



Annual Financial Report
as of 31st December 2013

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Annexes:

- Individual Financial Statement of Ascopiave S.p.A. as of 31st December 2013.

In-Company Control:

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

Statutory Auditors:

- Report of the Board of Statutory Auditors on Financial Statements as of 31st December 2013

Independent Auditors:

- Report of the Statutory Auditor Companies on the Consolidated Financial Statements as of 31st December 2013
- Report of the Statutory Auditor Companies on the Financial Statements as of 31st December 2013

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Statutory Auditors

Name	Office	Duration of office	From	To
Zugno Fulvio	Chairman of the Board of Directors*	2011-2014	28/04/2011	24/04/2014
Coin Dimitri	Director	2011-2014	28/04/2011	24/04/2014
Bernardelli Giovanni	Independent Director	2011-2014	28/04/2011	24/04/2014
Colomban Massimino	Independent Director	2011-2014	28/04/2011	24/04/2014
Quarello Enrico	Independent Director	2011-2014	14/02/2012	24/04/2014

(*) Powers and attributions of ordinary and extraordinary administration, within the limits of the law and of the Charter and in observance of the reserves within the competence of the Shareholders' Meeting and the Board of Directors, according to the resolutions of the Board of Directors.

Name	Office	Duration of office	From	To
Zancopè Ogniben Giovanni	President of the Board of Auditors	2011-2014	28/04/2011	24/04/2014
Papparotto Paolo	Statutory Auditor	2011-2014	28/04/2011	24/04/2014
Alberti Elvira	Statutory Auditor	2011-2014	28/04/2011	24/04/2014

In-Company Control Committee	From	To	Remuneration Committee	From	To
Coin Dimitri	28/04/2011	24/04/2014	Coin Dimitri	28/04/2011	24/04/2014
Bernardelli Giovanni	28/04/2011	24/04/2014	Bernardelli Giovanni	28/04/2011	24/04/2014
Colomban Massimino	28/04/2011	24/04/2014	Colomban Massimino	28/04/2011	24/04/2014

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

VAT number 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)	2013	% of revenues	2012	% of revenues
Revenues	854,334	100.0%	1,078,038	100.0%
Gross operating margin	105,904	12.4%	102,683	9.5%
Operating result	76,787	9.0%	73,075	6.8%
Net income for the period	41,040	4.8%	29,961	2.8%

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

Assets figures

(Thousands of Euro)	31.12.2013	31.12.2012
Net working capital	63,878	102,262
Fixed assets and other non current assets	531,527	520,808
Non-current liabilities (excluding loans)	(61,126)	(64,122)
Net invested capital	534,278	558,948
Net financial position	(131,600)	(170,130)
Total net equity	(402,679)	(388,819)
Total financing sources	(534,278)	(558,948)

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

Monetary flow data

(Thousands of Euro)	Financial year 2013	Financial year 2012
Net income of the Group	38,678	27,894
Cash flow s generated (used) by operating activities	96,351	45,238
Cash flow s generated (used) by investments	(16,087)	(11,088)
Cash flow s generated (used) by financing activities	(77,154)	(52,013)
Cash flow for the period	3,110	(17,863)
Cash and cash equivalents at the beginning of the period	26,992	44,854
Cash and cash equivalents at the end of the period	30,102	26,992

REPORT ON OPERATIONS

PREMISE

The Ascopiave Group closed 2013 with a net consolidated profit of Euro 41.0 million (Euro 30.0 million as of 31st December 2012).

The consolidated net assets at year end amount to Euro 402.7 million (Euro 388.8 million as of 31st December 2012) and the net capital invested to Euro 534.3 million (Euro 558.9 million as of 31st December 2012).

In 2013 the Group accomplished investments for Euro 16.1 million (Euro 15.5 million in 2012), mainly in the development, maintenance and modernization of the networks and plant of gas distribution.

Activities

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

The Group currently holds concessions and direct assurances for the supply of the service in 209 municipalities (209 municipalities as of 31st December 2012) and has a distribution network extending for over 8,100 (*) km and providing a service to a catchment area bigger than 1 m inhabitants.

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

In the gas sale segment, Ascopiave is one of the main National operators with about 690,000 end-users (*) and over 1,100 million cu.m (*) of gas sold.

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

Strategic objectives

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

The Group intends to consolidate its leadership position in the gas sector on a regional level and is looking to reach a prominent position also at the national level, taking advantage of the liberalization process currently underway.

In this respect, Ascopiave follows a development strategy whose main guiding principles are dimensional growth, upstream integration in the sector, diversification in other divisions of the energy sector in synergy with the core business and the improvement of operative processes.

Management trend

The volumes of gas sold by the 100% consolidated companies to the end market in 2013 are equal to 879.4 million cubic metres, marking a decrease of 17.0%. In 2013, the proportionally controlled companies (Estenergy S.p.A., ASM Set S.r.l., and Veritas Energia S.r.l.) sold an overall amount of 460.2 million cubic metres of gas, with a decrease of 13.9% as compared to 2012.

As of 31st December 2013, the 100% consolidated companies served 549,000 customers, whereas, as of the same date, the proportionally consolidated companies managed over 282,000 customers.

Starting from financial year 2013, the Group has terminated the activity of gas sale at the Virtual Trading Point and as wholesaler.

As to the activity of gas distribution, in 2013, the volumes distributed through networks managed by the 100% consolidated Group companies were 832.8 million of cu.m, a decrease of 5.1% as compared to 2012.

Unigas Distribuzione, proportionally consolidated, has distributed 163.1 million cu.m, showing an increase by 2.7% as compared to 2012, mainly thanks to the growth of its portfolio of allocations.

Economic results and financial situation

Consolidated revenues of 2013 of the Ascopiave Group equal Euro 854.3 million, compared to Euro 1,078.0 million of 2012. The decrease in the turnover is mainly due to the reduction in the revenues on gas sale at the Virtual Trading Point and at the whole market (Euro -175.5 million), as a consequence of a decrease in revenue from gas sale operations to final market (Euro -108.9 million) and of the decrease in the sale of electric power (Euro -56.8 million), against the recording of Euro 115.1 million of revenues, due to the sale at the Virtual Trading Point of Russian gas purchased through “take or pay” agreements signed by Sinergie Italiane S.r.l. in liquidation and governed within the framework supply agreement by the reference shipper of the Group.

The decrease in revenues from gas sale to final market is due to the decrease in the quantity of gas sold as well as in the average sale prices, mainly connected to the reform of price conditions applied to the protected market introduced by AEEG resolution no. 196/2013/R/gas, in force since 1st October 2013.

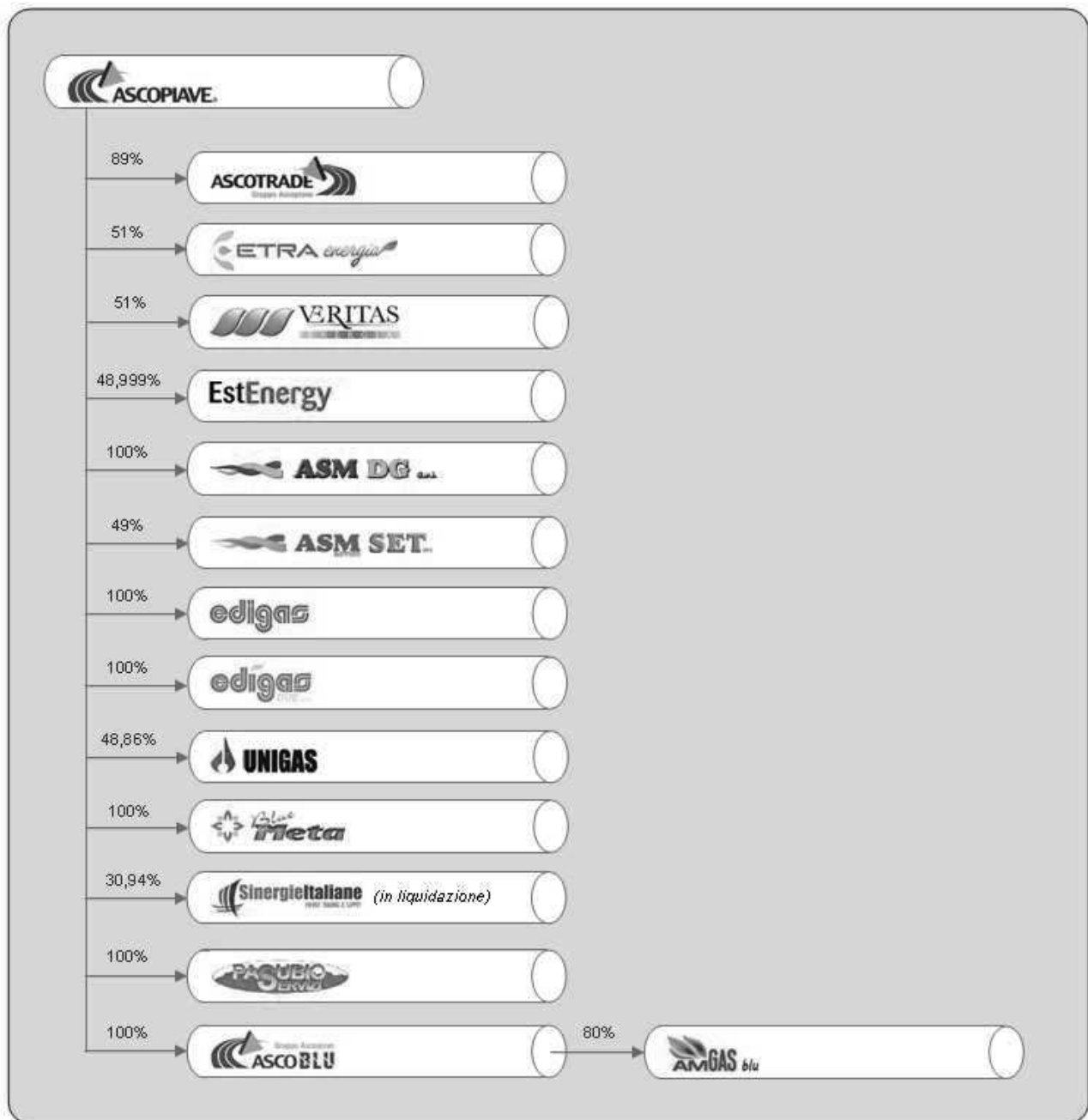
The Net Result of the Group equals Euro 38.7 million Euro, improving as compared to Euro 27.9 million of 2012 as a consequence of the improvement of Operating Profitability, the reduction of interests payables on loans and the improvement of the net result of the associated company Sinergie Italiane S.r.l. in liquidation, consolidated with the equity method, against a decrease in the net result from sold activities (the net result from sold activities booked in the 2012 profit and loss statement referred to the sale of active shareholdings in the photovoltaic sector, which took place in December) and an increase in fiscal charges on income taxes.

The Net Financial Position of the Group as of 31st December 2013 is equal to Euro 131.6 million, with an improvement as compared to Euro 170.1 million as of 31st December 2012. The reduction in financial indebtedness (Euro -38.5 million) is determined by the cash flow of the fiscal year (Euro +70.0 million, given by the sum of the net result, allocations, amortization and depreciations) and by the management of the working capital, which generated financial resources for 11.5 million Euro. The investment activity generated a financial requirement of Euro 16.1 million, while the management of equity (distribution of dividends and purchase of own shares) absorbed resources for Euro 27.2 million.

The ratio between Net financial position and Net equity as of 31st December 2013 results equal to 0.33.

The structure of the Ascopiave Group

The table below shows the company structure of the Ascopiave Group as of 31st December 2013.



The natural gas market

The general economic context

Global economic activity continued growing at a moderate pace in 2013 and quickened especially starting from the third quarter of the year, showing acceleration in developed countries and showing different trends in emerging markets. If recovery is fragile in the Euro zone, where the weakness of economic activity is reflected in very moderate dynamics of consumer prices, the U.S. economy is supported by signs of improvement, thanks in part to a lower uncertainty in government budget policies. *Emerging economies*¹ are growing, although they suffer from risks derived from less expansive global financial conditions.

The future evolution of global economy still remains subject to risks. Since last autumn, in fact, the monetary policies of the major emerging economies have taken a less accommodating attitude; furthermore, the decision of the Federal Reserve to moderately reduce the pace of bond purchase, could also lead to a reduction of monetary policies quicker than expected, thus causing the worsening of monetary and financial conditions worldwide. In addition, there are also risks connected to the level of U.S. public debt, which persists although the United States have reached a political agreement on the budget for fiscal year 2014-2015.

Some OECD projections estimate that in 2013 the global domestic product increased on average by 2.7% as compared to the previous year, and that in 2014 it may show a slight upward trend, growing by 3.6%. In the coming years, the economic expansion is expected to be increasingly differentiated in the developed countries, where against a slight growth in Europe (+1.0%) a faster expansion is expected in the United States (2.9%), in the United Kingdom (+2.4%) and in Japan (+1.5%).

Emerging economies showed different trends in 2013. In China, the actions taken to support investments and exports, fostered growth (+7.7%), while in India and Brazil the growth of domestic product has slowed down (respectively +3.0% and +2.5%). According to the latest OECD estimates, in 2014 the dynamics of the product of the major emerging economies will be stronger, with the exception of Brazil.

Consumer price inflation, at the end of 2013, is still very moderate in developed countries while the dynamics of consumer prices in India, Brazil and Russia was rather high. The change in prices has benefited from the decrease in raw materials prices and extremely expansive monetary policies; the Federal Reserve has stated that they will keep this trend for a long time. In 2013, the average annual inflation in the Euro area, measured by the harmonized index of consumer prices, was 1.4% (+2.5% in 2012). Within the Euro zone, the economic indicators have outlined a slight rise in 2013, albeit with persistent gaps between the major economies of the area. In 2013, in the Euro zone, the GDP is expected to decrease by about 0.4% as compared to the previous year.

With regard to the economic situation of the **Italian economy**, in 2013, the prolonged recession in the country started in the summer of 2011, has stopped since the third quarter of 2013. Analysts assume that the Italian economy will modestly grow again starting from the second half of 2014.

In 2013, GDP decreased by 1.9% as compared to the previous year, marking a slighter decrease with respect to that observed in previous periods, recording, in the fourth quarter of 2013, +0.1% as concerns the economic situation and -0.8 % on the same period as compared to the previous year. The dynamics of the gross domestic product were affected by the weakness of domestic demand, which has decreased, reflecting the continued weakness in household consumption and gross fixed investment. Interchange with foreign countries has continued to support GDP growth, highlighting a stagnation of exports as compared to the previous year (+0.1% in the export of goods and services compared to 2012) and at the same time a decrease in import (-2.8% compared to 2012), linked to the weakening of domestic demand.

¹ Brazil, China, India, Russia

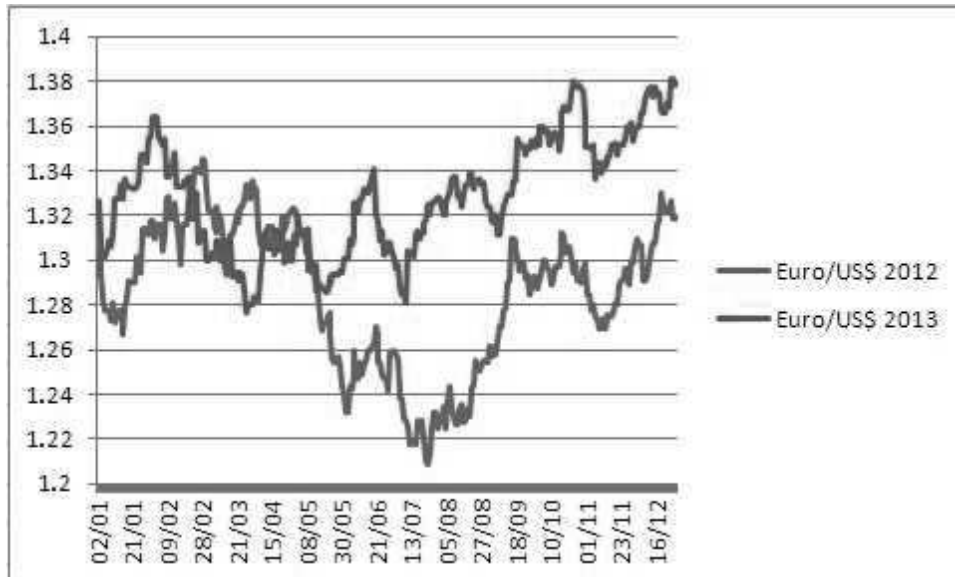
Consumer confidence witnessed a recovery in 2013, although there was an interruption of this trend in the fourth quarter related to both the expectations on the future evolution of the economy and the labour market, and the uncertainties surrounding the current economic situation. Business confidence, on the other hand, to a limited extent, continued its growth. A prolonged decrease in available income along with pessimism about labour market outlook, negatively affected household consumption. The unemployment rate, net of seasonal factors, showed an increase in 2013 as well, reaching 12.7% in December (-0.1% compared to November and +1.2% in the 12 months).

Average Italian inflation in 2013, measured by the harmonized index of consumer prices, recorded values in line with the Euro zone: +1.3% against +1.4% in the Euro area. The dynamics of consumer prices have shown since the first quarter a slowdown in growth (+1.9% in the first quarter of 2013 compared to +2.4% in the fourth quarter of 2012), which has strengthened in the next quarters. In 2013, inflation reflects in particular the weakness of costs, in particular those related to energy, and the intense and prolonged contraction of household expenditure. In this context, the increase in VAT, effective from the month of October, has only partially and slightly involved the growth in consumer prices.

Evolution of international energy prices

In 2013, the Euro/Dollar exchange rate recorded an annual average equal to 1.33 USD per Euro (+ 3.4% as compared to the 2012 average), achieving a maximum of 1.38 USD per Euro (December 2013) and a minimum value of 1.28 USD per Euro (March 2013). After an increase in the Euro/U.S. Dollar exchange rate in the first months of 2013 (up to Feb.), the EU currency started a slight depreciation with respect to the U.S. Dollar up to reach its minimum value in March 2013, then, from September onwards, it remained on higher values as compared to the beginning of 2013.

Euro/Dollar exchange rate trend in 2012 and 2013



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

In 2013, the cost of crude oil was not subject to significant decreases. Although Saudi Arabia increased its supply and the economic situation remained unfavourable, the renewed tensions in Libya, whose supply is largely below its potential, have countered the downward pressure on prices. Since January 2013, oil price (Brent) began to increase, reaching approximately \$ 118.90 per barrel in early February (the highest value of the year). It subsequently started decreasing, reaching the minimum value in the second half of April 2013 (\$ 96.84 per barrel). It then reached again the values of the beginning of the year until

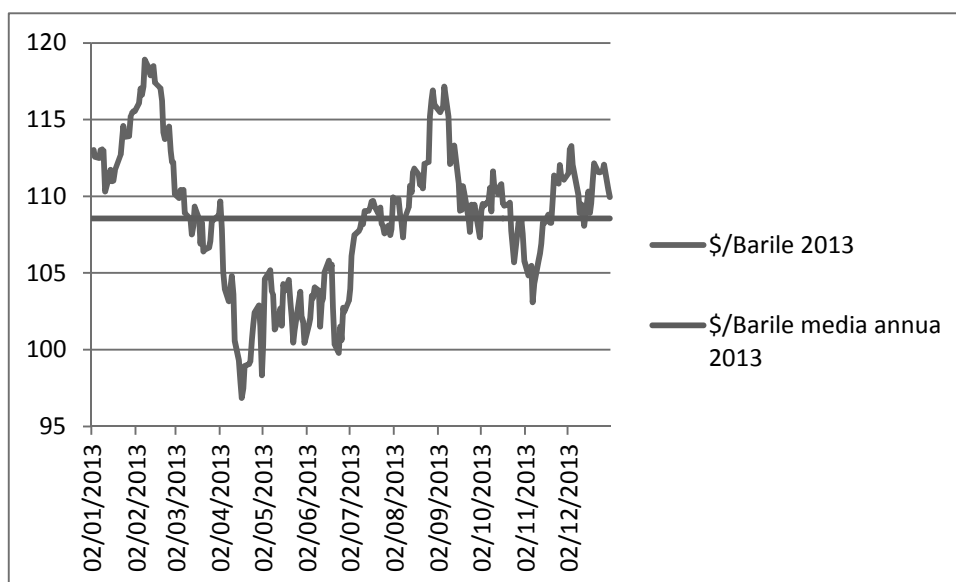
the end of 2013. As far as the Euro ratings are concerned, the increase was more moderate because of the appreciation of the EU currency with respect to the U.S. Dollar.

Quotations	2013	2012	2011	2010
Annual average Brent quotation (Dollars per barrel)	108.56	111.63	111.29	79.6
Annual average Exchange rate Dollar/Euro	1.33	1.29	1.39	1.33
Annual average Brent quotation (Euro per barrel)	81.74	86.88	79.95	59.9

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

Crude oil, even with swinging quotations, recorded similar values at the beginning and end of the year. As shown in the graphic, during 2013 oil price recorded significant swinging in the first half of the year, while in QIV it was rarely outside the price range between 105 and 115 dollars per barrel, which is a clear sign of a weakness in the world economic situation counterbalanced by the effects of the revived geopolitical tensions in the Middle East.

Brent trend 2013



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

The gas market: the European scenario

The international demand for gas has witnessed a slight increase (about 3,300 billion cubic meters / year), mainly supported by consumptions in emerging economies and other countries featuring much higher consumption growth rates than Europe.

For Europe, there are still major uncertainties regarding the possible evolution of gas demand in the next few years, and therefore there are very different scenarios on the future demand for gas on the continent. According to the scenario described by the International Energy Agency (IEA), in the New Policies Scenario, the growth of annual gas demand in 2020 will be lower than 1%, while there will be a stable demand for natural gas in Italy.

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

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 several years.

Given the commitment undertaken by the EU to reduce greenhouse-effect gases by 80-95% with respect to the 1990 levels, in the context of the necessary reductions that the developed countries have to jointly implement (Energy Road Map 2050) and in the face of a progressive decrease in domestic production, Europe and Italy are continuing on their way to the development and enhancing of infrastructures for the import and storage of natural gas in search of a more diversified and flexible procurement.

However, if until a few years ago the European scenario of the gas market based its development forecasts on a number of rather well-known elements, in recent years something unexpected has changed what was imagined in previous years. The economic downturn has caused a decline in demand in many areas: the boom of renewable energy sources, the decrease in domestic production and the increasingly important role of LNG, which was rather predictable, were all factors that had already been considered in the evolutionary scenarios developed in recent years. However, the recent evolution of the U.S. market in this area through the application of new extraction technologies and, subsequently, the strong competitiveness of coal in thermal power generation was not expected.

Due to a sudden increase in the availability of gas from "unconventional" reserves (shale gas), the U.S. market has soon become a significant potential exporter of LNG at an international level, whereas before it was considered a possible large importer. The technological developments of the oil and gas extraction industry have enabled the production of large quantities of gas at competitive costs, further aggravating the situation of oversupply in the European market as a result of the economic crisis intervened since 2008.

In the context of this change in the evolutionary scenario, Europe is continuing the integration of infrastructures and market, but at the same time it is also exploring the potential use of natural gas in fields in which it had not been traditionally used (for example, it is envisaged to use compressed natural gas -CNG- in the transport sector for urban mobility and to avail of LNG for the transport of heavy goods over long distances and in the maritime transport of passengers and goods).

The strategy drawn up by the European Commission in relation to alternative fuels (Clean Power for Transport: A European alternative fuels COM, 2013), aimed at encouraging the diversification of energy sources used for transport, together with the unification and integration of the European gas market, falls within the scope of a project aimed at identifying a possible outlet for the use of surplus gas supply in Europe as a result of the decrease in demand for traditional uses (heat and electricity), a consequence of the economic crisis, and of the placing on the market of "unconventional" gas stocks.

The gas market: the Italian scenario

Update of the economic conditions of supply

In the solar year 2013, the gross domestic consumption of gas in Italy recorded a decrease of 6.5% as compared to 2012, reaching 70.07 billion cubic metres (source: Ministry of Economic Development.)

Demand highlights a reduction as compared to the previous year with a 4.85 billion cu.m decrease, significantly influenced by the indirect effect of the economic crisis and the fall in demand for electricity. There was in fact a reduction in consumption in the thermoelectric sector (-16.3% compared to 2012), as a result of the contraction in the demand for electricity, of the industrial sector (-2.2% compared to 2012), for the reduction of production activity and also a slight decrease in consumptions in the residential and tertiary segments (-0.7% compared to 2012), which are supported by the climate effect.

The coverage of gas demand was performed mainly through the recourse to import sources that in 2013 achieved a level of 61.97 billion cu.m, with a decrease of 5.76 billion cu.m compared to 2012 (-8.50%). With respect to 2012, the quantities traded are recording a recovery only at the interconnection point connected to Russia, Tarvisio +26.9%. On

the other hand, the interconnection points to Northern Europe (Passo Gries -17.0%) and Northern Africa (Gela -11.8% and Mazara del Vallo -39.6%). The volumes of gas imported from the entry point in Cavarzere (coming from the LNG terminal commissioned in the second half of 2009) reduced (-13.3% as compared to 2012), as well as the volumes coming from the LNG in Panigaglia (-96.5% as compared to 2012).

National production of natural gas

In 2013, Italian production of gas, equal to 7.73 billion cubic metres, recorded a decrease of 10.1% as compared to 2012, covering approximately 11.04% of the national consumption.

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

Given the great uncertainty surrounding the outlook for demand, both in terms of the evolution of economic growth and the new fierce competition of other energy sources, there are now several scenarios about the future evolution of the Italian gas demand. The International Energy Agency (IEA), within the "New Policies Scenario", forecasts that in Italy gas consumption will be substantially stable until 2020.

In recent years, our Country has shown a downward trend in natural gas consumption, due to the influence of both the economic downturn and the fiercer competition of renewable sources in the electricity generation sector. This decline in demand, together with the regulatory and infrastructural interventions undertaken in recent years at both national and European level, have led to a substantial alignment of Italian gas prices with European prices. The actions aimed at market organization and enhancement of the structures in Italy, continued throughout 2013 and promoted the integration of the gas sector in the EU context. In the future, an important contribution to integration and competitiveness of the Italian gas market is expected with the completion and commissioning of new projects for the supply of gas, including the Trans Adriatic Pipeline and LNG terminals Offshore LNG Toscana (OLT) and LNG MedGas Terminal in Gioia Tauro.

Although Italy has shown a decrease in gas consumption in recent years, because of its strong dependence on this commodity, it is included among the European countries most associated with gas consumption, so that it can still be defined as a "Gas Country".

Thanks to the presence of a well diversified portfolio of supplies from various regions (mainly North Africa, Norway, Russia and The Netherlands), featuring an already high level of competition and a large storage potential, the Italian market has all the necessary characteristics to truly become a reference market in Europe. If the country continues to invest in infrastructure development, particularly with regard to the interconnections with the rest of the European gas network and the reverse flows, in order to create a single integrated network not affected by congestions, and if it proves that it has a flexible system capable of systematically meeting peaks in demand, it will be highly possible for the Italian gas market to become a reference market in Europe as the main South-European hub.

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

The situation of infrastructural lack that characterized our country in recent years can be considered solved, at least for the immediate future and given the current economic situation. Nevertheless, several infrastructure development projects intended for the increase of the system capacity are being examined or are already approved.

Infrastructures - Methane Pipelines

As confirmed by the "Rating of new infrastructures for importing gas in Italy", published by Nomisma Energia at the end of 2013, the new pipelines that would boost gas supplies in Italy have been authorized and are awaiting investment decisions for their effective implementation by the subjects which proposed them.

The Trans Adriatic Pipeline Company (TAP), in the stage of investment decision, has been inserted by the European Commission among the projects of common interest (PCIs) and therefore will benefit from slimmer and quicker organizational procedures, as well as the funding made available by the Commission for trans-European energy infrastructures in the period 2014-2020. Currently, the Authority for Electricity and Gas has approved the tariff code of the pipeline, already ratified by the competent Greek and Albanian authorities. In addition, the project has already received the ratification of the intergovernmental agreements both in Greece and in Italy. In the immediate future, an understanding with the area that will house the work should be reached.

The projects Galsi and IGI - Poseidon (ITGI's underwater segment), were included in the Community projects of common interest (PCIs) as well. However, due to the delays in the authorization phases of the Galsi and in the implementation of the IGI - Poseidon, the European Commission has decided to suspend the loans originally granted to both projects and to assess their possible cancellation. The Galsi, after several uncertainties, is awaiting a final investment decision (FID) in May 2014. The IGI - Poseidon has completed the authorization process but an agreement with the gas supplier has not been reached yet.

	Pipeline (company)	Capacity	Details
In Project	IGI - POSEIDON (Edison, DEPA)	8.8 mld mc / year	(Italy Greece Interconnector) pipeline that through Greece and Turkey will allow Italy to import quantities of natural gas from the Caspian Sea (Azerbaijan in particular) and the Middle East (especially Iran and Iraq) where there are the largest global gas reserves.
	TAP (Trans Adriatic Pipeline Company)	10 - 20 mld mc / year	(Trans Adriatic Pipeline) pipeline that will connect Greece to Puglia through Albania and the Adriatic Sea, will provide access to natural gas reserves located in the region of the Caspian Sea, in Russia and in the Middle East.
	GALSI	8 mld mc / year	Gas pipeline that will link Algeria to Italy via Sardinia.
	TGL	11.4 mld mc / year	Pipeline linking Italy to Germany through Austria, run by Trasisio conducted in Salzburg and will be connected to the TAG.
	South Stream	31 - 63 mld mc / year	Natural gas pipeline linking Russia to Europe directly, eliminating any non-EU country transit. The track is divided into a section in the Black Sea offshore and one on the ground.

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

Infrastructures – 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 shipment capacity available on the import gas pipelines networks.

Currently, LNG terminals operating in Italy are Panigaglia (La Spezia), Porto Levante (Rovigo), and Livorno Offshore, the latter only at a test level. The Panigaglia LNG terminal is located in the province of La Spezia and is managed by LNG Italia, a company controlled by Snam Rete Gas. The plant has a rather limited capacity, equal to 3.4 billion cubic metres a year.

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

Besides these plants, our Country has at its disposal a dozen of projects regarding the realization of new LNG 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.

Among the possible projects which can characterize investments in the coming years, there is also a proposal made by some companies in Friuli, which may be interested in building a mini-regasification terminal in Monfalcone, in order to reduce gas supply costs for affiliated industries and also create synergies both in the naval field, with the development of the LNG propulsion, and in the mechanical sectors, with gas engines.

	GNL (Site)	Company	Work status
In Project	Porto Empedocle	Nuove Energie	Licensed
	Gioia Tauro (RC)	LNG Med Gas Terminal	Licensed
	Offshore Falconara (AN)	API	Licensed
	Zaule (TS)	Gas Natural International	In discovery phase
	Panigaglia (SP) (expansion)	ENI	In discovery phase
	FSRU offshore	Gaz de France	In discovery phase
	Offshore Falconara (AN)	API	In discovery phase
	Offshore Monfalcone (GO)	Terminal Alpi Adriatico	In discovery phase
	Rosignano Marittimo (LI)	Edison, BP	In discovery phase
	Taranto	Gas Natural International	In discovery phase

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 fiercer 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.

At the end of 2013, the Government issued Law Decree 23/12/2013, no. 145, making changes to the regulatory framework with regard to the determination of the redemption value of plants due to the outgoing operator at the end of the so-called "Transitional Period". The Decree was converted with amendments into Law no. 9/2014, which substantially changed the original provisions of the Decree on this aspect. The contents of the recent law and the evolution of the same are illustrated in the sections entitled "National legislation" and "Objectives and policies of the Group and description of risks" of this financial report.

The regulatory framework

National regulations

Law dated 9th August 2013, no. 98 – Implementation law of Law Decree dated 21st June 2013 no. 69 “Urgent dispositions to revive economy” (so-called “To do decree”)

On 22nd June 2013 came into force the Law dated 9th August 2013 no.98 that converted with amendments the Law Decree dated 21st June 2013 no.69, so-called “To do decree”

With this measure were introduced a series of measures that had an impact on various sectors, including energy. In particular, with reference to the natural gas sector, the Law intervened by changing the perimeter of the entities to which the economical conditions are destined, set by the Authority, limiting it only to residential customers.

The users related to the public service and different uses with consumption not exceeding 50,000 cubic meters/year were therefore excluded from the category of those so-called “Vulnerable”. With the same measure, were finally introduced some provisions related to bidding to tender for gas distribution, foreseeing a four-months extension of time limits for the designation of contracting authorities and for the publication of notices of calls for tenders of Minimum Territorial Area, failing into the first two groups listed in Annex 1 of the Ministerial Decree 226/2011, as well as an extension of the same terms of 24 months for Areas with a significant quota of municipalities affected by the earthquake occurred in 2012.

Format of legislative decree on the Rights of the Consumer in implementation of directive 2011/83/EU.

In implementation of the Directive 2011/83/EU, the Council of Ministers approved on December 3, 2013, the format of legislative decree on the Consumer rights.

This measure, which is currently being assessed by the competent parliamentary committees, would introduce, if approved, a number of substantive changes to the Legislative Decree dated 6th September 2005, no.206 (Consumer code). Among the main innovations, we remember in particular:

- The obligation of the Seller, in distance contracts concluded by phone, to confirm the offer to the consumer that will be bound only after he has accepted it in writing;
- The extension of the deadline to exercise the right of withdrawal up to 14 days from the date of conclusion of the contract, compared to the current 10 days;
- If the trader fails to inform the consumer about the right of withdrawal, the latter may exercise the right of withdrawal up to 12 months;
- If the information on the right of withdrawal is given within one year from the date of conclusion of the contract, the period for exercising the right of withdrawal will end 14 days after such notice.

Law Decree n. 145 / 2013, converted with amendments by the Law n. 9 /2014

At the end of 2013, the Government issued Legislative Decree 23/12/2013, n.145, introducing some changes to the regulatory framework with regard to the determination of the refunding value of the plants due to the outgoing manager at the end of the so-called “Transitional Period”. The decree was converted with amendments into Law no.9/2014, which substantially changed the original measures of the Decree on that aspect.

The Law Decree – by changing the content of Article 15 of Legislative Decree no. 164/2000, provided that the refunding value recognized to the outgoing managers of the service, holders of credit lines and concessions valid in the

transitional period, had to be calculated in compliance with the provisions in agreements or contracts and, for what not determined by the will of the parties, and no longer with the criteria specified in points a) and b) of Article 24 of the Royal Decree 15th October, 1925 no.2578, but with the methods referred into Article 14, paragraph 8, of the Legislative Decree no.164/2000, as subsequently integrated and amended. In any case, from the refunding value had to be deducted the private contributions to local assets, valued in accordance with the methodology of the tariff regulation in force.

The implementation law of the Decree (Law no. 9 / 2014) made significant changes to its original contents, providing that the holders of credit lines and concessions in force in the transitional period, are eligible for a refund to be paid by the new manager, calculated in compliance with the established conventions and agreements and, for what was not deducible from the intention of the parties as well as for the aspects not covered by those agreements or contracts, in accordance with the guidelines on criteria and operating procedures for the evaluation of the refunding value mentioned in article 4, paragraph 6, of Law Decree 21st June 2013, no.69, converted, with amendments, by the Law of 9th August 2013, no.98. In any case, from refunding value shall be deducted the private contributions related to local assets, valued in accordance with the methodology of tariff regulations in force. Whether the refunding value is greater than ten percent of the value of local net fixed assets calculated in the tariff regulation, net of government grants related to capital and private contributions related to the local assets, the local grantor authority sends its rating details of the refunding value to the Authority for electricity, gas and water supply system for verification before publication of the tender call.

Law no. 9 / 2014 also established that the deadlines provided in paragraph 3 of the Article 4 of Law Decree of 21st June 2013, n.69, converted, with amendments, by the Law of 9th August 2013, n.98, are extended for additional four months and that the deadlines set in annex 1 to the regulation mentioned in the Decree of the Minister of Economic Development 12th November 2011, n.226 (so called Criteria Decree), relating to the areas that fall into the third group of the same Annex 1, as well as the related terms set out in Article 3 of the same regulation, shall be extended of four months.

Sector Regulations

Excise duties and VAT

Law 9th August 2013, no.99 – conversion law of Law Decree 28th June 2013, no.76 about “First urgent measures for the promotion of employment, juvenile, of the social cohesion, as well as in relation to Value Added Tax (V.A.T.) and other urgent financial measures”.

This measure has ordered an increase in the standard VAT rate from 21 to 22 percent, with effect from 1st October 2013. Regulatory amendments do not affect the reduced rates of 4 and 10 percent that are applied to goods and services listed, respectively, in Part II and Part III of the table A, annexed to the Presidential Decree 633/1972.

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

The main measures issued by the AEEG during 2013 are the following:

Update of the economic conditions of supply

1st quarter 2013

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

In particular, by means of Resolution 533/2012/R/gas the Authority has updated the fixed and proportional component of the compulsory fee for distribution services for 2013, while with Resolution 578/2012/R/gas the following components have been updated:

- Wholesale marketing (CCI_t), characterized by the reduction of the element to cover the costs of supply QE_t , compared to the previous quarter of 0.034063 Euro/GJ, equal to 0.001312 Euro/cubic meter;
- Variable fee to cover the costs related to gas self-consumption, network losses and unaccounted for gas (QTV_t), equal to 0.030642 Euro/GJ.

The values shown in the table annexed to the Resolution are as follows: $QE_t = 9.802175$ Euro/GJ equal to 0.377580 Euro/cubic meter - $CCI_t = 10.732659$ Euro /GJ equal to 0.413422 Euro/cubic meter.

By the same measure, the Authority amended the following articles of TIVG:

- art. 8.4, providing that starting from 1st January 2013, the recognized percentage related to network losses, unaccounted for gas and self-consumption (λ) is equal to 0.002802 while the component related to transport service up to PSV (QT^{tu}_{PSV}) is equal to 0.202950 Euro/GJ;
- art. 9.1, stating that the quota for the storage service (QS) is equal to 0.329691 Euro/GJ and replacing tables no. 2 and 5, respectively referred to additional costs (QOA) and the fee to cover the costs of transport ($QTFi$).

With resolutions 579/2012/R/gas and 581/2013/R/com have also been updated tariff components to cover general expenses. With the update of the economic conditions, the Authority has provided an increase in the average price of gas compared to the previous quarter of 1.54 Euro/cent per cubic meter, taxes included.

For the Customer Type (so called a family with independent heating and the annual consumption of 1,400 cubic meters), this has resulted in a trend annual expense of about 1,299.00 Euro. Such expense, as a percentage, will be divided as follows: 40.70% for the raw material gas; 33.36% for taxes including excise taxes (16.47%), the additional regional (2.19%) and VAT (14.70%); 5.15% for transport and storage; 13.16% for distribution; 7.63% for the retail, wholesale marketing and additional charges.

2nd quarter 2013

With **Resolution 124/2013/R/gas of 28th March 2013** – *Economic conditions reform of the protection service. Method of determining the CCI component for the semester 1st April to 30th September 2013, updating the criteria for calculating the component QS. Changes to TIVG* – the Authority has stated the economic conditions reform of protection service providing, as mentioned in the guidelines of the DCO 58/13, the start of the first phase of reform for the six months 1st April 2013 – 30th September 2013.

This first phase was characterized by the preservation of the structure of the economic conditions of the protection service and the increase in weight of the spot market (index $P_{MKT,t}$) for the determination of the variable QE_t .

The resolution, in particular, has amended articles 6 and 9 of Annex A of resolution ARG/gas 64/09 (TIVG), related respectively to the wholesale component (CCI) and the portion of the storage service (QS). From 1st April 2013 the value of the component of the storage service QS passed from 0.329691 to 0.185896 Euro/GJ, while the value attributed to the amount P_{top} decreased to 0.80 from the previous 0.95.

The resolution also provided the start of the second phase of the reform, starting from October 1st 2013, to be determined in a subsequent measure, at the same time of the redefinition of the value of the QVD component.

With **Resolutions 123/2013/R/com** and **125/2013/R/gas dated 28th March 2013** have been updated the reference economic conditions applicable to customers in the protected market for the quarter April-June 2013.

With Resolution 123/2013/R/com, the Authority updated the tariff components to cover the general costs of the system, while maintaining unchanged the values of the components UG_1 , GS, RE and RS and GS_T and RE_T and the value of the component that covers the charges resulting from the application of the revenue guarantee factor for the storage service, CV^{OS} equal to zero.

In addition, in compliance with the requirements of the launch of first phase of the economic conditions reform, by Resolution 125/2013/R/com, the Authority updated the following components:

- wholesale marketing (CCI_t), providing for a reduction of the element to cover supply costs QE_t , compared to the previous quarter, to 0.707234 Euro/GJ equal to 0.027243 Euro/cubic meters;
- the variable fee to cover the costs related to gas self-consumption, network losses and unaccounted for gas (QTV_t) set equal to 0.028660 Euro/GJ.

The values shown in the table attached to the resolution are as follows: $QE_t = 9.094941$ Euro/GJ equal to 0.350337 Euro/cubic meter; $CCI_t = 10.025425$ Euro/GJ equal to 0.386179 Euro/cubic meter.

From 1st April 2013, the Regulator has provided reference prices of gas equal to 88.93 Euro cents per cubic meter, in decrease of 3.85 Euro cents, taxes included, compared to the previous quarter.

For the Customer Type (so called a family with independent heating and the annual consumption of 1,400 cubic meters), this has resulted in an expense of approximately 1,245 Euro a year, amount that will be divided as follows: 39.40% for raw material; 34.17% for taxes including excise taxes (17.19%), the additional regional (2.28%) and VAT (14.70%); 4.74% for transport and storage; 13.73% for distribution; 7.97% for retail, wholesale marketing and additional charges.

3rd quarter 2013

With **Resolutions 279/2013/R/com** and **281/2013/R/gas dated 28th June 2013**, the Authority has updated the reference economic conditions applicable to the protected users market for the July-September 2013 period.

In particular, the resolution 279/2013/R/com has kept unchanged the values of the components to cover the general expenses RS, UG_1 , GS and CV^{OS} and updated the value of the RE component, while with the resolution 281/2013/R/com were updated:

- the wholesale marketing component (CCI_t), equal to 9.866636 Euro/GJ;
- the variable fee to cover the costs of the self-consumption gas (QTV_t), equal to 0.028216 Euro/GJ;
- the quota of additional charges (QOA) whose element CV_i is equal to 0.000571 Euro/Standard cubic meters.

From 1st July, the Authority has provided the *reference price* of gas equal to 88.44 Euro cents for cubic meter, in decrease of 0.49 Euro cents, taxes included, from the prior quarter.

For the Customer type (so called a family with independent heating and annual consumption of 1,400 cubic meters), the bill recorded a saving of 7 Euro a year at a cost of about 1,238 Euro divided as follows: 38.92% for the raw material; 34.28% for taxes including excise taxes (17.28%), the additional regional (2.30%) and VAT (14.70%); 4.76% for transport and storage; 14.00% for distribution; 8.04% for retailing, wholesaling and additional costs.

4th quarter 2013

With **Resolution 196/2013/R/gas of 28th March 2013** – *Second phase of the economic conditions reform applied to end customers of protection service of natural gas market starting from 1st October 2013. Changes to TIVG* –

The Authority has approved the second phase of the economic condition reform of the gas protection service to be applied with effect from 1st October 2013.

These provisions have changed the TIVG, with particular reference to the cost of the raw material and the redefinition of the value of component QVD.

More precisely, were revised the methods of determining the component of the gas wholesale marketing and other components that help to define the economic conditions of the protection service pursuant to TIVG.

In particular, the components CCI and QS have been removed and introduced components related to costs of natural gas supply in the wholesale markets (Cmem), to the activities linked to the cost of natural gas supply in the wholesale markets (CCR) and to the gradual implementation of the reform (GRAD). The component of retail marketing (QVD), was reviewed as well providing for an increase of about 17 Euro/PDR of the value of the fixed fee to be applied to residential customers and approximately 20 Euro/PDR for the other types of protected users. The value of the variable fee increases from 0.48 to 0.7946 Euro/mc for all types of customers.

With **Resolutions 405/2013/R/com and 406/2013/R/gas dated 26th September 2013**, the Regulator has updated the economic conditions applicable to Customers of the protected market for the quarter September – December 2013.

In particular, with resolution 405/2013/R/com have been updated components to cover the general expenses, while with resolution 406/2013/R/com have been updated:

- The component to cover the cost of supply of wholesale markets (Cmem), equal to 8.056789 Euro/GJ;
- The variable fee component to cover costs related to self-consumption gas, network losses and unaccounted for gas (QTVt), equal to 0.017088 Euro/GJ;
- The fee to cover the costs of transporting gas from PSV at the point of delivery of the transport network (QTFi).

From 1st October 2013, the Authority has provided the reference prices for natural gas equal to 85.75 Euro cents per cubic meter, in decrease of 2.65 Euro cents from the previous quarter.

For the Customer type (so called a family with independent heating and annual consumption of 1,400 cubic meters), this has resulted in an expense of about 1,200.46 Euro a year, divided as follows: 39.86 % for the supply of natural gas and related activities, 34.90 % for taxes including excise taxes (17.83%), the additional regional (2.37%) and VAT (14.70%), 15.54 % for distribution and metering, 3.01% for transport, 0.99% for the gradual implementation of the reform and 5.70% for retail sale.

1st quarter 2014

With **resolutions 639/2013/R/gas and 641/2013/R/com dated 27th December 2013**, the Authority updated the economic conditions applicable to Customers in the protected market for the quarter January – March 2014.

With resolution 639/2013/R/gas were updated the following components:

- Cost of gas supply to the wholesale market (Cmem), equal to 8.418603 Euro/GJ;

- Element to increase the variable fee CV applied in the transport service of volumes injected into the network (QTmcv), equal to 0.065447 Euro/GJ;
- Variable fee to cover the costs of transporting the self-consumption gas, the network losses and unaccounted for gas (QTVt), equal to 0.017847 Euro GJ;
- Fee to cover the costs of transporting gas from PSV at the point of delivery of the transport network (QTFi).

With the same measure have been introduced changes to TIVG, providing for the value replacement of the element QTpsv, equal to 0,142812 Euro/GJ and element Y, equal to 0,002120 and introduced the obligation for Sellers to pay to the Adjustment Fund the amount coming from the application of CPR component to end customers served at economic conditions of protection.

With resolution 641/2013/R/com have finally been updated tariff components to cover the general costs of the system. The Authority has estimated that, from 1st of January 2013, the reference price of gas will be 86,27 Euro cents per cubic meter, taxes included.

For the Customer type (so called a family with independent heating and annual consumption of 1.400 cubic meters), this implies a cost of about 1.207,79 Euro a year, divided as follows: 41,24% for natural gas supply and related activities; 35,25% for taxes including excise taxes(17,72%), the additional regional (2,35%) and VAT (15,18%); 13,67% for distribution and metering; 3,19% for transport; 0,98% for the gradual implementation of the economic condition reform of the protection service of natural gas and the mechanism of renegotiation of long-term supply contracts; 5,67% for retail sales.

With Resolution 573/2013/R/gas dated 12th December 2013 – tariff regulation of gas distribution and metering services for the regulatory period 2014-2019 – the Authority has approved the part II of the Consolidated Law of Regulation of quality and tariffs for gas distribution and metering services for the regulatory period 2014-2019.

The resolution defined the tariff regulation with reference to municipal and over municipal concessions, referring to a measure after the adoption of provisions on tariff regulation for their management.

The most important new features of the regulation are the following:

- 1) Extension of the regulatory period from four to six years, with forecasts of revisions during the period (every two or three years) of some regulatory parameters (rate of return of the risk-free assets and objects of variation of the annual rate of productivity on operating costs)
- 2) Pre-tax real rate of return on invested capital for the 2014-2015 period: 6,9% for distribution activities and 7,2% for the metering activities
- 3) Revision of the parameters for the calculation of the components of the revenues covering the operating management costs, confirmation of the standard evaluation method in linear function of the number of managed PDR, differentiated by density of the managed users and the size of the company (in continuity with the previous regulatory period).
- 4) Prospect of introduction of a standard cost method for valuation of remunerated investments, to be defined downstream of a process with companies and other stakeholders.

With reference to the structure of the mandatory tariff to apply to users of the service, the resolution provides that from 2015 the value of the components of the mandatory tariff for the distribution $\tau 1(\text{dis})$ and metering services $\tau 1(\text{mis})$ and will be divided in brackets based on the group size (bracket A: $GdM \leq G6$; bracket B: $G6 < GdM \leq G40$; bracket C: $GdM > G40$) and that the components UG1, GS, RE and RS will be remodulated through the introduction of two different tax rates to be applied respectively to consumptions up to 200.000 Standard cubic meters/year and the consumption of more

than 200.000 Standard cubic meters/year.

Another novelty is the introduction, starting from January 1, 2014, of specific fees for the activation and deactivation activities of on-demand supply of the end customer. The values of the contributions differ depending on the class of the metering unit, in Euro 30 for $GdM \leq G6$ and Euro 45 per $GdM > G6$.

Other provisions

With **Resolution 6/2013/R/com dated 16th January 2013** – *Tariff concessions for those affected by the earthquake that occurred on 20th May 2012 and later*- in compliance with requirements set by Law Decree 74/2012, the Authority introduced provisions to help people affected by the earthquake of 20th May 2012 and later, which include:

- The application of reduced rates to contract for the supply of natural gas and electricity;
- The elimination of costs for any connection service, subscriber or transfer of contract required by persons with house unfit for use;
- The obligation for the seller to divide into instalments, without interests and for a minimum period of two years, invoices whose payment terms were left outstanding until 20th November 2012, as required by resolution 235/2012/R/com dated 6th June 2012.

With a subsequent resolution n. 105/2013/R/com dated 15th March 2013, the Authority intervened stating the scope of application of beneficiaries of the facilities provided by the resolution 672013/R/com and eliminating the cost of connection service to residential users forced to move to another place as a result of “unfit for use” of the original property.

With **Resolution 42/2013/R/gas dated 7th February 2013** – *Amendments and additions to the Authority resolution for Electricity and Gas ARG/gas 88/09, concerning procedures for application of the “Bonus Gas”* – the Authority introduced amendments and additions to resolution ARG/gas 88/09 in order to allow the heirs of beneficiaries of the “Bonus gas”, to collect the bank transfer in favour of the beneficiary.

With **Resolution 59/2013/E/gas dated 14th February 2013** – *Approval of the program for telephone controls and inspections of gas distribution companies related to emergencies*– the Authority initiated the campaign of telephone controls and inspections in compliance with the rules governing gas emergencies , for year 2013.

With **Resolution 67/2013/R/com dated 21.02.2013** – *Provisions for the retail market of electricity and natural gas related to formal notice* – the Regulator introduced new provisions regarding the procedure of formal notice in the event of default by the end customer, introducing some changes to TIMG, to the resolution 4/08/ARG/Elt and the Code of Business Conduct.

The main changes introduced to TIMG were:

- New contents and timings related to the communication of formal notice;
- The introduction of automatic compensations to be paid to the Customer in case of lack of policy respect, equal to Euro 30/PdR in the case of non-submission of formal notice and Euro 20/PdR for failure to comply with the timelines provided by the resolution;
- The adjustment of the content of the contracts to the new rules;

- New disclosure requirements in relation to end customers, to whom have to be communicated timings, the rules for the formal notice and automatic compensation provided in case of non-compliance with the new regulations;
- The traceability requirements of the total number of claims paid and their total amount.

In detailing the new timings of the formal notice to the Customer, the Regulator has distinguished the situation where the seller is able to document the date of dispatch of the letter or not, stating that:

- The deadline for payment cannot be less than 15 calendar days from the date of dispatch of the letter that is 20 calendar days from the date of issuance of the letter;
- The deadline for the submission of the request for suspension to the distributor cannot be less than 3 working days from the last date for payment specified in the communication of formal notice;
- The deadline for delivery to the postal carrier of the communication of formal notice should not be more than 3 working days from the date of issuance of the communication of formal notice, in the event that an operator is not able to document the date of sending.

With a subsequent **Resolution 173/2013/R/com dated 24th April 2013**, was introduced a specific provision related to the use of certified electronic mail for communication between the operator of the sale and the end customer.

With **Resolution 93/2013/E/com dated 07th March 2013** – *Additions and changes to the rules of the first implementation of the Settlement Service Energy Customers* - the Authority made amendments and integrations to the discipline of the first implementation of the Settlement Service Energy Customers, introduced by decision of 21st June 2012 260/2012/E/com.

The main changes to the measure concerned:

- The exclusion of the possibility to recourse to the conciliation procedure in cases in which the dispute has already been settled by a court proceeding or by an alternative dispute resolution procedure, that has provided an answer to the complaint by the Regional Office for the consumer;
- The possibility for the seller to call in the procedure the distributor that has submitted the technical data, if it is necessary for the purposes of the dispute.

With **Resolution 113/2013/R/gas dated 21st March 2013** – *Implementation of the provisions on tenders for the distribution services of natural gas* – the Authority has identified the method of implementing the provisions of paragraph 9.2 of the Decree of 12th November 2011, n.226. For this purpose is provided the preparation of a scheme of receipt slip to be used by contracting authorities, is identified the scope of the verification that the Authority intends to carry out for the purpose of formulating any comments to be forwarded to the contractor and it is expected that the tariff data relevant to the performance of the competitions are made available to contracting authorities by publication on the website of Authority.

