of Euro 13,699 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 2011, the Group's total amount of payables is of Euro 4,449 thousand.

Payables to parent companies for tax consolidation

This item includes the debt incurred into in relation to the parent company Asco Holding S.p.A. and Acegas APS S.p.A., which exercises joint control over the company Estenergy S.p.A., proportionally consolidated by Ascopiave SpA, within the framework of the contracts of national tax consolidation subscribed by the companies of the Group with Asco Holding S.p.A. and Acegas APS S.p.A.. The balance corresponds to the IRES accrued amounts payable for taxes as of 31st December 2011, and it amounts to Euro 2,333 thousand.

Amounts due to social security bodies

The amount due to social security institutions mainly relates to charges of FY 2011 that were paid at the beginning of January of FY 2012.

Amounts due to employees

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31st December 2011 but not paid out on that date.

Annual accruals

Accruals and deferrals, which decreased by Euro 170 thousand, are primarily in relation to State fees and the fees granted to local licensing bodies for the extension of the concession for the distribution of natural gas accrued as of 31st December 2011.

Annual passive prepayments

Annual passive prepayments increased of Euro 2,425 thousand, mainly referring to revenues from the transfer of photovoltaic plants not yet finished of the companies Asm Set S.r.l. and Global Energy S.r.l.. as of the closing date of the financial year.

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 decreased of Euro 1,759 thousand as compared to 31st December 2010.

Benefits 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 maintenance of the employment relationship, the financial regulation of which is based on the trend of the share title (so-called phantom stock option).

The cost reported for additional benefits during the year is shown in the following table:

(thousands of Euro)

	2011	2010	2009
Costs (revenues) deriving from transactions with payments based on shares paid with cash	34.5	81	(23)
<i>Total costs</i>	34.5	81	(23)

During 2007, Ascopiave's Board of Directors allocated the first tranche of phantom stock options under the Plan approved by the Shareholders' meeting of 25th June 2007.

The adoption of the Plan is aimed at providing incentive to loyalty of Group directors and employees holding more important positions, and who are therefore more directly responsible for company results. The Presidents of the Board of Directors of Ascopiave S.p.A. and Ascotrade S.p.A., the Vice President of Ascotrade S.p.A. in charge as of the date

of the Assembly held on 25th June 2007, and the chosen employees of Ascopiave S.p.A. and Ascotrade have been selected as beneficiaries of the incentive Plan - at the sole judgement of the Board of Directors of Ascopiave, upon proposal made by the Remuneration Committee - amongst the subjects charged with the strategically relevant roles within, respectively, Ascopiave and Ascotrade, with a view to creating value. All managers and directors are included in the list of employees to benefit from the plan.

The Plan concerns free, non-transferable inter vivos phantom stock options, each of which allocates the Beneficiary the right to receive, under the terms and conditions specified by the Plan Regulations, a gross amount (Capital Gain) equal to the difference between the market value of the share at the time of exercise of such option (the Normal Value) and the market value of the share at the time of allocation of the option (the Initial Value). As such, Beneficiaries can gain advantage of any increase in the share title, without this affecting operations on the share capital and the issue of shares for the specific purpose of the Plan.

The Options are allocated in two tranches, respectively the 'Options of the First Tranche' for a maximum number of 2,333,340 Options, and the 'Options of the Second Tranche' for a maximum number of 2,333,340 Options. The Options of the First Tranche served mainly as incentives, in that the exercise of these options by the Beneficiary is subject to the reaching of certain results in terms of EBITDA 2007 and 2008 targets of Ascopiave and Ascotrade (respectively for the Ascopiave Beneficiaries and Ascotrade Beneficiaries). As to the First Tranche Options, the performance objectives were achieved for Ascotrade. Therefore, Ascotrade beneficiaries could exercise their options starting as from 30th June 2009. The Options of the Second Tranche have, instead, a loyalty function, as their exercise is marked by the simple completion of terms specified in the Regulations and maintenance of the Working Relationship or Administrative Relationship. The Options of the Second Tranche allocated to each Beneficiary will mature, by effect of the expiry of the terms and maintenance of the Working or Administrative Relationship, thereby becoming Exercisable Options:

10% of the Options of the Second Tranche, as of 30th June 2009

15% of the Options of the Second Tranche, as of 30th June 2010

20% of the Options of the Second Tranche, as of 30th June 2011

25% of the Options of the Second Tranche, as of 30th June 2012

30% of the Options of the Second Tranche, as of 30th June 2013

During 2008 the BoD, following the indications of the Board of Auditors, proceeded to the assignment of an overall amount of no. 2,333,000 Second Tranche Options to the then Presidents of the BoD of Ascopiave S.p.A. and Ascotrade S.p.A. and also to their Managers.

The last terms for the exercise of the Options of the First Tranche and the Options of the Second Tranche, is 30th June 2014. Once these terms have expired, the Options not yet exercised, will not be able to be exercised.

The fair value of these instruments is measured using a Black and Scholes model, and taking into account the terms and conditions on the basis of which the rights are allocated. The cost of these instruments, reported on the income statement under labour costs, and the related payables, are reported throughout the period of maturation. Until such time as the payable is not extinguished, the fair value is recalculated at each year end and on the date of effective outlay, reporting all change to the fair value on the income statement.

The following table shows the number (no.) and the average weighted prices of the year (PMPE) of the phantom stock options during the year, and their changes:

First Tranche Options

	2011 (no.)	2011 (PMPE)
In circulation as of 1 st January	320,000	1,911
Assigned during the year	-	-
Cancelled ¹	50,000	1,911
No longer available		
Exercised during the year		
Expired during the year	-	-
In circulation as of 31st December 2011	270,000	1,911

No longer assignable as of 31st December 2011 -*Second Tranche Options* ² 18,340

Second Tranche Options

	2011 (no.)	2011 (PMPE)
In circulation as of 1 st January	1,941,700	1,315
Assigned during the year		
Cancelled ¹	424,000-	-
Exercised during the year	42,000-	-
Expired during the year	-	-
In circulation as of 31st December 2011	1,475,700	1,315

No longer assignable as of 31st December 2010 - *Second Tranche Options* ³ 340

1. These options have been extinguished, in that they can no longer be exercised following termination of the working relationship and/or other reasons (e.g. renunciation by the relevant party).
2. These are options of the First Tranche not allocated as of 31st December 2007, and therefore can no longer be allocated, in accordance with the Regulations.
3. These are options of the Second Tranche not allocated as of 31st December 2008, and therefore can no longer be allocated, in accordance with the Regulations.

24. Current financial liabilities

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Financial payables within 12 months	18,008	(0)	18,008	2,447
Payables to shareholders	3,563	204	3,360	1,755
Payables to leasing companies within 12 months	107		107	81
Current financial liabilities	21,679	204	21,475	4,283

Current financial liabilities increased from Euro 4,283 thousand to Euro 21,475 thousand (+Euro 17,396 thousand).

COMMENTS ON THE MAIN CONSOLIDATED INCOME STATEMENT ITEMS
Revenues*25. Revenues*

The following table shows the breakdown of revenues by activity sector over the relevant period:

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Revenues from gas transportation	12,711	619	12,092	8,166
Revenues from gas sale	948,782	67,935	880,847	754,632
Revenues from electricity sale	108,684	10,900	97,784	64,081
Revenues from connections	4,868		4,868	5,658
Revenues from heat supply	2,242	834	1,409	2,474
Revenues from distribution services	5,480	80	5,400	5,803
Revenues from billing and taxes	222		222	273
Revenues from services supplied to Group companies	2,343	20	2,323	1,843
Revenues from AEEG contributions	5,734	513	5,221	4,656
Other revenues	11,523	1,781	9,742	8,298
Revenues	1,102,590	82,681	1,019,910	855,884

At the end of the first half of 2011, the Ascopiave Group revenues amount to Euro 1,102,590 thousand, with an increase of Euro 246,706 thousand as compared to the previous year. The increase is mainly connected to the revenues of the companies acquired during the period, whereas with the same consolidation perimeter, revenues show an increase of Euro 164,026 thousand. The increase is mainly explained by higher revenues from the sale of natural gas for Euro 126,215 thousands, of electricity for Euro 33,703 thousand and by increased revenues from the transportation of natural gas to distribution network, for Euro 3,926 thousand.

With equal consolidation perimeter, the revenues from natural gas sale amount to Euro 880,847 thousand, recording an increase as compared to the same period of the previous financial year equal to Euro 126,215 thousand. The increase is mainly explained by the higher revenues from natural gas sale to the final market (Euro 37,039 thousand) and from trading activities (Euro 89,176 thousand).

The increase in the revenues from natural gas trading is mainly explained by the higher quantity of cubic metres traded during the financial year, which were equal to 96.1 million units. Revenues from natural gas trading amounted to Euro 303,183 thousand, with 1,153.1 million cubic metres traded, compared to 1.057.0 million cubic metres traded in the previous year, with revenues amounting to Euro 233,455 thousand. It is to be noted that the item includes revenues from natural gas forward sale, for Euro 19,447 thousand.

With equal consolidation perimeter, revenues from natural gas sale to the final market increase from Euro 521,177 thousand in 2010 to Euro 558,216 thousand in 2011; the increase is mainly explained by the increase in the tariff applied to end users, with an increase in revenues amounting to Euro 63,414 thousand. The positive effect of the tariff increase was partially offset by the decrease in volumes of natural gas traded during the reference period, which record a decrease of 66.4 million cubic metres, from 1,358.5 million cubic metres transferred in 2010 to 1,292.1 million cubic metres in 2011, determining a negative effect on revenues equalling Euro 26,375 thousand. The drop in natural gas consumption is mainly due to the higher temperatures registered during the first months of the financial year, in particular in April, when the most significant reduction in consumption took place. This trend is contrary to the one

registered in the same period of the previous financial year; in fact, during the first half of 2010, the climate was particularly favourable.

With equal consolidation perimeter, the transportation of natural gas to the distribution network generated revenues for Euro 12,092 thousand, with an increase of Euro 3,926 thousand compared to the previous year. This is mainly explained by the increase in the tariffs applied to the companies selling natural gas that use the Group's distribution network, which led to an overall increase in revenues of Euro 4,536 thousand. The positive effect of the tariff increase was partially offset by the decrease in volumes of natural gas transported during the reference year; the reduction was due to the fact that in the same period of the previous financial year, the climate had been particularly favourable. During the year, the distribution of natural gas involved the transport of 877.8 million cubic metres, as compared to 944.1 million of the previous year, with lower vectorial volumes equalling 66.3 million and a negative impact on the revenues amounting to Euro 609 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 tariff, which 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 2011 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.

With equal consolidation perimeter, the revenues from electric power purchase amount to Euro 97,784 thousand at the end of the period considered, recording an increase as compared to the previous financial year equal to Euro 33,703 thousand. The increase is mainly explained by higher volumes of KWh sold during the period considered, which increased from 514 million of 2010, to 807 million in 2011, marking an increase of 293 million.

At the end of 2011, revenues from connections services are equal to Euro 4,868 thousand, showing a decrease of Euro 790 thousand as compared to 2010. 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 Group is particularly active.

With equal consolidation perimeter, the revenues from the heat supply service increased from Euro 2,474 thousand of 2010 to Euro 1,409 thousand of the current financial year. This is mainly explained by the decrease in the number of plants managed by the Group. The enlargement of the consolidation perimeter, that took place during the financial year, produced revenues amounting to Euro 834 thousand by the subsidiary Blue Meta S.p.A..

The revenues from services provided by distributors register a decrease equal to Euro 403 thousand, from Euro 5,803 thousand in the first half of 2010 to Euro 5,400 thousand in 2011.

With equal consolidation perimeter, the revenues from contributions granted by the Authority for Electricity and Gas amount to Euro 5,221 thousand, recording an increase as compared to the previous financial year equal to Euro 565 thousand. These contributions relate to the incentives for the achievement of the energy saving target set by the

Authority and published upon Resolution 18/2010 EEN dated 22nd November 2010. The Resolution defines the specific obligations for distributors regarding primary energy saving targets. With equal consolidation perimeter, 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.

We point out that the new affiliated company Unigas Distribuzione Gas s.p.A. is subject to specific energy saving obligations set by the Authority.

With equal consolidation perimeter, the item "Other revenues" increased from Euro 8,298 thousand in 2010 to Euro 9,742 thousand in the period considered (+Euro 1,445 thousand). The increase is mainly due to higher revenues from contributions paid by the Provider of Electric Services for the production of electric power from renewable sources, achieved thanks to the commissioning of new electric power plants. This significant increase is connected to a higher production of electric power by photovoltaic plants during the summer.

Costs

26. Cost of gas purchase

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Costs for gas purchase	772,580	45,758	726,822	608,458
Costs for gas purchase	772,580	45,758	726,822	608,458

With equal consolidation perimeter, the costs for natural gas purchase amount to Euro 726,822 thousand at the end of the period considered, recording an increase as compared to the previous financial year equal to Euro 118,364 thousand. With equal consolidation perimeter, at the end of the reference period, natural gas purchase for final market registers an increase equal to Euro 28,646 thousand, from Euro 376,154 thousand of the previous financial year to Euro 404,801 thousand in 2010. The increase in the costs 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 47,690 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 into for Euro 19,043 thousand. The volumes of traded gas purchased in 2011 are equal to 1,292.1 million cubic metres, with a decrease of 66.4 million cubic metres as compared to the previous financial year.

The operations of natural gas purchase for trading activities have increased from Euro 231,794 thousand of 2009 to 302,432 thousand of the current financial year (+Euro 70,638 thousand). The increase is associated with the increased volumes of cubic metres purchased to cover these activities; in 2010 the purchased volumes were 1,057.1 million cubic metres, and 1,153.1 million cubic metres in 2011. It is to be noted that the item includes costs incurred into for natural gas purchase with forward delivery, for Euro 19,590 thousand.

Most of the natural gas supply - both for the final market and trading activities - comes from Sinergie Italiane S.r.l..

27. Cost of other raw materials

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Costs for gas purchase	348		348	1,145
Diesel fuel and LPG purchases	47	10	37	31
Purchase of electricity	67,986	10,853	57,134	45,548
Purchases of other raw materials	3,316	179	3,137	4,849
Costs for purchases of other raw materials	71,698	11,042	60,656	51,572

At the end of the reference period, with equal consolidation perimeter, the costs incurred into for the purchase of other raw materials register an increase equal to Euro 9,084 thousand, from Euro 51,572 thousand in the first nine months of the previous financial year to Euro 60,656 thousand in 2011. The increase is mainly connected to the higher costs incurred into for the provisioning of electric power, partially offset by the decrease in the costs incurred into for the purchase of other materials.

With equal consolidation perimeter, at the end of the reference period, electric power purchase for final market registers a decrease equal to Euro 11,586 thousand, from Euro 45,548 thousand of the previous financial year to Euro 57,134 thousand in 2011. The increase is mainly explained by a higher amount of KWh purchased during the year, equalling 293 million.

At the end of the reference period, the costs incurred into for the purchase of other raw materials register a decrease equal to Euro 1,712 thousand, from Euro 4,849 thousand of the previous financial year to Euro 3,137 thousand in 2011. The decrease is mainly explained by higher costs incurred into to implement the activities on measurement devices provided for in Resolution 155/08 issued by the Authority for Electricity and Gas, which were entered under the total assets of the company in the item "Leased plants and machinery".

28. Costs for services

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

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Costs of conveyance on secondary networks	80,264	7,825	72,438	52,876
Costs for counting metres reading	1,593	97	1,496	1,941
Costs for mailing bills	495	129	366	441
Mailing and telegraph costs	2,157	123	2,033	1,316
Maintenance and repairs	4,692	308	4,384	3,972
Consulting services	6,867	1,291	5,577	4,471
Commercial services and advertisement	1,956	98	1,858	1,214
Sundry supplies	2,657	497	2,160	2,030
Directors' and Statutory Auditors' fees	1,111	204	907	1,053
Insurance	866	104	762	1,049
Personnel costs	709	48	660	659
Other managing expenses	8,898	1,242	7,649	6,726
Costs for use of third-party assets	12,937	2,126	10,811	9,782
Total costs for services	125,203	14,094	111,101	87,528

At the end of the reference period, with equal consolidation perimeter, the costs incurred into for services register an increase equal to Euro 23,573 thousand, from Euro 87,528 thousand in the previous financial year to Euro 111,101 thousand in 2011. This is mainly explained by higher costs incurred into for the transportation of natural gas and electricity on the distribution network for a total of Euro 19,563 thousand, by higher costs incurred into for consultancy for Euro 1106 thousand, and by the costs incurred into for the use of third party assets for Euro 1,029 thousand.

With equal consolidation perimeter, the costs incurred into for natural gas sale decreased from Euro 36,913 thousand of 2010 to 35,347 thousand of the current financial year (-Euro 1,566 thousand). The decrease is mainly explained by the smaller number of volumes of gas introduced into the distribution network of companies owned or managed by companies not under the control of Ascopiave Group.

The costs incurred into for transportation of electricity register an increase equal to Euro 21,129 thousand, from Euro 15962 thousand of the previous financial year to Euro 37,091 thousand in 2010. The increase is mainly explained by higher volumes of KWh sold by the consolidated companies Estenergy S.p.A. and Veritas Energia S.r.l.

At the end of the reference period, the main increases in costs for services are represented by the costs incurred into for maintenance and repairs of the infrastructures for the distribution of natural gas (Euro 413 thousand), for consulting, technical, administrative and legal services supplied to the companies of the Group for Euro 1,106 thousand, and the higher costs incurred into for commercial and advertisement services, amounting to 644 thousand. These are mainly explained by the enhancement of expansion activities on the so-called "outside-the-network market" initiated by the Group over the period considered, in order to reduce the commercial pressure from other competitors.

The higher costs incurred into for consultancy are due to the expenses borne in 2011 for the merger of the companies Bluemeta S.p.A., Unigas S.p.A., Destern S.r.l. and Amgas Blu S.r.l.. With the introduction of the modifications to the relevant accounting principles, such costs can no longer be considered as an increase of the share value.

The costs incurred into for the use of third party assets register an increase equal to Euro 1,029 thousand, from Euro 9,782 thousand in 2010 to Euro 10,811 thousand in 2011. The increase is mainly explained by the higher fees for concessions paid to Local Bodies, as a result of longer concessions for natural gas management.

29. Personnel costs

Personnel costs for the relevant periods are analysed in the following table:

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Wages and salaries	17,915	1,231	16,684	15,843
Social security contributions	6,035	419	5,616	5,296
Severance indemnity	1,279	94	1,185	1,049
Current severance indemnity actualization	(22)		(22)	1
Other costs	811	115	696	434
Total personnel costs	26,017	1,859	24,159	22,623
Capitalized personnel costs	(1,695)		(1,695)	(1,531)
Personnel costs	24,323	1,859	22,464	21,091

Personnel costs are reported net of costs capitalised within the Group by companies distributing natural gas in relation to increases in intangible assets for price-based works, which are directly attributed to the creation of facilities for the distribution of natural gas and which are entered under the total assets.

With equal consolidation perimeter, personnel costs register an increase equal to Euro 1,372 thousand, from Euro 21,091 thousand in 2010 to Euro 24,464 thousand in 2011- This is explained mainly by the increase in the average number of personnel working in the companies of the Group, equalling 23 units, as well as by the increase in salaries during the year.

The table below shows the average number of employees of the Group, divided by category, at the end of 2011 and 2010.

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010	Variation
Executives (average)	22	1	21	19	3
Office workers (average)	370	33	337	315	55
Manual workers (average)	128	6	123	124	5
Average number of employees	520	39	481	457	62

Some managers of the Group are owners of phantom stock options.

30. Other operating costs

Other operating costs for the relevant periods are analysed in the following table:

Thousands of Euro	31.12.2011	Values of new companies acquired	Value net of new companies acquired	31.12.2010
Provision for risks on credits	7,372	1,182	6,189	4,841
Other provisions	150	150		68
Membership and AEEG fees	936	32	843	714
Capital losses	285	5	280	605
Extraordinary losses	1,792	595	1,198	697
Other taxes	1,325	67	1,257	1,338
Other costs	1,515	111	1,404	1,394
Cost of contracts	1,911	239	1,672	1,292
Energy efficiency certificates	6,140	577	5,563	4,106
Other operating costs	21,425	2,959	18,407	15,054

With equal consolidation perimeter, other operating costs register an increase equal to Euro 3,352 thousand, from Euro 15,054 thousand in 2010 to Euro 18,407 thousand in 2011. The increase is mainly explained by higher costs incurred into for purchases of energy efficiency certificates (the so-called "white certificates"), for Euro 1457 thousand and for the increase in provisions made for doubtful accounts for Euro 1,348 thousand,

The nominal value has been adjusted to the presumed realisable value by means of an allowance for doubtful accounts. The increase in bad debts provisions registered at the end of the reference period is mainly explained by the change introduced in the method for calculating the credit risk carried out by the companies acquired over the financial years 2008 and 2009, in order to comply with the accounting principles of the Group. Moreover, it can also be explained by the fact that the civil and industrial customers have a higher risk profile as a result of the increased non compliance registered in the year considered, especially as far as natural gas consumption is concerned.

The energy saving targets set for the current financial year by the AEEG were published following resolution no.

18/2010 dated 22nd November 2010. The resolution defines the specific energy saving standards which Ascopiave S.p.A. and the controlled company Unigas Distribuzione S.r.l. will have to meet during the financial year 2011 by purchasing or producing energy efficiency certificates. The increase registered during the financial year for the purchase of energy efficiency certificates is explained by a higher target set by the Authority, as well as by the increase in the average price the certificates can be purchased on the market.

31. Other operating incomes

Other operating incomes for the relevant periods are analysed in the following table:

Thousands of Euro	31.12.2011	Net value of new companies acquired	Value net of new companies acquired	31.12.2010
Contingent assets	0		0	438
Other income	612	7	605	551
Total of other income	612	7	605	989

At the end of the financial year, other operating incomes register a decrease equal to Euro 383 thousand, from Euro 989 thousand of the previous financial year to Euro 605 thousand in 2011. The item includes the capital gain from the transfer of the gas distribution facilities located in the Municipality of Zané, in the District of Vicenza. The transfer of the network to the local body, due to a change in the subject managing the distribution network, allowed to fully recover the investment made through the company mergers carried out during the first financial years of this decade in the Veneto region.

32. Amortisation

Amortisations and depreciations for the relevant periods are analysed in the following table:

Thousands of Euro	31.12.2011	Net value of new companies acquired	Value net of new companies acquired	31.12.2010
Intangible fixed assets	16,855	1,362	15,493	15,460
Tangible fixed assets	3,083	55	1,209	1,955
Amortization	19,938	1,418	16,701	17,414

With equal consolidation perimeter, at the end of the reference period, amortisations and depreciations register a decrease equal to Euro 713 thousand, from Euro 17,414 thousand of the previous financial year to Euro 16,701 thousand in 2011. The decrease in amortisation amounts is mainly explained by the transfer of gas distribution facilities to local bodies in the Municipalities of San Vito di Leguzzano, Zané and Costabissara, after failing to win the call for tenders for the concession of gas distribution licenses in the same municipality.

Financial income and expenses

33. Financial income and expenses

Financial income and expenses for the relevant periods are analysed in the following table:

Thousands of Euro	31.12.2011	Net value of new companies acquired	Value net of new companies acquired	31.12.2010
Interest income on bank and post office accounts	307	115	192	63
Other interest income	1,468	150	1,318	757
Distribution of dividends from subsidiaries	0		0	
Interest income of controlled subsidiaries			0	
Other financial income	20	0	20	489
Financial income	1,795	266	1,530	1,309
Interest expense on banks	2,768	147	2,621	1,141
Interest expense on mortgage loans	921	85	836	325
Other financial expenses	1,270	57	1,212	611
Financial charges	4,959	290	4,669	2,077
Evaluation of subsidiary companies with net equity method	22,425		22,425	735
Depreciation of shares in subsidiaries	53		23	
Evaluation of subsidiary companies with net equity method	22,478		22,478	735
Total net financial expenses	25,642	24	25,617	1,502

At the end of 2011, the balance between financial expenses and income shows, with equal consolidation perimeter, a negative result of Euro 3,140 thousand, with an increase of Euro 2,372 thousand as compared to the previous financial year, mainly due to the increase in financial charges (Euro 2,593 thousand), partially offset by the increase in financial income (Euro 220 thousand).

The increase in financial charges is mainly explained by a higher exposure to the credit system during the reference period, as well as by an increased interest rate demanded by credit institutions. The increase in interest rate is mainly due to the trend of the reference index Euribor and of the spreads, which began to rise again after dropping for a few months at the beginning of the previous financial year. In this respect, the average increase rate of the reference index was of about 68 basis points as compared to 2010.

The item "Evaluation of associated companies with the net equity method" amounted to Euro 22,478 thousand, and includes the shares held by the affiliate company Sinergie Italiane S.r.l., as detailed in the section "Shareholdings" of this note. The item registers an increase of Euro 21,743 thousand as compared to the previous financial year.

Taxes

34. Taxation 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:

Thousands of Euro	31.12.2009	Value of new companies acquired	Value net of new companies acquired	31.12.2010
Current taxes - IRES	28,854	2,813	26,042	19,565
Current taxes - IRAP	4,459	385	4,074	3,469
(Advance)/deferred taxes	822	(998)	1,820	(1,627)
Total taxes for the period	34,136	2,200	31,936	21,408

With equal consolidation perimeter, accrued taxes in the year increased from Euro 21,408 thousand in 2010 to 31,936 thousand at the end of 2011 (+Euro 10,528 thousand). The increase is mainly explained by the increase in the tax rates to which the companies of the Group are subject, following the new regulations introduced during the summer.

In particular, 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 Group's companies operating in the business of distribution were subject to a 4.2% IRAP tax rate, in that they provide services and public works.

As to the IRES tax, some sales companies of the Group were already subject to the 6.5% 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 (the so-called "Mid-August National Budget Law"). The so-called "Robin Hood Tax" was increased of 4 percentage points (current tax rate: 10.5%) and is now also applicable to subjects operating in the industries of transportation and distribution of natural gas and electric power whose turnover was higher than 10 million Euro in the previous tax period (i.e. 25 million Euro in the previous financial year) and a non-taxable income higher than a million Euro. Pursuant to Article 7, paragraph 3 of the Decree-Law 138/2011, the change introduced shall last three years starting as from the tax period after 31st December 2010.

The following table shows how current IRES taxes are broken down in the period considered:

Thousands of Euro	31.12.2011	FY 2010
Charges for joining the tax consolidation regime	16,587	13,591
Additional IRES tax	10,100	4,654
IRES	2,168	1,320
Current IRES taxes	16,587	13,591

The table shows the impact of income tax on profit before tax in the year considered:

Thousands of Euro	FY 2011	FY 2010
Income before taxes	42,395	54,253
Income taxes for the period	34,136	21,408
Percentage of income before taxes	80.5%	39.5%

The actual tax rate rose from 39.5% as of 31st December 2010 to 80.5% as of 31st December 2011, recording an increase of 41%. The increase in the tax rate is partly explained by the changes in the regulations as described under paragraph 34 "Taxation for the period" of this note.

The tax rate increase is also explained by the effect on the income before taxes of the negative result of Sinergie Italiane S.r.l. which, at the end of the first half of the previous financial year, was one of the factors that reduced the impact of taxes on the result of the year. At the end of the first half of 2011, because of the loss suffered by the company, it is one of the factors that actually increase it, with an overall variation equal to 27.3%. The residual increase is connected to the changes in the regulatory framework described under paragraph 34 "Taxation for the period".

Non-recurring components

In accordance with CONSOB communication 15519/2005, we report that there have been no non-recurring economic components reported in the consolidated financial statements as of 31st December 2011. In particular, during the year, the Group was forced to establish a provision for risks and charges for the significant loss suffered by the affiliate Sinergie Italiane S.r.l., as detailed above.

The effect of this provision, following the losses (Euro 92,160 thousand) suffered in the financial year ended 30th September 2011 by the company that, in the group, operates in the field of natural gas procurement, is to be considered as non-current, as it was determined by the excessive economic burden of natural gas purchase agreements of the affiliate company.

Transactions deriving from unusual and/or atypical operations

In accordance with CONSOB communication N. DEM/6064296 of 28th July 2006, we report that during 2011 no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE ANNUAL FINANCIAL REPORT AS OF 31st DECEMBER 2011

Company mergers:

Acquisition of shares in Unigas Distribuzione Gas S.r.l. and Blue Meta S.p.A.

On 13th January 2011, Ascopiave S.p.A. finalised the acquisition of shares in the Unigas Group. The award of the tender announced by Unigas Distribuzione Gas S.r.l. for finding a strategic partner led to the purchase of a stake equal to 100% of Blue Meta S.p.A. for Euro 23,788 thousand, originally held by the same Unigas Distribuzione S.r.l. and to the simultaneous increase in the reserved share capital for a percentage equal to 48.86% (Euro 19,910 thousand). Therefore, the parent company suffered a total financial outlay of Euro 43,698 thousand. The acquisition costs, pursuant to the "IFRS 3 Revised - Company mergers" were recorded in the consolidated income statement for a value of Euro 643 thousand.

The shares purchased were subject to external evaluation by an independent consultant in order to determine the allocation of the higher amount paid against the book values of the net assets of the companies as of 31st December 2010.

The evaluation carried out by the independent consultant reported the existence of an intangible asset with finite useful life, attributable to Blue Meta S.p.A., that well represents the value of the contracts entered into with customers and of the business relationships established by these contracts, amounting to Euro 6,000 thousand (hereinafter "customer lists sales branch"), which also includes the corresponding effect of deferred taxes. With a conservative estimate, for this type of intangible asset the directors considered a useful life of 10 years, in line with previous assessments of similar company mergers.

The company merger was provisionally accounted for as of 31st March 2011, in accordance with the international accounting standard IFRS 3.62.