With **Resolution 191/2013/R/gas dated 9th May 2013** – *Provisions related to insurance of the end customers of gas distributed by local pipelines and transportation networks, for the period 1st January 31st December 2013* – the Authority concluded the proceedings initiated by resolution 102/2013/R/gas dated 15th March 2013 (and its DCO 103/2013) and approved the arrangements for the insurance of civil end users of gas for the regulatory period 1st January 2014 – 31st December 2016.

First of all, the role of the policyholder of Italian Gas Committee (CIG) is confirmed for the next three years and the amounts insured are increased.

The contractual provisions relating to file managements, timeliness of payments, penalties, reporting and supervising the management of the policy were strengthened.

The determination of the value of the component to cover the cost of insurance and definition of the procedures for its collection has been postponed to the next measure.

For what concerns the scope of application, some criteria consistent with the classification of PdR contained in TIVG have been introduced, through the exclusion confirmation of those for automotive use.

The existing provisions on disclosure obligation of the Sellers in respect of End customers were finally confirmed.

With subsequent resolution **473/2013/R/gas dated 31st October 2013** the Authority has completed the upgrade process by introducing the “Part III – Coverage of costs” in addition to Resolution 191/2013/R/gas, which defines how to cover the costs of insurance and the invoicing procedure of the amounts to be paid by end customers. As part of the resolution, have been established also notices that the seller must guarantee on invoices.

With **Resolution 230/2013/R/gas dated 30th May 2013** – *Provisions relating to one-off payment to cover the costs of tenders for the award of the distribution of natural gas*– the Regulator has integrated the criteria defined by resolution 407/2012/R/gas for determination of a one-off fee to cover the costs of tenders for the award of the natural gas distribution, in compliance with provisions of article 8, paragraph 1, of the Ministerial Decree Mse 226/2011.

With **Resolution 241/2013/R/gas dated 6th June 2013** – *Reform of the rules of the default distribution service, following the declared inability to perform all the activities mentioned in TIVG, about the balance of direct withdrawals* – the Authority has reformed the regulation of the default distribution service by providing that the responsibility related to the economic regulation of direct withdrawals has to be attributed to a different entity than the distribution company, while the responsibility for the proper allocation of levies and the physical disconnection of the delivery points remain with the distribution company.

With **Resolution 244/2013/R/com dated 6th June 2013** – *Initiation of a proceeding for the completion of the monitoring of not-required contracts and for re-definition of criteria, information and method of publication of the list of sellers not required* – the Authority has initiated a process for the formation of measures related to the completion of the discipline and monitoring of not-required contracts and for the definition of criteria, information and methods of publication of the list of not-required sellers, expiring on 31st December 2013.

With **Resolution 260/2013/R/com dated 13th June 2013** – *Initiation of an inquiry about transparency of billing documents, in order to gather information elements on participatory basis for subsequent interventions* – has been initiated an inquiry on transparency of billing documents in order to assess the opportunity to rationalize and simplify the structure of the bills, currently governed by resolution ARG/com 202/09.

During the hearings held on 9th, 10th and 11th October, it was confirmed both by operators and consumer associations, the need to proceed to a simplification of the bill both in structure and actual content.

With **Resolution 280/2013/R/gas dated 28th June 2013** – *Termination of application of protection service* – the Authority has implemented and governed the implementation modalities of art.4, paragraph 1 of the Law Decree 69/13 (so called *To do Decree*) that establishes the cessation of application of the gas protection service to non-residential end

users. The obligation for the Seller to offer to end customers the economic conditions of the protection provided by the Authority applies to residential customers only, or customers with reference to:

- each PdR in the ownership of a residential Customer (art. 4.1, lett. a TIVG);
- each PdR related to a condominium with residential use, with consumption not exceeding 200.000 Standard cubic meters/year (art. 4.1, lett. b TIVG).

Are excluded from the scope of protection the non-residential end customers with reference to:

- each PdR in the ownership of a user for public service task (art. 4.1, lett c TIVG);
- PdR for different uses, with consumption not over 50.000 Standard cubic meters/year (art. 4.1, lett. d TIVG).

In addition to providing for the adjustment of the provisions of the TIVG to the new provisions of the Law Decree, the resolution has regulated the actual management methods of supply with non-residential customers served in terms of protection, confirming the right of end non-residential customer to terminate the contract with provided notice and in any case not over 3 months.

It is also recognized to the seller, in accordance with the provisions of resolution 144/07, the right to withdraw a notice of not less than 6 months, as well as the right to propose an unilateral change in the supply conditions applied, according to the procedures and terms provided by the Code of Business Conduct. Finally, the resolution establishes a set of disclosure requirements of the seller to the end customer that is excluded from the scope of protection.

With Resolution 286/2013/R/gas dated 28th June 2013 – *Urgent measures to complete the policy of the default service of gas distribution, with reference to the management of the transitorial period 1st June to 30th September 2013* – the Authority issued urgent measures to complete the policy of the default service set in article 5 of 6th June 2013 241/2013/R/gas, with reference to the management of transitional period, to ensure the smooth running of the service.

With Resolution 293/2013/R/com dated 4th July 2013 – *Method of transitional exposure of fees relating to economic conditions applied to gas protected-users market from 1st October 2013 and rules for the application of the Cpr component* – the Authority intervened by making changes to resolution 196/2013/R/gas for the second phase of the reform of economic conditions of supply of gas protection service in force from 1st October 2013.

The measure has defined the rules for the application of the Cpr component to cover the mechanism for the renegotiation of long-term contracts, as well as the rules for the transitional exposure of the new fees set by the resolution 196/2013/R/gas.

Art. 8-bis of TIVG was redefined about the components for the gradual implementation of the reform that provides:

- The change of the measurement unit of the GRAD component that, starting from 1st October 2013, will be expressed in Euro cents/Standard cubic meter (previously expressed in Euro/GJ);
- New values of the GRAD component for the thermal years 2013/2014, 2014/2015, 2015/2016;
- Introduction of the Cpr between the components of graduality.

With art. 8-ter of TIVG is introduced the burden of the seller to notify the Adjustment Fund for the Electricity Sector, within 60 days after the end of each two-month period, the amount of Cpr component resulting from its application to end customers served at economic condition of protection.

Due to the changes mentioned, Table 10 has been replaced on the GRAD component and introduced chart 11 on the Cpr component (both tables are referring to resolution no. 196/2013/R/gas).

The measure introduced transitional arrangements of exposure of the bills details.

This provision provides that the vendor sends to end customers, within the first two bills detailing consumption after the date of 1st October 2013, a special disclosure relating to the changed attitude of the economic conditions of the protection service.

With **Resolution 306/2013/R/gas dated 11th July 2013** – *Provisions relating to disclosure and communication obligations to residential end customers in the free market of natural gas* – the Authority has introduced disclosure and communication obligations toward residential end customers served in the free market of gas in order to make them aware of the economic conditions reform of the protection service in force from 1st October 2013.

The resolution provides, in particular, that the seller who makes an unilateral change in economic conditions of supply to customers served in the free market, will be forced, with the same communication, in addition to provisions of article 13 of the Code of Business Conduct, to inform end customer that:

- He is served with free market conditions;
- From 1st October 2013 shall take effect the economic conditions reform of protection established by the Authority for residential customers of the protection service;
- He can find information about this reform on website www.autorita.energia.it or at the counter;
- That he can also have the option to join new offerings of the market and ask, whether he receive proposal of new offerings, the application of the protection service conditions.

The seller proposing a new contract offer in the natural gas sector, should provide residential end customers, in addition to a comparison scheme made according to the Code of Business Conduct, a specific communication indicating that the card highlights the costs related to the protection service without fully considering the economic conditions reform of protection and that, to get more details about it, he can contact the toll-free number or check the website of the Authority.

With **Resolution 315/2013/R/gas dated 18th July 2013** – *Determination of trend levels for the year 2013, on the regulation of penalty-awards of the distribution service of natural gas*– the Regulator has determined, for the year 2013, the trend levels for distribution companies participating to the regulation of penalty-awards of the distribution service of natural gas, according to the provisions of resolution 436/2012/R/gas.

With **Resolution 324/2013/E/gas dated 25th July 2013** – *Technical inspections of the quality of gas, for the period 1st October 2013 – 30th September 2014*– the Authority has ordered inspections of the technical quality of gas, for the period 1st October 2013 – 30th September 2014.

With **Resolution 362/2013/R/gas dated 7th August 2013** – *Public procedures for the identification of Lenders of Last Resort and Default Distribution Service Suppliers for the period 1st October-30th September 2014* – has defined the public procedure to identify the Lenders of Last Resort (FUI) and Default Distribution Service Suppliers for the period 1st October 2013-30th September 2014.

The provision introduced some changes in TIVG related to mode of delivery and activation of the FUI for customers connected to transport lines.

With **Resolution 382/2013/R/gas dated 12th September 2013** – *Provisions related to the economic regulation of the physical lots of natural gas generated by the failed creation of the matching matrix between users of the system. Changes and additions to the rules governing the provision of default transport service*– has been approved the

provisions for the economic regulation of the physical lots of natural gas generated by the failed creation of the matching matrix between users of the system, mentioned in article 21 of TISG as well as some changes and additions to the rules governing the provision of default transport service.

With **Resolution 393/2013/R/gas dated 19th September 2013** – *Procedure and selection criteria of investments admitted to experimenting with remote multi-service metering solutions of natural gas of class less or equal to G6 and other public utilities services* – the Regulator has defined the procedures for presentation and selection criteria for pilot projects for testing of multi-service smart metering, or that include in remote management not only metering points related to gas service but also other services of public utilities, as well as the incentive treatment applicable to projects that will be selected.

With **Resolution 394/2013/R/gas dated 19th September 2013** – *Update of the percentage values needed for the definition of the standard withdrawal profiles for the thermal year 2013-2014* – the Authority has approved an update of the percentage values needed for the definition of the standard withdrawal profiles for the thermal year 2013-2014 in compliance with paragraph 5.3 of TISG.

With **Resolution 402/2013/R/com dated 26th September 2013** – *Approval of the Integrated Text of the application procedures of compensation of the costs paid by poor residential customers for electricity and gas supply* - by resolution 41/E/com dated 7th February 2013 that started a survey on the implementation of the rules on “Bonus Gas”, the Authority approved the “Integrated Text of the application procedures of compensation of the costs paid by poor residential customers for electricity and natural gas supply” (TIBEG)” which will come into force from 1st January 2014.

This provision abrogated the resolution ARG/gas 88/09 and has defined the scope of the compensation of the costs for the gas supply, limiting it to residential customers attesting their conditions of economic difficulty, as well as the disclosure requirements to be reported in commercial documentation.

With **Resolution 457/2013/R/gas dated 17th October 2013** – *Provisions related to cessation of the Gas Protection Service for non-residential customers* – the Authority has provided the adjustment of the TIVG provisions to the forecasts of Law Decree 69/13, converted into Law 98/13:

- Removing from the scope of protection service, the recall to other uses and utilities related to public service activities;
- Defining the economic conditions of the Default Service applied to customers who are not entitled to the protection service (same value of QVD related to condominiums);
- Replacing Table 1 (Component related to the retail market – QVD), in order to adapt it to the change of the scope of protection.

With the same resolution, have also been integrated the provisions of resolution 280/2013/R/gas dated 5th July 2013, stating that the disclosure requirements for the Seller who has failed to withdraw from the contract or that did not propose to the customer an unilateral change of the supply conditions by 31st December 2013, have to be executed before the 31st March 2014 and introducing an obligation for the Seller to provide information even in case of contract renegotiation.

The resolution has finally introduced a monitoring mechanism of the provisions implementation of resolution 280/2013/R/gas delegating its controls to the Directorate for the Consumer and the Directorate for the Market.

With **Resolution 500/2013/R/com dated 7th November 2013** – *Update of the Glossary containing the key terms used in the billing documents* – the Regulator has approved a new Glossary of the key terms used in the billing documents – Annex A of resolution ARG/com 167/10 and its subsequent addition and amendments. The new Glossary includes the new regulatory changes related to the raw material reform and the new scope of gas protection. The Authority has also provided the requirement for all Sellers to post on their website the text of the new Glossary within 13th November 2013.

With **Resolution 533/2013/R/gas dated 21st November 2013** – *Amendments and additions to TIMG and TIVG to complete the discipline of arrears and services of last resort* - the Authority amended and added the provisions of the Integrated Gas Arrears (TIMG) and the Integrated Text Gas Sale (TIVG) in order to complete the discipline of arrears and the services of last resort. The main changes related to TIVG are:

- Modification of the formula for determining the threshold of monthly (CSM) and weekly (CSSim) capacity of and the threshold of economic feasibility of the intervention of the supply cutting off of PdR in order to increase the number of interventions of closing and cutting off of supply by the Distributor;
- The obligation for the Distributor to engage legal actions aimed at achieving the physical disconnection of the PdR when the intervention of supply cutting off is not economically or technically feasible or when the intervention of a power cutting off has given negative results;
- The obligation for the Distributor, starting from 1st March 2014, to carry out, with reference to each month and to PdR not managed in remote, a maximum number of performances equal to the monthly capacity of suspension calculated for the month of December 2013 and to ensure to each applicant a minimum number of administrative Terminations;
- The obligation for the Distributor to communicate the outcome of the administrative Termination due to the impossibility of Power cutting off is anticipated to 2 working days prior to the date of effect stated by the user.

The main changes introduced to TIMG concerned:

- The introduction of the possibility for the Seller who had requested the *Administrative Termination for indebtedment for the impossibility to power cut off* to revoke the procedure of interruption of a PdR served in default, upon payment of the sums due by the Customer;
- The introduction of the mechanism of credit transfer that allows the Supplier of Default Service (FDD) to assign to the Seller the credit of last incoming invoices issued and not paid by the Customer;
- Simplification of information obligations to the Seller that shall be obliged to inform the Customer of the activation of the services of last resort only in cases where the end Customer is not aware of the activation and therefore in cases of administrative termination for reasons other than the arrears.

With **Resolution 572/2013/R/gas dated 12th December 2013** – *Approval of the provisions regarding the reconstruction of natural gas consumption after a verified malfunction of the metering unit* – the Authority has approved new rules on reconstruction of natural gas consumption after a verified malfunction of the metering unit.

Compared to the previous regulation, the scope of application of the framework has also been extended to cases where the Distributor finds the failure in the metering unit and were identified two different methods for the reconstruction of consumption whether the error appears more or less determinable in the context of verification.

Error rates related to the capacities have also been defined, as provided by standards UNI 11003 and has been identified the reference period on which the distributor will proceed with the reconstruction of consumption. The previous rules can be applied as a transitional measure until 30th June 2014.

With Resolution 574/2013/R/gas dated 12th December 2013 – *Regulation of the quality of distribution and metering gas services for the period of regulation 2014-2019, part I of the Unique Text of regulation of quality and tariffs of distribution and metering gas services for the period of regulation 2014-2019* – the Authority has approved the adjustment of the quality of distribution and metering gas services for the regulatory period 2014-2019 (RQDG).

The following are the main changes compared to the previous Text:

- The regulatory period goes from 3 to 6 years;
- The obligation of the Distributor, in case of *switching*, to inform the new Seller about any incoming request of assistance of the customers, not fulfilled yet, submitted by the outgoing Seller. In such cases, any automatic compensation should be paid to the new Seller;
- Seller shall send to the Distributor all the requests for assistance of the customers within 2 working days from the date of receipt;
- Introduction of new disclosure obligations to the end customer at the time of request for activation /deactivation of the supply, reactivation of the supply without change of capacity;
- Introduction of new indicators subject to specific quality standards such as: the time of reactivation of supply following a suspension for a situation of potential danger to public safety; the time for carrying out the verification of metering units on request of the end customer; the replacement time of the fault metering unit; the time to restore the correct value of the supply pressure;
- Variation of specific and general levels of commercial quality;
- The amount of all automatic compensations provided in the event of non compliance with specific quality levels has been increased from 30,00 to 35,00 Euro, for Customers with metering unit up to class G6; from 60,00 to 70,00 Euro, for Customers with metering unit from class G10 up to G25; from 120,00 up to 140,00 Euro for Customers with metering unit of class G40; from 30,00 to 35,00 Euro, in case of “failure to respect the time of collection of the metering in case of accessible meter”. Furthermore, it passes from 20,00 Euro to 24,00 Euro, the automatic compensation that the Distributor must pay to the Seller in the event of non-compliance with the maximum time required for the provision of technical data, both in case of technical data acquired by reading the metering unit (10 working days) than in case of other technical data (15 working days).
- On the subject of verification of the metering unit at the request of the end customer is no longer provided a maximum amount that the distributor may charge to the Seller (and this to the Client), whether the verification of the metering unit (up to class G6), at the customer or at a qualified laboratory, ensures the correct operation of the unit itself. Until 31st December 2013 this amount was equal to Euro 40,00.

With Resolution 631/2013/R/gas dated 27th December 2013 – *Amendments and additions to the obligations of putting into operation of the smart meter gas* – the Authority has approved amendments and additions to the obligations of putting into operation of the smart meter gas, in particular of class G4, G6 and G10.

With **Resolution 633/2013/R/gas dated 27th December 2013** – *Update of tariffs for the year 2014 and other provisions related to tariffs of gas distribution and metering* – The Authority approved:

- compulsory tariffs and amounts of tax equalization in a two-month period for the natural gas distribution and metering, for the year 2014;
- the option for different gas on distribution and metering services other than natural, for the year 2014;
- the maximum recognition amount of the higher costs resulting from the presence of concession fees for the distribution companies that have presented instance and supplied appropriate documentation.

Resolutions pertaining to energy efficiency

Resolution 1/2013/R/efr dated 10.01.2013 - First urgent measures to transfer to the Company Gestore dei Servizi Energetici S.p.a. the activities of management, evaluation and energy saving certification related to projects presented in connection with the mechanism of energy efficiency certificates (white certificates) pursuant to art. 5, paragraph 2, of the Interministerial Decree dated 28th December 2012.

By this measure, the AEEG has approved the first urgent measures for the implementation of the provisions of the Ministerial Decree dated 28th December 2012 concerning the transfer to the company Gestore dei Servizi Energetici S.p.a. of the management, evaluation and certification activity regarding the mechanism of energy efficiency certificates (white certificates).

Resolution 11/2013/R/efr dated 24.01.2013 - Transfer to the Ministry of Economic Development and to Gestore dei Servizi Energetici of the data provided for in Article 4, paragraphs 6 and 7 of the Ministerial Decree dated 28th December 2012, in order to determine the specific energy efficiency targets for the distributors in 2013.

With this resolution, the AEEG has ordered the transfer to the Ministry of Economic Development and to Gestore dei Servizi Energetici of the necessary data to determine the specific energy efficiency objectives for the distributors, for the year 2013.

Resolution 37/2013/R/efr dated 31.01.2013 - Assessment of project proposals and of a measurement programme on an actual cost basis for projects submitted under the mechanism of energy efficiency certificates (white certificates).

This measure has concluded the assessment of 66 project proposals on an actual cost basis. The approved proposals are capable of generating, over their entire technical lifetime, energy savings amounting to approximately 757,500 tons of oil equivalent, corresponding to as many energy efficiency certificates that can be generated over the useful life of the projects.

With this measure, the Authority has concluded the assessment of project proposals on an actual cost basis submitted on the date of entry into force of the Ministerial Decree dated 28th December 2012, and for which on that date the preliminary investigation had been completed (cf. Article 5, paragraph 2, second sentence).

Resolution 53/2013/R/efr dated 14.02.2013 - First urgent measures to update the regulations of the market and bilateral transactions of energy efficiency certificates (white certificates) in accordance with the provisions of the Ministerial Decree dated 28th December 2012. Establishment of a monitoring system of the Authority for Electricity and Gas on the certificates market.

With this provision, the AEEG has adopted the first urgent measures to update the operating rules of the market for Energy Efficiency Certificates (EEC) and the Regulations for the registration of bilateral transactions of EEC taking into account the changes introduced by Ministerial Decree dated 28th December 2012. Additionally, considering the increase in the number of operators and volumes traded already recorded in recent years and the further increase expected as a result of the above-mentioned Ministerial Decree, the measure has established a system to monitor the EEC market and register, whose criteria and operating methods will be defined by the Authority through another measure.

Resolution 176/2013/S/efr dated 24.04.2013 - Partial reform of the Authority for Electricity and Gas 98/2013/S/efr, closing a penalty procedure for failure to comply with resolution EEN 10/10.

By this measure, the AEEG has ordered the partial reform of deliberation dated 7th March, 2013, 98/2013/S/efr closing a penalty procedure adopted for non-compliance with resolution EEN 10/10 and started with reference to the failure to return energy efficiency certificates wrongly recognized.

Resolution 201/2013/S/efr dated 16.05.2013 - Commencement of a procedure on the adoption of the agreement template for the account of thermal energy. Directives to the GSE.

By this measure, the Authority has:

- initiated a procedure for the adoption of the agreement template pursuant to art. 28, paragraph 1, letter e) of Legislative Decree no. 28/11 and Articles. 2, paragraph 1, letter i) and 11, paragraph 1 of the Ministerial Decree dated 28th December 2012 for the purposes of disbursement by the GSE of the incentives envisaged by the same MD for small interventions aimed at increasing energy efficiency and for thermal energy production from renewable sources (thermal energy account);
- approved a draft of the agreement template for public consultation;
- defined guidelines for GSE so that the Authority can access information necessary to exercise functions within the scope of the thermal energy account and those under the mechanism of energy efficiency certificates (white certificates).

Resolution 333/2013/R/efr dated 25.07.2013 - Determination of credits due, for the year 2012, to the operators of the plants or parts of plants recognized as "new operators" until 2011 which did not receive CO2 emission quotas free of charge.

By this measure, the AEEG has determined the credits due for the year 2012, for plants or parts of plants recognized as "new operators" until 2011 which did not receive CO2 emission quotas free of charge, from data already transmitted by the National Committee for the Management of Directive 2003/87/EC and for support in managing project activities under the Kyoto Protocol.

Resolution 334/2013/R/efr dated 25.07.2013 - Determination of credits due, for years from 2008 to 2012, to the operators of the plants or parts of plants recognized as "new operators" which did not receive CO2 emission quotas free of charge.

By this measure, the AEEG has determined the credits due for years from 2008 to 2012, for plants or parts of plants recognized as "new operators" which did not receive CO2 emission quotas free of charge, from data already transmitted

by the National Committee for the Management of Directive 2003/87/EC and for support in managing project activities under the Kyoto Protocol.

Resolution 348/2013/R/efr dated 01.08.2013 - Verification that the distributors obliged for the year 2012 have achieved the specific updated targets for energy efficiency and provisions to the Cassa Conguaglio per il Settore Elettrico as concerns the supply of the relevant tariff contribution.

By this measure, the AEEG has verified that the distributors have achieved the energy saving targets in 2012, including the possible compensation of the residual quota of the 2011 target, and gives instructions to the Cassa Conguaglio per il Settore Elettrico for the supply of the relevant tariff contribution.

Resolution 391/2013/R/efr dated 19.09.2013 - Provisions for determining the objectives of primary energy savings for the distributors of electricity and natural gas subject to the obligations set out in Ministerial Decree dated 28th December 2012.

By the measure herein, the AEEG has issued essential provisions for the subsequent allocation of energy savings targets set for the four-year period 2013-2016 among the distributors of electricity and natural gas.

Resolution 484/2013/R/efr dated 31.10.2013 - Commencement of the procedure for defining the contribution to cover the costs incurred by the distributors subject to the requirements relating to energy efficiency and major projects on the basis of market criteria.

By this measure, the AEEG started a procedure concerning the definition of the tariff contribution to cover the costs incurred by the distributors subject to the requirements and major projects pursuant to Interministerial Decree dated 28th December 2012 governing energy efficiency certificates.

Resolution 617/2013/R/efr dated 19.12.2013 - Approval of compensation, for 2014, for the operation of the organized markets and recording platforms of bilateral exchange of guarantees of origin and of energy efficiency certificates.

By this measure, the AEEG has approved the compensation, for 2014, for operating the organized markets and the recording platforms of bilateral exchange of guarantees of origin and of energy efficiency certificates.

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 31st 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 20th 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 through the distribution of energy efficiency certificates, the so-called 'White Certificates'. 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).

With Decree dated 28th December 2012, new objectives of annual primary energy savings were defined for the period 2013-2016 for the obliged distributors, and in particular:

- 4.6 Mtoe in 2013;
- 6.2 Mtoe in 2014;
- 6.6 Mtoe in 2015;
- 7.6 Mtoe in 2016;

For natural gas distributors the quota of the above-mentioned obligations corresponds to the following white certificates:

- 2.48 million white certificates to be achieved in 2013
- 3.04 million white certificates to be achieved in 2014
- 3.49 million white certificates to be achieved in 2015
- 4.28 million white certificates to be achieved in 2016

For years 2013 and 2014, the obligor must deliver a quota at least higher than 50% of its annual obligation that must be compensated in the next two years in order to avoid penalties. For years 2015 and 2016 the minimum value is set at 60% of the obligation, and it is always possible to compensate in the next two years in order to avoid penalties.

In addition, Decree dated 28th December 2012 gave effect to the provisions of Decree 28/2011 which sets that the activities of management, evaluation and savings certification related to energy efficiency projects undertaken as part of the mechanism of white certificates are transferred to the GSE - Gestore dei Servizi Energetici.

The Decree also extended to parties other than distribution companies and the Energy Saving Company (so-called ESCO), the opportunity to present projects in order to obtain white certificates.

The companies of the Ascopiave S.p.A. Group, are subject to the obligations set out in Decrees dated 20th July 2004, 21st December 2007 and 28th December 2012, and are obliged to meet the energy saving requirements established annually by the GSE.

The GSE 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.

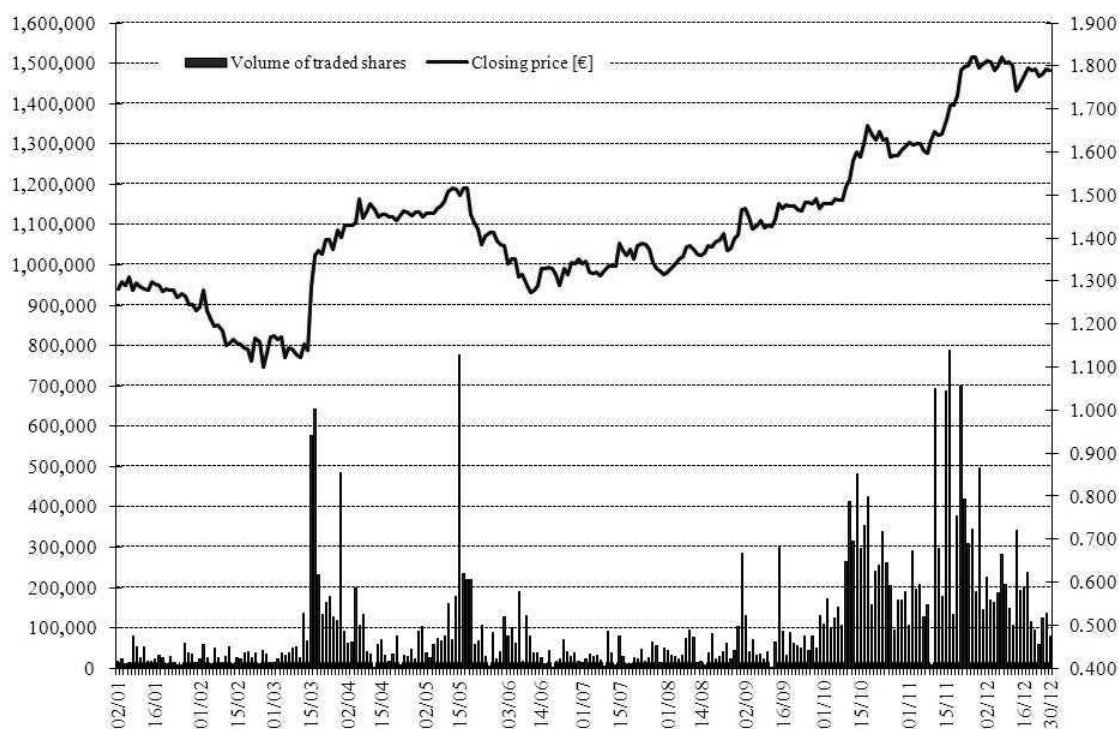
If a distributor does not meet the agreed objective, it could be subjected to an administrative aim imposed by the Authority, implementing Law no. 481 dated 14th November 1995 and to the indications of decree dated 28th December 2012.

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

As of 30th December 2013, the Ascopiave share has registered a quotation of Euro 1.791 with an increase of 39.7 percentage points as compared to the listing at the beginning of 2013 (Euro 1.282 per share, referred to the quotation of 2nd January 2013).

Capitalisation of the Stock Exchange as at 30th December 2013 was equal to Euro 420.22 million².

² The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 30th December 2013 equalled 8.2 billion Euro. Borsa Italiana website (www.borsaitaliana.it).



During 2013, the quotation of the title shows a positive performance (+39.7%), an improvement as compared to the trends, also positive, recorded by FTSE Italia Servizi di Pubblica Utilità indexes (+13.5%), FTSE Italia All-Share (+53.3%) and the FTSE Italia Star index (+7.7%).

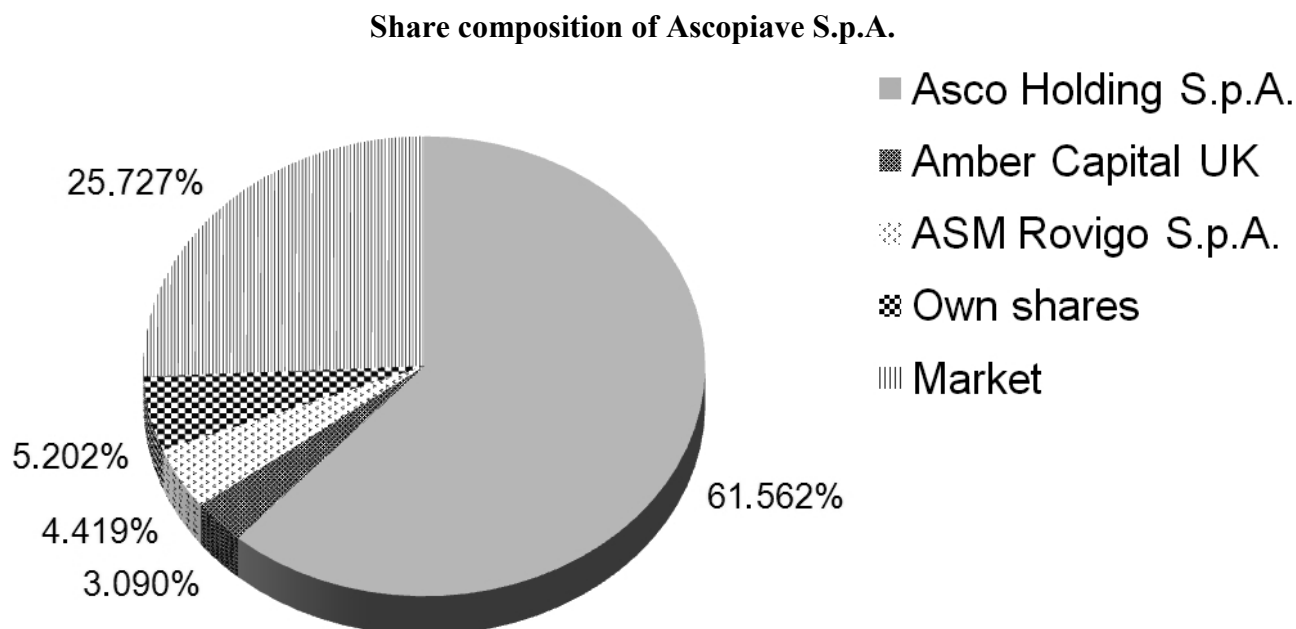
In the following table we report the main shares and stock-exchange data as of 30th December 2013:

Share and stock-exchange data	30th december 2013	28th december 2012
Earning per share (Euro)	0.17	0.12
Net equity per share (Euro)	1.70	1.64
Placement price (Euro)	1.800	1.800
Closing price (Euro)	1.791	1.274
Max. annual price (Euro)	1.820	1.470
Min. annual price (Euro)	1.100	0.780
Stock-exchange capitalization (Millions of Euro)	420.22	299.95
No. Of shares in circulation	222,216,361	222,595,127
No. Of shares in share capital	234,411,575	234,411,575
No. Of own share in portfolio	12,195,214	11,816,448

Control of the Company

As of 18th February 2014 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:



Internal processing on information received by Ascopiave S.p.A. pursuant to art. 120 Consolidated Financial Law as of 18th February 2014.

As of 31st December 2013, the share composition of Ascopiave S.p.A. was as follows: Asco Holding S.p.A.: 61.562%; Blue Flame S.r.l.: 8.142%; ASM Rovigo S.p.A.: 4.419%; Veneto Sviluppo S.p.A.: 2.090%; Own shares held: 5.202%; Market: 18.585% (internal processing on data from the website *www.consob.it* as of 2nd January 2014).

Corporate Governance and Code of Ethics

During 2013 Ascopiave S.p.A. continued its operating improvement process of the corporate governance planned during past years, introducing further improvements to the tools in order to defend investors' benefits.

Internal audit

The Company has developed an Internal Audit structure, aimed at improving the efficiency of the internal audit system and the company organization efficiency. The activities of internal audit control are defined in the audit plan involving the main decisional processes, esp. with regards to the business areas deemed highly strategic.

During the year, the optimization process of the governance and audit systems of the company has progressed, also by adopting the indications illustrated in the Self-Discipline Code issued by Borsa Italiana.

Appointed Manager

The Appointed Manager, helped by the Internal Audit services, has reviewed the adequacy of the administrative and accounting procedures and has continued to monitor the important procedures for the drafting of financial information. To this end, the Company has adopted new tools of continuous auditing, allowing the automation of the control procedures and the extension of sampling.

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

In 2013, the Board of Directors approved an update of the organizational, management and controlling model adopted by the Company, and the new version of the Code of Ethics.

During the same period, the subsidiaries of Ascopiave S.p.A. have also adopted their respective organization, management and control models, and have adhered to the Code of Ethics of the Parent company Ascopiave.

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

Management System

During FY 2013, the path to upgrade the corporate governance system was fully implemented. It aims to strengthen the functions of guidance, management and control which characterize corporate governance, through the introduction of additional organizational and regulatory tools, both at the Parent company Ascopiave and its subsidiaries, also to the purpose of effectively implement the guiding and coordinating activity.

Transactions with related and affiliated parties

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

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

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

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

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

The Parent company Ascopiave S.p.A. and the subsidiaries Ascotrade S.p.A., Asm DG S.r.l., Edigas Due S.p.A., Edigas Esercizio Distribuzione Gas S.p.A., Pasubio Servizi S.r.l. and Blue Meta S.p.A. have also adhered to the consolidation of tax relations held by the Parent company Asco Holding S.p.A., highlighted in the current assets and liabilities.

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

Significant events during 2013

Company operations that took place during the year 2013

Ascoenergy S.r.l. in liquidation

On 19th February 2013 the meeting of Ascoenergy S.r.l., whose capital is wholly owned by Ascopiave S.p.A., was held. It approved the liquidation of the company. The deed was recorded on 22nd February 2013. On 18th December 2013, the shareholders' meeting approved the liquidation of the company and its removal from the register of companies. The deed was recorded on 30th December 2013, effective date of the termination of all legal effects.

Consorzio RE in liquidation

On 28th March 2013, the associates' meeting of Consorzio RE approved the winding up of the consortium. The deed was recorded on 8th April 2013.

On 18th December 2013, the shareholders' meeting approved the liquidation of the consortium and its removal from the register of companies. The deed was recorded on 30th December, 2013, effective date of the termination of all legal effects.

Sale of natural gas and electric power

Procurement

During financial year 2013 there was a gradual decrease in the average cost of procurement of the gas raw material as compared to the previous calendar year.

The consumptions recorded in the same year were subject to a decline due to various factors such as: the decrease in the use of natural gas in industrial production, the increasing use of alternative energy, the interventions aimed at energy saving and particularly high temperatures in winter as compared to the seasonal average. For these reasons, the supply of raw materials was higher than the demand and, despite the international tensions that have reduced the volumes imported, the wholesale price of energy has not undergone significant changes.

For the fiscal year 2013, as for the previous three years, the companies holding Take or Pay (TOP) agreements were disadvantaged because the price levels of the latter recorded higher prices than those determined at European hubs for spot supplies.

We can see, despite the resistance of large producers, that the correlation between oil prices and gas prices is gradually coming to an end. In fact, gas spot market is becoming increasingly well-established as compared to TOP agreements market. As a consequence, the subjects who signed the latter have to redefine the indexing methods so that they no longer refer to the oil market but to the gas spot market.

Today we are increasingly witnessing higher price volatility, unlike in the past when Brent changes for the determination of gas price were applied after several months.

Supplies through spot agreements, however, require continuous monitoring of the performance of product indices, which affect the determination of energy wholesale costs and volumes attributable to the company's customer portfolio.

The energy production chain seems to be divided into two parts: production and sale in the various hubs, purchase in the various hubs and sale to end customers; this leaves less and less room for middle stream activities of wholesale buying and selling.

The two parts of the supply chain require very different skills with investments and subsequent economic returns which cannot be compared. In a market where strong specialization is rewarding, it seems that some multinational companies present in both segments are deciding whether to keep this prerogative or leave the less profitable segment and focus on the most profitable.

In the upper part of the supply chain the separation between the production of electricity and the production of natural gas is quite marked, while in the lower part of the supply chain the trade of electricity and gas are quite complementary. This is also appreciated by the end users who prefer to interact with a single subject for both supplies.

As previously pointed out, the need for a renegotiation of TOP agreements has become an obvious choice on the part of the companies holding these contracts and was also implicitly recognized by the Authority for Electricity and Gas which, with Resolution 196/2013, has introduced a mechanism to facilitate such negotiations by providing a contribution called "Apr", which will be financed through a component in the price of gas, "Cpr", applied to customers in the protected market.

Our company has participated in the mechanism "Apr", because through its subsidiary Sinergie Italiane S.r.l. in liquidation it has a TOP agreement. However, believing that in the resolution there are elements of risk which are difficult to quantify and predict which could result in severe economic disadvantage, the company filed an appeal against resolution 447/2013/R/GAS, requesting a stay order to the Regional Administrative Court of Lombardy.

The Regional Administrative Court of Lombardy has granted the stay order scheduling the discussion in April 2014.

Commercial activity and market situation

In the gas sector, net of milder winter temperatures as compared to the previous year, sales volumes were lower primarily due to the progressive optimization of the portfolio of industrial customers with higher consumptions, assessing on a case-by-case basis the economic advantage and the profile of risk associated with them.

In a "long" market, prices tend to leave little margins and, with a very significant credit risk, the economic and financial analysis of the customer becomes essential for the activation of the supply.

In the electricity sector, there has been a gradual increase in sales volumes in the face of a substantial increase in the number of customers acquired.

The "dual fuel" offer, intended for the household market and VAT holders with modest consumption, was positively evaluated by the latter.

End customers still find it difficult to find their way in the world of proposals offered by sales companies and to make fully-informed choices.

There are two main reasons: first of all the complexity of the items that compose the tariff and which must be illustrated in the bill; secondly, the difficulty in offering considerable economic advantages with respect to the protected market because margin, net of fixed costs connected to logistics, taxes, excise duties and procurement costs, is extremely small.

There are still many companies selling energy in the Italian market, over 300, and small-sized businesses could experience difficulties in facing a total "openness" of market in Europe if they are not equipped with suitable economic and financial skills.

Household customers, in the protected market, represent the largest portion, on which the sales companies mainly focus their commercial activities, in a very heated competition sometimes bordering the limits of decency, with a gradual transition from protected market to the free market, with positive effects on the technical and economic management of the customers themselves.

The Authority for Electricity and Gas in order to fight irregular behaviour has increased the requirements to be implemented in the pre-contract phase with the Customers, but the results are not fully satisfactory yet.

The forum recently created with a group of customers has shown that the strong point of the quality of the services offered is the easy access through multiple channels (front offices, call centres, apps, website, etc.) while the discount levels offered on electricity and gas market are perceived with a lower level of satisfaction.

Most feedback from customers relates to requests for simplification of the bill and the use of real data for the determination of consumption. This last request is fairly easy to accomplish in the electricity sector but more difficult to implement in the gas sector, where it is more difficult to install meters with remote reading.

The difficulty in having small gas meters which can be remotely read, has led our company to broaden the contact channels in order to facilitate self-reading by customers during billing periods.

The company has also introduced a supplementary reading in addition to the two established by the Authority for Electricity and Gas.

Since the number of complaints, this year as well, was very low considered the clients served, we positively judge the quality level of the service provided.

Ascopiave Group: Management trend

The volumes of gas sold to the final market in 2013 by 100% consolidated companies are equal to 879.4 million cu.m, showing a decrease by -17.0% as compared to 2012. To these volumes we have to sum the volumes sold by the proportionally consolidated companies (Estenergy S.p.A., ASM Set S.r.l. and Veritas Energia S.r.l.), which in 2013 totally sold 460.2 million mc of gas.

With respect to the previous year, in 2013 the activities of sale at the Virtual Trading Point and as wholesaler were terminated.

As far as 100% consolidated companies are concerned, the decrease of sold volumes was accompanied by a slight decrease in customers that, as of 31st December 2013, reached over 548,000 units (-2.0% as compared to the end of 2012). As of 31st December 2013, proportionally consolidated companies managed and served over 282,000 customers (-3.3% as compared to 2012).

With regard to the electricity sale activity, in 2013 the amount of electricity sold by the 100% consolidated companies was equal to 186.4 GWh, an increase of 9.2% compared to 2012, with the addition of the quantity sold by the proportionally consolidated companies (Estenergy S.p.A. and Veritas Energia S.r.l.), which in 2013 was 776.3 GWh, a decrease of 50.5% compared to 2012.

Distribution of natural gas

Ascopiave group: management trend

In 2013, the volumes distributed through the networks managed by the Group were 912.5 million cu.m, of which 719.9 million by Ascopiave S.p.A., 51.0 million cu.m by ASM DG S.r.l., 61.9 million cu.m by Edigas Esercizio Distribuzione Gas S.p.A. and 79.7 million cu.m by Unigas Distribuzione S.r.l. (proportionally consolidated company of which the Group owns a share equal to 48.86%).

The distribution network, as a consequence of new extensions in 2013 and considering the variations of managed concessions portfolio, as at 31st December 2013 has an extension of 8,121 Km.

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

Activity of distribution of natural gas

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

- collection of gas that the User is entitled to put in the distribution plant and its transportation to the redelivery points (PDR) at which access is requested;
- construction of the network and distribution systems as well as their management;
- operation and maintenance of the adjustment equipment at physical Delivery points (Re.Mi. plants);
- dispersion research;
- cathodic protection of steel pipes;
- odorising of gas and its control;
- emergency service, emergency management and gas accidents;
- gas measurement at the Delivery Points and the Redelivery Points;
- collection, aggregation and transmission of data necessary for the daily balancing;
- management of access for replacement in the supply to end customers (switching);
- supply of provisions in addition to the main service, such as connections, activations, deactivations and reactivation of supply, meter and pressure checks etc.

The distribution companies of the Group must also guarantee that the conditions of service delivery ensure compliance with the minimum requirements set by the Authority for Electricity and Gas in terms of quality, safety and continuity of service.

Development, expansion and maintenance of the distribution network

Ascopiave S.p.A.

Ascopiave S.p.A. manages gas distribution activities throughout a territory consisting of 149 municipalities (149 in 2012), in the Regions of Veneto, Friuli Venezia Giulia, Lombardy and Emilia Romagna characterized by widespread service coverage.

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.

The design phase is characterized by the use of cutting edge IT tools to implement fluid dynamics simulations of the entire network in order to:

- ensure the optimal use of networks;
- size the components of the entire network in order to ensure supply continuity even if some plants are "out of service";
- prevent the need for adjustment of the supply capacity of the pipelines;
- plan effective interventions to replace the networks in order to adapt them to the emerging needs of urban/industrial development of the area.

In 2013, the investments for the extension and the empowering of distribution network and plants were significant:

- 26 extraordinary maintenance interventions were carried out on the Re. Mi. cabins and coordinated by the Design Project, in order to adjust the systems to the increase in hourly consumptions and to the requests for new connections and renewals of the plants, execute renovations or decontamination of devices and meet the industrial plan requirements for the tenders awarded;
- 71 final reduction groups were developed and commissioned (GRF);
- 50 reduction and measurement stations were designed, built and activated for industrial, artisan and commercial businesses (GRM);
- 34 measurement groups were designed, built and activated for automotive and/or meter batteries for civil use;
- over 50 km of pipes were developed and laid, with interventions in 87 municipalities;
- 11 cathodic protection systems 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.

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).

Activities performed in 2013:

- on Re.Mi. 12 Programmed Preventive Maintenance interventions, 180 Functional Verifications and 4,531 inspections;
- on reduction groups 176 Programmed Preventive Maintenance interventions, 2,342 Functional Verifications and 1,978 inspections;
- 4,074 interventions to check the accessibility and functionality of line shut-off valves and general shut-off valves of the groups of reduction stations, 202 maintenance interventions on inaccessible valves.

The Distributor must have adequate human, material and technological resources to promptly deal with Emergency requests. The obligation to provide an emergency service also includes calls reporting gas leaks on the end customer's system.

Ascopiave S.p.A. has an emergency service to solve problems related to the gas supply on the installations it manages, such as seepages or leaks, interruptions or irregularities in the supply and damages to the distribution facilities. The 24/7 service is completely free and boasts at least 24 hours runtime in case of external power failure and voice recording of all calls received.

In 2013, the company 24/7 emergency service carried out 4,639 interventions with times largely lower than 60 minutes. In 2013, 100% of the distribution network was inspected to reduce the risks deriving from uncontrolled gas leakages caused by damage to the plants. The inspection programme was higher than the minimum standards required by the AEEG for the distribution plant and corresponds to the particular attention paid by Ascopiave S.p.A. to the service safety.

Proper odorization of the gas is periodically monitored and the number of reduction and measurement stations using automatic injection systems that allow timely dosage of the odorization contents was increased. In 2013, 539 measurements of the odorising level were made (with the gas chromatographic instrumental method) in the moments of maximal and minimal supply; all measurements suited the current technical norms. In view of a continuous monitoring of the odorizing capacity, 1,373 measurements were taken by means of a portable device.

ASM DG S.r.l.

ASM DG S.r.l. manages the gas distribution network in the municipality of Rovigo. The related activities are performed through the use of management tools made available to the Parent Company and of procedures in line with those of the Parent Company itself.

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 concerning design, estimate calculation and project management for the implementation of new distribution systems are carried out centrally upon request of private customers or by the public administration.

In 2013 the investments for the extension, empowering and maintenance of the distribution network were significant: in

fact, the replacement of problematic cast ducts was performed and the programme started in 2003 to replace cast ducts with hemp and lead joints was completed well ahead of the deadline set by AEEG's total elimination programme.

250 meters of methane pipeline were installed with remote-controlled drilling technology under the bed of the Canalbianco. The project included the in-house design and the authorisation by the Region of Veneto and the Genio Civile (Civil Engineering Department).

The activity of maintenance of the distribution network and of the plants in order to maintain proper levels of safety, quality and continuity in the service, is partly performed 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 signalling, in real time, functioning states non-compliant with set standards;
- the remote monitoring and management of the electric systems of cathodic protection, with the constant maintenance in full efficiency of the active protection of the pipe from corrosion and the prompt and efficient execution of the necessary maintenance interventions.

The indicators of safety (time of arrival at the place of call for the emergency service, 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 2013, it has carried out more than 488 interventions; the arrival time was largely lower than 60 minutes.

During the year, inspections of the distribution network were carried out, with the aim of reducing risks coming from the uncontrolled leaks of gas due to deterioration or damage to the systems. All the leaks detected were repaired within the standards deadlines set by the Authority. The inspection programme implemented in 2013 was even stricter compared to the requirements of the AEEG, thus clearly showing the commitment and attention paid by ASM DG S.r.l. to safety.

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

Edigas Esercizio Distribuzione Gas S.p.A.

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

In 2013, the investments for the extension, empowering and maintenance of the distribution network were significant. The investments in network extension were concentrated in the Municipality of Albenga, extending the network to the neighbouring municipality of Cisano sul Neva and towns in Piedmont, as well as the complete makeover of a street in the Municipality of Calvatone.

During the year, more than 3.7 km of distribution network were installed, with interventions in 7 municipalities.

Moreover, the commissioning of four new stations for cathodic protection was performed, respectively, in Albenga, in Roppolo, in Quinto Vercellese and in Olcenengo.

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

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

In 2013, 4 final reduction groups underwent extraordinary maintenance, one new final reduction group was installed and one new final reduction group for civil use was replaced. Also, 2 Re.Mi. were equipped with a system for injecting the odorizer, and the Re.Mi in Carisio was adjusted.

The indicators of safety (time of arrival at the place of call for the emergency service, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, in full compliance with the obligation of service set by the AEEG Deliberation.

The company's emergency intervention service is operative 365 days a year, 24/7. In 2013 it carried out 675 interventions and the arrival time was less than 60 minutes.

In 2013 it was decided to inspect the network in order to reduce the risks arising from uncontrolled leakage of gas caused by deteriorations or damages to the equipment. The inspection programme performed (about 500 Km) largely meets and exceeds the minimum standards required by AEEG and this proves the particular attention paid by Edigas DG S.p.A. to the issue of service safety.

In 2013 over 164 measurements of the level of odorizing were made (with the gas chromatographic instrumental method) upon maximal and minimal period of supply, and all measurements were compliant with current technical regulations. Moreover, the Italian Finance Police and the AEEG performed checks on the odorizing level in the Ceriale (SV) plant, with results meeting the current regulatory requirements.

Unigas Distribuzione S.r.l.

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

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

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

In 2013 the investments for the extension, the empowering and maintenance of distribution network were significant, and in line with the previous years.

During 2013, about 17.5 km of distribution network were installed, 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 internal staff.

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 2013, 29 VF's and 37 Inspections, and 8 Planned Maintenance Actions were performed (by internal personnel guided by the staff of a specialising third-party company). The Re.Mi. were controlled by the company staff totalling 912 controls over the year.

As regards to GRFs 141 VF, 193 Inspections and 52 planned maintenance actions were carried out.

In 2012, 6 new final reduction groups and 2 GRM were activated – at the same time, following the design inspections performed, 15 final reduction groups were removed because they did not affect the efficacy of distribution.

The indicators of safety (time of arrival at the place of call for the emergency service, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, in full compliance with the obligation of service set by the AEEG Deliberation.

The company's emergency intervention service can be contacted by means of the dedicated free-phone number, active 365 days a year, 24/7 and managed by Unigas Distribuzione S.r.l. In 2013, 1,206 interventions were performed, and the average arrival time was largely below the average time set by the Authority (60 minutes). In total the calls received by the call centre were 3,732 (increasing with respect to 3,200 of the previous year) of which 1,730 calls were handled and 2,002 did not concern reasons attributable to emergency intervention.

Over the course of 2013, inspection of 40% of the distribution network was carried out, with the aim of reducing risks coming from the uncontrolled loss of gas due to deterioration 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, 80 Km of medium-pressure distribution network and 323 Km of Low-pressure distribution network were inspected, and 50 leakages were removed.

Proper odorization of the gas is monitored on a monthly basis.

Measurements of the level of odorizing have been made (with the gas chromatographic instrumental method) in the moment of maximal and minimal period of supply; all measurements suited the current technical norms.

Estimates and new connections to methane-served areas

Ascopiave S.p.A.

In 2013, 3,098 cost estimates were issued to the subjects who requested them (private customers and sales companies) following requests for connection to the service (new connections by the existing network) and for modification of existing connections.

A total of 2,292 activities of connection construction/modification were performed, for a total of 1,095 transfers to methane-covered areas, 2,806 redelivery points were built and 581 "Modification Jobs" to the redelivery points to final customers under contract were performed.

In 2013 Ascopiave S.p.A. performed 2,231 "Simple Jobs" (recording a decrease by 15% as compared to 2012) with a percentage of compliance with the maximum time defined by AEEG of 95 %, with 91 indemnifications paid.

In 2013, Ascopiave carried out 61 "Complex Jobs": they are special interventions carried out on the medium-pressure distribution network (mainly serving industrial production cycles). This type of job is subject to a general reference standard (not subject, however, to automatic indemnification in case of non-compliance): as in the previous year, in 2013 Ascopiave achieved 100% of the general level target as compared to 85% prescribed by AEEG.

ASMDG S.r.l.

In 2013, 118 estimates were issued and 79 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 2013, 13 derivations of use in new methane-served areas have been executed (extension of existing networks and new lots).

Edigas Esercizio Distribuzione Gas S.p.A.

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

Without prejudice to the quality standards met and the current price lists, during 2013, the execution times became stable, and the requirements of the AEEG were largely met.

In 2013 over 295 cost estimates were issued, a decrease as compared to the previous year due to the economic downturn, and following their acceptance, over 235 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 2013, the actual average time for issuing an estimate and executing simple and complex works was by large lower than the standard identified by the AEEG

Unigas Distribuzione S.r.l.

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

The processes of estimate calculation and execution of new connections on enlargement of the distribution network (usually financed by the company) and/or parcelling (required by the customers) is performed autonomously by the territorial units, coordinated by the "Planning and Construction" Department of the headquarters located in Nembro, acting as project manager.

In relation to the cost estimates accepted by the customers, Unigas S.r.l. executed about 110 new connections. For these types of interventions, the processes of estimate calculation 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 estimate calculation and execution of new connections on methane-covered areas is carried out at a peripheral level by the territorial units commercial staff, 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 2013, about 500 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 2013, the new connections executed amounted to 750 (new connections and/or upgrading of existing connections) and about 1,500 PDR's were either installed or upgraded.

Metre activities

Ascopiave S.p.A.

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

The overall amount of new activations recorded a decrease as compared to 2012 (-20%). 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 increased slightly as compared to 2012 (+5.5%).

9,182 supply cancellations (+10.4 %), 3,560 reactivations following interruption for arrears not paid (+2.4 %) and 400 supply reactivations following interruptions by end customer (-17.2 %) were performed.

In compliance with the provisions issued by the Authority for Electricity and Gas, Ascopiave S.p.A. has tele-read the consumption data on a daily basis.

As of 31st December 2013, 100% of the active redelivery points with the highest consumption are tele-read (class of meter higher than G40) with add-on devices. In addition, traditional meters were replaced with integrated electronic meters for over 95% of class G40 meters, 14% of G25-G16 and 12% of G10.

ASM DG S.r.l.

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

As concerns the renewal of meters to conform to the AEEG's standards as per resolution 155/08 and subsequent, all G40 meters or higher had already been completely replaced in 2012, whereas in 2013 63 class G25 meters, 87 class G16 meters and 8 class G10 meters were adapted, largely meeting the minimum percentages set by the Authority for Electricity and Gas for the year. Overall, almost 283 groups of measure have been adjusted to resolution 155/08.

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 and were carried out in compliance with the standards specified by the company Service Charter.

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

By means of AEEG's resolution no 155/08, Edigas DG S.p.A. has normalized all G40 meters or higher with volume correctors, and started replacing G25 and G16 with integrated electronic readers. In addition, it has also partly replaced G10, with the same kind of material.

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 2013 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 2013, the new activations were 780, recording a decrease with respect to 2012.

The requests for supply cancellation were about 2,200 in line with 2012, whereas the average time for the above mentioned interventions was basically unchanged as compared to 2012.

In 2013, there was a significant increase in activities on meters for arrearage.

Supply reactivations following interruption for end customers and arrears have more than doubled (from 662 to 1,407) and suspensions for arrears were about 2,250.

Qualitative parameters are in line with those of the previous year.

Over the year, the plan to adjust meters concerning resolution 155/08 by completing the replacement of G40 meters and 25% of G16 and G25 meters through the installation of tele-reading devices and systems with a dedicated modem and battery continued.

Management of Appointments with the Customers

Ascopiave S.p.A.

In 2013, 28,643 "ordinary appointments" and 2,342 "postponed appointments" were agreed upon with the customers. The service standard was complied with in qualitative terms, with a percentage of over 99 %.

ASM DG S.r.l.

In 2013, 188 postponed appointments were agreed with end customers (ARG/gas Resolution 120/08). These deferred appointments are required by customers in case the scheduled appointment does not meet their needs. Therefore the low number of said postponements is an indicator of the high quality of the 2,700+ commercial services that were carried out during the year.

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

Edigas Esercizio Distribuzione Gas S.p.A.

Thanks to the new managing software, all personalized meetings were standardized and monitored. During the year, including all types of services, a total of 2,569 appointments were monitored.

Unigas Distribuzione S.r.l.

General notes:

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

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

Postponed appointments:

In 2013 178 Postponed Appointments were scheduled with clients, to be intended as postponed meetings to a proposed date by the supplier that could not be attended by the client.

An analysis of data highlights that the number of appointments is higher than the previous year, while the respect of the service standard is in line with 2012 (100%).

Normal Appointments:

In 2013, 5,095 Normal Appointments were scheduled, i.e. appointments where the client (normally during sale) had accepted the date and time proposed by Unigas.

The total number of appointments is higher compared to 2012.

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

Information and diffusion through the Website

Sections: Service Charter, Trade Quality, List of Services

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

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

Access modalities include a search interface that enables users to consult the aforementioned "commercial documentation" for a specific municipality with a fly-over menu, for its entire territory or for specific locations (personalization).

During 2013 some "general lists" have been revised, according to the annual ISTAT variations.

Section: Certification of Management Systems

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

In the specific section "Quality Certifications of the Ascopiave Group" up-to-date references and documentation are available, concerning Quality Certification of the Companies (100% controlled) of the Group.

The remaining two companies (partially controlled) are linked in these sections, to access their respective websites.

Co-generation

In 2013 the co-generation activity of the Ascopiave Group S.p.A. was carried out by the Research and Development Department.

As far as the activity of heat generation plants in co-generation is concerned, in 2013 four plants were managed.

The plant "Le Cime" in Mirano (VE) has not been modified and its remote heating network has not been extended, whilst an increase in saturation of home utilities has been registered (from 70% to 79%).

On the plant there is an on-going leasing agreement and it benefits from the incentives deriving from Green Certificates. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients and in summer to supply the absorber for the production of cooling for air conditioning of connected users.

The plant "Bella Mirano" in Mirano (VE) has registered an increase in saturation for household clients connected to the network (from 80% to 89%). The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients.

The plant "Ca' Tron in Dolo" (VE) did not register significant variations in saturation for the connected household

clients. It is however specified that as of today only 50% of the new urban area envisaged in the agreement has been built.

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

Extraordinary events took place, related to maintenance activities of the MV cabin, to comply with the newly introduced law regulations during the year.

The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients. As far as the activities on thermal plants are concerned, in 2013 Ascopiave S.p.A managed some ten plants.

Efficiency and energy saving

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

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

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

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

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

The 2012 objective of 66,121 Energy Efficiency Certificates has been virtually already reached and 224 certificates will be delivered by 31st May 2014.

As concerns 2013, Ascopiave S.p.A. received a communication from GSE which quantifies an obligation of 65,622 white certificates, to be delivered by 31st May 2014. To comply with this obligation, in the second half of 2013 Ascopiave acquired on the market a total amount of 31,546 certificates and then 8,454 certificates in early 2014, thus remaining above the minimum limit (including the remainder of 2012) to be delivered by 31st May 2014 below which the penalty is envisaged.

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

Also in 2012, Unigas Distribuzione S.r.l. has purchased 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).

The GSE determined a 2013 target for Unigas Distribuzione S.r.l equal to 13,076 EEC.

Other relevant events

Non-binding letter of intents signed with Eni on development of a partnership in commercialization activities of gas and electric power signed

On 12th March 2013, Ascopiave S.p.A. and Eni S.p.A. signed a Letter of Intents where the principles of a partnership aimed at the joint development of commercialization activities of gas and electric power are set. This joint effort shall relate to the residential and SME market, in the area of North East Italy (Veneto, Friuli Venezia Giulia and Trentino Alto-Adige regions), with possible extension to other territories as well.

Through shared know-how this partnership will enable improved quality of commercial offer and service to customers, in order to attain the highest quality standards of competitiveness and management efficiency.

The Letter of Intent defines the course that the Parties will undertake jointly in order to perfect the operation and the scope of the effort: among others, it includes the creation of one or more special purpose vehicle(s) with joint shareholding, in which the shares held in sale companies of North East Italy may be pooled together, along with other commercial assets.

Shareholders' meetings on 23rd April 2013

On 23rd April, 2013, Fulvio Zugno presided Ascopiave S.p.A.'s Shareholders' ordinary meetings which approved the fiscal year balance sheet and read the Group's Consolidated Balance Sheet as at 31st December 2012, and decided to distribute dividends (Euro 0.11 per share).

The Shareholders' Meeting has also approved the Remuneration Policy, corresponding to Section I of the Report on Remunerations under Art. 123-ter of Leg. Decree 58/1998.

The Shareholders' ordinary meeting has also approved a new purchase and disposal plan for own shares, replacing the authorisation of purchase and disposal of own shares issued by the Shareholders' Meeting held on 29th November 2011, which is therefore to be deemed cancelled as regards the non-executed part.

The extraordinary Shareholders' Meeting has examined and approved the adjustment of the Articles of Association to the provisions enforced by Law nr 120 dated 12th July 2011 in terms of balance between the types of Board of Shareholders and Statutory Auditors. As a consequence of this, Art. 15 and 22 were modified and Art. 30 was introduced.

Loan finalised with the European Investment Bank (EIB)

On 19th June 2013 a Euro 70 million loan contract between Ascopiave S.p.A. and the European Investment Bank (EIB) was signed, aimed at supporting the investments for the enhancing and expansion of the gas distribution networks in Veneto and Lombardy.

Three tranches are envisaged, the first two, Euro 35 and 10 million respectively, were paid on 27th August 2013 while the third tranche, equal to the remaining Euro 25 million, will only be distributed when specific investment targets are reached, however by 30th June 2016.

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

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

The agreed quantification of the RIV 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 respect to the issue of quantification, the situation of the Municipalities partners of Asco Holding S.p.A. was extremely peculiar in the sense that, with the latter, there is not a real concession deed in "canonical" form, but various deeds of assignment to Companies ("Azienda Speciale", at the time). These deeds have ratified, at the same time, the continuation of the award of the service previously provided by the Bim Piave Consortium. It is evident that, as deeds of assignment, a real regulation concerning the purchase and/or the termination of the management was not and could not be envisaged.

Therefore, Ascopiave S.p.A., with non-partner Municipalities, has begun "single" negotiations related to contract clauses, whereas with the 93 Municipalities partners of Asco Holding S.p.A. located in the Provinces of Treviso, Venice, Pordenone and Belluno, based both on the peculiarity of the "partner" condition itself and the interconnection and substantial homogeneity of plants, during the last quarter of 2010, developed a Convention proposal based on the adoption of a shared procedure targeted to quantify by common agreement the "Residual Industrial Value" or "RIV" of the networks through which gas is distributed to each Municipality.

Said proposal was approved by all the Local Bodies located in the aforesaid Provinces.

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

The expert, hired basing on a comparative procedure on 29th August, 2011, has written a report on the "Fundamental criteria to calculate the RIV of the natural gas distribution plants located in the Municipalities currently serviced by Ascopiave S.p.A." which was approved on 2nd Dec. 2011 by Ascopiave's Board of Directors and then by all 93 Local Bodies.

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

The Convention implies, other than the "one-off" amount, the payment by Ascopiave of an annual variable in favour of Municipalities, on condition that the Municipal Council approves the report to determine the RIV valuation criteria. The component amount equals the difference: if positive, between 30% of the "restriction on revenues recognized by the tariff regulation ("VRT") to Ascopiave S.p.A. to manage the gas distribution service in the Municipal territory and the amount already received by the Municipality itself as a dividend in 2009, due to the indirect participation of Ascopiave S.p.A.. The payment of such variable component implies a €4 to €5 million expense. In particular:

- Euro 4,993 thousand in 2011,
- Euro 5,253 thousand in 2012,
- Euro 5,585 thousand in 2013

were paid.

In February/March 2013, Ascopiave S.p.A. submitted to the single Bodies the states of consistency and the first appreciation of the plants determined applying the criteria set by the Expert to the states of consistency referred to 31st December 2011.

To date, following the outcome of the technical cross-examination, 73 Municipalities have approved the residual value. Later, it will be formalized by Administrative Public Act pursuant to art. 11 of Presidential Decree 902/1986.

Litigations

CLASS I – ADMINISTRATIVE LITIGATIONS

As of 31st December 2013, the following litigations are pending:

MUNICIPALITY OF VILLAVERLA:

An appeal before the Regional Administrative Court of Veneto against the Municipality of Villaverla filed by Ascopiave on 18th March 2011 for the repeal of the tender documents. The related suspension request was rejected. Negotiations with the Municipality are in progress; they should entail abandonment of proceedings, or, more likely, peremption.

MUNICIPALITY OF CASTELLO DI GODEGO:

An appeal to the Regional Administrative Court of Veneto against the Municipality of Castello di Godego by Ascopiave, filed at the beginning of February 2012, in order to proceed to the cancellation of the Town Council Resolution n. 122 dated 29th November 2011 (which pursuant to art. 46 bis of Law 222/2007 requests the payment of an annual rent up to 10% of the Distribution Revenue for years 2008, 2009, 2010, 2011 and 2012). On the basis of the deed of settlement dated 29th November 2013, the parties waived the judgment. Therefore, on 12th February 2014, the Regional Administrative Court of Veneto issued the Decree of termination. Such decree is mentioned in this prospectus solely for your information and as an antecedent to the settlement agreement.

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

As of 31st December 2013, the following litigations are pending:

MUNICIPALITY OF CREAZZO:

A trial is pending before the Civil Court of Vicenza between Ascopiave and the Municipality of Creazzo for the establishment of the industrial residual value of the distribution plants (delivered in 2005 to the new operator). After the examination of the court-appointed expert witness report, the Judge scheduled the conclusive hearing for 13th March 2013. The case was taken under advisement. The judgement is pending.

MUNICIPALITY OF SANTORSO:

A trial is pending before the Civil Court of Vicenza between Ascopiave and the Municipality of Santorso for the establishment of the industrial residual value of the distribution plants (delivered in 2007 to the new operator). After the

examination of the court-appointed expert witness report, the Judge, bringing forward the programmed date (14th January 2015), scheduled the final pre-trial hearing and a hearing for any responses, on 7th and 27th July respectively. With Judgment dated 4th September 2013, the Judge declared that the Court does not have jurisdiction over the validity of the arbitration clause set forth in the original Agreement. Having ascertained the failure of attempts to amicable settlement, on 12th November, 2013, Ascopiave submitted the litigation notice and appointed Mr. Enrico Vedova as Party Arbitrator. The Municipality, by deed dated 26th November, 2013, appointed as its Arbitrator Mr. Eugenio Lequaglie. The Chairman is still to be appointed (agreement between the Arbitrators, or request to the President of the Court of Vicenza).

CLASS III – LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 31st December 2013, the following litigations are pending:

MUNICIPALITY OF COSTABISSARA:

An arbitration is pending between Ascopiave and the Municipality of Costabissara for the establishment of the industrial residual value of the distribution plants (delivered in 2011 to the new operator). The Arbitration Jury has met for the first time on 16/01/2012. The parties were unable to reach an agreement and the jury decided for a partial arbitration in order to assess the acceptability (Ascopiave) or unacceptability (Municipality) of the arbitral clause that was envisaged in the agreement. This has confirmed the enforcement of the same clause. Subsequently, an investigation by a court-appointed expert was set, currently in progress.

MUNICIPALITY OF SAN VITO DI LEGUZZANO:

An arbitration is pending between Ascopiave and the Municipality of San Vito di Laguzzano for the establishment of the industrial residual value of the distribution plants (delivered in 2010 to the new operator). The Arbitration Commission was formed on 4th March 2011. The proceedings were expected to end within 240 days starting as from 28th March 2011, but the deadline was postponed by the Commission with the agreement of both parties up to February 2013. With Order number 3 dated 18th June 2012 the Commission has appointed its Technical Expert and Ascopiave and the Municipality appointed their *ex-parte* technical experts. The Chairman of the Commission resigned, claiming that he could not hold his position following the introduction of the new legislation (albeit not applicable to current arbitration procedures). Ascopiave proposed his reinstating but the Administration refused. The President of the Court of Vicenza has appointed the new President of the Commission. The Commission was formed on 13th June 2013. The measures previously taken, and in particular the expert witness, have been confirmed. The deadline for the issue of the award has been re-scheduled by 28th February 2014. On 9th December 2013, the deed of settlement by which a reimbursement was fixed in favour of Ascopiave for a total amount of Euro 1,600 thousand was signed. Accordingly, the Judgment of Arbitration was abandoned. Such judgment is mentioned in this prospectus solely for your information and as an antecedent to the settlement agreement.

MUNICIPALITY OF SANTORSO:

An arbitration is pending 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). The Parties have appointed their Arbitrators and the Chairman is still to be appointed (see civil litigation above).

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

As of 31st December 2013, the following litigations are pending:

ASCOPIAVE – NEW OFFICES:

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

In order to obtain the review of the First Instance Sentence, Ascopiave S.p.A. has filed an incidental appeal. The only important proceeding concerns the request for an appeal on 10th May, 2011.

Should none of the parties take any other action, the non-suit is scheduled in 2016.

AEEG – RESOLUTIONS ARG/GAS 99/11 – 207/11 – 166/12 – 352/12 – 241/2013:

An appeal promoted by AEEG in order to obtain the cancellation of judgement no 3272 dated 28th December 2012 through which the Regional Administrative Court of Lombardy based in Milan accepting the appeal from Local Distributors has cancelled the Default discipline, that is, the initial legislation with which the AEEG had intended to create and regulate the so-called Final services for natural gas. Through the appeal, AEEG has requested to stay the Regional Administrative Court Judgement by means of an emergency protective court order. That stay was granted by means of Single Judge Decree. The protective hearing was scheduled on 23rd April 2013 but was postponed to 9th July 2013 upon joint demand from the parties. On the same date, the Commission confirmed the protective court order, scheduling the substantive discussion in March 2014. The discussion was regularly held on 4th March 2014. Actions are still to be taken.

An appeal to the Regional Administrative Court of Latium, which overrules Ministerial Decree dated 5th Feb. 2013 approving the agreement template for managing the service subsequent to the following calls, limiting to the last part of 21.3 where the manager “supplies the default service according to the methods defined by the Authority.” This is a merely precautionary measure aiming at avoiding the risk of lack of interest in the aforesaid main judgement.

In the meantime, on 6th June 2013, the AEEG issued a new Resolution (241/2013) through which it granted the activities essentially concerning management and supply to a seller to be identified, at the end of the first period of service provision, following a public call for tenders announced by “Acquirente Unico” (meanwhile the service will be guaranteed by the supplier of last resort - FUI). The new discipline partly overcomes the objections raised in relation to the previous one. With appeal to the Regional Administrative Court of Lombardy Milan, Resolution 241/2013 was contested as well. The main reasons are: failure to envisage a compensation for the default service interventions in progress; the provisions concerning delay penalties or failure to implement power failure to be paid by the distributor even if the delay or the failure to implement depend on causes not attributable to the distributor. Finally, in connection with previous appeals, the “motivation” given to the provision was contested: according to the AEEG, this motivation only derives from the need to obviate a sort of “incompetence” of the distributors. To date, the proceeding is still to be scheduled.

The AEEG further intervened on the matter, with Resolutions 533/2013 and 84/2014. On 21st January 2014 an appeal was filed against Resolution 533/2013 before the Regional Administrative Court of Lombardy Milan. The reasons are similar to those that led to appeal Resolution 241/2013.

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

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

Subsequently, as partial modifications to Resolution 28, the AEEG issued Resolutions 93/2012 and 246/2012, which, however, were not sufficient to withdraw the company's complaint. The deadline set on 1st March 2012 was cancelled and postponed to 31st December 2012. The company has filed an appeal against both resolutions with additional grounds. Similarly, Resolution 316/2012 through which the Authority for Electricity and Gas further intervened on the matter, has also been contested.

With Resolution 631/2013 AEEG further intervened on the matter, amending Resolution 28/2012. Therefore, the new stay request, submitted with reference to the previous rules, (also contested) was withdrawn and the abandonment of the main appeals is being assessed.

CATEGORY V – CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 31st December 2013 the following litigations are pending:

ASCOPIAVE – UNIT B:

A civil judgment before the Court of Treviso (RG 6941/2013) following the pre-trial technical investigation, which ended with the report of the Expert witness (appointed by the Court), Mr. Antonio Vascellari and started by Ascopiave (writ of summons dated 22nd August 2013) in order to obtain compensation for damages to the entrance floor of the "Unit B", against: Bandiera Architetti S.R.L. (Designers), Mr. Mario Bertazon (Contract Manager) and Mr. R. Paccagnella Lavori Speciali S.R.L. (Contractor). The compensation request refers to an assessment of damage between approximately Euro 127 thousand (Expert witness estimate for full restoration) and Euro 208 thousand (estimate of a Third party firm for full makeover). All the Parties regularly appeared before the Court. Following the third-party notice (Insurance Company and Site engineer) the first hearing is scheduled on 17th April 2014.

Relationships with Agenzia delle Entrate (Tax collection agency)

During 2008, the company Ascopiave S.p.A. was subject to tax audit by the Inland Revenue Office. Following the audit, a report on findings with observations on the indirect and direct taxes was issued. During the month of July, the local Internal Revenue Office issued a notice of assessment regarding the contents of the report on findings. The major tax ascertained and the charges due for the establishment of the litigation are conservatively estimated to be around

Euro 92 thousand, which were set aside in a special fund risks, also following the advice of the tax advisor.

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

On 22nd December 2010, the Provincial Tax Commission 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 20th September 2012.

On 23rd December 2012 the Venice tax Commission acknowledged the good tax behaviour of the company.

On 26th June 2013, the company Ascopiave S.p.A. was notified about the appeal in Cassazione (Court of Cassation) by the Inland Revenue Agency and joined proceedings because of the result of previous judgements. The directors, encouraged by the opinion of the professionals consulted, are confident about a positive result of the litigation.

On 11th April 2013 the Venice Section of the Italian Finance Police started its auditing activities of tax obligations fulfilment regarding fiscal years 2011, 2012 and 2013, direct taxes and indirect taxes as concerns the subsidiary company Veritas Energia S.r.l.. The auditing activities were concluded on 30th May 2013 with the issue of a record of findings with modest tax recoveries.

On 7th October 2013, the company was notified about the proposal of acceptance by the local Tax Collection Agency and paid the amounts due, totalling Euro 72 thousand, including reduced penalties and interests.

On 27th November 2013, the company recovered taxes paid in excess by submitting a supplementary statement. The presumed charge for the company, however, will not exceed Euro 20 thousand.

On 21st May 2013 the Treviso Section of the Italian Finance Police started its targeted auditing activities on the variations illustrated in the return and the regular application of tax regulations concerning VAT and direct taxes as regards fiscal year 2010, toward the Parent company Ascopiave S.p.A.. The auditing activities ended on 19th June 2013 with the issue of a record of findings, which highlighted remarks as concerns IRES and IRAP for fiscal year 2010, due to the wrong accrual attributed to some operating costs: the Company, with the help of its tax consultants, considered the possibility of recovering the higher taxes required by the Inland Revenue Agency through the correct attribution to tax periods, even through the submission of additional returns and/or applications for refunds. Therefore, the company submitted an application of acceptance of the record of findings on 11th July 2013, which was accepted by Agenzia delle Entrate on 12th August 2013 and paid the amounts due for a total sum of Euro 1,876 thousand, which, for the above-mentioned recovery of temporary differences deductible in future fiscal periods, had an entirely negligible economic impact in the first half of the year.

Territorial areas

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

Specifically:

1) the Decree dated 19th January 2011 issued by the Ministry for economic Development in agreement with the Ministry for the Relationship with Regions and Territorial Cohesion, the territorial areas for issuing calls for tenders to entrust

the gas distribution service were identified; with subsequent Decree dated 18th December 2011, the municipalities belonging to each territorial area were also identified (the so-called Territorial Areas Decree);

2) the Decree issued by the Ministry for Economic Development and the Ministry of Employment and Social Policies on 21st April 2011 contained provisions ruling the social effects connected to the assignment of the new gas distribution concessions, thus implementing paragraph 6 of art. 28 of Legislative Decree no. 164 issued on 23rd May 2000 (the so-called Workforce Protection Decree);

3) with the Decree issued by the Ministry for Economic Development on 12th November 2011, the regulatory norms concerning the criteria to be applied to calls for tenders and the evaluation of the offer for assigning the gas distribution service was approved (the so-called Decree for Criteria).

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

The Ascopiave Group - as indeed many other operators - has substantially appreciated the new regulatory framework, believing that it can create important opportunities of investment and development for medium-sized qualified operators, rationalising the offer.

At the end of 2013, the Government issued Law Decree 23/12/2013, no. 145, making changes to the regulatory framework with regard to the determination of the reimbursement value of the plants due to the outgoing operator at the end of the so-called "Transitional Period". The Decree was converted with amendments into Law no. 9/2014, which substantially changed the original provisions of the Decree on that aspect.

The Law Decree - changing the content of Article 15 of Legislative Decree no. 164/2000, provided that the reimbursement value paid to the outgoing operators of the service, who held the existing assignments and concessions in the transitional period, should be calculated in compliance with the provisions of the agreements or contracts and, even if not established by the parties, no longer through the criteria referred to in points a) and b) of Article 24 of Royal Decree dated 15th October 1925 no. 2578, but pursuant to the provisions of Article 14, paragraph 8, of Legislative Decree no. 164/2000, as subsequently amended and supplemented. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) had to be deducted from the reimbursement value.

The conversion into Law of the Decree (Law no. 9 / 2014) has made substantial changes to the original content, providing that the new operators shall pay a reimbursement to the holders of assignments and concessions existing in the transitional period, calculated in compliance with the provisions of the agreements or contracts and, even if not inferable by the will of the Parties and for aspects which are not envisaged in those agreements or contracts, based on guidelines on operating criteria and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) have to be deducted from the reimbursement value. If the reimbursement value is higher than 10% of the value of local assets calculated as per tariff regulation, net of public capital contributions and of private ones for local fixed assets, the granting local body submits the related evaluations detailing the reimbursement value to the Authority for Electricity and Gas and Water Supply System so that it can be checked before publishing the invitation to tender.

In addition, Law no. 9 / 2014 has established that the deadlines envisaged in paragraph 3 of article 4 of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98, are extended by four months and that the deadlines illustrated in Attachment 1 to the regulations of the Minister for Economic Development

Decree dated 12th November 2011, no. 226 (so-called "Decree for Criteria"), related to dispositions contained in the third grouping of Attachment 1 itself, and the deadlines illustrated in article 3 of the regulations, are extended by four months.

Distribution of dividends

On 23rd April 2013, the Shareholders' Meeting approved the yearly statement and decided the distribution of dividends for an amount equal to Euro 0.11 per share with registration on 20th May 2013 and payment on 23rd May 2013.

Own shares

In accordance with Art. 40 of Legislative Decree 127 2 d), as of 31st December 2013, the value of own shares held by the company is equal to Euro 17,660 thousand, accounted for as a reduction from the other reserves, as can be seen in the Net Equity variations.

Outlook for the Year

As for the distribution segment, in 2014 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. During the year, if the time frames envisaged by law are respected, the first tenders for the awarding of the gas distribution service will be launched with territorial procedure. The municipalities currently managed by the Ascopiave Group belong to Minimum Territorial Areas for which the deadline of publication of the invitation to tender is beyond 31st December 2014. Nevertheless, since the awarding entities can anticipate the deadlines prescribed by the regulations, it is possible that some municipalities might be interested in tenders already in 2014. Even if this should occur, however, even if there is no absolute certainty about the time required for the award, it is reasonably deemed that, for the first invitations to tender, any transfer of management to new contractors can be completed only after the end of fiscal year 2014. As a result, the business perimeter of the Group should not be subject to changes as compared to the current situation. The Group may also consider participating in one or more tenders that will be published in 2014, implementing its strategy of growth and consolidation in the industry. With regard to profitability, assuming a normal operating condition of the plants and the certainty of tariff levels, defined in compliance with the new regulations which came into force in 2014, the distribution activity should essentially confirm the results achieved in 2013.

As far as the sale segment is concerned, commercial margins in 2014 are expected to be lower than 2013, mainly due to lower sale prices which will be applied to the protected market following the full implementation of the interventions envisaged by AEEG Resolution no. 196/2013/R/gas (in force since the fourth quarter of 2013) and the significant decrease in gas consumption already recorded early this year, mainly due to weather conditions.

Given the contractual conditions of procurement stipulated for the current thermal year (1st October 2013 - 30th September 2014), the decline in results is believed to be already reasonably determined for the first nine months of 2014 while the results of the fourth quarter are subject to greater and more substantial unpredictability, being influenced by the conditions of contract renewal for the next thermal year.

These results may obviously be affected, in addition to any new measures concerning tariffs taken by the Authority for Electricity and Gas - which cannot be estimated as of today - also by the evolution of the more general competitive scenario and the procurement strategy of the Group.

The actual results of 2014 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.

Goals and policies of the group and risk description

Credit and liquidity risk

The main financial instruments in use by our Group are represented by trade payables and receivables, liquidity, bank debt and other forms of financing.

It is maintained that the Group is not exposed to credit risks greater than the product sector average, considering the numerous customers and the low physical risk in the service of gas delivery. To keep residual credit risks under control, there is in any case a fund for the devaluation of credit equal to approximately 8.79% (6.5% in 2012) of the total gross credit of third parties.

Significant commercial operations take place in Italy.

With reference to the company financial management, the administrators consider it appropriate to generate a cash flow suitable for covering its needs. The main payment obligations opened as of 31st December 2013 are associated with contracts for natural gas supply.

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

As of 31st December 2013, the Ascopiave Group holds a portfolio of 209 (209 in 2012) natural gas distribution concessions located throughout the country. In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19th January 2011 and 18th October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12th November 2011. With new tenders being launched, Ascopiave S.p.A. may not be able to obtain one or more new concessions, or it could obtain them at less advantageous conditions than the current ones, with possible negative impacts on the operative activity and the economic, equity and financial situation, it being understood that, if the company is not awarded with a new concession, limited to the Municipalities previously managed by the company, it will obtain a reimbursement value envisaged for the outgoing operator.

Risks relating to the amount of reimbursement of distribution networks for gas paid by the new operator

With regard to the concessions under which the Ascopiave Group also owns the gas distribution networks, Law no. 9 / 2014 establishes that the new operator shall pay a reimbursement calculated in compliance with the provisions of the agreements or contracts and, even if not inferable by the will of the Parties and for aspects which are not envisaged in those agreements or contracts, based on guidelines on operating criteria and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) have to be deducted from the reimbursement value. In addition, if the reimbursement value is higher than 10% of the value of local assets calculated as per tariff regulation, net of public capital contributions and of private ones for local fixed assets, the granting local body submits the related

evaluations detailing the reimbursement value to the Authority for Electricity and Gas and Water Supply System so that it can be checked before publishing the invitation to tender.

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

In the periods following the first, transitional one, the redemption value to the outgoing operator shall be equal to the local net intangible assets, net of public capital contributions and of private ones for local fixed assets, calculated with reference to the criteria used by the Authority to determine the distribution tariffs (RAB).

In the light of the legal framework outlined above, there is a possibility that the assessment of the reimbursement value is lower than that stipulated in the agreement with the local body.

Human resources

As of 31st December 2013, Ascopiave Group had 619 employees³, divided between the various companies of the Group as outlined below:

Company	31/12/2013	31/12/2012	Variation
Ascopiave S.p.A.	271	291	-20
Ascotrade S.p.A.	78	60	+18
Estenergy S.p.A.	82	87	-5
ASM DG S.r.l.	20	20	0
ASM Set S.r.l.	9	9	0
Edigas Distribuzione S.p.A.	31	32	-1
Edigas Due S.p.A.	4	4	0
Pasubio Servizi S.r.l.	19	20	-1
Etra Energia S.r.l.	6	6	0
Veritas Energia S.r.l.	33	35	-2
Blue Meta S.p.A.	14	14	0
Amgas Blu S.r.l.	7	6	+1
Unigas Distribuzione S.r.l.	45	41	+4
Total	619	625	-6

Compared to 31st December 2012, the workforce of the Ascopiave Group was reduced by 6 units. The main variations concern the following companies:

- Ascopiave: -20 employees, with 9 new people hired and 29 people laid-off, which partly relate to the transfer of 15 people to the subsidiary company Ascotrade and partly to the transfer of 9 employees to a third party company due to the termination of the gas distribution business branch in three municipalities in Lombardy;
- Ascotrade: + 18 employees, of which 15 relate to the transfer of front office staff from Ascopiave as stated above;
- Estenergy: -5 employees, due to the transfer to Acegas-APS of originally outsourced resources;
- Veritas Energia: - 2 employees;
- Unigas Distribuzione: +4 employees.

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%.

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

Type	31/12/2013	31/12/2012	Variation
Managers	23	23	0
Office workers	469	470	-1
Manual workers	127	132	-5
Total	619	625	-6

Quality

Management Systems and related certifications Quality, Safety, Environment

Certifications and Management Systems

Quality, safety and environment (QSE), are a guarantee of a reliable organization, a shared work culture, based on excellent professional skills, for the Ascopiave Group.

Ascopiave's certified Integrated System "QSE" represents the achievement of an important target and an incentive for on-going improvement, not only for shareholders but also for collaborators, customers, the community in which it is established and the parties (outsourcing) that work on behalf of the company.

An integrated Certified System, like Ascopiave's, implies that a company has reached the peak of organizational efficiency, successfully combining quality, environment/safety and, in particular:

- quality: interaction of business processes and activities performed in compliance with binding rules and laws including those of the Authority for Electricity and Gas;
- environment/safety: complete integration of the two issues, both at a documental level and a "periodic monitoring" level of activities/operations, in full respect of laws/regulations concerning environment and safety at work.

Certification of Quality Management System

The certification ISO 9001:2008, bestowed upon every company of the Group herein, represent a tangible award of an efficient and effective management of every company: adequate and constantly upgraded skills, availability of useful indicators and reference objectives, both economic and performance-wise, of the relevant processes, continuous monitoring of direct activities (extended to the single operational areas and/or front offices) and indirect (outsourced activities), full compliance with laws/regulations and Authority issued norms (AEEG).

Ascopiave Group's Quality Management System:

Ascopiave Group's Quality Management System (ISO 9001:2008)

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

In 2013 Ascopiave confirmed to "delegate" to only one function within the Group the role of manager responsible for the quality management of four companies, as illustrated below:

- Ascopiave: two different certified management systems, one for the "*Methane gas distribution*" and one for the

“Energy/Remote heating management service”;

- Sales Group: an integrated management system for three different companies, Ascotrade, Pasubio Servizi and Blue Meta, concerning “Methane gas trading via grid”.

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

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

The quality managers, in agreement with the top management, in 2013 ensured that the company's policy is adequate and the continuity of certification of the aforementioned seven Quality Management Systems, illustrated below:

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

Ascopiave S.p.A. Ascopiave operates in the field of "Natural gas distribution" in four Italian regions and ten provinces. The service, certified since January 2001 (initially for both distribution and sale) has been constantly implemented over the past 10 years in order to upgrade it to the activities set by the Letta Decree (business separation) 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*".

Between 18th March and 16th April all the company processes and a significant sample of territorial units have undergone an “internal audit” by the Group's Quality Manager (as an Auditor), with a positive outcome.

In the last week of May, the primary business processes, the operational headquarters and the leading activities (sampled on a local/outsourced basis), underwent a "three-year re-evaluation" by the certification body, Kiwa Italia S.p.A. based in San Vendemiano: the third party Audit was successful, and the validity of the certification and its continuity from the first edition were confirmed.

The certificate renewed, updated as of 07/06/2013, is valid until 07/06/2016.

Ascopiave S.p.A. “Management of heating, cogeneration and remote heating systems”

In October 2012 Ascopiave purchased the “company branch” Global Energy, through merger by incorporation with the company itself, for the activity of “*Management of heating, cogeneration and remote heating systems*”.

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

The current certification is guaranteed by the certification agency DI.QU. S.r.l. based in Marghera (VE).

On 3rd and 30th July 2013 primary business processes and outsourced activities underwent a "second surveillance audit," both by the Quality Manager (Internal Audit), and the certification body: both annual audits pursuant to ISO 9001:2008 were successful.

The certificate (updated on 12/2012 following purchase by Ascopiave) will be valid until 19/05/2014.

- The “sales group” quality system: Ascotrade - Pasubio Servizi - Blue Meta

The organization of Ascopiave's "sales group" strongly hoped for a new "management model" through a simple, efficient and effective operating structure, in order to ensure the achievement of the objectives aimed at profitability and customer satisfaction. At the same time, however, this structure can integrate and rationalise the relevant processes centralizing them at the headquarters, delegating specific operations, such as "front-office" activity, to a widespread network of local and commercial offices for each individual business.

Framework Certification and 3 Sales Companies: Ascotrade - Pasubio Servizi - Blue Meta

Ascotrade, the Group's leading sales company, based in Pieve di Soligo, is well-established mainly in the twelve provinces in which the Parent company operates (Ascopiave Distribuzione).

Pasubio Servizi is based in the Province of Vicenza, whereas Blue Meta in the Province of Bergamo.

In early 2013, the three “subsidiary” sales companies launched a “certification project for the Energy Sale Group” incorporating their “Documental Systems”, which have already been certified, and the management of each deadline (Audit processes, Quality Committee), into a new “Framework Agreement” with the certification body of the Ascopiave Group. The goal coincided with the expiration of the "three-year re-evaluation" of Ascotrade on 06.07.2013 and envisaged the termination of the "Active contracts" with existing accreditation bodies of the other sales companies, Pasubio Servizi (Kiwa Italia) and Blue Meta (CERSA). In 2014 this "project" will be progressively extended to all the "partially owned" companies of the Ascopiave Group selling energy.

Between 18th March and 16th April 2013, all business processes, centralized (common processes), of operational headquarters and the activities of local offices (significant sample of direct and outsourced offices), were subject to an "internal audit" by the Quality Manager of the Group (Auditor) with the proactive support of the "Group Quality Assurance" staff of Ascotrade: the report, which was analyzed and validated by the "Advisor Committee for Quality", was successful.

Between 29th and 31st May the same business processes mentioned above (sampled on a local/outsourced basis), underwent a “renewal audit” (third-party Audit) by the certification body, with a positive outcome.

Consequently, the certification body Kiwa Italia issued a “ISO 9001:2008 Compliance Certificate” to the Ascopiave Sales Group and three different ISO 9001:2008 Certificates as attachments to the main document, assigned to every single company (currently three): the four certificates expire on 07/06/2016, report the continuity of certification of the leading sales company Ascotrade (30/04/2004) and have in common the activities described in the scope of application: "*Methane gas trading via grid.*"

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

The company Asm Set deals in natural gas and electricity sale activities and operates in the Province of Rovigo and in the South part of the Province of Padua. It is currently ISO 9001:2008 certified by the accreditation body CERMET Soc. Cons. a r.l. in the scope of application “Activities of purchase and sale of methane gas”.

During the first half of 2013, all company processes underwent the annual “periodical verification”, with internal audits (consultant) and external audits by CERMET. Both audits confirmed the validity of the certification valid through 18th May 2014.

On the last “audit” by the certification body, the company has separated from the scope of application the activity of "*Design and construction of photovoltaic systems*". On the same occasion, the Management has extended the scope of application to the "Sale of electricity" (period 2014/2015).

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

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

The quality management system, introduced in 2007, is now ISO 9001:2008 certified by Certification Agency CERSA S.r.l. of Milan, with the following field of application: “Design, construction, maintenance and management of methane gas distribution plants”.

Over the past six years it has been improved on an ongoing basis in order to meet the requirements set by the reference rules and to adapt to the evolutions affecting structure, markets and processes.

In 2013 two Internal Audit cycles were performed, in order to monitor the management of processes and the adequacy of the "Documental System". The latter was enhanced thus expanding the scope of application of the existing certification: it was possible to add the sector EA 28b (systems installation, operation and maintenance companies), to the existing EA 26 (supply of gas) in the ISO 9001 certificate.

In the second half of 2013, the certification body performed the "renewal inspection", rechecking all business processes (in the presence of the accreditation body ACCREDIA): the third-party audit was positive confirming the three-year validity of the certification, until its expiration on 27/11/2016.

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.

On 24th October 2011 the company obtained two new certifications:

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

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

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

By October 2013, the Management decided to extend the scope of application of the existing certification to the activity of "Management of Energy and Cogeneration/Remote Heating Service", managed by the operations unit in Mirano; at the same time, the operations unit in Lentate sul Seveso had to be divested (because the municipalities in the Provinces of Como and Monza Brianza were transferred to the GELSIA Group, based in Seregno, in January 2013).

In the second half of 2013, therefore, the "surveillance audits" (expiring during the year), and the audits of "extension of the certification", occurred at the same time:

- the internal audit was performed during the first half of July by a qualified Auditor (outsourcing: 8 days/man);
- the external audit was performed in the first half of October (5 days/man) by Auditors qualified by the certification institution (Kiwa Italia).

Both verifications have confirmed the validity of the integrated certification "environment and safety" until 24/10/2014, with the incorporation of the unit in Mirano and the extension of the scope of application, reaching the target.

The new scope of application is defined as follows: "*Management of the methane gas Distribution Service. Design, construction, operation and maintenance of methane gas distribution plants. Management of Energy Service Contracts, Responsible Third Party and Photovoltaic Plants; Design, Installation and Operation of Thermal, Cogeneration, Remote heating and Photovoltaic plants*".

Environment and Safety at Work Policies

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

“Environmental management” system

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

The Administration periodically updates an “*Environmental analysis document*”. This document represents for the company a key instrument (like the RAD for Security) in order to identify relevant environmental aspects, handle problems detected in Audit processes, comply with regulations/laws, reference indicators.

Environment and Safety at Work Policies

This document formalizes the commitment of the company board to respect requisites and constantly strive to improve the effectiveness of the Integrated Management System, which guarantees the circulation of policy, improvement objectives on matters related to Environment and Safety, as well as of the established protocols to reach these objectives, both inside the company and among suppliers/executors which offer services to Ascopiave.

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

Research and development

IT Systems

In 2013, an organizational review of the Information System was performed. This led to the creation of the Information & Communication Technology Directorate, which is in charge of supervising the use of technology in order to support the business processes of all the companies of the Ascopiave Group.

One of the main achievements of the year was the completion of the project IT Disaster Recovery which, by the geographical replication of critical data, guarantees the availability of such data even in the face of an event which compromises the functionalities of the systems hosted in the main Data Centre. This implementation, which is in line with international best practices in risk management, can be extended for Business Continuity purposes in the coming years, providing the secondary Data Centre with a processing capacity that allows not only data protection but also continuity of the service offered to the Group's companies.

As concerns the services offered to Ascotrade clients, in 2013 Apps for smartphones and tablets equipped with Android and Apple iOS systems were created. They allow users to access the contract data for gas and energy, bills, payments and consumptions, to enter meter readings, receive news and locate branches in the area. These services are also accessible via an upgraded online "front office", through which communications and contacts via SMS can also be activated and, by early 2014, it will also be possible to enter into contracts for domestic supply.

Regarding the management systems of the sales companies, the Geutweb systems for gas and electricity sale have been extended, with an important activity of data conversion and standardization, to the company Veritas Energia for approximately 36,000 customers. A first module has also been activated to support the activities of Electricity Dispatching, and the companies Blue Meta S.p.A. and ASM SET S.r.l. have been equipped with the Geutweb system for the sale of electricity.

Furthermore, the functionalities supporting the management reporting system based on SAP BPC were extended, with the upgrade to the SP12 version, the maintenance of the modules for consolidation, budget and purchased gas and the development of a new module to support the verification of the transported gas.

In addition, in 2013 the tender for the selection of the partner for an important Work Force Management project to support the Technical Department of the Gas Distribution company was completed. The project, which began in late 2013, is aimed at improving the process of implementation of field interventions, through the introduction of automatic systems to schedule operations and optimize the use of resources, the application of principles of saturation of the working day and minimization of paths. The resources operating in the area will be equipped with mobile devices for the assignment of tasks, the field consultation of information necessary to carry out the interventions and the final balance of the work performed.

Also in support of the Gas Distribution companies of the Group, new functionalities have been introduced to the management systems and the Portal of the Distributor to comply with regulatory updates, the need of improving internal processes and the communications standards defined by the AEEG.

Other significant projects concerned the upgrade of the SAP management system to version ECC 6HP09, with simultaneous update of the hardware used, the adaptation of all debit flows to the standard SEPA SDD, and the introduction of new software in support of the legal management of disputes.

Throughout 2013, the digital and printing service of bills for several Municipalities and Water supply Consortia was also provided.

Additional information

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

For further information pertaining remuneration members of administration and auditing bodies, general directors and executives with strategic responsibilities and their share participation please refer to the Remuneration Report drafted pursuant to Art. 123 – third paragraph of the Legislative Decree 58/1998 (National Finance Law), approved by the Board of Directors on 14th March 2014.

Safety of personal data

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

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

List of company headquarters

Offices owned

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

Leased offices

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

Performance Indicators

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

- **Gross operative spread (Ebitda)**: defined by the Group 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 item 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**: defined by the Group 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 Group 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 Group defines it as the amount obtained from the difference between the proceeds of sale of electricity and the sum of the following costs: cost of transport services, dispatching and balancing cost and purchase of electricity sold.

Comments on the economic-financial results of the year 2013

General operational performance and indicators

NATURAL GAS DISTRIBUTION	FY 2013	FY 2012	Var.	Var. %
Totally consolidated companies				
Number of concessions	177	177	0	0.0%
Length of distribution network (km)	7,619	7,547	72	1.0%
Volumes of gas distributed (cm/mln)	832.8	877.3	-44.6	-5.1%
Proportionally consolidated companies				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,026	1,014	13	1.2%
Volumes of gas distributed (cm/mln)	163.1	158.8	4.3	2.7%
Ascopiave Group*				
Number of concessions	193	193	0	0.0%
Length of distribution network (km)	8,131	8,042	78	1.0%
Volumes of gas distributed (cm/mln)	912.5	955.0	-42.5	-4.4%

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

NATURAL GAS SALES TO FINAL MARKET	FY 2013	FY 2012	Var.	Var. %
Totally consolidated companies				
Number of customers	548,370	559,349	-10,979	-2.0%
Volumes of gas sold (cm/mln)	879.4	1,059.1	-179.7	-17.0%
Proportionally consolidated companies				
Number of customers	282,430	292,028	-9,598	-3.3%
Volumes of gas sold (cm/mln)	460.2	534.4	-74.2	-13.9%
Ascopiave Group*				
Number of customers	687,422	703,134	-15,712	-2.2%
Volumes of gas sold (cm/mln)	1,106.5	1,323.0	-216.5	-16.4%

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

SALE OF ELECTRIC POWER	FY 2013	FY 2012	Var.	Var. %
Totally consolidated companies				
Number of POD	19,203	13,508	5,695	42.2%
Volumes of electric power sold (GWh)	186.4	170.6	15.8	9.2%
Proportionally consolidated companies				
Number of POD	49,539	77,724	-28,185	-36.3%
Volumes of electric power sold (GWh)	776.3	1,568.5	-792.2	-50.5%
Ascopiave Group*				
Number of POD	43,835	51,927	-8,092	-15.6%
Volumes of electric power sold (GWh)	574.1	946.6	-372.5	-39.4%

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

NATURAL GAS SALE - WHOLESALING AND TRADING	FY 2013	FY 2012	Var.	Var. %
Volumes of gas sold (cm/mln)	0.0	615.7	-615.7	-100.0%

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 2013 amounted to 1,106.5 billion cubic metres marking a decrease of 16.4% as compared to 2012.

The Group has terminated, since 2013, the activity of gas sale at the virtual trading point and as a wholesaler.

NATURAL GAS DISTRIBUTION	FY 2013	FY 2012	Var.	Var. %
Totally consolidated companies				
Number of concessions	177	177	0	0.0%
Length of distribution network (km)	7,619	7,547	72	1.0%
Volumes of gas distributed (cm/mln)	832.8	877.3	-44.6	-5.1%
Proportionally consolidated companies				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,026	1,014	13	1.2%
Volumes of gas distributed (cm/mln)	163.1	158.8	4.3	2.7%
Ascopiave Group*				
Number of concessions	193	193	0	0.0%
Length of distribution network (km)	8,121	8,042	78	1.0%
Volumes of gas distributed (cm/mln)	912.5	955.0	-42.5	-4.4%

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

NATURAL GAS SALES TO FINAL MARKET	FY 2013	FY 2012	Var.	Var. %
Totally consolidated companies				
Number of customers	548,370	559,349	-10,979	-2.0%
Volumes of gas sold (cm/mln)	879.4	1,059.1	-179.7	-17.0%
Proportionally consolidated companies				
Number of customers	282,430	292,028	-9,598	-3.3%
Volumes of gas sold (cm/mln)	460.2	534.4	-74.2	-13.9%
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SALE OF ELECTRIC POWER	FY 2013	FY 2012	Var.	Var. %
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Number of POD	19,203	13,508	5,695	42.2%
Volumes of electric power sold (GWh)	186.4	170.6	15.8	9.2%
Proportionally consolidated companies				
Number of POD	49,539	77,724	-28,185	-36.3%
Volumes of electric power sold (GWh)	776.3	1,568.5	-792.2	-50.5%
Ascopiave Group*				
Number of POD	43,835	51,927	-8,092	-15.6%
Volumes of electric power sold (GWh)	574.1	946.6	-372.5	-39.4%

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

NATURAL GAS SALE - WHOLESALING AND TRADING	FY 2013	FY 2012	Var.	Var. %
Volumes of gas sold (cm/mln)	0.0	615.7	-615.7	-100.0%

As of 31st December 2013, the Group manages the sale of natural gas to approximately 687,000 customers. As compared to the same date in the previous financial year, the number of customers decreased by approximately 16,000

units. This decrease in customers depends both on switch rates, and the modest growth in new gas users in the regional reference markets (new connections, conversion to methane heating systems, etc.).

The volume of electricity sold to the end market in 2013 amounted to 574.1 GWh, marking a decrease of 39.4% as compared to 2012. As of 31st December 2013 the Group serves about 44,000 re-delivery points (POD), a decrease of 8,000 units as compared to 2012.

As to the activity of gas distribution, in 2013, the volumes distributed through networks managed by the Group were 912.5 million cm, - 4.4% as compared 2012. As of 31st December 2013 the distribution network extends for 8,121 km (8,042 in 2012).

General operational performance - The Group's economic results

(Thousands of Euro)	Financial year 2013	% of revenues	Financial year 2012	% of revenues
Profits	854,334	100.0%	1,078,038	100.0%
Operating costs	748,430	87.6%	975,355	90.5%
Gross operative margin	105,904	12.4%	102,683	9.5%
Amortization and depreciation	20,570	2.4%	22,116	2.1%
Bad debt provisions	8,548	1.0%	7,491	0.7%
Operating result	76,787	9.0%	73,075	6.8%
Financial income	3,049	0.4%	2,159	0.2%
Financial expenses	6,923	0.8%	9,075	0.8%
Evaluation of associated companies with equity method	(262)	0.0%	(11,007)	1.0%
Income before taxes	72,651	8.5%	55,152	5.1%
Taxation for the period	31,541	3.7%	29,527	2.7%
Income before taxes	41,111	4.8%	25,625	2.4%
Net result from discontinued operations/assets held for sale	(71)	0.0%	4,336	0.4%
Income/losses for the period	41,040	4.8%	29,961	2.8%
Net income of the Group	38,678	4.5%	27,894	2.6%
Net income of third parties	2,361	0.3%	2,067	0.2%

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

In 2013, the Group incomes amount to Euro 854,334 thousand, with a decrease of 20.8% as compared to the previous financial year. The following table reports the details of income.

(Thousands of Euro)	31.12.2012	31.12.2012
Revenues from gas transportation	22,856	16,744
Revenues from gas sale	715,835	885,177
Revenues from electricity sale	91,492	148,289
Revenues from connections	3,143	4,450
Revenues from heat supply	93	519
Revenues from distribution services	5,333	5,185
Revenues from billing and taxes	628	193
Revenues from services supplied to Group companies	1,923	1,781
Revenues from AEEG contributions	6,944	6,317
Other revenues	6,087	9,383
Revenues	854,334	1,078,038

The **revenues from gas sale** decrease from Euro 885,177 thousand to Euro 715,835 thousand (- Euro 169,342 thousand, -19.1%); this variation was mainly determined by:

- the decrease in revenues from end market sale for Euro 108,887 thousand;

- the decrease in revenues from sales of the Group as trader and wholesaler, an activity terminated by the Group, for Euro 175,506 thousand;
- recording, in 2013, of revenues related to the sale at the Virtual Trading Point of Russian gas purchased through take or pay agreements signed by Sinergie Italiane and governed within the framework supply agreement by the reference shipper of the Group for Euro 115,052 thousand.

Revenues from electricity sales decreased from Euro 148,289 thousand to Euro 91,492 thousand, recording a decrease of Euro 56,797 thousand (-38.3%); due to the decrease of the quantities sold and the increase in sale prices.

The operating result for 2013 amounts to Euro 76,787 thousand, (+ Euro 3,712 thousand, +5.1%) compared to the previous year.

The increase is due to several factors:

- decrease in the revenues from the tariffs on the activity of distribution, equal to Euro 64 thousand;
- decrease in the first margin on the activity of gas sales, equal to 1,835 thousand;
- increase in the first margin on the activity of electricity sales, equal to Euro 1,824 thousand;
- positive variation of other cost and revenue items for Euro 3,787 thousand.

The decrease in the **revenues from tariffs in the gas distribution** activity (from Euro 70,231 thousand to Euro 70,167 thousand) is determined by the reduction in revenues related to the disposal at the end of 2012 of some concessions previously managed in Lombardy and partially offset by the increase due to the update of reference tariffs.

The decrease in the **first margin on the activity of gas sale** (from Euro 94,957 thousand to Euro 93,121 thousand) is mainly due to:

- reduction of first sale margin in the gas sale activity to end customers for Euro 2,821 thousand, mainly due to reduction in gas sold and decrease in margin recorded in the last quarter of the year due to sale price revision for the protected market pursuant to AEEG resolution no. 196/2013/R/gas;
- termination of the activity of gas sale as a trader and wholesaler, which in 2012 recorded a negative margin for Euro 985 thousand.