It should be noted that in October of the current financial year the parent company notified to Unigas Distribution S.r.l., in its capacity of party selling the shareholding in Blue Meta S.p.A., and to Anita S.r.l., in its capacity of company controlling Unigas Distribuzione S.r.l., a dispute about the existence of a credit claimed by Blue Meta S.p.A. to the Bergamo Customs Office. The dispute is justified by the fact that the subsidiary lost its right to claim a reimbursement of the tax credit connected to payments in excess, for a total of Euro 1,680 thousand.

According to the terms and conditions described above, the company Ascopiave S.p.A. informed the sellers of the shares about their right to be indemnified and held harmless against the existence of the credit that was accounted for under the item "Other current liabilities" amounting to Euro 1,680 thousand and relating to the financial statements of Blue Meta S.p.A. as of 31st December 2010. These findings lead to modify the original goodwill on a provisional basis for Euro 200 thousand, because of the excess amount included in the purchase contract for the stake in Blue Meta S.p.A., while the remaining Euro 1,480 thousand do not alter the original entry in that they represent a change in the original price of the acquisition, considering the compensation claim submitted to the selling parties.

In particular, the aggregate fair value provisionally attributed to the identifiable assets and liabilities of Unigas Distribuzione Gas S.r.l. and Blue Meta S.p.A. as of 31st December 2011 is as follows:

	Valori contabili			Valori equi riscontrati all'acquisizione		
	Unigas 48,86%	Blue Meta 100%	aggregato	Unigas 48,86%	Blue Meta 100%	aggregato
Attività non correnti						
Avviamento	0	400	400	0	0	0
Altre immobilizzazioni immateriali	2.343	129	2.471	2.008	6.055	8.063
Immobilizzazioni materiali	11.755	628	12.383	11.755	628	12.383
Partecipazioni	0	0	0	0	0	0
Altre attività non correnti	6	4	10	6	4	10
Imposte anticipate	113	289	402	255	320	575
Totale attività non correnti	14.217	1.450	15.667	14.024	7.007	21.031
Attività correnti						
Rimanenze	203	0	203	203	0	203
Crediti commerciali	2.991	20.044	23.036	2.991	20.044	23.036
Altre attività correnti	670	2.699	3.369	670	2.699	3.369
Attività finanziarie correnti	10	12	22	10	12	22
Crediti tributari	0	439	439	0	439	439
Disponibilità liquide e mezzi equivalenti	20.546	2.690	23.236	20.546	2.690	23.236
Totale attività correnti	24.421	25.884	50.304	24.421	25.884	50.304
Totale attivo	38.638	27.334	65.971	38.445	32.891	71.336
Passività non correnti						
Fondi rischi ed oneri	0	97	97	0	97	97
Trattamento fine rapporto	138	111	249	131	106	237
Finanziamenti a medio e lungo termine	4.550	0	4.550	4.550	0	4.550
Passività finanziarie non correnti	0	0	0	0	0	0
Imposte differite	0	0	0	3	2.366	2.369
Totale passività non correnti	4.688	208	4.896	5.407	2.569	7.975
Passività correnti						
Debiti verso banche e finanziamenti	6.449	0	6.449	6.449	0	6.449
Debiti commerciali	2.098	18.124	20.222	2.098	18.124	20.222
Debiti tributari	131	0	131	131	0	131
Altre passività correnti	6.013	4.952	10.964	6.013	3.811	9.824
Passività finanziarie correnti	49	221	270	49	221	270
Totale passività correnti	14.739	23.296	38.035	14.739	22.155	36.895
Totale passivo	19.427	23.504	42.931	20.146	24.724	44.870
Totale attività/passività della società acq:	19.210	3.830	23.040	18.299	8.167	26.466
Avviamento derivante dall'acquisizione				888	14.141	15.029
Costo totale dell'acquisizione				19.187	22.308	41.495
Liquidità netta della società				20.546	2.690	23.236
Pagamenti				19.187	22.308	41.495
Liquidità netta utilizzata				(1.359)	19.618	18.259

The residual surplus value, equal to Euro 15,029, thousand was provisionally registered to goodwill and attributed to the natural gas sale CGU of Blue Meta S.p.A., for Euro 14,141 thousand, and the natural gas distribution CGU of Unigas Distribuzione Gas S.r.l., for Euro 888 thousand.

Acquisition of shares in De Stern 5 S.r.l.

On 22nd February 2011, the company Serin S.r.l., subject to joint control by Agroenergetica S.r.l. (Casillo Group) and Ascoenergy S.r.l. (subsidiary of Ascopiave S.p.A.), acquired 77.50% of the shares in De Stern 5 S.r.l., a company with leagl headquarters in Parma active in the production of electric power from photovoltaic plants, at an agrred-upon price of Euro 3,056 thousand (share of the Ascopiave Group: Euro 1,528 thousand).

On 24th May 2011, the company Serin S.r.l. acquired the remaining 22.5% of the shares, with a further outlay of Euro 80 thousand (share of the Ascopiave Group: Euro 40 thousand).

The share acquired was subject to internal evaluation in order to determine the allocation of the higher amounts paid against the book values as of 31st December 2010. The assessment carried out on the basis of the business plan and considering the administrative authorisations already acquired by the company allowed to reckon that the price was fair in relation to the fair value of the company acquired.

The company merger was provisionally accounted for as of 31st March 2011, in accordance with the international accounting standard IFRS 3.62. In particular, the provisional fair values attributed to the identifiable assets and liabilities of De Stern 5 S.r.l. as of 31st March 2011 resulted in the recognition of a goodwill value amounting to Euro 320 thousand. As of 31st December 2011, following the acquisition of the remaining shares, the surplus value previously determined was no longer effective. As to the goodwill accounting as of the date of approval of the quarterly report (31st March 2011), no other goodwill was recorded.

Assets/liabilities transfer after purchase by Serin S.r.l. of 77.5% of the shares in De Stern 5 S.r.l.	Book value	Fair value recorded on acquisition
Non-current assets		
Intangible assets	20	20
Total non-current assets	20	20
Current assets		
Other current assets	3	3
Cash and cash equivalents	1,564	1,564
Total current assets	1,567	1,567
Total assets	1,588	1,587
Current liabilities		
Trade payables	1	1
Current financial liabilities	35	18
Total current liabilities	36	19
Total liabilities	0	19
Total assets/liabilities of acquired company	<u>1,588</u>	1,568
Goodwill from acquisition		0
Total cost of the acquisition		<u>1,568</u>
Company's net liquidity		1,564
Payments		<u>1,568</u>
Net liquidity used		<u>4</u>

Acquisition of shares in Amgas Blu S.r.l.

On 30th June 2011, Ascoblu S.r.l. - 100% controlled by Ascopiave S.p.A. - acquired the shares of Amgas Blu S.r.l. from Amgas Blu S.p.A., which had transferred its natural gas sale segment to Amgas Blu S.r.l. on 26th June 2011. The award of the tender announced by Amgas Blu S.p.A. (which to date owns the remaining 20% of the shares), led to the purchase of a stake in Amgas Blu S.r.l. equal to 80%, for an amount of Euro 11,524 thousand including the tender fees and charges that, pursuant to the "IFRS 3 Revised - Company mergers" were recorded in the consolidated income statement for a value of Euro 450 thousand

The shares purchased were subject to external evaluation by an independent consultant in order to determine the allocation of the higher amount paid against the book values of the net assets as of 30th June 2010.

The evaluation carried out by the independent consultant reported the existence of an intangible asset with finite useful life that well represents the value of the contracts entered into with customers and of the business relationships established by these contracts, amounting to Euro 3,800 thousand (hereinafter "customer lists sales branch"), which also includes the corresponding effect of deferred taxes. With a conservative estimate, for this type of intangible asset the directors considered a useful life of 10 years, in line with previous assessments of similar company mergers.

The company merger was provisionally accounted for as of 31st December 2011, in accordance with the international accounting standard IFRS 3.62. In particular, the aggregate fair value provisionally attributed to the identifiable assets and liabilities of Amgas Blu S.r.l. as of 31st December 2011 is as follows:

Assets/liabilities transfer after purchase by Ascoblu S.r.l. of 80% of the shares in Amgas Blu S.r.l.	Book value	Fair value recorded on acquisition
Non-current assets		
Other intangible assets	4	3,804
Other non-current assets	2,067	2,067
Total non-current assets	2,070	5,870
Current assets		
Other current assets	689	689
Cash and cash equivalents	10	10
Total current assets	699	699
Total assets	2,769	6,569
Current liabilities		
Severance indemnity	362	362
Other non-current liabilities	2,394	2,394
Deferred taxes	0	1,490
Total current liabilities	2,756	4,245
Current liabilities		
Total liabilities	0	4,249
Total assets/liabilities of acquired company	<u>2,769</u>	<u>2,320</u>
Third-party net equity		<u>464</u>
Goodwill from acquisition		<u>9,217</u>
Total cost of the acquisition		<u>11,073</u>
Company's net liquidity		10
Payments		<u>11,073</u>
Net liquidity used		<u>11,063</u>

The residual surplus value, equal to Euro 9,217 thousand, was provisionally entered under the item "Goodwill" and attributed to the natural gas sale CGU.

The price paid for the purchase of Amgas Blu S.r.l. was subject to adjustment following the results of the count of the delivery points active as of 31st August 2011 carried out by Amgas Blu S.p.A; the adjustment amounted to Euro 126 thousand.

Commitments and risks

Bank guarantees

As of 31st December 2011, the Group provided the following bank guarantees:

Thousands of Euro	
On credit lines (letter of comfort)	231,200
On financial leasing agreements (letter of comfort)	956
On gas supply agreements (letter of comfort)	11,667
On electricity supply agreements (letter of comfort)	7,660
On electricity purchase agreements (letter of comfort)	5,000
On photovoltaic plants realisation (letter of comfort)	4,196
Guarantees on credit lines	17,477
On execution of works	2
On UTF offices and regions for taxes on gas	4,886
On UTF offices and regions for taxes on electricity	184
On distribution concession	22,866
On public lighting concession	99
On service agreements	120
On purchase/sale of shares	2,500
On commercial leasing agreements	17
On conveyance agreements	2,552
On electricity transport agreements	7,408
On active agreements for electricity supply	142
On activities carried out by the company	7
On gas purchase agreements	3
On electricity purchase agreements	6,752
On photovoltaic plants realisation	2,419
Total	328,113

The letters of comfort on credit lines and on gas purchase contracts released in favour of Sinergie Italiane S.r.l. as of 31st December 2011 amount to Euro 226,877 thousand (Euro 224,087 in the previous financial year).

We point out that the company Speedenergy S.r.l. holds a three-year, 20% purchase right on the property of the shares of Ascoblu S.r.l., parent company of Amgas Blu S.r.l..

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 risk

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.

Ascopiave S.p.A. also manages fixed rate loans for insignificant amounts that depend on the conferral for the gas distribution networks of the local bodies, now shareholders of Asco Holding S.p.A.

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%.

To date, the covenants provided for by said financing have been respected.

During FY 2011, the company Serin S.r.l., controlled by Ascoenergy S.r.l., owned at 70% by Ascopiave S.p.A. concluded a medium- and long-term loan of Euro 10,480 thousand in order to offset the investments made in photovoltaic plants in the companies Masseria S.r.l., Lucania S.r.l., Palo6 S.r.l., Gioia S.r.l.. With an appropriate duration of the indebtedness, the duration of the loan is of 15 years.

The six-months instalments will be paid starting from 29th June 2012 to 31st December 2026.

The interest rate is variable, and it involves a six-month indexation parameter provided for in EURIBOR and a fixed

margin to be added to the "spread" parameter.

In order to avoid the risk of an excessive increase of the interest rate, higher than the "CAP" limit (4.645%), the company subscribed a hedging derivative agreement on 50% of the total amount of the loan, which establishes the maximum rate of loan remuneration at said level for its period of validity. As of 31st December 2011, the fair value of the hedging derivative instrument was interest-bearing for Euro 90 thousand.

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.

	gennaio	febbraio	marzo	aprile	maggio	giugno	luglio	agosto	settembre	ottobre	novembre	dicembre
Posizione Finanziaria Netta 2011	(113.767)	(120.465)	(105.741)	(94.187)	(92.868)	(93.840)	(119.132)	(116.267)	(141.881)	(171.334)	(171.334)	(201.221)
Tasso medio passivo	1,29%	1,13%	1,29%	1,35%	1,45%	1,82%	1,90%	1,57%	1,90%	2,64%	2,34%	1,91%
Tasso medio maggiorato di 250 basis point	3,79%	3,63%	3,79%	3,85%	3,95%	4,32%	4,40%	4,07%	4,40%	5,14%	4,84%	4,41%
Tasso medio diminuito di 60 basis point	0,69%	0,53%	0,69%	0,75%	0,85%	1,22%	1,30%	0,97%	1,30%	2,04%	1,74%	1,31%
PFN ricalcolata con maggiorazione di 250 basis point	(114.009)	(120.696)	(105.965)	(94.381)	(93.065)	(94.033)	(119.384)	(116.514)	(142.173)	(171.698)	(171.686)	(201.649)
PFN ricalcolata con diminuzione di 60 basis point	(113.709)	(120.410)	(105.687)	(94.141)	(92.821)	(93.794)	(119.071)	(116.208)	(141.811)	(171.246)	(171.249)	(201.119)
Effetto negativo sul risultato ante-imposte	(242)	(231)	(225)	(194)	(197)	(193)	(253)	(247)	(292)	364	352	427
Effetto positivo sul risultato ante-imposte	58	55	54	46	47	46	61	59	70	(87)	(84)	(103)
												223

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group equal to 60 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 929 thousand or positive for Euro 223 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, that can be different.

In 2011, 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, that 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.

Risks related to the expiry of the concessions / licenses for the distribution of gas held by Ascopiave S.p.A. and its subsidiaries and to a possible early redemption of concessions by the licensing bodies

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

With regard to the most significant regulations issued in the reference period, on 31st March 2011, the Decree dated 19th January 2011 issued by the Ministry for economic Development (Territorial Areas Decree) was published on the Official Gazette. The decree establishes the 177 Territorial Areas (ATEM) for gas distribution and the criteria used to identify them.

Art. 3 of the Territorial Areas Decree contains a provision whereby calls for tenders can only be won through the ATEM's. In this framework, the existing calls for tenders announced by the single municipalities would be blocked, even if they started before the publication of the decree on the Official Gazette.

The regulatory framework will therefore be completed by the following provisions:

- Ministerial Decree for Criteria, containing the criteria to be applied in the calls for tenders;
- Ministerial Decree to identify in which ATEM the different municipalities are located.

On 28th June 2011, the Legislative Decree no. 93/11 (implementation of the EC Directives 2009/72/EC and 2008/92/EC, regarding common provisions for the Gas and Electricity Market) was published on the Official Gazette.

The aspects dealt with in art. 24 of the decree are of major importance:

- at the end of the first period of service provision, the outgoing utility will receive a reimbursement for an amount equal to the Regulatory Asset Base;
- for the first assignment of the service provision in the framework of a territorial tender, the amortisation of the difference between the reimbursement (calculated on the basis of the licenses) and the Regulatory Asset Base will be included in the tariff;
- all new tenders will be blocked until the announcement of the territorial tenders.

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 SpA and its subsidiaries also own the gas distribution networks, we point out that doctrine and jurisprudence that have dealt with the interpretation of the rules relating to the distribution of gas contained in the Letta Decree have not yet explained, pending the entry into force of new regulations for the sector, if the company owner of the network has, at the expiry date of the concessions and/or licenses, to transfer to municipalities the ownership of the networks. There are differences of interpretation between institutions and licensing bodies as to how to apply the criteria for the quantification of the indemnity to the outgoing operator owner of the network, pursuant to Article 24, paragraph 4, letter. a) and b) the R.D. issued on 15th October 1925 no. 2578 (which states that only the "industrial value" of the plant should be taken into account, and not the loss of profit for the operator after failing to win the concession).

Therefore, upon expiry of concessions and/or licenses, disputes may arise relating to the quantification of the indemnity to Ascopiave S.p.A. and its subsidiaries; the outcome of such disputes may be unfavourable for Ascopiave S.p.A. and its subsidiaries, with consequent negative effects on the business, as well as on its economic and financial conditions, that would still operate under the principle of going-concern.

Sinergie Italiane S.r.l.

On 8th March 2012, the affiliate company Sinergie Italiane S.r.l. approved the draft financial statements as of 30th September 2011, drawn up in compliance with national accounting principles and sent to the Group on 13th March 2012. The Administrators promptly required any information necessary to obtain an assessment of the shareholding through the net equity method, in accordance with the provisions of IAS 28. As of the date of this document, some information about the company's result in the last quarter of the financial year and the subsequent effect on the application of the international accounting principles were not fully available yet. However, based on information available as of the date of the draft financial statements approval, the Administrators believe that the possible effects that might be produced by the missing information are not to be considered significant for the consolidated net shareholders' equity of the Ascopiave Group.

Management of Capital

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

The Group checks its capital by means of a debt/capital ratio, 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)	30.12.2011	31.12.2010
Medium-long term loans	44,889	5,529
Loans from banks net of equivalents on hand	148,224	89,574
Financial gross debt	193,113	95,103
Share capital	234,412	234,412
Reserves	121,890	113,815
Net result	6,266	31,174
Net assets	362,568	379,400
Total capital and gross debt	555,680	475,395
Debt/Net assets ratio	0.53	0.25

The debt/net equity ratio increased from 0.25 as of 31st December 2010 to 0.53 as of 31st December 2011 (+0.28), mainly because of the significant investments made in the financial year and of the increase in the receivables from Inland Revenue that were not adequately offset by autofinancing.

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 2011 and 2010.

(Thousands of Euro)	Distribution	Gas sale	Trading	Electricity sale	Other	31.12.2010 values from new companies acquisitions	Cancellations and adjustments	Total
FY 2011								
Net revenues of third-party customers	26,358	566,049	322,634	97,734	7,133	82,681		1,102,590
Intra-group revenues among the segments	63,208	1,349	0	3,819	0	0	(68,376)	0
Segment revenues	89,566	567,398	322,634	101,554	7,133	82,681	(68,376)	1,102,590
Operating result before amortization	36,549	39,272	490	1,475	2,835	7,353		87,975
Amortization	14,026	2,976	1	151	1,034	1,750		19,938
Operating result	22,524	36,296	488	1,324	1,801	5,604		68,037
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)

(Thousands of Euro)	Distribution	Gas sale	Trading	Electricity sale	Other	31,12,2010 values from new companies acquisitions	Cancellations and adjustments	Total
FY 2010								
Net revenues of third-party customers	34,424	493,054	233,454	64,081	2,747	28,124		855,884
Intra-group revenues among the segments	66,390	2,605	0	3,994	144	7	(73,140)	0
Segment revenues	100,814	495,659	233,454	68,075	2,891	28,131	(73,140)	855,884
Operating result before amortization	32,792	33,145	0	5,431	125	1,675		73,168
Amortization	14,338	2,305	0	166	331	274		17,414
Operating result	18,455	30,840	0	5,265	(206)	1,401		55,754
Result before taxes	16,969	30,860	0	5,275	(254)	1,402		54,252
Assets	432,493	342,749	5,100	3,572	12,586	0	(37,250)	759,250
Liabilities	(155,508)	(245,193)	(4,951)	(1,789)	(9,658)	0	37,250	(379,850)

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 earning 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	31.12.2011	31.12.2010
Average weighted number of shares in circulation	234,411,575	234,411,575
Group's result for the period	6,266	31,174
Net result per share	0.03	0.13

Dividends

On 28th April 2011, the Shareholders' Assembly of Ascopiave S.p.A. approved the financial statements as of 31st December 2010, and the distribution of dividends for an amount equal to Euro 0.10 per share having right with release of the warrant on 9th May 2011 and payment on 12nd May 2011, for an overall amount equalling Euro 22,557 thousand.

Transactions with related parties

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

Company	31.12.2011				FY 2011					
	Trade receivables	Other receivables	Trade payables	Other payables	Costs			revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Società controllanti</i>										
Asco Holding S.p.A,	7	92	283	1,899	-	284	15,075	-	32	-
Parent companies	7	92	283	1,899	-	284	15,075	-	32	-
<i>Joint companies</i>										
Asco TLC S.p.A,	323		18		-	738	-	143	257	-
Seven Center S.r.l,	6		186		315	605	-	-	6	-
Mirant Italia S.r.l,	-		-		-	-	-	-	-	-
Total joint companies	329	-	204	-	315	1,342	-	143	263	-
<i>Affiliate companies</i>										
Sinergie Italiane S.r.l,	118	24,268	104,826		364,184	-	-	-	533	-
Total affiliate companies	118	24,268	104,826	-	364,184	-	-	-	533	-
Totale	453	24,360	105,313	1,899	364,499	1,626	15,075	143	827	-

Moreover, in 2011, Ascopiave S.p.A. and Ascotrade S.p.A., Asm DG S.r.l., Edigas Due S.r.l., Edigas Distribuzione S.r.l., Global Energy S.r.l., Pasubio Servizi S.r.l. 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.

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

Sinergie Italiane S.r.l.

On 8th March 2012, the affiliate company Sinergie Italiane S.r.l. approved the draft financial statements as of 30th September 2011, drawn up in compliance with national accounting principles and sent to the Group on 13th March 2012. The Administrators promptly required any information necessary to obtain an assessment of the shareholding through the net equity method, in accordance with the provisions of IAS 28. As of the date of this document, some information about the company's result in the last quarter of the financial year and the subsequent effect on the application of the international accounting principles were not fully available yet. However, based on information available as of the date of the draft financial statements approval, the Administrators believe that the possible effects that might be produced by the missing information are not to be considered significant for the consolidated net shareholders' equity of the Ascopiave Group.

On 14th February 2012, the Board of Directors of Ascopiave S.p.A., appointed Mr. Enrico Quarello as new company Director.

On 14th February 2012, the Board of Directors of Ascopiave S.p.A., under the chairmanship of Mr. Fulvio Zugno, appointed Mr. Enrico Quarello as new company Director.

Mr. Quarello was co-opted following Mr. Gildo Salton's resignations, presented on 30th December 2011.

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.

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 2011 of the companies proportionally consolidated

(Amounts referred to participation pro-quotas) (milions of Euro)	Estenergy S.p.A. 48.999%	A.s.m. set S.p.A. 49%	Veritas Energia S.r.l. 51%	Unigas Distribuzione S.r.l.
INCOME STATEMENT				
Costs	152.6	17.6	49.3	2.4
Revenues	161.4	19.3	51.2	6.1
Gross operating margin	8.8	1.7	1.8	3.7
% on net revenues	5.7%	9.7%	3.7%	154.6%
Amortizations and depreciations (-)	0.2	0.0	0.2	0.7
Operating result	8.6	1.7	1.6	3.0
Net result for the period	4.4	1.0	0.6	2.8
BALANCE SHEET				
Current assets	82.6	9.9	23.5	11.0
Non-current assets	1.9	0.2	2.2	16.2
Current liabilities	74.2	8.7	23.3	3.9
Non-current liabilities	2.7	0.1	0.8	4.3
Net equity	7.5	1.3	1.7	19.1

Synthesis of the financial year 2011 of the companies consolidated with the net equity method

(Amounts referred to participation pro-quotas)

(millions of Euro)	Sinergie Italiane S.r.l. 27.6%
INCOME STATEMENT	
Revenues from sales	2,205.1
Net result for the period	(92.2)
BALANCE SHEET	
Total assets	773.1
Total liabilities	861.9
Net equity	(88.7)

(ITAGAAP)

Pieve di Soligo, 15th March 2012

The President of the Board of Directors

Fulvio Zugno



Annual Financial Report
as of 31st December 2011

TABLE OF CONTENTS

Premise	49
Statement of assets and liabilities as of 31 st December 2011 and as of 31 st December 2010.....	50
Income statement - FY 2011 and FY 2010	51
Statement of changes in shareholders' equity as of 31 st December 2010 and as of 31 st December 2011	52
Financial statement -FY 2011 and FY 2010	53
IAS/IFRS ACCOUNTING PRINCIPLES ADOPTED IN DRAWING UP THE BALANCE SHEET AS OF 31st DECEMBER 2011	54
EXPLANATORY NOTES AND COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF ASSETS AND LIABILITIES	64
Non-current assets.....	64
Current assets	72
Net shareholders' equity	75
Non-current liabilities	77
Current liabilities	81
COMMENTS ON THE MAIN INCOME STATEMENT ITEMS	87
Revenues	87
Operational costs.....	88
OTHER EXPLANATORY NOTES	94
Non-recurring components	94
Information on related parties	94
Earnings per share.....	96
Fees	97
Commitments and risks.....	99
Risk coverage policies	99
Specific risks in the business sector in which the Company operates	101
Significant events after the end of FY 2011.....	104
Relationship with the affiliate Sinergie Italiane S.r.l.	104
Litigations	104
Common litigations	104
Relations with the Agenzia delle Entrate (Inland Revenue Agency)	105

Premise

Pursuant to the provisions set forth in Legislative Decree no. 32 dated 2nd February 2007, with which EU Directive 2003/51/CE 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 31 December 2011 and as of 31 December 2010

(thousands of Euro)		FY 2011	FY 2010
ASSETS			
Non-current assets			
Goodwill	(1)	20,433,126	20,433,126
Other intangible assets	(2)	263,704,772	262,811,923
Intangible assets	(3)	33,030,510	29,537,430
Shareholdings in other companies	(4)	172,720,031	130,402,870
Other non-current assets	(5)	7,254,873	4,240,782
Advance tax receivables	(6)	8,494,028	6,739,855
Non-current assets		505,637,340	454,165,985
Current assets			
Inventories	(7)	2,731,183	2,937,311
Trade receivables	(8)	20,819,777	21,621,936
Other current assets	(9)	11,633,205	11,134,367
Current financial assets	(10)	76,798,767	9,451,771
Tax receivables	(11)	26,359	552,794
Cash and cash equivalents	(12)	2,252,388	1,378,031
Current assets		114,261,680	47,076,210
Assets		619,899,020	501,242,196
NET EQUITY AND LIABILITIES			
Total net equity			
Share capital		234,411,575	234,411,575
Reserves		95,455,751	99,495,596
Group's operating result		6,173,627	21,164,848
Total net equity	(13)	336,040,953	335,072,020
Non-current liabilities			
Provisions for risks and charges	(14)	24,498,030	6,608
Severance indemnity	(15)	1,261,790	1,317,533
Medium- and long-term bank loans	(16)	33,243,429	2,385,423
Other non-current liabilities	(17)	6,000	
Deferred tax payables	(18)	18,674,496	15,096,362
Non-current liabilities		77,683,744	18,805,926
Current liabilities			
Payables due to banks and financing institutions	(19)	170,025,101	92,679,351
Trade payables	(20)	15,659,603	16,341,529
Tax payables	(21)	2,034,943	
Other current liabilities	(22)	9,137,677	10,283,451
Current financial liabilities	(23)	9,317,000	8,059,919
Current liabilities		206,174,323	127,364,250
Liabilities		283,858,067	146,170,176
Net equity and liabilities		619,899,020	501,242,196

Income statement – for the year 211 and 2010

(thousands of Euro)		FY 2011	FY 2010
Revenues	(24)	75,035,313	71,637,479
Operating costs		44,660,831	42,790,075
Purchase costs for other raw materials	(25)	1,533,369	3,006,819
Costs for services	(26)	20,733,538	18,887,410
Costs for personnel	(27)	13,020,041	12,663,588
Other management costs	(28)	9,969,322	8,648,101
Other income	(29)	(595,440)	(415,844)
Amortization and depreciation	(30)	13,114,048	12,543,987
Operating result		17,260,434	16,303,417
Financial income	(31)	(27,193,471)	(12,086,203)
Financial charges	(31)	3,172,729	1,318,702
Depreciation of shareholdings	(31)	25,388,471	
Earnings before tax		15,892,704	27,070,918
Taxes for the period	(32)	9,719,077	5,906,069
Net result for the period		6,173,627	21,164,848

Statement of changes in shareholders' equity as of 31st December 2010 and as of 31st December 2011

Ascopiave S.p.A. (Euro)	Share capital	Legal reserve	Own shares	Other reserves	Profit (loss) for the period	Total net equity
Balance as of 31st December 2009	234,411,575	46,882,315	(11,746,659)	63,574,821	22,460,104	355,582,156
Allocation of 2009 result				22,460,104	(22,460,104)	-
Distribution of dividends				(20,349,177)		(20,349,177)
Purchase/sale of own shares			(1,325,807)			(1,325,807)
Result for the period					21,164,848	21,164,848
Balance as of 31st December 2010	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)	
Distribution of dividends				(22,556,726)		(22,556,726)
Purchase/sale of own shares			(2,647,968)			(2,647,968)
Result for the period					6,173,627	6,173,627
Balance as of 31st December 2011	234,411,575	46,882,315	(15,720,434)	64,293,870	6,173,627	336,040,953

Statement of Cash Flows for the year 2011 and 2010

	FY 2011	FY 2010
STATEMENT OF CASH FLOW		
Net income of the Group	6,173,627	21,164,848
Adjustments to reconcile net income to the net cash generated (used) by operating activities		
Amortization	13,114,048	12,543,987
Depreciation of credits	195,558	0
Depreciation of shares	897,050	0
Variations in deferred/advance taxes	1,823,962	131,178
Variations in severance indemnity	(55,743)	(55,064)
Depreciations of shares	24,491,422	0
Surplus from sale of shares	0	(364,665)
Variations in assets and liabilities		
Inventories	206,128	(633,234)
Accounts payable	606,600	(6,182,992)
Other current assets	(498,838)	(2,217,602)
Tax payables and receivables	2,561,378	(729,557)
Trade payables	(681,927)	7,582,689
Other current liabilities	(1,145,774)	(731,094)
Other non-current assets	2,856	(10,492)
Other non-current liabilities	6,000	0
Total adjustments and variations	41,522,720	9,323,156
Cash flows generated by operating activities	47,696,347	30,488,004
Cash flows generated by investments		
Goodwill from transfer	0	0
Investments in intangible assets	(16,292,909)	(10,426,304)
Realisable value of intangible assets	2,625,721	1,400,096
Investments in tangible assets	(5,370,007)	(9,289,237)
Realisable value of tangible assets	523	95,047
Variations/payment of shareholdings	(44,694,465)	(372,270)
Sale of shares	0	1,146,000
Cash flows generated/(used) by investments	(63,731,136)	(17,446,668)
Cash flows used by financial activities		
Changes in financings to subsidiaries	0	852,176
Current and non-current financial assets	(67,346,996)	0
Current financial liabilities	1,257,081	0
Net changes in short-term loans due to banks	77,345,750	7,811,394
Purchase of own shares	(2,647,968)	(1,325,807)
Changes in medium- and long-term loans	34,285,714	(646,230)
Reimbursements for medium- and long-term loans	(3,427,709)	0
Distribution of dividends	(22,556,726)	(20,349,177)
Cash flows generated/(used) by financing activities	16,909,146	(13,657,644)
Variations in cash	874,357	(616,309)
Cash and cash equivalents at the beginning of the period	1,378,031	1,994,340
Cash and cash equivalents at the end of the period	2,252,388	1,378,031

IAS/IFRS ACCOUNTING PRINCIPLES ADOPTED IN DRAWING UP THE BALANCE SHEET AS OF 31ST DECEMBER 2011

Drafting criteria and compliance with IRFS

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 2010, except for the IFRS or IFRIC principles that have recently become applicable, detailed in the paragraph "Recently issued accounting principles".