The **increase in the first margin on the activity of electricity sales**, from Euro 2,508 thousand to Euro 4,332 thousand is due to higher unit margin, against a decrease in the quantity of electricity sold.

The increase of **other items of cost and revenues**, equalling Euro 3,787 thousand, is due to:

- increase in other revenues for Euro 2,434 thousand;
- decreased costs for materials and other costs for Euro 2,748 thousand;
- increased personnel costs for Euro 1,886 thousand;
- lower amortization and depreciation on intangible and tangible fixed assets for Euro 1,546 thousand;
- higher provisions for bad and doubtful accounts for Euro 1,057 thousand.

Consolidated net income for 2013 amounts to Euro 41,040 thousand, with an increase of Euro 11,079 thousand (+37.0%) compared to the previous year.

The variation is due to the following factors:

- increase in the operating result, as previously stated, for Euro 3,711 thousand;
- improvement of the result of the company Sinergie Italiane S.r.l. in liquidation which, consolidated with the net equity method, entailed the recording of lower financial charges for Euro 10,746 thousand, while the previous year recorded Euro 2,964 thousand of higher charges deriving from the coverage of losses against the increase of the ownership share in the affiliate company;
- increase in financial revenues for Euro 890 thousand;
- decrease in other financial charges for Euro 2,152 thousand;
- decrease in net result from discontinued operations for Euro 4,407 thousand. In the previous year this item included the capital gain deriving from the sale of companies operating in the photovoltaic sector;
- increase in taxes for Euro 2,014 thousand.

The tax rate, calculated by normalizing the pre-tax result from the effects of consolidation of the company Sinergie Italiane (in liquidation), decreases from 44.6% to 43.3%.

General operational performance – Financial situation

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

(Thousands of Euro)	31.12.2013	31.12.2012
A Cash	19	16
B Other liquid assets	30,083	26,975
C Negotiable shares		
D Liquid assets (A) + (B) + (C)	30,102	26,992
E Current financial receivables	10,030	24,723
F Current bank debt	(83,681)	(176,286)
G Current share of non current debt	(10,480)	(6,990)
H Other current financial debts	(13,084)	(8,534)
I Current financial indebtedness (F) + (G) + (H)	(107,245)	(191,811)
J Net current financial indebtedness (I) - (E) - (D)	(67,114)	(140,096)
K Non-current bank debt	(64,849)	(29,420)
L Bonds issued	916	
M Other non-current debts	(552)	(613)
N Non-current financial indebtedness (K) + (L) + (M)	(64,486)	(30,033)
O Net financial indebtedness (J) + (N)	(131,600)	(170,130)

As of 31st December 2013, the financial position decreased from Euro 170,130 thousand to Euro 131,600 thousand reporting an improvement of Euro 38,530 thousand.

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

(Thousands of Euro)	2013	2012
Group's net income	41,040	29,961
Amortizations	20,429	20,527
Bad debt provisions	8,548	7,491
(a) Auto-financing	70,017	57,979
(b) Adjustment to reconcile net income with the variation in financial position generated by operating management:	11,767	(7,742)
(c) Variation in financial position generated by operating activities = (a)+ (b)	81,784	50,237
(d) Variation in financial position generated by investments	(16,087)	(11,088)
(e) Other variation in financial position	(27,167)	(8,058)
Net variation in financial position = (c) + (d) + (e)	38,530	31,091

The cash flow generated by the operating management, equal to Euro 81,784 thousand, is mainly due to self-financing for Euro 70,017 thousand and by other financial positive variations, amounting to Euro 11,767 thousand, mainly related to the net circulating capital management.

Management of net circulating capital has generated financial resources amounting to Euro 11,506 thousand and it was influenced mainly by a variation in the overall balance with the Technical Office for Taxation on Building and Regional Taxation and by the VAT position, which generated respectively financial resources of Euro 10,545 thousand and Euro 5,494 thousand, by the variation in the tax balance for the payment of IRES and IRAP taxes, which absorbed financial

resources of Euro 3,802 thousand, and the management of net operating capital, which generated financial resources of Euro 2,869 thousand.

(Thousands of Euro)

Inventories	700
Trade receivables and payables	11,656
Operating receivables and payables	(9,858)
Gains on disposal of investments	371
Loss / (Gains on disposal of fixed assets)	(678)
Severance pay fund and other found	(1,879)
Change in deferred tax assets / liabilities	0
Current taxes	31,541
Taxes paid	(33,919)
Tax receivables and payables	13,573
Change in net working capital	11,506

Investment activities have generated a cash requirement of Euro 16,087 thousand net of divestments. For additional details on investments, please refer to the next paragraph.

Additional variations in the net financial position, generating a cash requirement of Euro 27,167 thousand, are due to distribution of dividends for Euro 26,616 thousand and the purchase of own shares for Euro 551 thousand.

(Thousands of Euro)

Purchase of own shares	(551)
Dividends distributed to Ascopiave S.p.A. shareholders'	(24,484)
Dividends distributed to other shareholders	(2,132)
Other changes in financial position	(27,167)

General operational performance - Investments

In 2013, the Group made gross investment for an amount of Euro € 21,648 thousand, primarily related to costs incurred for the acquisition of the natural gas distribution concession in the municipality of Tezze sul Brenta for Euro 4,250 thousand and costs incurred for the construction of infrastructures for the distribution of natural gas for Euro 14,925 thousand, of which Euro 4,064 thousand relate to the creation of connections, Euro 9,087 thousand relate to the implementation and maintenance of the network and natural gas distribution systems and 1,774 thousand Euro are for the installation/ replacement of meters and the installation of correctors.

Investments (thousands of Euro)	2013	2012
Connecting a gas users	4,064	5,121
Concessions	4,375	1,369
Expansions, reclamations and network upgrades	7,066	7,085
Flowmeters	1,774	1,858
Maintenance	2,021	2,701
Raw material (gas) investments	19,300	18,134
Land and buildings	857	2,647
Industrial and commercial equipment	17	196
Forniture	208	257
Plants and machinery	227	196
Hardware e Software	620	974
Other assets	420	684
Other investments	2,349	4,954
Investments	21,648	23,087

Reconciliation statement of results for the year and shareholders' equity

The schedule below shows the reconciliation of the net income and consolidated shareholders' equity of the Issuer at 31.12.2013 and 31.12.2012:

	31.12.2013	31.12.2013	Restated 31.12.2012	Restated 31.12.2012
	Groups' Operating Result	Total net equity	Groups' Operating Result	Total net equity
<i>(Thousands of Euro)</i>				
Net equity and results for the year as recorded in the statutory financial statements of the parent company	40,053	374,514	27,566	359,526
Elimination of the book value of the consolidated equity investments		(98,573)		(101,325)
Results obtained by subsidiary companies	38,752	38,752	38,433	38,433
Variations				
Goodwill	687	72,866	(204)	72,179
Trade relation value, net of tax effects	(1,431)	7,419	(1,604)	8,850
Appreciation of gas distribution network, net of tax effects	(652)	13,439	(702)	14,091
Differences in traslation of IFRS of balance sheets with different accounting methods	175	(296)	272	(471)
Elimination of infra-group dividends	(35,202)	(0)	(25,963)	(0)
Effects of the evaluation of companies consolidated with the net assets method	(262)	(8,306)	(8,044)	(8,044)
Other effects	(1,080)	2,864	207	5,579
Total variations, net of tax effects	(37,765)	87,986	(36,038)	92,184
Net Shareholders' equity and result for the period as recorded in the consolidated financial statement	41,040	402,679	29,961	388,819
Minority interests and results	2,361	4,989	2,067	4,765
Operating result and net equity for the period as recorded in the consolidated financial statement	38,678	397,689	27,894	384,053

Ascopiave Group

Prospects of the consolidated financial statement as of 31st December 2013

Consolidated statement of financial position as of 31st December 2013 and as of 31st December 2012

(Thousands of Euro)	Restated (*)	
	31.12.2013	31.12.2012
ASSETS		
Non-current assets		
Goodwill	(1) 115,630	115,630
Other intangible assets	(2) 332,268	334,827
Tangible assets	(3) 39,277	40,534
Shareholdings in other companies	(4) 1	1
Other non-current assets	(5) 25,304	11,763
Other current assets	(6) 916	
Deferred tax assets	(7) 19,047	18,054
Non-current assets	532,442	520,808
Current assets		
Inventories	(8) 2,354	3,053
Trade receivables	(9) 228,549	301,449
Other current assets	(10) 42,985	57,287
Current financial assets	(11) 10,030	24,723
Tax receivables	(12) 1,977	1,648
Cash and cash equivalents	(13) 30,102	26,992
Current assets	315,996	415,151
Assets	848,438	935,959
NET EQUITY AND LIABILITIES		
Total net equity		
Share capital	234,412	234,412
Own shares	(17,660)	(17,109)
Reserves	180,938	166,750
Net equity of the Group	397,689	384,053
Net equity of Others	4,989	4,765
Total Net equity	(14) 402,679	388,819
Non-current liabilities		
Provisions for risks and charges	(15) 9,300	11,218
Severance indemnity	(16) 3,684	3,384
Medium- and long-term bank loans	(17) 64,849	29,420
Other non-current liabilities	(18) 16,863	16,622
Non-current financial liabilities	(19) 552	613
Deferred tax payables	(20) 31,279	32,897
Non-current liabilities	126,528	94,155
Current liabilities		
Payables due to banks and financing institutions	(21) 94,161	183,277
Trade payables	(22) 178,950	231,735
Tax payables	(23) 1,602	2,716
Other current liabilities	(24) 31,434	26,724
Current financial liabilities	(25) 13,084	8,534
Current liabilities	319,232	452,986
Liabilities	445,759	547,141
Net equity and liabilities	848,438	935,959

* Following the retrospective application from 1st January 2013 of the amendment to IAS 19, the comparative data related to 2012 exposed for comparison purposes, have been redefined, pursuant to IAS 1. For further details, please see section "Accounting principles, amendments and interpretations applied from 1st January 2013".

Consolidated income statement

(Thousands of Euro)	Restated (*)		
	Financial year 2013	Financial year 2012	
Revenues	(26)	854,334	1,078,038
Total operating costs		756,977	982,846
Purchase costs for raw material (gas)	(27)	520,080	688,084
Purchase costs for other raw materials	(28)	54,438	92,738
Costs for services	(29)	133,442	152,434
Costs for personnel	(30)	27,280	25,394
Other management costs	(31)	22,885	24,443
Other income	(32)	1,148	247
Amortization and depreciation	(33)	20,570	22,116
Operating result		76,787	73,075
Financial income	(34)	3,049	2,159
Financial charges	(34)	6,923	9,075
Evaluation of subsidiary companies with the net equity method	(34)	(262)	(11,007)
Earnings before tax		72,651	55,152
Taxes for the year	(35)	31,541	29,527
Result for the year		41,111	25,625
Net result from transfer/disposal of assets	(36)	71	4,336
Net result for the year		41,040	29,961
Group's Net Result		38,678	27,894
Third parties Net Result		2,361	2,067
Consolidated statement of comprehensive income			
1. Components that can be reclassified to the income statement			
2. Components that can not be reclassified to the income statement			
Actuarial (losses)/gains from remeasurement on defined-benefit obligations	*	(12)	(29)
Total comprehensive income		41,028	29,932
Group's overall net result		38,666	27,865
Third parties' overall net result		2,361	2,067
Base income per share		0.17	0.12
Diluted net income per share		0.17	0.12

(*)Following the retrospective application from 1st January 2013 of the amendment to IAS 19, the comparative data related to 2012 exposed for comparison purposes, have been redefined, pursuant to IAS 1. For further details, please see section "Accounting principles, amendments and interpretations applied from 1st January 2013".

Consolidated statement of changes in shareholders' equity as of 31st December 2013 and as of 31st December 2012

(thousands of Euro)	Restated (*)								
	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the year	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1st January 2013	234,412	46,882	(17,109)	(29)	92,003	27,894	384,055	4,765	388,818
Result for the year						38,678	38,678	2,361	41,040
IAS 19 TFR actualization for the year				(6)			(6)	(6)	(12)
Total result of overall income statement				(6)		38,678	38,672	2,355	41,028
Allocation of 2012 result					27,894	(27,894)			
Dividends distributed to Ascopiave S.p.A. shareholders'					(24,484)		(24,484)		(24,484)
Dividends distributed to third parties shareholders								(2,132)	(2,132)
Purchase of own shares			(551)				(551)		(551)
Balance as of 31th December 2013	234,412	46,882	(17,660)	(35)	95,413	38,678	397,692	4,989	402,679

(thousands of Euro)	Restated (*)								
	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the year	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1st January 2012	234,412	46,882	(15,721)	0	86,031	6,266	357,870	4,696	362,567
Result for the year						27,894	27,894	2,067	29,961
IAS 19 TFR actualization for the year				(29)			(29)	0	(29)
Total result of overall income statement				(29)	0	27,894	27,865	2,067	29,932
Allocation of 2012 result					6,266	(6,266)	0		0
Dividends distributed to third parties shareholders							0	(1,830)	(1,830)
Purchase of own shares			(1,388)				(1,388)		(1,388)
Other operations					(294)		(294)	(168)	(462)
Balance as of 31th December 2012	234,412	46,882	(17,109)	(29)	92,003	27,894	384,055	4,765	338,818

(*) Following the retrospective application from 1st January 2013 of the amendment to IAS 19, the comparative data related to 2012 exposed for comparison purposes, have been redefined, pursuant to IAS 1. For further details, please see section "Accounting principles, amendments and interpretations applied from 1st January 2013".

Consolidated statement of Cash Flows for the year 2013 and 2012

(thousands of Euro)	Financial year 2013	Restated(*) Financial year 2012
Net income of the Group	38,678	27,894
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	2,361	2,067
Amortization	20,429	20,527
Bad debt provisions	8,548	7,491
Variations in severance indemnity	300	(302)
Net variation of other funds	(2,180)	2,798
Evaluation of subsidiaries with the net equity method	262	11,007
Depreciation of fixed assets	371	(4,565)
Losses / (gains) on disposal of fixed assets	(678)	0
Interests paid	(2,825)	(4,885)
Taxes paid	(33,919)	(38,492)
Interest expense for the year	3,185	4,942
Taxes for the year	31,541	29,509
Variations in assets and liabilities		
Inventories	700	2,243
Accounts payable	64,441	(10,493)
Other current assets	14,301	16,988
Trade payables	(52,785)	(16,312)
Other current liabilities	3,035	(3,768)
Other non-current assets	436	(1,152)
Other non-current liabilities	151	(258)
Total adjustments and variations	57,673	17,345
Cash flows generated (used) by operating activities	96,351	45,238
Cash flows generated (used) by investments		
Investments in intangible assets	(19,733)	(19,285)
Realisable value of intangible assets	5,284	7,505
Investments in tangible assets	(1,915)	(3,802)
Realisable value of tangible assets	290	75
Disposals / (Acquisition) of investments and advances	0	4,449
Other net equity operations	(13)	(29)
Cash flows generated/(used) by investments	(16,087)	(11,088)
Cash flows generated (used) by financial activities		
Net changes in debts due to other financiers	(61)	(6)
Net changes in short-term bank borrowings	(89,115)	6,134
Net variation in current financial assets and liabilities	4,120	(19,676)
Interest expense	(359)	57
Purchase of own shares	(551)	(1,388)
Net changes in medium and long-term loans	35,429	(7,850)
Dividends distributed to Ascopiave S.p.A. shareholders'	(24,484)	0
Dividends distributed to other shareholders	(2,132)	(1,830)
Coverage of losses of subsidiary companies	0	(27,455)
Cash flows generated (used) by financial activities	(77,154)	(52,013)
Variations in cash	3,110	(17,863)
Cash and cash equivalents at the beginning of the year	26,992	44,854
Cash and cash equivalents at the end of the year	30,102	26,992

EXPLANATORY NOTES

Company information

The publication of the Ascopiave S.p.A. consolidated financial statements as of 31st December 2013 was authorised by resolution of the Board of Directors dated 14th March 2014. 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, as well as in other sectors related to the core business, such as the sale of electrical energy, heat management and co-generation.

The Group owns concessions and direct entrusting for the management of the activity of gas distribution approximately 209 municipalities (209 municipalities in 2012), 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 8,600 kilometres (8,000 in 2012).

The activity of natural gas sale to end customers is carried out through different companies, some of which are controlled with majority shares, others are shared with other partners and on them the Group exercise a joint control with other shareholders. In the Gas sale sector Ascopiave is one of the main National operators, featuring approximately 690,000 (*) final customers (about 700,000 in the previous year) and more than 1,100(*) million cubic meters of sold gas. ⁴

General drafting criteria and declaration of conformity with IFRS

The Ascopiave S.p.A. Consolidated Financial Statements as of 31st December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure set forth in Art. 6 of EC Directive no. 1606/2002 issued by the European Parliament and Council on 19th July 2002 as well as with the provisions issued for the implementation of Art. 9 of Legislative Decree no. 38/2005.

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

The accounting principles adopted are consistent with those used as of 31st December 2012, except as described in the following paragraph Accounting principles, amendments and interpretations effective from 1st January 2013.

This consolidated financial statement of Ascopiave S.p.A. Group was prepared on the basis of the accounting record as of 31st December 2013 and was approved during the Board of Directors meeting of 14th March 2014. It is accompanied

(*) The data related to customers and volumes are obtained summing the data of single Group companies and weighting them against their consolidation share..

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

For comparative purposes, the consolidated profiles present the comparison with balance sheet figures as of 31st December 2012 and with profit and loss figures as of 2012 reclassified following the retrospective application of the amendment to IAS 19.

The consolidated financial statements are expressed in 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 presents the opening and closing balances of each net equity item reconciling them through the profit or loss for the period, any operation with shareholders (if applicable) and other variations in the net equity.

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.

Accounting principles, amendments and interpretations applied from 1st January 2013

Amendments to IAS 19 - Employee benefits

IASB issued an amendment to IAS 19 dated 16th June 2011 – "Employee benefits", retrospectively effective from the fiscal year starting on 1st January 2013. This amendment modifies the recognition rules of defined benefits plans and termination benefits.

In particular, the new amendment to IAS 19 removes the option of deferring the recognition of actuarial gains and losses with the corridor approach, which has never been applied by the Group, as well as their possible recognition in the income statement. This amendment requires a separate recognition in the income statement of the costs related to the work performed and net financial charges and the recognition of actuarial gains and losses in the item "Other gains/(losses) of the comprehensive income statement.

In detail, the Group determined the following retrospective effects derived from the application of the amendment to IAS 19:

(thousands of Euro)	Released		Restated
	FY 2012	IAS 19 changes	FY 2012
Revenues	1,078,038		1,078,038
Purchase costs for raw material (gas)	688,084		688,084
Purchase costs for other raw materials	92,738		92,738
Costs for services	152,434		152,434
Costs for personnel	25,442	48	25,394
Other management costs	24,443		24,443
Other income	247		247
Amortization and depreciation	22,116		22,116
Operating result	73,027	48	73,075
Financial income	2,159		2,159
Financial charges	9,075		9,075
Evaluation of companies consolidated with the net equity method	(11,007)		(11,007)
Earnings before tax	55,104	48	55,152
Taxes for the year	29,509	19	29,527
Result for the year	25,595	29	25,625
Net income from discontinued operations/disposal	4,336		4,336
Net result for the year	29,932	29	29,961
Group's Net Result	27,865	29	27,894
Third-Parties Net Result	2,067		2,067
Overall income statement			
1. components that will be reclassified in the future in the income statement			
2. components that will not be reclassified in the future in the income statement			
Actuarial profit & loss on defined benefit plans		(29)	(29)
Overall income statement result	29,932	0	29,932
Group's overall net result	27,865		27,865
Third parties' overall net result	2,067		2,067
Base income per share	0.12		0.12
Diluted net income per share	0.12		0.12

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

IASB issued amendments to IAS 1 dated 16th June 2011 "Presentation of financial statement – Presentation of Items of Other Components of Comprehensive Financial Statement" which introduce, among other things, the obligation to group the components of the comprehensive income on the basis of the possibility of their reclassification to the income statement in accordance with the reference IFRS.

The amendment, applied by the Group commencing 1st January, in line with the instructions contained in the amendment, only concerned the method of presentation in the comprehensive income statement and had no effect on the results and financial position of the Company.

Other new principles and amendments entered into force on 1st January 2013, but had no impact on the consolidated financial statements as of 31st December 2013. The most important are:

- *IFRS 13 "Fair value measurement"*

On 12th May 2011, IASB issued IFRS 13 "Fair value measurement" on the definition of a single framework for fair value measurement, required or permitted by other IFRSs, and financial statements disclosures. Fair value is defined as the price to be received for the sale of an asset (to be paid for the transfer of a liability) as part of an ordinary transaction between market players.

IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"

On 16th December 2011, IASB issued amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities", which require an entity to disclose information for all financial instruments that are set off in accordance with IAS 32 Financial Instruments: presentation.

IAS 1 Presentation of Financial Statements– Clarification on comparative information requested

When an entity voluntarily presents comparative data in addition to those relating to the minimum comparative period required, it has to submit, in the notes to the financial statements, the related comparative information in accordance with IFRS.

The amendment clarifies that the opening statement of financial position (as of 1st January 2012 in the case of the Group) presented following the retroactive restatement or reclassification of items in the financial statements should not be accompanied by comparative information in the notes.

Accounting principles and interpretations issued by IASB/IFRIC and EC approved but not in force yet

The Group has not adopted ahead of time the following principles or interpretations that were issued by IASB/IFRIC and which are EC approved but which had not yet entered into force. They mainly concern:

IFRS 11 "Joint arrangements" and IAS 28 "Investments in Associates and Joint Ventures"

On 12th May 2011, IASB issued IFRS 11 "Joint arrangements" and the updated version of IAS 28 "Investments in Associates and Joint Ventures".

The Group intends to adopt this principle upon its entry into force.

According to a preliminary analysis resulting from the application of IFRS 11 – joint arrangements, applicable for the Group from 1st January 2014, no effect is expected on the Net Result and the Net Equity of the Group. However, changes in the assessment of assets, liabilities, costs and revenues of the Group, are expected.

IFRS 11, in fact, replaces IAS 31 – Investments in Joint Ventures and SIC 13 – Jointly Controlled Entities - Non-Monetary Contributions by Venturers, and identifies on the basis of the rights and obligations for equity holders, two types of agreements, joint operations and joint ventures, and governs the accounting treatment to be adopted for their recognition in the financial statements.

The shareholding in a joint operation involves the recognition of the assets/liabilities and costs/revenues related to the agreement on the basis of the rights/obligations due regardless of the share held.

With reference to the recognition of joint ventures, IFRS 11 removes the option to account for jointly controlled companies using the proportional consolidation method and states that jointly controlled entities that fall under the definition of joint venture shall be accounted for using the net equity method.

Within the Ascopiave Group, as of al 31st December 2013 the subsidiaries Veritas Energia S.r.l., Asm Set S.r.l., Estenergy S.p.A. and Unigas Distribuzione S.r.l. fall under the definition of joint venture. In the annual situation and the interim situations as of 31st December 2014, the Group shall present the joint ventures using the net equity method, instead of using the proportional consolidation method. The principle will have to be applied retrospectively, with effect from the financial year commencing 1st January 2013. The explanatory notes to the consolidated annual financial statements must contain the same information required by IFRS 11 as concerns joint ventures which are no longer consolidated with the proportional method.

With reference to the current year ended 31st December 2013, the Group estimates that the adoption of the new standard, though not involving any effect on the net profit and comprehensive net equity, will result in a decrease in the net debt for Euro of 7.8 million and a reduction in revenues for Euro 186.3 million net of consolidation elimination entries.

IFRS 12 “Disclosure of Interests in Other Entities”

On 12th May 2011, IASB issued IFRS 12 “Disclosure of Interests in Other Entities”, which regulates disclosures in the financial statements relating to subsidiaries and associates, joint operations and joint ventures, as well as to unconsolidated structured entities. The provisions of IFRS 12 apply to annual periods beginning on or after 1st January 2014. The application of this new standard will result in additional disclosures in the Notes although at the moment there are no non-consolidated entities in the Group.

On 16th December 2011, IASB issued some amendments to IAS 32 – Financial Instruments: Presentation, in order to clarify the application of some criteria to offset Financial Assets and Financial Liabilities present in IAS 32 itself. The amendments should be applied retrospectively from financial years starting on or after 1st January 2014. No significant effect is expected following the first-time adoption of these amendments.

On 29th May 2013, IASB issued an amendment to IAS 36 – Recoverable amount disclosures for non-financial assets, regarding disclosures for the recoverable amount of impaired assets, if this amount is based on fair value less costs of disposal. The amendments should be applied retrospectively from financial years starting on 1st January 2014. Earlier application is permitted for periods in which the entity has already applied IFRS 13. No significant effect is expected following the adoption of this new principle.

On 27th June 2013, IASB issued some minor amendments related to IAS 39 - Financial Instruments: Recognition and Measurement, called “Novation of Derivatives and Continuation of Hedge Accounting”. The amendments permit an entity to continue to apply hedge accounting if a derivative financial instrument, defined as a hedging instrument, is novated following the application of laws or rules to replace the original counterparty in order to guarantee the positive outcome of the obligation undertaken and if specified conditions are met. The same amendment will also be included in IFRS 9 - Financial Instruments. These amendments should be applied retrospectively from financial years starting on 1st January 2014. No significant effect is expected following the adoption of this new principle.

At the date of these financial statements, in addition, the European Union has not yet completed the approval process necessary for the adoption of the following accounting standards and amendments:

- On 12th November 2009, IASB published IFRS 9 - Financial Instruments; the same principle was reissued in October 2010 and amended in November 2013. The principle concerns both the classification, recognition and measurement of financial assets and liabilities and hedge accounting, and is intended to replace, for these issues, IAS 39 - Financial Instruments: Recognition and Measurement. With the amendments issued in November 2013, in addition to other changes, IASB cancelled the mandatory first-time adoption date of the principle, previously scheduled on 1st January 2015. Such date will be re-introduced with the publication of a comprehensive principle, when the project on IFRS 9 is completed.
- On 20th May 2013, IASB issued IFRIC 21 - Levies, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The interpretation clarifies the recognition of liabilities for the payment of levies other than income tax. IFRIC 21 must be applied for fiscal periods beginning on 1st January 2014 and early adoption is permitted.
- On 21st November 2013, IASB issued some minor amendments to IAS 19 – Employee Benefits called “Defined Benefit Plans: Employee Contributions”. These amendments relate to the simplification of the accounting treatment of contributions to defined benefit plans by employees or third parties in specific cases. The amendments are applicable retrospectively for annual periods beginning on or after 1st July 2014, and early adoption is permitted.
- On 12th December 2013 IASB issued amendments to IFRS (Annual Improvements to IFRSs - 2010- 2012 Cycle and Annual Improvements to IFRSs - 2011-2013 Cycle). Among others, the most relevant topics dealt with in these amendments are: the definition of vesting conditions in IFRS 2 - Share-based Payment, the grouping of the operating segments under IFRS 8 - Operating Segments and the definition of key management personnel in IAS 24 - Related party disclosures, the exclusion from the scope of application of IFRS 3 - Business Combinations, of all types of joint arrangements (as defined in IFRS 11 - Joint Arrangements), and some clarifications on the exceptions to the application of IFRS 13 - Fair Value Measurement.

The Group will adopt the new standards and amendments mentioned above, based on the scheduled date of application, and will evaluate their potential impacts on the Financial Statements, when they are approved by the European Union.

Use of estimates

The preparation of the financial statements and related explanatory notes in application of the IFRS requires the management to provide estimates and assumptions based on complex and/or subjective judgments, estimates based on past experience and assumptions deemed to be reasonable and realistic on the basis of information available at the time of estimate. This affects the values of the assets and liabilities reported on the consolidated financial statements, as well as costs and revenues 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 no. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, between 31st December 2010 and 31st December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;

- Permanent reductions in the value of non-financial assets: At each balance sheet date, the Group assesses whether there are permanent reductions in the value of all non-financial assets.

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

As of 31st December 2013, the book value of goodwill amounts to Euro 115,630 thousand (2012: Euro 115,630 thousand). Further details can be found under Note 1;

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

The estimates and assumptions are reviewed periodically, and the variations are immediately reflected in the income statement. In applying the Group accounting principles, the directors have taken decisions based on the stated discretionary evaluations, with a significant effect on the values reported on the statements. However, the uncertainty surrounding these assumptions and estimates may determine results that, in the future, will need to be significantly adjusted at the book value of such assets and/or liabilities.

Consolidation principles

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

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

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

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

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

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

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

Associated companies are accounted for using the net 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 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 2013

The companies included in the consolidation area as of 31st December 2013 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%
Etra Energia S.r.l.	Cittadella (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%
Amgas Blu S.r.l.	(1) Foggia (FG)	10,000	80.00%	80%	0%
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 proportionally consolidated					
ASM SET S.r.l.	(2) Rovigo (RO)	200,000	49.00%	49%	0%
Estenergy S.p.A.	(3) Trieste (TS)	1,718,096	49.00%	49%	0%
Veritas Energia S.r.l.	(4) Venezia	1,000,000	51.00%	51%	0%
Unigas Distribuzione S.r.l.	(5) Nembro (BG)	3,700,000	48.86%	49%	0%
Subsidiary companies consolidated with net equity method					
Sinergie Italiane S.r.l.	Milano (MI)	1,000,000	30.94%	30.94%	0%

(1) Controlled by Asco Blu S.r.l.

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

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

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

(5) Joint control with Anita S.r.l.

We would like to point out that, as compared to 31st December 2012, the subsidiaries Ascoenergy S.r.l. and Consorzio RE left the consolidation area following their liquidation, on a voluntary basis, and their subsequent removal from the Register of Companies.

For further details in relation to the transactions described above, see the section "Significant events in 2013– Company operations that took place during the year 2013" in the Report on Management.

Synthesis data of proportionally consolidated companies and of consolidated companies

Description	Revenues from sales and service supply	Net result	Net equity	Net financial position (liquid assets)	Reference accounting principles
Ascoblu S.r.l.		1,231	1,315	10,069	Ita Gaap
Amgas Blu S.r.l.	25,683	1,840	2,105	(31)	Ita Gaap
Ascopiave S.p.a.	77,807	40,053	374,514	125,469	IFRS
Ascotrade S.p.a.	458,809	18,717	32,761	5,591	IFRS
Blue Meta S.p.A.	77,044	3,219	6,442	(878)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	5,554	1,217	8,818	295	Ita Gaap
Estenergy S.p.A.	249,060	9,526	21,150	5,783	IFRS
Etra Energia S.r.l.	10,028	13	178	(658)	Ita Gaap
Edigas Due S.r.l.	24,085	1,142	2,761	(1,972)	Ita Gaap
Pasubio Servizi S.r.l.	49,077	2,816	5,697	(3,767)	Ita Gaap
ASM DG S.r.l.	4,054	984	11,766	1,758	Ita Gaap
ASM SET S.r.l.	35,400	1,210	2,070	(3,181)	Ita Gaap
Unigas Distribuzione S.r.l.	12,424	1,519	40,180	2,506	Ita Gaap
Veritas Energia S.r.l.	108,746	2,230	3,962	10,374	Ita Gaap

Evaluation principles

The evaluation principles adopted by the Group are reported below:

Non-current assets

Goodwill: the goodwill obtained from the acquisition of business branches operating in the supply and sale of gas is initially booked at cost and represents the excess of the purchase price compared to the portion pertaining to the purchaser for the net fair value referred to values identifying the current and potential assets and liabilities.

After the initial booking, goodwill can no longer be amortized and is reduced by any losses of value.

Goodwill is subjected to an annual recoverability analysis, or a more frequent one if events or changes in circumstances occur which can lead to the emergence of possible losses of value.

With the intent of analysing the recoverability, the goodwill acquired through groups of company is allocated, as of the acquisition date, to each of the units (or groups of units) that generate financial flows with the Group that it is held would benefit from the synergy effects of the acquisition, without regard to the allocation of other assets or liabilities of these units (or groups of units).

Units generating financial flows:

- (i) represent the lowest level, within the Group, to which the goodwill is monitored for internal management purposes;
- (ii) are no greater than one sector, as defined in the primary or secondary indication scheme of the Group

in accordance with IFRS 8 "Product information sector".

Loss of value is determined by defining the recoverable value of a unit which generates flows (or groups of units) to which the goodwill is allocated. When the recoverable value of a unit which generates flows (or group of units) is inferior to the book value, a loss of value is indicated. In cases in which the goodwill is attributed to a unit which generates financial flows (or group of units) which is activated through partial abandonment the goodwill associated with the transferred profit is considered in order to determine the positive or negative change derived from the operation. Goodwill transferred in such cases is calculated on the basis of the values relative to the asset transferred with respect to the asset still held with reference to the same unit.

Other intangible assets: intangible assets acquired separately are initially capitalised at cost, whilst those acquired through company mergers are capitalised at the fair value as of the date of acquisition.

After the initial reporting, as they have a defined useful life, intangible assets are booked net of the accumulated relevant amortization operations and net of any losses in value, determined with the same basis indicated below for tangible assets. The useful life is then re-examined on an annual basis, and any changes, if necessary, made prospectively.

Intangible assets include assets pertaining concessions between the public and the private sectors (so-called service concession agreements) related to development, financing, management and maintenance of infrastructures in concession, of which i) the lessor controls or regulates the services supplied by operator through the infrastructure and their prices; ii) the lessor controls through property, ownership of benefits or in other ways any significant remaining profit-sharing at the end of the concession.

Any profits or losses deriving from the sale of an intangible asset is determined as the difference between the disposal value and the book value of the asset, and are reported on the income statement at the time of the sale.

Assets acquired under financial leases are booked at fair value, net of taxes due by the lessee or, if lower, at the current value of the minimum lease payments, including any sum payable for the exercise of the option to purchase, in intangible assets offsetting the financial debt to the lessor.

Duration and residual value of assets under concession: The gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree n. 164/00 (so-called Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, after 31st December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate.

In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value.

Tangible fixed assets: tangible assets are booked at their historic cost, including accessory costs directly ascribable to the putting into operation of the asset for the use for which it was acquired.

Lands - both free of constructions and annexed to civil and industrial buildings - were generally accounted for separately and are not depreciated since they are elements with an unlimited useful life.

Maintenance and repair costs that are not subject to valuing and/or extending the residual useful life of assets, are spent in the year in which they are borne. Otherwise, they are capitalised.

Tangible assets are presented net of the relevant accumulated depreciation, and any losses of value determined according to the basis described below. Amortisation is calculated in uniform instalments on the basis of the estimated useful life of the asset for the company, which is re-examined annually, and any changes, if necessary, are made prospectively.

The main economical-technical rates used are as follows:

Buildings	2%
Equipment	8.5% - 8.3%
Furniture	8.80%
Electronic equipment	16.20%
Basic hardware and software	20%
Motorcars, motor vehicles and similar	20%

The book value of tangible fixed assets is subject to verification in order to report any loss of value, should events or changes of situation suggest that the book value may not be recovered. Should there be an indication of this type and, in the event that the book value should exceed the presumed realisation value, the assets are devalued so as to reflect their realisation value. The realisation value of the tangible fixed assets is represented by the greater of the net sales price and the value of use.

Losses of value are reported on the income statement with the costs for amortizations and write downs. Such losses of value are restored should the reasons for their cause cease to exist.

When the asset is sold or if there are no future economic benefits expected from the use of the asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the book value) is entered in the income statement of the year of the above mentioned elimination.

Shareholdings in joint companies: The shareholdings in affiliate companies, i.e. in which the Group has a significant influence, are accounted for using the net equity method. The income statement shows the share of the Group in the operating profit of the affiliate.

If an affiliate company detects adjustments directly attributable to the net equity, the Group recognizes its share and includes it, where applicable, in the statement of changes in the net equity.

In the event that the loss attributable to the Group exceeds the book value of the shareholding, the latter is cancelled and any excess is recognized in a special fund to the extent that the Group has legal or constructive obligations towards the subsidiary to cover its losses or, however, to make payments on its behalf. If, at a later stage, the loss does no longer exist or has decreased, a reversal of an impairment loss is booked in the Profit and Loss statement, up to its cost.

Shareholdings in other companies: The financial assets consisting of shareholdings in other companies, if their fair value at the date of the balance sheet cannot be determined because the related shares are not listed, are valued at their cost of purchase or subscription, minus any repayment of principal, and are subsequently adjusted for losses in value determined in the same manner previously described for the tangible assets.

Other assets and non-current financial assets: other assets and non-current financial assets (as well as non-current financial liabilities), other than investments, as well as current financial assets and current financial liabilities, are booked in compliance with IAS 39 - Financial instruments: Recognition and Measurement.

Current assets

Inventories: inventories are booked at whichever of the following is lower: purchase and/or manufacturing cost, determined in accordance with the weighted average cost basis, or the estimated realizable net value. The net realisation value is determined on the basis of the estimated sales price in normal market conditions, net of direct sales costs.

Obsolete and/or slow to realise inventories are written down in relation to their presumed possibility of use or future realisation. The write down is eliminated in the following years, should the reasons for its cause cease to exist.

Trade receivables 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.

Transfer of financial assets

The Group sells some of its trade receivables through sale operations of receivables ("factoring"). Factoring transactions may be with recourse or without recourse. These kinds of transactions, if they meet the requirements of IAS 39, are removed from the financial statements since the risks and benefits associated with their collection were transferred, otherwise, the receivables sold under these circumstances remain in the Group's financial statements and a financial liability of equal amount is recognized under Asset-backed financing.

Cash and cash equivalents: they include cash values, values with the following requirements: availability at sight or in a very short term, good outcome, and no collection expenses. They are accounted at nominal value.

Own shares: Re-acquired own shares are taken as a decrease of the assets. The original cost of own shares, revenues from sales and any other subsequent variation are recognized under the net equity.

Non-current liabilities

Benefits for employees: benefits guaranteed to employees, paid when or after employment ceases, by means of programs with defined benefits (Employees' leaving indemnities) or with other long-term benefits (retirement indemnity) are recognized in the period when the right accrues.

The Group's obligations are separately determined for each plan, by estimating the present value of future benefits that employees have accrued during the current year and in previous financial periods. This calculation is performed using the projected unit credit method.

The components of the defined benefits are recognized as follows:

- the remeasurement components of liabilities, which include actuarial gains and losses, are recognized immediately in Other comprehensive income (loss);
- costs related to the provision of services are recognized in the profit and loss statement;
- net financial charges in the defined benefit liability are recognized in the profit and loss statement;

The remeasurement components recognized in Other comprehensive income (loss) are never reclassified in the profit and loss statement of the following years.

Compensation plans

Compensation plans based on Ascopiave S.p.A.'s shares and settled through the delivery of shares (stock option plans, long-term incentive plans) are recognized as liabilities and measured at fair value at the end of each accounting period and up to the time of payment. Any subsequent change in fair value is recognized in the profit and loss statement.

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.

Reserves for risks and charges: The reserves for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the financial year are undetermined in terms of amount or due date.

Provisions are reported when: (i) there is a current obligation (legal or implicit) that derives from a past event; (ii) an outlay of resources is likely in order to meet the obligation; (iii) a reasonable estimate can be made as to the amount of the obligation.

On the other hand, where it is not possible to carry out a probable estimate as to the obligation, or alternatively, it is deemed that the outlay of financial resources is only possible and not probably, the relevant potential liability is not marked in the financial statements, but rather mentioned appropriately in the explanatory notes.

Provisions are reported at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties upon period end. If the effect of discounting is significant, the allocations are determined by discounting back the expected future financial flows at a pre-tax rate which reflects the market's current valuation in relation to time. When discounting is carried out, the increase of the allocation due to the passing of time is reported as a financial charge.

Medium/Long-term loans: loans are initially booked at fair value, net of any transaction costs and, subsequently, are valued at amortization cost, calculated by applying the actual interest rate.

When a condition of a long-term financing contract is violated, on or before the date of the financial statements, causing the liability to become payable on demand, the liability is classified as current, even if the lender has agreed - after the reference date of the financial statements and before the authorization for its publishing - not to require the payment as a result of the breach. The liability is classified as current because, as of the date of the financial statements, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

Current liabilities

Trade payables and other payables: trade payables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value).

Payables in a currency differing from the account currency, are booked at the exchange rate of the day of the operation and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported on the income statement.

Other payables are reported at cost (identified from the face value).

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

Revenues and costs: revenues and costs are booked on an accrual basis.

The revenues from sales and service performance are recognized to the extent to which it possible to determine their fair value, and it is likely that the connected economic benefits will be enjoyed upon transfer of the risks and advantages typical of the property or upon performance of the service. Depending on the type of operation, revenues are entered on the basis of the following specific criteria:

- the revenues from natural gas transportation are recognized at the time when the supply or the service are provided - although not yet invoiced - and are determined by combining estimates with the values recorded during the financial year on the basis of the so-called reference tariffs, in order to determine the restriction on total revenues as provided for by the regulations issued by the Authority for Electricity and Gas;

- the revenues for gas sales are recognized at the moment of disbursement and also depend on the type of customer. In particular, the product sector norms hold that, in relation to customers that have not chosen to utilize the right to directly negotiate the conditions for supplies with the company that sells the gas, mainly consisting of domestic users, the tariffs for natural gas sales are regulated and updated quarterly on the basis of deliberations made by the Authority for Electrical Energy and Gas (AEEG).
- the contributions received by users for connection services or for parcelling works, if not in relation to costs incurred into for network extension, are reported in the Income statement;
- the revenues for service performance are recognized with reference to the level of completion of the activity, based on the same criteria applied to works performed upon order. In case it is impossible to determine their value, the revenues will not be 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 taxes directly connected;

Public contributions: public contributions are reported when there is a reasonable certainty that they will be received and all relevant conditions are met. When public contributions are linked to costs components, they are reported as income, but are systematically divided up over the periods, so as to be measured to the costs they are intended to offset. In case the contribution is related to an asset, the asset and the contribution are recorded at their nominal value and their recording into the income statement is accounted for progressively along the useful life of the reference asset, with constant shares.

Financial income and expenses: income and costs are booked by competence according to the interest accrued on the net value of the relevant financial assets and liabilities, using the actual interest rate.

Income taxes: current taxes are calculated based on an estimate of the income before tax and are entered at the amount that is expected to be recovered or paid to the tax authorities.. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxation relating to elements reported directly under assets are reported directly as assets and not on the income statement.

As far as the Tax on Company Revenue is concerned (IRES), Ascopiave and the almost entirety of its subsidiaries benefited for a three-year period 2013 -2015 of the national fiscal consolidation regime pursuant to art. 117/129 of the Single Reference Text on Revenue Taxes (TUIR). This option enabled the calculation of IRES based on a taxable amount equalling to the mathematical sum of the positive and negative taxable amounts of the single companies that comprise the consolidation. AscoHolding S.p.A. acts as consolidating company and determines a single taxable amount for the entire group of companies that are part of the national consolidation regime.

Each of the participating companies (Ascopiave S.p.A., Ascotrade S.p.A., Asm Dg S.r.l., Pasubio Servizi S.r.l., Edigas Distribuzione Gas S.p.A., Edigas Due S.p.A., Blue Meta S.p.A.) transfers its income tax (taxable income or tax loss) to the consolidating company recognizing therefore in the income statement the item "tax consolidation charges" or "tax consolidation income" for an amount equal to the current IRES rate for the financial year (or the loss transferred), that will be paid or used by the parent company Asco Holding S.p.A..

Deferred tax assets are reported against all deductible temporary differences and for tax assets and liabilities brought forward, in the amount in which the existence of suitable future tax income is probable that can make the use of the deductible temporary differences and tax assets and liabilities brought forward applicable, with the exception of the following:

- when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the

transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;

- with reference to taxable temporary differences associated with holdings in subsidiaries, associated companies and joint ventures, the deferred tax assets are reported only in the amount in which it is probable that the deductible temporary differences will reverse in the immediate future and that there are suitable tax income against which the temporary differences can be used.

Earnings per share: the basic earnings per share is calculated by dividing the net income for the period attributable to the shareholders holding ordinary shares of the Parent Company by the weighted average number of ordinary shares in circulation during the period. Diluted profits for shares result as equal to those for shares in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

Net result from discontinued assets: this represents the result of sold or discontinued assets and/or the economic result of said sale.

In the current statements, discontinued operations include the net result following the liquidation of the companies Asco Energy S.r.l. in liquidation and Consorzio RE in liquidation.

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

Non-current assets

1. Goodwill

Goodwill, equal to Euro 115,630 thousand as of 31st December 2013, remains unvaried as compared to 2012.

The amount, as of 31st December 2013, refers in part to the surplus value created by the delivery of the gas distribution networks by partner municipalities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some company branches related to the distribution and sale of natural gas.

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

In order to determine the recoverable value, goodwill was allocated to the natural gas distribution CGU and to the natural gas sale CGU. The composition of the goodwill for the two CGUs described above is the following:

(Thousands of Euro)	31.12.2012	Increase	Decrease	31.12.2013
Distribution of natural gas	25,284			25,284
Sales of natural gas	90,346			90,346
Total goodwill	115,630	0	0	115,630

The depreciation audit on goodwill has been carried out by checking the depreciation in the activity of natural gas distribution and sale, comparing the recoverable value of the relevant assets with their accounting value, including the goodwill allocated to them. As no reliable criteria exist to evaluate the sale value between the aware and available parties in the activity of gas sale and distribution, other than the criteria put forward in literature to evaluate the branches of a company, the recoverable value of the audited asset is defined by its use value. The recoverable value of gas sale and distribution financial flow-generating units has been estimated using the Discounted Cash Flow method, discounting back the operating financial flows generated by the assets themselves at a discount rate representative of the cost of capital.

The financial flows used to calculate the recoverable value are those of the Multi-annual Plan for the gas sale and distribution financial flow-generating units, which cover the forecasts formulated by the management in the Economic and Financial Plan for the period 2014-2016 approved with resolution of the Board of Directors dated 27th February 2014.

The current sector legislation establishes that the natural gas distribution service is awarded by means of tender procedures in the minimum territorial areas within pre-established time limits.

The tenders for the award of the service in the territorial areas where the Group currently holds the municipal concessions – if the deadlines illustrated in the so-called Criteria Decree (Ministry for Economic Development Decree 226/2011) are respected – will mainly take place during the two-year period 2015-2016. As concerns in particular the tenders which will be launched before 31st December 2016, the duration of the tender procedure may reasonably be regarded as sufficiently extended and suitable to entail the award and the delivery of the plants to the successful tenderer after that date. The Economic and Financial Plan - and consequently also the assessment methods adopted to determine the use value of the distribution CGU - is based on the reasonable assumption that the Group, during the three-year period 2014-2016, will maintain the management of the current portfolio of concessions.

With reference to the activity of gas distribution, it was hypothesised that in the period 2014-2016 the management would generate financial flows in line with those envisaged in the Economic and Financial Plan 2014-2016 while, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the gas distribution CGU by hypothesising two alternative scenarios:

- scenario 1: the Group ends the activity of gas distribution in 2016, realising the return value of the plants as per Art. 15 of Legislative Decree no. 164/2000;
- scenario 2: the Group obtains in 2016 the renewal of all the concessions and credits in effect on 31st December 2013.

With reference to this second scenario, the terminal has been estimated as an estimate of perpetuity as from the last year specified in the financial forecasts, and considering the economic terms and conditions of the renewals. The growth factor used for the purpose of calculating final value, estimated at 1.7% (2012: 2.0%), takes into account inflation for the period 2016-2020 for Italy elaborated based on National Statistical Authorities, Thomson Datastream and International Monetary Fund data.

The cost of capital (WACC) of the gas distribution CGU was calculated assuming:

- a) an average *beta unlevered* sector coefficient, as indicated by the AEEG in Resolution 573/2013/R/GAS dated 12th December 2013;
- b) the level of financial leverage (ratio between financial debt and own means) is in line with the financial structure of reference presumed by the AEEG to the end of tariff regulation in Resolution 573/2013/R/GAS dated 12th December 2013;
- c) the market risk equal to 5%, in line with previous year;
- d) the Risk-Free Rate adopted - equal to net yields on 10-year government bonds recorded as peak value as of 31st December 2013.

On the basis of these elements, the average weighted cost of the post-tax capital is equal to 6.05% % in the three-year period 2014-2016. These rates have been used for updating cash flows in the period provided for by the Plan 2014-2016.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 6.68% and was calculated on the basis of the above parameters and providing for an "additional risk premium" for the calculation of the cost of equity (Ke) of 1.0%, to take into account the uncertainty on the possible renewal of the concessions and their conditions of renewal.

On the basis of these elements, for both scenario (i) and (ii), the recoverable value of the gas distribution CGU is higher than the accounting values and therefore the conditions are not met to proceed to devaluing the goodwill for depreciation.

With reference to the activity of gas sale, cash flows used to calculate the recoverable value implement the forecasts made by management for the period 2014-2016.

The terminal value has been estimated as an estimate of a perpetuity based on results expected for 2017, year in which a reduction in margins in line with the tariff regulation is expected.

The growth factor used for the purpose of calculating final value, estimated at 1.7% (2012: 2.0%), takes into account inflation for the period 2016-2020 for Italy elaborated based on National Statistical Authorities, Thomson Datastream and International Monetary Fund data.

The cost of capital (WACC) of the gas sale CGU was calculated assuming:

- a) a coefficient *beta unlevered* determined on the basis of beta unlevered related to a sample of comparable companies (listed local utilities);
- b) the market risk equal to 5%, in line with previous year;
- c) the Risk-Free Rate adopted - equal to net yields on 10-year government bonds recorded as peak value as of 31st December 2013;
- d) an additional risk premium for the cost of equity (Ke), equal to 2.0% (2012: 2.0%), to account for the specific risks of the business, the negative phase of the economic cycle and the current instability of financial markets.

On the basis of these elements, the average weighted cost of the post-tax capital is equal to 5.98% in the three-year period 2014-2016. These rates have been used for updating cash flows in the period provided for by the Plan 2014-2016.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 6.36% (2012: 6.33%) and was calculated on the basis of the above parameters and providing for a further "additional risk premium" or the calculation of the cost of equity (Ke) of 1.0%, to take into account the uncertainty about future changes in the regulatory framework and their impact on marginality.

Considering the other hypotheses described, the recoverable value of financial flow-generating units for gas sales is higher than the accounting values and therefore the conditions are not met to proceed to devaluing the goodwill for depreciation.

For the financial flow generating unit relating to gas sale, a sensitivity analysis has been carried out on the results, which has not affected the correctness of the observations, even if assuming a variation of +/- 0.25% on WACC parameters.

2. Other intangible fixed assets

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

(Thousands of Euro)	31.12.2013			31.12.2012		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	5,873	(4,535)	1,338	5,279	(3,789)	1,490
Concessions, licences, trademarks and similar rights	11,335	(2,607)	8,728	7,279	(1,915)	5,364
Other intangible assets	32,748	(15,773)	16,975	32,984	(12,562)	20,421
Tangible assets under IFRIC 12 concession	504,486	(206,748)	297,738	498,350	(197,512)	300,838
Intangible assets in progress under IFRIC 12 concession	7,480	0	7,480	6,660	0	6,660
Intangible assets in progress and advance payments	8	0	8	57	0	57
Other intangible assets	561,931	(229,663)	332,268	550,607	(215,778)	334,829

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

	31.12.2012			31.12.2013		
(Thousands of Euro)	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	1,490	33		185		1,338
Concessions, licences, trademarks and similar rights	5,364	4,413		1,049		8,728
Other intangible assets	20,421	134	282	3,298		16,975
Tangible assets under IFRIC 12 concession	300,838	14,000	7,864	13,157	3,921	297,738
Intangible assets in progress under IFRIC 12 concession	6,660	1,030	210	0		7,480
Intangible assets in progress and advance payments	57	122	171	0		8
Other intangible assets	334,829	19,733	8,527	17,688	3,921	332,268

The investments made during the financial year amount to Euro 19,733 thousand and they mainly refer to costs incurred into for the purchase of concessions for Euro 4,413 thousand and the realization of the infrastructures for natural gas distribution for a total amount of Euro 15,030 thousand which include fixed assets in progress at the end of the period.

Industrial patents and intellectual property rights

During the period considered, the item "Industrial patents and intellectual property rights" shows an increase equal to Euro 33 thousand. The investment mainly relates to costs incurred into for software implementation and purchase.

Concessions, licences, trademarks and similar rights

They represent the costs for the acquisition of licences and servitude rights connected to the gas distribution network. During the financial year, the item records investments equal to Euro 4,413 thousand because of the award of the concession for the distribution of natural gas in the Municipality of Tezze sul Brenta where the company Ascopiave S.p.A. was the distributor.

Other intangible fixed assets

The item "Other intangible assets" marked investments of Euro 134 thousand and decreases for Euro 282 thousand. The decrease is explained by the reclassification of the energy efficiency certificates purchased in the previous year and not intended to achieve the target set by the Authority for Electricity and Gas for financial year 2012.

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.

The investments for the construction of infrastructure suitable for the distribution of natural gas, including the reclassification of intangible assets under construction, amount to Euro 14,000 thousand, and mainly relate to the creation of connections for Euro 3,558 thousand and to the construction of the distribution network for natural gas for Euro 5,593 thousand. The investments for the construction of measurement groups amount to Euro 1,814 thousand. It should be noted that the activity of implementing the network of natural gas has involved the installation of 46,063 meters of pipelines.

In March 2013 the Parent Company was granted the concession for the natural gas distribution in the municipality of Tezze sul Brenta, in the province of Vicenza. The company, which owned the distribution plants until the conclusion of the invitation to tender, transferred the distribution network to the granting Local Body, subsequently acquiring the concession for natural gas distribution. The operation entailed the disposal of fix assets for a net accounting value equal to Euro 3,657 thousand, determining the recording of a capital gain amounting to Euro 593 thousand. The amount paid by the Local Body and incurred for the purchase of the concession by the Parent company is equal to Euro 4,250

thousand as stated above.

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 1,030 thousand (2012: Euro 2,786 thousand).

Intangible assets under construction and advance payments

During the period, the item “Intangible assets under construction and advance payments” involved investments amounting to Euro 122 thousand (2012: Euro 125 thousand) mainly explained by costs incurred into for the implementation of software applications unused at the end of the financial year.

3. *Tangible assets*

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

(Thousands of Euro)	31.12.2013			31.12.2012			
	Historic cost	Accumulated depreciation	Depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	37,640	(6,566)		31,074	37,640	(5,511)	29,187
Plant and machinery	4,799	(1,481)		3,318	3,109	(1,183)	1,926
Industrial and commercial equipment	3,137	(2,321)		816	3,123	(2,091)	1,032
Other tangible assets	15,140	(11,262)		3,879	14,119	(10,223)	3,896
Tangible assets in progress and advance payments	331	0	(140)	191	4,493	0	4,493
Other tangible assets	61,048	(21,630)	(140)	39,277	62,484	(19,008)	40,534

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

(Thousands of Euro)	31.12.2012				31.12.2013		
	Net value	Change for the period	Decrease	Amortizations during the period	Devaluation	Depreciations	Net value
Lands and buildings	29,187	2,961		1,075			31,074
Plant and machinery	1,926	1,690		298			3,318
Industrial and commercial equipment	1,032	74	7	288		6	816
Other tangible assets	3,896	1,107	115	1,080		70	3,879
Tangible assets in progress and advance payment	4,493	(3,918)	244	0	140		191
Other tangible assets	40,534	1,914	365	2,741	140	75	39,277

Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. At the end of the period, the item recorded increases, including reclassifications of fixed assets in progress for an overall amount equal to Euro 2,961 thousand (2012: Euro 346 thousand) mainly concerning the costs incurred for the construction of the new multi-purpose building located in the municipality of Pieve di Soligo. These costs were recorded under fixed assets under construction and advances at the end of the previous year.

Plants and machinery

The item "Plants and machinery" increases from Euro 1,926 thousand in the previous year, to Euro 3,318 thousand in the reference year. The variation, equalling Euro 1,690 thousand, is mainly due to the activation of cogeneration plants

located in the area of Venice, which, at the end of the previous year, were booked under fixed assets under construction and advances.

Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 74 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during the current financial year, increased the item “Other assets” for Euro 1,107 thousand (2012: Euro 1,201 thousand), and they mainly relate to the costs incurred for the purchase of hardware for Euro 575 thousand (2012: Euro 720 thousand), and for the purchase of office furniture for Euro 180 thousand (2012: Euro 175 thousand).

Tangible assets under construction and advance payments

The item mainly includes costs related to the construction of cogeneration plants built partially on a time and materials basis. The item is not affected by significant variations at the end of the period considered.

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:

	31.12.2012	31.12.2013
	Net value	Net value
<i>(Thousands of Euro)</i>		
Shareholdings in subsidiary companies	0	0
Shareholdings in other companies	1	1
Total shareholdings	1	1

Shareholdings in joint companies

Sinergie Italiane S.r.l. in liquidation

The Group has shareholdings in the affiliate Sinergie Italiane S.r.l., company in liquidation, which meets part of the needs for natural gas amounting to 30.94%.

The scope of activity of the associate company during the financial year 2012-2013 only included the import of Russian gas and its transfer to the sales companies in which shareholders hold a stake as well as the management of agreements, transactions and disputes concerning the regulation of contractual relations, finalised before to the liquidation.

Based on the results of the financial statements for the year 2012-2013 (it is to be pointed out that the associate closes its financial year as of 30th September), as approved by the Shareholders' meeting on 21st January 2014 and on operating data of the first quarter of financial year 2013-2014 (that is operating data for the quarter October-December 2013)

restated in accordance with international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 25,481 thousand, of which Euro 8,071 thousand attributable to the Ascopiave Group for which the Directors have adjusted the related provision for risks and charges for Euro 262 thousand with the related impact on the profit and loss statement. The capital deficit is attributable to the result accrued during financial year 2012-2013 and the first quarter of 2013-2014 by the associate, already recognized in the consolidated financial statements of the Group during the last quarter of 2012 for Euro 104 thousand, and accrued and recognized in year 2013 for Euro 262 thousand, and is mainly explained by the positive result of the purchase and sale of natural gas for Euro 1.1 million, entirely offset by the write-down of the value of transit rights for the gas on the "TAG" pipeline for Euro 1.46 million.

It should be noted that during the month of August 2013, the associate completed the renegotiation of natural gas purchase prices envisaged by the "Take or pay" agreements with the supplier "Gazprom Export LLC"; the economic benefit resulting from the renegotiation - obtained for the thermal two-year period 2013-2014 and 2014-2015 - was recognized to the companies selling natural gas as an improvement of the purchase conditions in order avoid burdening them with procurement conditions not in line with the supply market in the short term.

The essential data of the shareholdings in the subsidiary as of 31st December 2013 and 30th September 2013 and 31st December 2012 are listed below:

<i>(Values referred to pro-rata participation in Million of Euro)</i>	31/12/2013	30/09/2013	31/12/2012
Non-current assets	5.27	6.72	6.53
Current assets	27.36	14.27	20.74
Net equity	(7.88)	(7.60)	(7.85)
Non-current liabilities	0.46	0.47	0.48
Current liabilities	40.06	28.13	34.63
Revenues	28.68	142.20	37.59
Costs	(27.57)	(142.08)	37.60
Gross operating margin	1.11	0.13	(0.01)
Amortizations and depreciations	(1.46)	(0.26)	(0.08)
Operating result	(0.35)	(0.13)	(0.08)
Net result	(0.30)	0.12	(0.14)
NFP	15.06	4.43	(1.04)

The Directors point out that, compared to the provisional data presented in the interim report for year ended 30th September 2013, the net profit of the associate as of 30th September 2013 marks an increase of Euro 1,090 thousand of which 323 thousand for the Ascopiave Group.

5. Other non-current assets

The other non-current assets increase from Euro 11,763 thousand to Euro 25,304 thousand, + Euro 13,542 thousand. The following table highlights the balance of non-current assets at the end of each period considered:

(Thousands of Euro)	31.12.2013	31.12.2012
Security deposits	19,025	1,210
Other receivables	6,280	10,553
Other non-current assets	25,304	11,763

As shown in the table above, the item is mostly made up of security deposits that the companies selling natural gas have issued to Sinergie Italiane S.r.l., in liquidation, for the monthly payments due by the same company for the import of gas from Russia; compared to Euro 19,025 thousand, Euro 17,530 thousand were paid by the subsidiary Ascotrade S.p.A..

The variations of other non-current receivables for Euro 4,273 thousand mainly relate to:

- decrease in the receivables of Amgas Blu S.r.l. from Blue Amgas S.p.A. for Euro 1,388 thousand, of which Euro 339 thousand were cashed in and Euro 1,049 thousand were reclassified, of which Euro 355 thousand in item Non-current financial assets and € 694 thousand in Current assets as specified below.
- decrease in receivables from Anita S.r.l., which holds 51.14% of Unigas Distribuzione Gas S.r.l., for Euro 1,480 thousand; the amount was reclassified in current financial assets for Euro 1,250 thousand and depreciated for Euro 230 thousand because of the agreement which will probably be achieved with the other party to settle the dispute;
- decrease in receivables from the Municipality of San Vito di Leguzzano, equal to Euro 990 thousand following the closure of the arbitration proceedings between the Municipality and the Parent company as a result of which Euro 1,500 thousand were recognized to the latter for the plants and Euro 100 thousand for interest receivable thus determining a capital gain amounting to Euro 510 thousand. The amount originally recorded was collected for Euro 496 thousand and reclassified for the remainder, including the higher recognized value and interests, in the item Non-current financial assets for Euro 561 thousand and in the item Current financial assets for Euro 693 thousand.

The amount of Euro 6,280 thousand in the item "Other receivables" is made up of:

- Receivables from the Municipality of Creazzo, for a value of Euro 2,141 thousand, which is unchanged since 31st December 2012, corresponding to the net book value of the distribution plants delivered in June 2005 to the above-mentioned local authority. The delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2004. The value of the receivables from the municipality corresponds to what the municipality of Creazzo has been asked to retrocede, as per the 'Letta' legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal. A litigation is going on with the municipality, in order to define the value of the compensation of the distribution plants delivered to new distributors;
- Receivables from the Municipality of Santorso, for Euro 748 thousand, unvaried since 31st December 2012. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2006. The value of the receivables from the municipality corresponds to what the municipality of Santorso has been asked to retrocede as per the 'Letta' legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal;
- Receivables from the Municipality of Costabissara, for Euro 1,537 thousand, unvaried since 31st December 2012.

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

As of 31st December 2013, there are on-going litigations with the municipalities mentioned above in order to define the value of compensation of the delivered distribution systems. The Group, also following the opinion of its legal advisors, believes that the result of the litigation and arbitration procedures is uncertain.

6. Non-current financial assets

The following table shows the breakdown of Non-current assets at the end of each accounting year:

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Other financial receivables after 12 months	916	
Non-current financial assets	916	

As of 31st December 2013, in the item Financial receivables beyond 12 months, equalling Euro 916 thousand, Euro 561 thousand relate to receivables due to the Parent Company from the Municipality of San Vito Leguzzano (of which Euro 275 thousand due by 30th June 2015 and Euro 286 thousand due by 30th June 2016) and Euro 355 thousand concern the receivables due to the subsidiary Amgas Blu S.r.l. from Amgas Blu S.p.A..

7. Advance tax receivables

The advance taxes increase from Euro 18,054 thousand to Euro 19,047 thousand (+ Euro 993 thousand) mainly due to the dynamics of allowances for doubtful accounts.

The following table provides a breakdown of the item at the end of each period considered:

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Advance tax receivables	19,047	18,054
Advance tax receivables	19,047	18,054

The Group has been performing a full accounting of advance taxes concerning temporary differences between tax-imposition and balance sheet values, as the Group believes that future tax-imposition could take up all differences that generated them. In determining the advanced taxes, the IRES rate (taxes on company income) and, where applicable, the current IRAP rate were taken into consideration: the rates in force at the moment in which the temporary differences are supposed to be deposited again.

In particular, a 27.5% IRES tax rate has been applied, 10.5% has been added to it in order to take into consideration the so-called "Robin Hood Tax" applied to those subsidiaries that are subjected to this extra rate, and a 3.9% IRAP tax rate was applied, instead of the 4.2% rate that is applied to the enterprise heading the Group and its subsidiaries subjected to the Law no. 111 dated 15th July 2011, art. 23, paragraph 5 of Law Decree 98 dated 6th July 2011.

The advance tax payables are shown in the following table according to the temporary differences that created them:

Description	31/12/2013			31/12/2012		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	0	38.0%	0	7,890	38.0%	2,998
Allocation of bad debt provisions	19,026	34.0%	6,469	9,501	34.0%	3,230
Allocation of inventory write-down	413	38.2%	158	413	38.2%	158
Other - IRES 27.5% + IRAP 4.2%	3,619	31.7%	1,147	1,830	31.7%	580
Exceeding amortizations within 2013	0	42.2%	0	506	42.2%	214
Exceeding amortizations after 2013	13,334	38.2%	5,094	14,519	38.2%	5,546
Other	383	38.2%	146	1,974	38.2%	754
Concessional canons deductible in future period	2,488	34.0%	846	0	34.0%	0
Phantom stock option+risks fund	72	34.0%	24	753	34.0%	256
Customer lists - goodwill	495	37.9%	188	523	37.9%	198
Other - IRES 27,5%	1,889	27.5%	520	0	27.5%	0
IRES exceeding amortizations	11,908	34.0%	4,049	9,462	34.0%	3,217
Other - gas sale IRES 34%+3,9%	861	37.9%	326	792	37.9%	300
Other - gas distribution IRES 27,5% + IRAP 3,9%	254	31.4%	80	1,918	0	602
Total advance taxes	54,743		19,047	50,080		18,054

Current assets

8. Inventories

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

(Thousands of Euro)	31.12.2013			31.12.2012		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Fuels and warehouse materials	2,767	(413)	2,354	3,308	(413)	2,895
Sub-contracted work in progress	0		0	158		158
Total inventories	2,767	(413)	2,354	3,467	(413)	3,053

As of 31st December 2013, inventories are equal to Euro 2,354 thousand and show an overall decrease equal to Euro 699 thousand as compared to 31st December 2012.

The decrease in on-going contracted works for Euro 158 thousand is mainly due to the end of the works on photovoltaic plants of the subsidiary ASM Set S.r.l. concluded in 2013.

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

Inventories are shown as net values under the devaluation inventory fund and are equal to Euro 413 thousand, in order to adapt their value to the opportunity of their use or realization of the assets. During this financial year, no movements were registered in the fund.

9. Trade receivables

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

	31.12.2013	31.12.2012
(Thousands of Euro)		
Receivables from customers	130,532	156,460
Receivables for invoices to be issued	120,042	165,950
Bad debt provisions	(22,026)	(20,961)
Trade receivables	228,549	301,449

Trade receivables decreased from Euro 301,449 thousand to Euro 228,549 thousand (- Euro 72,900 thousand).

The decrease is mainly explained by the modification of the customer portfolio following the termination of wholesale and trading activities and the billing time frames and the collection in the sale of natural gas.

As of 31st December 2013, the Group recognizes receivables factored without recourse for Euro 38.8 million. Factoring refers to trade receivables of the jointly controlled company Estenergy S.p.A. for Euro 24.7 million and trade receivables of the jointly controlled company Veritas Energia S.r.l. for Euro 7.2 million, not performed in the previous year.

In 2013 receivables were sold without recourse for a total amount of Euro 248.4 million, of which Euro 241.2 million from the jointly controlled company Estenergy S.p.A. and Euro 7.2 million from the jointly controlled company Veritas Energia S.r.l..

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

The adjustment of the nominal value of receivables to the break-up value was achieved by means of the corresponding receivable devaluation fund. The provision increase is mainly explained by the increase in the risk profile of civil customers due to non-payments of gas consumption during winter, the significant demand for instalment payments by customers, the seasonal nature of business cycle and the increase in provision uses; the latter in particular is due to bankruptcies of industrial activities in the area of collection, to the modification of the assessment practices used in the investee Veritas Energia S.r.l. because the billing management platform was replaced and to the intensification of debt collection activity in the most recently acquired companies.

As for the period considered, changes related to the receivable devaluation fund are shown in the table below:

	31.12.2013	31.12.2012
(Thousands of Euro)		
Initial bad debt provision	20,961	18,370
Provisions	8,548	7,491
Use	(7,484)	(4,900)
Final bad debt provision	22,026	20,961

The breakdown by due date of the item Receivables from customers is as follows:

(Thousands of Euro)	31th December 2013
Gross trade receivables for invoices issued	130,532
- allowance for doubtful accounts	22,026
Net trade receivables for invoices issued	108,507

Aging of trade receivables for invoices issued:

- to expire	92,681
- expired within 6 months	13,941
- overdue by 6 to 12 months	7,401
- expired more than 12 months	16,509

10. Other current assets

Other current assets decreased from Euro 57,287 thousand to Euro 42,985 thousand, a decrease of Euro 14,302 thousand.

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

(Thousands of Euro)	31.12.2012	31.12.2012
Tax consolidation receivables	3,416	2,069
Annual pre-paid expenses	633	776
Advance payments to suppliers	4,567	4,612
Receivables due from Conguaglio Settore Elettrico	18,950	12,050
VAT Receivables	5,728	9,922
UTF and Provincial/Regional Additional Tax receivables	9,133	19,790
Other receivables	559	8,068
Other current assets	42,985	57,287

The variation is mainly explained by the decrease in UTF receivables for Euro 10,657 thousand, the decrease in other receivables for Euro 7,509 thousand, the decrease in VAT receivables for Euro 4,194 thousand partially counterbalanced by the increase in receivables involving the Cassa Conguagli Settore Elettrico for Euro 6,900 thousand and the increase in receivables for tax consolidation for Euro 1,347 thousand.

It should be noted that the variation related to this decrease is linked to the recovery, for Euro 6,085, of advance payments paid in the previous year by the subsidiary Ascotrade S.p.A. to Sinergie Italiane S.r.l. in liquidation for natural gas purchases; against this variation, the subsidiary Ascotrade S.p.A. paid security deposits for the payment of natural gas for a total amount of Euro 17,530 thousand as highlighted in the paragraph "Other non-current assets" of the document herein.

The variation of UTF (Customs Office) and Regional/provincial surtax receivables is related to the modality of payment of taxes on consumption based on the monthly billings to end users as opposed to monthly advances envisaged by the tax returns in the first months of the year and based on the consumption of previous year.

IRES receivables for the national tax consolidation regime refer to receivables from the Parent company AscoHolding S.p.A. with reference to the companies of the Group which adhered to such option.

11. Current financial assets

The current financial assets decrease from Euro 24,723 thousand to Euro 10,030 thousand (- Euro 14,693 thousand).

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Associated companies	0	18,001
Jointly controlled companies	7,343	6,722
Other financial current assets	2,687	0
Financial current assets	10,030	24,723

The decrease is mainly due to the decrease in receivables from the associate Sinergie Italiane S.r.l. in liquidation for Euro 18,001 thousand and the concomitant reclassification of receivables from Anita S.r.l., Euro 1,250 thousand, from Amgas S.p.A., Euro 694 thousand, and from the Municipality of San Vito Leguzzano for Euro 693 thousand as described in the paragraph "Other non-current assets" of this document.

12. Tax receivables

Tax receivables increase from Euro 1,648 thousand to Euro 1,977 thousand thus registering an increase of Euro 329 thousand.

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Receivables related to IRAP	369	193
Receivables related to IRES	1,192	1,077
Other tax receivables	416	378
Tax receivables	1,977	1,648

The item includes the amount paid of the IRAP tax for the financial year 2013, after deducting the advances that have already been paid; as well as the amount paid of the IRES surtax due for the financial year 2013, after deducting the advances that have already been paid; and the amount paid of the IRES tax for the financial year 2013 for the companies belonging to the Group, which did not accept the option of the national tax consolidated statement with the controlling company AscoHolding S.p.A..

13. Cash and cash equivalents

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

(Thousands of Euro)	31.12.2013	31.12.2012
Bank and post office deposits	30,083	26,975
Cash and cash equivalents on hand	19	16
Cash and cash equivalents	30,102	26,992

Cash resources increased from Euro 26,992 thousand to Euro 30,102 thousand (+ Euro 3,110 thousand) and are mainly referred to the bank account balances and social funds.

For a better understanding of changes in the cash flows occurred during the year, please see the financial statements.

Net financial position

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

(Thousands of Euro)	31.12.2013	31.12.2012
Cash and cash equivalents	30,102	26,992
Current financial assets	10,030	24,723
Current financial liabilities	(13,024)	(8,534)
Payables to banks and financing institution	(94,161)	(183,277)
Payables to leasing institution within 12 months	(61)	
Net short-term financial position	(67,114)	(140,096)
Non-current financial assets	916	
Medium and long-term loans	(64,849)	(29,420)
Non-current financial liabilities	(552)	(613)
Net medium and long-term financial position	(64,486)	(30,033)
Net financial position	(131,600)	(170,130)

For comments on the main dynamics that caused significant changes in the net financial borrowing, please see the analysis of the Group's financial data as per paragraphs "Remarks related to the economic and financial results of the financial year 2013" and paragraph "Medium- and long-term financing" of this note.

Consolidated shareholders' equity

14. Net shareholders' equity

Ascopiave S.p.A.'s share capital as of 31st December 2013 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 years considered is analysed in the following table:

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Net equity	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,660)	(17,109)
Reserve and income carried forward	95,377	91,974
Group's result for the year	38,678	27,894
Groups' net equity	397,689	384,053
Third-party equity and reserves	2,698	2,698
Third-party result for the year	2,361	2,067
Third-party net equity	4,989	4,765
Total net equity	402,679	388,819

The Net equity of the Group as of 31st December 2013 amounted to Euro 397,689 thousand, an increase of Euro 13,636 thousand compared to 31st December 2012, mainly due to the profit of the year, amounting to Euro 38,678 thousand, partially offset by the distribution of dividends, approved by the Shareholders' Meeting held on 23rd April 2013 (Euro 0.11 per share), for Euro 24,484 thousand and the purchase of Own shares for Euro 551 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., Etra Energia S.r.l., and Amgas Blu S.r.l..

Gains (losses) directly recognized in equity

As of 31st December 2013 the losses booked in the net equity amounted to Euro 41 thousand, a negative variation of Euro 12 thousand compared to 31st December 2012.

This reserve includes actuarial gains and losses arising from the valuation of the existing defined benefit plans, that will never be reclassified in the profit and loss statement.

Non-current liabilities

15. Reserves for risks and charges

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Other reserves for risks and charges	9,300	11,218
Reserves for risks and charges	9,300	11,218

Reserves for risks and charges decrease from Euro 11,218 thousand to Euro 9,300 thousand (- Euro 1,918 thousand).

The use of the reserves for risks is explained, for Euro 2,431 thousand, by the use of the provision allocated in the previous year by the subsidiary Ascotrade S.p.A.. and related to the agreed price difference for gas purchase.

Below, more details regarding the provisions for the year:

- Euro 262 thousand relate to the valuation in the net equity of the associate Sinergie Italiane S.r.l. in liquidation. For further details, see paragraph “Investments” of the document herein;
- Euro 584 thousand mainly relate to the provision of the jointly controlled company ASM SET S.r.l., for Euro 268 thousand, for risks related to the minimum KWP productivity guarantee on photovoltaic plants installed to clients in 2010 – 2013.

<i>(Thousands of Euro)</i>	
Reserves for risks and charges as of 1st January 2013	11,218
Provisions for risks hedging losses of associates with the equity method	262
Provisions for risks and charges	584
Use of provisions for risks and charges	(2,764)
Reserves for risks and charges as of 31st december 2013	9,300

16. Severance indemnity

Severance indemnity increases from Euro 3,384 thousand as of 1st January 2013 to Euro 3,684 thousand of 31st December 2013 (+ Euro 300 thousand).

<i>(Thousands of Euro)</i>	
Severance indemnity as of 1st January 2013	3,384
Retirement allowance	(1,299)
Payments for current services and work	1,428
Previous actuarial losses/(profits) recorded	46
Actuarial loss/(profits) in Financial Year 2013 (*)	126
Severance indemnity as of 31st December 2013	3,684

*also including interest cost recognized in the profit and loss statement

The liabilities for employee severance indemnities are measured using an actuarial method, its value is therefore sensitive to changes in assumptions. The main assumptions used in the measurement of severance indemnities are the discount rate, the annual average percentage of outgoing employees and the maximum retirement age of employees.

The discount rate used for the measurement of the liability resulting from employee severance indemnity is determined with reference to the market yields of high quality fixed-income securities for which the due dates and amounts

correspond to the due dates and amounts of future payments envisaged. For this plan, the average discount rate that reflects the estimated due dates and amounts of future payments relating to the 2013 plan is 3%.

The main hypotheses of the model are:

- mortality rate: survival table ANIA IPS55
- invalidity rate: INPS tables year 2000
- personnel rotation rate: 3.00%
- increase in remuneration rate: 3.00%
- inflation rate: 2.00%
- anticipation rate: 2.00%

The current cost related to work performed, as well as financial charges, amounting to Euro 108 thousand, are recognized in the profit and loss statement under Personnel costs.

17. Medium- and long-term loans

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Loans from Cassamarca S.p.A.	1,648	2,359
Loans from Prealpi	898	
Loans from European Investment Bank	41,500	
Loans from Cassa DD.PP. With direct guarantee	327	555
Loans from Cassa DD.PP. With guarantee from municipalities	476	792
Loans from Unicredit S.p.A.	20,000	25,714
Medium and long-term loans	64,849	29,420
Current portion of medium and long-term loans	10,480	6,990
Medium and long-term loans	75,329	36,411

Medium and long term loans increase from Euro 36,411 thousand to Euro 75,329 thousand (+ Euro 38,918) thousand since the Parent company took out a loan with the European Investment Bank (hereinafter EIB), for Euro 45,000 thousand, aimed at supporting investments for the improvement and expansion of gas distribution networks in Veneto and Lombardy, and a loan with Banca Prealpi for Euro 966 thousand, net of repayments made during the year.

Medium-long financings refer mainly to the remaining payable to the EIB for Euro 45,000 thousand, to Unicredit S.p.A. for Euro 25,714 thousand and Cassa Depositi e Prestiti S.p.A. for Euro 1,304 thousand.

In particular, as regards the loan by the EIB, it was signed by the Parent company in June 2013; the total amount is 70 million Euro divided into three tranches, of which the first two, Euro 35 million and Euro 10 million respectively, were paid on 27th August 2013, whereas the third, amounting to Euro 25 million, will only be distributed when specific investment targets are reached, however by 30th June 2016. It is to be pointed out that, with respect to the money granted in 2013, Euro 3.5 million are classified in due to banks and short-term loans.

The first loan tranche will be reimbursed in 20 constant six-month instalments, the first expiring on 27th August 2014 and the last expiring on 27th August 2023; an interest rate equal to the six-month Euribor plus a 95.5 basis points spread will be applied; the second loan tranche will be reimbursed in 16 constant six-month instalments, the first expiring on 27th February 2018 and the last expiring on 27th August 2025; an interest rate equal to the six-month Euribor plus a 71.5

basis points spread will be applied, in addition to the annual cost of 135 basis points related to the guarantee issued by Cassa Depositi e Prestiti S.p.A..

In compliance with the loan contract, the following financial and equity covenants applied to consolidated data and to be calculated on a yearly basis must be respected:

- a) Ebitda / net financial expenses ratio higher than 5;
- b) Net financial position / Ebitda ratio lower than 3.5.

In addition, the European Investment Bank is entitled to request a reimbursement before the deadlines envisaged by the amortization schedule, in particular in the following cases:

- a) decrease in project cost below the amount originally envisaged by the contract;
- b) anticipated reimbursement of non-EIB loans (except revolving lines of credit);
- c) Change in the control of Ascopiave S.p.A. or Asco Holding S.p.A.;
- d) changes in the regulatory framework, which could jeopardize Ascopiave S.p.A.'s ability to fulfil its obligations;
- e) Loss of concessions, if determining a value for consolidated RAB lower than 300 million Euro.

At the end of 2013, the covenants envisaged by the contract were respected since:

- a) the Ebitda / net financial expenses ratio was equal to 27.34, calculated as the ratio between the Ebitda consolidated on that date, amounting to Euro 105,904 thousand, and the consolidated net financial expenses, amounting to Euro 3.874 thousand;
- b) the net financial position / Ebitda ratio was 1.24, calculated as the ratio between the net financial position consolidated on that date, amounting to Euro 131,600 thousand, and the consolidated Ebitda, amounting to 105,904 thousand.

Furthermore, medium-long financings include a loan by Parent Company with Unicredit S.p.A., signed in 2011, to finance important company aggregation operations.

The original amount of the financing was Euro 40,000 thousand and the loan has a seven-year duration. The prepayment of the loan is set on six-month postponed instalments, from 31st December 2011 to 30th June 2018.

During 2013 two instalments of said loan have been paid for Euro 2,857 thousand each, leading to a decrease of the loan itself for Euro 5,715 thousand and to an outstanding debt amounting to Euro 25,714 thousand at the end of the financial year.

The interest rate is variable, and it involves a three-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the "spread" parameter. The value of the fixed margin is apt to increase on the basis of the value of the ratio between the consolidated net financial position and the consolidated gross operative margin at the end of each financial year. The variation in the fixed margin on the basis of the index described above is reported in the following table:

Value of N.F.P./G.O.M. ratio	Spread value
Index>2.5	125 basis point
2<Index<2.5	90 basis point
Index<2	75 basis point

Along with the terms and conditions provided for to calculate the interest rate to be applied to the financed capital, the continuation of the loan agreement is subject to the following financial and operating terms and conditions:

- a) the value of the index described above cannot be higher than 2.75;
- b) R.A.B.'s value (Regulatory Asset Base, i.e. the value of the gas network) cannot be lower than Euro 270,000 thousand;
- c) the stake of ASCOHOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

In particular, this funding is subject to a financial covenant, annually reviewed based on the consolidated financial statements. This covenant (which provides for future advance reimbursements or spread increase) concerns the ratio between net financial indebtedness and gross operative margin, and it refers to what stated under letter a).

As of 31st December 2013, having complied with the index under letter a), equal to 1.24 and with the ratio under letter b), the spread applied as from 1st January 2014 will be 75 basis points.

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

	31.12.2013
<i>(Thousands of Euro)</i>	
Financial year 2014	10,480
Financial year 2015	10,446
Financial year 2016	10,245
Financial year 2017	9,565
Financial year 2018	7,733
After 31 st December 2018	26,860
Total medium and long-term loans	75,329

18. Other non-current liabilities

Other non-current liabilities increase from Euro 16,622 thousand to Euro 16,863 thousand (+Euro 241 thousand).

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Security deposits	14,074	14,325
Multi-annual passive prepayments	2,789	2,250
Other payables		47
Other non-current liabilities	16,863	16,622

The long-term deferred income was recorded against revenues from cogeneration plants / heat supply and connections to the gas network and linked to the useful life of the facilities.

19. Non-current financial liabilities

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Payables due to leasing companies (over 12 months)	552	613
Non-current financial liabilities	552	613

Non-current financial liabilities decrease from 613 thousand as at 31st December 2012, to Euro 552 thousand a decrease of Euro 61 thousand and are represented by the debts incurred by Ascopiave S.p.A. in relation to the signing of a leasing contract concerning the cogeneration plant in Mirano (Venice).

The table below shows the due dates of the financial lease instalments:

	31.12.2013
<i>(Thousands of Euro)</i>	
Financial year 2015	64
Financial year 2016	67
Financial year 2017	70
Financial year 2018	74
Financial year 2019	78
Financial year 2020	82
Financial year 2021	86
Financial year 2022	32
Total non-current financial liabilities	552

20. Deferred tax payables

Payables for deferred taxation decrease from Euro 32,897 thousand to Euro 31,279 thousand (- Euro 1,618 thousand) mainly due to the return of amortizations of customer lists of companies selling methane gas.

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Deferred tax payables	31,279	32,897
Deferred tax payables	31,279	32,897

The Group, in its calculation of deferred taxes, used the IRES rate and when applicable the IRAP rate of the period in which the temporary differences will be applied. In particular, IRES rate of 27.5%, with an additional rate of 10.5% has been applied to consider the so-called "Robin Hood Tax" for subsidiary companies that are subjected to this additional rate. In addition, an IRAP rate of 3.9% has been applied, against the normal rate of 4.2% for the Group and for those subsidiary companies subjected to it, in accordance with the changes introduced by Law 111 dated 15th July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6th July 2011.

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

Description	31/12/2013			31/12/2012		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations	34,005	34.0%	11,562	24,531	34.0%	8,341
Exceeding amortizations	2	38.2%	1	7,396	38.2%	2,825
Severance indemnity	66	34.0%	22	110	34.0%	37
Exceeding amortizations	15,048	42.2%	6,350	16,253	42.2%	6,859
Goodwill deductibility for tax purposes - gas sale	1,623	37.9%	615	1,444	37.9%	547
Customer lists within 2014	3,141	42.2%	1,326	3,141	42.2%	1,326
Other operations	0	38.0%	0	2,975	38.0%	1,131
Gas sales uncollected interest on late payments	56	37.9%	21	0	42.2%	0
Customer lists after 2014	11,456	38.2%	4,376	14,597	38.2%	5,576
Goodwill deductibility for tax purposes	17,637	38.2%	6,737	16,110	38.2%	6,154
Other operations	789	34.0%	268	298	34.0%	101
Total deferred tax payables			31,279			32,897

Current liabilities

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

Payables to banks decrease from Euro 183,277 thousand to Euro 94,161 thousand, a decrease of Euro 89,116 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

It is to be pointed out, however, that the increase in the current portion of medium/long-term loans, amounting to approximately Euro 3.5 million, represents the short-term portion of the loan, originally amounting to Euro 45 million, granted by the European Investment Bank and described in the paragraph "medium and long-term loans" of this document.

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

	31.12.2012	31.12.2012
<i>(Thousands of Euro)</i>		
Payables due to banks	83,681	176,286
Current portion of medium-long-term loans	10,480	6,990
Bank overdraft and loans	94,161	183,277

The following table shows the allocation of Group's credit lines used and available and related rates applied as of 31st December 2013.

Credit institution	Type of credit line	Bank credit as of 31/12/2013	Rate as of 31/12/2013	Use as of 31/12/2013
Monte dei Paschi di Siena	Bank credit for overdraft	5,000		
Monte dei Paschi di Siena	Fido roofing on commodities	2,000		
Banca Intesa	Bank credit for overdraft	40,000	1.17%	10,035.665
Banca Nazionale del Lavoro	Bank credit for overdraft	50,000	1.98%	8,829.196
Banco di Brescia	Bank credit for overdraft	30,000	1.63%	10,016.249
Cassa di Risparmio del Veneto	Bank credit for overdraft	13,000	1.17%	13,021.405
Credito Emiliano	Bank credit for overdraft	20,000	1.61%	15,000
Friuladria	Opening of current account credit	10,000	1.63%	1,697.333
Banca Popolare di Verona	Fido for financing / guarantees Italian and foreign	20,000	1,49%	8,000.000
Banca Popolare di Vicenza	Various loans B / T	52,000		
Banca Prealpi	Bank credit	5,000		
Banca Prealpi	Unsecured loan	966	2.12%	966
Banca Sella	Bank credit	5,000	1.83%	4,987.620
Unicredit	Fido promiscuous class 1	48,700	1.43%	8,000
Unicredit	Loan	25,714	1.00%	25,714
Banca Europea per gli Investimenti	Loan	10,000	1.06%	10,000
Banca Europea per gli Investimenti	Loan	35,000	1.30%	35,000
Cassa Depositi e Prestiti	Loan	1,304	7,50%	1,304
Banca Intesa	Fido for guarantees / credit commitments	5,132		
Cassa di Risparmio del Veneto	Fido for presentations RID	20,000		
Banca Popolare di Verona	Release sureties Italian and foreign	10,000		
Banca Popolare di Vicenza	Plafond fidejussioni italia	2,000		
Unicredit	Fido for guarantees / credit commitments	10,800		
Unicredit	Emissions credit cards	24		
Unicredit	Fido promiscuous class 2	500		
Unicredit	Fido promiscuous class 1	1,300		
Veneto Banca	Effects subject to collection in currency gained	5,000		
Veneto Banca	Guarantees Italy	200		
Unicredit	Credit cards	15		
Cassa di Risparmio del Veneto	Opening cash credit	735		
Cassa di Risparmio del Veneto	Fido for credit commitments	735		
Banca Popolare di Verona	Guarantees and / or letter of credit	980		
Rovigo Banca	Credit commitments	35		
Unicredit	Credit cards	15		
Credito Bergamasco	Bank credit for cash flexibility / sureties	500		
Credito Bergamasco	Trade receivables	500		
Banca Popolare di Bergamo	Fido for guarantees / credit commitments	304		
Unicredit	Credit cards	10		
Banca Sella	Fido for guarantees / credit commitments	200		
Banca Sella	Bank credit for cash flexibility	55		
Unicredit	Guarantees / credit commitments	120		
Cassa di Risparmio del Veneto	Bank credit for cash flexibility	1,000		
Cassa di Risparmio del Veneto	Release guarantee commitments	13		
Banca Popolare di Vicenza	Fido for cash flexibility	500		
Unicredit	Fido promiscuous class 1	1,100		
Unicredit	Fido for guarantees / credit commitments	1,410		
Cassa di Risparmio del Friuli Venezia Giulia	Bank credit for overdraft	3,430		
Cassa di Risparmio del Veneto	Bank credit for overdraft	980		
Unicredit Banca	Bank credit for overdraft	490		
Unicredit Banca	Rid advance	980		
Banca Popolare Friuladria	Hot money	2,000		
Banca Nazionale del Lavoro	Bank credit for overdraft	9,800	2.43%	7
Monte dei Paschi di Siena	Bank credit for cash flexibility	255		
Monte dei Paschi di Siena	Fido for credit commitments	2,550		
Banca Ifis	Trust to advance non-recourse BANCA IFIS	8,853		7,209
Clarifactor	Fido advances	1,275		607
Banca Nazionale del Lavoro	Bank credit for cash flexibility	51	3.27%	32
Banca Nazionale del Lavoro	Fido advances IFITALIA	4,845	0.00%	133
Banca Nazionale del Lavoro	Fido for guarantees / credit commitments	1,964		
Cassa di Risparmio di Venezia	Bank credit for cash flexibility	51		
Cassa di Risparmio di Venezia	Fido for credit commitments	765		
Banca Popolare di Verona	Fido for guarantees / credit commitments	1,020		
Banca Popolare di Verona	Bank credit for cash flexibility	255		
Banca Popolare di Verona	C / advance sale of receivables	2,550		
Banca Popolare di Vicenza	Bank credit for cash flexibility in revocation	1,020		
Banca Popolare di Vicenza	Fido for funding	1,530	3.48%	1,530
Unicredit	Bank credit for cash flexibility	255		
Unicredit	Fido advances Unicredit Factoring	5,610		
Unipol Banca	Bank credit for cash flexibility	102		
Unipol Banca	Fido for bank receipts and bills advance	3,213	3.73%	1,785
Unipol Banca	Fido for guarantees / credit commitments	1,020		
Banca Monte Paschi Siena	Loan	162	1.33%	162
Banca Credito Cooperativo	Loan	463	0.53%	463
Banca Mediocredito	Loan	118	1.38%	118
Banca BUIS	Loan	1,602	0.68%	1,602
Banca Credito Bergamasco	Line of credit / guarantees	1,466		
BNL	Line of credit	147		
Totale		495,688		166,220

22. *Trade payables*

Trade payables decrease from Euro 231,735 thousand to Euro 178,950 thousand, a decrease of Euro 52,785 thousand.

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Payables to suppliers	67,512	104,673
Payables to suppliers for invoices not yet received	111,438	127,062
Trade payables	178,950	231,735

This decrease is mainly due to lower volumes of natural gas purchased also in connection with the thermal conditions recorded in December, as described in the report on management of these financial statements.

23. *Payables to tax authorities*

Tax payables decrease from Euro 2,716 thousand to Euro 1,602 thousand, marking a decrease of Euro 1,114 thousand.

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
IRAP payables	209	628
IRES payables	1,394	2,088
Payables to tax authorities	1,602	2,716

This heading includes IRAP balance due for 2013, net of advance payments, additional IRES balance due for 2013, net of advance payments and the balance of regular IRES tax for 2013, for companies that did not subscribe to the National Consolidation regime with Parent Company AscoHolding S.p.A.

24. *Other current liabilities*

Other current liabilities increase from Euro 26,724 thousand to Euro 31,434 thousand (+ Euro 4,710 thousand).

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Advance payments from customers	913	822
Amounts due to parent companies for tax consolidation	464	1,583
Amounts due to social security institutions	2,876	2,291
Amounts due to employees	4,256	3,584
VAT payables	2,259	959
Payables to revenue office for withholding tax	958	1,140
Annual passive prepayments	703	250
Annual passive accruals	763	1,117
UTF and Provincial/Regional Additional Tax payables	6,430	6,542
Other payables	11,811	8,436
Other current liabilities	31,434	26,724

Advances from clients

Advances from clients represent the amounts paid by the customers as contribution for works of allotments and connection and realisation of thermal plants in progress as of the end of the financial period.

Tax consolidation payables

This heading includes the accrued payables to parent company AscoHolding S.p.A. and company Acegas APS S.p.A., having joint control over Estenergy S.p.A., proportionally consolidated by Ascopiave S.p.A. as part of the National Consolidation regime contracts signed by the Group companies with AscoHolding S.p.A. and Acegas APS S.p.A. The balance of the IRES payables accrued for taxation up to 31st December 2013 is Euro 464 thousand, with a decrease of Euro 1,119 thousand.

Amounts due to social security bodies

The amount due to social security institutions mainly relates to charges of FY 2013 that were paid at the beginning of January 2014.

Amounts due to employees

The amounts due to employees include remuneration and bonuses earned as of 31st December 2013 but not paid out on that date.

The increase of Euro 672 thousand as compared to 2012 is mainly due to payables accrued at year end related to Phantom Stock Options (connected to the performance of Ascopiave's shares), to incentive plans and to one-off payments for the renewal of the collective bargaining agreement.

The Group recognizes additional benefits to certain employees of the companies Ascopiave and Ascotrade, holding prominent positions within the Group, through remuneration plans based on financial instruments (so-called "phantom stock option plan" and "long-term incentive plan 2012-2014").

In particular, the plans adopted by the Group include the awarding of rights involving an extraordinary remuneration linked to the achievement of pre-set objectives, and whose financial regulation is based, among other indicators, on share performance.

VAT payables

VAT payables increased of Euro 1,300 thousand as compared to 31st December 2012. 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

They relate to amounts payable to the technical department of finance and to the payment of excise duty and additional taxes on natural gas. The balance 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 2013, the Group's total amount of payables is of Euro 6,430 thousand.

Other payables

These figures increased of Euro 3,375 thousand as compared to 31st December 2012 and mainly include payables for family allowances and payables to the Authority for Electricity and Gas regarding the new tariff components of transport, for the latter the increase is equal to Euro 3,452 thousand.

Benefits based on financial instruments

The Group grants additional benefits to some employees of Ascopiave and Ascotrade, in strategic positions within the Group. These benefits are based on financial instruments (so-called “phantom stock option plan” and “long term incentive plan 2012-2014”).

In particular, the plans adopted by the Group include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the reaching of pre-set objectives, the financial regulation of which is based on the trend of the share title.

25. Current financial liabilities

Current financial liabilities increase from Euro 8,534 thousand to Euro 13,084 thousand (+ Euro 4,550 thousand).

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

	31.12.2013	31.12.2012
(Thousands of Euro)		
Financial payables within 12 months	11,550	7,061
Payables to shareholders	1,473	1,473
Payables to leasing companies within 12 months	61	
Current financial liabilities	13,084	8,534

This variation is mainly due to the increase of financial payables of the jointly controlled company Estenergy S.p.A. to Acegas APS S.p.A for Euro 2,496 thousand and payables to banks for proceeds related to factored receivables for Euro 2,005 thousand.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

Revenues

26. Revenues

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

(Thousands of Euro)	FY 2013	FY 2012
Revenues from gas transportation	22,856	16,744
Revenues from gas sale	715,835	885,177
Revenues from electricity sale	91,492	148,289
Revenues from connections	3,143	4,450
Revenues from heat supply	93	519
Revenues from distribution services	5,333	5,185
Revenues from billing and taxes	628	193
Revenues from services supplied to Group companies	1,923	1,781
Revenues from AEEG contributions	6,944	6,317
Other revenues	6,087	9,383
Revenues	854,334	1,078,038

At the end of the fiscal year, the Ascopiave Group revenues amount to Euro 854,334 thousand with a decrease as compared to the previous fiscal year amounting to total Euro 223,704 thousand. The decrease is mainly explained by lower revenues from sales of natural gas for Euro 169,341 thousand, by lower revenues from the sale of electricity for Euro 56,797 thousand, partially offset by higher revenues from the service of distribution of natural gas for Euro 6,112 thousand.

Revenues from sales of natural gas to the final market, amounting to Euro 600,783 thousand, show a decrease from the previous year of Euro 108,873 thousand. During the financial year, 1,323 million cubic meters were sold, marking a decrease of 216.5 million as compared to the previous year, at the end of which 1,106.5 million cubic meters were sold. As compared to financial year 2012, no trading activities were performed. As of 31st December 2012, these activities amounted to Euro 175,364 thousand.

The item also includes revenues from natural gas sale for Euro 115,052 thousand, connected to the purchase cost of the raw material amounting to Euro 118,954 thousand, because of the import of Russian gas pursuant to the framework agreement signed with the Group's reference shipper for thermal year 2013-2014. It is to be noted that these revenues integrally correspond to purchase costs of natural gas.

The transportation of natural gas to the distribution network generated revenues for Euro 22,856 thousand, with an increase of Euro 6,112 thousand compared to the previous year, involving the transport of 912.5 million cubic meters, a decrease of 42.5 million as compared to the previous year.

The restriction on total revenues is determined, year after year, on the basis of the number of delivery points the Company actually served during the reference period, as well as on the reference price, whose values are established and published by the Authority for Electricity and Gas by 15th December of the year before that in which the price becomes effective.

At the end of the year, the revenues from electricity sales amounted to Euro 91,492 thousand, showing a decrease over the previous year of Euro 56,797 thousand. The decrease is mainly explained by lower volumes of KWh sold, which decreased from 946.6 million in 2012, to 574.1 million in the reference fiscal year, marking a decrease of 372.5 million.

At the end of fiscal year, revenues from connection services are equal to Euro 3,143 thousand, a decrease as compared to 4,450 thousand of 2012. This is due to the decrease in the number of new connections to the natural gas distribution network, associated with the crisis of the building industry in the North of Italy, where the gas distribution network of the Group is active.

The revenues derived from services provided by distributors show an increase of Euro 148 thousand, from Euro 5,185 thousand in 2012, to Euro 5,333 thousand in the reference fiscal year.

The revenues from contributions made by the Authority for Electricity and Gas amount to Euro 6,944 thousand recording an increase of Euro 627 thousand as compared to the previous year. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the obligated distributors. The 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 the delivery of the certificates purchased or produced in order to achieve such target. The contribution granted in 2013 was defined and published by resolution 13/2014/R/EFR dated 23rd January 2014.

Other revenues decreased from Euro 9,383 thousand in 2012, to 6,087 thousand in the fiscal year of reference, showing a decrease of Euro 3,296 thousand. The decrease in the item is mainly explained by lower revenues from commissioning and disposal of photovoltaic plants and lower revenues derived from cogeneration plants.

Costs

27. Purchase costs for raw material (gas)

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

(Thousands of Euro)	FY 2013	FY 2012
Costs for gas purchase	520,080	688,084
Costs for gas purchase	520,080	688,084

At the end of the fiscal year, the costs incurred for the supply of natural gas amount to Euro 520,080 thousand, with a decrease from the previous year of Euro 168,004 thousand.

The natural gas supply for the end market showed a decrease of Euro 110,444 thousand, from Euro 511,593 thousand in 2012, to Euro 401,149 thousand in the reference fiscal year. During the year, the procurement activity involved the purchase of 1,106.5 million cubic metres, a decrease as compared to 2012 equal to 216.5 million.

The item also includes costs incurred for the purchase of natural gas for Euro 118,953 thousand, due to the import of Russian gas and governed by the framework agreement described in the paragraph "Revenues" of the report herein.

It is to be noted that, as compared to 2012, no trading activities were performed, which as of 31st December 2012, recorded costs for Euro 176,491 thousand.

In addition, it is to be pointed out that the most significant amounts of natural gas for the supply of end customers were provided to the Group by the company Eni Gas & Power S.p.A..

28. Purchase cost of other raw materials

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

	FY 2013	FY 2012
<i>(Thousands of Euro)</i>		
Costs for gas purchase	0	29
Diesel fuel and LPG purchase	38	113
Purchase of electricity	52,472	88,129
Purchase of other raw material	1,928	4,466
Costs for purchase of other raw material	54,438	92,738

At the end of 2013, the costs incurred for the purchase of other raw materials showed a decrease of Euro 38,300 thousand, from Euro 92,738 thousand in 2012, to Euro 54,438 thousand in the reference fiscal year. The decrease is mainly explained by lower costs incurred for electricity supply and lower costs incurred for the purchase of other materials.

The costs incurred for the purchase of electricity, showed a decrease of Euro 35,657 thousand compared to the previous year, from Euro 88,129 thousand, to Euro 52,472 thousand of the reference period. The decrease is mainly explained by a lower amount of kilowatt hours purchased during the year amounting to 372.5 million.

The costs included in the purchase of other materials show a decrease of Euro 2,538 thousand, from Euro 4,466 thousand in 2012, to Euro 1,928 thousand in 2013. This item mainly includes costs related to the purchase of materials for the construction of natural gas distribution plants. The decrease recorded is mainly explained by lower costs incurred for the implementation, and disposal, of photovoltaic plants, in connection to the decrease highlighted in other revenues.

29. Costs of services

The following table shows the breakdown of costs for services in the fiscal years considered:

(Thousands of Euro)	FY 2013	FY 2012
Costs of conveyance on secondary networks	89,598	106,920
Costs for counting meters reading	1,371	1,156
Costs for mailing bills	638	635
Mailing and telegraph costs	1,553	1,329
Maintenance and repairs	4,155	4,679
Consulting services	5,929	5,776
Commercial services and advertisement	2,618	3,191
Sundry suppliers	2,354	2,158
Directors' and Statutory Auditors' fees	1,394	1,310
Insurances	1,356	951
Personnel costs	916	752
Other managing expenses	8,203	6,976
Costs for use of third-party assets	13,358	16,601
Total costs for services	133,442	152,434

The costs for services incurred during the year showed a decrease of Euro 18,992 thousand, from Euro 152,434 thousand in 2012, to Euro 133,442 thousand in the reference year.

The decrease is mainly explained by lower costs incurred for the transportation of natural gas and electricity on the distribution network for a total of Euro 17,322 thousand and by the decrease in costs for leased assets for Euro 3,243 thousand. The overall decrease is partially offset by the increase in costs incurred for consultancies and other operating expenses.

The costs incurred for the transportation of natural gas on the distribution network increase from Euro 48,828 thousand in 2012, to Euro 55,162 thousand for the year considered, noting an increase of Euro 6,334 thousand. The increase is mainly explained by a higher tariff applied by distribution companies to the amounts of natural gas inserted into the network partially offset by lower volumes traded during the year.

The costs incurred for the transport of electricity register a decrease of Euro 23,656 thousand, from Euro 58,092 thousand in 2012, to Euro 34,436 thousand in the reference fiscal year. The observed decrease is mainly explained by lower kilowatt-hour sold by the subsidiary Estenergy S.p.A..

The consultancy costs incurred in the course of the period of reference increase from Euro 5,776 thousand in 2012, to Euro 5,929 thousand, (+ Euro 153 thousand).

The costs incurred for the enjoyment of third party assets mainly includes costs incurred for concession fees paid to local authorities. They decrease by Euro 3,243 thousand as compared to the previous year. The decrease is mainly explained by the higher concession fees paid to local authorities in 2012 because of the economic compensation, proposed by the Parent Company for the prosecution of the management of the distribution of natural gas in the performing of the custody proceedings of the same. The agreement provides for the recognition of a lump sum amount for 2010, and an annual payment, starting from 2011, quantified according to the formula envisaged by the Supplementary Agreement to the Convention submitted to the Bodies for examination and to be stipulated in the form of Administrative Public Act.

30. Costs for personnel

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

	FY 2013	FY 2012
<i>(Thousands of Euro)</i>		
Wages and salaries	20,120	18,854
Social security contributions	6,713	6,137
Severance indemnity	1,428	1,329
Current severance indemnity actualization	108	49
Other costs	512	655
Total personnel costs	28,881	27,024
Capitalized personnel costs	(1,600)	(1,630)
Personnel costs	27,280	25,394

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

Costs for staff show an increase of Euro 1,857 thousand, from Euro 27,024 thousand in 2012, to Euro 28,881 thousand in the year of reference.

This increase, inclusive of social charges, is determined for Euro 702 thousand by the record of the value of phantom stock options, granted when the parent company was listed, to managers and not yet exercised, for Euro 417 thousand by compensations connected to the long-term incentive plan, for Euro 172 thousand by salary increases due to the renewal of the national collective bargaining agreement and for Euro 0.1 million by the early retirement incentives granted to certain employees.

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

Type	FY 2013	FY 2012	Variation
Executives	20	22	(2)
Office workers	395	387	8
Manual workers	121	125	(5)
Total employees	535	529	1

It should be noted that some employees of the Group are holders of phantom stock option plans.

31. Other management costs

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

	FY 2013	FY 2012
<i>(Thousands of Euro)</i>		
Provision for risks on credits	8,548	7,491
Other provisions	472	3,268
Membership and AEEG fees	895	943
Capital losses	405	299
Extraordinary losses	1,009	1,179
Other taxes	850	882
Other costs	1,391	1,305
Costs of contracts	653	2,063
Energy efficiency certificates	8,663	7,013
Other operating costs	22,885	24,443

Other operating costs, decreasing from Euro 24,443 thousand in 2012, to Euro 22.885 thousand in 2013, show a decrease of Euro 1,558 thousand. The decrease is mainly attributable to the item other provisions, which records a decrease of Euro 2,796 thousand, and costs incurred for tenders for Euro 1,410 thousand, which are partially offset by lower provisions for risks on receivables for Euro 1,056 thousand.