Ascopiave S.p.A.'s balance sheet as of 31st December 2011 is subject to auditing procedure by the auditing company Reconta Ernst & Young.

This balance sheet as of 31st December 2011 has been approved by the Board of Directors on the occasion of the meeting held on 15th March 2012, who also authorized its publishing.

This balance sheet includes the Statement of Assets and Liabilities, the Income Statement, the Statement of Changes in Shareholders' Equity and the Financial Statement; 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.

The balance sheets present the comparison between the balance sheet as of 31st December 2010 and with the 2010 economic data.

It is to be noted that for FY 2011 and for comparison purposes, there are no cases, facts or circumstances that require to present the overall income statement.

The Ascopiave S.p.A. balance sheet as of 31st December 2011 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. 9 of Legislative Decree no. 38/2005.

The Explanatory notes include the information normally requested by the current regulations and accounting principles, adequately expressed with reference to the balance scheme used.

Financial statements representation

The items of the balance sheet 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 financial 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.

Recently issued accounting principles

The accounting principles adopted are consistent with those used as of 31st December 2010; there are no accounting principles, amendments or interpretations that have been applied for the first time by the Company as from 1st January 2011.

The adoption of the following IFRS or IFRIC principles, either new or amended, effective as from 1st January 2011, did not have any economic or financial effects on the Company's balance sheet, also because they regulate cases not present within the Company as of the date of this financial statements, but they could have effects on future transactions or agreements.

- IFRIC 14 Advance payments relating to a minimum funding requirement - The change involves the removal of a unintentional consequence that takes place when an entity subject to minimum financing requirements carries out advance payments in order to meet said requirements. The change introduced allows an entity to recognise the advance payments for the purposes of minimum financing requirements as an asset. The Company is not subject to minimum financing requirements in Europe. This change had no impact on the financial position or performance of the Company;
- IAS 32 Financial instruments: balance sheet exposure - The amendment involves a change in the definition of a financial liability for the purposes of the classification of the issue of rights in a foreign currency (and of some options and warrants) as equity instruments in cases where these instruments are allocated on a pro-quota basis to all holders of the same class of an equity (not derivative) instrument of the entity, or to purchase a fixed number of equity instruments of the entity for a fixed amount in any currency. This change had no impact on the financial position or performance of the Company since it does not possess similar instruments;
- IFRS 7 Financial instruments: additional information - the change is aimed at simplifying and improving the integrating information by reducing, on the one hand, the part regarding the guarantees held, and, on the other, by including more information on quality in order to better set the quantitative part in context;

It should be noted that the IASB issued the following principles or interpretations already adopted by the European Union, which the Company has not adopted in advance but whose adoption will be mandatory for accounting periods commencing after 1st January 2012:

- IAS 1 Presentation of financial statements - 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 Company. This modification is applicable to financial years starting as from 1st July 2012;
- IAS 19 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 changes are applicable to financial years starting as from 1st January 2013 or later;

- IAS 27 Separate financial statements - Following the introduction of the new IFRS 10 and IFRS 12, IAS 27 simply refers to method of entry into accounts of controlled companies, jointly controlled companies and subsidiaries, into the separate financial statements. These changes are applicable to financial years starting as from 1st January 2013 or later;
- IAS 28 - Shareholdings in subsidiaries - 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 2013 or later;
- 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 2013 or later;
- 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 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. 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 compliance with the generally accepted IFRS for the drawing up of the financial statements and of the annual financial report 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. Upon final balance, the results might differ from said estimates. 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 (Decreto Letta) 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 2010, 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 determine the restriction on total revenues is established, 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, which 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 2011 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 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.

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 goodwill acquired through company mergers is allocated, as of the acquisition date, to each of the units (or groups of units) that generate financial flows in the Company that would benefit from the synergy effects of the acquisition, regardless of the allocation of other assets or liabilities to these same units (or groups of units).

Units generating financial flows:

- (i) represent the lowest level, within the Company, 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 Company pursuant to IFRS 8 "Operational sectors".

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 fixed assets: Other intangible fixed assets are entered at cost price, determined with the same method use 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.

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.

Other intangible assets also include agreements for service under concession for the development, management and maintenance of infrastructure under concession agreements.

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. 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, is recognized in profit or loss, 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, good outcome, and no collection expenses.

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.

Distribution of dividends: The distribution of dividends to the shareholders of the Company determines the inclusion of a debt on the balance of the period in which the distribution was approved by the shareholders of the company.

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 recognized 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).

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 of year end. Any profit or loss deriving from conversion is reported on the income statement.

Other payables are reported at cost (par value).

Current financial liabilities: Financial 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.

Assets and Liabilities held for divestment, sale and discontinued operations - IFRS 5:

Assets and Liabilities held for divestment, sale and discontinued operations whose book value will be recovered mainly via sale, and not through constant usage, are recognized at the lower value between their net book value and their fair value net of sale costs.

In this financial statements, discontinued operations refer to the company branch for heat management, which was sold to the company Bim Piave Nuove Energie at a book value equal to Euro 385 thousand (date of entry into effectiveness of the operation: 1st January 2012).

Given the low amount, and with reference to the sold company branch only, the economic result by it achieved and the connected comparative data of the previous financial year were not recognized under a specific item of the Income Statement (profit/(loss) net of discontinued operations/operations to be discontinued).

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 possible to determined 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.
- 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.

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 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.

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 tax 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;

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.

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..

EXPLANATORY NOTES AND COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF ASSETS AND LIABILITIES

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 2012-2014, approved with resolution of the Board of Directors on 22nd February 2012.

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 will be launched on a date subsequent to 31st December 2014, therefore in the period indicated in the 2012-2014 Economic and Financial Plan. The Company believes that it will be maintaining the management of the current portfolio of concessions.

For the purposes of recoverable value verification, it has been assumed that in 2012/2014 the financial flow generated will be in line with the one forecast by the Economic and Financial Plan 2012-2014. On the other hand, considering the uncertainty that bears on the renewal of concessions for the distribution of natural gas, it has been decided to estimate the final value of the gas distribution CGU by hypothesising two alternative scenarios, i.e. (i) In 2014 (in advance in relation to the deadlines of the calls for tenders currently provided for by the regulations) the Group ends the activity of gas distribution, realising the return value of the plants as per Art. 15 of Legislative Decree no. 164/2000, and (ii) the company obtains in 2014 the renewal of all the concessions and credits in effect on 31st December 2011. 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% (2010: 1.8%) 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) that 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 n. 159/08;
- b) that 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 taken from the average over a long period for an international sample group of countries;
- d) the Risk-Free Rate adopted - equal to net yields on 10-year government bonds, taken as an average for the period January 2011-31st December 2011 in order to neutralize the distortion/speculation effects of the financial markets on the yields of long-term Italian government bonds.

On the basis of these elements, the average weighted cost of the post-tax capital will be equal to 6.6% in the two-year period 2012-2013 and 6.7% in 2014 (2010: 5.9%). These rates have been used for updating cash flows in the period provided for by the Plan 2012-2014.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 7.3% and was calculated on the basis of the above parameters and providing for an "additional risk premium" or 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:

	31.12.2011			31.12.2010		
Thousands of Euro	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patents and intellectual property rights	3,969	(2,904)	1,065		(2,609)	1,303
Concessions, licences, trademarks and similar rights	5,637	(1,494)	4,142		(1,189)	1,430
Other intangible assets	284	(280)	4		(278)	6
Intangible assets under IFRIC 12 concession	423,042	(168,263)	254,779		(159,937)	257,887
Intangible assets in progress under IFRIC 12 concession	3,714	0	3,714		0	1,614
Intangible assets in progress and advance payments	0	0	0		0	571
Other intangible assets	436,997	(172,941)	263,705	505,766	(164,012)	262,810

The changes in the inventory allowance for other intangible assets in the financial year considered are shown in the following table:

	31.12.2010						31.12.2011
Thousands of Euro	Net Value	Increase	Decrease	Amortizations during the period	Reclassifications	Depreciation	Net value
Industrial patents and intellectual property rights	1,303	30		295	27		1,065
Concessions, licences, trademarks and similar rights	1,430	3,018		305			4,142
Other intangible assets	6	0		2			4
Intangible assets in progress under IFRIC 12 concession	257,887	11,082	5,835	10,635	(27)	2,309	254,779
Intangible assets in progress under IFRIC 12 concession	1,614	1,337	93		856		3,714
Intangible assets in progress and advance payments	571	828	543		(856)		0
Other intangible assets	282,810	16,296	6,471	11,238	0	2,309	263,705

In 2011, investments were equal to Euro 16,295 thousand, and they mainly refer to the purchase of the natural gas distribution concession in the municipality of Marostica (Euro 3,018 thousand), and to the 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 57 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.

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 registered an increase equal to Euro 3,018, mainly relating to the purchase of the natural gas distribution concession in the municipality of Marostica.

Other intangible fixed assets

The item "Other intangible fixed assets" increased from Euro 6 thousand in the previous year, to Euro 4 thousand in the year considered.

Leased plants and machinery

The entry into force of IFRIC 12 made it necessary to include leased plants and machinery under the intangible assets. 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 254,779 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 11,054 thousand and mainly relate to the creation of connections for Euro 4,041 thousand, the

realisation of transformer rooms for Euro 664 thousand, the implementation of the natural gas distribution network for Euro 3,651 thousand, and the installation of counting meters for Euro 1,845 thousand. It should be noted that the activity of implementing the network of natural gas has involved the installation of 39,668 meters of pipelines.

Intangible assets in progress and advance payments under concession

During the year, the item "Intangible assets in progress and advance payments" has enhanced investment for Euro 828 thousand, which are mainly related to network extension works and construction of pipelines, 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:

	31.12.2011			31.12.2010		
Thousands of Euro	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	32,434	(4,411)	28,023	18,593	(3,618)	14,975
Plants and machinery	1,041	(653)	388	1,041	(586)	473
Industrial and commercial equipment	2,442	(1,575)	867	2,343	(1,368)	975
Other tangible assets	10,846	(7,885)	2,961	9,747	(7,116)	2,630
Tangible assets in progress and advance payments	791	0	791	10,486	0	10,486
Other tangible assets	47,555	(14,524)	33,031	42,210	(12,671)	29,539

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

	31.12.2010						31.12.2011
Thousands of Euro	Net Value	Increase	Decrease	Amortizations in the period	Reclassifications	Depreciation	Net value
Lands and buildings	14,975	3,778		793	10,063		28,023
Plants and machinery	473	0		85			388
Industrial and commercial equipment	975	99		207			867
Other tangible assets	2,630	1,123	23	791		23	2,961
Tangible assets in progress and advance payments	10,486	368			(10,063)		791
Other tangible assets	29,539	5,368	23	1,876	0	23	33,510

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. The investments made, gross of reclassifications from intangible assets in progress, are mainly connected to the costs incurred into for the construction of the multi-purpose building located in Via Verizzo in the municipality of Pieve di Soligo, for an overall investment amount of Euro 13,440 thousand.

Plants and machinery

The item "Plants and machinery" only includes the costs incurred into for the construction of facilities not under concession. At the end of the period considered, the investments carried out have a net book value of Euro 388 thousand.

Industrial and commercial equipment

The item "Industrial and commercial equipment" in the period considered registered investments equal to Euro 99 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 2011 increased the voice "Other assets ", for Euro 1,123 thousand, and they mainly relate to the costs incurred into for the purchase of furniture (Euro 868 thousand), hardware (Euro 78 thousand) and for the purchase of new corporate vehicles (Euro 126 thousand).

Tangible assets in progress and advance payments

The item includes costs incurred into for the construction of corporate offices, as well for the construction of plants, partly carried out on a time and material basis.

4. *Shareholdings*

The list of the shareholdings held by Ascopiave S.p.A. as of 31st December 2011 are reported below:

Name	Location	Share capital	Total net equity	Result for the period	%	Balance value
Controlled companies						
Ascotrade S.p.a.	Pieve di Soligo (TV)	1,000,000	30,690,696	16,637,091	89,00%	4,809,636
Global Energy s.r.l.	Pieve di Soligo (TV)	20,000	1,849,518	(539,204)	100,00%	4,887,071
ASM DG S.R.L.	Rovigo (RO)	7,000,000	11,502,912	843,133	100,00%	14,964,474
Edigas Due S.r.l.	Cernusco sul Naviglio (MI)	120,000	2,685,142	1,066,944	100,00%	13,014,349
Edigas Esercizio Distribuzione Gas S.p.A.	Cernusco sul Naviglio (MI)	1,000,000	8,639,227	1,037,340	100,00%	23,317,602
AscoEnergy S.r.l.	Pieve di Soligo (TV)	300,000	97,464	(110,725)	70,00%	210,000
Pasubio Servizi S.r.l.	Schio (VI)	250,000	5,183,203	2,302,799	100,00%	23,053,908
Blue Meta S.p.A.	Orio Al Serio (BG)	606,123	3,864,038	640,596	100,00%	22,308,195
Etraenergia S.r.l.	Cittadella (PD)	100,000	264,104	(174,938)	51,00%	357,000
Ascoblu S.r.l.	Pieve di Soligo (TV)	10,000	104,024	(153,143)	100,00%	260,000
Ascopiave Suisse SA					100,00%	
Total shareholdings in controlled companies						107,182,235

Name	Location	Share capital	Total net equity	Result for the period	%	Balance value
Jointly controlled companies						
Estenergy S.p.A.	Trieste (TS)	1,718,096	15,330,303	8,986,288	49,00%	39,838,121
ASM SET S.R.L.	Rovigo (RO)	200,000	2,659,674	2,013,853	49,00%	3,333,229
Veritas Energia S.r.l.	Venezia	1,000,000	3,273,401	1,271,898	51,00%	1,713,503
Unigas Distribuzione S.r.l.	Nembro (BG)	3,700,000	38,992,021	5,674,537	48,86%	20,652,416
Total shareholdings in jointly controlled companies						65,537,269

Name	Location	Share capital	Total net equity	Result for the period	%	Balance value
Affiliate companies						
Sinergie Italiane S.r.l.	Milano (MI)	3,000,000	(88,737,035)	(92,160,046)	27.6%	
Shareholdings in other companies						
B. Cred. Coop. Prealpi						528

It is to be pointed out that the 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 2011. On the other hand, the net equity and the net result of the affiliate Sinergie Italiane S.r.l. refer to the draft financial statements for the periods ended 30th September 2010 and 30th September 2011.

As to the shares held in the companies Estenergy S.p.A., Asm Distribuzione Gas S.p.A. and Edigas Servizio Distribuzione Gas S.p.A., the value recognized under the financial statements is deemed recoverable (even though higher than the overall net equity of the controlled companies as of 31st December 2010), based on the estimate on future income included in the Economic and Financial Plan 2011-2013.

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 2012-2014 of the single controlled companies, approved by the BoD on 22nd February 2012.

Following the results of the impairment tests on the single shareholdings, no depreciation of shares for a value higher than the net equity value as of 31st December 2011 was recognized. In particular, as to the shares held in the companies Estenergy S.p.A., Asm Distribuzione Gas S.r.l. and Edigas Servizio Distribuzione Gas S.p.A., the value recognized under the financial statements is deemed recoverable (even though higher than the overall net equity of the controlled companies as of 31st December 2011), based on the estimate on future income included in the Economic and Financial Plan 2012-2014.

The following table summarizes the changes in shareholdings in the reference period:

	31.12.2010			31.12.2011
Thousands of Euro	Historic cost	Increase	Depreciation	Net value
Shareholdings in controlled companies	84,688	22,562	67	107,182
Shareholdings in jointly controlled companies	44,885	20,652		65,537
Shareholdings in affiliate companies	830		830	0
Shareholdings in other companies	1			1
Total shareholdings	130,403	43,214	897	172,720

The increase of Euro 22,562 thousand under the item "shareholdings in joint companies" is explained by the 100% acquisition of the company Blue Meta S.p.A. for Euro 22,308 thousand, and by the 100% subscription of the share capital of the company Ascoblu S.r.l., for Euro 260 thousand. The increase registered by the item "shareholdings in jointly controlled companies", equal to Euro 20,652 thousand, is explained by the 48.9% acquisition of the company Unigas Distribuzione S.r.l..

The decrease concerning the controlled companies relates to the 100% depreciation of the company Ascopiave (Suisse) S.p.A., which was put into liquidation in 2011.

The decrease concerning the affiliate companies relates to the 100% depreciation of the company Sinergie Italiane S.r.l., described under the paragraph "Reserves for risks and charges" of this explanatory note.

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	31.12.2011	31.12.2010
Deposits and guarantees	359	361
Other receivables	6,896	3,879
Other non-current assets	7,255	4,241

The "Other non-current assets" include receivables for deposits (Euro 359 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 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. 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 value 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 under execution of judgement following sentence issued by the court, considering the quantity and quality of value-exceeding assets.

As of 31st December 2011, 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 was notified to the seller and to Anita S.r.l. during the second quarter of FY 2011, relates 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. Advance taxes

The following table shows the details of the items included under the "Advance taxes" in the financial years considered:

Description	31.12.2011			31.12.2010		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	163	34.0%	55	74	27.5%	20
Allocation for inventory write-downs	413	38.2%	158	413	31.4%	130
IRES-exceeding amortizations	6,835	34.0%	2,324	4,639	27.5%	1,276
IRES-exceeding amortizations prior to FY 2007 and later than FY 2013	14,093	38.2%	5,384	16,492	31.4%	5,179
Other advance taxes	348	38.2%	133	361	31.4%	113
Phantom stock option	103	34.0%	35	83	27.5%	23
Exceeding amortizations prior to FY 2007 and later than FY 2013	960	42.2%	405	0	33.0%	0
Total advance taxes			8,493			6,740

With the same consolidation area, advance taxes increased from Euro 6,740 thousand to Euro 8,493 thousand (+Euro 1,753 thousand), mainly due to the trends of the amortizations exceeding IRES.

The Company has been performing a full accounting of advance taxes concerning temporary differences between tax-imposition and balance sheet value, as the Group suppose 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 and a 3.9% IRAP tax rate were applied; moreover, 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 companies operating in the business of natural gas distribution were subject to a 4.2% IRAP tax rate, in that they provide services and public works.

As to the IRES tax, it is to be noted that following the entry into force of the so-called "Mid-August National Budget Law" converted into law by Conversion Law no. 148 issued on 14th September 2011, the Company is subject to an additional IRES tax (the so-called "Robin Hood Tax") equal to 10.5%. The additional IRES tax is now also applicable to subjects operating in the industries of transportation and distribution of natural gas and electric power whose turnover was higher than 10 million Euro in the previous tax period (i.e. 25 million Euro in the previous financial year) and a non-taxable income higher than a million Euro.

As a result of the provisions described above, the Company is subject to payment of a 10.5% additional IRES tax for the years 2001, 2012 and 2013, and a 6.5% additional IRES tax as from 2014. The application of the "Robin Hood tax" produced a positive effect on the income statement of FY 2011 due to higher deferred taxes (Euro 1,572 thousand), mainly connected to the adjustment of advance taxation as of 31st December 2010.

Current assets

7. Inventories

The following table shows the composition of inventories at the end of the periods considered:

		31.12.2011			31.12.2010	
Thousands of Euro	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Fuels and warehouse materials	3,144	(413)	2,731	3,351	(413)	2,937
Total inventories	3,144	(413)	2,731	3,351	(413)	2,937

Inventories mainly include materials used for maintenance works or for the realization of natural gas distribution plants.

In the latter case the material is reclassified as Tangible Fixed Assets IFRIC 12 once installation is complete.

Inventories, equalling Euro 413 thousand, 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, which needed not to be corrected during the financial 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:

Description	31.12.2011	31.12.2010
Trade receivables	3,268	2,220
Receivables from customers	1,709	2,358
Receivables for invoices to be issued	16	15

Trade receivables from parent companies	(412)	(217)
Bad debt provisions	4,581	4,377
<i>Trade payables from controlled companies</i>		
Trade payables from controlled companies	16,279	17,229
Trade receivables	20,876	21,622

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 and to the activity of the heat department.

The item "Trade receivables" decreases from Euro 21,622 thousand as of 31st December to 20,876 thousand of the current financial year (-Euro 746 thousand).

The changes in the provision for doubtful accounts are shown in the following table:

Description	31.12.2011	31.12.2010
Initial bad debt provision	217	234
Provisions	196	
Use		(17)
Final bad debt provision	(412)	(217)

At the end of FY 2011, the item registered an increase equal to Euro 196 thousand, due to provisions established at the end of the year.

9. Other current assets

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

Description	31.12.2011	31.12.2010
Tax consolidation receivables		2,152
Annual pre-paid expenses	205	459
Advance payments to suppliers	4,371	2,303
Receivables from Cassa Conguaglio Settore Elettric	6,892	5,733
VAT receivables	0	238
Other receivables	166	253
Other current assets	11,633	11,137

As compared to the previous financial year, the item "Other current assets" registered an increase equal to Euro 496 (from Euro 11,137 thousand to Euro 11,633 thousand). The variation is mainly due to the increase in receivables from the Electric Sector Compensation Fund (Euro 1,159 thousand) and by the increase in advance payments to suppliers (Euro 2,068 thousand). These are partially offset by the cancellation of the tax consolidation receivables.

The receivables from the Electric Sector Compensation Fund increased from Euro 5,733 thousand of 2010 to 6,892 thousand of the current financial year (+Euro 1,159 thousand). The increase is mainly due to the upgrading of the energy saving targets set by the AEEG for FY 2011 (Euro 565 thousand), as well as to the increase in the contribution

granted upon delivery of energy efficiency certificates, and to the higher credits following the equalization of the revenues from gas distribution (Euro 606 thousand).

Moreover, the variation is also explained by the increase in advance payments to suppliers (Euro 2,068 thousand), partially offset by the decrease in VAT receivables (Euro 238 thousand) and by the decrease in the receivables from the parent company Asco Holding S.p.A. for the tax consolidation process (Euro 2,152 thousand).

10. Current financial assets

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

(Thousands of Euro)	31.12.2011	31.12.2010
<i>Controlled companies</i>		
c/c intercompany Ascotrade	26,308	2,537
c/c intercompany Le Cime Servizi	85	
c/c intercompany ASM Distribuzione Gas Srl	270	800
c/c intercompany Etra Energia	390	
c/c intercompany Ascoenergy Srl	5,915	2,839
C/C intercompany Edigas Due Spa	1.756	
C/C intercompany Ascoblu Srl	14,219	320
C/C intercompany Blue Meta S.p.A.	8,750	
c/c intercompany Estenergy Spa	15,000	
C/C intercompany Veritas Energia Srl	4,106	2,956
Current financial assets	76,799	9,452

The costs for current financial assets during the year amounted to Euro 76,799 thousand, compared to Euro 9,452 thousand in the previous year, with an increase of Euro 67,347 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 provision of higher funds to the subsidiary Ascotrade S.p.A. (Euro 23,771 thousand), to the subsidiary Ascoenergy S.r.l. (Euro 3,076 thousand) and to the controlled company AscoBlu S.r.l. (Euro 13,899 thousand), as well as by the provision of higher funds to the jointly controlled company Veritas Energy S.r.l. (Euro 1,150 thousand). In addition, in 2011 new funds were allocated to the subsidiary Blue Meta S.p.A. (Euro 8,750 thousand) and to the jointly controlled company Estenergy S.p.A. (Euro 15,000 thousand).

11. Tax receivables

The following table shows how the items are broken down at the end of each period considered:

Description	31.12.2011	31.12.2010
IRAP receivables		305
Other tax receivables	26	247
Tax receivables	26	553

The item includes residual receivables from accounts IRAP paid, minus the taxes attributable to FY 2011.

The item "Other tax receivables", equal to Euro 26 thousand, includes the payment of the tax collection notice received from Equitalia following the tax inspection performed by the Inland Revenue Agency during FY 2008 on the company's income of 2005.

12. Cash and cash equivalents

The following table shows how the items are broken down at the end of each period considered:

Description	31.12.2011	31.12.2010
Bank and post office deposits	2,244	1,356
Cash and cash equivalents on hand	8	14
Liquid assets	2,252	1,370

The item "Cash and cash equivalents" increases from Euro 1,370 thousand of 2010 to 2,252 thousand of the current financial year (+Euro 883 thousand). The figures reported refer to the balances of bank accounts redeemable at sight 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:

	31.12.2011	31.12.2010
Share capital	234,412	234,412
Reserves	95,456	99,496
Total net shareholders' equity	336,041	355,072

Ascopiave S.p.A.'s share capital as of 31st December 2011 is made up of 234,411,575 shares with a par value of Euro 1.00 each. The profits of the previous financial year was allocated to Extraordinary Reserve for Euro 2,276 thousand, and the remaining amount (Euro 23,441 thousand) was distributed to the Shareholders.

The composition of the net shareholders' equity is reported below:

	31.12.2011	31.12.2010
Share capital	234,412	234,412
Own shares	(15,720)	(13,072)
Legal reserve	46,882	46,882
Share premium fund	50,172	50,172
Other reserves	14,122	15,514
Result for the period	6,174	21,165
Net assets	336,041	355,072

On 28th April 2011, the Shareholders' Assembly decided to allocated the profits earned at the end of the previous year to the distribution of dividends (Euro 23,441 thousand), as well as to other reserves (Euro 2,276 thousand). The increase under the item "Other reserves offsetting distribution", equal to Euro 884 thousand, is explained by the dividends for the return on own shares.

During the year 2011, the purchase of own shares regarded a number of 1,814 thousand ordinary shares at a value of Euro 2,648 thousand.

The changes in the net shareholders' equity in FY 2011 are reported in the following tables:

Shares in circulation as of 31st December 2011 and as of 31st December 2010		
(Number of shares)	31.12.2011	31.12.2010
Number of shares from shareholders' capital	234,412	234,412
Number of own shares in portfolio	(10,658)	(8,844)
Total number of shares in circulation	223,754	225,568
Value of the shares in circulation		
	31.12.2011	31.12.2010
Ordinary shares	234,412	234,412
Own shares in portfolio	(15,720)	(13,072)
Total value of shares in circulation	218,692	221,340

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 periods	
				For coverage of losses	For other reasons
Share Capital	234,411,575	-	0		
CAPITAL RESERVES					
Reserve for won shares in portfolio	(15,720,434)	-			
Share premium fund	50,171,613	A, B, C	50,171,613		
EARNINGS RESERVES					
Legal reserve	46,882,315	B	0		
Extraordinary reserve		A, B, C			
Free reserve		A, B, C			
Other reserve	14,122,257	A, B, C	14,122,257		6,348
Profit / (loss) carried forward	(0)	A, B, C	(0)		
Total	95,455,751		64,293,870	0	6,348
Portion not available					
Residual value of available portion			64,293,870		
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. Reserves for risks and charges

Reserves for risks and charges at the end of the years considered are analysed in the following table:

Description	31.12.2011	31.12.2010
Other reserves for risks and charges	(24,498)	(7)
Reserves for risks and charges	(24,498)	(7)

The changes in the inventory allowance for the reserves for risks and charges in the year considered, are shown in the following table:

Description	31.12.2011
Reserves for risks and charges as of 1 st January 2010	7
Hedge fund for joint companies	24,491
Provisions for risks and charges	
Use of provisions for risks and charges	
Reserves for risks and charges	24,498

The item "Other reserves for risks and charges" mainly includes provisions for potential liabilities, deemed likely, which could arise from litigations in progress. The provision was subject to estimate with the support of the legal consultants of the Company. It is to be noted that legal costs incurred into for ongoing litigations were allocated based on documents reporting the legal consultants' fees.

As stated above, as of 30th September 2011, closing date of the financial year, the affiliate company Sinergie Italiane S.r.l. suffered losses equal to Euro 92,160 thousand, and a subsequent net equity deficit equal to Euro 88,737 thousand. The Administrators, after proceeding with the impairment of the full value of the shares held in the company, established a provision for risks and charges for an amount of Euro 24,491 thousand, equal to the shares held by the company in the affiliate. This provision was established considering the commitments undertaken by the Company in favour of the affiliate, which are detailed under the note "Commitments and risks - Bank guarantees".

15. Severance indemnity

The changes in severance indemnity in the year considered are shown in the following table:

Description	31.12.2011	31.12.2010
Severance indemnity as of 1 st January 2011	1,318	1,383
Retirement allowance	(757)	(733)
Payments for current services and work	718	660
Previous actuarial losses/(profits) recorded		
Actuarial loss/(profit) recorded	(17)	8
Severance indemnity as of 31st December 2011	1,262	1,318

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 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: 4.50%
- increase in remuneration rate: 3%
- inflation rate: 2%
- anticipation rate: 2%

The application of actuarial techniques for the identification of severance indemnity in accordance with IFRS implied, at the end of 2011, the record of a profit equal to Euro 17 thousand.

16. Medium- and long-term loans

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

Description	31.12.2011	31.12.2010
Loans from Cassa Depositi e Prestiti reimbursable between 2008 and 2016, with fixed interest rate, renegotiated periodically	2,385	3,048
Mortgages from Unicredit Spa	37,143	
Medium- and long-term loans	39,528	3,048
Current portion of medium / long-term loans	(6,285)	(663)
Medium- and long-term loans	33,243	2,385

Medium- and long-term loans refer to the residual debt due to Cassa Depositi e Prestiti S.p.A. for Euro 4,957 thousand (of which, Euro 338 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%.

During 2011, the Company concluded important company mergers and acquisitions, involving financial flows equal to Euro 31,720 thousand. In order to establish a better connection between the fixed component of the assets, represented by the shares and the liabilities' structure, which mainly involves non-current liabilities, the 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 six-months instalments will be paid starting from 31st December 2011 to 30th June 2018.

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:

- 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 Euro270,000 thousand;
- c) the stake of ASCOHOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

As of 31st December 2011, in accordance with index under letter b), and with the ratio under letter a), equal to 2.1, 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 54 thousand.

The table below shows the deadlines of the medium- and long-term loans for each financial year considered:

Thousands of Euro	31.12.2011
Financial year 2013	6,225
Financial year 2014	6,215
Financial year 2015	6,175
Financial year 2016	6,056
After 31 st December 2016	8,571
Total medium- and long-term loans	33,243

The decrease in value refers to the regular payment of the instalments during the year.

17. Other non-current liabilities

The following table shows the details of other non-current liabilities at the end of each period considered:

Description	31.12.2011	31.12.2010
Security deposits	6	
Other non-current liabilities	6	

The increase of Euro 6 thousand is explained by the allocation of deposits by the gas sale companies, as a guarantee for the payments of the invoices connected to the use of the natural gas distribution network owned by Ascopiave S.p.A..

18. Deferred tax payables

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

Description	31.12.2011			31.12.2010		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
IRES-exceeding amortizations after 2013	31,927	34.0%	10,855	36,563	27.5%	10,055
Severance indemnity	198	34.0%	67	198	27.5%	55
Goodwill deductibility for tax purposes by 2013	14,439	38.2%	5,516	12,771	31.4%	4,010
IRES-exceeding amortizations by 2013	3,788	38.0%	1,440	0	31.4%	0
Capital gain on transfer of building and network after 2013	173	34.0%	59	404	27.5%	111
Capital gain on transfer of building and network by 2013	307	38.0%	117	0	0.0%	0
IRAP-exceeding amortizations	14,793	4.2%	621	22,189	3.9%	865
Total deferred tax payables			18,674			15,096

With the same consolidation area, deferred tax payables increased from Euro 15,096 thousand to Euro 18,674 thousand (+Euro 3,578 thousand), mainly due to the trends of the amortizations exceeding IRES.

The Company has been performing a full accounting of deferred tax payables concerning temporary differences between tax-imposition and balance sheet value, as the Group suppose that future tax-imposition could take up all differences that generated them. 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 and a 3.9% IRAP tax rate were applied; moreover, 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 Group's companies operating in the business of distribution were subject to a 4.2% IRAP tax rate, in that they provide services and public works.

As to the IRES tax, it is to be noted that following the entry into force of the so-called "Mid-August National Budget Law" converted into law by Conversion Law no. 148 issued on 14th September 2011, the Company is subject to an additional IRES tax (the so-called "Robin Hood Tax") equal to 10.5%. The additional IRES tax is now also applicable to subjects operating in the industries of transportation and distribution of natural gas and electric power whose turnover was higher than 10 million Euro in the previous tax period (i.e. 25 million Euro in the previous financial year) and a non-taxable income higher than a million Euro.

As a result of the provisions described above, the Company is subject to payment of a 10.5% additional IRES tax for the years 2001, 2012 and 2013, and a 6.5% additional IRES tax as from 2014. The application of the "Robin Hood tax" produced a negative effect on the income statement of FY 2011 due to higher deferred taxes (Euro 3,515 thousand), mainly connected to the adjustment of deferred taxation as of 31st December 2010.

Current liabilities

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

The following table shows how the items are broken down at the end of each period considered:

Descrizione	31.12.2011	31.12.2010
Payables due to banks	163,740	92,008
Current portion of medium / long-term loans	6,285	663
Loans and payables due to banks	170,025	92,671

Short-term bank debt is made up of debit balances of bank accounts opened and of the short-term mortgage quotas.

The increase in bank exposure (+Euro 77,346 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 2011.

Credit institution	Type of credit line	Max credit	Rate as of 31/12/2011	Use as of 31/12/2011
Banca Antonveneta	Bank overdraft operations	5,000	3.98%	4,983
Banca Popolare di Bari	Bank overdraft operations	5,000		0
Banca Infrastrutture Innovazione e Sviluppo	Bank overdraft operations	40,000	2.23%	39,242
Banca Nazionale del Lavoro	Bank overdraft operations	50,000	2.18%	42,169
Cassa di Risparmio del Veneto	Financing loan	13,000	2.72%	13,000
Credito Emiliano	Bank overdraft operations	15,000	2.68%	15,000
Banca Friuladria	Bank overdraft operations	10,000		0
Banca Popolare di Verona	Financing loan/guarantees (Italy and abroad)	30,000		0
Banca Popolare di Vicenza	Bank overdraft operations	55,000		0
Banca di Credito Cooperativo delle Prealpi	Bank overdraft operations	5,000	3.02%	4,993
Banca Sella	Bank overdraft operations	5,000	1.80%	4,985
Unicredit Banca	Revolving credit limit/class 1	40,000	2.99%	39,400
Banca Antonveneta	Guarantees/Advances	10,000		0
Banca Popolare di Vicenza	Guarantees	8,800		0
Banca Popolare di Vicenza	Guarantees	500		0
Ubi-banca	Guarantees	155		0
Unicredit Banca	Issuing of credit cards	780		0
Unicredit Banca	Guarantees	12,400		0
Total		305,635		163,771

20. Trade payables

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

Thousands of Euro	31.12.2011	31.12.2010
Payables to suppliers	4,889	8,472
Payables to suppliers for invoices not yet received	10,770	7,870
Trade payables	15,660	16,342

The item "Trade payables" decreases from Euro 16,342 thousand of 2010 to 15,660 thousand of the current financial year (-Euro 683 thousand). The item includes payables for invoices received for Euro 4,889 thousand, and for invoices to be received for Euro 10,770 thousand. The item mainly refers to payables due to suppliers for construction works of the natural gas distribution infrastructures, to higher license fees to local authorities and to the subscription, in the previous financial years, of agreements regarding the duration of the concessions.

Payables to related parties are detailed under the note "Information on related parties".

21. Payables to tax authorities

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

(Thousands of Euro)	31.12.2011	31.12.2010
IRAP payables	238	0
IRES payables	1,797	0
Payables to tax authorities	2,035	0

At the end of the financial year, payables to tax authorities amount to Euro 2,035 thousand, whereas at the end of the previous financial year, the item had not been recognized because advance payments had been made for amounts higher than the actual debt accrued, thus the item "Payables to tax authorities" amounted to Euro 305 thousand.

IRES payable at the end of the financial year relate to additional IRES tax following the entry into force of the so-called National Budget Law (August 2011), at a rate of 10.5%. "Robin Hood Tax") the companies operating in the industries of transportation and distribution of natural gas and electric power whose turnover was higher than 10 million Euro in the previous tax period (i.e. 25 million Euro in the previous financial year) and a non-taxable income higher than a million Euro.

As a result of the provisions described above, the Company is subject to payment of a 10.5% additional IRES tax for the years 2001, 2012 and 2013, and a 6.5% additional IRES tax as from 2014.

22. Other current liabilities

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

Description	31.12.2011	31.12.2010
Advance payments from customers	768	1,073
Amounts due for tax consolidation	431	
Amounts due to social security institutions	756	812
Amounts due to employees	2,002	1,987
VAT payables	245	3
Payables to revenue office for withholding tax	498	474
Annual passive prepayments	974	965
Annual passive accruals	1,047	1,259
Other payables	2,416	3,713
Other current liabilities	9,138	10,286

At the end of the year, other current liabilities amounted to Euro 9,138 thousand, compared to Euro 10,286 thousand in the previous year, with an increase of Euro 1,148 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 1,073 thousand of 2010 to 768 thousand of the current financial year (-Euro 305 thousand).

Payables to parent companies for tax consolidation

The item includes payables for IRES accrued in favour of the parent company Asco Holding S.p.A., within the framework of the national tax consolidation, subscribed net of advance payments made during FY 2011.

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 2012.

Amounts due to employees

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31st December 2011 but not paid out on that date.

Accruals and deferrals

Accruals and deferrals mainly refer to real estate fees accrued in FY 2011 but not yet paid to the local authorities. The item registers a decrease of Euro 176 thousand as compared to 31st December the previous financial year.

Other payables

At the end of FY 2011, the item "Other payables" amounts to Euro 2,406 thousand, recording a decrease as compared to the previous financial year equal to Euro 1,307 thousand.

Benefits based on financial instruments

The company acknowledges additional benefits to the President of Ascopiave S.p.A., and to some employees holding important positions, through payment plans based on financial instruments.

In particular, the plans adopted 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).

In particular, the company adopted incentive plans 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 maintenance of the employment relationship, the financial regulation of which is based on the trend of the share title (so-called phantom stock option).

The cost reported for additional benefits during the year is shown in the following table:

(thousands of Euro)	2011	2010	2009
Costs (revenues) deriving from transactions with payments based on shares paid with cash	20	66	(23)
<i>Total costs</i>	20	66	(23)

During 2007, Ascopiave's Board of Directors allocated the first tranche of phantom stock options under the Plan approved by the Shareholders' meeting of 25th June 2007.

The adoption of the Plan is aimed at providing incentive to loyalty of the Company's directors and employees holding more important positions, and who are therefore more directly responsible for company results. The Presidents of the Board of Directors of Ascopiave S.p.A. and Ascotrade S.p.A., the Vice President of Ascotrade S.p.A. in charge as of the date of the Assembly held on 25th June 2007, and the chosen employees of Ascopiave S.p.A. and Ascotrade have been selected as beneficiaries of the incentive Plan - at the sole judgement of the Board of Directors of Ascopiave, upon proposal made by the Remuneration Committee - amongst the subjects charged with the strategically relevant roles within, respectively, Ascopiave and Ascotrade, with a view to creating value. All managers and directors are included in the list of employees to benefit from the plan.

The Plan concerns free, non-transferable inter vivos phantom stock options, each of which allocates the Beneficiary the right to receive, under the terms and conditions specified by the Plan Regulations, a gross amount (Capital Gain) equal to the difference between the market value of the share at the time of exercise of such option (the Normal Value) and the market value of the share at the time of allocation of the option (the Initial Value). As such, Beneficiaries can gain advantage of any increase in the share title, without this affecting operations on the share capital and the issue of shares for the specific purpose of the Plan.

The Options are allocated in two tranches, respectively the 'Options of the First Tranche' for a maximum number of 2,333,340 Options, and the 'Options of the Second Tranche' for a maximum number of 2,333,340 Options. The Options of the First Tranche served mainly as incentives, in that the exercise of these options by the Beneficiary was subject to the reaching of certain results in terms of EBITDA 2007 and 2008 targets of Ascopiave and Ascotrade (respectively for the Ascopiave Beneficiaries and Ascotrade Beneficiaries). As to the First Tranche Options, the performance objectives were achieved for Ascotrade. Therefore, Ascotrade beneficiaries could exercise their options starting as from 30th June 2009. The Options of the Second Tranche have, instead, a loyalty function, as their exercise is marked by the simple

completion of terms specified in the Regulations and maintenance of the Working Relationship or Administrative Relationship. The Options of the Second Tranche allocated to each Beneficiary will mature, by effect of the expiry of the terms and maintenance of the Working or Administrative Relationship, thereby becoming Exercisable Options:

10% of the Options of the Second Tranche, as of 30th June 2009

15% of the Options of the Second Tranche, as of 30th June 2010

20% of the Options of the Second Tranche, as of 30th June 2011

25% of the Options of the Second Tranche, as of 30th June 2012

30% of the Options of the Second Tranche, as of 30th June 2013

During 2008 the BoD, following the indications of the Board of Auditors, proceeded to the assignment of an overall amount of no. 2,333,000 Second Tranche Options to the then Presidents of the BoD of Ascopiave S.p.A. and Ascotrade S.p.A. and also to their Managers.

The last terms for the exercise of the Options of the First Tranche and the Options of the Second Tranche, is 30th June 2014. Once these terms have expired, the Options not yet exercised, will not be able to be exercised.

The fair value of these instruments is measured using a Black and Scholes model, and taking into account the terms and conditions on the basis of which the rights are allocated. The cost of these instruments, reported on the income statement under labour costs, and the related payables, are reported throughout the period of maturation. Until such time as the payable is not extinguished, the fair value is recalculated at each year end and on the date of effective outlay, reporting all change to the fair value on the income statement.

The following table shows the number (no.) and the average weighted prices of the year (PMPE) of the phantom stock options during the year, and their changes:

First Tranche Options

The targets set for assigning the First Tranche Options to the beneficiaries of Ascopiave were not achieved, therefore there are no options in circulation.

Second Tranche Options

	2011 (no.)	2011 (PMPE)
In circulation as of 1 st January	1,701,700	1,315
Assigned during the year		
Cancelled ¹	424,000-	-
Exercised during the year	42,000-	-
Expired during the year	-	-
In circulation as of 31st December 2011	1,235,700	1,315

No longer assignable as of 31st December 2010 - *Second Tranche Options* ³ 340

1. These options have been extinguished, in that they can no longer be exercised following termination of the working relationship and/or other reasons (e.g. renunciation by the relevant party).

2. These are options of the First Tranche not allocated as of 31st December 2007, and therefore can no longer be allocated, in accordance with the Regulations.

3. These are options of the Second Tranche not allocated as of 31st December 2008, and therefore can no longer be allocated, in accordance with the Regulations.

23. Current financial liabilities

The following table shows how the items are broken down at the end of each period considered:

(migliaia di Euro)	31.12.2011	31.12.2010
<i>Imprese controllate</i>		
C/C intercompany Global Energy srl		725
C/C intercompany Etra Energie srl		10
C/C intercompany Edigas Due Spa		533
C/C intercompany Edigas Es. Distribuzione Gas Spa	1.012	1.372
C/C intercompany Pasubio Servizi Srl	3.970	4.640
C/C intercompany ASM SET SRL	4.335	780
Passività finanziarie correnti	9.317	8.060

The item includes debts payable detected in intercompany bank accounts subscribed with the controlled companies.

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:

Description	31.12.2011	31.12.2010
A Cash	8	14
B Other liquid assets	2,244	1,356
C Negotiable shares		
D Liquid assets (A) + (B) + (C)	2,252	1,370
E Current financial receivables	76,799	9,452
F Current bank debt	(163,740)	(92,008)
G Current share of non current debt	(6,285)	(663)
H Other current financial debts	(9,317)	(8,060)
I Current financial indebtedness (F) + (G) + (H)	(179,342)	(100,731)
J Net current financial indebtedness (I) - (E) - (D)	(100,291)	(89,909)
K Non-current bank debt	(33,243)	(2,385)
L Bonds issued		
M Other non-current debts		
N Non-current financial indebtedness (K) + (L) + (M)	(33,243)	(2,385)
O Net financial indebtedness (J) + (N)	(133,534)	(92,295)

Net financial indebtedness of Ascopiave S.p.A. as of 31st December 2011 is equal to Euro 133,534 thousand.

It is to be pointed out that no *covenants or negative pledges* are provided for in the short-term bank loans.

With regard to long-term loans granted by Unicredit S.p.A., covenants are provided for as established in paragraph 16 "Medium- and long-term loans".

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

Revenues

24. Revenues

The following table shows the revenues in the periods considered:

(Thousands of Euro)	31.12.2011	31.12.2010
Revenues from gas transport	53,517	50,100
Revenues from connections	4,386	5,119
Revenues from heat supply	1,328	2,070
Revenues from distribution	4,301	5,164
Revenues from billing and tax services	546	417
Revenues from general services supplied to Group's companies	4,348	3,423
Revenues from AEEG contributions	5,221	4,656
Other revenues	1,388	689
Total revenues	75,035	71,637

At the end of the period, the item amounted to Euro 75,035 thousand, with an increase of Euro 3,398 thousand compared to the previous year. The increase is mainly explained by the higher revenues from natural gas transportation to the final market (Euro 3,417 thousand) and from AEEG contributions (Euro 565 thousand). The increase is partially offset by the decrease in revenues from connections (-Euro 733 thousand), and by the decrease in revenues from heat supply services (-Euro 743 thousand).

At the end of the financial year, revenues from natural gas distribution amount to Euro 53,517 thousand, marking an increase of Euro 3,417 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, which 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 2011 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.

Revenues from connections to the natural gas distribution network decrease from Euro 5,119 thousand of 2010 to Euro 4,386 thousand of 2011. The decrease, equal to Euro 733 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.

The revenues from heat supply decreased from Euro 2,070 thousand in the previous year, to Euro 1,328 thousand in the current year. The decrease, equal to Euro 743 thousand, mainly refers to the transfer of the management of the systems in favour of Bim Piave Nuove Energie.

Revenues from distribution services decreased from Euro 5,164 thousand of the previous financial year to Euro 4,301

thousand in 2010 (-Euro 863 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 2011, revenues from AEEG contributions register an increase equal to Euro 565 thousand, from Euro 4,656 thousand in 2010 to Euro 5,221 thousand in 2011. The item includes the revenues from the use of the energy efficiency certificates (the so-called "white certificates") and from energy saving targets achieved. As compared to the previous financial year, the increase is mainly explained by the upgrading of the energy saving targets set by the AEEG.

At the end of the reference period, revenues from general services to companies for the group register an increase equal to Euro 925 thousand, from Euro 3,423 thousand of the previous financial year to Euro 4,348 thousand in 2011.

The item "Other revenues" increases from Euro 648 thousand of 2010 to 1,388 thousand of the current financial year (+Euro 740 thousand).

Operational costs

25. Cost of raw materials

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

Description	31.12.2011	31.12.2010
Gas purchases	348	1,145
Diesel fuel and LPG purchases	12	13
Purchases of other materials	1,173	1,849
Costs for purchases of other raw materials	1,533	3,007

The costs of raw materials, amounting to Euro 1,533 thousand, mainly relate to the costs incurred into for natural gas consumption in the transformer rooms, needed in order to ensure a correct operation of the systems, and to the heat supply service. The item also includes the costs incurred into for the purchase of material used in the construction and maintenance of facilities for the distribution of natural gas. The item registers a percentage decrease of 49%, equal to Euro 1,474 thousand. The decrease is mainly explained by lower costs incurred into for the purchase of natural gas for the heat supply service (-Euro 797 thousand), partially offset by the increase in the costs incurred into for intangible assets under concession as compared to the previous financial year (+Euro 661 thousand).

26. *Costs for services*

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

Description	31.12.2011	31.12.2010
Costs for counting metres reading	831	899
Costs for mailing bills	975	691
Maintenance and repairs	3,400	3,033
Consulting services	3,178	2,425
Commercial services and advertisement	68	112
Sundry supplies	1,663	1,580
Directors' and Statutory Auditors' fees	464	641
Insurance	312	550
Personnel costs	549	512
Other managing expenses	669	574
Costs for use of third-party assets	8,626	7,870
Total costs for services	20,734	18,887

The costs for services amount to Euro 20,734 thousand at the end of the period considered, recording an increase as compared to the previous financial year equal to Euro 1,847 thousand. The increase is mainly explained by higher costs incurred into for maintenance and repairs for Euro 367 thousand, for consulting for Euro 753 thousand, and for the use of third-party assets for Euro 756 thousand.

Costs for maintenance and repairs increase from Euro 3,033 thousand of 2010 to Euro 3,400 thousand of 2011, mainly explained by the increase in the costs incurred into for the maintenance of facilities for the distribution of natural gas.

Costs incurred into for consulting increase from Euro 2,425 thousand of 2010 to Euro 3,178 thousand of 2011, mainly explained by a higher number of technical, administrative and legal consulting services provided to the Company during the year.

Personnel costs include costs for the management of vehicles assigned to employees, expenses for the canteen service and costs for training and education.

Revenues from third-party assets increased from Euro 7,870 thousand of the previous financial year to Euro 8,626 thousand in 2011 (+Euro 756 thousand). The increase is mainly explained by the higher fees for concessions paid to Local Bodies, as a result of longer concessions for natural gas management.

27. *Personnel costs*

Personnel costs for the relevant periods are analysed in the following table:

Description	31.12.2011	31.12.2010
Wages and salaries	10,304	9,975
Social security contributions	3,453	3,311
Severance indemnity	718	660
Current severance indemnity actualization	(17)	8
Other costs	56	73
Total personnel costs	14,515	14,027
Capitalized personnel costs	(1,495)	(1,363)
Personnel costs	13,020	12,664

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 14,027 thousand of 2010 to 14,515 thousand of the current financial year (+Euro 488 thousand). The variation is mainly explained by the increase in the average number of personnel employed by Ascopiave S.p.A. (+7 units), by the increase in salaries and in the salary ranges provided for following the renewal of the Collective Employment Agreements in February 2011. It is to be noted that the capitalization of personnel costs increased from Euro 1,363 thousand of 2010 to Euro 1,495 thousand of 2011 (+Euro 132 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 2011 and 2010.

Description	31.12.2011	31.12.2010	Variation
Executives	15	13	2
Directors	8		8
Employees	177	178	(1)
Manual workers	94	96	(2)
No. of personnel employed	294	287	7

The costs incurred into for stock option plans equal Euro 20 thousand. Information on the fees of the members of the Board of Directors, Administrators, Managers and Directors is provided under the note "Fees".

28. Other management costs

Other operating costs for the relevant periods are analysed in the following table::

Description	31.12.2011	31.12.2010
Provision for risks on credits	196	
Other provisions		
Membership and AEEG fees	494	373
Capital losses	270	426
Extraordinary losses	468	386
Other taxes	905	1,125
Other costs	635	1,109
Cost for tenders	1,439	1,124
Energy efficiency certificates	5,563	4,106
Other operating costs	9,969	8,648

The item increases from Euro 8,648 thousand of 2010 to 9,969 thousand of the current financial year (+Euro 1,321 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 1,457 thousand, for the increase in membership fees for Euro 121 thousand and for calls for tenders for Euro 315 thousand, which were partially offset by lower "other costs" (Euro 474 thousand), and by lower "other taxes" (Euro 220 thousand).

The energy saving targets set for the current financial year by the AEEG were published following resolution no. 18/2010 dated 22nd November 2010. The resolution defines the specific energy saving standards which the Company will have to meet during the financial year 2011 by purchasing or producing energy efficiency certificates. The increase in the purchase costs of energy efficiency certificates is mainly explained by the upgrading of the energy targets set by the AEEG for the year, and by the unit cost at which they can be purchased on the energy market.

The costs incurred into for calls for tenders register an increase equal to Euro 315 thousand, from Euro 1,124 thousand of the previous financial year to Euro 1,439 thousand in 2011. The increase is mainly explained by the inclusion, under the income statement, of the costs incurred into for maintenance work performed on the green areas of the company offices located in Via Verizzo in the municipality of Pieve di Soligo.

29. Other operating incomes

Other operating incomes for the relevant periods are analysed in the following table:

Thousands of Euro	31.12.2011	31.12.2010
Other income	(595)	(416)
Total of other income	(595)	(416)

At the end of the reference period, the item "Other operating incomes" amounted to Euro 595 thousand, with an increase as compared to the previous financial year equal to Euro 179 thousand. The item includes the capital gain from the transfer of the gas distribution facilities located in the Municipality of Zané, in the District of Vicenza.

30. Amortizations

Amortisations and depreciations for the relevant periods are analysed in the following table:

Thousands of Euro	31.12.2011	31.12.2010
Intangible fixed assets	11,238	10,934
Tangible fixed assets	1,876	1,610
Amortization	13,114	12,544

At the end of the financial year, amortizations amount to Euro 13,114 thousand, with an increase as compared to the previous year of Euro 570 thousand.

31. Net financial income and expenses

Financial income and expenses in the years considered are analysed in the following table:

Thousands of Euro	31.12.2011	31.12.2010
Interest income on bank and post office accounts	53	14
Other interest income	24	18
Distribution of dividends from controlled companies	26,520	11,753
Interest income from controlled companies	593	298
Other financial income	3	4
Financial income	27,193	12,086
Interest expense on banks	2,152	851
Interest expense on mortgage loans	692	273
Other financial expenses	329	195
Financial charges	3,173	1,319
Depreciation of shares	25,388	0
Total net financial expenses/(revenues)	24,021	(10,768)

Financial income increases from Euro 12,086 thousand of 2010 to 27,193 thousand of 2011 (+Euro 15,107 thousand). The variation is mainly explained by higher dividends received by controlled companies during the year, for an amount of Euro 14,767 thousand.

Financial expenses increases from Euro 1,319 thousand of 2010 to 3,173 thousand of 2011 (+Euro 1,854 thousand). The increase in financial charges is mainly explained by a higher exposure to the credit system during 2011, as well as by increased interest rates on credit lines demanded by credit institutions. The increase in interest rate is mainly due to the trend of the reference index Euribor, which began to rise again after dropping during the first few months the previous financial year, and to the increase in the spread parameter granted by credit institutions.

The financial charges entered following the evaluation of affiliate companies relate to the impairment of the shareholding in the company Asco Suisse (Euro 67 thousand) which, as of the closing date of the financial year, was put into liquidation, and to the the impairment of the shareholding in the company Sinergie Italiane S.r.l. (Euro 830 thousand) following the significant losses suffered by the Company. The amount of the losses suffered by the affiliate company caused the related portion of cost to be entered under the financial charges, for an overall amount of Euro 24,491 thousand.

32. Taxation for the period

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

Thousands of Euro	31.12.2011	31.12.2010
Current taxes - IRES	6,348	4,441
Current taxes - IRAP	1,547	1,333
(Advance)/deferred taxes	1,824	131
Total taxes for the period	9,719	5,906

The increase is mainly explained by the increase in the tax rates to which the company is subject, following the new regulations introduced during the summer.

In particular, 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 companies operating in the business of distribution were subject to a 4.2% IRAP tax rate, in that they provide services and public works.

As to the IRES tax, it is to be noted that art. 81 of Decree-Law 112 dated 25th June 2008, was amended pursuant to art. 7 of Law 138, in force as from 13th August 2011 (the so-called "Mid-August National Budget Law"). The so-called "Robin Hood Tax" was increased of 4 percentage points (current tax rate: 10.5%) and is now also applicable to subjects operating in the industries of transportation and distribution of natural gas and electric power whose turnover was higher than 10 million Euro in the previous tax period (i.e. 25 million Euro in the previous financial year) and a non-taxable income higher than a million Euro.

As a result of the provisions described above, the Company is subject to payment of a 10.5% additional IRES tax for the years 2001, 2012 and 2013, and a 6.5% additional IRES tax as from 2014. The application of the "Robin Hood tax" produced an overall negative effect on the income statement of FY 2011 due to higher current taxes (Euro 1,797 thousand) and higher deferred taxes (Euro 1,943 thousand).

The following table shows how current IRES taxes are broken down in the periods considered:

Thousands of Euro	FY 2011	FY 2010
Charges for adhesion to tax consolidation regime	4,550,662	4,441,412
Additional IRES tax	1,797,258	
Current IRES taxes	6,347,920	4,441,412

The following table shows the impact of income taxes:

Thousands of Euro	31.12.2011	31.12.2010
Income before taxes	15,893	27,071
Income taxes for the period	9,719	5,906
Percentage of income before taxes	61.2%	21.8%

The actual tax rate rose from 21.8% in 2010 to 61.2% of the period considered, recording an increase of 39.4%. The increase in the tax rate is mainly explained by the change in the regulatory framework described above.

Data stated in thousands of Euro	Financial year 2010		Financial year 2010	
Ordinary tax rate applicable	38%		27,5%	
PRE-TAX RESULTS	27.071		27.071	
Theoretical tax charges	10.287	38,0%	7.445	27,5%
Provision for non taxable risks	9.307	34,4%	0	0,0%
Taxes on dividends	(9.574)	-35,4%	(3.232)	-11,9%
Non-deductible costs/(revenues)	(1.376)	-5,1%	3.225	11,9%
	1.643	6,1%	0	0,0%
Actual IRES charges	10.287	38,0%	7.437	27,5%
IRAP (current and deferred)	1.547	5,7%	1.333	4,9%
Total actual tax charges	11.834	43,7%	8.771	32,4%

OTHER EXPLANATORY NOTES*Non-recurring components*

In accordance with CONSOB communication 15519/2005, we report that there have been no non-recurring economic components reported in the annual financial statements as of 31st December 2011.

During the year, 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..

The losses suffered in the financial year ended as of 31st December 2011 by the Group's natural gas procurement Company, are equal to Euro 92,160 thousand, and they caused the impairment and the establishment of the provision for risks and charges, which is to be considered as a non-recurring component because it is connected to the excessive economic burden of natural gas purchase agreements. The structure of the affiliate company is currently being redesigned. The details of the losses suffered can be found under the paragraph "Shareholdings" of this annual Financial Report.