The decrease recorded by the item other provisions is mainly explained by the provision booked in the previous year, equal to Euro 2,342 thousand, by the subsidiary Ascotrade S.p.A. because of the commitment made regarding the purchase of a share in the volume of natural gas stored by Sinergie Italiane S.r.l. in liquidation whose sale took place during the first quarter of the reference year at the Gas Balancing Platform (PB-GAS), realizing a loss in line with the burden expected by the subsidiary.

In addition, other operating costs have recorded increases because of the increase in allowance for doubtful accounts for Euro 1,056 thousand and higher costs incurred for the purchase of energy efficiency certificates for Euro 1,650 thousand, necessary to achieve the targets for the year set by the Authority for Electricity and Gas as concerns energy saving. Higher costs were recorded for the purchase of energy efficiency certificates because the Authority for Electricity and Gas raised the energy saving target for the year, and because the average price of certificates on the market increased. The item "costs for tenders" records a decrease equal to Euro 1,410 thousand compared to the previous year because of higher costs incurred for the construction and commissioning of pipelines for natural gas distribution.

32. Other income

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

	FY 2013	FY 2012
<i>(Thousands of Euro)</i>		
Contingent assets		103
Other income	1,148	144
Total of other income	1,148	247

At the end of 2013, other operating income shows an increase of Euro 901 thousand, from Euro 247 thousand in 2012, to Euro 1,148 thousand in 2013.

This item mainly includes the capital gain recorded following the sale, by the parent company Ascopiave S.p.A., of the property of the gas distribution systems in the Municipality of Tezze sul Brenta, amounting to Euro 593 thousand, as well as the capital gain equal to Euro 510 thousand resulting from the settlement agreement signed with the Municipality of San Vito di Leguzzano explained in the paragraph "Other non-current assets" of this annual financial report.

33. Amortization and depreciation

The following table shows a breakdown of depreciation in the years considered:

(Thousands of Euro)	FY 2013	FY 2012
Intangible fixed assets	17,688	17,487
Tangible fixed assets	2,741	2,527
Impairment losses and reversals as	140	2,102
Total amortizations	20,570	22,116

Amortizations record a decrease of Euro 1,546 thousand, from Euro 22,116 thousand in 2012, to Euro 20,570 thousand in the period considered.

The decrease in this item is mainly due to the fact that in the previous year an impairment loss of Euro 1,589 thousand was recorded following the disposal of some networks relating to the service of distribution of natural gas in the Municipalities of Arosio, Carugo and Lentate sul Seveso, in Lombardy.

The item "devaluations and re-enactments" includes Euro 140 thousand for depreciation of fixed assets under construction related to a cogeneration plant located in the Province of Venice.

Financial income and expense

34. Financial income and charges

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

(Thousands of Euro)	FY 2013	FY 2012
Interest income on bank and post office accounts	91	224
Other interest income	1,587	1,536
Other financial income	1,372	398
Financial income	3,049	2,159
Interest expense on banks	2,047	3,561
Interest expense on loans	668	800
Other financial expenses	4,209	4,714
Financial charges	6,923	9,075
Evaluation of subsidiary companies with net equity method	262	11,007
Evaluation of subsidiary companies with net equity method	262	11,007
Total net financial expenses	4,136	17,923

At year end the balance between financial income and expenses showed a net loss of Euro 3,874 thousand, a decrease from the previous year of Euro 3,042 thousand, mainly explained by lower costs incurred by the jointly controlled

company Estenergy S.p.A., totalling Euro 863 thousand, related to the sale of "without recourse" loans, as outright of a securitization contract and by the decrease in bank exposure that led to the recognition of lower charges amounting to Euro 1,514 thousand on the lines of credit granted by banks.

The item "evaluation of associated companies with the equity method" amounts to Euro 262 thousand and includes the loss suffered by the company Sinergie Italiane S.r.l. in liquidation as explained in the section "Participations" of this note. The same shows a decrease from the previous year of Euro 10,746 thousand.

Taxes

35. Tax for the year

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

<i>(migliaia di Euro)</i>	FY 2013	FY 2012
Current taxes - IRES	29,355	28,583
Current taxes - IRAP	4,810	4,792
(Advance)/Deferred taxes	(2,625)	(3,848)
Total taxes for the year	31,541	29,527

Accrued taxes increased from Euro 29,527 thousand in 2012 to Euro 31,541 thousand in the accounted FY, (+Euro 2,014 thousand).

The table below shows the breakdown of IRES taxes in the years considered:

<i>(Thousands of Euro)</i>	FY 2013	FY 2012
IRES	6,580	4,711
Additional IRES	7,580	7,755
Charges / (income) from tax consolidation	15,196	16,117
Current taxes IRES	29,355	28,583

This table illustrates the relevance of revenue taxes on the result before taxation, for the accounted periods herein:

<i>(Thousands of Euro)</i>	FY 2013	FY 2012
Income before taxes	72,651	55,152
Income taxes for the period	31,541	29,527
Percentage of income before taxes	43.4%	53.5%

The tax-rate in 2013 is equal to 43.4%, a decrease of 10.1% as compared to the previous year.

The decrease in tax rate is mainly due to the decrease in losses by subsidiary company Sinergie Italiane S.r.l. in liquidation as compared to the previous year. This item has contributed to raising the tax rate of the Group with a total variation amounting to 8.8%.

36. Net income from sold activities or divested activities

This item is attributable to the costs incurred for the liquidation of the companies Ascoenergy S.r.l. and Consorzio RE. The variation, as compared to the previous year, is due to the fact that in the previous financial year this item included the proceeds, amounting to Euro 4,336 thousand, deriving from the sale of the companies operating in the photovoltaic sector.

Non-recurrent components

Pursuant to CONSOB communication N. DEM/6064293 dated 28th July 2006 it is noted that no non-recurrent economic components exist as of 31st December 2013.

Transactions deriving from unusual and/or atypical operations

In accordance with CONSOB communication N. DEM/6064293 of 28th July 2006, we report that during 2013 no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE ANNUAL FINANCIAL REPORT AS OF 31ST DECEMBER 2013**Commitments and risks****Bank guarantees**

As of 31st December 2013, the Group provided the following bank guarantees:

(Thousands of Euro)	31st December 2013	31st December 2012
On credit lines	71,167	108,402
On financial leasing agreements	956	956
On gas supply agreements	-	10,000
On gas purchase agreements (letter of comfort)	2,550	2,550
Guarantees on credit lines (letter of comfort)	4,964	4,994
On execution of works (letter of comfort)	392	525
On UTF offices and regions for taxes on gas (letter of comfort)	6,192	12,722
On UTF offices and regions for taxes on electricity (letter of comfort)	667	5,715
On distribution concession (letter of comfort)	3,959	3,294
On services agreements (letter of comfort)	120	120
On purchase/sale of shares (letter of comfort)	2,500	2,500
On commercial agreements (letter of comfort)	-	21
On conveyance agreements (letter of comfort)	4,669	2,566
On agreements for transport of electricity (letter of comfort)	5,479	5,533
On active agreements of electricity administration (letter of comfort)	69	106
On active agreements of gas administration (letter of comfort)	77	87
On company's activities (letter of comfort)	-	7
On purchase of electricity agreements (letter of comfort)	9,646	6,700
On realization of photovoltaic plants (letter of comfort)	214	804
Total	113,620	167,602

Patronages on lines of credit and gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation amount as of 31st December 2013 to Euro 61,167 thousand (Euro 85,367 thousand during the previous year).

It is noted that company Speedenergy S.r.l. has right of first refusal over 36% of share capital of Amgas Blu S.r.l. controlled by Ascoblu S.r.l., for three years starting from July 2011.

Risk and uncertainty factors**Management of financial risk: objectives and criteria**

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

The operative activity, on the contrary, put the Group on the position of possible receivable risks with the counterparts.

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

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

Interest rate risks

Because of the seasonality of the natural gas business cycle, the Group aims at managing the need for cash by means of temporary and medium-term loans at variable rates.

Furthermore the Group manages medium-long term financings at variable rates with primary bank institutions, with an outstanding debt as of 31st December 2013 of Euro 74,693 thousand and due dates between 31st December 2013 and 31st December 2026.

Furthermore the Group manages credit lines at fixed rates (loans) for minor amounts, which originated upon assignment of gas distribution networks by local authorities that are now partners of Asco Holding S.p.A.

The medium - long term loans are mainly represented by the loan granted in 2011 by Unicredit S.p.A. to the amount of Euro 25,714, subject to a securitization operation by the lender, and by the loan issued in August 2013 by the European Investment Bank for Euro 45,000 thousand. Both are subject to covenants which as of 31st December 2013 are met.

For further details please see paragraph 17 "Medium- and long-term loans".

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.

Net Financial Position 2013	(141,182)	(141,705)	(140,012)	(125,356)	(135,022)	(92,712)	(96,295)	(75,944)	(111,430)	(129,440)	(128,043)	(131,600)
Positive average rate	0.24%	0.25%	0.28%	0.18%	0.14%	0.14%	0.06%	0.05%	0.07%	1.23%	1.23%	1.23%
Negative average rate	2.48%	2.49%	2.38%	2.20%	1.81%	1.79%	1.54%	1.42%	1.45%	3.73%	3.73%	3.73%
Positive average rate increased of 200 basis point	2.24%	2.25%	2.28%	2.18%	2.14%	2.14%	2.06%	2.05%	2.07%	3.23%	3.23%	3.23%
Negative average rate increased of 200 basis point	4.48%	4.49%	4.38%	4.20%	3.81%	3.79%	3.54%	3.42%	3.45%	5.73%	5.73%	5.73%
Positive average rate decreased of 50 basis point	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.73%	0.73%	0.73%
Negative average rate decreased of 50 basis point	1.98%	1.99%	1.88%	1.70%	1.31%	1.29%	1.04%	0.92%	0.95%	3.23%	3.23%	3.23%
Net Financial Position recalculated with increase of 200 basis point	(141,422)	(141,922)	(140,250)	(125,562)	(135,252)	(92,864)	(96,459)	(76,073)	(111,614)	(129,660)	(128,253)	(131,824)
Net Financial Position recalculated with decrease of 50 basis point	(141,122)	(141,651)	(139,953)	(125,305)	(134,965)	(91,674)	(96,254)	(75,912)	(111,385)	(129,386)	(127,990)	(131,544)
Effect to income before taxes with increase of 200 basis point	(240)	(217)	(238)	(206)	(229)	(152)	(164)	(129)	(183)	(220)	(210)	(224)
Effect to income before taxes with decrease of 50 basis point	60	54	59	52	57	38	41	32	46	55	53	56
												603

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 2,413 thousand (2012: Euro 3,021 thousand) or positive for Euro 603 thousand (2012: Euro 755 thousand).

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 prescribes to fully write down the receivables that show an older expiry date than the year and in any case all the existing receivables from insolvent clients or clients subject to bankruptcy proceedings, and to apply write-down percentages determined by historical series on the most recent receivables, checking the capacity of the allowance for bad debts, so that it can entirely cover all receivables having an ageing higher than 12 months and most receivables expired between 6 and 12 months.

Liquidity risk

The liquidity risk 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, due to the impossibility of raising new funds or selling assets on the market, affecting the income statement if the Group is obliged to incur additional costs to meet its obligations, or in case of insolvency entailing risks for the business.

The Group constantly aims at highest balance and flexibility of financing sources and uses. The two main factors influencing Group liquidity are on the one hand the resources generated or absorbed by the operative or investment assets, on the other hand the expiry characteristics and debt renewal.

Risk of prices of raw materials and of Euro/Dollar exchange rate

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

In 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.

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

Specific risks in the business sectors in which the Group operates

Regulations

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

Seasonal nature of the activity

Gas consumption varies considerably on a seasonal basis, with a higher demand during winter, in relation to higher consumption for heating.

Such seasonal nature influences the rise in gas sales and supply costs, while other management costs are fixed and evenly supported by the Group during the year.

The seasonal nature of the activity also affects the performance of the Group's net financial position, as the active and passive billing cycles are not aligned with each other and also depend on the performance of gas volumes sold and purchased during the year.

Therefore, the data and information contained in the interim financial statements do not allow to draw meaningful conclusions as to the overall trend of the year.

Management of Capital

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

capital or issue new shares.

The Group checks its capital by means of a debt/capital ratio, i.e. comparing the net debt to the total of the capital plus the net debt.

The Group includes interest-bearing loans and other financial liabilities in the net liabilities, net of liquid funds and equivalent.

(Thousands of Euro)	31.12.2012	31.12.2011
Financial position in the short term	(67,114)	(140,096)
financial position in the medium-long term	(64,486)	(30,033)
Financial gross debt	131,600	170,130
Share capital	234,412	234,412
Own shares	(17,660)	(17,109)
Reserves	147,248	143,622
Undistributed net profit	38,678	27,894
Total shareholders' equity	402,679	388,819
Total capital and gross debt	534,278	558,948
Debt/Net assets ratio	0.33	0.44

The debt/net equity ratio decreases from 0.44 as of 31st December 2012 to 0.33 as of 31st December 2013 (-0.11) thanks to the combined effect of the decrease in the Net financial position and the increase in Shareholders' equity.

Remuneration of Auditing Company

Pursuant to Art. 149-duodecies of Consob Issuers' Regulation, hereby a full overview of remuneration of the Auditing Company for 2013 is provided. Payment includes both the auditing service and additional services as well.

Type of services	Entity providing the service	Recipient	Fees (Thousands of Euro)
Audit	Reconta Ernst & Young SpA	Ascopiave S.p.A.	180
		Controlled companies	218
Attestation services	Reconta Ernst & Young SpA	Ascopiave S.p.A.	3
		Controlled companies	6
Audit and other services	Reconta Ernst & Young SpA	Ascopiave S.p.A.	13
		Controlled companies	43
Other services	Ernst & Young Financial Business Advisors S.p.A.	Ascopiave S.p.A.	126
Total			589

Business segment reporting

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

Based on the information required by the IFRS 8 'Business Segment Reporting, Operative segments', the company has identified as segments subjects of the reporting the activities of gas 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 2013 and 2012.

Financial year 2013 (Thousands of Euro)	Distribution	Sale	Trading	Electricity sale	Other	31.12.2013 values		Total
						from new companies acquisitions	Cancellations and adjustments	
Net revenues of third-party customers	45,822	715,835	0	91,492	1,184			854,334
Intra-group revenues among the segments	70,231	2,146	0	6,957	0		(79,335)	0
Segment revenues	116,053	717,982	0	98,449	1,184	0	(79,335)	854,334
Operating result before amortization	35,246	61,125	0	1,252	(266)	0		97,356
Amortization	16,812	3,430	0	62	265	0		20,570
Operating result	18,434	57,694	0	1,190	(531)			76,787
Result before taxes	16,303	55,979	0	929	(560)	0		72,651
Assets	514,544	347,311	0	44,489	0	0	(57,906)	848,438
Liabilities	(292,580)	(206,307)	0	(4,778)	0	0	57,906	(445,759)

Financial year 2012 (Thousands of Euro)	Distribution	Sale	Trading	Electricity sale	Other	31.12.2012 values		Total
						from new companies acquisitions	Cancellations and adjustments	
Net revenues of third-party customers	39,533	709,671	175,506	148,289	5,039			1,078,038
Intra-group revenues among the segments	63,630	1,306	0	7,563	336		(72,835)	0
Segment revenues	103,163	710,976	175,506	155,852	5,375	0	(72,835)	1,078,038
Operating result before amortization	33,946	64,115	(3,914)	1,172	(127)	0		95,192
Amortization	18,348	3,376	1	127	264	0		22,116
Operating result	15,598	60,739	(3,915)	1,044	(391)			73,075
Result before taxes	2,594	56,785	(3,915)	729	(1,031)	0		55,162
Assets	547,801	428,057	18,001	28,049	1,126	0	(87,075)	935,959
Liabilities	(351,274)	(275,715)	0	(7,118)	(109)	0	87,075	(547,141)

Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The basic earnings per share is calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares, net of own 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:

(Thousands of Euro)	Amount at 31 dicembre 2013	Amount at 31 dicembre 2012
Net profit attributable to parent company shareholders	38,678	27,894
Weighted average number of ordinary shares including own shares, for the purpose of earnings per share	234,411,575	234,411,575
Weighted average number of own shares	12,195,214	11,816,448
Weighted average number of ordinary shares, excluding own shares, for the purposes of net income per share	222,216,361	222,595,127
Earnings per share (in Euro)	0.174	0.125

Transactions with related parties

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

Company	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues			
					Goods	Services	Other	Goods	Services	Other	
<i>Parent company</i>											
ASCO HOLDING S.P.A.	15	3,151	2	455	0	64	0	0	42	0	0
Parent company	15	3,151	2	455	0	64	0	0	42	0	0
<i>Subsidiary companies</i>											
ASCO TLC S.P.A.	137	0	128	0	0	5	0	0	144	0	0
SEVEN CENTER S.R.L.	18	0	2	0	0	0	0	0	19	0	0
MIRANT ITALIA S.R.L.	0	0	0	0	0	0	0	0	0	0	0
Subsidiary companies	156	0	130	0	0	5	0	0	163	0	0
<i>Affiliated companies</i>											
Sinergie Italiane S.r.l. under liquidation	103	17,530	0	0	103,818	0	0	4,071	77	0	0
Affiliated companies	103	17,530	0	0	103,818	0	0	4,071	77	0	0
Totale	274	20,681	132	455	103,818	70	0	4,071	282	0	0

The relationship with the company Asco Holding S.p.A., under other current assets and liabilities, is attributable to the companies Ascopiave S.p.A., Ascotrade S.p.A., Asm DG S.r.l., Edigas Due S.r.l., Edigas Distribuzione S.r.l., Pasubio Servizi S.r.l. and Blue Meta S.p.A. which joined the consolidation of the tax relationships of the parent company Asco Holding S.p.A., which therefore acts as the consolidating entity.

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 S.r.l. in liquidation relate to the purchase of natural gas for the first nine months of 2013 made by Ascotrade S.p.A. while costs and revenues for services relate to service contracts between the parties and re-invoicing of consultancy.

It is also noted that the Patronages on credit lines and on gas purchase contracts issued in favour of controlled company in liquidation Sinergie Italiane S.r.l amount to Euro 61,167 thousand as of 31st December 2013 (Euro 85,367 thousand as of 31st December 2012).

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

Furthermore:

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

Significant events after the end of the period considered

Appointment of Chief Technology Officer

The Board of Directors of Ascopiave S.p.A., held on 14th January 2014, appointed Mr. Antonio Vendraminelli as the new Chief Technology Officer of the Company. The appointment was effective from 1st February 2014.

The new Chief Technology Officer has replaced Mr. Giovanni Favaro who, retired in 2008, left the company after five additional years of collaboration at the helm of Ascopiave's Technical Department.

Acquisition of 49% of Veritas Energia S.r.l.

On 10th February 2014, Ascopiave S.p.A. and Veritas S.p.A. completed the transaction of 49% of the share capital of Veritas Energia S.r.l., from Veritas S.p.A. to Ascopiave S.p.A., which already held a 51% stake in the company. As a consequence, Ascopiave S.p.A. holds 100% of Veritas Energia S.r.l.. The price paid for the acquisition, amounting to Euro 4 million, corresponds to an enterprise value of Veritas Energia S.r.l. amounting to Euro 16.4 million.

Goals and policies of the group

As for the natural gas distribution segment, the Group intends to enhance its portfolio of concessions, aiming at confirming its service provision in the territorial areas served, in which it boasts a significant presence, and at expanding its activities to other fields, with the goal of increasing its market share and strengthen its local leadership.

As for the segment of gas sale, the Group intends to implement the necessary actions to safeguard the current levels of profitability in an ever-changing market, through a trade policy focused on the proposition of differential pricing formulas and improvement of the quality of service.

In this segment, the Group intends to pursue the objectives of increasing its market share by direct acquisition of new customers, and through extraordinary company mergers and/or partnerships.

Synthesis of the financial year 2013 of the companies proportionally consolidated

(Amounts referred to participation pro-quotas) (Millions of Euro)	Estenergy S.p.A.	ASM SET S.r.l.	Veritas Energia S.r.l.	Unigas Distribuzione Gas S.r.l.
Share membership	48.89%	49.00%	51.00%	48.86%
Revenues	121.77	17.35	55.46	6.07
Costs	110.69	16.29	52.67	3.81
Gross operating margin	11.08	1.06	2.79	2.26
% on net revenues	9.1%	6.1%	5.0%	37.2%
Amortizations and depreciations	0.22	0.01	0.20	1.07
Operating result	10.86	1.05	2.59	1.19
Net result	4.66	0.59	1.14	0.74

(Amounts referred to participation pro-quotas) (Millions of Euro)	Estenergy S.p.A.	ASM SET S.r.l.	Veritas Energia S.r.l.	Unigas Distribuzione Gas S.r.l.
Share membership	48.89%	49.00%	51.00%	48.86%
Non-current assets	1.72	0.33	2.97	20.28
Current assets	56.97	6.24	21.90	6.67
Non-current liabilities	2.45	0.39	1.64	1.96
Current liabilities	45.90	5.17	21.22	5.35
Net financial position	(2.83)	1.56	(5.29)	(1.22)

Synthesis of the financial year 2013 of the companies consolidated with the net equity

(Amounts referred to participation pro-rata) (Millions of Euro)	31/12/2013
Non-current assets	5.27
Current assets	27.36
Net equity	(7.88)
Non-current liabilities	0.46
Current liabilities	40.06
Revenues	28.68
Costs	(25.57)
Gross operating margin	1.11
Amortizations and depreciations	(1.46)
Operating result	(0.35)
Net result	(0.30)
Net financial position	15.06

This statement has been cleared for publishing by the Board of Directors of Ascopiave S.p.A. during the 14th March 2014 Meeting. Said publication shall be carried out pursuant to Law regulations. The Board has authorized the Chairman to modify this statement to perfect the form of this document within the time frame between 14th March 2014 and the Shareholders' Meeting in which this statement will be approved.

Pieve di Soligo, 14th March 2014

Chairman of the Board of Directors
Fulvio Zugno



Annual Financial Report
as of 31st December 2013

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Premise

Pursuant to the provisions set forth in Legislative Decree no. 32 dated 2nd February 2007, with which EU Directive 2003/51/EC was implemented, the Company avails itself of the possibility to draw up and prepare a single document for both the Report on Management of the Parent Company Ascopiave S.p.A. and the Report on Consolidated Management, to be included in the Consolidated Financial Statements.

Therefore, the Report on Consolidated Management also contains all information relating to the balance sheet of Ascopiave S.p.A., as required by article 2428 of the Italian Civil Code.

ASCOPIAVE S.p.A.

Statement of financial position as of 31st December 2013 and as of 31st December 2012

(Euro)		FY 2013	FY 2012
			Restated
ASSETS			
Non-current assets			
Goodwill	(1)	20,433,126	20,433,126
Other intangible assets	(2)	258,478,963	259,204,821
Tangible assets	(3)	36,507,842	37,587,510
Shareholdings	(4)	179,082,061	181,160,375
Other non-current assets	(5)	4,865,972	7,280,058
Non current financial assets	(6)	561,000	
Deferred tax asset	(7)	10,539,354	9,886,576
Non-current assets		510,468,318	515,552,465
Current assets			
Inventories	(8)	1,578,520	2,438,525
Trade receivables	(9)	25,641,861	21,516,769
Other current assets	(10)	20,001,399	19,214,416
Current financial assets	(11)	28,931,698	44,244,128
Tax receivables	(12)	135,154	730,798
Cash and cash equivalents	(13)	2,523,751	9,344,238
Current assets		78,812,382	97,488,875
Assets		589,280,700	613,041,340
NET EQUITY AND LIABILITIES			
Total net equity			
Share capital		234,411,575	234,411,575
Own shares		(17,659,719)	(17,108,647)
Reserves		157,761,838	142,223,447
Total net equity	(14)	374,513,694	359,526,375
Non-current liabilities			
Provisions for risks and charges	(15)		6,608
Severance indemnity	(16)	1,161,912	1,108,226
Medium- and long-term bank loans	(17)	63,200,953	27,018,447
Other non-current liabilities	(18)	1,612,805	324,223
Non-current financial liabilities	(19)	552,414	613,052
Deferred tax payables	(20)	18,380,480	18,546,022
Non-current liabilities		84,908,564	47,616,579
Current liabilities			
Payables due to banks and financing institutions	(21)	89,371,312	164,322,539
Trade payables	(22)	21,224,396	18,049,544
Tax payables	(23)	255,403	69,095
Other current liabilities	(24)	15,207,274	11,344,207
Current financial liabilities	(25)	3,800,057	12,113,001
Current liabilities		129,858,442	205,898,387
Liabilities		214,767,006	253,514,966
NET EQUITY AND LIABILITIES		589,280,700	613,041,340

(*)Following the retrospective application from 1st January 2013 of the amendment to IAS 19, the data related FY 2012 exposed for comparison purposes, have been redefined, pursuant to IAS 1.

Income statement - FY 2013 and FY 2012

(Thousands of Euro)		FY 2013	Restated FY 2012
Revenues	(26)	77,806,950	78,406,285
Operating costs		48,921,581	51,376,110
Costs for purchase of other raw material	(27)	1,387,770	2,513,506
Costs for services	(28)	22,591,165	25,291,085
Personnel costs	(29)	14,623,266	13,835,915
Other management costs	(30)	11,458,733	9,800,688
Other income	(31)	1,139,353	65,084
Amortization and depreciation	(32)	14,220,269	15,850,001
Operating result		14,665,100	11,180,174
Financial income	(33)	36,295,452	27,496,939
Financial charges	(33)	2,574,478	4,104,201
Depreciation of shareholdings	(33)	1,759,803	2,963,817
Earnings before tax		46,626,270	31,609,095
Taxes for the year	(34)	6,573,433	4,042,925
Net result for the year		40,052,837	27,566,170
Statement of comprehensive income			
Components that can be reclassified to the income statement			
Components that can not be reclassified to the income statement			
Actuarial (losses) / gains from remeasurement on defined-benefit obligations		(30,300)	(27,677)
Total comprehensive income		40,022,537	27,538,493

(*)Following the retrospective application from 1st January 2013 of the amendment to IAS 19, the data related FY 2012 exposed for comparison purposes, have been redefined, pursuant to IAS 1.

Statement of changes in shareholders' equity as of 31st December 2013 and as of 31st December 2012

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Net Result	Total net equity
Balance as of 1st January 2013	234,411,575	46,882,315	(17,108,647)	67,802,639	(27,677)	27,566,170	359,526,375
Allocation of 2012 result				27,566,170		(27,566,170)	-
Dividends paid to shareholders				(24,484,147)			(24,484,147)
IAS 19 TFR actualization for the year					(30,300)		(30,300)
Purchase of own shares			(551,071)				(551,071)
Net result of the financial year						40,052,837	40,052,837
Balance as of 31st December 2013	234,411,575	46,882,315	(17,659,718)	70,884,663	(57,977)	40,052,837	374,513,694

							Restated
(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Net Result	Total net equity
Balance as of 1st January 2012	234,411,575	46,882,315	(15,720,434)	64,293,870	(0)	6,173,627	336,040,953
Allocation of 2011 result				6,173,627		(6,173,627)	(0)
Dividends paid to shareholders							(0)
IAS 19 TFR actualization for the year					(27,677)		(27,677)
Incorporation of Global Energy S.r.l.				(2,664,858)			(2,664,858)
Purchase/sale of own shares			(1,388,213)				(1,388,213)
Net result of the financial year						27,566,170	27,566,170
Balance as of 31st December 2012	234,411,575	46,882,315	(17,108,647)	67,802,639	(27,677)	27,566,170	359,526,375

(*)Following the retrospective application from 1st January 2013 of the amendment to IAS 19, the data related FY 2012 exposed for comparison purposes, have been redefined, pursuant to IAS 1.

Statement of Cash Flows for the year 2013 and 2012

(Euro)	Financial year 2013	Restated Financial year 2012
CASH FLOW OF THE OPERATING ACTIVITIES		
Net income of the year	40,052,837	27,566,170
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash	15,700,130	12,638,662
Amortization and depreciation	14,220,269	15,850,001
Bad debt provisions	230,254	0
Variations in severance indemnity	53,686	(153,564)
Net variation of other funds	(6,608)	0
Losses / (gains) on investments	1,759,667	2,963,817
Losses / (gains) on disposal of fixed assets	(1,203,204)	0
Interest expense of the year	2,574,478	4,104,201
Taxes for the year	6,573,433	4,025,961
Interests expense paid	(2,446,102)	(4,070,353)
Taxes paid	(6,055,742)	(10,081,401)
Variations in assets and liabilities	3,386,096	(6,459,775)
Inventories	860,005	292,658
Accounts payable	(2,873,283)	(1,690,384)
Current and non-current financial assets	(1,267,981)	(6,663,299)
Tax receivables and payables	0	0
Other current assets	0	0
Trade payables	3,332,441	1,867,431
Other current liabilities	3,391,519	(302,829)
Other non-current assets	(55,900)	(4,508)
Other non-current liabilities	(706)	45,156
Total adjustments and variations	19,086,225	6,178,887
Cash flows generated (used) by operating activities	59,139,063	33,745,057
Cash flows generated (used) by investments		
Investments in intangible assets	(15,288,167)	(13,163,379)
Realisable value of intangible assets	4,902,254	7,798,975
Investments in tangible assets	(1,579,432)	(6,496,854)
Realisable value of tangible assets	143,539	51,664
Disposals / (Acquisition) of investments and advances	318,647	(1,984,710)
Other net equity operations	(30,300)	(27,677)
Cash flows generated/(used) by investments	11,533,459	(13,821,981)
Cash flows generated (used) by financial activities		
Change in non-current financial liabilities	(60,639)	0
Net changes in short-term bank borrowings	(74,951,227)	(1,632,209)
Net variation in current financial assets and liabilities	9,438,486	23,869,416
Purchase of own shares	(551,071)	(1,388,213)
Net changes in medium and long-term loans	36,182,506	(6,224,981)
Dividends distributed to Ascopiave S.p.A. shareholders'	(24,484,147)	0
Coverage of losses of subsidiary companies	0	(27,455,238)
Cash flows generated (used) by financial activities	(54,426,092)	(12,831,226)
Variations in cash	(6,820,488)	7,091,850
Cash and cash equivalents at the beginning of the year	9,344,238	2,252,388
Cash and cash equivalents at the end of the year	2,523,751	9,344,238

(*)Following the retrospective application from 1st January 2013 of the amendment to IAS 19, the data related FY 2012 exposed for comparison purposes, have been redefined, pursuant to IAS 1.

IAS/IFRS ACCOUNTING PRINCIPLES ADOPTED IN DRAWING UP THE BALANCE SHEET AS OF 31st DECEMBER 2013

Drafting criteria and compliance with IFRS

The Ascopiave S.p.A. balance sheet as of 31st December 2013 was prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) adopted by the European Commission as per art. 6 of the Regulation (EC) no. 1606/2002 of the European Parliament and of the European Council of 19th July 2002, and 9 of Legislative Decree no. 38/2005.

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

The accounting principles adopted are consistent with those used as of 31st December 2012, unless otherwise stated in the paragraph Accounting principles, amendments and interpretations adopted as of 1st January 2013

This balance sheet as of 31st December 2013 has been drafted based on the accounting records updated as of al 31st December 2013 and is subject to auditing procedure by the auditing company Reconta Ernst & Young S.p.A..

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.

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, reconciling through the profit or the loss of the FY, operations with shareholders and variations in the net equity.

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.

Accounting principles, amendments and interpretations applied from 1st January 2013

Amendments to IAS 19 – Employee Benefits

IASB issued an amendment to IAS 19 dated 16th June 2011 – "Employee benefits", retrospectively effective from the fiscal year starting on 1st January 2013. This amendment modifies the recognition rules of defined benefits plans and termination benefits.

In particular, the new amendment to IAS 19 removes the option of deferring the recognition of actuarial gains and losses with the corridor approach, which has never been applied by the Group, as well as their possible recognition in the income statement. This amendment requires a separate recognition in the income statement of the costs related to

the work performed and net financial charges and the recognition of actuarial gains and losses in the item "Other gains/(losses) of the comprehensive income statement.

This amendment determines the necessity, as concerns comparison data, to restate the income statement and the comprehensive income statement of the previous period.

In detail, the Group determined the following retrospective effects derived from the application of the amendment to IAS 19:

(Euro)		Released		Restated
		FY 2012	IAS 19 changes	FY 2012
Revenues	(27)	78,406,285		78,406,285
Total operating costs		51,420,751		51,376,110
Purchase costs for other raw materials	(28)	2,513,506		2,513,506
Costs for services	(29)	25,291,085		25,291,085
Costs for personnel	(30)	13,880,556	44,641	13,835,915
Other management costs	(31)	9,800,688		9,800,688
Other income	(32)	65,084		65,084
Amortization and depreciation	(33)	15,850,001		15,850,001
Operating result		11,135,533	44,641	11,180,174
Financial income	(34)	27,496,939		27,496,939
Financial charges	(34)	4,104,201		4,104,201
Evaluation of companies consolidated with the net equity method	(33)	2,963,817		2,963,817
Earnings before tax		31,564,454	44,641	31,609,095
Taxes for the year	(35)	4,025,961	19,964	4,042,925
Net result for the year		27,538,493	27,677	27,566,170
Statement of comprehensive income				
Components that will be reclassified in the future in the income statement				
			27,677	(27,677)
Total comprehensive income		27,538,493	0	27,538,493

Amendments to IAS 1 "Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income "

On 16th June 2011 IASB issued amendments to IAS 1 "Presentation of Items of Other Comprehensive Income".

Among other things, they introduce the obligation to group together the items within other comprehensive income based on their possible reclassification in the P&L statement, pursuant to their reference IFRS.

The change has been applied to the company from 1st January, pursuant to the guidelines of the amendment. It only related to the presentation of the global P&L statement and it had no effects on the results or the financial outlook of the company.

Some additional principles and modifications have been issued on 1st January 2013 but they had no impact on the Financial Report as of 31st December 2013. Among them:

IFRS 13 "Fair value measurement"

On 12th May 2011 IASB issued the IFRS 12 "Fair value measurement" for the creation of a single framework for the measurement of the fair value as requested or permitted by other IFRS and for the explanatory note. The fair value has been defined as the price to be received for the sale of an asset (to be paid to write off a liability) as part of an ordinary transaction between market operators.

IFRS 7 “Financial instrument disclosures- Offsetting of financial assets and liabilities”

On 16th December 2011 IASB issued IFRS 7 amendments “Disclosures- Offsetting of financial assets and liabilities”, which require disclosure of all financial instruments that, according to IAS 32 Financial Instruments: report disclosure, may be offset.

IAS 1 Presentation of Financial Statements – Clarification on required comparative information

This amendment clarifies the difference between additional comparative voluntary note and minimal required comparative note. When an entity voluntarily presents comparative data in addition to the minimal data related to the accounting period, it must present, in the notes to the financial statement, the comparative information pursuant to IFRS.

This change clarifies that the statement of financial situation at the opening of the financial year (i.e. 1st January 2012 in our Company) presented following a retroactive redetermination or reclassification of statement items need not be accompanied by comparative information in the notes.

IASB/IFRIC issued accounting standards and interpretations homologated by the EC but not yet adopted

The following accounting standards and interpretation, issued by the IASB/IFRIC, have been homologated by the European Commission but not yet adopted and they have not been applied in advance by the Company.

In May 2011, the IASB issued three new standards: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, and IFRS 12 – Disclosure of Interests in Other Entities. As a consequence, the IASB also amended IAS 27 – Consolidated and Separate Financial Statements, which was renamed IAS 27 – Separate Financial Statements. The new IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in the separate financial statements, including the additional disclosures required. The standard confirms that investments in subsidiaries, joint ventures and associates are accounted for at either cost or fair value in accordance with IFRS 9. The same accounting treatment is to be applied for each category of investment. If an entity elects to measure investments at fair value in its consolidated financial statements, it is required to use the same method of measurement in the separate financial statements. The new standard is applicable retrospectively for annual periods beginning on or after 1 January 2013. The European Union has completed the process for endorsement of the standard and postponed the effective date to 1 January 2014 although early adoption is permitted from 1 January 2013. The Company will apply the new standard from 1 January 2014 and application is not expected to have any material effect.

On 16 December 2011, the IASB issued amendments to IAS 32 – Financial Instruments: Presentation, which clarify application of certain criteria for offsetting financial assets and liabilities. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. No material effect is expected from first time adoption of the standard.

On 29 May 2013, the IASB issued an amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets, which addresses disclosures about the recoverable amount of impaired assets, if that amount is based on fair

value less costs of disposal. The amendments are applicable retrospectively for annual periods beginning on or after 1 January 2014. Early adoption is permitted for periods where the entity has already applied IFRS 13. Application of the new standard is not expected to have any material effect.

On 27 June 2013, the IASB issued narrow-scope amendments to IAS 39 – Financial Instruments: Recognition and Measurement entitled “Novation of Derivatives and Continuation of Hedge Accounting”. The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. Similar relief will be included in IFRS 9 – Financial Instruments. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. No material effect is expected from first time adoption of the standard.

In addition, at the reporting date, the European Union had not yet completed the process for endorsement of the following standards and amendments:

- On 12 November 2009, the IASB issued IFRS 9 – Financial Instruments. The standard was reissued in October 2010 and amended in November 2013. The standard addresses classification, measurement, recognition and derecognition and hedge accounting for financial assets and liabilities and replaces parts of IAS 39. The amendments issued in November 2013 removed the mandatory effective date of 1 January 2015. The IASB announced that an effective date will be decided upon when the entire IFRS 9 project is completed.
- On 20 May 2013, the IASB issued IFRIC 21 – Levies, an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. The interpretation provides guidance on recognition of liabilities to pay levies that are not income taxes. IFRIC 21 is applicable for annual periods beginning on or after 1 January 2014. Early adoption is permitted.
- On 21st November 2013 IASB published minor amendments to IAS 19 – Benefits to Employees named “Defined benefit plans: employee contributions”. These amendments relate to the simplification of the accounting of contributions to benefit plans by third party employees in specific circumstances. Amendments are applicable retroactively for fiscal years beginning from 1st July 2014 and early adoption is permitted;
- On 12 December 2013, the IASB issued the Annual Improvements to IFRS 2010–2012 Cycle and Annual Improvements to IFRS 2011–2013 Cycle.

The Company shall apply said new standards and amendments upon their envisaged application date and shall carefully assess their impact on the Financial Report when they shall be homologated by the European Union.

Use of estimates

The preparation of the financial statements and related explanatory notes in compliance with the IFRS requires that management to provide accounting estimates based on complex and/or subjective assumptions, on past experience and hypotheses that are considered reasonable and realistic and that affect the values of the assets and liabilities reported on the financial statements and the information relating to potential assets and liabilities as of that date, as well as the amount of revenues and costs in the reference financial year.

Estimates are used to report:

- Duration and residual value of the goods in concession: the gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for Ascopiave S.p.A., between 31st December 2010 and 31st December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives a compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by the Management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;
- Permanent reductions in the value of all non-financial assets: at each balance sheet date, the Group assesses whether there are permanent reductions in the value of all non-financial assets.

In particular, goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting on the basis of a suitable discount rate. As of 31st December 2013, the book value of goodwill amounts to Euro 20,433 thousand. Further details can be found under Note 1;

- Inventory obsolescence;
- Benefit plans for employees and share-based payment plans;
- Taxation.

The estimates and assumptions are reviewed periodically, and the variations are immediately reflected in the income statement. In applying the Group accounting principles, the directors have taken decisions based on the stated discretionary evaluations, with a significant effect on the values reported on the statements. However, the uncertainty surrounding these assumptions and estimates may determine results that, in the future, will need to be significantly adjusted at the book value of such assets and/or liabilities.

Accounting principles adopted

The accounting principles adopted by Ascopiave S.p.A. are reported below.

Non-current assets

Goodwill: as of 1st January 2005, goodwill refers to the surplus values paid for the acquisition of distribution companies, as well as to those recognized to the shareholders upon allocation of the distribution network. Goodwill is entered at cost price. As from the transition date of IFRS (1st January 2005), goodwill is no longer depreciated is reduced by any impairment.

Goodwill is subject to an annual recoverability analysis or a more frequent one if events or changes in circumstances occur which can lead to the emergence of possible losses of value.

With the intent of analysing the recoverability, the examination is performed at the level of the smallest aggregate on the basis of which the Management evaluates, directly or indirectly, the return on investment (units which generate

flows or groups of units) which includes the goodwill itself. Loss of value is determined by defining the recoverable value of a unit which generates flows (or groups of units) to which the goodwill is allocated. When the value entered in the financial statements of the cash generating unit which includes the goodwill attributed to it exceeds the recoverable value, the difference is subject to depreciation attributed as a matter of priority to the goodwill up to its amount; any depreciation surplus with respect to goodwill is ascribed pro-rata at book value of the assets which constitute the cash generating unit. Therefore, the original value is not restored if the reasons that determined the reduction in value cease to exist.

Other intangible fixed assets: Other intangible fixed assets are entered at cost price, determined with the same method used for tangible fixed assets. For having a defined useful life, intangible assets are booked net of the accumulated relevant amortization operations and net of any losses in value, determined with the same basis indicated below for tangible assets.

The useful life is then re-examined on an annual basis, and any changes, if necessary, made prospectively.

Other intangible assets also include agreements for service under concession between the public and the private sector (so-called service concession arrangements) for the development, funding, management and maintenance of infrastructure under concession in which: (i) the grantor controls or governs the services provided by the operator through the infrastructure and the related price to apply; (ii) the grantor controls — through ownership, beneficial entitlement or otherwise — any significant residual interest in the infrastructure at the end of the term of the arrangement.

Intangible fixed assets with a defined life are verified annually in order to find any losses in their value when events or changes of situation indicate that the book value cannot be realized.

Any profits or losses deriving from the sale of an intangible asset is determined as the difference between the disposal value and the book value of the asset, and are reported on the income statement at the time of the sale.

The goods acquired through financial lease are booked at fair value, net of contributions within the scope of the lessee or, if lower, at the actual value of the minimum payments due for the leasing, including any amount to pay to exercise the purchase option, among the intangible assets in consideration of financial debt towards the lessor.

Tangible fixed assets: tangible assets are booked at their historic cost, including accessory costs directly ascribable to the putting into operation of the asset for the use for which it was acquired.

Lands - both free of constructions and annexed to civil and industrial buildings - were generally accounted for separately and are not depreciated since they are elements with an unlimited useful life.

Maintenance and repair costs that are not subject to valuing and/or extending the residual useful life of assets are spent in the year in which they are borne. Otherwise, they are capitalised.

Tangible assets are presented net of the relevant accumulated depreciation and any losses of value determined according to the basis described below. Amortisation is calculated in uniform instalments on the basis of the estimated useful life of the asset for the company, which is re-examined annually, and any changes, if necessary, are made prospectively.

The main economical-technical rates used are as follows

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 depreciated until they reach their realisable value. The realisation value of the tangible fixed assets is represented by the greater of the net sales price and the value of use.

Losses of value are reported on the income statement with the costs for amortizations and write downs. Such losses of value are restored should the reasons for their cause cease to exist.

When the asset is sold or if there are no future economic benefits expected from the use of the asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the book value) is entered in the income statement of the year of the above mentioned elimination.

The amortizations of said assets are calculated based on the economic useful life, like for the other tangible assets.

Shareholdings: shareholdings in subsidiaries, jointly controlled and associated companies are entered at the cost adjusted for any impairment. The value entered in the financial statements is determined on the basis of the purchase or subscription price.

Shareholdings in subsidiaries, jointly controlled and associated companies are reviewed annually or, if necessary, more frequently, for impairment detection. The analysis of recoverability of the value entered in the financial statements is performed by comparing this value with the recoverable value, which is the higher between the fair value, net of disposal charges, and the use value. If there is no binding sale agreement, the fair value is estimated on the basis of the values expressed by an active market, by recent transactions or on the basis of the best information available to represent the amount that the company could obtain by selling the asset. The use value is determined by actualizing the asset's expected cash flows and, if considerable and reasonably determinable, by its transfer net of disposal charges. Cash flows are determined on the basis of reasonable assumptions which can be documented and which represent the best estimate of future economic conditions. The actualization is performed at a rate which reflects current market evaluations of the time value of money and of the specific risks of the asset not reflected in cash flow estimates.

If there is evidence that these shareholdings have suffered an impairment loss, this is recognized in the income statement as depreciation. If the share of the controlled company exceeds the book value of the shareholding and the

company has the obligation or the intention to cover such losses, the value of the shareholding is reduced to zero and the losses are recognized as a provision in the liabilities. If, subsequently, the loss is reduced or cancelled, the value is restated in the income statement, within the limits of the cost.

Current assets

Inventories: inventories are booked at whichever of the following is lower: purchase cost, determined in accordance with the weighted average cost basis, or the estimated realizable net value. The net realisation value is determined on the basis of the estimated sales price in normal market conditions, net of direct sales costs.

Obsolete and/or slow to realise inventories are written down in relation to their presumed possibility of use or future realisation. The write down is eliminated in the following years, should the reasons for its cause cease to exist.

Trade receivables and other current assets: trade receivables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value) net of the relevant value losses. These are suited to their presumed realisation value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Company will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement.

Cash and cash equivalents: they include the ready cash values, i.e. values with the following requirements: availability at sight or in a very short term. They are booked at nominal value.

Non-current liabilities

Benefits for employees: benefits guaranteed to employees, paid when or after employment ceases, by means of programs with defined benefits (Employees' leaving indemnities) or with other long-term benefits (retirement indemnity) are recognized in the period when the right accrues.

Company bonds are determined separately for each plan, measuring the current value of future benefits that the employees have accrued in the current year and in the previous ones. This calculation is carried out with the projected unit credit method.

The components of the defined benefits are established as follows:

- the remeasurement components of liabilities, which include actuarial profits and losses, are immediately measured in the total Other revenue (losses);
- Costs for the service performances are inscribed at their P&L account value;
- Net financial costs on liabilities on defined benefits are entered in the P&L account.

The components found in total Other revenues (losses) may never be reclassified in the P&L account in the following years.

Compensation plans

Compensation plans based on Ascopiave S.p.A. shares paid through shares (stock option plans, long-term incentive plans) are entered as liabilities and valued at the fair value at the end of each accounting period or at least up to their payment. Each following variation of the fair value is entered in the P&L account.

Reserves for risks and charges: The reserves for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the reference period are undetermined in terms of amount or due date.

Provisions are reported when: (i) there is a current obligation (legal or implicit) that derives from a past event; (ii) an outlay of resources is likely in order to meet the obligation; (iii) a reasonable estimate can be made as to the amount of the obligation.

On the other hand, if it is not possible to make an estimate of the obligation, or if it is deemed that the outlay of financial resources is only possible but not likely, the related potential liabilities are not entered in the financial statements, but it is detailed and described in the explanatory notes.

Provisions are reported at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties upon period end. If the effect of discounting of the value of money is significant, the allocations are determined by discounting back the expected future financial flows at a pre-tax rate which reflects the market's current valuation of the value of money in relation to time. When discounting is carried out, the increase in the allocation due to the passing of time is reported as a financial charge.

Medium/Long term loans: loans are initially booked at fair value, net of any transaction costs and, subsequently, are valued at amortization cost, calculated by applying the actual interest rate.

When a condition of a long-term financing contract is violated, on or before the date of the financial statements, causing the liability to become payable on demand, the liability is classified as current, even if the lender has agreed - after the reference date of the financial statements and before the authorization for its publishing - not to require the payment as a result of the breach. The liability is classified as current because, as of the date of the financial statements, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

Current liabilities

Trade payables and other payables: trade payables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value). Other payables are reported at cost (par value).

Current financial assets and liabilities: Financial assets and liabilities are recognized at par value.

Own shares: Re-acquired own shares are taken as a decrease of the assets. The original cost of own shares, revenues from sales and any other subsequent variation are recognized under the net equity

Revenues and costs

Revenues: revenues and costs are booked on an accrual basis.

The revenues from sales and service performance are recognized to the extent to which it is possible to determine their fair value and it is likely that the connected economic benefits will be enjoyed upon transfer of the risks and advantages typical of the property or upon performance of the service. Depending on the type of operation, revenues are entered on the basis of the following specific criteria:

- the revenues from natural gas transportation are recognized at the time when the supply or the service are provided - although not yet invoiced - and are determined according to the restriction on total revenues as provided for by the regulations issued by the Authority for Electricity and Gas;
- the contributions received by users for connection services or for parcelling works, if not in relation to costs incurred into for network extension, are reported in the Income statement;
- the revenues for service performance are recognized with reference to the level of completion of the activity, based on the same criteria applied to works performed upon order. In case it is impossible to determine their value, the revenues will not be booked until the amounts of the costs incurred into are deemed recovered.
- the revenues are entered net of all discounts, rebates and premiums, as well as the fees directly connected with the sale of the commodities and service performance;

Public contributions: public contributions are reported when there is a reasonable certainty that they will be received and all relevant conditions are met. When public contributions are linked to costs components, they are reported as income, but are systematically divided up over the periods, so as to be measured to the costs they are intended to offset. In case the contribution is related to an asset, the asset and the contribution are recorded at their nominal value and their recording into the income statement is accounted for progressively along the useful life of the reference asset, with constant shares.

Dividends received

The dividends received by the controlled companies are recognized under the income statement at the time when their payment is due.

Financial income and expenses: income and costs are booked by competence according to the interests accrued on the net value of the relevant financial assets and liabilities, using the actual interest rate.

Income taxes: current taxes are calculated based on an estimate of the income before tax and are entered at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxation relating to elements reported directly under assets is reported directly as assets and not on the income statement.

As concerns taxes on companies' income (IRES) Ascopiave S.p.A. decided to join in 2013 for a three-year period the national tax consolidation regime, pursuant to articles 117/129 of the T.U.I.R. (Income Tax Consolidated Act). This option allows the determination of IRES on a taxable base made up of the sum of the negative and positive taxable

amounts of companies joining the national tax consolidation regime. AscoHolding S.p.A., in its capacity as consolidating company, determines only one taxable base for the group of companies joining the national tax consolidation regime.

Each member company, including Ascopiave S.p.A., transfers its income tax (taxable income or tax loss) to the consolidating company; in particular, Ascopiave S.p.A. transfers a taxable income to the consolidating company, recognizing therefore in the income statement the item "tax consolidation charges" for an amount equal to the current IRES rate for the financial year, that will be paid by the parent company AscoHolding S.p.A..

Deferred taxes are calculated using the so-called *liability method* on the temporary differences resulting from the date of the statements between the tax values taken as reference for the assets and liabilities and the values reported on the statements. Deferred tax liabilities are reported against all taxable temporary differences, except for:

- when deferred payable taxes derive from the initial reporting of goodwill or an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- with reference to temporary taxable differences associated with holdings in subsidiaries, associated companies and joint ventures, should the reversal of the temporary differences be able to be controlled, and it is probable that this does not take place in a foreseeable future;

Advance taxes are reported against all deductible temporary differences and for tax assets and liabilities brought forward, in the amount in which the existence of suitable future tax income is probable that can make the use of the deductible temporary differences and tax assets and liabilities brought forward applicable, except when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes.

INFORMATION ON MANAGEMENT AND COORDINATION ACTIVITIES

Ascopiave S.p.A. is not subject to management and coordination activities on the part of AscoHolding S.p.A. since it operates in conditions of corporate and entrepreneurial autonomy with respect to its parent company. Ascopiave S.p.A. avails itself of some services offered by AscoHolding S.p.A. and other subsidiary companies, under market conditions, for organization and economic reasons.

EXPLANATORY NOTES AND COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

Non-current assets

1. Goodwill

Goodwill, equal to Euro 20,433 thousand at the end of the reference period, refers in part to the surplus value created by the contribution of the gas distribution networks by the local authorities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some branches of the company related to the distribution of natural gas.

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

In order to determine the recoverable value, goodwill was allocated to the natural gas distribution CGU. 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 2014-2016, approved with resolution of the Board of Directors on 27th February 2014.

The current legislation establishes that the natural gas distribution service is provided by means of tender procedures in the territorial areas within pre-established time limits.

The tenders for the award of the service in the territorial areas where the Company currently holds the municipal concessions – if the deadlines illustrated in the so-called Criteria Decree (Ministry for Economic Development Decree 226/2011) are respected – will mainly take place during the two-year period 2015-2016. As concerns in particular the tenders which will be launched before 31st December 2016, the duration of the tender procedure may reasonably be regarded as sufficiently extended and suitable to entail the award and the delivery of the plants to the successful tenderer after that date. The Economic and Financial Plan - and consequently also the assessment methods adopted to determine the use value of the distribution CGU - is based on the reasonable assumption that the Company, during the three-year period 2014-2016, will maintain the management of the current portfolio of concessions.

With reference to the activity of gas distribution, it was hypothesised that in the three-year period 2014-2016 the management would generate financial flows in line with those envisaged in the Economic and Financial Plan 2014-2016 while, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the gas distribution CGU by hypothesising two alternative scenarios:

- 1) the Company ends the activity of gas distribution in 2016, realising the return value of the plants as per Art. 15 of Legislative Decree no. 164/2000;

- 2) the Company obtains in 2016 the renewal of all the concessions and credits in effect on 31st December 2013.

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 1.7% (2012:2.0%), takes into account Italy's inflation for the five year period 2016-2020 elaborated by National Statistic Authorities, Thomson Datastream e International Monetary Found.