Information on related parties

The Company is controlled by Ascoholding 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 2011, there were no other operations carried out with companies, entities or administrators of the Company, of the parent companies and of the controlled companies.

(Thousands of Euro)				31 st December 2011				31 st December 2011			
Companies	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues			
					Goods	Services	Other	Goods	Services	Other	
Parent companies											
Asco Holding S.p.A.	7	-	184	429	-	174	4,551	-	32	-	
Total	7	-	184	429	-	174	4,551	-	32	-	
Controlled companies											
Ascotrade S.p.A.	15,084	26,308	461	-	1,577	18	135	-	50,592	175	
Global Energy S.r.l	9	85	0	-	-	-	1	-	30	9	
Blue Meta S.p.A.	18	8,750	-	-	-	-	-	-	6	18	
Etra Energia S.r.l.	30	390	0	-	-	-	-	-	54	13	
ASM DG S.r.l. Unipersonale	100	270	55	-	-	95	1	-	177	10	
Edigas Esercizio Distribuzione Gas S.r.l.	44	-	21	1,012	-	27	25	-	57	-	
Edigas Due S.r.l.	66	1,756	2	-	-	-	13	-	182	21	
Pasubio Servizi S.r.l.	94	-	28	3,970	-	-	81	-	187	9	
AscoEnergy S.r.l.	37	5,915	15	-	15	-	-	-	5	116	
Unigas		-		-		-			-		

Distribuzione S.r.l.	-		7		-		-	-		-
Ascoblu S.r.l.	16	14,219	-	-	-	-	-	-	0	26
Total	15,498	57,693	590	4,982	1,592	140	256	-	51,289	395
Jointly controller companies										
Veritas Energia S.r.l.	156	4,106	-	-	-	-	-	-	75	56
ASM SET S.r.l.	63	-	38	4,335	-	35	10	-	130	9
Estenergy S.p.A.	90	15,000	-	-	-	-	-	-	21	133
Total	309	19,106	38	4,335	-	35	10	-	226	198
Affiliate companies										
Sinergie Italiane S.r.l.	115	-	-	-	-	-	-	-	533	-
Asco TLC S.p.A.	185	-	12	-	-	732	-	-	255	-
Seven Center S.r.l.	6	-	158	-	302	525	-	-	6	-
Total	306	-	171	-	302	1,257	-	-	794	-
Total	16,120	76,799	983	9,746	1,894	1,606	4,816	-	52,340	593

Implementation of the new plan for the purchase of own shares

On 28th October 2011, the new plan for the purchase of own shares approved by the Shareholders' Assembly on 28th April 2010 was implemented.

According to the provisions and contents of the Plan, no. 2,226,909 ordinary shares were purchased, at an average price of Euro 1.49 each and a total value of Euro 3,318,545. The purchase price was never higher or lower than 10% of the reference price registered by the share in the stock market session previous to every single purchase operation. The purchase operations started on 19th May 2010 and ended on 27th October 2011. They were carried out on the screen-based stock exchange organised and managed by Borsa Italiana S.p.A., on which the company's shares are listed, in accordance with all the relevant laws and regulations.

Pursuant to the current regulations, the Plan allowed the Company to take action in order to control any unusual fluctuation of the listings, and to regulate the trend of the negotiations, especially when connected to abnormal phenomena due to an excessive price volatility or a low liquidity of the exchanges.

Authorisation for a new plan for the purchase and disposal of own shares

The Shareholders' Assembly (first call) was held on 29th November 2011, and it authorized the implementation of a new plan for the purchase and disposal of own shares.

The Assembly shall have to decide whether to authorise the Board of Directors to provide for purchase and disposal acts, in one or more times and on a rotary basis, of a maximum number of ordinary shares of 46,882,315 (as of the date of the resolution), with a par value of Euro 1.00 each, so that the Company does not hold, at any time, a shareholding higher than 20% of its share capital, in accordance with the terms and conditions established by the Assembly, as well as with the applicable laws and regulations.

The Plan is intended to allow the Company to acquire own shares to be used for investment transactions consistent with the strategies of the Company, also by exchanging, in-kind exchanging, transferring, assigning or other disposition of own shares, for the acquisition of shares or stakes or other capital transactions involving the allocation or disposal of own shares. The Plan shall pursue the following objectives: (i) to act in accordance with the provisions in force to stabilize the title and to regularize the development of trading and prices as a result of distortions connected to an excess of volatility or a lack of trading liquidity, (ii) to offer shareholders an additional means for monetizing their investment, (iii) to acquire its own shares to be allocated, where appropriate, to serve future share-based incentive plans reserved for administrators and/or employees and/or collaborators of the Company or other subsidiaries or companies controlled by the parent company.

The authorization establishes that purchase transactions be carried out on the market in accordance with the provisions of art. 144-bis, first paragraph, letters b), c) and d) of the Issuer's Regulations and, thus, in any manner provided for by the regulations in force with the sole exception of public tender offers or public exchange offers. The unit price for the shares will be determined from time to time by the Board of Directors, provided that said price cannot be higher or lower than 10% compared to the reference price recorded by the share in the trading session previous to each operation. The duration of the authorization to perform the purchases is of max. 18 months starting as from the date the Assembly issues said authorization.

The Board of Directors is also authorized to dispose of the own shares purchased without time limits and according to the manner deemed most appropriate, at a price to be determined from time to time by the Board but which shall not (except for certain specific exceptions) be 10% lower than the reference price recorded by the share in the trading session previous to each operation.

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 earning per share is 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:

	FY 2011	FY 2010
Number of shares	234,411,575	234,411,575
Earnings (in thousands of Euro)	6,173,627	21,164,848
Earnings per share (in Euro)	0.03	0.09

Fees

The fees of Administrators and Statutory Auditors are reported below.

Fees of the members of the Board of Directors

Name	Office	Duration of office	From	To	Fees as of 31.12.2011
Beninatto Alfonso	Director	2008-2010	28/04/2008	28/04/2011	
Bortolin Gianantonio	Director	2008-2010	28/04/2008	28/04/2011	
Fassina Alessandro	Independent Director	2008-2010	28/04/2008	28/04/2011	
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	
Salton Gildo	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	
Total					411,852

Fees of Statutory Auditors

Name	Office	Duration of office	From	To	Fees as of 31.12.2011
Nicolai Paolo	President of the Board of Auditors	2008-2010	13.11.2008	28.04.2011	
Sforza Fabio	Statutory Auditor	2008-2010	28.04.2008	28.04.2011	
Saccardi Giuliano	Statutory Auditor	2008-2010	28.04.2008	28.04.2011	
Zancopè Ogniben Giovanni	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	
Total					90,335

Fees of Managers and Directors

Name	Office	Duration of office	Total as of 31.12.2011
Gumirato Roberto	Financial Director	Open-ended contract	
Favaro Giovanni	Technical Director	Open-ended contract	
Belliato Cristiano	Administrative Director	Open-ended contract	
Blgnucolo Giacomo	Management control director	Open-ended contract	
Total			297,242

The details of the fees can be found under the paragraph "Fees of Administrators, Statutory Auditors, Managers and Directors" of the Report of Management of this annual Financial Report.

Fees of the Auditing Company

Pursuant to Article 149-duodecies of the Issuer's Regulations, this item includes the fees received in 2011 for auditing services and for services other than auditing provided by the Auditing company. No services were provided by entity belonging to its network.

Types of services	Service provider	Beneficiary	Fees (thousands of Euro)
Auditing	Reconta Ernst & Young S.p.A.	Ascopiave S.p.A.	173
		Controlled companies	227
Certification services	Reconta Ernst & Young S.p.A.	Ascopiave S.p.A.	3
		Controlled companies	6
Auditing/other services	Reconta Ernst & Young S.p.A.	Ascopiave S.p.A.	12
		Controlled companies	30
Other services	Ernst & Young Financial Business Advisors S.p.A.	Ascopiave S.p.A.	60
Total			511

Commitments and risks

Bank guarantees

As of 31st December 2011, the Group provided the following potential bank guarantees:

Thousands of Euro	
On credit lines (letter of comfort)	231,200
On financial leasing agreements (letter of comfort)	956
On gas supply agreements (letter of comfort)	11,667
On electricity supply agreements (letter of comfort)	7,660
On electricity purchase agreements (letter of comfort)	5,000
On photovoltaic plants realization (letter of comfort)	4,196
Guarantees on credit lines	15,977
On execution of works	2
On UTF offices and regions for taxes on gas	1,415
On UTF offices and regions for taxes on electricity	15
On distribution concession	22,690
On public lighting concession	99
On purchase/sale of shares	2,500
On commercial leasing agreements	17
On conveyance agreements	14
Total	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. in 2011 for an overall amount of Euro 226,877 thousand (Euro 224,087 thousand in 2010).

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 2011 are detailed below, based on a hypothetical increase of 250 basis points and on a hypothetical decrease of 90 basis points of the interest rates applied to the medium-/long-term loan granted by Unicredit Banca during FY 2011.

Granting body	Income Statement 2012	
	+250 basis points	-90 basis points
Unicredit (Loan)	(857)	298

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 857 thousand, or positive for Euro 298 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.

	gennaio	febbraio	marzo	aprile	maggio	giugno	luglio	agosto	settembre	ottobre	novembre	dicembre	
Posizione Finanziaria Netta 2011	(135.491)	(132.289)	(124.970)	(87.314)	(106.907)	(130.032)	(87.314)	(98.432)	(129.439)	(122.824)	(128.444)	(133.534)	
Tasso medio	1,29%	1,13%	1,29%	1,35%	1,45%	1,82%	1,90%	1,57%	1,90%	2,64%	2,34%	1,91%	
Tasso medio maggiorato di 250 basis point	3,79%	3,63%	3,79%	3,85%	3,95%	4,32%	4,40%	4,07%	4,40%	5,14%	4,84%	4,41%	
Tasso medio diminuito di 60 basis point	0,69%	0,53%	0,69%	0,75%	0,85%	1,22%	1,30%	0,97%	1,30%	2,04%	1,74%	1,31%	
PFN ricalcolata con maggiorazione di 250 basis point	(135.779)	(132.543)	(125.235)	(87.493)	(107.134)	(130.299)	(87.499)	(98.641)	(129.705)	(123.085)	(128.708)	(133.818)	
PFN ricalcolata con diminuzione di 60 basis point	(135.422)	(132.228)	(124.906)	(87.271)	(106.853)	(129.968)	(87.269)	(98.382)	(129.376)	(122.762)	(128.380)	(133.466)	Totale
Effetto negativo sul risultato ante-imposte	(288)	(254)	(265)	(179)	(227)	(267)	(185)	(209)	(266)	(261)	(264)	(284)	(2.949)
Effetto positivo sul risultato ante-imposte	69	61	64	43	54	64	44	50	64	63	63	68	708

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Company equal to 60 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 2,949 thousand or positive for Euro 708 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 holds of 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 16, financial receivables 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 to meet 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 related to the expiry of the concessions / licenses for the distribution of gas held by Ascopiave SpA and to a possible early redemption of concessions by the licensing bodies

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

With regard to the most significant regulations issued in the reference period, on 31st March 2011, the Decree dated 19th January 2011 issued by the Ministry for economic Development (Territorial Areas Decree) was published on the Official Gazette. The decree establishes the 177 Territorial Areas (ATEM) for gas distribution and the criteria used to identify them.

Art. 3 of the Territorial Areas Decree contains a provision whereby calls for tenders can only be won through the ATEM's. In this framework, the existing calls for tenders announced by the single municipalities would be blocked, even if they started before the publication of the decree on the Official Gazette.

The regulatory framework will therefore be completed by the following provisions:

- Ministerial Decree for Criteria, containing the criteria to be applied in the calls for tenders;
- Ministerial Decree to identify in which ATEM the different municipalities are located.

On 28th June 2011, Legislative Decree no. 93/11 (implementation of the EC Directives 2009/72/EC and 2008/92/EC,

regarding common provisions for the Gas and Electricity Market) was published on the Official Gazette. The aspects dealt with in art. 24 of the decree are of major importance:

- at the end of the first period of service provision, the outgoing utility will receive a reimbursement for an amount equal to the Regulatory Asset Base;
- for the first assignment of the service provision in the framework of a territorial tender, the amortisation of the difference between the reimbursement (calculated on the basis of the licenses) and the Regulatory Asset Base will be included in the tariff;
- all new tenders will be blocked until the announcement of the territorial tenders.

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, we point out that doctrine and jurisprudence that have dealt with the interpretation of the rules relating to the distribution of gas contained in the Letta Decree have not yet explained if the company owner of the network has, at the expiry date of the concessions and/or licenses, to transfer to municipalities the ownership of the networks. There are differences of interpretation between institutions and licensing bodies as to how to apply the criteria for the quantification of the indemnity to the outgoing operator owner of the network, pursuant to Article 24, paragraph 4, letter. a) and b) the R.D. no. 2578 issued on 15th October 1925 (which states that only the "industrial value" of the plant should be taken into account, and not the loss of profit for the operator after failing to win the concession).

Therefore, upon expiry of concessions and/or licenses, disputes may arise relating to the quantification of the indemnity to Ascopiave S.p.A.; the outcome of such disputes may be unfavourable for the Company, with consequent negative effects on the business, as well as on its economic and financial conditions, that would still operate under the principle of going-concern.

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. The Group's policy is aimed at keeping this ratio between 20% and 35%.

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)	31.12.2011	31.12.2010
Medium- and long-term loans	33,243	2,385
Loans from banks net of equivalents on hand	201,016	91,301
Financial gross debt	234,260	93,687
Share capital	234,412	234,412
Reserves	95,456	99,496
Net profits	6,174	21,165

Total Net Equity	336,041	355,072
Total capital and gross debt	570,301	448,759
Debt/Net equity ratio	0.70	0.26

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 2011

Appointment of Company Director

On 14th February 2012, the Board of Directors of Ascopiave S.p.A., appointed Mr. Enrico Quarello as new company Director. Mr. Quarello was co-opted following Mr. Gildo Salton's resignations, presented on 30th December 2011.

Relationship with the affiliate Sinergie Italiane S.r.l.

On 8th March 2012, the affiliate company Sinergie Italiane S.r.l. approved the draft financial statements as of 30th September 2011.

The draft financial statements were filed at the company's headquarters and made available to the shareholders on 13th March 2012. The draft financial statements, prepared by the Administrators of Sinergie Italiane S.r.l. on a going-concern basis, highlights a loss for the period equal to Euro 92.2 million, and a negative net equity equal to Euro 88.7 million. As highlighted in the report on management, this loss was caused by the establishment of a provision for contractual risks and charges, created following the overall excessive financial burden of natural gas purchase agreements subscribed before the end of the financial year closed at 30th September 2011.

The Shareholders' Assembly of Sinergie Italiane S.r.l. was held on first call on 28th March 2012, and on second call on 4th April 2012 for the approval of the financial statements as of 30th September 2011 and to take the decisions under art. 2482-ter of the Italian Civil Code, as well as to re-elect the corporate bodies.

While these decisions are being taken, the Ascopiave Group, consistently with the results of the affiliate company, proceeded to the impairment of the shares held and to establish a provision of Euro 22.4 million, equal to the exceeding portion of loss, given the commitments the Company had undertaken towards the affiliate.

Litigations

Common litigations

As of 31st December 2011, before the Regional Administrative Court of Veneto, one legal procedure is pending, presented by Ascopiave S.p.A. against certain resolutions taken by a municipal dealer as to the duration of the concession. In this regard, we point out that on 5th March 2011, the Municipality, which was managed by Ascopiave, published a call for tenders on the Official Journal of the European Union for a 12-year gas distribution contract as from 1st January 2012. Upon resolution of the Directors, the Municipality suspended the procedure for the call for tenders until 30th September 2011, and actually reopened it on 29th September 2011. With regard to this resolution, the company Ascopiave challenged the act whereby the Municipality decided to re-open the call for tenders procedure for entrusting the public service of natural gas distribution in its territory. With reference to the other pending litigation, we point out that as of 30th March 2011, the first instance ruling was concluded. The Regional Administrative Court of Veneto dismissed the appeal presented by Ascopiave against the local body/grantor, declaring it partly inadmissible. However, on 14th July 2011, Ascopiave presented another appeal against such decision. As from 1st November 2010, Ascopiave has ceased to manage the Municipality.

As to the litigations regarding tenders, decisions on calls for tenders for the selection of the new operator of the public gas distribution service and assignments to other service providers, as of 31st December 2011, there are four appeals pending before the Regional Administrative Court of Veneto and one before the Council of State. As to the latter, the Council of State issued its judgement on 27th September 2011, ultimately dismissing the appeal lodged by the winner

of the tender and confirming the first instance ruling in favour of Ascopiave. The Municipality shall therefore remain served by Ascopiave until another service provider wins any future tender for territorial areas.

As to litigations concerning orders of delivery of natural gas distribution plants, we point out that on 13th June 2011, the Regional Administrative Court of Veneto issued a final resolution whereby it accepted the appeal filed by Ascopiave. The resolution of the administrative judge is based on the substantiated necessity that the delivery of the plants be carried out only after agreements between the service providers have been reached, so as to ensure - because of the existing interconnection - all the safety guarantees necessary. Following the signing of the agreement regarding the interconnection existing on the plant, Ascopiave delivered the distribution network to the municipality, starting from 1st October 2011, date of the beginning of the new management.

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 Provincial Tax Commission, which set the date of the discussion on 23rd April 2011.

Proposals by the Board of Directors to the Shareholders' Assembly

In spite of the positive result achieved from both the statutory and consolidated points of view, and of the fact that the Group is in a financially stable situation, the Board of Directors of Ascopiave S.p.A. suggested to the Shareholders' Assembly that no dividends be distributed, but that the profits of FY 2011 be allocated to extraordinary reserves, as the legal reserve is already equal to one fifth of the share capital.

Pieve di Soligo, 15th March 2012

The President of the Board of Directors
Dott. Fulvio Zugno

DECLARATION

regarding the Consolidated Financial Statements for the accounting period 2011 pursuant to Article 81-ter, Consob Regulation N. 11971 dated 14 May 1999, subsequent amendments and additions.

1) The undersigned dr. Fulvio Zugno in his capacity as Chairman of the Board of Directors, and dr. Cristiano Belliato, Officer Responsible for preparing the Corporate Financial Reports of Ascopiave S.p.A. hereby certify, pursuant to the guidelines of Article 154-bis, paragraphs 3 and 4, Legislative Decree n. 58, dated 24 February 1998:

- the appropriateness of the Financial Statements with respect to the characteristics of the company, and
- the effective adoption of administrative and accounting procedures in preparing the Consolidated Financial Statements for the period 1 January 2011 –31 December 2011

2) We also declare that:

2.1 the financial statements

- (a) have been written in accordance with IFRS International Accounting Principles adopted by the European Union as well as with the provisions of regulations based on Article 9, Legislative Decree n. 38/2005;
- (b) correspond to the information in the books and other accounting records;
- (c) to our best knowledge, provide a true and fair representation of the performance and financial position of the Issuer and the companies included in the scope of consolidation.

2.2 the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the Issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 15 March 2012

Chairman of the Board of Directors	Officer Responsible for the preparation of Corporate Financial Reports
dr. Fulvio Zugno	dr. Cristiano Belliato

REPORT ON CORPORATE GOVERNANCE AND COMPANY STRUCTURE

in accordance with artt.123 *bis* TUF

Issuer: Ascopiave S.p.a.

Website: www.ascopiave.it

Financial Year of Reference: 2011

Date of approval of Report: 15 March 2012

GLOSSARY	5
1. ISSUER PROFILE	6
2. INFORMATION ON OWNERSHIP STRUCTURE (ART. 123BIS, FIRST PARAGRAPH CONSOLIDATED FINANCE LAW) AS OF 31/12/2011	6
a) Structure of Share Capital	6
b) Restrictions concerning transfer of equities	7
c) Significant share-holdings	7
d) Equities granting special rights	8
e) Employee share participation: exercise of voting rights	8
f) Restrictions to voting rights	8
g) Agreements between Shareholders	8
h) Change of control clauses.....	9
i) Power to increase Share Capital and for purchase of treasury stock	9
l) Management and Co-ordination Activity.....	11
3. COMPLIANCE	11
4. BOARD OF DIRECTORS	11
4.1. APPOINTMENT AND SUBSTITUTION	11
4.2. STRUCTURE	13
4.3. ROLE OF THE BOARD OF DIRECTORS	14
4.4. DELEGATED PARTIES	19
4.5. OTHER EXECUTIVE DIRECTORS	21
4.6. INDEPENDENT DIRECTORS	21

4.7. LEAD INDEPENDENT DIRECTOR	22
5. PROCESSING OF COMPANY INFORMATION	24
5.1. CODE FOR THE TREATMENT OF CONFIDENTIAL INFORMATION AND REGISTER OF INFORMED PERSONS	24
5.2. INTERNAL DEALING	25
6. INTERNAL BOARD COMMITTEES	25
7. APPOINTMENTS COMMITTEE	26
8. REMUNERATION COMMITTEE	26
9. REMUNERATION OF DIRECTORS	27
10. INTERNAL CONTROL COMMITTEE	29
11. INTERNAL CONTROL SYSTEM.....	31
11.1. EXECUTIVE DIRECTOR IN CHARGE OF INTERNAL CONTROL.....	34
11.2. PARTY RESPONSIBLE FOR INTERNAL CONTROL	34
11.3. ORGANISATION MODEL ex Legislative Decree 231/2001.....	35
11.4. EXTERNAL AUDITORS	36
11.5. MANAGER RESPONSIBLE FOR PREPARING COMPANY ACCOUNTING DOCUMENTS	36
12.INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES.....	36
13.APPOINTMENT OF AUDITORS.....	36
14. AUDITORS.....	38
15. RELATIONSHIP WITH SHAREHOLDERS.....	40
16. MEETINGS.....	40

17. FURTHER OPERATIONS OF THE CORPORATE GOVERNANCE.....	42
18. CHANGES SINCE THE END OF THE YEAR IN QUESTION	43
TABLES	43

Table 1: Information on ownership structure

Table 2: Structure of the Board of Directors and Committees

Table 3: Structure of the Board of Auditors

GLOSSARY

Code: The Self-Discipline Code for listed companies approved in March 2006 (and amended in March 2010) by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. (the Italian Stock Exchange). Unless otherwise stated, Principles, Guidelines and Explanatory Notes refer to the 2006 Code.

Code/Self-Discipline Code 2011: the Self-Discipline Code of listed companies approved in December 2011 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Cod. civ./ c.c.: the Italian Civil Code.

Board: The Issuer's Board of Directors.

Issuer: The Issuer of listed shares to which the Report refers.

Year: The Corporate year to which Report refers.

Consob Issuer Regulations: The Regulations issued by Consob under the 1999 resolution no. 11971 (as subsequently amended) relating to issuers.

Consob Market Regulations: The Regulations issued by Consob under the 2007 resolution no. 16191 (as subsequently amended) relating to markets.

Report: The Report on Corporate Governance and Structure that the companies are required to prepare in accordance with Article 123 bis TUF

1. ISSUER PROFILE

The Ascopiave Group works in the field of natural gas, and mainly in its distribution and sale to final consumers.

For the area of its client basin and for the quantities of gas sold, Ascopiave is currently one of the main operators of the sector at national level.

The Group owns the distribution network managed, which extends for more than 8,000.00 kilometres, supplying the service to a customer base of more than one million inhabitants to over 200 municipalities.

The activity of natural gas sale is performed through different companies, some of which are controlled with majority holdings, others are participated at 49% and 51% and on which the Group exercises a joint control with the other shareholders. Totally considered, the controlled and participated companies supply gas to about 850,000.00 final customers.

Thanks to its leading position in the market, since 2007 the Group has also been operating as a gas wholesaler and trader.

Since 12th December 2006, Ascopiave has been listed in the Star segment of the Italian Stock Exchange.

The Issuer is organised according to the traditional administration and control model, as specified under arts. 2380 bis et seq. Civil Code, with the Shareholders' Meeting, the Board of Directors and the Board of Auditors, as well as a separate Auditing Company (external firm).

The Report on Corporate Governance and company structure, which is also published in a separate folder, and the Company Charter, can all be viewed on the Company's website (www.ascopiave.it).

2. INFORMATION on OWNERSHIP STRUCTURES (Art. 123bis, first paragraph Consolidated Finance Law) as of 31/12/2011

a) Structure of Share Capital

Amount (in Euros) of the subscribed and paid in Share Capital: 234,411,575.00

Types of shares making up the Share Capital:

	No. Shares	% of Share Capital	Listed/Not Listed	Rights and Obligations
Ordinary Shares	234,411,575.00	100%	STAR	Each share gives the right to one vote. Shareholders' rights and obligations are specified under articles 2364 of the Italian Civil Code et seq. and the Company Charter.

On 5th July 2006, the Meeting resolved to increase the Share Capital by payment in the form of subscription under public offer for subscription, offering, as an incentive, the assignment of a bonus share.

This incentive specified that those adhering to the Public Subscription Offer and who retained ownership of their shares for at least 12 months, would then have the right to be assigned ‘additional shares’ without further outlay. The Meeting specifies that “The funds necessary to pay for the Additional Shares will derive from a special fixed reserve fund set up specifically for this purpose and as such unavailable for any other use than that specified hereafter, by means of the provision of a part of the total price paid by the subscribers to the Public Offer”.

On 17th January 2008, Mediobanca S.p.A. declared that the number of free shares to be assigned to those with such rights, equalled Euro 1,078 thousands. The increase of the Share Capital in relation to the bonus shares has been reported to the Treviso Company Registry, on 29th January 2008.

On the date of approval of this Report, no rights were assigned to subscribe new issue shares.

b) Restrictions concerning transfer of equities

There are no restrictions concerning the transfer of equities.

c) Significant share-holdings

As of 31st December 2011, own shares held in the Issuer’s portfolio are equal to 10,657,736¹. The significant shares in the Issuer’s capital, according to that resulting from the communications made in accordance with Article 120 Consolidated Finance Law, are as follows:

Declarant	Direct shareholder	% of ordinary equity share capital	% of voting equity ownership interest
Asco Holding S.p.A.	Asco Holding S.p.A.	61.562%	61.562%
Ascopiave S.p.A.	Ascopiave S.p.A.	4.547%(i)	4.547%(i)
Blue Flame S.r.l.	Blue Flame S.r.l.	8.100%	8.100%
Municipality of Rovigo	ASM Rovigo S.p.A.	4.419%	4.419%
Regione Veneto	Veneto Sviluppo S.p.A.	2.090%	2.090%

¹ Including no. 1,975 bonus shares, at a cost of Euro 1.00.

d) Equities granting special rights

No equities have been issued that grant special control rights.

e) Employee share participation: exercise of voting rights

There is no system of employee share holding.

f) Restrictions to voting rights

There are no restrictions concerning voting rights.

g) Agreements between Shareholders

We would like to point out that according to Article 122 of Consolidated Finance Law, on 30th May 2008 a shareholder's agreement amongst the shareholders of Blue Flame S.r.l., which regarded, although indirectly, Ascopiave S.p.A. shares, has been deposited by the Consob and by the company headquarters. On 20th December 2010, the shareholders of Blue Flame Sr.l. stipulated a new shareholder's agreement that wholly replaced the previous one, stipulated on 20th March 2008.

The main aspects of this Agreement are reported below.

Shareholders joining the Agreement

Shareholders	% on Blue Flame S.r.l. equity
Fassina Partecipazioni S.r.l.	37.07%
NEIP II S.p.A – Infrastrutture e servizi	34.17%
Quaternario Investimenti S.p.A.	24.47%
Geo Nova S.p.A.	3.71%
Nord Est Ippodromi S.p.A.	0.59%
Total	100.00%

Contents of the Agreement

The scope is the direct and joint management, through Blue Flame S.r.l., of participation in Ascopiave share capital and the focusing of strategies to be adopted, including increase in capital regarding the implementation of extraordinary operations.

The Company shall contribute to the development of Ascopiave activities, also by appointing a representative of the Board of Directors and Board of Auditors at the moment of re-election.

Pursuant to Article 13 of the Charter, the decisions about voting in Ascopiave S.p.A. assemblies and the purchase of further shares of the same listed company are taken with the majority of six members out of seven of the Board of Directors.

Duration

The Agreement shall last three years. At the date of expiry, on 20th December 2013, if no further Shareholder's Agreement has been stipulated, the Parties shall exercise their voting right in order for the Company Meeting to declare its dissolution and its consequent winding-up.

Admission into and exit from the Company

After one or more Parties notify their exit from the Company, the Parties undertake to create the conditions so as to proceed to a Company spin-off, which must take place within 6 months.

The admission of new shareholders shall take place by a reserve share capital increase, after all the Parties have given their unanimous positive opinion.

Stand Still

During the entire length of the Shareholders' Agreement, each Party undertakes not to buy Ascopiave shares for an overall proportion not exceeding 0.5% of the Company's share capital.

Deposit of the Agreement

The Agreement has been deposited at the Treviso Company Registry in accordance with current regulations.

h) Change of control clauses

The Issuer and its subsidiaries have not drawn up any significant agreements that become effective, are changed or cancelled in the event of a change of control of the contracting company.

i) Power to increase Share Capital and for purchase of treasury stock

The Board of Directors has obtained no powers from Shareholders' Meeting pertinent to the increase of Share Capital.

On 28th April 2010 the Shareholders' Assembly deliberated the adoption of a new Plan for the purchase of own shares (hereinafter referred to as the "2010 Plan").

The 2010 Plan authorized the Board of Directors to set purchase and disposal acts, in one or more times, on rotating base, in order that the company don't hold in any moment a number of ordinary shares higher than 46,882,315.00 or the different number that will represent a portion not higher than the maximum limit of 20% of the capital share, also considering the shares already owned by the Company and those that will be owned each time by the controlled companies and, in any case, respecting the limits established by the law. The shares could be acquired for a length of 18 months from the date of the related deliberation of the Assembly on 28th April 2010.

The Board has also been authorised, in accordance with and pursuant to Article 2357ter Civil Code, to make any provisions, on one or more occasions, with regards to shares held in the portfolio, at any time, and with no time restrictions. The operations available may also be performed prior to having completed all purchases, and may take place on one or more occasions on the market, in blocks or by means of offer to Shareholders, or as payment in the event of exchange, loan, transfer, sale or other Act concerning own shares performed under the purchase of shares or implementation of industrial projects or other extraordinary financial operations that would involve the assignment or arrangement of own shares. In the event of sale, the unitary price may be no less than 10% of the price of reference recorded by the stock exchange during the session prior to each operation.

The 2010 Plan closed on 28th October 2011 and, during its validity period, no. 2,226,909 ordinary shares were purchased at an average price of € 1.49 and for a global counter value of € 3,318,545. Therefore, on the closing date of the 2010 Plan, that is 28th October 2011, the Company held globally no. 10,536,518 ordinary shares, par value € 10,536,518, equal to 4.49% of the share capital.

On 29th November 2011, the Shareholders Assembly resolved that a new Plan for purchasing own shares be adopted (hereinafter also referred to as "The 2011 Plan").

The 2011 Plan authorises the Board of Directors to purchase and transact, in one or more times, on a rotating base, a maximum of 46,882,315 ordinary shares, i.e. the different number that will represent a portion not higher than the maximum limit of 20% of the share capital, also considering the shares already owned by the Company and those that will be owned each time by the controlled companies and, in any case, respecting the limits set by law. The shares could be acquired for a length of 18 months from the date of the resolution of the Assembly dated 29th November 2011.

In accordance with Article 2357, paragraph 1 of the Italian Civil Code, the purchase of own shares is subject to the limits of the distributable earnings and of the available reserves resulting in the financial statement as of 31st December 2010, equal to € 63,409,690.50.

The purchase operations shall start and end in accordance with the timings and deadlines established by the Board of Directors or the CEO. The purchase operations shall take place, in one or more times and on a rotating basis, in accordance with the methods established by the Regulations of the Organised Markets and managed by Borsa Italiana S.p.A.. The transactions may also be performed prior to having completed all purchases, and may take place on one or more occasions and adopting any method appropriate to the goals to be achieved.

The implementation of the plan for the purchase and transaction of own shares will basically allow to perform investment operations consistent with the strategic objectives of the Company, also in the form of exchange, loan, transfer, sale or other Act concerning own shares performed with the aim of acquiring shares or share holdings or for any other operation on the capital that may involve the assignment or transaction of own shares.

Moreover, the plan will allow to:

1. intervene, in accordance with the current regulations, directly or through authorised intermediaries, on the share tendencies in relation to contingent market conditions, thus facilitating exchanges when there is little liquidity on the market, and encouraging regular negotiations;
2. offer the shareholders an additional tool useful for monetising their investment;
3. acquire own shares to be used, if deemed appropriate, in incentive plans based on shares and reserved to directors and/or employees and/or collaborators of the Company or of companies controlled by the parent Company.

The number of own shares as of 31st December 2011 result equal to 10,657,736², equal to 4.55% of the share capital, for a counter value equal to Euro 15,720,434.

l) Management and Co-ordination Activity

Although the Issuer participates in the consolidated taxation attributed to the parent company Asco Holding S.p.A. and although some economic relationships exist with the parent company Asco Holding S.p.A., the Issuer believes not to be subjected to any activity of management and co-ordination according to Article 2497 et seq. Civil Code, since Asco Holding S.p.A. does not give any directive to its subsidiary and since there are no organisation or functional links between the two companies. As a consequence, Ascopiave S.p.A. considers it has always operated in conditions of corporate and business autonomy with the regard to its parent company Asco Holding S.p.A..

We specify that:

- the information requested by Article 123-bis, first paragraph, letter i) (“the agreement between the company and the directors... that provide for compensations in case of resignations or dismissal without a just cause or if their business relationship ends after a public offer of purchase”) are illustrated in the section of the Report dedicated to the remuneration of the Directors (Section 9);
- the information requested by Article 123-bis, first paragraph letter l) (“the norms applicable to the appointment and substitution of the directors...and also changes to the Charter, if different from those legislative and of the regulations applicable in supplementary way”) are illustrated in the section of the Report dedicated to the Board of Directors (Section 4.1).

3. COMPLIANCE

The Issuer has adopted the Code of the listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.. Having acknowledged the amendments made to the Self-Discipline Code in December 2011, the Company is currently compliant with the Code.

The Issuer is not subject to non-Italian provisions of law that influence the Issuer's own corporate governance structure.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND SUBSTITUTION

The dispositions of the Issuer's Charter that regulate the composition and nomination of the Board (Article 14 and 15) are qualified to guarantee the respect of the dispositions introduced by Law 262/2005 (Article 147-ter of TUF) and by Legislative Decree no. 303 dated 29th December 2006.

² Including no. 1,975 bonus shares, at a cost of Euro 1.00.

According to Article 15 of the Company Charter, the members of the Board of Directors are appointed through the so-called list vote on the basis of the lists presented by the shareholders that, alone or with other shareholders, own shares for at least 2.5% of the share capital, i.e., when different, the maximum portion of participation in the share capital required by the law and current regulations to present the lists ("shares in the capital"). The shares in the capital shall be indicated in the summons notice of the Assembly, which shall take a decision on the appointment of the board of Directors.

Article 15 of the Company Charter also states that the lists presented by the shareholders be deposited at the Company Headquarters within the deadline provided for, every time, by the current and relevant regulations.

According to the provisions of Applicative Guideline 6.C.1 of the Code, together with each list, within the afore-stated deadlines, the declarations, with which the single candidates accept the candidature and certify – under their responsibility – the non existence of ineligibility and incompatibility causes, and also the possession of the requested data previewed by the Normative applicable each time must be published. The first candidate of each list must own the requirements of independence previewed by Article 148.3 of Legislative Decree dated 24th February 1998, n. 58 (and subsequent amendments) and by the codes of behaviour drawn up by management companies of the market which the Company accepted.

After the vote of the assembly, if two or more lists have been presented, the first four candidates of the list that will obtain the higher number of votes and the first candidate of the list that will result second for number of votes will be elected.

The appointment mechanism through the so-called list vote guarantees transparency, as well as rapid and adequate information on the personal and professional characteristics of the candidates.

As of the date of the report, the Board still hadn't set up an internal committee for the proposals of appointment, because it did not judge it necessary. This choice is dictated by the fact that the current and applicable regulatory dispositions and the provisions of the company Charter – such as, in particular, the appointment mechanism through the list vote- attribute adequate transparency to the procedure of selection and indication of the candidates.

If during the financial year, for whatsoever reason, one or more directors taken from the list that obtained the highest number of votes ("Majority Directors") is out, and despite this the majority still holds, the Board will substitute the missing Majority Directors through co-optation, in accordance with Article 2386 C.C., it being understood that if one or more missing majority Directors are Independent directors, other independent directors must be co-opted. The directors thus remain in charge till the following Assembly, that will confirm their appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system previously indicated.

If during the year, for whatsoever reason, one or more directors taken from the first list that obtained the second highest number of votes ("Minority Directors") is out and despite this the majority still holds, the Board will substitute the missing Minority Directors with the first non-elected candidates part of the same list, only if they are still eligible and willing to accept the post, or, if defecting, to the first list following for number of votes between those that achieved a number of votes equal to at least the minimum threshold envisaged in paragraph 15.10 of the Charter. The term of the substitutes elapse along with the directors in charge at the moment of their joining the Board, as an exception to the provisions set forth in Article 2386.1, Civil Code; in the event one or more missing Minority Directors are independent directors, they have to be substituted with other independent directors; if it is not possible to proceed with the afore-stated terms, for insufficient choice on the lists or for the non-availability of the candidates, the Board shall proceed with co-optation, in accordance with Article

2386 of C.C., of a director chosen by the Board, pursuant to law, in order to respect the legal and regulatory prescriptions related to the presence of the minimum number of independent directors and also, if possible, the principle of minority representation. The director thus co-opted will remain in charge till the following Assembly, that will confirm their appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system.

4.2. STRUCTURE

In accordance with Article 14 of the Company Charter, the Board of Directors comprises five (5) members, who need not necessarily be Shareholders, appointed by the Meeting. The members of the Board of Directors remain in charge for three financial years, and their term expires at the date of the Meeting called to approve the Financial Statement relating to the last year of their office. The members of the Board of Directors may be re-elected.

The Ascopiave Board of Directors, appointed during the Meeting of 28th April 2011, currently comprises 5 (five) members who will remain in charge until the date of the Meeting summoned to approve the Financial Statement relating to the year ended 31st December 2013. During the Meeting, 3 (three) lists were submitted, which have no link whatsoever with each other.

The Directors, except Massimino Colomban, have been taken from the list presented by the majority shareholder Asco Holding S.p.A.. The Director Massimino Colomban has been taken from the minority list no.3 presented by the shareholder Blue Flame S.r.l..

The summary of the presented lists and the voting results is reported below:

PRESENTING PARTY	LIST OF CANDIDATES	LIST OF ELECTED CANDIDATES	% VOTES OBTAINED IN RELATION TO VOTING EQUITY OWNERSHIP INTEREST
List no. 1 Asco Holding S.p.A.	1. Fulvio Zugno 2. Dimitri Coin 3. Giovanni Bernardelli 4. Gildo Salton	1. Fulvio Zugno 2. Dimitri Coin 3. Giovanni Bernardelli 4. Gildo Salton	76.907%
List no. 2 ASM Rovigo S.p.A.	1. Giovanni Salvaggio 2. Giuseppe Traniello Gradassi 3. Luigi Frezzato 4. Antonio Milani 5. Paolo Scalabrini	No elected candidate	6.479%

List no. 3 Blue Flame S.r.l.	1. Massimino Colombari 2. Simone Furian 3. Alessandro Fassina 4. Fabio Biasuzzi	1. Massimino Colombari	16.612%
---	--	------------------------	---------

As of 30th December 2011, the Director in charge Gildo Salton presented his resignation from this office and, on 14th February 2012, in compliance with the Company Charter in force, the Board of Directors appointed through co-optation Mr. Enrico Quarello as the new Director, who will be in charge until the next Shareholders' Meeting, which shall decide his possible confirmation in the position.

For the detailed composition of the Board of Directors, see Table 2, attached to this Report.

The Directors' professional curriculum vitae are filed at the company's headquarters and available on the Issuer's institutional website www.ascopiave.it under the Investor Relations section.

Maximum accumulation of offices held in other companies

The Board has not deemed it necessary to define any general guideline regarding the maximum number of administrative and control functions held in other companies that can be deemed compatible with an efficient implementation of the role of director of the Issuer, without prejudice to the requirement of each Director to evaluate the compatibility of the position of director and auditor held in other companies listed in regulatory markets, financial companies, banks, insurance brokers, or companies of significant size, with the diligent fulfilment of the tasks accepted as Director of the Issuer.

During the meeting held on 16th March 2011, the Board evaluated the offices currently held by its Directors in other companies, and deemed that the number and type of office held does not interfere and is, as such, compatible with an efficient fulfilment of the office of Director in the Issuer.

A list of the companies in which each Director holds administrative or control offices is attached to this report (Table 2), highlighting whether or not the company in which the office is held belongs to the group to which the Issuer belongs.

4.3. ROLE OF THE BOARD OF DIRECTORS

In accordance with the provisions set forth in Principle 1.P.1 of the Self-Discipline Code, on 24th July 2006, the Company's Board of Directors resolved to meet at least once a quarter, failing any further need or urgent situation.

During the year, 19 (nineteen) meetings of the Board of Directors were held on the following dates: 28th January 2011; 23rd February 2011; 16th March 2011; 5th April 2011; 6th May 2011; 12th May 2011;

24th May 2011, 10th June 2011; 21st June 2011; 27th June 2011; 8th July 2011; 19th July 2011; 2nd August 2011; 29th August 2011; 30th September 2011; 21st October 2011; 14th November 2011; 2nd December 2011; 19th December 2011.

Board meetings lasted an average of over two hours.

As of today, since the beginning of 2012, 6 (six) Board Meetings have already been held on the following dates: 24th January 2012, 14th February 2012, 22nd February 2012, 27th February 2012, 6th March 2012, 15th March 2012 (approval of the draft of the financial statement and of the consolidated financial statement for the year ended 31st December 2011).

The 2012 calendar of the main company events (already sent to the market and to Borsa Italiana S.p.A. in accordance with regulatory provisions) includes 3 (three) further meetings on the following dates:

- 14th May 2012 – approval of the Quarterly Report as of 31st March 2012;
- 27th August 2012 – approval of the Half year Report as of 30th June 2012;
- 13th November 2012: approval of the Quarterly Report as of 30th September 2012.

In the course of 2011, the Corporate Affairs Department, compatibly with the organisation needs and the content of the discussed topics, and in order to guarantee thorough and timely pre-meeting information, transmitted the support documents for the meeting of the Board at least two working days before the scheduled date.

During 2011, according to the discussed topics, Ascopiave S.p.A. employees and consultants were invited to attend the Board of Directors Meetings for opportune analyses.

The Board of Directors plays a primary role in the Ascopiave system of Corporate Governance, in that it determines the company's strategic goals and those of the subsidiaries belonging to the Group it heads, ensuring that they are achieved. Furthermore, the Board of Directors is also significantly involved in the correct management of company information and relations with shareholders. To this end, Article 19 of the Company Charter invests the Board of Directors with broad powers for administration of the Company, with no exceptions, and grants it the faculty to perform all the actions which it deems appropriate or useful to reach the Company objectives, excluding only those actions that the law reserves to the Shareholders' Meeting.

Moreover, and again in accordance with Article 19 of the Company Charter, the Board of Directors shall be exclusively responsible for all resolutions to be taken in compliance with Article 2436 Civil Code,

concerning:

- mergers or spin-offs in accordance with arts. 2505, 2505bis, 2506ter, Civil Code;
- creation and closing of secondary branches;
- transferral of company headquarters within Italy;
- specification of which Directors shall act as legal representatives;
- decrease of company capital in case of recession of partners;
- amendments to the company charter to comply with the law,

without prejudice to the fact that such resolutions can, in any case, also be made by the Shareholders' extraordinary meeting.

In applying Guideline 1.C.1 of the Self-discipline Code, on 24th July 2006 the Board of Directors resolved

that their exclusive responsibilities shall include:

- the examination and approval of the strategic, industrial and financial plans of the Issuer and of the Group it heads, the Issuer's own system of Company governance and the structure of the Group itself;
- evaluation of the suitability of the organisational, administrative and general accounting structure of the Issuer and subsidiaries with strategic relevance drawn up by the Managing Directors, with specific reference to the Internal Control system and the management of conflicts of interest;
- the assignment and revocation of the delegations to the Managing Directors, defining relevant limits and methods of execution;
- to determine, having examined the proposals made by the specific committee and heard the opinion of the Board of Auditors, the Managing Directors' compensation and that of the other Directors holding specific offices, as well as, where the Meeting has not so resolved, the subdivision of the total compensation due to Board members;
- the evaluation of the general management trend, taking specific account of the information received by the appointed bodies, and periodically comparing the results obtained with those forecast;
- the acquisition of companies and shares and merger or spin-off operations or other extraordinary operations of strategic, economic, equity or financial importance for the Issuer.

Ascopiave holds that it complies, by means of a non-formalised operative praxis, with the provisions contained in Principle 1.P.2 of the Self-Discipline Code in relation to the obligation of the members of the Board of Directors to act and deliberate independently and appropriately with the objective of creating value for shareholders.

During the year, and in line with the Application Guideline 1.C.1. letter b), the Board has evaluated, on a six month basis, the suitability of the organisational, administrative and general accounting structure of the Issuer, with specific reference to the Internal Control system and management of conflicts of interest, in accordance with the procedures adopted by the Issuer for that purpose. With regard to these activities, as need may dictate, the Board shall make use of the support offered by the Internal Control Committee, by the Internal Control Supervisor, the auditing company and the Director Responsible for preparing company accounts, as well as the procedures and checks implemented in accordance with Law no. 262/2005.

Regarding Directors' compensation, the Board Meeting held on 28th April 2011, pursuant to Article 2389, paragraph 1 of the Civil Code, has deliberated on an annual fee of Euro 280,000.00 (two hundred eighty thousand/00) for the Board of Directors, notwithstanding the competence of the Board to determine a further fee for those directors who have particular functions, in accordance with the Charter, pursuant to Article 2389, paragraph 3 of the Italian Civil Code³.

³ With regard to the Board of Directors in office until 28/04/2011, the Shareholders' Meeting had fixed an overall annual fee of Euro 350,000 until term of office elapses.

The fees for each individual Director, the Chairman and the Executive Director have, instead, been decided by the Board, upon proposal of the Remuneration Committee and having heard the opinion of the Board of Auditors.

In line with the Application Guideline 1.C.1. letter e), the Board has evaluated, on at least a quarterly basis, the general trend of management, taking into account all information received from the delegated bodies, and periodically comparing the results obtained with those forecast.

Following Issuer listing and resolutions consequently made by the Board during the meeting on 24th July 2006 regarding the division of the management tasks of the administrative body, the Board shall have the exclusive task of examining and advance approving operations by the Issuer and its subsidiaries, when these operations are of significant strategic, economic, equity or financial importance for the Issuer itself.

On 24th November 2010, the Board approved the text of the Code on Related Parties Transactions (hereinafter referred to as the "Code"), which governs the competencies of company bodies in terms of execution of Related Parties Transactions, performed either directly or through subsidiaries, in accordance with the provisions set forth in the Regulatory Norms adopted by Consob with resolution no. 17221 on 12th March 2010 and further amendments ("Regulatory Norms") in compliance with Article 2391-bis of the Italian Civil Code.

The Code came into force as of 1st January 2011. It replaces the previous regulations governing Related Parties Transactions approved by the Board on 11th September 2006 (subsequently modified).

In compliance with the reference standards, any Operation with a Related Party is defined in the new Code as any transfer of resources, services or obligations between Related Parties, regardless of whether or not a compensation has been agreed upon. These operations include: (a) merger transactions, spin-off by incorporation or strictly non-proportional spin-off, if performed with Related Parties; (b) any decision on the allocation of compensation and economic benefits, in whatever form, for members of the administrative and control bodies and managers with strategic responsibilities.

A party is a "Related Party" of a company if it:

- (a) directly or indirectly, including through subsidiaries, trustees or intermediaries:
 - (i) 1) controls the company, 2) is controlled by or 3) is subject to joint control;
 - (ii) holds a stake in the company which enables it to exert significant influence over the company;
 - (iii) exercises control over the company jointly with other parties;
- (b) is an associate of the company;
- (c) is a joint venture in which the company is a participant;
- (d) is a manager with strategic responsibilities of the company or its parent;
- (e) is a close relative of a party referred to in paragraphs **Errore. L'origine riferimento non è stata trovata.**(i)1), (a)(ii), (a)(iii) or **Errore. L'origine riferimento non è stata trovata.**;
- (f) is an entity in which a person referred to in paragraphs (d) or (e) exercises control, joint control or significant influence or owns, directly or indirectly, a significant portion, but not less than 20%, of voting rights;
- (g) is a supplementary pension fund, collective or individual, Italian or foreign, (i) established for the employees of the company, or of any other entity associated with it, that is (ii) on which the Company exercises significant influence.

The new Code of Related Parties Transactions approved by the Issuer defines the guideline (quantitative and/or qualitative) that governs the identification of the operations reserved for the examination and approval of the Board. The main definitions and provisions are reported below:

"Small Amount Transactions" excluded from the application of the Code: Related Parties Transactions in which the likely maximum consideration amount or the likely maximum amount of the fee charged to the company does not exceed, for each transaction:

- (a) 100,000.00 Euro/year for Transactions with Related Parties who are individuals, also in case of Transactions with Related Parties performed with the same Related Party, homogeneous or performed in the framework of a unitary plan, considered cumulatively;
- (b) 500,000.00 Euro/year, for Transactions with Related Parties who are legal persons, also in case of Transactions with Related Parties conducted with a same Related Party which are a series of related or similar transactions or implement a single project, considered cumulatively;

Transactions of Greater Relevance: operations in which at least one of the following indexes of relevance – which are applicable according to the specific transaction type – is greater than 5%:

- (a) Value relevance index: it is the ratio between (i) the transaction value and (ii) either the net worth taken from the most recent balance sheet published by the company or, if higher, the company's capitalization measured at the close of the last open market day included in the reference period of the most recent periodic accounting document published (annual or semi-annual financial report or interim report). If the economic conditions of the transaction are determined, the transaction value is
 - (i) for the cash components, the amount paid to/by the contractual counterparty;
 - (ii) for financial instruments, the fair value determined, on the transaction date, in compliance with the international accounting principles adopted with the Set of Rules (CE) no.1606/2002;
 - (iii) for the transactions involving financing or the granting of guarantees, the maximum amount that can be paid.

If the transaction economic conditions depend in whole or in part on magnitudes which are not yet known, the transaction value is the maximum receivable or payable value under the agreement;

- (b) Assets relevance index: it is the ratio between the total assets of the entity concerned by the transaction and the total assets of the company. The data to be used must be taken from the most recent balance sheet published by the company; if possible, similar data must be used to determine the total assets of the entity concerned by the transaction. For the transactions involving the acquisition and transfer of shareholdings in companies that have an impact on the consolidation, the numerator value is the total assets of the partially owned company, regardless of the capital percentage concerned. For transactions involving the acquisition or transfer of shareholdings in companies that do not have an impact on the consolidation area, the numerator value is:

- (i) in the case of acquisitions, the transaction value increased by the liabilities of the target company possibly assumed by the purchaser;
- (ii) in the case of transfers, the consideration paid for the assets transferred.

For transactions involving the acquisition or transfer of other assets (other than the acquisition of shareholdings), the numerator value is:

- (i) in the case of acquisitions, the highest value between the consideration value and the accounting value assigned to the asset;

-
- (ii) in the case of transfers, the accounting value of the asset;
 - (c) Liabilities relevance index: the ratio between the total liabilities of the target entity and the total assets of the company. The data to be used must be taken from the most recent balance sheet published by the company; if possible, similar data must be used to determine the total liabilities of the company or of the business unit acquired.

They are approved with the prior reasoned and non-binding recommendation of a committee, composed of three Non-Executive and Unrelated Directors most of whom are Independent, on the interest of the Company in the transaction execution, as well as on the convenience and on the substantial correctness of the transaction conditions. The board of directors can approve a Transaction of Greater Relevance, despite a contrary opinion of the Independent Directors, provided that the ordinary shareholders meeting authorizes the transaction's execution and that such meeting resolves by the quorums envisaged by law.

Transactions of Lesser Relevance: Related Parties Transactions other than Transactions of Greater Relevance and Small Amount Transactions. They are approved with the prior reasoned and non-binding recommendation of a committee, composed of three Non-Executive and Unrelated Directors most of whom are Independent (Compensation Committee or Internal Control Committee, depending on the scope of application of the operation).

Ordinary Transactions: Related Parties Transactions that: (a) belong to the ordinary operating activity or the related financial activity of the company; and (b) are conducted under conditions (i) which are similar to those usually applied to unrelated parties for transactions of corresponding nature, scope and risk, (ii) which are based on regulated rates or on imposed prices, or (iii) which correspond to those applied to parties for which the law requires the company to enter into agreements with a set consideration.

On 6th May 2011, the Issuer Board performed an annual evaluation in accordance with application guideline 3.C.1, of the Code, stating that the structure and functioning of the administrative board is suitable with reference to the management and organisational requirements of the Issuer, also taking into account the presence, out of a total of five members, of three non-executive Directors, of which two independent non-executive Directors, thereby guaranteeing a suitable structure of the Committees constituted within the Board.

The Meeting did not authorise any exceptions to the prohibition of competition as specified by Article 2390 Civil Code.

4.4. DELEGATED PARTIES

Managing Directors

By resolution dated 27th June 2011, the Company's Board of Directors, appointed during the meeting held on 28th April 2011, resolved to grant the Chairman of the Board of Directors, Fulvio Zugno, all powers relating to the ordinary administration of the Company, with the exception of those reserved by Law and/or by the Company Charter to the Board of Directors or Shareholders' Meeting.

In the second half of 2011, the Board of Directors of the Company, in order to avail of opportunities to further enhance the governance system of the Company and the Group and to guarantee in the

meantime a constant adherence to the reference best practice, has implemented a revision process of the organisation structure aimed at defining a new distribution of powers of the top management, which envisages an accrued segmentation of responsibility levels peculiar to the functions of policy, management and control of the Company and the Group, avoiding the concentration of management and control roles in the same person. The market shall be informed of this evolution of the corporate governance system, promoted by the Board currently in office, once it is defined and resolved by the corporate bodies. This represents a novelty with regard to the Board once in office.

In the past, the Board of Directors appointed by the meeting held on 28th April 2008, had resolved, on 14th May 2008, to grant Mr. Gildo Salton, who was Chairman at the time, all powers relating to the ordinary administration of the Company, with the exception of those reserved by Law and/or by the Company Charter to the Board of Directors or Shareholders' Meeting.

Those powers had been held by Mr. Gildo Salton even after his appointment as Director General, decided at the end of January 2011.

In fact, the previous Board of Directors, on 28th January 2011, had resolved the revocation of the proxies granted to Mr. Gildo Salton on 14th May 2008 and had granted them again to Mr. Gildo Salton, as Director General. Moreover, on 28th January 2011, the proxies concerning the strategic, industrial and financial planning of the Company had been assigned to Mr. Gildo Salton as well.

On 19th July 2011 the Company terminated for just cause its relationship with Mr. Salton, questioning also the validity and effectiveness of the contract as Director General, as well as the nature of the relationship itself. Mr. Salton has contested the legitimacy of the termination/dismissal and a dispute is pending at the Court of Treviso. For further information see the Report on Remuneration drafted in compliance with Article 123-ter of the Consolidated Finance Law.

Chairman

The Chairman of the Board:

- a) is responsible for the majority of the Issuer management (chief executive officer) and
- b) is not the controlling shareholder of the Issuer

Information to the Board

In accordance with what specified by Article 19.5 of the Company Charter, the delegated parties report on at least a quarterly basis to the Board of Directors and Board of Auditors as to their work, general management trends, foreseeable evolution and the most economically, financially and equity important operations performed by the Company and its subsidiaries. Specifically, the Chairman provides information as to the operations in which he has an interest on his own behalf or that of third parties.

In line with Application Guideline 2.C.2., during the meeting held on 24th July 2006, the Board of Directors resolved that the Chairman shall provide information with regards to the main legal and regulatory news that concern the normative framework in which the Company operates, as well as the exercise of the functions of the company bodies, in the Board meeting that immediately follows the date on which he becomes aware of such news.

4.5. OTHER EXECUTIVE DIRECTORS

Mr. Gildo Salton, until 27th June 2011, was granted with all powers related to ordinary administration of the Company, with the exception of those reserved by Law and/or by the Company Charter to the Board of Directors or Shareholders' Meeting. On 30th December Mr. Salton resigned from the office of Board Director.

4.6. INDEPENDENT DIRECTORS

The non-executive Directors and Independent Directors are, in terms of number and authority, such as to guarantee that their judgement can have significant influence on the Issuer's board resolutions. The non-executive Directors and Independent Directors shall bring their specific competencies to board discussions, contributing to the decision-making process in accordance with the Company interests.

The number of Independent Directors (2 out of a Board of 5 members) is appropriate, both on the basis of specifications in Article IA. 2.10.6 of the Stock Exchange Instructions, and in relation to the size of the board and the activities of the Issuer. Furthermore, this is sufficient to the constitution of the committees within the board that the Company has deemed appropriate to adopt.

In the meeting held on 6th May 2011, the Board of Directors evaluated the existence of the requirements of independence of the Independent Directors currently in office, as specified by Principle 3.P.2. and in line with the Application Guideline 3.C.4.

In performing such evaluations, the Board of Directors adopted the Application Guideline 3.C.1. and 3.C.2. as specified by the Code. The Independent Directors are, as such, in possession of the independence requirements listed in Article 148, 3rd paragraph, letters b) and c) of the Consolidated Finance Law, in as much as none:

- (i) control the Issuer, directly or indirectly, even through subsidiaries, fiduciary companies or on behalf of third parties, nor are able to exercise undue influence;
- (ii) participate, directly or indirectly, in any company agreement where one or more subjects may exercise control or significant influence on the Issuer;
- (iii) is, or in the previous 3 fiscal years was, an important party (by such, meaning Chairman, legal representative, Chairman of the Board of Directors, and executive Director or Manager with strategic responsibility) of the Issuer or of a holding with strategic relevance or of a company under common management with the Issuer or of a company or body which, even with others, through a representational company agreement, controls the Issuer or is able to exercise significant influence;
- (iv) has, or had during the previous year, directly or indirectly (e.g. through subsidiaries or companies of significance in the sense specified by the previous point (iii), or as partner of a professional studio or consultancy company) significant commercial, financial or professional relations, or subordinate working relations: (a) with the Issuer, with a subsidiary, or with one of its partners, in the sense specified by the previous point (iii), (b) with a subject that, even jointly

-
- with others, through a representational company agreement , controls the issuer or given that it is a body or company with the partners, in the sense specified by the previous point (iii);
- (v) without prejudice to what specified under the previous point (iv), holds any independent or subordinate working relations, or other relations of an economic or professional nature such as to compromise independence: (a) with the Issuer, with one of its holdings or parent companies, or with the companies subject to common management; (b) with the Issuer Directors; (c) with subjects that are married or related up to the fourth level with the Company's Directors as under the previous point (a);
 - (vi) receives or has received in the previous 3 fiscal years from the Issuer or from a holding or subsidiary a significant additional fee in addition to the fixed fee as non-executive Company Director including participation in incentives linked to company performance even based on shares;
 - (vii) has been a Director of the Issuer for more than nine years during the last twelve years;
 - (viii) holds the office of Executive Director in another company in which an Executive Director of the Issuer holds an office of Director;
 - (ix) is a member of the board of a company or of one in the network of companies tasked with the auditing of the Issuer's accounting;
 - (x) is a close family member of a person who find themselves in any of the situations as specified under the previous points and, in any case, is a husband, wife, relative or similar within the fourth grade of the Issuer Directors of the subsidiaries, of the companies controlling it and those subject to common management.