The cost of capital (WACC) of the gas distribution CGU was calculated assuming:

- the sector-average coefficient β (beta levered) as indicated by the AEEG with Deliberation no. 573/2013/R/GAS dated 12th December 2013;
- 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 with Deliberation no. 573/2013/R/GAS dated 12th December 2013;
- the market risk equal to 5% as the previous year;
- the Risk-Free Rate adopted - equal to net yields on 10-year government bonds recorded as peak value as of 31st December 2013.

On the basis of these elements, the average weighted cost of the post-tax capital will be equal to 6.05% in 2014-2016 (2012: 6.32%). These rates have been used for updating cash flows in the period provided for by the Plan 2014-2016.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 6.68% and was calculated on the basis of the above parameters and providing for an *additional risk premium* for the calculation of the cost of equity (Ke) of 1.0%, to take into account the uncertainty on the possible renewal of the concessions and their conditions of renewal (2012:7.06%).

On the basis of these elements, for both scenario 1) and 2), 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 each period considered are shown in the following table:

	31.12.2013			31.12.2012		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
(Thousands of Euro)						
Industrial patent and intellectual property rights	3,991	(3,341)	650	3,991	(3,190)	802
Concessions, licences, trademarks and similar rights	9,887	(2,567)	7,319	5,637	(1,883)	3,754
Other intangible assets	1,241	(656)	585	1,522	(601)	922
Intangible assets under IFRIC 12 concessions	424,795	(181,518)	243,277	422,000	(174,595)	247,406
Intangible assets in progress under IFRIC 12 concessions	6,648	0	6,648	6,323	0	6,323
Intangible assets in progress and advance payments	0	0	0	0	0	0
Other intangible assets	446,561	(188,082)	258,479	439,473	(180,268)	259,205

The following table marks the variations in the intangible fixed assets during the financial year 2013:

	31.12.2012				31.12.2013	
(Thousands of Euro)	Net value	Change for the year	Decrease	Amortizations during the year	Decrease in accumulated depreciation	Net value
Industrial patent and intellectual property rights	802	0	0	152	0	650
Concessions, licences, trademarks and similar rights	3,754	4,250	0	684	0	7,319
Other intangible assets	922	0	282	55	0	585
Intangible assets under IFRIC 12 concessions	247,406	10,597	7,802	10,814	3,891	243,277
Intangible assets in progress under IFRIC 12 concessions	6,323	0	116	0		6,648
Other intangible assets	259,205	15,288	8,200	11,705	3,891	258,479

The investments made during the financial year 2013 are equal to Euro 15,288 thousand and are mainly related to costs for the construction of infrastructures for natural gas distribution.

Industrial patents and intellectual property rights

During, no relevant investments were allocated to "Industrial patents and intellectual property rights". The item variation is due to the amortization instalments for the year, amounting to Euro 152 thousand.

Concessions, licences, trademarks and similar rights

They represent the costs for the acquisition of licences and servitude rights connected to the natural gas distribution network. During the financial year 2013 the item increased of Euro 4,250 thousand, due to the assignation of the natural gas distribution concession for the municipality of Tezze sul Brenta, a municipality where Ascopiave S.p.A. was already sole distributor.

Other intangible fixed assets

During the financial year 2013, the item "Other intangible fixed assets" recorded a decrease of Euro 337 thousand, from Euro 922 thousand of the previous year to Euro 585 thousand of 2013.

The decrease is mainly explained by the reclassification, equalling Euro 282 thousand, of the energy efficiency securities acquired in the previous fiscal year and not aiming to achieve the target fixed by the AEEG for the year 2012. It is specified that these securities have been subsequently sold to jointly controlled subsidiary company Unigas Distribuzione Gas S.r.l. during the year.

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 financial year, the item shows a net book value of Euro 243,277 thousand. The investments made for the construction of infrastructure suitable for the distribution of natural gas, including the reclassification of assets in progress, amount to Euro 10,597 thousand and mainly relate to the implementation of the distribution network of natural gas for Euro 3,165 thousand, and to the creation of connections for Euro 3,408 thousand. Investments for the installations of gas meters amount to Euro 1,562 thousand. It should be noted that the activity of implementing the network of natural gas has involved the installation of 41,998 meters of pipelines.

During 2013 the Company won the bid for the license of natural gas distribution in the Municipality of Tezze sul Brenta, near Vicenza. The company, which appeared as the owner of the distribution system up to the termination of the

tender, divested the systems to the Local Authority in charge of the license, and resumed their concession for natural gas distribution. This transfer has caused the divestment of intangible assets for a net book value equalling Euro 3,573 thousand, thus determining the registration of a capital gain equalling Euro 593 thousand. The amount paid by the Local Authority and paid for the purchase of the license by the parent company amount to Euro 4,250 thousand.

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 financial year. The item involved investments amounting to Euro 441 thousand.

3. Tangible fixed assets

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

(Thousands of Euro)	31.12.2013			31.12.2012			Net value
	Historic cost	Accumulated depreciation	Allowance for doubtful assets	Historic cost	Accumulated depreciation	Net value	
Lands and buildings	35,777	(6,438)		29,339	32,841	(5,400)	27,440
Plant and machinery	4,558	(1,333)		3,225	2,868	(1,057)	1,811
Industrial and commercial equipment	2,603	(1,984)		619	2,594	(1,769)	824
Other tangible assets	12,429	(9,295)		3,134	11,516	8,449	3,067
Tangible assets in progress and advance payments	331		(140)	191	4,444		4,444
Other tangible assets	55,698	(19,050)	(140)	36,508	54,262	(16,675)	37,588

The following table marks the variations in the tangible fixed assets item during FY 2013.

(Thousands of Euro)	31.12.2012					31.12.2013	
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciation	Decrease in accumulated depreciation	Net value
Lands and buildings	27,440	2,936		1,037			29,339
Plant and machinery	1,811	1,690		276			3,225
Industrial and commercial equipment	824	10		215			619
Other tangible assets	3,067	913		846			3,134
Tangible assets in progress and advance payme	4,444	(3,970)	144	0	140		191
Other tangible assets	37,588	1,579	144	2,375	140	0	36,508

Land and buildings

This item is mainly made up of the buildings owned in relation to company headquarters, offices and warehouses as well as masonry works for the natural gas decompression chambers. During the year, no significant investments were made and the item variation is due to current assets under construction for the completion of works on company offices for Euro 2,682 thousand in total.

Plants and machinery

The item "Plants and machinery" increased from Euro 1,811 thousand in the previous fiscal year, to Euro 3,225 thousand as of 31st December 2013 showing an increase of Euro 1,414 thousand. The variation, equal to Euro 1,690 thousand, is mainly explained by reclassification from assets in progress under investment incurred for the construction of co-generation plants, located in the province of Venice made following the commissioning of the same.

Industrial and commercial equipment

In the period considered, the item "Industrial and commercial equipment" registered investments equal to Euro 10

thousand. The item 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 nine months of the year increased the voice “Other assets”, for Euro 913 thousand, and they mainly relate to the costs incurred into for the purchase of hardware for Euro 543 thousand and for the purchase of office furniture for Euro 140 thousand.

Tangible assets in progress and advance payments

This item includes costs for extraordinary maintenance of corporate offices and construction of co-generation plants. The depreciation at the end of the year, amounting to Euro 140 thousand, is related to the construction works of a co-generation plant near Venice.

4. Shareholdings

The following table shows the changes in the shareholdings interest in other companies by Ascopiave S.p.A. as of 31st December 2013:

Name	Location	Share capital	Total net equity	Result for the year	%	Book value
Controlled companies						
Ascotrade S.p.A.	Pieve di Soligo (TV)	1,000,000	32,761,322	18,716,956	89.00%	4,809,636
ASM DG S.r.l.	Rovigo (RO)	7,000,000	11,766,255	984,498	100.00%	14,964,474
Edigas Due S.p.A.	Cernusco sul Naviglio (MI)	120,000	2,760,513	1,142,315	100.00%	13,014,349
Edigas Esercizio Distribuzione Gas S.p.A.	Cernusco sul Naviglio (MI)	1,000,000	8,818,499	1,216,612	100.00%	23,317,602
Pasubio Servizi S.r.l.	Schio (VI)	250,000	5,696,688	2,816,284	100.00%	23,053,908
Blue Meta S.p.A.	Orio al Serio (BG)	606,123	6,442,169	3,218,728	100.00%	22,308,195
Etra Energia S.r.l.	Cittadella (PD)	100,000	178,421	13,322	51.00%	357,000
Ascoblu S.r.l.	Pieve di Soligo (TV)	10,000	1,314,613	1,231,093	100.00%	11,409,700
Total shareholdings in controlled companies						113,234,864

Name	Location	Share capital	Total net equity	Result for the year	%	Book value
Jointly controlled companies						
Estenergy S.p.A.	Trieste (TS)	1,718,096	21,150,300	9,526,242	49.00%	39,838,121
ASM SET S.r.l.	Rovigo (RO)	200,000	2,069,866	1,210,192	49.00%	3,333,229
Veritas Energia S.r.l.	Venezia (VE)	1,000,000	3,942,460	2,230,169	51.00%	1,713,503
Unigas Distribuzione S.r.l.	Nembro (BG)	3,700,000	40,179,957	1,519,162	48.86%	20,652,416
Total shareholdings in jointly controlled companies						65,537,269

Name	Location	Share capital	Total net equity	Result for the year	%	Book value
Affiliated companies						
Sinergie Italiane S.r.l. - in liquidazione	Milano (MI)	1,000,000	24,878,506	7,672,349	30.94%	309,400

Name	Location	Share capital	Total net equity	Result for the year	%	Book value
Shareholdings in other companies						
B. Cred. Coop. Prealpi						528

It is to be pointed out that the net equity and results for the period of the controlled or jointly controlled companies reported in the tables above refer to financial statements for the periods ended 31st December 2013 and approved by the Boards of Directors of the associated companies.

The following table summarizes the changes in shareholdings in the reference period:

	31.12.2012		31.12.2013
	Net value	Decrease	Net value
<i>(Thousands of Euro)</i>			
Shareholdings in controlled companies	115,313	(2,078)	113,235
Shareholdings in jointly controlled companies	65,537		65,537
Shareholdings in associated companies	309		309
Shareholdings in other companies	1		1
Total shareholdings	181,160	(2,078)	179,082

The item “shareholding interests in subsidiaries” mark a negative variation of Euro 2,078 thousand, due to the cancellation from the Company Registry of Ascoenergy S.r.l. and Consorzio RE by voluntary liquidation.

Comparing the entering value of shareholding interests in subsidiary and joint-control companies and the interest property of the Company, in some cases the statement value exceed the total Shareholders’ Equity of the subsidiary as of 31st December 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 2014-2016 of the single controlled companies, approved by the BoD on 27th February 2014. Following the results of the impairment tests on the single shareholdings, no depreciation was recognized. The main criteria adopted in evaluating impairment, both in terms of growth rates for other periods than those illustrated on the plans and in terms of discount rate, are consistent with those considered in the impairment tests of the goodwill allocated to the CGU in the consolidated financial statements.

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:

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Deposits and guarantees	440	384
Other receivables	4,426	6,896
Other non-current assets	4,866	7,280

The item “Other non current assets” decrease from Euro 7,280 thousand of 2012 to Euro 4,866 thousand of 2013, a Euro 2,414 decrease, mainly due to the decrease of the item “Other receivables” for Euro 2,470 thousand.

This variation is due for Euro 1,480 thousand to the reclassification of the receivable from Anita S.r.l. due to the non-existence of assets of company Blue Meta S.p.A. upon its purchase.

This receivable has been reclassified under “Current financial assets” and depreciated for Euro 230 thousand due to the settlement reached with the other party, Anita S.r.l. An additional variation is due to the reclassification of the receivable from the Municipality of San Vito di Leguzzano, for Euro 990 thousand, by virtue of the settlement with the Municipality. This settlement defines the values industrial value of the natural gas distribution system to Euro 1,500 thousand, creating a capital gain of Euro 510 thousand; additionally, it breaks down the receivable into 4 instalments

throughout year 2013 to 2016. Consequently, the receivable has been reclassified under “Non-current financial assets” for Euro 561 thousand and under “Current financial assets” for Euro 1,189 thousand.

The item "Other receivables" is mainly 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 corresponds to the amount that the Municipality of Creazzo asked to be returned, pursuant 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 special 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 Costabissara, for Euro 1,537 thousand. This amount corresponds to the net book value of the distribution systems delivered on 1st October 2011 to the Municipality; the delivery of infrastructures happened at the natural expiry date of the concession. 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.

As of 31st December 2013 there is an ongoing litigation with the municipalities mentioned in order to define the value of compensation of distribution systems delivered.

6. Non-current financial assets

The following table shows how the items of “Non-current financial assets” are broken down at the end of each period considered

	31.12.2013	31.12.2012
(Thousands of Euro)		
Other financial receivables more than 12 months	561	0
Non-current financial assets	561	0

As previously stated, non-current financial assets at the end of the accounted period relate to the receivables from the Municipality of San Vito Leguzzano. The amount relates to the total instalments that shall be paid by the Municipality in 2015 and 2016.

7. Deferred tax assets

Deferred tax assets increase from Euro 9,887 thousand to Euro 10,539 thousand, making an increase of Euro 652 thousand as reported in the following table:

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Deferred tax assets	10,539	9,887
Deferred tax assets	10,539	9,887

The Company has been performing a full accounting of advance taxes concerning temporary differences between tax-imposition and balance sheet value, as the Group supposes that future tax-imposition could take up all differences that generated them. In determining the deferred tax assets we referred to IRES (taxes on the companies income) and, where applicable, to the current IRAP at the moment in which the temporary differences are supposed to be deposited again. In particular, a 27.5% IRES tax rate, subject to an additional tax equal to 10.5% in order to take into account the so-called "Robin Hood Tax", and a 4.2% IRAP tax rate were applied in accordance with the changes introduced by Law 111 dated 15th July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6th July 2011.

The following table shows advance taxes on the basis of the temporary differences which generated them:

<i>(Thousands of Euro)</i>	31.12.2013			31.12.2012		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	820	34.0%	279	612	34.0%	208
Allocation of inventory write-down	413	38.2%	158	413	38.2%	158
IRES exceeding amortizations	11,781	34.0%	4,005	9,265	34.0%	3,150
Exceeding amortizations before 2007 after 2013	14,048	38.2%	5,366	14,093	38.2%	5,384
Other	383	38.2%	146	385	38.2%	147
Phantom stock option	57	34.0%	19	57	34.0%	19
Devaluation of assets 2012	0	38.2%	0	1,589	38.2%	607
Devaluation of assets	140	34.0%	48	0	0.0%	0
Exceeding amortizations before 2007 by 2013	0	42.2%	0	506	42.2%	213
Canons concessional deductible in future years	1,520	34.0%	517	0	0.0%	0
Total advance taxes			10,539			9,886

Current assets

8. Inventories

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

<i>(Thousands of Euro)</i>	31.12.2013			31.12.2012		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Fuels and warehouse materials	1,992	(413)	1,579	2,852	(413)	2,439
Total inventories	1,992	(413)	1,579	2,852	(413)	2,439

The warehouse materials are used for maintenance works or to realise distribution plants. Inventories 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

The item marks a decrease of Euro 860, from Euro 2,439 thousand of the previous year to Euro 1,579 thousand of 2013.

9. Trade receivables

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

(Thousands of Euro)	31.12.2013	31.12.2012
Trade receivables	13,118	9,730
Trade receivables for invoices to be issued	13,114	12,399
Bad debt provision	(590)	(613)
Trade receivables	25,642	21,517

Trade receivables are entered net of the advance payments in bills and net of provision for doubtful accounts accrued as of the closing date of the financial year. These receivables are due within the following financial year, and mainly relate to natural gas transportation service on the distribution network.

The item "Trade receivables" increases from Euro 21,517 thousand as of 31st December 2012 to Euro 25,642 thousand of the current financial year (+Euro 4,125 thousand). The increased is mainly due, for Euro 1,500 thousand, to the reclassification of received advances for the construction of co-generation plants, previously accounted under current and non-current liabilities according to their expiry date, following their full completion.

The item "Trade receivables for invoices to be issued" marks a Euro 863 thousand increase from the previous year, mainly due to the increased number of invoices yet to be issued for the vectoring following the increase in tariffs.

The item "Trade receivables for invoices to be issued" marks an increase of Euro 863 thousand from the previous year due the increase in invoices to be issued for the gas distribution service provided to sales companies which operate on the territory where the distribution network of the Company rests for a total amount of Euro 10,721 thousand and for invoices of service agreements with subsidiary companies for Euro 1,726 thousand.

All receivables from clients are entirely made up of Italian debtors.

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

(Thousands of Euro)	31.12.2013
Initial bad debt provision	613
Utilization	(22)
Final bad debt provision	590

As of the end of 2013 the item marked a decrease of Euro 22 thousand due to its use during the year. Trade receivables will be due within the following year and no significant receivable amount has currently expired.

10. Other current assets

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

(Thousands of Euro)	31.12.2013	31.12.2012
Tax consolidation receivables	1,291	1,772
Annual pre-paid expenses	390	345
Advance payments to supplier	2,793	4,193
Receivables from Cassa Conguaglio Settore Elettrico	15,050	9,972
VAT Receivables	74	1,880
Receivables from Regional/Provincial Additional	157	158
Othe receivables	246	893
Other current assets	20,001	19,214

Other current assets increased from Euro 19,214 thousand of 2012 to Euro 20,001 thousand of 2013, marking an increase of Euro 787 thousand. The variation is mainly explained by the increase in receivables from the Electric Sector Compensation Fund for Euro 5,078 thousand, partially offset by a decrease in advance payments to suppliers for Euro 1,401 thousand and decrease in VAT advance payments for Euro 1,806 thousand.

The increase in receivables from the Electric Sector Compensation Fund are mainly due to the increase in the energetic saving targets set by the AEEG for 2013, as well as by the increased contribution to the achievement thereof, for Euro 596 thousand in total and by an increased equalization amount at the end of the year for Euro 1,943 thousand.

11. Current financial assets

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

(Thousands of Euro)	31.12.2013	31.12.2012
Controlled companies	12,761	31,689
Financial receivables from jointly controlled companies	14,228	12,555
Other current financial assets	1,943	
Current financial assets	28,932	44,244

Receivables for current financial assets during the year amounted to Euro 28,932 thousand, compared to Euro 44,244 thousand in the previous year, with a decrease of Euro 15,312 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 item "Other current financial assets", amounting to Euro 1,943 thousand, includes Euro 693 thousand for the receivable with the Municipality of San Vito Leguzzano, as explained in the paragraph "Other non-current assets". This receivable shall be repaid during 2014, according to the agreement with the Municipality. It is noted that the receivable has been divided in instalments. The first instalment, due within the reference period, has been regularly paid. Furthermore, the item includes the payable to Anita S.r.l. for Euro 1,250 thousand, as explained in the "Other non-current assets" paragraph.

Hereby the composition of financial assets from subsidiary and joint-control companies for the two years is highlighted.

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Controlled companies		
intercompany current account - Ascotrade S.p.A.	9,733	17,508
intercompany current account - Asm Distribuzione Gas S.r.l.	1,860	290
intercompany current account - Edigas Es. Distribuzione Gas S.p.A.	498	0
intercompany current account - Edigas Due S.p.A.	0	2621
intercompany current account - Ascoblu S.r.l.	395	0
intercompany current account - Blue Meta S.p.A.	275	11,270
intercompany current account - Estenergy S.p.A.	9,800	5,000
intercompany current account - Veritas Energia S.r.l.	2,902	7,000
intercompany current account - Asm Set S.r.l.	1526	555
Current financial assets	26,989	44,244

The item variation is mainly due to the decrease in funds allocated to subsidiary AscoEnergy S.r.l. for Euro 7,775 thousand and subsidiary Blue Meta S.p.A. for Euro 10,995 thousand.

The decrease in current financial assets described above, was partially offset by the increase in funds allocated to the distribution company ASM Distribuzione Gas S.r.l. (Euro 1,570 thousand) and ASM SET S.r.l. (Euro 971 thousand).

12. Tax receivables

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
IRAP receivables	0	161
IRES receivables	0	435
Other tax receivables	135	135
Tax receivables	135	731

Tax receivables decrease from 731 thousand in 2012 to Euro 135 thousand in 2013, marking a Euro 596 thousand decrease.

13. Cash and cash equivalents

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Bank and post office deposits	2,514	9,338
Cash and cash equivalents on hand	10	6
Liquid assets	2,524	9,344

The item "Cash and cash equivalents" is equal to Euro 2,524 thousand, a decrease of 6,820 thousand compared to year 2012. The figures reported refer to the balances of bank accounts and to the values of company funds.

Bank deposits bear interest based on the conditions agreed with the banks.

Net shareholders' equity

14. Net shareholders' equity

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

<i>(Thousands of Euro)</i>	31.12.2013	31.12.2012
Share capital and reserves	334,461	331,960
Net result of the Group	40,053	27,566
Total net shareholders equity	374,514	359,526

The composition of the net shareholders' equity is reported below:

<i>(Thousands of Euro)</i>	31.12.2013	31.12.2012
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,660)	(17,109)
Reserve and income carried forward	70,885	67,803
Reserve for severance pay discount ias 19	(58)	(28)
Net result of the period	40,053	27,566
Total net shareholders equity	374,514	359,526

Shareholders' Equity as of 31st December 2013 amounts to Euro 374,514 thousand, increased by Euro 14,988 from the previous year, mainly by virtue of the increased yearly revenue, Euro 40,053 thousand, partially offset by the distribution of dividends for Euro 0.11 for each share, amounting to Euro 24,484 thousand total, pursuant to Shareholders' Meeting Decision dated 23rd April 2013.

The share capital of Ascopiave S.p.A. as of 31st December 2013 consists of 234,411,575 shares of nominal value of Euro 1 each share.

During the year 2013, the purchase of own shares regarded a number of 399,766 thousand ordinary shares for a total value of Euro 511 thousand.

The changes in the net shareholders' equity in FY 2013 are reported in the following tables:

Shares in circulation as of 31 December 2013 and 31 December 2012

(Number of shares)	31.12.2013	31.12.2012
Number of shares from shareholders' capital	234,412	234,412
Number of shares in portfolio	(12,209)	(11,809)
Total number of shares in circulation	222,203	222,603

Value of the shares in circulation	31.12.2013	31.12.2012
Ordinary shares	234,412	234,412
Own shares in portfolio	(17,660)	(17,109)
Total value of shares in circulation	216,752	217,303

Revenues (losses) entered directly in the Shareholders' Equity

As of 31st December 2013, losses for Euro 58 thousand have been entered directly in the Shareholders' Equity, marking a decrease of Euro 30 thousand from 31st December 2012.

This reserve gathers accounting gains and losses deriving from the assessment of current benefit plans that shall never be reclassified under profit and loss account.

Pursuant to article 2427-bis of the Italian Civil Code, the prospects indicating the origin, possibility of use and distributability of the net equity items are reported below:

Description	Amount	Possibility of use	Portion available	Usage in the previous three financial period	
				For coverage of losses	For other reasons
Share capital	234,411,575	-	0		
CAPITAL RESERVES					
Share premium fund	50,171,613	A, B, C	50,171,613		
Own shares	17,659,719	-	0		
EARNINGS RESERVES					
Legal reserve	46,882,315	B	0		
Extraordinary reserve					
Free reserve					
Other reserve	20,655,073	A, B, C	20,655,073		
Total	100,049,282		70,826,686		
Portion non available					
Residual value of available portion			70,826,686		

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.

Non-current liabilities

15. Reserves for risks and charges

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

	31.12.2013	31.12.2012
(Thousands of Euro)		
Other reserves for risk and charges	0	(7)
Reserves for risk and charges	0	(7)

The changes in the inventory allowance for the reserves for risks and charges in the year considered are shown in the following table:

	31.12.2013
(Thousands of Euro)	
Reserves for risks and charges as of 1st January 2013	7
Use of provisions for risks and charges	(7)
Reserves for risks and charges as of 31st December 2013	(0)

The change is mainly explained by the allocation of Euro 7 thousand in the reserve, previously set aside, to cover possible losses suffered in relation to the concession of Lugo di Vicenza Municipality.

16. Severance indemnity

The changes in severance indemnity in the year considered are shown in the following table:

<i>(Thousands of Euro)</i>	
Severance indemnity as of 1st January 2013	1,108
Retirement allowance	(825)
Payments for current services and work	791
Previous actuarial losses/(profits) recorded	44
Actuarial loss/(profits) recorded	44
Severance indemnity as of 31st December 2013	1,162

The liability of the severance indemnity is calculated with the actuarial method. Its value is therefore subjected to variation between the various hypothesis. The main hypothesis used for the measurement of the severance indemnity are the discount rate, the average yearly employee turnover and maximum retiring age of employees.

The discount rate used to measure the liability deriving from severance indemnity is determined from market trend of fixed-rate, high quality bonds with due date and amount corresponding to due date and amounts of expected future payments. For this plan, the average discount rate reflecting the due dates and amounts of future payments for 2013 amounts to 3%.

The main hypotheses of the model are:

- mortality rate: survival table IPS55
- invalidity rate: INPS tables year 2000
- personnel rotation rate: 3.00%
- increase in remuneration rate: 3.00%
- inflation rate: 2.00%
- anticipation rate: 2.00%

The current cost for work, as well as financial costs, amounting to Euro 44 thousand, have been entered in the Profit and Loss account under “Personnel costs”.

17. Medium- and long-term loans

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

<i>(Thousands of Euro)</i>	31.12.2013	31.12.2012
Loans from Prealpi	898	0
Loans from European Investment Bank	41,500	0
Loans from Cassa DD.PP. With direct guarantee	327	512
Loans from Cassa DD.PP. With guarantee from municipalities	476	792
Loans from Unicredit S.p.A.	20,000	25,714
Medium/long-term loans	63,201	27,018

Medium- and long-term loans increase from Euro 27,018 thousand to Euro 63,201 thousand, an increase of Euro 36,183

thousand mainly to the issue of the first instalment of the European Investment Bank (EIB) loan, for Euro 41,500 thousand, which shall support investments for the improvement and enlargement of distribution networks in Veneto and Lombardy and by the new loan subscribed with the Prealpi bank for Euro 966 thousand, which was due during the accounted period.

The loan from the European Investment Bank (EIB) also includes the respect of certain financial parameters every year. This European Investment Bank (EIB) loan was composed of two instalments, Euro 35 and 10 million respectively, in August. It is noted that Euro 3.5 million thereof have been classified as short-term payables to banks.

The first loan, on which an interest rate equal to Euribor 6 months plus 95.5 point base spread, shall be repaid in 20 constant monthly payments, the first of which is due for 27th August 2014 and the last of which is due for 27th August 2023. The second loan, on which an interest rate equal to Euribor 6 months plus 71.5 point base spread, shall be repaid in 16 constant monthly payments, the first of which is due for 27th February 2018 and the last of which is due for 27th August 2025.

The loan from the European Investment Bank (EIB) also includes the respect of certain financial parameters in the consolidated financial statement every year.

In particular, the Agreement envisages that the Company, for the entire duration of the Loan, undertakes to respect the following parameters:

- EBITDA/ Net financial costs > 5;
- Net consolidated financial indebtedness/ EBITDA < 3,5

Said covenants shall be cross-checked upon year end and second quarter financial reports.

Medium- and long-term loans, in addition, include a loan taken out in 2011 with Unicredit S.p.A. in order to finance important corporate integration operations. The amount of the agreement is equal to Euro 40,000 thousand and its duration is of seven years. The biannual instalments will be paid starting from 31st December 2011 to 30th June 2018.

The interest rate is variable, and it involves a three-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the "spread" parameter. The value of the fixed margin is apt to increase on the basis of the value of the ratio between the consolidated net financial position and the consolidated gross operative margin at the end of each financial year. The variation in the fixed margin on the basis of the index described above is reported in the following table:

Value of N.F.P./G.O.M. ratio	Spread value
Index>2.5	125 basis point
2<Index<2.5	90 basis point
Index<2	75 basis point

Along with the terms and conditions provided for to calculate the interest rate to be applied to the financed capital, the continuation of the loan agreement is subject to the following financial and operating terms and conditions:

- a) the value of the index described above cannot be higher than 2.75;
- b) R.A.B. 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%.

The residual debt is due to Cassa Depositi e Prestiti for Euro 803 thousand, 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 2014 and 2016, and fixed interest rates between 6% and 7.50%.

The table below shows the deadlines of the medium- and long-term loans for each financial year considered:

	31.12.2013
<i>(Thousands of Euro)</i>	
Financial year 2014	9,784
Financial year 2015	9,745
Financial year 2016	9,628
Financial year 2017	9,287
Financial year 2018	7,681
After 31st December 2018	26,860
Total medium and long-term loans	72,985

18. Other non-current liabilities

The following table shows the details of other non-current liabilities at the end of each period considered:

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Security deposits	147	148
Multiannual deferred income	1,466	176
Other non-current liabilities	1,613	324

The other non-current liabilities increase from Euro 324 thousand of the previous year, to Euro 1,613 thousand of 2013, an increase equal to Euro 1,289 thousand. This variation is mainly due to the reclassification of Euro 1,500 thousand described under "Trade receivables" of this document and accounted under "Long-term deferrals". This item relates to the amount of received contributions for the construction of co-generation plants, which will reveal their economic effect in the following financial years.

19. Non-current financial liabilities

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

	31.12.2013	31.12.2012
<i>(Thousands of Euro)</i>		
Financial liabilities with leasing companies after 12 months	552	613
Non-current financial liabilities	552	613

Non-current financial liabilities equalled to Euro 613 thousand at the end of the previous year and decrease by Euro 61 thousand as of 31st December 2013, for a Euro 552 thousand total. They mainly related to payables due for a leasing contract concerning the cogeneration plant in Mirano (Venice), which amortization plan shall expire in 2022.

(Thousands of Euro)	31.12.2013
Financial year 2015	64
Financial year 2016	67
Financial year 2017	70
Financial year 2018	74
Financial year 2019	78
Financial year 2020	82
Financial year 2021	86
Financial year 2022	32
Non-current financial liabilities	552

20. *Deferred tax payables*

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

(Thousands of Euro)	31.12.2013	31.12.2012
Deferred tax liabilities	18,380	18,546
Deferred tax liabilities	18,380	18,546

Deferred taxes mark a variation from Euro 18,674 thousand, to Euro 18,380 thousand, an increase of Euro 166 thousand.

Deferred taxes are detailed below based on the temporary differences which generated them:

(Thousands of Euro)	31.12.2013			31.12.2012		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
IRES exceeding amortizations after 2013	34,005	34.0%	11,562	31,927	34.0%	10,855
Severance indemnity	66	34.0%	22	110	34.0%	37
Goodwill deductibility for tax purposes within 2013	17,637	38.2%	6,737	16,110	38.2%	6,154
IRES exceeding amortizations within 2013	0	38.0%	0	2,889	38.0%	1,098
Gain on sale of building and gas distribution network after 2013	173	34.0%	59	173	34.0%	59
Gain on sale of building and gas distribution network within 2013	0	38.0%	0	86	38.0%	33
IRAP exceeding amortizations	0	4.2%	0	7,396	4.2%	311
Total deferred tax payables			18,380			18,546

Current liabilities

21. *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:

(Thousands of Euro)	31.12.2013	31.12.2012
Payables due to banks	79,587	158,040
Current portion of medium/long-term loans	9,784	6,283
Loans and payables due to banks	89,371	164,323

At the end of FY 2013, bank payables are broken down into negative bank account balances for Euro 79,587 thousand and short-term loan instalments for Euro 9,784 thousand. The overall decrease, amounting to Euro 74,952 thousand is therefore due to the decrease exposure towards banks.

It is noted, however, that the increase in the current share of medium-long term loans, amounting to Euro 3,500

thousand, is due to the short term share of the European Investment Bank loan of Euro 45 million total, as described in the paragraph "Medium-long term loans" herein.

The following table shows the allocation of Ascopiave S.p.A. credit lines used and available and relative rates applied as of 31st December 2013.

Credit institution	Type of credit line	Max credit	Rate as of 31/12/2013	Use as of 31/12/2013
Banca Montepaschi	Bank credit for overdraft	5,000	-	-
Banca Montepaschi	Trust for roofing on commodities	2,000	-	-
Banca Intesa	Bank credit for overdraft	40,000	1.17%	9,989
Banca Nazionale del Lavoro	Bank credit for overdraft	50,000	1.98%	8,829
Banco di Brescia	Bank credit for overdraft	30,000	1.63%	10,016
Cassa di Risparmio del Veneto	Bank credit for overdraft	13,000	1.17%	13,021
Credito Emiliano	Bank credit for overdraft	20,000	1.61%	15,000
Banca Friuladria	Bank credit for cash flexibility	10,000	1.63%	1,697
Banca Popolare di Verona	Credit line for financing/guarantees Italian and foreign	20,000	-	-
Banca Popolare di Vicenza	Various funding B/T	52,000	-	-
Banca di Credito Cooperativo delle Prealpi	Bank credit	5,000	-	-
Banca Sella	Bank credit	5,000	1.83%	4,988
Unicredit Banca	Trust promiscuous class 1	48,700	-	-
Cassamarca S.p.A.				8,000
Banca Popolare di Verona				8,000
Total		300,700		79,541

22. Trade payables

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

(Thousands of Euro)	31.12.2013	31.12.2012
Payables to supplier	6,217	7,760
Payables to supplier for invoices not yet received	15,008	10,290
Trade payables	21,224	18,050

The item "Trade payables" increases from Euro 18,050 thousand of 2012 to Euro 21,224 thousand of the current financial year (+Euro 3,174thousand). The item includes payables for invoices received for Euro 6,217 thousand, and for invoices to be received for Euro 15,008 thousand. The item mainly refers to payables due to suppliers for construction works of the natural gas distribution infrastructures as well as to invoices issued for the purchase of energetic efficiency securities for the attainment of 2013 goal.

Trade receivables are due within the following year.

23. Payables to tax authorities

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

(Thousands of Euro)	31.12.2012	31.12.2012
IRAP payables	46	0
IRES payables	210	0
Other tax payables	0	69
Tax payables	255	69

24. Other current liabilities

The following table shows how the items of “Other current liabilities” broken down for each period considered:

(Thousands of Euro)	31.12.2013	31.12.2012
Advance payments from customers	826	803
Tax consolidation payables	435	2
Payables for social security institutions	757	754
Amounts due to employees	2,619	2,366
VAT payables	873	3
Payables to revenue office for withholding tax	538	737
Annual passive prepayments	613	659
Annual passive accrual	734	986
Other payables	7,752	4,976
Other current liabilities	15,207	11,344

At the end of the year, other current liabilities amounted to Euro 15,207 thousand, compared to Euro 11,344 thousand in the previous year, with an increase of Euro 3,863 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 803 thousand of 2012 to Euro 826 thousand of the current financial year (+ Euro 23 thousand).

Amounts due to social security bodies

Amounts due to social security bodies include payables for the social security charges for November and December that will be paid in the first quarter of FY 2014.

Amounts due to employees

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31st December 2013 but not paid out on that date.

Benefits based on financial instruments

The company acknowledges additional benefits to the President of Ascopiave S.p.A., to the President and the vice president of Ascotrade S.p.A. and to some employees holding important positions, through payment plans based on financial instruments (so-called “phantom stock option plan” and “long term 2012 – 2014 incentive plan”).

In particular, the plans adopted by the Group include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the reaching of pre-set objectives, and the financial regulation of which is based on the trend of the share title.

Accruals and deferrals

Accruals and deferrals mainly refer to real estate fees accrued in FY 2013 but not yet paid to the local authorities. The item registers a decrease of Euro 298 thousand as compared to 31st December the previous financial year.

Other payables

At the end of FY 2013, the item "Other payables" amounts to Euro 7,752 thousand, recording an increase as compared to the previous financial year equal to Euro 2,776 thousand. The variation is mainly explained by the increase in payables towards the Electric Sector Compensation Fund concerning the tariff components charged to the sales companies operating on the territory where the natural gas distribution network of the Company rests and which are paid to the Fund itself every two months as established by the Authority for Electricity and Gas with resolution ARG/gas 159/08.

25. Current financial liabilities

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

<i>(Thousands of Euro)</i>	31.12.2013	31.12.2012
Financial payables within 12 months	3,739	12,113
Payables to leasing companies within 12 months	61	(0)
Current financial liabilities	3,800	12,113

Current financial liabilities amount to Euro 3,800 thousand, a decrease of Euro 8,313 thousand with respect to the previous year. The item includes negative payables of intercompany bank accounts through which the Company manages the Group treasury.

<i>(Thousands of Euro)</i>	31.12.2013	31.12.2012
<i>Controlled companies</i>		
Intercompany current account - Etra Energia S.r.l.	156	406
Intercompany current account - Ascoenergy S.r.l.	0	6,365
Intercompany current account - Edigas Es. Distribuzione Gas S.p.A.	0	362
Intercompany current account - Pasubio Servizi S.r.l.	2,706	2,976
Intercompany current account - Edigas Due S.p.A.	878	0
Intercompany current account - Ascoblu S.r.l.	0	2,005
Current financial assets	3,739	12,113

The variation is mainly explained by the decrease in financial debts towards Ascoenergy s.r.l. for Euro 6,365 thousand and towards Ascoblu S.r.l. for Euro 2,005 thousand. The variation is partially offset by the entering of financial payables to Edigas Due S.p.A. amounting to 878 thousand.

Net financial position

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

(Thousands of Euro)	31.12.2013	31.12.2012
Cash and cash equivalents	2,524	9,344
Current financial assets	28,932	44,244
Current financial liabilities	(3,739)	(12,113)
Payables to banks and financing institution	(89,371)	(164,323)
Payables to leasing institution within 12 months	(61)	
Net short-term financial position	(61,716)	(122,847)
Non-current financial assets	561	
Medium and long-term loans	(63,201)	(27,018)
Non-current financial liabilities	(552)	(613)
Net medium and long-term financial position	(63,192)	(27,631)
Net financial position	(124,908)	(150,479)

Net financial indebtedness of Ascopiave S.p.A. records a decrease of Euro 53,202 thousand compared to the previous year, amounting to 124,908 thousand.

It is to be pointed out that no covenants or negative pledges are provided for in the short-term bank loans, while with regard to the loan granted by Unicreditbanca S.p.A. covenants are provided for as established in paragraph 16 "Medium- and long-term loans" – to be verified based on the results of the consolidated financial statements.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS*Revenues**26. Revenues*

The following table shows the revenues in the periods considered:

(Thousands of Euro)	FY 2013	FY 2012
Revenues from gas transport	56,496	55,897
Revenues from connections	3,004	4,008
Revenues from heat supply	32	67
Revenues from distribution	3,702	4,189
Revenues from billing and tax services	628	529
Revenues from general services supplied to Groups' companies	5,733	4,523
Revenues from AEEG contributions	6,328	5,751
Other revenues	1,884	3,443
Total revenues	77,807	78,406

At the end of the period, the item amounted to Euro 77,807 thousand, with a decrease of Euro 599 thousand compared to the previous year. The decrease is mainly explained by the lower revenues new connection services for Euro 1,004 and decreased revenues from gas distribution services for Euro 487 thousand. The decrease is partially offset by the increase in natural gas transportation for Euro 600 thousand, increased revenue from AEEG contributions for Euro 577 thousand as well as increased revenues from services to other group companies for Euro 1,210 in total.

Natural gas transportation on the distribution network generated revenues for Euro 54,496 thousand, increasing by Euro 600 thousand from the previous year. During the FY 2013, gas distribution activities involved 719.1 million cubic meters of gas, compared to 765.5 million of the previous year, marking a decrease of 46.3 million. It is noted that the item "Gas transportation" includes an equalisation amount equal of Euro 5,376 thousand.

At year end revenue from connection services mark a decrease of Euro 1,004 thousand form 2012, for a total amount of Euro 3,004. This decrease is due to the lower number of connection to the natural gas distribution network, due to the continuation of the crisis of the real estate sector in the areas of Northern Italy, in which the company has its own natural gas distribution network.

Revenues from services of distributors decrease from Euro 4,189 thousand of 2012 to Euro 3,702 thousand of 2013, marking a decrease of Euro 487 thousand. The item includes the revenues from the activities performed on counting meters of the end customers on behalf of the sale companies.

At the end of the financial year, revenue from general services to company subsidiaries increased by Euro 1,210 thousand, going from Euro 4,523 thousand of the previous year to Euro 5,733 thousand of FY 2013.

At the end of 2013, the item "revenues from AEEG contributions" registers an increase equal to Euro 577 thousand, for total Euro 6,328 thousand.

These contributions are allocated for the attainment of the objectives set by the Authority in matters pertaining energy saving; they are published through a Deliberation, which also specifies the specific requirements of primary energy saving by main distributors. The increase recorded is mainly explained by the upgrading of the specific target set by the Authority for Electricity and Gas and by the increase in the contribution recognized for each energy efficiency certificate. The contribution for FY 2013 has been set and published through the Deliberation 13/2014/R/EFR dated

23rd January 2014.

The item "Other revenues" decreases from Euro 3,443 thousand of 2012 to Euro 1,884 thousand of the current financial year (- Euro 1,559 thousand). The decrease is mainly explained by the almost complete stop of all construction and sale activity in the field of photovoltaic panels, which caused a decrease in revenue of Euro 1,201 thousand. The interruption of this activity, as it was expected, also caused a decrease in costs for the purchase of raw materials and services, for a total amount equalling the decreased revenues.

Operational costs

27. Cost of raw materials

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

<i>(Thousands of Euro)</i>	FY 2013	FY 2012
Gas purchases	0	35
Diesel fuel and LPG purchases	13	88
Purchase of other material	1,374	2,391
Costs for purchase of other raw material	1,388	2,514

The costs for the purchase of other raw materials decrease from Euro 2,514 thousand in 2012 to Euro 1,388 thousand in 2013 recording a decrease of Euro 1,126 thousand. The decrease is mainly explained by the decreased costs for the purchase of materials for the production of solar panels for re-sale for Euro 795 thousand as explained in the "Revenues" paragraph herein.

The item mainly includes costs for the purchase of materials used for the construction of infrastructures for natural gas distribution, as well as costs for the purchase of natural gas and electric power required for the functioning of the co-generation plants.

28. Costs for services

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

<i>(Thousands of Euro)</i>	FY 2013	FY 2012
Costs for counting metres reading	792	808
Costs for mailing bills	1,224	982
Maintenance and repairs	3,125	3,531
Consulting services	2,647	3,176
Commercial services and advertisement	53	55
Sundry supplies	1,618	1,879
Directors' and Statutory Auditors' fees	593	574
Insurances	549	348
Personnel costs	545	605
Other managing expenses	1,377	783
Costs for use o third-party assets	10,069	12,550
Total costs for services	22,591	25,291

The costs for services amount to Euro 22,591 thousand at the end of the period considered, recording decrease as compared to the previous financial year equal to Euro 2,700 thousand. The decrease is mainly explained by lower costs for the use of third-party assets from Euro 12,550 of 2012 to Euro 10,069 thousand of the current financial year, a Euro 2,481 thousand decrease.

Costs for maintenance and repairs decrease from Euro 3,531 thousand of 2012 to Euro 3,125 thousand of 2013 mainly explained by the decrease in the costs incurred into for the maintenance of facilities for the distribution of natural gas.

Personnel costs include costs for the management of vehicles assigned to employees, expenses for the canteen service and costs for training and education, and record an increase of Euro 56 thousand compared to the previous year.

The item "Costs for services" includes costs for concession fees, which mark a decrease of Euro 2,481 thousand, mainly explained by the higher fees for concessions paid to Local Bodies due to economic compensation, suggested by Ascopiave S.p.A. in order to continue managing the service in the default of the completion of the re-award procedure, which envisages an annual consideration, starting from 2011, equal to an amount calculated on the basis of the formula illustrated in the Supplementary Deed of the Agreement submitted to the Local Bodies for examination and to be signed and recorded as an Administrative Public Deed. The procedures aimed at a fair and objective evaluation of the distribution plants as a preliminary initiative before awarding again the gas distribution public service was completed only in the fourth quarter of 2012 and for some of the Local Bodies involved it was completed in 2013.

29. Personnel costs

Personnel costs for the relevant periods are analysed in the following table:

(Thousands of Euro)	FY 2013	FY 2012
Wages and salaries	11,334	10,849
Social security contributions	3,722	3,473
Severance indemnity	791	741
Other costs	101	68
Total personnel costs	15,992	15,176
Capitalized personnel costs	(1,368)	(1,340)
Personnel costs	14,623	13,836

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 15,176 thousand of 2012 to Euro 15,992 thousand of the current financial year (+Euro 816 thousand). The variation is mainly explained by the increase in salaries paid during the year due to the renewal of the National Collective Labour Agreement. It is to be noted that the capitalization of personnel costs increased from Euro 1,340 thousand of 2012, to Euro 1,368 thousand of 2014 (+ Euro 28 thousand), mainly due to a higher 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 2013 and 2012:

Type	31.12.2013	31.12.2012	Variation
Executives	14	15	0
Office workers	174	189	(15)
Manual workers	83	87	(4)
No. Of personnel employed	271	291	(20)

It is to be noted that some employees of the company hold phantom stock option plans, which during the accounted year accrued costs for Euro 402 thousand in total, while at the end of the previous year they had a negative balance of Euro 43 thousand.

30. Other management costs

Other operating costs for the relevant periods are analysed in the following table:

	FY 2013	FY 2012
(Thousands of Euro)		
Provision for risks on credits	230	0
Membership and AEEG fees	410	449
Capital losses	371	275
Extraordinary losses	499	480
Other taxes	634	625
Other costs	722	638
Costs for tenders	660	978
Energy efficiency certificates	7,933	6,356
Other operating costs	11,459	9,801

The item increases from Euro 9,801 thousand of 2012, to Euro 11,311 thousand of the current financial year (+ Euro 1,510 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 1,577 thousand, offset by the decrease in costs for calls for tenders equal to 461 thousand and by lower other taxes for Euro 280 thousand.

The increase in the purchase of energy efficiency certificates is connected to increase of the energy saving targets set for the current financial year by the AEEG, as well as by the increase in the average market price of related bonds. Regarding this, it is noted that the company, under obligation of achieving the goal, did not purchase the entirety of securities required to reach said objective. The Company reserves the right to purchase the remainder of the securities during the first five months of the following year

31. Other operating incomes

Other operating incomes for the relevant periods are analysed in the following table:

	FY 2013	FY 2012
(Thousands of Euro)		
Other income	1,139	65
Total other income	1,139	65

At the end of the reference period, the item "Other operating incomes" amounted to Euro 1,139 thousand, with an increase as compared to the previous financial year equal to Euro 1,074, due to the accounting of the capital gain of Euro 593 thousand deriving from sale of natural gas distribution plants in the Municipality of Tezze sul Brenta and by the capital gain deriving from the settlement with the Municipality of San Vito di Leguzzano, described in detail in the paragraph "Other non-current assets".

32. Amortizations and depreciations

Amortizations and depreciations for the relevant periods are analysed in the following table:

(Thousands of Euro)	FY 2013	FY 2012
Intangible fixed assets	11,705	11,559
Tangible fixed assets	2,375	2,189
Impairment losses and reversals assets	140	2,102
Amortizations and depreciations	14,220	15,850

At the end of the financial year, amortizations amount to Euro 14,220 thousand, with a decrease as compared to the previous year of Euro 1,630 thousand. The decrease in the item is mainly due to the depreciation of euro 1,589 thousand following the discontinuation of certain natural gas distribution networks in the Lombardy municipalities of Arosio, Carugo and Lentate sul Seveso.

The item "Depreciation and renovations" for the current financial year includes Euro 140 thousand for the depreciation of assets under construction related to a co-generation plant near Venice.

33. Net financial income and expenses

Financial income and expenses in the years considered are analysed in the following table:

(Thousands of Euro)	FY 2013	FY 2012
Interest income on bank and post office deposits	2	9
Other interest income	632	1,523
Distribution of dividends from controlled companies	35,661	25,963
Other financial income	1	1
Financial income	36,295	27,497
Interest expense on banks	1,627	3,124
Interest expense on mortgage loans	635	718
Other financial expense	313	262
Financial charges	2,574	4,104
Depreciation of shares	1,760	2,964
Depreciation of shares	1,760	2,964
Total net financial expenses/(revenues)	(31,961)	(20,429)

Financial income increases by Euro 11,532 thousand from the previous year, showing a positive balance of Euro 31,961 thousand. The increase is mainly due to increased dividends allocated during the year by subsidiary companies for Euro 9,698 thousand in total.

Net financial income and costs accrued with banks show a negative balance of Euro 2,260 thousand, a decrease of Euro 1,573 from the previous year. This decrease is mainly due to lower financial exposition during the year and lower interest rates applied on the Company lines of credit.

It is noted that the item "Share interest depreciation" includes the loss of value of the share interest of Ascoenergy S.r.l. and Consorzio RE, following their cancellation from the registry of companies due to voluntary liquidation.

34. Taxation for the year

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)	FY 2013	FY 2012
IRES current taxes	5,860	4,137
IRAP current taxes	1,532	1,411
(Advance)/Deferred taxes	(818)	(1,505)
Total taxes for the year	6,573	4,043

Taxation for the period decreases from Euro 4,043 thousand of 2012, to Euro 6,573 thousand of the period considered, marking an increase equal to Euro 2,531 thousand.

The following table highlights the impact of taxes on income:

(Thousands of Euro)	FY 2013	FY 2012
Income before tax	46,626	31,609
Income taxes for the year	6,573	4,043
Percentage of income before taxes	14.1%	12.8%

The actual tax rate decreased from 12.8% in 2012 to 14.0% of the period considered, recording a decrease of 1.2%.

(Thousands of Euro)	31/12/2013		31/12/2012	
Ordinary tax rate applicable	38.0%		38.0%	
Pre-tax results	46,626		31,564	
Onere fiscale teorico	17,718	38.0%	11,994	38.0%
Provision for impairment of investments		0.0%		0.0%
Taxes on dividends	(12,874)	(20.1%)	(9,382)	(29.7%)
Costs/(income) not taxable (vehicles, phones)	1,239	2.7%	1,508	4.8%
Non-deductible costs		0.0%		0.0%
Advance/Deferred taxes	(818)	(1.8%)	(1,284)	(4.1%)
Actual IRES charges	5,265	11.3%	2,836	9.0%
IRAP (current and deferred)	1,308	2.8%	1,190	3.8%
Total actual tax charges	6,573	14.1%	4,026	12.8%
Effective tax rate	14.1%		12.8%	

OTHER EXPLANATORY NOTES

Non-recurring components

In accordance with CONSOB communication no. 15519/2005, we report that there have been no non-recurring economic components reported in the annual financial statements as of 31st December 2013.

Information on related parties

The Company is controlled by Asco Holding S.p.A., which holds 61.562% of the shares.

All operations with the companies of the Group are part of the ordinary management of the enterprise and are regulated at market conditions. In 2013, there were no other operations carried out with companies, entities or administrators of the Company, of the parent companies and of the controlled companies.

Companies	31.12.2013									
	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.P.A.	21	0	2	0	0	42	2	0	42	0
Total parent company	21	0	2	0	0	42	2	0	42	0
<i>Controlled companies</i>										
Ascoblu S.r.l.	11	11,545	1	0	0		10	0	6	20
Ascotrade S.p.A.	16,112	9,733	152	0	1,831	5	75	49,810	4,449	151
Blue Meta S.p.A.	340	275	10	0	0	44	4	9	379	160
Edigas Esercizio Distribuzione Gas S.p.A.	133	498	11	0	0	45	5	0	188	5
Etra Energia S.r.l.	90	0	1	156	0		0	51	128	4
Edigas Due S.p.A.	163	0	4	878	0		12	0	196	14
Pasubio Servizi S.r.l.	248	0	31	2,706	0		2	44	5	287
ASM DG S.r.l.	142	1,860	25	0	0	106	2	0	265	14
Unigas Distribuzione Gas S.r.l.	24	0	10	0	0	8	0	0	0	0
Veritas Energia S.r.l.	279	2,902	50	0	1,387		0	71	226	167
Sinergie Italiane S.r.l.	101	0		0	0		0	0	77	0
Amgas Blu S.r.l.	198	0		0	0		0	0	211	0
<i>Jointly controlled companies</i>										
ASM SET S.r.l.	157	1,526	3	0	0	0	7	0	193	17
Estenergy S.p.A.	41	9,800		0	0		0	109	0	28
Total controlled companies	18,038	38,138	298	3,739	3,218	210	159	50,054	6,605	581
<i>Affiliated companies</i>										
ASCO TLC S.p.A.	53	0	128	0	0	5	0	0	139	0
Seven Center S.r.l.	18	0		0	0		0	0	19	0
Mirant Italia S.r.l.	0	0		0	0		0	0	0	0
Total affiliated companies	72	0	128	0	0	5	0	0	158	0
Total	18,131	38,138	429	3,739	3,218	258	161	50,054	6,805	581

Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The earnings per share are calculated by dividing the net income for the period by the number of shares., net of own shares. In order to calculate the base value of each share, it is specified that the numerator value has been calculated as the economic result of the year, minus the percentage due 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.

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, pursuant to accounting principles stated in IAS 33.