During the meeting held on 6th May 2011, the Board of Auditors verified the correct application of the guideline and procedures adopted by the Board to evaluate the independence of its members, and the results of this control will be explained in the Auditors' report at the meeting in accordance with Article 2429 Civil Code.

The independent administrators never met themselves during the year in the absence of the other administrators as no other circumstance demanding the necessity of these reunions occurred. There are various reasons that contributed to the non-convocation of special reunions of the independent administrators. For example, the fact that the administrators have always received with large advance all the necessary information for their effective, deep and not formal participation to the reunions of the Board of Directors was determining. This permitted the timely formulation of eventual relieves on the opportunity and correctness of each single proposed decision. Furthermore, the adoption of the Code on Related Parties Transactions, its punctual application, the previous declaration, during the opening of the Board's works, of the eventual existence of conflicts of interests according to article 2391 of Civil Code and the subsequent abstention of the administrators in conflict, are symptomatic elements of a correct *modus operandi* that guarantees the absence of conflicts of interest and explains the reason why the necessity of facing these problems without the presence of the so-called not-independent administrators never appeared during the financial year.

4.7. LEAD INDEPENDENT DIRECTOR

The Board of Directors in charge until 28th April 2011, had appointed during the meeting of 23rd July 2008 Mr. Flavio Trinca as Lead Independent Director, because, in line with the Application Guideline 2.C.3. of the Code, Mr. Gildo Salton, who was the Chairman at the time, held the main responsibility for the management of the company, as he was also the CEO and, since 28th January 2010, the General Manager of the Company.

Following the renewal of the management body, during the shareholders' meeting held on 28th April 2011, the new Board of Directors did not appoint a new Lead Independent Director, since, until the termination of the business relationship with the General Manager, the Chairman of the Board of Directors did not hold the main responsibility for the management of the firm nor did he control the Company.

With the termination of the business relationship with the Director general, during the process of reorganisation of its governance structure, the Company has appointed the Chairman Fulvio Zugno as CEO, granting him the related powers.

The Board, however, did not deem it necessary to identify a Lead Independent Director among the members of the Board due to structural elements of corporate governance which occurred during 2011. Specifically, these elements are the limited number of members of the management body (5 directors including 2 independent directors) combined with a significant involvement in the processes of policy, management and control related to the new Board of Directors which, since its appointment, has held 21 meetings. Even if the power system is concentrated in the Chairman and the CEO, the Board entered the corporate management with investigation, evaluation and decision-making activities taken in collective form.

For this purpose, the Chairman has guaranteed, through the Corporate Affairs Department, a defence for the operating procedures aimed at ensuring full and timely pre-meeting and meeting information.

In the light of these elements, we consider that the actual functioning of the Board of Directors implemented in the reference period, has allowed to guarantee a substantial coordination of the requests and contributions of the non-executives directors and, in particular, independent directors.

5. PROCESSING OF COMPANY INFORMATION

5.1. CODE FOR THE TREATMENT OF CONFIDENTIAL INFORMATION AND REGISTER OF INFORMED PERSONS

The Self-Discipline Code states that the Directors and Auditors must keep all documents and information acquired whilst performing their tasks, confidential, and comply with the procedure adopted by the Company for the internal management and external communication of such documents and information.

In accordance with this behaviour, and in compliance with the provisions of Article 114, first and twelfth paragraphs, and 115-bis of the Consolidated Finance Law, and arts. 66 et seq. and 152-bis et seq. of the Issuer Regulations, on 11th September 2006, the Board of Directors approved the adoption of a behaviour code concerning confidential information (the **'Code for the treatment of confidential information'**), and the institution of a specific register of persons who, due to the working or professional activities performed, or offices held, have access to confidential information (the **'Register of Informed Persons'**).

By resolution dated 11th September 2006, in accordance with what previously resolved, the Board approved the Code for the treatment of confidential information and the institution of the Register of Informed Persons, with effect as from the date of the relevant resolution. The code text approved by the Company first includes the obligation for the Company Directors and all those who, due to their working or professional activities, have access to confidential information concerning the Issuer or companies controlled by such (the **'Informed Persons'**) to keep such information confidential. The code sets out a specific procedure aimed at governing the ways and terms in which the confidential information concerning the Company is to be communicated to the market, in compliance with applicable regulations and provisions of law.

The procedure also states that Ascopiave's Chairman of the Board of Directors shall take responsibility for the management of Confidential Information concerning the Company or Subsidiaries, as well as relations between the Company and institutional investors. Specifically, Ascopiave's Chairman of the Board of Directors approves the communication sent to his attention by the Contact person and, generally speaking, the management of relations with the press and institutional investors.

The Contact person, appointed by the Board of Directors, shall deal with relations with information bodies and prepare the drafts of communications about Confidential Information concerning the Company or Subsidiaries, ensure correct fulfilment of obligations to inform the market, and, in accordance with the methods set out by the Issuer Regulations and the Stock Exchange Regulations, as well as by the 'Code for the treatment of confidential information', release any communications relating to the Confidential Information, approved by Ascopiave's Chairman of the Board of Directors.

The communication obligations outside the Confidential Information must be met by means of press releases to the market, and, where deemed appropriate or fitting, making reports and documents available. Communication to the public of Confidential Information takes place by means of press releases to be prepared and transmitted in accordance with the methods specified by the Stock Exchange Regulations (see article 2.7.1 of the Stock Exchange Regulations).

In compliance with what specified under principle no. 7 of the Guide for Information to the Market and the recommendations formulated on this point by Consob, the Company shall publish, through the Contact person, on its website and preferably in the English language (i) the Charter, (ii) the

financial statement and consolidated financial statement of the year, (iii) the half-year and quarterly reports, (iv) the information released to the market and all documentation distributed during meetings with market operators, (v) the Behaviour Code governing internal dealing.

The Code also sets out the institution of the Register of Informed Persons and governs the ways by which it should be filled in and updated, in compliance with that specified by Article 115 bis of the Consolidated Finance Law. Data concerning those recorded in the Register of Informed Persons will be kept for a period of 5 years as from the date on which the circumstances arose that meant said person was to be recorded in the Register of Informed Persons, or the updating of his related data.

5.2. INTERNAL DEALING

In accordance with the provisions of Article 114, seventh paragraph of the Consolidated Finance Law and arts. 152sexies et seq. of the Issuer Regulations, on 24th July 2006 the Board of Directors resolved to adopt a behaviour code with regards to internal dealing (the **'Code for Internal Dealing'**), which identifies the so-called 'Significant Parties', and governs the way by which communication of operations made by such concerning shares issued by the listed company or other related financial instruments, must be communicated to Consob and the public. On 11 September 2006, the Board approved the text of the Code for Internal Dealing (http://www.ir.ascopiave.it/file_upload/10340_Codicecomportamento.pdf), which specifies the ways by which the Significant Parties (i.e. those parties required to communicate any operations on Company shares or financial instruments) must make such communications to the Company itself and/or Consob. In compliance with what set out by Article 2.2.3 paragraph 3, letter p), the Code also prohibits the significant parties to perform operations on Company shares and/or financial instruments during the so-called blackout periods, i.e. during the 30 calendar days prior to communication to the public of approval of the draft financial statement and half-year report, and during the 15 calendar days prior to approval of the quarterly reports.

In implementing the provisions of the Code for Internal Dealing and the Code of Confidential Information, and in accordance with Article 2.6.1, chapter 2.6 of the Stock Exchange Regulations, the Board of Directors appointed Ms. Valentina Sandri as Information Officer and Mr. Edo Cecchinel as her alternate, assigning them the task of complying with all provisions of law and regulations as expected of the afore-specified Information Officer, with specific reference to the matters of internal dealing and communication of confidential information, as well as the provisions relating to the communications to the market as per Chapter 2.6 of the Stock Exchange Regulations and, more generally, the provisions of the Code for Internal Dealing and the Code for the Treatment of Confidential Information. Subsequent to the resignation of Ms. Valentina Sandri, effective from 13th January 2012, the Board appointed Mr. Cristiano Ceresatto as Information Officer on 24th January 2012, confirming Mr. Edo Cecchinel as his alternate.

6. INTERNAL BOARD COMMITTEES

Within the Board, the Compensation Committee and the Internal Control Committee have been established.

7. APPOINTMENTS COMMITTEE

Given the size of the Company and the limited number of members of the control and administration bodies, the Company has not deemed it necessary to set up an appointments committee, leaving the task of identifying the most suitable persons for the execution of varying tasks within the Company's corporate governance bodies, to the Board of Directors as a whole.

8. REMUNERATION COMMITTEE

In accordance with Principle 7.P.3 of the Code, the Company's Board of Directors has set up an internal Compensation Committee.

Composition and functionality of the compensation committee

In accordance with what specified by the Self-discipline Code, the Compensation Committee comprises non-executive Directors, most of whom are independent, and has the task of formulating proposals for the Board of Directors, in the absence of those directly involved, for the compensation of the Managing Directors and those holding particular offices, as well as, upon request made by the Managing Directors, determining guideline for compensation of Company top management, including any stock option plans or allocation of shares.

The Compensation Committee comprises 3 (three) members.

Until 28th April 2011, the Committee comprised the non-executive Director Alfonso Beninato, as Chairman, and the independent Directors Flavio Trinca and Alessandro Fassina.

In compliance with Principle 7.P.3 of the Self-Discipline Code, the Director Mr. Flavio Trinca, chartered accountant, registered Accounting Auditor, has a significant experience in accounting and finance, thanks to his profession and the experience accrued as Director and Auditor in other companies.

Following the renewal of the Board of Directors, during the meeting held on 6th May 2011, the non-executive Director Dimitri Coin, as Chairman, and the independent Directors Giovanni Bernardelli and Massimino Colomban were appointed as members of the Compensation Committee (see Table 2).

In compliance with Principle 7.P.3 of the Self-Discipline Code, the Director Mr. Massimino Colomban, has a significant experience in accounting and finance and, in particular, he held the offices of member of the Board of Directors and Chairman in industrial and financial companies.

During the year, 4 (four) Compensation Committee meetings were held on 28th January 2011, 12th May 2011, 12th October 2011 and 14th December 2011. Furthermore, the Committee met, after balance sheet date, on 12th March 2012. The average length of the meetings was equal to 1.5 hours; the Chairman and the members of the Board of Auditors, invited by the Committee itself, participated in the meetings and, when deemed appropriate for in-depth examinations of the agenda, the employees of the Company were also in attendance.

Functions of the Compensation Committee

For the details of the functions and functioning of the Compensation Committee, see Section I, chapter 2.4 of the Report on Remuneration, prepared in compliance with Article 123-ter of the Consolidated Finance Law. The Regulations for the Compensation Committee, adopted in their original version on 12th September 2006, were modified, in the course of 2011, during the meetings of the Board of Directors held on 23rd February and 19th December.

During 2012, the Committee met to discuss several topics, including:

- on 28th January 2011, the proposal for the appointment of a Director General and his compensation;
- on 12th May 2011, the appointment of the Chairman of the Committee;
- on 12th October 2011, the proposal for the compensation of the CEO Mr. Zugno;
- on 14th December 2011, the proposal for a Compensation Policy to the Board of Directors.

The Committee, while performing its tasks, has accessed the necessary information and the corporate functions pertinent to its assignment. The minutes of the Committee meetings were regularly written. No financial resources have been granted to the Internal Control Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

9. REMUNERATION OF DIRECTORS

General compensation policy

The Board of Directors adopted, in the meeting dated 19th December 2011, the “Compensation Policy of the Ascopiave Group” (hereinafter “Compensation Policy”), in compliance with the recommendations of Article 6 of the Self-Discipline Code of listed Companies of Borsa Italiana S.p.A. (the “Self-Discipline Code”), as amended on 5th December 2011, and to which the Company conforms, and also in compliance with Article 3.2 letter (b) of the Procedure for Related Parties Transactions approved by Ascopiave on 24th November 2010.

The Compensation Policy shall be presented to the Board on the occasion of the 2011 financial statement approval, and subject to the advisory vote of shareholders in compliance with Article 123-ter of the Legislative Decree no. 58 of 24th February 1998.

For the contents of the Compensation Policy see Section I of the Report on Remuneration, prepared in compliance with Article 123-ter. of the Consolidated Finance Law

Share-based compensation plans

The ordinary meeting of 25th June 2007, on the basis of the report by the Board of Directors, and having heard the favourable opinion of the Board of Auditors, having seen Article 114-bis of Legislative Decree no. 58 dated 24th February 1998 as subsequently amended, and the regulations issued by Consob and by Borsa Italiana S.p.A., the ordinary Meeting approved the adoption of a

compensation plan based on a maximum total number of 4,666,680.00 phantom stock options, in favour of certain directors and employees of Ascopiave S.p.A. and Ascotrade S.p.A. with strategically important functions within, respectively, Ascopiave S.p.A. and Ascotrade S.p.A., named 'Phantom Stock Option 2007', in compliance with the guidelines specified in the report made by the Board of Directors. The Phantom Stock Option Plan 2007 is based: (i) on the trend of the Company stock title, in as much as the so-called phantom stock options assign recipients the right to receive future payment of a differential amount equal to any increase in the market value of Ascopiave's ordinary shares, and (ii) on the achievement of certain performance objectives and/or maintenance of working or administrative relations.

By specific delegation, the Board of Directors has fully and completely implemented the Plan.

The informative document is available on the Issuer's institutional website, under the section 'Investor Relations'

(http://www.ir.ascopiave.it/file_upload/10340_Documento_informativo_Piano_Stock_Option_ex_Art.84.pdf).

On the occasion of the Ordinary Meeting which will approve the financial statements for the year 2011, the Board shall submit to the Board a new share-based incentive plan for vote, the so-called "2012-2014 Share-based long-term incentive plan" (hereinafter "2012-2014 Plan"), elaborated on proposal of the Compensation Committee. The 2012-2014 plan, in compliance with the recommendations of Article 6 of the 2011 Self-Discipline Code, envisages, in order to grant the bonus, a vesting period of 3 years, and the achievement of pre-fixed performance and return targets of the Company's shares, also in relation to a basket of stocks of comparable companies. In case the bonus is granted, of which 50% will be assigned in cash and 50% in Ascopiave shares, a 2 year retention period of those shares is envisaged; in case the Beneficiary, at the end of the two-year period, has a management relationship with Ascopiave or with the Companies of the Group, the retention period is extended until the term of his office.

Compensation of executive directors

For the breakdown of the compensation of directors who exercise management proxies, see Section II of the Report on Remuneration, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

Compensation of managers with strategic responsibilities

For the breakdown of the compensation of managers with strategic responsibilities, see Section II of the Report on Remuneration, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

Incentive mechanisms for the In-Company Control Supervisor and the Manager in charge of preparing the company accounting documents

The Manager in charge of preparing the company accounting documents, during 2011, received the "2007 Phantom Stock Option Plan", which allows, for the section currently in force, to exercise the options as long as he works for the Company.

The In-Company Control Supervisor was not granted, during 2011, any incentive mechanisms.

Compensation of non-executive directors

For the breakdown of the compensation of non-executive directors, see Section II of the Report on Remuneration, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

In line with Application Guideline 7.C.2., remuneration of non-executive Directors is not connected to the Issuer's economic results.

Non-executive Directors are not recipients of share-based incentive plans.

Management severance pay in case of resignation, dismissal or business termination following a takeover bid

For details on the benefits, see Section II of the Report on Remuneration, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

10. INTERNAL CONTROL COMMITTEE

In line with Principle 8.P.4., the Board has set-up an Internal Control Committee.

During the year, 5 (five) meetings of the Internal Control Committee were held on 16th March 2011; 12th May 2011; 24th May 2011; 29th August 2011; 14th November 2011. Subsequent to balance sheet date, the Committee met on 15th March 2012. The average length of the meetings was equal to 1.5 hours. For details on the participation of members, see Table 2 attached to this report. For the year 2012, the meetings of the Committee are fixed on the occasion of the meetings of the Board of Directors, scheduled for the approval of the annual, half-year and quarterly results of the Company.

The Issuer's Internal Control Committee comprises non-executive Directors, most of which are independent. During the year, the Committee had at least 3 (three) members, in line with Application Guideline 5.C.1. letter a).

Until the date of the Shareholders' meeting held on 28th April 2011, the Internal Control Committee comprised non-executive Director Alfonso Beninatto, with functions of Chairman, and the independent Directors Flavio Trinca and Alessandro Fassina.

In compliance with Principle 8.P.4 of the Self-Discipline Code, the Director Mr. Flavio Trinca, chartered accountant, registered Accounting Auditor, has a significant experience in accounting and finance, thanks to his profession and the experience accrued as Director and Auditor of other companies.

Following the renewal of the Board of Directors, during the Shareholders' meeting held on 28th April 2011, the new Internal Control Committee was appointed. It comprises non-executive Director Dimitri Coin, with as Chairman, and the independent Directors Giovanni Bernardelli and Massimino Colombari.

In compliance with Principle 8.P.4. of the Self-discipline Code, the director Mr. Massimino Colombari, has significant experience in accounts and finance and, in particular, he has sat on many Boards as Chairman of industrial and financial companies.

Participation in the Internal Control Committee meetings by non-members, took place upon invitation by the Committee itself and with regards to specific matters of the agenda, as set out by Application Guideline 5.C.1. letter f).

Functions assigned to the Internal Control Committee

The Internal Control Committee provides consultancy and proposals to the Board and specifically performs the following tasks:

- (i) definition of guidelines for the Internal Control system so that the main risks concerning the Company and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining compatibility of those risks with a healthy and correct business management;
- (ii) identification of the executive director responsible for supervising the functionality of the in-company control system;
- (iii) verification of suitability, efficiency and effective functioning of the In-Company Control system;
- (iv) description, in the corporate governance report, of the in-company control system's essential elements.

During the year, the Internal Control Committee verified the in-house control system and progress of the work plan in terms of Internal Auditing, with specific regards to the start-up of the risk analysis activities and the implementation of all measures necessary to guarantee the reasonable certainty that the representation of the economic, equity and financial information is truthful and correct, in compliance with Law 262/2005.

During the meetings, the Committee also discussed the most suitable initiatives with regards to 2011 auditing activities, with a view to progressively improving the Internal Control system.

The members of the Board of Auditors, the Internal Control Supervisor and the Director Responsible for preparing company accounts, invited by the Committee itself, participated in the meetings of the Internal Control Committee.

The minutes of the Internal Control Committee meetings were duly written. In performing its functions, the Internal Control Committee has had the right to access all information and company functions necessary for the execution of its tasks, and avail of external consultants, within the terms set out by the Board.

No financial resources have been granted to the Internal Control Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

On 23rd February 2011, the Board of Directors approved an updated version of the rules governing the Internal Control Committee. In accordance with the new set of rules, which also includes the innovations envisaged in the reference standard, the Committee holds advisory powers as to Related Party Transactions, applying the methods and within the deadlines set forth in the Code on Related Party Transactions approved by the Company's Board of Directors on 24th November 2010. Moreover, it holds advisory and inquiry powers towards the Board of Auditors as to the auditing reports, in accordance with the provisions set forth in Legislative Decree no. 39 dated 27th January 2010.

11. INTERNAL CONTROL SYSTEM

The Internal Control System comprises a group of rules, procedures and organisational structures to permit best business practice to achieve the goals set through the processes of identification, measurement, management and monitoring of the main risks involved and for a company management which is honest, correct and consistent with pre-fixed objectives.

The internal control system of Ascopiave involves different subjects to whom specific roles and responsibilities are attributed:

- Board of Directors;
- Internal Control Committee;
- Supervisory Committee pursuant to Legislative Decree 231/01;
- Manager in charge of preparing the company accounting documents;
- Manager in charge of the Internal Control and Internal Audit Function;
- Board of Auditors and Independent Auditor.

The Board of Directors shall lay out the guidelines for the In-company Control system and evaluate, at least once a year, the suitability, efficiency and effective functioning. To this end, the Board of Directors shall avail of the Internal Control Committee, the Office of Internal Auditing and the Manager responsible for Internal Control.

The Board of Directors during the meeting held on 8th July 2011 has appointed Mr. Fulvio Zugno (Chairman of the Board of Directors), the executive director responsible for supervising the functioning of the In-company Control system.

Furthermore, each business unit manager and company manager is responsible, under the guidelines of the control system set out by the Board of Directors and by the directives received, for implementing these guidelines, defining, managing and monitoring the efficient functioning of the In-company Control system, with reference to their own area of responsibility.

All employees, each according to his role, contribute to ensuring an efficient functioning of Ascopiave's In-company Control system.

Without prejudice to the functions of inspection and control reserved by law to the Board of Auditors, whilst auditing is entrusted to the external company Reconta Ernst & Young. In accordance with what specified by arts. 2.2.3, paragraph 3, letter (k) and 2.2.3 bis of the Stock

Exchange Regulations, on 27th March 2008, Ascopiave set up the organisation, management and control model as per Article 6 of Legislative Decree no. 231 dated 8th June 2001. For details see paragraph 11.3 of this document.

Management of risk and internal control system in relation to financial information and Manager in charge

The internal Accounting control system is aimed at supplying the reasonable certainty that the diffused accounting information – also consolidated – supplies to the users a true and correct representation of the management facts, allowing the release of the certifications and declarations requested by law on the correspondence of the document results, to the books and accounting writings of the acts and communications of the company diffused to the market and related to the accounting information also within the year, and also the appropriateness and effective application of the administrative and accounting procedures during the period interested by the accounting documents (half year balance and report) and on the drawing-up of the same according to the international accounting standards.

In relation to this, we must remember that, as specified in the previous Reports, Ascopiave, as an Italian company with shares negotiated in an Italian regulated market, must appoint a Manager in charge of preparing the company accounting documents (Manager in charge), to whom the law attributes specific duties, responsibilities and certification and declarations obligations.

As a consequence, on 19th July 2007 the Board appointed a Manager in charge, to whom it entrusted the task to prepare proper administrative and accounting procedures for the creation of the accounting informative diffused to the market, and also to supervise the effective respect of these procedures, attributing him proper powers and instruments for implementing related functions.

The Board entrusted this charge from the beginning to the Administrative Director Mr. Cristiano Belliato, to whom the Board attributed due powers and instruments for the realisation of the tasks according to the provisions of Article 154-bis of Legislative Decree 24th February 1998, no. 58.

The Manager in charge thus started the “262 Project”, with the aim of ascertaining the consistency of the Internal Control System to supply a reasonable certainty about the true and proper representation of the economic, equity and financial information.

The accounting internal audit system is based on the following distinctive features:

- a set of company procedures relevant for the preparation and circulation of accounting information, comprising, among others, operating instructions, reporting and accounting calendar;
- an identification process of the main risks connected to the accounting information and of the main control for the acknowledged risks (administrative-accounting risk assessment) that brought to the recognition, for each relevant accounting area, of the processes/accounting flows considered critical and the activities of control supervising these processes/accounting flows and also the elaboration of appropriate control matrixes that describe for each process considered critical and/or sensitive for the 262, the control standard activities (key controls) and the concerning *process owners*. The company processes and related matrixes are the subject of a periodical evaluation and if necessary to an update.
- *process owners* to whom the update of the matrixes of the administrative/accounting controls is entrusted; the administrative management is responsible for the verification and the periodical update of the administrative-accounting procedures of the Group;

-
- a process of periodical evaluation of the appropriateness and of the effective application of the identified key control. The evaluation is performed every 6 months with the preparation of the balance and of the half year report and is performed by the internal audit management on the basis of the indication of the Manager in charge. The tests on the half year controls are performed on the basis of priorities defined in the phase of risk assessment; in any case, all the controls concerning medium and high level risks are the object of a verification during the year; the results of the performed activities are shared with the Manager in charge;
 - a process of certification toward the outward based on the reports and declarations given by the manager in charge according to Article 154-bis of Legislative Decree 58/1998, in the framework of the general process of preparation for the annual balance or the half year financial report or the intermediate management report, also on the basis of the controls performed and object of the accounting control model, which content is shared with the Chief Executive Officer, who presents the report or the declaration of the Board, together with the accounting document, for the relating approval by this last one. For the purposes of internal reporting, the Manager in charge periodically refers to the Internal Control Committee, the Board of Auditors and to the Supervisory Committee about the development procedures of the evaluation process of the control system and also about the results of the evaluations performed to support the released certifications or declarations.

During the year, the Internal Control Committee regularly reported to the Board as to the work of the Committee, the results of the verifications performed and the functioning of the In-company Control system, showing how the latter is basically consistent with the size and organisational and operative structure of the Issuer.

On the basis of information and evidence collected with the support of the preliminary activity performed by the Internal Control Committee and with the contribution of the Manager in charge of the Internal Control, the Board of Directors evaluated, on 16th March 2011, the appropriateness, the efficacy and the effective function of the internal control, according to the provisions of Applicative Guideline 8.C.1 c).

11.1. EXECUTIVE DIRECTOR IN CHARGE OF INTERNAL CONTROL

The Board of Directors, on 8th July 2011, appointed Mr. Fulvio Zugno (Chairman of the Board of Directors) the executive director in charge of supervising the functioning of the internal control system.

This choice, which is shared by the Internal Control Committee, has been made on the basis of the importance that Mr. Zugno holds within the Ascopiave company structure, as custodian of many operating powers and mostly responsible for company management.

The executive director in charge of supervising the functioning of the internal control system:

- has identified the main company risks (strategic, operative, financial and compliance-related), taking into account the characteristics of the Issuer's activities and those of its subsidiaries, and has submitted them to a periodical Board's examination;
- has implemented the guidelines defined by the Board, designing, realising and managing the in company control system, constantly checking the overall suitability and efficiency;
- has adapted this system to the dynamics of the operative conditions and legislative and regulatory situation;
- has suggested the appointment of the manager of internal control to the Board.

11.2. PARTY RESPONSIBLE FOR INTERNAL CONTROL

The Board of Directors has appointed Mr. Cristiano Ceresatto responsible for internal control (**'Party responsible for Internal Control'**), with effect from 8th July 2011. Mr. Cristiano Ceresatto has succeeded Mr. Matteo Testa, who resigned from the Company with effect from 31st May 2011. The appointment of Party responsible for Internal Control took place following the favourable opinion of the Internal Control Committee, on the basis of the technical knowledge and skills of the professional experience to performing the task of Mr. Ceresatto. The Party responsible for Internal Control, in accordance with Application Guideline 8.C.6 of the Code, is in charge of checking that the internal control system is constantly updated, fully operational and functional, and refers his work to the Internal Control Committee and to the Board of Auditors, and if required to do so, also to the Chairman, who is in charge of supervising the functioning of the internal control system. The Party responsible for Internal Control reports on the methods by which risk is managed and on the plans defined in order to contain them, and expresses an opinion as to the suitability of the internal control system to providing an acceptable profile of overall risk.

The Party responsible for Internal Control is responsible for the function of Internal Auditing. This office reports hierarchically to the Chairman of Ascopiave, and is not responsible for any operating activities. He has the task of checking that the internal control system is always suitable, fully operative and functional. As party responsible for Internal Auditing, Mr. Ceresatto has access to all information necessary to performing out this task, and reports his work to the Internal Control Committee and to the Board of Auditors.

The Party responsible for Internal Control, in the course of 2011:

-
- has had direct access to all information useful to performing his tasks;
 - has reported his work to the Internal Control Committee and the Board of Auditors;
 - has also reported his work to the executive director in charge of supervising the functioning of the internal control system.

During the year, the Party responsible for Internal Control, verified the Issuer's internal control system on the basis of international best practices.

Specifically, such verification concerned the Issuer's corporate governance system, the implementation of the regulations and provisions of law as specified by Legislative Decree 231/2001 and Law 262/2005, supply management procedures, company risk management and the implementation of administrative control procedures.

The Issuer has set up an internal audit function, and the Party responsible for Internal Control will supervise such activity.

11.3. ORGANISATION MODEL ex Legislative Decree 231/2001

On 27th March 2008, the Issuer adopted the organisation, management and control model for the prevention of crime with the aims specified by Legislative Decree 231/2001 and subsequent amendments.

The synthesis document of this model is made of a general part that describes the normative system of reference, the definition process of the model and the constitutive elements of the model itself; it will also contain the documentation of different special parts in relation to the present case of crime that the model will prevent, in particular as far as crimes against public administration, company crimes, market abuse and safety at work are concerned.

Contextually to the adoption of the model, the Company appointed a Supervisory Committee that will have to supervise on the operation and compliance with the model itself.

Considering the requested requirements of the reference benchmark and the indications deriving from the guidelines of relevant category associations as well as the sector best practices, the Board of Directors appointed as components of the Supervisory Committee: Mr Andrea Fiorotto (Chairman) – a professional in financial and economic issues; Ms Valentina Sandri – corporate legal affairs manager; Mr. Cristiano Ceresatto – person in charge of internal control and director of the internal auditing of the company. In 2011, other members were Mr. Ferruccio Bresolin - Chairman 28th April 2011, Mr. Matteo Testa – member until 31st May 2011. Subsequent to balance sheet date, Ms. Valentina Sandri resigned from the Supervisory Committee, and was replaced, with the Board resolution dated 24th January 2012, by Mr. Paolo Ruggero Ortica, a professional in the economic and financial field.

On 28th January 2011, the Company's Board of Directors approved an updated version of the Model Abstract, adding the new crimes and offences introduced in Legislative Decree no. 231, approved after the adoption of the Model by Ascopiave.

The text of the Model can be found on the Issuer's website in the section *investor relations/corporate governance/ethics code*.

11.4. EXTERNAL AUDITORS

Auditing is entrusted to the company Reconta Ernst & Young S.p.A..

The appointment was made by the Shareholders' Meeting on 5 July 2006, and extended by the Meeting of 5th May 2007, following proposal by the Board of Auditors. As such, the appointment will expire upon approval of the financial statement as of 31st December 2014.

11.5. MANAGER RESPONSIBLE FOR PREPARING COMPANY ACCOUNTING DOCUMENTS

Mr. Cristiano Belliato, Issuer Director, is the Manager responsible for preparing the company's accounting documents.

In accordance with Article 25 of the Issuer's Charter, the manager responsible for preparing company accounting documents must be in possession, not only of the honourable requirements described by current legislation for all those performing functions of administration and management, but also the professional requirements as follows (i) having graduated in economics, finance or a subject related to company management and organisation, (ii) having matured a total experience of at least three years in administration or control activities, or having performed managerial tasks with capital companies, or administrative or managerial tasks, or held offices of auditor or consultant as chartered accountant with businesses in the fields of credit, finance or insurance, or in any case in fields that are closely related or inherent to the activity performed by the Company, involving the management of economic and financial resources.

Furthermore, any person not in possession of the requirements of honour as under article 147-quinquies of Legislative Decree no. 58 dated 24th February 1998, cannot be appointed Manager responsible, and if appointed, shall automatically have such appointment revoked.

Following the obligatory but not binding opinion of the Board of Auditors, the Board of Directors shall appoint the Manager responsible, setting out his compensation.

The Board of Directors will grant the appointed Manager suitable powers and means by which to perform his tasks, in accordance with the provisions of article 154 bis of Legislative Decree no. 58 dated 24th February 1998.

12. INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES

See point 4.3 above.

13. APPOINTMENT OF AUDITORS

The appointment and replacement of auditors is governed by the laws and regulations of Article 22 of the Issuer's Charter.

In accordance with Article 22 of the Issuer's Charter, the whole Board of Auditors is appointed on the basis of lists presented by Shareholders. Shareholders who alone, or together with other Shareholders, at the time of presentation hold a share of at least 2.5% of the share capital, or, where otherwise, the maximum share of the share capital required for the presentation of lists as specified by applicable provisions of law and regulations, may present lists. The interest share will be specified in the summons notice to the Meeting called to deliberate the appointment of the Board of Auditors.

The lists must specify at least one candidate for the office of Statutory Auditor, and one for the office of Alternate Auditor. No candidate may appear in more than one list, at risk of being deemed incompatible. The lists, signed by the Shareholders presenting them, or by the Shareholder who has been delegated to present them and provided with the documentation specified by this Charter and by current provisions of law and regulations, must be filed at the company headquarters within the terms of the applicable provisions of law and regulations. If, upon expiry of the terms set out by the applicable provisions of law and regulations, only one list of candidates have been presented, or indeed none, the meeting shall deliberate by relative majority of shareholders. In case of a tie between candidates, there will be a second ballot between these, with a further voting by the meeting.

Where two or more lists are presented, election of the Board of Auditors shall take place as follows:

- (i) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes: (a) two statutory auditors and (b) one alternate auditor;
- (ii) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes, and which is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes: (a) one statutory auditor, who will also hold the office of Chairman of the Board of Auditors, and (b) one alternate auditor and, where available, further alternate auditors ready to replace the minority member, up to a maximum of three. Where this is not possible, the first candidate of the list having obtained the next greatest number of votes, and which is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes, will be appointed alternate auditor;
- (iii) should votes for two or more lists be equal, the candidates of the list presented by shareholders holding the greatest share, will be appointed, or, subordinate to this, that presented by the greatest number of shareholders.

Should one or more standing auditors taken from the list that had obtained the greatest number of votes (the 'Majority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Civil Code, as an exception to the list voting system previously specified. Should one or more standing auditors taken from the list that had obtained the second greatest number of votes (the 'Minority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Civil Code, as an exception to the list voting system previously specified, and in order to respect, where possible, the principle of minority representation.

The Meeting held to deliberate on the integration of the Board of Auditors shall proceed in any case with the appointment or replacement of the members of said Board, without prejudice to the need to

ensure that the structure of the Board of Auditors complies with the provisions of law and current regulations, and with the Issuer's Charter.

Without prejudice to that set out by the previous paragraph, should the Meeting integrate the Board of Auditors, it shall resolve with ordinary majorities and methods, as an exception to the list voting system, which will only apply in the event of replacement of the Board of Auditors as a whole.

14. AUDITORS

The Board of Auditors appointed by the Ordinary Meeting held on 28th April 2011 and in office until approval of the financial statement as of 31st December 2013, is structured as follows:

Name	Office
Giovanni Zancopé Ogniben	Chairman of the Board of Auditors
Elvira Alberti	Standing Auditor
Paolo Papparotto	Standing Auditor
Andrea Sartor	Alternate Auditor
Paolo Nicolai	Alternate Auditor

The Standing Auditors Elvira Alberti and Paolo Papparotto and the Alternate Auditor Andrea Sartor have been taken from the list presented by the majority shareholder Asco Holding S.p.A.. the Chairman of the Board of Auditors Giovanni Zancopé Ogniben and the Alternate Auditor Paolo Nicolai have been chosen from the no. 3 minority list presented by the shareholder Blue Flame S.r.l.. The three lists presented have no connection whatsoever to one other.

For the detailed composition of the Board of Auditors for the year 2011, please refer to Table 3 attached to the Report.

Below, the 3 lists that were presented:

PRESENTING SUBJECT	LIST OF CANDIDATES	LIST OF ELECTED CANDIDATES	% VOTES OBTAINED IN RELATION TO VOTING EQUITY OWNERSHIP INTEREST
List no. 1 Asco Holding S.p.A.			77.009%

	Standing Auditors 1. Paolo Papparotto 2. Elvira Alberti Alternate Auditor 1. Andrea Sartor	Standing Auditors 1. Paolo Papparotto 2. Elvira Alberti Alternate Auditor 1. Andrea Sartor	
List no. 2 ASM Rovigo S.p.A.	Standing Auditor 1. Franco Turrini Alternate auditor 1. Massimo Maiarelli	No elected candidate	5.494%
List no. 3 Blue Flame S.r.l.	Standing Auditor 1. Giovanni Zancopè Ogniben Alternate Auditor 1. Paolo Nicolai	Standing Auditor 1. Giovanni Zancopè Ogniben Alternate Auditor 1. Paolo Nicolai	16.497%

Please refer to Table 4 for the list of the bank institutions and of listed companies different from the Issuer in which the same Auditors have responsibilities of administration or control.

In accordance with Articles 144-octies and 144-decies of the Consob Issuer Regulations, the Auditors' professional curriculum vitae are available on the Issuer's website under the 'Investor Relations' section.

During the year 11 (eleven) meetings of the Board of Auditors were held on the following dates: 12th January 2011; 2nd March 2011; 16th March 2011; 31st March 2011; 28th April 2011; 6th May 2011; 24th May 2011; 2nd August 2011; 29th August 2011; 21st October 2011; 8th November 2011.
The average length of each meeting was 2 hours.

During 2012, the Board of Auditors will meet for at least at a 90-day interval, pursuant to Article 2404 of the Civil Code. From the beginning of the year, one meeting of the Board of Statutory Auditors was held on 6th February 2012.

There have been no changes to the composition of the Board subsequent to balance sheet date.

The delegated bodies have reported in a suitable and timely manner to the Board of Auditors concerning all activities performed, the general management trends and predictable evolution, as well as on the most important operations in terms of size and characteristics performed by the Issuer and its subsidiaries, specified by the Law and the Charter, and therefore at least once a quarter.

On 6th May 2012, the Board of Auditors verified the correct application of the evaluation guideline specified by Article 3.C.1 of the Self-Discipline Code and of the verification procedures adopted by the Board in order to evaluate the independence of its members.

The Issuer specifies that any Auditor who, on his own behalf or that of third parties, holds an interest in a given Issuer operation, must inform the other auditors and the Chairman of the Board as to the nature, terms, origin and extent of such interest, in a timely and full manner.

The Auditors regularly check the independence of the Auditing Company, expressing the result of such judgement once a year in their report to the Shareholders' Meeting.

In performing their activities, the Board of Auditors worked regularly with the internal control manager and the Internal Control Committee.

15. RELATIONSHIP WITH SHAREHOLDERS

The Issuer has judged that it be in his interests as well as a duty to the market to set up a continuous dialogue from the time of listing, founded on reciprocal understanding of roles, with the general information of the shareholders. This dialogue will, in any case, take place in compliance with the procedure for the external communication of company documents and information. Article 2.2.3 of the Stock Exchange Regulations also states, with specific reference to companies intending to obtain listing of own shares with the 'STAR' qualification, the compulsory appointment of a professionally qualified person from within their organisational structure (Investor Relator) in charge of specifically managing relationships with investors.

With regard to the above, and in accordance with the recommendations of Principle 11 of the Self-discipline Code, the Company's Board of Directors appointed Mr. Giacomo Bignucolo Investor Relator during the meeting held on 24th July 2006, and responsible for relationship with investors.

Finally, Ascopiave has set up a specific 'investor relations' section within its website (www.ascopiave.it), in which information concerning the company and which is important for its shareholders, is available, in accordance with what specified by Guideline 11.C.1 of the Self-discipline Code.

16. MEETINGS

In accordance with Article 11.1 of the Issuer's Charter, the subjects legitimated by the authorised intermediary may participate in the Meetings, in accordance with the current and relevant regulations.

Any legitimated subject may be represented by another person, not necessarily a shareholder, upon presentation of a written proxy, in accordance with the current and relevant regulations. The proxy can also be assigned electronically, through the procedures envisaged by regulations currently in force. Moreover, in accordance with the provisions set forth in the summons notice, the electronic notification of the proxy can be sent by accessing the dedicated section of the Company's website, i.e. by sending the document to the certified email address of the Company (Article 11, paragraph 2 of the Company Charter).

The regulations concerning Board activities, applicable to listed companies, have been recently and considerably overhauled, following the coming into effect of Legislative Decree no. 27 dated 27th January 2010, the adoption of Directive 2007/36/EC of the European Parliament and of the Council

of 11th July 2007, on the exercise of certain shareholders' rights in listed companies (the so-called "Shareholders' Rights Directive" or "SHRD").

Now, therefore, the Shareholders' Extraordinary Meeting dated 28th April 2011 has resolved to integrate Article 11 of the Company Charter by adding a new paragraph 11.3 which envisages that the Company can appoint for each meeting an individual that may receive a proxy from those who have the right to vote with instructions on how to vote on each or some of the proposals on the agenda.

In order to facilitate Shareholder participation in the Meetings, the Charter also specifies that the Meeting may take place with interventions in different, separate and distant places that are audio/video connected, as long as formal meeting procedures and the principle of good faith and equal treatment of shareholders, are respected (Article 12, paragraph 1 of the Charter).

With reference to Guideline 11.C.5 of the Self-discipline Code, the Company's Ordinary Meeting held on 5th July 2006 (subsequently amended by the Meeting held on 28th April 2008 and by the Meeting held on 28th April 2011) resolved to adopt Meeting Regulations, which came into effect as from the date of the Start of Negotiations (http://www.ir.ascopiave.it/file_upload/10340_Regolamento_assembleare.pdf). These Regulations are specifically aimed at governing the Shareholders' Meetings, guaranteeing a correct and orderly holding of such, and, in particular, the right of each shareholder to intervene on the matters under discussion. It constitutes a valid instrument by which to guarantee protection of all Shareholders' rights and the correct formation of the Meeting's will.

The Regulations include that the Chairman shall lead the discussion, giving the floor to those who may legitimately intervene (i.e. those who have the right to participate in the meeting on the basis of the law and Charter), who may have requested it.

Those with a right to intervene who wish to speak, must request to do so of the Chairman, after his having read the item on the meeting agenda to which the request refers, and after discussion has been opened up, before the Chairman declares discussion of the item over.

Said request must be made by the raising of the hand, should the Chairman not have arranged for a written request procedure. Where procedure involves the raising of the hand, the Chairman will allow the person who has raised his hand first to speak. Should it be impossible to establish who raised his hand first, the Chairman will allow participants to speak in accordance with the order established by himself, in his own judgement. Where a written request procedure is implemented, the Chairman shall allow participants to speak on the basis of the order of entry.

The Chairman and/or on his invitation, the Directors and Auditors, with regard to their respective functions or as the Chairman deems fit in relation to the meeting agenda, shall answer those legitimately able to participate, after each intervention, or rather after having completed all interventions on each item on the agenda, in accordance with what specified by the Chairman.

Those who have the right to intervene, the Directors and Auditors, have the right to speak on each of the items on the agenda, and to formulate proposals to their regard.

Those with a right to intervene can ask questions related to the matters in the agenda even before the meeting, through the procedures specified in the summon notice.

The questions submitted prior to the Meeting by those with a right to intervene, are answered during the Meeting itself, provided that the requested information has been accessible according to the

applicable regulations and as long as the Chairman is able to give a single answer to the questions concerning the same topic.

In light of the amendments to regulations concerning related parties transactions pursuant to the Regulatory Norms adopted by Consob with resolution no. 17221 on 12th March 2010 (and further amendments) and taken into consideration the new regulations introduced by Legislative Decree no.27/2010 implementing the Directive 2007/36/EC (the so-called “Shareholders’ Rights Directive”, the Shareholders’ Meeting held on 28th April 2011 has resolved to integrate the Company Charter by adding a new article recorded as “Related parties transactions”. This regulation gives the Board of Directors the possibility to approve the transactions of greater relevance within the scope of the Board of Directors as well as to implement the transactions of greater relevance within the scope of the Shareholders’ Meeting, despite a contrary opinion of the Independent Directors, provided that the shareholders meeting authorizes and approves the transaction’s execution; it being understood that the transaction cannot be implemented if, in the presence of not related shareholders representing at least 10% of the share capital, the majority of these shareholders express a vote contrary to the transaction. Regarding the related transactions, see point 4.3 of this Report.

The Board has reported back to the Meeting on the activity performed and planned, and has acted to ensure that Shareholders are suitably informed as to all elements necessary in order to taking a knowledgeable decision, where such is the task of the Meeting.

We would state that there have been no significant changes to the capitalisation of the Issuer market or to the structure of its subsidiaries that would require changes to be made by the Shareholders' Meeting to the Charter, in relation to the percentages specified for the year of the prerogatives protecting minorities. To this regard, we would specify that in applying Article 144 quarter of the Consob Issuer Regulations 11971/1999 for the presentation of lists for the appointment of members of the Board of Directors and the Board of Auditors, arts. 15.2 and 22.2 of the Issuer’s Charter require a percentage threshold of 2.5% of the share capital with voting rights, or other percentage that may be specified or stated by provisions of law or regulations.

17. FURTHER OPERATIONS OF CORPORATE GOVERNANCE

In 2011, the Company’s Board of Directors presented a project aimed at reinforcing the functions of policy, management and control, through the introduction of further organisation and regulation instruments, both at the Parent Company Ascopiave and the subsidiary companies, also in order to effectively implement the management and coordination activity.

Upon completion of the works, the Company’s Board of Directors shall adopt guidelines that regulate the actual implementation of management and coordination activity by Ascopiave S.p.A. on its subsidiary companies.

18. CHANGES SINCE THE END OF THE YEAR IN QUESTION

As of the close of the financial year, following the resignation of the Director Mr. Gildo Salton, the Board of Directors met on 14th February 2012 has resolved to appoint through co-optation a new Director, Mr. Enrico Quarello, who shall hold his office until the next Shareholders' Meeting, which shall deliberate on his possible confirmation in the position.

TABLES

TABLE 1: INFORMATION on COMPANY STRUCTURE

	No. Shares	% of Share Capital	Listed/Not Listed	Rights and Obligations
Ordinary Shares	234,411,575.00	100%	STAR	Each share gives the right to one vote. Shareholders' rights and obligations are specified under articles 2364 of the Italian Civil Code et seq. and the Company Charter.

SIGNIFICANT SHARES IN THE CAPITAL (in compliance with Article 120 Consolidated Financial Law)

Declarant	Direct shareholder	% of ordinary equity share capital	% of voting equity ownership interest
Asco Holding S.p.A.	Asco Holding S.p.A.	61.562%	61.562%
Ascopiave S.p.A.	Ascopiave S.p.A.	4.550%(i)	4.550%(i)
Blue Flame S.r.l.	Blue Flame S.r.l.	8.100%	8.100%
Municipality of Rovigo	ASM Rovigo S.p.A.	4.419%	4.419%
Regione Veneto	Veneto Sviluppo S.p.A.	2.090%	2.090%

¹ Figure concerning shares actually held by Ascopiave S.p.A. as of 31st December 2011, including no. 1,975 bonus shares, at a cost of Euro 1.00.

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors											Internal Control Committee		Compensation Committee	
Office	Members	In charge since	In charge until	List (M/m)*	Exec.	Non-exec.	Indep. of Code	Indep. of TUF	(%)**	No. of other offices***	****	(%)**	****	(%)**
Chairman CEO	Fulvio Zugno	28/04/2011	Fin Stat 2013	M	X				100	0				
Director	Giovanni Bernardelli	28/04/2011	Fin Stat 2013	M		X	X	X	100	0	X	100	X	100
Director	Dimitri Coin	28/04/2011	Fin Stat 2013	M		X			100	0	X	100	X	100
Director	Massimino Colomban	28/04/2011	Fin Stat 2013	m		X	X	X	78	2	X	100	X	100
DIRECTORS WHOSE TERMS HAVE ELAPSED														
Director****	Gildo Salton	28/04/2008	30/12/2011	M	X				78					
Director	Gianantonio Bortolin	28/04/2008	27/04/2012	M		X			100					
Director	Alfonso Beninatto	28/04/2008	27/04/2012	M		X			100		X	100	X	100
Director	Alessandro Fassina	28/04/2008	27/04/2012	m		X	X	X	100		X	100	X	100
Director	Flavio Trinca	28/04/2008	27/04/2012	M		X	X	X	60		X	0	X	100
Shareholders' Meeting quorum: 2,5%														
No. of meetings during the financial year:							<i>Board:19</i>				<i>ICC:5</i>		<i>CC:4</i>	

NOTES

*M= Majority list; m= minority list.

**Percentage of participation of the directors in Board and Committee Meetings, respectively (attendance/no. of meetings held during the period the subject has been in charge).

***Number of offices held by the party as director or auditor in other companies listed in regulated markets, also foreign, or in financial, banking, insurance institutions or large-sized companies. The list of said companies and of the directors holding offices in said companies is attached to the Report, with the indication as to whether the company is part of the Group of the Issuer or not.

***X= the subject is a member of the Board or of the Committee.

**** For details of the offices held by Mr. Gildo Salton during year 2011, see chapter 4.

TABLE 2: OFFICES OF THE DIRECTORS IN OTHER COMPANIES

Massimo Colomban	Office	Company
	Director	Save Engineering S.p.A
	Governing Director	Quaternario Investimenti S.p.A..

TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS

Board of Statutory Auditors							
<i>Office</i>	Members	Beginning of term	Expiry of term	List (M/m)*	Independence of Code	** (%)	No. of other offices ***
Chairman	Giovanni Zancopé Ogniben	28/04/2011	Fin Stat 2013	m	X	100	0
Standing Auditor	Elvira Alberti	28/04/2011	Fin Stat 2013	M	X	100	0
Standing Auditor	Paolo Papparotto	28/04/2011	Fin Stat 2013	M	X	100	2
AUDITORS WHOSE TERM OF OFFICE HAS EXPIRED							
Chairman	Paolo Nicolai	22/12/2008	Fin Stat 2010	m	X	60	
Standing Auditor	Fabio Sforza	28/04/2008	Fin Stat 2010	M	X	100	
Standing Auditor	Giuliano Saccardi	28/04/2008	Fin Stat 2010	M	X	100	
No. of meetings during the financial year: 11							

NOTES

*M= Majority list; m= minority list.

** Percentage of participation of the auditors in the meetings of the Board of Auditors (attendance/no. of meetings held during the period the subject has been in charge).

*** Number of offices as director or auditor held by the subject, in accordance with Article 148 bis of TUF. The complete list of the offices is attached to the Report on the Advisory activity, in accordance with Article 144-*quingiesdecies* of the Consob Issuer Regulations. The Report on the Advisory activity was drawn up the Auditors in accordance with Article 153, paragraph 1 of TUF.

TABLE 4: OFFICES OF THE AUDITORS IN OTHER COMPANIES

<i>Paolo Papparotto</i> <i>Standing Auditor</i>	Office	Company
	<i>Standing Auditor</i>	Autostore S.r.l.
	<i>Standing Auditor</i>	Roces – S.r.l.

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO MEETING OF SHAREHOLDERS

Gentlemen,

In the accounting period ended 31st December 2011, we performed the supervisory activities envisaged by law, pursuant to the principles of the Code of Behaviour (Internal Dealing) recommended by the National Board of Certified Public Accountants and Chartered Accountants, Consob Communication dated 6th April 2001 no.1025564 and subsequent amendments.

Pursuant to the procedures that dictated the activities of the Board of Statutory Auditors, we acknowledge that:

- we took part in the Meeting held on 29th November 2011 that was called to resolve on the purchase of treasury stock;
- we also attended all Board of Directors' meetings during the accounting period; we obtained information from Directors at regular intervals with regard to the activities and operations with the greatest economic, financial and equity importance performed by the Company and its subsidiaries;
- we kept watch on the Group's organizational evolution;
- evaluated the consistency of the administrative structure and of the internal control system, the adequacy of the accounting system as a reliable tool for representing operations correctly. To this end, the Board of Statutory Auditors was aided by reports it received at regular intervals from the Internal Auditor and by analysis of work performed by the External Auditors, Reconta Ernst & Young S.p.A. on proper book-keeping procedures followed by the company and where nothing untoward was reported;
- checked compliance with law concerning the preparation and issue of both the statutory and consolidated financial statements for the accounting period and the accompanying documents through direct checks and dedicated details obtained from the External Auditors.

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

- 1.** the more relevant transactions of economic, financial and equity importance performed by the Company and its subsidiaries during our tenure have been in compliance with the law and the company charter.

Based on the information we have obtained, we can affirm that such operations have not been deemed as overtly imprudent or hazardous, in potential conflict of interest or such as to compromise the integrity of corporate assets ;

2. no atypical and/or untoward operations with group companies, third parties or related parties have been recorded;

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

Concerning our mandate, we mention the acquisitions in fiscal 2011 namely Unigas Distribuzione Srl (48,46%- € 18,2 million); Blumeta Spa (100%-€ 23,8 million); Amgas Blu Srl (acquisition of 80%- € 11,7 million through the 100% held subsidiary Ascoblu Srl).

We, the Statutory Auditors, have also checked on the execution of impairment tests by an independent appraiser pertinent to the allocation of the spread between the sums disbursed and the shareholder equity of the subsidiaries under intangible items in the consolidated financial statements. No need for writing-down any intangible asset has emerged from the impairment test.

We have also examined that the ordinary procedures adopted by the Group ensure that all commercial operations with related parties were concluded on arm's length basis.

Some other information provided by the Directors:

- Sinergie Italiane Srl - the associated company (27,601%) has registered a significant loss at accounting period ended 30 September 2011: the figure, communicated to Ascopiave only on 12 March 2012 represents a loss of € 92 million, due mostly to onerous procurement contracts not hedged by pricing conditions ensured to commercial companies.

Sinergie has been “protected” by Ascopiave through a plan of financial warranties (letters of patronage) which were specifically approved on 28 January 2011;

- Arrangements with Municipalities for the adoption of a shared procedure aimed at calculating RVN, the residual value of network, the projected worth of Ascopiave assets that a possible new incumbent must disburse upon expiry of current consignment period
- resolution of the business relationship with the CEO Dr. Gildo Salton on 19th July 2011. With regard to this unilateral decision, a legal suit has been filed by the CEO at the Court of Treviso.

- 3.** We deem that the details furnished by the Directors in the Report on Operations and the Supplementary Notes regarding point 2) above are adequate.
- 4.** The report issued on 29th March 2012 by the external auditors Reconta Ernst & Young S.p.A. regarding Ascopiave S.p.a. fiscal 2011, both at individual and consolidated level, bear no untoward remarks.
- 5.** No claims pursuant to Art. 2408 Civil Code. were submitted to the Board of Statutory Auditors in fiscal 2011.
- 6.** No other complaints were received by the Board of Statutory Auditors in fiscal 2011.
- 7.** In fiscal 2011, Ascopiave S.p.A. and its subsidiaries conferred work assignments to Reconta Ernst & Young S.p.A. pertinent to legal auditing and a limited review of the six-month report. The assignment also envisages an audit of separate annual accounts pursuant to resolution AEEG n. 11/07. On 23rd November 2011, Ascopiave S.p.A. also awarded Ernst & Young Financial Business Advisors Spa a contract of methodological assistance on model analysis, operating instruments and IT flows supporting the company’s corporate governance and organization system. The fee for such assistance is € 60 thousand.

The emoluments for the aforestated activities, excluding VAT and out-of-pocket expenses, are listed in the table below (€ thousand):

<u>Nature of assignment</u>	<u>Fees</u>
Auditing of parent company	176,00
Auditing of subsidiaries	233,00
Other auditing services to parent company	12,00
Other auditing services to subsidiaries	30,00
Other consulting services to parent company	60,00
<u>Total</u>	<u>511,00</u>

- 8.** No evidence exists of any additional work assignments to parties connected in collaborative business relationships with the external auditors.
- 9.** The Board of Statutory Auditors expressed its opinion in fiscal 2011 regarding renewal of permission to purchase treasury stock, and its views pursuant to Article 2389.3 Civil Code.
- 10.** The Board of Statutory Auditors attended 15 (fifteen) meetings held by the Board of Directors in the 2011 accounting period. The former also held 6 (six) meetings regarding its own role. Moreover, the *Internal Controlling Committee* met 3 (three) times and the *Remuneration Committee* met 2 (two) times. At least 1 (one) member of the Board of Statutory Auditors was in attendance at all such meetings.
- 11.** We have no particular remarks to make with regard to the principles of fair and proper governance, which have been observed throughout. The organizational structure of the company has undergone constant monitoring by the Board of Directors that has awarded Ernst & Young Financial Business Advisors Spa the assignment of preparing and approving the Management and Coordination Regulations as well as a new Corporate Governance Structure compliant with Consob provisions. The process is still underway at balance sheet date. In addition, consequent to the series of meetings with the Supervisory Committees of the Group's main subsidiaries, we herein acknowledge that no significant facts deemed negative have emerged.
- 12.** The organizational structure of the Company responds to the standards of management and coordination required for the operating companies of the Group thanks to the consistent control of all decision-making procedures, the provision of services and liaising with Ascopiave Group entities. We also confirm that all corporate initiatives were followed and coordinated by the Parent Company's Board of Directors.

13. Internal Audit activities were ongoing. Consisting of a Manager and an assistant, the focus on internal control of Group companies through inspection activities aimed at providing a tangible support in the preparation of corporate accounting deliverables (Article 154 bis T.U.F.). The scope is also the implementation of the Organization Model pursuant to Legislative Decree 231/2001, a document officially ratified on 28th January 2011.

In their report on operations, the Directors have painted a graphic picture of the control system's main features and consistency in providing financial information compliant with the benchmarks of a regulated market.

On the basis of the findings provided by Internal Audit and indications obtained during several meetings with Managers of the Group and Ascopiave Spa Supervisory Committee, we herein confirm that our inspections have revealed nothing untoward as to deserve a mention in this report.

14. During fiscal 2011, Administration continued with the enhancement of the company subsidiaries' technology and communication systems. Likewise, the same policy was adopted to new acquisitions, as to retain an efficient control over the Group's data and information processing systems.

15. The procedure selected for conveying information from Parent Company down to its main subsidiaries is through information bulletins issued at regular intervals. Furthermore, following the adoption of Management and Coordination Regulations, through procedures envisaged in the document.

16. Consequent to meetings between the Board of Statutory Auditors and External Auditors, in accordance with Article 150.2 Legislative Decree 58/1998, no data, information and remarks that should be highlighted in the present report have emerged.

17. We notify that the Board of Directors, in its “Report on Corporate Governance and Property Structure” provides an update on the subject, principles deemed consistent with the provisions of Code of Self-Discipline issued in March 2006 by Borsa Italiana S.p.A and also with the ownership structure envisaged in Article 123 bis T.U.F.

18. To conclude, in our controlling activities, no lapses, serious breaches or violations have emerged, worthy of bringing to the attention of the Supervisory Committee or of the Shareholders.

19. In virtue of the above, this Board of Statutory Auditors, as far as it is concerned, deems that year 2011 Financial Statements as submitted by the Board of Directors in the Report on Operations, can be approved

Pieve di Soligo - 30th March 2012

THE BOARD OF STATUTORY AUDITORS

Giovanni Zancope Ogniben

Elvira Alberti

Paolo Paparotto

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 2011 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 30, 2011.

3. In our opinion, the consolidated financial statements of the ASCOPIAVE Group at 31 December 2011 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, 2011.

Treviso, March 29, 2012

Reconta Ernst & Young S.p.A.
Signed by: Michele Graziani, 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 2011 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 30, 2011.

3. In our opinion, the financial statements of ASCOPIAVE S.p.A. at 31 December 2011 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, 2011.

Treviso, March 29, 2012

Reconta Ernst & Young S.p.A.
Signed by: Michele Graziani, Partner

*This report has been translated into the English language solely
for the convenience of international readers.*