(Thousands of Euro)	Amount at 31 dicembre 2013	Amount at 31 dicembre 2012
Net profit attributable to shareholders	40,053	27,566
Weighted average number of ordinary shares including own shares, for the purpose of earnings per share	234,411,575	234,411,575
Weighted average number of own shares	12,195,214	11,816,448
Weighted average number of ordinary shares, excluding own shares, for the purposes of net income per share	222,216,361	222,595,127
Earnings per share (in Euro)	0.180	0.124

Fees of the Auditing Company

Pursuant to Article 149-duodecies of the Issuer's Regulations, this item includes the fees received in 2013 for auditing services and for services other than auditing provided by the Auditing Company. No services were provided by entity belonging to its network.

(Thousands of Euro)			
Type of services	Service provider	Beneficiary	Fees
Auditing	Reconta Ernst & Young SpA	Ascopiave S.p.A.	180
Certification services	Reconta Ernst & Young SpA	Ascopiave S.p.A.	3
Auditing/other services	Reconta Ernst & Young SpA	Ascopiave S.p.A.	13
Total			196

Commitments and risks

Bank guarantees

As of 31st December 2013, the Group provided the following potential bank guarantees:

(Thousands of Euro)	31.12.2013	31.12.2012
On credit lines	71,167	108,402
On financial leasing agreements	956	956
On gas supply agreements	-	10,000
On gas purchase agreements (letter of comfort)	2,550	2,550
Guarantees on credit lines	3,494	3,494
On execution of works	392	520
On UTF offices and regions for taxes on gas	2,893	2,715
On UTF offices and regions for taxes on electricity	104	100
On distribution concession	3,795	3,143
On purchase/sale of shares	2,500	2,500
On commercial leasing agreements	-	21
On conveyance agreements	166	14
Total	87,987	134,414

*The items "Letters of comfort on credit lines", "Letters of comfort on gas supply agreements" and "Letters of comfort on electricity supply agreements" include letters of comfort released by Ascopiave S.p.A. in favour of Sinergie Italiane S.r.l. for an overall amount of Euro 61,167 thousand.

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 in addition to presenting the medium- long-term funding, always floating rate, repayable between 2014 and 2026, that on 31st December 2013 had a total outstanding debt of € 72,985 thousand.

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 2013 are detailed below, based on a hypothetical increase of 200 basis points, and on a hypothetical decrease of 50 basis points of the interest rates applied to the medium-/long-term loan granted by Unicredit Banca during FY 2011 and by the European Investment Bank and Prealpi Bank in FY 2013.

Garanting body	Income statement 2013	
	+ 200 basis point	- 50 basis point
Unicredit S.p.A.	(600)	150
European Investment Bank	(900)	225
Banca Prealpi	(18)	4
Total	(1,518)	379

The sensitivity analysis obtained thanks to the simulation leads to an estimation of an effect on the 2013 result before taxes which is negative for Euro 1,518 thousand, or positive for Euro 379 thousand, respectively.

Sensitivity analysis of the interest rate risk

The following table shows the sensitivity of the Company's earnings before tax, on the basis of possible variations in interest rates, keeping all the other variables constant.

	January	February	March	April	May	June	July	August	September	October	November	December	
Net Financial Position 2013	141.976	133.446	128.324	127.544	112.394	106.890	120.897	129.393	129.622	124.342	122.472	114.320	
Positive average rate	0.04%	0.03%	0.03%	0.27%	0.21%	0.12%	0.06%	0.05%	0.06%	0.05%	0.06%	0.05%	
Negative average rate	1.92%	2.02%	1.88%	1.94%	1.66%	1.69%	1.47%	1.31%	1.32%	1.35%	1.33%	1.39%	
Positive average rate increased of 200 basis point	2.04%	2.03%	2.03%	2.27%	2.21%	2.12%	2.06%	2.05%	2.06%	2.05%	2.06%	2.05%	
Negative average rate increased of 200 basis point	3.92%	4.02%	3.88%	3.94%	3.66%	3.69%	3.47%	3.31%	3.32%	3.35%	3.33%	3.39%	
Positive average rate decreased of 50 basis point	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Negative average rate decreased of 50 basis point	1.42%	1.52%	1.38%	1.44%	1.16%	1.19%	0.97%	0.81%	0.82%	0.85%	0.83%	0.89%	
Net Financial Position recalculated with increase of 200 basis point	142.218	133.651	128.542	127.753	112.585	107.066	121.102	129.613	129.835	124.553	122.674	114.514	
Net Financial Position recalculated with decrease of 50 basis point	141.916	133.395	128.270	127.491	112.346	106.846	120.846	129.339	129.569	124.289	122.422	114.271	Total
Effect to income before taxes with increase of 200 basis point	241	205	218	210	191	176	205	220	213	211	201	194	2,485
Effect to income before taxes with decrease of 50 basis point	(60)	(51)	(54)	(52)	(48)	(44)	(51)	(55)	(53)	(53)	(50)	(49)	(621)

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Company equal to 50 basis points in decrease and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 2,485 thousand or positive for Euro 621 thousand, respectively.

Receivable risk policy

Credit risk represents the company's exposure to potential losses arising from the counterparts' failure to meet their obligations. The failure or delay in the payment of fees owed may have a negative impact on the economic and financial stability of the Company.

Ascopiave S.p.A. provides its business services to a limited number of operators in the gas sector, the most significant in terms of turnover being Ascotrade S.p.A.. The rules for the access of customers to the services offered are determined by the Authority for Electricity and Gas and are provided for in the network codes, i.e. documents that establish, for each type of service, the rules governing the rights and obligations of the parties involved in the delivery of services, and they provide for contract terms and conditions that reduce the risk of default by customers. In particular, the network codes provide for the issuance of adequate guarantees to cover part of the obligations undertaken if the customer does not hold a credit rating issued by major international bodies.

Liquidity risk

Ascopiave S.p.A. constantly pursues the aim of maintaining the stability and flexibility between financing sources and uses, in its capacity as treasury manager for the Group.

The two main factors influencing the liquidity of Ascopiave S.p.A. are, on the one hand, the resources generated or absorbed by the operating or investment assets, on the other hand, the expiry and debt renewal characteristics.

Under note 19, financial payables are detailed according to their date of expiry (as of 31st December).

Liquidity requirements are constantly monitored by the Treasury Department of Ascopiave S.p.A., in order to ensure that financial resources are easily identifiable and collectible, or that appropriate investments are made in relation to cash or cash equivalents.

The Administrators believe that the reserves and credit lines currently available, as well as those that will be generated by the operating and financial activities, will allow meeting the requirements connected to investments, management of circulating capital and to the reimbursement of debt upon date of expiry.

Specific risks in the business sector in which the Company operates

Regulations

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

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

As of 31st December 2013, Ascopiave S.p.A. holds 149 concessions for the distribution of natural gas Nation-wide. In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19th January 2011 and 18th October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12th November 2011. With new tenders being launched, Ascopiave S.p.A. may not be able to obtain one or more new concessions, or it could obtain them at less advantageous conditions than the current ones, with possible negative impacts on the operative activity and the economic, equity and financial situation, it being understood that, if the company is not awarded with a new concession, limited to the Municipalities previously managed by the company, it will obtain a reimbursement value envisaged for the outgoing operator.

Risks relating to the possible claim by Municipalities to acquire ownership of distribution networks for gas and to the amount of reimbursement paid by the new operator.

With regard to the concessions under which the Ascopiave Group also owns the gas distribution networks, Law no. 9/2014 states that the reimbursement paid by the new operator shall be calculated according to what is envisaged in conventions and contracts and, for those aspects that are not directly set forth by the parties or related to conditions that are not disciplined by the aforementioned contracts and conventions, guidelines on criteria and operating modalities for the evaluation of the reimbursement shall apply instead, including Article 4 paragraph 6 of Law Decree 21 June 2013 no. 69, converted into law and modified by Law 9 August 2013 no. 98. In any instance, from value of the reimbursement the private contributions related to assets are subtracted, measured according to the current tariff regulation methodology. Furthermore, should the value of the reimbursement exceed the net value of local fixed assets calculated with tariff regulations, net of public and private contributions by more than 10%, the local authority in charge of the concession shall forward the information in detail to the AEEG, pending verification, before the call for tender can be published.

The Ministry of Economic Development Decree dated 12 November 2011 no. 266 states that the new operator shall take over property of the plant through the payment of the reimbursement to the old operator, with the exception of the municipality-owned share if applicable.

In the periods following the first, transitional one, the redemption value to the outgoing operator shall be equal to the local net intangible assets, net of public capital contributions and of private ones for local fixed assets, calculated with reference to the criteria used by the Authority to determine the distribution tariffs (RAB).

Regarding the aforementioned discipline regulation this matter, there is a possibility that the measured value of reimbursement may be lower than what has been arranged with the local authority.

Management of Capital

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

Ascopiave S.p.A. checks its capital by means of a debt/capital ratio, i.e. comparing the net debt to the total of the capital plus the net debt. Ascopiave S.p.A. includes financial charges, accounts payable and other liabilities in the net liabilities, net of liquid funds and equivalent.

(Thousands of Euro)	31.12.2013	31.12.2012
Medium and long-term loans	63,753	27,631
Loans from banks net of equivalents on hand	86,848	154,978
Financial gross debt	150,601	182,610
Share capital	234,412	234,412
Reserves	100,049	97,549
Profit / (loss) for the period	40,053	27,566
Total Net Equity	374,514	359,526
Total capital and gross debt	525,115	542,136
Debt/Net equity ratio	0.40	0.51

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 subsequent to year end 2013

Appointment of Chief Technology Officer

Ascopiave S.p.A. Board of Directors gathered on 14 January 2014 and appointed Mr. Antonio Vendraminelli as new Chief Technology Officer of the Company. The appointment was effective on 1 February 2014.

The new Chief Technology Officer replaced Mr. Giovanni Favaro, who had already reached retirement age in 2008 and decided resign after five additional year as the head of the Technical Department of Ascopiave

Purchase of 49% of Veritas Energia S.r.l.

On 10 February 2014 Ascopiave S.p.A. and Veritas S.p.A. have executed the operation to transfer 49% of share capital of Veritas Energia S.r.l. from Veritas S.p.A. to Ascopiave S.p.A., who already owned 51% of the company share capital. Ascopiave is therefore now the owner of 100% of Veritas Energia S.r.l

The amount paid for the acquisition, 4 million Euro, equals to an enterprise value of Veritas Energia S.r.l. of 16.4 million Euro

Litigations

CATEGORY I – ADMINISTRATIVE LITIGATIONS

As of 31st December 2013, the following litigations are pending:

MUNICIPALITY OF VILLAVERLA:

An appeal before the Regional Administrative Court of Veneto against the Municipality of Villaverla filed by Ascopiave on 18th March 2011 for the repeal of the tender acts. The related suspension request was rejected. Current negotiations with the municipality should eventually result in the drop of the appeal or, more likely, in its pre-emption.

MUNICIPALITY OF CASTELLO DI GODEGO:

appeal before the Regional Administrative Court of Veneto against the Municipality of Castello di Godego, filed by Ascopiave at the beginning of February 2012 for cancelling the Resolution of the City Council no. 122 dated 29th November 2011 (which requires, pursuant to art. 46-bis of Law 222/2007, the payment of annual fee to up to 10% of the VRD for the years 2008, 2009, 2010, 2011 and 2012). With regard to this appeal, no hearing was scheduled and no sentence was issued. Following the 29th November 2013 settlement, the parties have foregone legal actions. On 12th February 2014 the Regional Administrative Court of Veneto has therefore issued writ of cancellation. Said information has been included in this report solely for full disclosure and as the background to the settlement.

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

As of 31st December 2013, the following litigations are pending:

MUNICIPALITY OF CREAZZO:

A trial is pending before the Civil Court of Vicenza between Ascopiave and the Municipality of Creazzo for the establishment of the industrial residual value of the distribution plants (delivered in 2005 to the new operator). After the examination of the court-appointed expert witness report, the Judge scheduled the conclusive hearing for 13th March 2013. The judgement is pending.

MUNICIPALITY OF SANTORSO:

A trial is pending before the Civil Court of Vicenza between Ascopiave and the Municipality of Santorso for the establishment of the industrial residual value of the distribution plants (delivered in 2007 to the new operator). After the examination of the court-appointed expert witness report, the Judge, bringing forward the programmed date (14th January 2015), scheduled the final pre-trial hearing and a hearing for any responses, on 7th and 27th July respectively. With judgement dated 4th September 2013, the Judge claimed that the Court lacked jurisdiction due to the arbitral clause contained in the original Agreement. Having verified the impossibility of settling this matter outside court, on the 12th November 2013, Ascopiave has notified the litigation lawsuit to the other party and appointed Lawyer Enrico Vedova as their defendant. The Municipality, with act dated 26th November 2013, appointed Lawyer Eugenio Lequaglie as its defendant. Currently the appointment of the President is pending (agreement between arbiters or by request of the President of the Court of Vicenza).

CATEGORY III – LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 31st December 2013, the following litigations are pending:

MUNICIPALITY OF COSTABISSARA:

An arbitration is pending between Ascopiave and the Municipality of Costabissara for the establishment of the industrial residual value of the distribution plants (delivered in to the new operator during FY 2011).

The Arbitration Commission held its first meeting on 16th January 2012. Given the disagreement on this point between the parties, the Commission resolved to enforce a partial arbitral award aimed at verifying whether the arbitration clause

provided for in the convention is valid (Ascopiave) or not (Municipality). This has confirmed the enforcement of the same clause. Subsequently, an investigation by a court-appointed expert was set, currently in progress.

MUNICIPALITY OF SAN VITO DI LEGUZZANO:

An arbitration is pending between Ascopiave and the Municipality of San Vito di Leguzzano for the establishment of the industrial residual value of the distribution plants (delivered in 2010 to the new operator). The Arbitration Commission was formed on 4th March 2011. The proceedings were expected to end within 240 days starting as from 28th March 2011, but the deadline - upon authorisation of the parties - was postponed by the Commission to February 2013. With Order no. 3 issued on 18th June 2012, the Commission appointed the expert witness, while Ascopiave S.p.A. and the Municipality appointed their own witnesses. The President of the Commission resigned, believing he could no longer occupy his position after the new regulations (even if they surely do not apply to arbitrations in progress). Ascopiave S.p.A. suggested his reconfirmation, but the Local Body denied its approval. The President of the Court of Vicenza appointed the new President of the Commission. The Commission was formed on 13th June 2013. The measures previously taken, and in particular the expert witness, have been confirmed. The deadline for the issue of the award has been re-scheduled by 28th February 2014. On 9th December 2013 a settlement has been drafted in which a reimbursement in favour of Ascopiave for Euro 1,600 thousand has been set. Consequently the arbitration has been dropped. Said information has been included in this report solely for full disclosure and as the background to the settlement.

COMUNE DI SANTORSO:

An arbitration between Ascopiave S.p.A. and the Municipality of Santorso for the determination of the residual industrial value of the plants (delivered in 2007 to the new operator). The parties have appointed their arbiters and the appointment of the President is pending (see notes herein regarding civil litigation).

CATEGORY IV – ADMINISTRATIVE LITIGATIONS- NOT CONCERNING CONCESSIONS

As of 31st December 2013, the following litigations are pending:

ASCOPIAVE S.p.A. – HEADQUARTERS EXTENSION:

An appeal before the Council of State filed by the company Setten Genesio 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 (for about Euro 1,300 thousand) against Ascopiave and the company Carron S.p.A..

In order to obtain the review of the First Instance Sentence, Ascopiave S.p.A. has filed an incidental appeal. The only important proceeding concerns the request for an appeal on 10th May, 2011. Should none of the parties take any other action, the non-suit is scheduled in 2016.

AEEG – DELIBERE ARG/GAS 99/11 – 207/11 – 166/12 – 352/12 – 241/2013:

An appeal promoted by AEEG in order to obtain the cancellation of judgement no 3272 dated 28th December 2012 through which the Regional Administrative Court of Lombardy based in Milan accepting the appeal from Local Distributors has cancelled the Default discipline. Through the appeal, AEEG has requested to stay the Regional Administrative Court Judgement by means of an emergency protective court order. That stay was granted by means of Single Judge Decree. The protective hearing was scheduled on 23rd April 2013 but was postponed to 9th July 2013 upon joint demand from the parties. On the same date, the Commission confirmed the protective court order, scheduling the substantive discussion in March 2014: the same has been regularly held the 4th March 2014. We are waiting for the action taken.

An appeal to the Regional Administrative Court of Latium, which overrules Ministerial Decree dated 5th Feb. 2013 approving the agreement-type for managing the service subsequent to the following calls, limiting to the last part of 21.3 where the manager “supplies the default service according to the methods defined by the Authority.” This is a merely precautionary measure aiming at avoiding the risk of lack of interest in the aforesaid main judgement.

In the meantime, on 6th June 2013, the AEEG issued a new Resolution (241/2013) through which it granted the activities essentially concerning management and supply to a seller to be identified, at the end of the first period of service provision, following a public call for tenders announced by “Acquirente Unico” (meanwhile the service will be guaranteed by the supplier of last resort - FUI). The new discipline partly overcomes the objections raised in relation to the previous one.

The Resolution 241/2013 was appealed at the Regional Administrative Court of Lombardy – Milan. Grounds include: lack of default remuneration for the current interventions; penalties for delay or failed power outage of the distributor even when delays or failed performances were not attributable to the distributor itself. Finally, in relation with previous appeal, the motivation of the resolution was also appealed against, as it is considered by the AEEG as only useful in fill in some sort of “inadequacy” of distributors. As of today, this appeal has not been yet scheduled.

AEEG again intervened again on this matter, with Decisions 533/2013 and 84/2014. On 21st January 2014 an appeal has been filed to the Regional Administrative Court of Lombardy in Milan against Decision 533/2013. The motivations are similar to the motivation for the appeal against Decision 241/2013.

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

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

Subsequently, as partial modifications to Resolution 28, the AEEG issued Resolutions 193/2012 and 246/2012, which, however, were not sufficient to withdraw the company's complaint. The deadlines set on 1st March 2012 was cancelled and postponed to 31st December 2012. The company has filed an appeal against both resolutions with additional grounds. Similarly, Resolution 316/2012 through which the Authority for Electricity and Gas further intervened on the matter, has also been contested. Similarly, Resolution 316/2012 through which the Authority for Electricity and Gas further intervened on the matter, has also been contested.

With Decision 631/2013 AEEG once again intervened on this matter, changing Decision 28/2012. Therefore, the request for a suspension that had been previously filed in reference to the previous discipline (which had been contested with an appeal) has been withdrawn. Currently the withdrawal of the main appeals is being considered.

CATEGORY V – CIVIL LITIGATIONS- NOT CONCERNING CONCESSIONS

As of 31st December 2013 the following litigations are pending:

ASCOPIAVE – BUILDING B:

A civil lawsuit at the Court of Treviso (RG 6941/2013) following the Preliminary Technical Advisory which resulted in the Expert Report by the Court-appointed expert Antonio Vascellari has been filed by Ascopiave (writ dated 22 August 2013) in order to obtain indemnification for the damages to the floor of the entrance of “Building B” against Bandiera Architetti S.r.l. (designers); Mario Bertazzon (Work Supervisor) and R. Paccagnella Lavori Speciali S.r.l. (Contractors). The requested indemnification value ranges from Euro 127 thousand (estimate of the Expert for the full renovation of floor) and Euro 208 thousand (estimate for works for full renovation by a third party construction company). All parties are duly represented. Following the subpoena of other parties (Insurance Company and construction company in charge of the works), a hearing has been scheduled for 17th April 2014.

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 20th September 2012.

On 23rd December 2012 the Venice tax Commission acknowledged the good tax behaviour of the company.

On 26th June 2013, the company Ascopiave S.p.A. was notified about the appeal in Cassazione (Court of Cassation) by the Inland Revenue Agency and joined proceedings because of the result of previous judgements. The directors, encouraged by the opinion of the professionals consulted, are confident about a positive result of the litigation.

On 11th April 2013 the Venice Section of the Italian Finance Police started its auditing activities of tax obligations fulfilment regarding fiscal years 2011, 2012 and 2013, direct taxes and indirect taxes as concerns the subsidiary company Veritas Energia S.r.l.. The auditing activities were concluded on 30th May 2013 with the issue of a record of findings with modest tax recoveries.

On 7th October 2013 the company received notice of agreement of the local Inland Revenue Agency, and has therefore paid the due amounts for a total amount of Euro 72 thousand including reduced penalties and interests.

On 27th November 2013 the company has recuperated the extra taxes paid through the submission of an additional tax return. The costs paid by the company are less than Euro 20 thousand.

On 21st May 2013 the Treviso Section of the Italian Finance Police started its targeted auditing activities on the variations illustrated in the return and the regular application of tax regulations concerning VAT and direct taxes as regards fiscal year 2010, toward the Parent company Ascopiave S.p.A.. The auditing activities ended on 19th June 2013 with the issue of a record of findings, which highlighted remarks as concerns IRES and IRAP for fiscal year 2010, due to the wrong accrual attributed to some operating costs: the Company, with the help of its tax consultants, considered the possibility of recovering the higher taxes required by the Inland Revenue Agency through the correct attribution to tax periods, even through the submission of additional returns and/or applications for refunds. Therefore, the company submitted an application of acceptance of the record of findings on 11th July 2013, which was accepted by Agenzia delle Entrate on 12th August 2013 and paid the amounts due for a total sum of Euro 1,876 thousand, which, for the above-mentioned recovery of temporary differences deductible in future fiscal periods, had an entirely negligible economic impact during FY 2013.

Territorial areas

During 2011, the regulatory framework of the sector was further defined, in particular with reference to territorial calls for tenders, through the issue of some ministerial decrees, which implemented several authorisations and directions envisaged by legislation.

In particular:

- 1) 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 issued on 23rd May 2000 (the so-called Workforce Protection Decree);
- 3) with the Decree no. 226 issued by the Ministry for Economic Development on 12th November 2011, the regulatory norms concerning the criteria to be applied to calls for tenders and the evaluation of the offer for assigning the gas distribution service were approved (the so-called Decree for Criteria).

The Ascopiave Group – like many other operators- has favourably welcomed this new regulation framework, deeming it may create new opportunities for investments and development for average-sized operators, rationalizing the offer on the market.

At the end of 2013, the Government issued Law Decree no. 145 dated 23.12.2013. This Decree changed the normative framework for the quantification of reimbursement due to the old operator at the end of the so-called “Transition Period”. The Decree has been modified and transposed in to Law 9/2014, which changed substantially the original provisions of the Decree in this regard.

The Law Decree –modifying the contents of Article 15 of Legislative Decree no. 164/2000, set for that the value of the reimbursement due to previous operators formerly in charge of the concessions during the transitional period should be recalculated according to conventions and contracts and, for those aspects that are not directly set forth by the parties or related to conditions that are not disciplined by the aforementioned contracts and conventions, guidelines on criteria and operating modalities for the evaluation of the reimbursement shall apply instead, following modalities set forth in Article 14, paragraph 8 of Legislative Decree no. 164/2000 and following modifications and not the criteria of letters a) and b) of Article 24 of Royal Decree dated 15th October 1925. In any instance, private contributions to the local asset must be subtracted from the reimbursement value. The value of these private contributions is calculated with current tariff regulations.

The conversion Law of the Decree (Law no. 9/2014) modified its original contents. Now, the owners of the concessions during the transitional period shall receive a reimbursement from the new operator, calculated according to concessions and contracts and, for those aspects that are not directly set forth by the parties or related to conditions that are not disciplined by the aforementioned contracts and conventions, guidelines on criteria and operating modalities for the evaluation of the reimbursement shall apply instead from Article 4 paragraph 6 of Law Decree 21 June 2013 no. 69, converted into law and modified by Law 9 August 2013 no. 98. In any instance, from value of the reimbursement the private contributions related to assets are subtracted, measured according to the current tariff regulation methodology. Furthermore, should the value of the reimbursement exceed the net value of local fixed assets calculated with tariff regulations, net of public and private contributions by more than 10%, the local authority in charge of the concession shall forward the information in detail to the AEEG, pending verification, before the call for tender can be published.

Furthermore, Law no. 9/2014 has set forth that the expiry terms stated in paragraph 3 of Article 4 of the Law Decree 21 June 2013 no. 69, converted into law and modified by Law 9 August 2013 no. 98 shall be extended for four additional months. Additionally, it has set forth an extension of four months for the deadlines stated in Appendix 1 of the regulation to the Decree of the Ministry of Economic Development dated 12th November 2011, no. 226 (so-called Criteria Decree), related to the third set area in Appendix 1, as well as to the terms of Article 3 of the same Regulation.

Proposal of the Board of Directors to the Shareholders' Meeting

The Board of Directors of Ascopiave S.p.A., considering the results of the period and solidity of the capital, shall propose to the Shareholders' Meeting the distribution of a dividend of 0.12 Euro per share, for a total of 28,129,389 million Euro using the yearly result and setting aside the remaining Euro 11,923,448 as reserve. Ascopiave S.p.A. announces that, if approved, the dividend will be paid on 15th May 2014, with ex-dividend date of 12th May, 2014.

The Board of Directors will not propose to any amount to legal reserve as it is already equal to one fifth of the share capital

Pieve di Soligo, 14th March 2014

Chairman of the Board of Directors
Fulvio Zugno

DECLARATION

(Translation from the original in Italian)

regarding the Consolidated Financial Statements for the accounting period 2013 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 2013 –31 December 2013

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 – 14 March 2014

Chairman of the Board of Directors	Officer Responsible for the preparation of Corporate Financial Reports
dr. Fulvio Zugno <i>signature</i>	dr. Cristiano Belliato <i>signature</i>

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: 2013

Date of approval of Report: 14th March 2014

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Tab. 1: Information on ownership structure

Tab. 2: Structure of the Board of Directors and Committees

Tab. 3: Structure of the Board of Auditors

GLOSSARY

Code/Self-discipline code: 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 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 resolution no. 11971 of 1999 (as subsequently amended) relating to issuers.

Consob Markets Regulations: The Regulations issued by Consob under the resolution no. 16191 of 2007 (as subsequently amended) relating to issuers.

Stock Exchange Regulations: The Regulations of the markets organized and managed by Borsa Italiana S.p.A. under the resolution of the Italian Stock Exchange Board of 26th June 2012 and approved by Consob under resolution no. 18299 dated 1st August 2012.

Stock Exchange Regulations Instructions: Instructions to the Regulations with regards to markets organized and managed by Borsa Italiana S.p.A.

Consob related parties' regulations: The Regulations issued by Consob under the resolution no. 17221 of 12th March 2012 (as subsequently amended) relating to operations with related parties.

Report: Report on the corporate governance and structures that the companies have to draw up as per art. 123-bis Consolidated Financial Law.

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 830,000.00 final customers.

Since 12th December 2006, Ascopiave has been listed in the Star segment of the Italian Stock Exchange.

The Issuer is organized according to the traditional administration and management model as per articles 2380 bis and following of the 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).

1. **INFORMATION on OWNERSHIP STRUCTURES (Art. 123bis, first paragraph Consolidated Finance Law) as of 31.12.13**

a) Structure of Share Capital

Amount in Euros of the subscribed and paid in Share Capital (S.C.): 234,411,575.00

Types of shares making up the Share Capital:

	N° Shares	% against S. C.	Listed/Non-Listed	Rights & Obligations
Ordinary Shares	234.411.575	100%	STAR	Each share represents one vote. Shareholders' rights and obligations are those stated in Articles 2346 et seq Civil Code and 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 2013, own shares held in the Issuer’s portfolio are equal to 12,197,189¹. 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	% ordinary capital	% voting share capital
Asco Holding S.p.A.	Asco Holding S.p.A.	61,562%	61,562%
Ascopiave S.p.A.	Ascopiave S.p.A.	5,203%(i)	5,203%(i)
Blue Flame S.r.l.	Blue Flame S.r.l.	8,142%	8,142%
Comune di Rovigo	ASM Rovigo S.p.A.	4,419%	4,419%
Regione Veneto	Veneto Sviluppo S.p.A.	2,090%	2,090%

It is to be pointed out that, after the end of 2013, the following communications were received pursuant to art. 120 Consolidated Financial Law:

- Veneto Sviluppo S.p.A., 21st January 2014: reduction of the shareholding below the threshold of 2%, equal to 1.923% of the share capital
- Blue Flame S.r.l., 14th February 2014: reduction of the shareholding below the threshold of 2%, equal to 0.0% of the share capital

¹ Including no. 1,975 bonus shares, with a value of Euro 1.00.

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- Amber Capital UK LLP, 14th February 2014: increase of the shareholding above the threshold of 2%, equal to 3.09% of the share capital

d) Equities granting special rights

No equities have been issued that grant special control rights.

e) Employees 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 at Consob and at 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.

Upon expiry of the above-mentioned agreement, on 20th December 2013, the shareholders of Blue Flame S.r.l. signed a new shareholders' agreement.

After year-end, on 14th February 2014, the agreement was dissolved following the disposal of the entire shareholding in Ascopiave S.p.A..

The main aspects of the Agreement signed on 20th December 2013 are reported below.

Shareholders joining the Agreement

Shareholders	% on Blue Flame S.r.l. equity	% on Blue Flame S.r.l. equity Assigned to Agreement
Fassina Partecipazioni S.r.l.	37,07%	38,50%
NEIP II S.p.A – Infrastrutture e servizi	34,17%	35,48%
Quaternario Investimenti S.p.A.	24,47%	25,41%
Nord Est IppodromiS.p.A.	0,59%	0,61%
Total	96,30%	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 expire on 19th June 2015. 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 and statute regarding takeover bid

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.

With regards to takeover bid, the Issuer has not provided in the Statute for any derogation to the provisions of the Consolidated Financial Law. The Issuer's Statute does not furthermore provide for the application of the neutralization rules as per art. 104-bis, subpar 2 and 3 of the Consolidated Financial Law.

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 23rd April 2013 the Shareholders' Assembly deliberated the adoption of a new Plan for the purchase of own shares (hereinafter referred to as the "2013 Plan").

The 2013 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 23rd April 2013.

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 2012, equal to € 69,555,860.

The purchase operations shall start and end in accordance with the timings and deadlines established by the Board of Directors or the President and 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.
4. The number of own shares as of 31st December 2013 result equal to 12,197,189², equal to 5.203% of the share capital, for a counter value equal to Euro 17,491,478.

1) Management and Co-ordination Activity

Despite the Issuer participates in the consolidated taxation in the hands of the consolidating Asco Holding S.p.A. and there are some relationships of economic nature with the parent company Asco Holding S.p.A., the Issuer believes not being subject to any management and coordination activity pursuant to Articles 2497 et following of the Civil Code, as Asco Holding S.p.A. does not issue directives to its subsidiary and there is no connection between the two organizational-functional companies. As a consequence, Ascopiave S.p.A. considers it has always operated in conditions of corporate and business autonomy with regard to its parent company Asco Holding S.p.A..

² Including no. 1,975 bonus shares, with a value of Euro 1.00.

We specify that:

- The information requested by art. 123 bis, first par., lett. i) ("the agreements 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 Compensation 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 (Sec. 4.1).

3. COMPLIANCE

The Issuer has complied with the Code of Self-Conduct, adopting the principles and the application criteria it envisages, without prejudice to those principles and criteria whose adoption is scheduled upon the first renewal of the corporate bodies, which shall take place during the meeting which will approve the 2013 financial statement; any failure to comply will be motivated in this Report.

The Code of Self-Conduct is publicly available on the website of the Italian Stock Exchange (www.borsaitaliana.it).

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 (Articles 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, and Law dated 11th July 2011 no. 120.

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.

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, no. 58 (and subsequent amendments) and by the codes of behaviour drawn up by management companies of the market which the Company accepted.

The lists having at least 3 candidates cannot be exclusively composed of candidates of the same gender (male or female). The candidates of the least represented gender cannot be less than one third (rounded up) of all the candidates in the list.

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, respecting applicable regulations governing gender balance. The directors thus remain in charge until the following Meeting, 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 Director”) 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, without prejudice, in both cases, to the applicable regulations governing gender balance. The terms 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, respecting applicable regulations governing gender balance and also, if possible, the principle of minority representation. The director thus co-opted will remain in charge till the following Meeting that will confirm their appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system.

Succession plans

In view of the structure of governance, of the decision-making system and of the powers, as well as the organizational structure adopted by the Issuer and the Group Ascopiave, aimed at ensuring an adequate separation between the direction, management and control functions and to promote the effective implementation of power balance between the top management, the Board of Directors has decided not to adopt a plan for the succession of executive directors, according to the guidelines 5.C.2 of the Code of Self-Conduct.

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; no different expires are established for the members of the Board. 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. In this Meeting 3 lists with no correlation have been submitted.

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:

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PRESENTING PARTY	LIST OF CANDIDATES	LIST OF ELECTED CANDIDATES	% VOTES OBTAINED IN RELATION TO VOTING EQUITY OWNERSHIP INTEREST
List n. 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 n. 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 n. 3 Blue Flame S.r.l.	1. Massimino Colomban 2. Simone Furian 3. Alessandro Fassina 4. Fabio Biasuzzi	1. Massimino Colomban	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 new Director. The Shareholder's Meeting of 26th April 2012 has confirmed the appointment of Mr. Enrico Quarello as new Director of the Issuer.

For the detailed composition of the Board of Directors, see Table 2, attached to this Report. In line with the recommendations of the Application Guideline 1.C.1. lett. i) of the Code, the main professional skills of the Directors and the seniority from the first appointment of the Directors are presented:

- Mr. Fulvio Zugno, President and CEO, beginning of term 28th April 2011: Mr. Zugno is a professional in the economic field, registered to the Association of Business Consultants and of Professional Accountants and to the Legal Auditors Registry. He practices in his studio, he still holds appointments in economic subjects in public bodies and business companies.
- Mr. Giovanni Bernardelli, independent Director, beginning of term 28th April 2011: Mr. Bernardelli is a professional in the financial field, registered in the Association of Financial Promoters, he works as a portfolio manager of securities investment at a leading bank.
- Prof. Massimino Colomban, independent Director, beginning of term 28th April 2011: Prof. Colomban is an entrepreneur, he has held and holds management and administration positions for national and international companies;
- Mr. Dimitri Coin, independent Director, beginning of term 28th April 2011: he is an entrepreneur in the agro-nursery sector and in the real estate-commercial sector.
- Mr. Enrico Quarello, independent Director, beginning of term 14th February 2012: he carries out management activities in companies of organized distribution, he has been director of national companies.

The Directors' professional *curricula* 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, keeping into account the member's participation in the Committees constituted inside the Board, 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 14th March 2013, 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.

Induction Programme

During the year, in line with the Application Guideline 2.C.2 of the Self-Discipline Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments affecting the industry in which the Issuer operates, as well as about the performance of the corporate bodies functions, through the divulgation of information during meetings and in the pre-board report.

4.3. ROLE OF THE BOARD OF DIRECTORS

In accordance with the provisions set forth in Principle 1.P.1 and with the recommendations set forth in the Application Guideline 1.C.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, 13 (thirteen) meetings of the Board of Directors were held on the following dates: 24th January 2013; 26th February 2013; 7th March 2013; 14th March 2013; 23rd April 2013; 14th May 2013; 18th June 2013; 15th July 2013; 29th August 2013; 14th October 2013; 31st October 2013 14th November 2013; 16th December 2013. Board meetings lasted an average of over 2.5 hours.

As of today, since the beginning of 2014, 4 (four) Board Meetings have already been held on the dates: 14th January 2014, 27th February 2014, 7th March 2014 and 14th March 2014.

The 2014 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 2014 – approval of the Quarterly Report as of 31st March 2014;
- 29th August 2014 – approval of the Half year Report as of 30th June 2014;

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- 13th November 2014 – approval of the Quarterly Report as of 30th September 2014;

During 2013, in line with the Application Guideline 1.C.5. of the Code, the Chairman of the Board of Directors and CEO has, with the support of 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 to the Directors and Auditors, failing any further need or urgent situation.

In addition, with the support of the Corporate Affairs Department, the Chairman of the Board of Directors has made sure that the topics on the agenda may be devoted the necessary time to allow a constructive debate, by encouraging, during the meetings, contributions from the Directors.

In line with the Application Guideline 1.C.6, during 2013, the General Manager of the Company has participated in all the meetings of the Board of Directors. Furthermore, with regard to the topics discussed, the Issuer's Managers in charge for the departments concerned, according to the subject, or external consultants, were invited to attend the Board of Directors meetings, upon request of the President or other administrators, in order to provide additional information on the topics on the agenda.

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, 2505-bis, 2506-ter, 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

- the examination and approval of the strategic, industrial and financial plans of the Issuer and of the Group it heads, the periodic monitoring of the related implementation;

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- and the definition of the corporate governance system of the Issuer and of the Group structure (in line with the Application Guideline 1.C.1., lett. a).

In line with the Application Guideline 1.C.1. let. c), the Board has evaluated, on a three 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 this activity, as need may dictate, the Board has made 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.

In line with the Application Guideline 1.C.1. letter c), the Board of Directors of Ascopiave , despite in compliance with the law in this field regarding the administration and counting separation, has evaluated, during 2013, the suitability of the organisational, administrative and general accounting structure of the participated companies with strategic relevance, with specific reference to the Internal Control system and to the Risk management; the analysis involved all the participated companies of Ascopiave S.p.A..

In 2012, the Board of Directors of Ascopiave S.p.A., approved a document “Guidelines for direction and coordination” to regulate the implementation mechanism of management and coordination, the information and control flows between the issuer and the participated companies. In 2012 the document was approved by the meetings of the investee companies, and forms an integral part of the Group's governance system.

In addition, in 2013, a project for the adoption of organizational, management and control models in accordance with the requirements of the Legislative Decree no. 231 at the Issuer's participated companies was completed. Each company adopted its own “231 Model”, created a body in charge of monitoring the implementation and the efficacy of the 231 Model, and adhered to the Code of Ethics of the Ascopiave Group.

In line with the Application Guideline 1.C.1. letter e), the Board has evaluated, on a quarterly basis, the general trend of management verifying the economic, property and financial results of the Company and consolidated. The results, and the performance indicators, were compared to the planning data.

In accordance with the guideline 1.C.1 lett. f) of the Self-Discipline Code, it is up to the Board of Directors of Ascopiave, given the system of delegated powers in force and in accordance with the

resolution of the Council of 24th July 2006, the resolution on the transactions of significant strategic, economic, or financial importance for the Issuer.

If these operations are carried out by the participated companies, in the document "Guidelines on management and coordination" it is expected that, in compliance with industry regulations relating to administrative and accounting separation, the administrative bodies of the subsidiaries submit the same to the prior exam of the Board of Directors of Ascopiave.

The following operations are considered, but not limited to, having a strategic, economic, or financial, relevance:

- agreements with competitors and partners of the Group which, for the object, commitments, constraints, limits which may directly or indirectly arise, may for long-term affect strategic decisions on the freedom of business strategic choices (e.g. partnership, joint venture, etc.) ;
- acts and operations involving the entrance in (or the exit from) geographic and/or products markets;
- investment in tangible and intangible assets;
- purchase and arrangement of companies or business units;
- purchase and arrangement of subsidiaries of controlling interests and connections and share in profits in other companies, as well as the conclusion of agreements on the exercise of rights related to those shares;
- undertaking of loans of significant amount, as well as provision of loans and issuing of guarantees for the interest of Group companies;
- purchase of assets and services binding the company for a multi-year period;
- decision of merger in the cases provided for by arts 2505 and 2505-bis of the civil code;
- creation and closing of secondary branches;
- amendments to the company charter to comply with the law.

In line with the Application Guideline 1.C.1. let. g) on 14th May 2013 the Board of Directors has completed the self-assessment on the functioning of the Board itself and of its internal Committees, as well as their size and their composition, stating that it involves professional and managerial skills in the economic/financial , managerial, entrepreneurial fields, consistent with the activities of the Issuer. It is furthermore considered as adequate the presence of 3 (three) Independent Directors, out of a total of no. 5 (five) Directors.

The assessment process was carried out on the basis of qualitative criteria, by comparing the composition and functioning of the Board of Directors and of the internal committees to the best practices of reference. For the assessment, the Board has not made use of external consultants, but of professionals internal to the Company.

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 same year, 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, 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.

On 15th March 2012, the Board of Directors of Ascopiave S.p.A. resolved to appoint a new General Manager, Mr. Roberto Gumirato. The General Manager directly reports to the Chairman and Chief Executive Officer, in compliance with the new asset of powers set by the Board of Directors.

On the same date, the Board of Directors amended the system of delegated powers, by limiting their contents, and distributed them to the Chairman and Chief Executive Officer and the General Manager.

The following main powers are assigned to the Chairman and Chief Executive Officer:

- Coordinating the activity of the Board of Directors and implementing the related resolutions;
- Taking care of the relationships with the shareholders;
- Managing the institutional relationships and promoting the Company image;
- Elaborating medium-long term strategies;
- Contracts for the purchase and sale of goods, raw materials, movable properties, services with economic content not higher than Euros 1,500,000 for each operation;
- Purchasing, selling or exchanging installations, machines, equipment, trademarks, patents with value not higher than Euros 500,000 for each operation;

In accordance with the allocation of powers approved by the Board of Directors, it is believed that the Chairman and Chief Executive Officer, Dr. Fulvio Zugno, cannot be regarded as primarily responsible for the company management (chief executive officer).

Chairman of the Board of Directors

See above par. "Chief Executive Officer"

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. With regards to the statutory provisions, it should be noted that the delegated parties report and involve the board on the activity performed at each meeting of the Board of Directors. On a quarterly basis, upon approval of the annual and half-yearly financial statements and of the intermediate management reports are instead communicated the management results and related performance indicators.

4.5. OTHER EXECUTIVE DIRECTORS

There are no other executive directors further than the Chairman and Chief Executive Officer, Mr. Fulvio Zugno.

4.6. INDEPENDENT DIRECTORS

In the present composition of the Board of Directors of the Issuer there are three independent directors, in line with the Application Guideline 3.C.3 of the Self- Discipline Code. 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 (3 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 14th May 2013, the Board of Directors evaluated the existence of the requirements of independence of the Independent Directors Mr. Giovanni Bernardelli, Mr. Massimo Colombari and Mr. Enrico Quarello as specified by Principle 3.P.2., where it is recommended to assess the independency of Directors on a yearly basis, 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) controls the Issuer, directly or indirectly, even through subsidiaries, fiduciary companies or on behalf of third parties, nor are able to exercise undue influence;
- (ii) participates, 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;

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- (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 its subsidiary, or with one of relevant 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 three 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 finds himself 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.

The Board of Auditors verified, in line with the Application Guideline 3.C.5, together with the Board of Directors, during the meeting held on 14th May 2013, 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 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 remarks 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 any 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 did not consider necessary to identify an internal independent Director as a Lead Independent Director, not occurring the circumstances provided for in the Application Guideline 2.C.3. of the Code. This figure, in fact, is expressly provided for by the Application Guideline 2.C.3. of the Self-Discipline Code in the event that the Chairman of the Board is primarily responsible for managing the Issuer - chief executive officer – i.e. the Chairman or the controlling shareholder of the Issuer, or if the Issuer belongs to the FTSE-Mib, for which the appointment of the Lead Independent Director may be required by the majority of independent directors. The Board has not appointed a Lead independent director, as such conditions are not fulfilled in the actual operations of the Issuer.

5. PROCESSING OF COMPANY INFORMATION

5.1. CODE FOR THE TREATMENT OF CONFIDENTIAL INFORMATION AND REGISTER OF INFORMED PERSON

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 and with the Application Guideline 1.C.1. let. J) of the Self-Discipline code, 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’**). On 14th October 2013, Ascopiave S.p.A.'s Board of Directors approved a new version of the Code for the treatment of confidential information.

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 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 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 of conduct for corporate information to the market', release any communications relating to the Confidential Information, approved by Ascopiave 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 152-sexies et seq. of the Issuer Regulations, 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. The text of the Code for Internal Dealing (http://www.ascopiave.it/media/InvestorRelation/2013-10-14_CODICE-DI-COMPORTAMENTO_INTERNAL-DEALING.pdf), approved on 11th September 2006 and updated on 14th October 2013, 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 (o), the Code also prohibits the significant parties from performing operations on Company shares and/or financial instruments during the so-called blackout periods, i.e. during the 15 calendar days prior to communication to the public of approval of the draft financial statement, half-year report, and the quarterly reports.

In implementing the provisions of the Code for Internal Dealing and the Code of behaviour for corporate information to the market, and in accordance with Article 2.6.1, chapter 2.6 of the Stock Exchange Regulations, the Board of Directors of 24th January 2012 appointed Mr. Cristiano Ceresatto as Information Officer and Mr. Edo Cecchinell as his 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.

6. INTERNAL BOARD COMMITTEES

Within the Issuer's Board of Directors, the Compensation Committee and the Risks and 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 Board of Directors has not deemed it necessary to set up an appointments committee, pursuant to the Guideline 5.P.1, 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. COMPENSATION COMMITTEE

In accordance with Principle 6.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

The Issuer's Internal Control Committee is composed by three non-executive Directors, most of which are independent. In 2013, the Committee comprised the non-executive Director Dimitri Coin, as Chairman, and the independent Directors Giovanni Belardinelli and Massimo Colombari (Table 2).

In compliance with Principle 6.P.3 of the Self-Discipline Code, the Director Mr. Massimino Colombari, 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, 2 Compensation Committee meetings were held on 12th March 2013 and 11th June 2013. The length of the meeting was equal to about 1.5 hours.

The Committee furthermore met after the end of the fiscal year, on 7th March 2014. For the fiscal year 2014 no other meetings of the Committee have been scheduled.

The Chairman and one member of the Board of Auditors, invited by the Committee itself, participated in the meeting and, for in-depth examinations of the agenda, some employees of the Company were also in attendance.

In accordance with Application Guideline 6.C.6, the Regulations of the Compensation Committee provides that no director takes part in the meetings of the Committee where proposals to the Board of Directors regarding his Compensation are formulated.

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 Compensation, prepared in compliance with Article 123-ter of the Consolidated Finance Law. It should be noted that the Rules of the Compensation Committee, which was adopted in its original form on 12th September 2006, was amended on 19th December 2011.

On 12th March 2013, the Committee met to discuss several topics, including:

- Compensation policy adopted by the Company and elaboration of the Report on Compensation pursuant to art. 123-ter Consolidated Financial Law
- Outcome of the “2012 management by objectives” plan

On 11th June 2013, the Committee met to discuss the following issue, among others:

- “2013 Management by objectives” plan

After the end of the fiscal year, on 7th March 2013, the Committee met to discuss, among the subjects, the adequacy, consistency and application of the Compensation Policy and the drafting of the 2013 Report on Compensation, to monitor the actual achievement of the performance targets set in the “2013 Management by objectives” plan and to propose a new incentive “2014 Management by objectives” plan.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4.C.1., let. D).

The Committee, while performing its tasks, has accessed the necessary information and the corporate functions pertinent to its assignment, in line with the Application Guideline 4.c.1, let e).

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. COMPENSATION 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”), then amended on 15th March 2012 and 14th March 2013, 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”), 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 2012 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 Compensation, 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 Plan 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.ascopiave.it/media/InvestorRelation/10340_Documento_informativo_Piano_Stock_Option_ex_Art._84.pdf).

On the occasion of the Ordinary Meeting held on 26th April 2012, which approved the financial statements for the year 2011, a new share-based incentive plan was approved, the so-called "2012-2014 Share-based long-term incentive plan" (hereinafter "2012-2014 Plan"), elaborated on proposal of the Compensation Committee and previously approved by the Board of Directors on 15th March 2012. 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 prefixed 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.

The Board of Directors has taken steps to implement the Plan, identifying beneficiaries, among the potential beneficiaries under the Regulations.

The informative document is available on the Issuer's institutional website, under the section 'Investor Relations'

(<http://www.ascopiave.it/media/InvestorRelation/Pianodiincentivazionealungotermin2012-2014.pdf>)

Compensation of executive directors

For the breakdown of the compensation of directors who exercise management proxies, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

Compensation of executive director and of managers with strategic responsibilities

For the breakdown of the compensation of the executive director and of managers with strategic responsibilities, see Section II of the Report on Compensation, 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 and the internal audit manager, during 2012, received the “Incentive long-term share-based program 2012-2014”, which was approved by the Board of Directors of Ascopiave S.p.A., upon proposal of the Compensation Committee, on 15th March 2012 and after approved by the Shareholder's Meeting on 26th April 2012. The Manager in charge, as manager with strategic responsibilities, was also the recipient of the incentive plan "management by objectives 2013", the outcomes of which can be found in Section II of the Report on Compensation, prepared pursuant to art. 123-ter of the Consolidated Financial Law.

Compensation of non-executive directors

For the breakdown of the compensation of non-executive directors, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

In line with Application Guideline 6.C0.4. of the Code, the compensation 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 Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

10. RISKS AND CONTROL COMMITTEE

In line with the provisions of Principle 7.P.3., Letter. a), n. (ii) and 7.P.4. the Board has constituted an internal control and risk Committee.

The Board of Directors of the Issuer, on 24th January 2013, simultaneously approved the Control and risks Committee Regulations, in compliance with the new Code of Self-Discipline.

Composition and functioning of the control and risks committee

The Issuer's Internal Control Committee is composed of non-executive Directors, most of which are independent. The Committee is composed of three members. In 2013, the Committee comprised the

non-executive Director Dimitri Coin, as Chairman, and the independent Directors Giovanni Belardinelli and Massimo Colomban.

In compliance with Principle 7.P.4. of the Self-discipline Code, the director Mr. Massimino Colomban, has significant experience in accounts and finance and, in particular, he has sat on many Boards as Chairman of industrial and financial companies.

During the fiscal year 4 (four) meetings of the Risks and Control Committee were held on 14th March, 14th May, 29th August and 14th November. The average length of the meetings was about 1 hour. For details on the participation of members, see Table 2 attached to this report. For the year 2014, the meetings of the Committee are fixed on the occasion of the 4 (four) meetings of the Board of Directors, scheduled for the approval of the annual, half-year and quarterly results of the Company. After the end of the fiscal year, 2 (two) meetings of the Committee were held on 27th February 2014 and 14th March 2013.

The Committee meetings were attended, upon invitation, by the members of the Board, in line with the Application Guideline 7.C.3 of the Code, the Manager responsible for preparing corporate accounting documents and the head of the Internal Audit department.

Functions attributed to the risks and control committee

In line with the Application Guideline 7.C.1, the Control and Risks Committee, in its role of supporting the Board of Directors, expresses its opinion with regard to:

- (i) definition of guidelines for the Internal Control and Risks Management system, so that the main risks concerning the Company and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining compatibility criteria of those risks with a healthy and consistent business management;
- (ii) The assessment, with at least yearly frequency, of the adequacy of the internal control and risks management system in comparison with the corporate characteristics and with the profile of the risks taken, as well as with its effectiveness;
- (iii) the work plan scheduled with at least annually by the Head of the Internal Audit Department;
- (iv) the description, in the report on corporate governance, of the main features of the system of internal control and risk management;
- (v) the results presented by the statutory auditor in the eventual letter of recommendations and in the report on key matters arisen during the statutory audit.

The Control and Risks Committee, furthermore, in supporting the Board of Directors:

- (i) Assesses, together with the manager in charge of preparing the corporate accounting documents, heard the statutory auditor and the Board of Auditors, the correct application of accounting principles and their uniformity for the purposes of preparing the consolidated financial statements;
- (ii) expresses opinions on specific issues regarding the identification of key business risks;
- (iii) reviews the periodic reports related to the evaluation of the system of internal control and risk management, and those prepared by the Internal Auditing Department;

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- (iv) monitors the independence, adequacy, effectiveness and efficiency of the Internal Auditing department;
 - (v) may ask the Internal Auditing Department to perform audits on specific operational areas, by simultaneously communicating it to the Chairman of the Board;
 - (vi) reports to the Board of Directors at least once every six months, in occasion of the approval of the annual financial report and statements, on its activity and the adequacy of the system of internal control and risk management;
 - (vii) delivers a preventive motivated opinion on the Company interest to the completion of transactions with related parties, as well as on the convenience and accuracy of the related conditions, pursuant to the Procedure for transactions with related parties approved by the Board of Directors of the company on 24th November 2010;
 - (viii) delivers a preventive motivated opinion on the proposals made by the Director in charge of the internal control system and risk management to the Board of Directors regarding the functions of appointment and dismissal of the Head of Internal Auditing, the allocation to the same of adequate resources for the fulfilment of his responsibilities, as well as the determination of his Compensation in line with the company policy;
 - (ix) performs the other duties which, from time to time, will be assigned to him by the Board of Directors

During the fiscal year the Control and Risk Committee has delivered its opinion in favour of the Board of Directors on the adequacy of the internal control and risk management system. The Committee has examined the periodic reports prepared by the internal audit department on the progress of the work in the field of internal auditing, with particular regard to the activities of risk analysis and to the implementation of the necessary measures to provide reasonable assurance regarding the true and fair representation of the economic, patrimonial and financial information according to the provisions of Law 262/2005.

During the meetings, the Committee also discussed the most suitable initiatives with regards the auditing activities for 2013, with a view to progressively improving the Internal Control and Risk Management system.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4.C.1., let. D).

In performing its functions, the 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, in line with the Application Guideline 4.C.1., lett. e).

No financial resources have been granted to the Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Ascopiave has adopted a system of internal control and risk management in accordance with the Code of Self-Discipline for listed companies and in line with the best practices of reference.

The Board of Directors, under the definition of the strategic, industrial and financial plans, defined the nature and level of risk consistent with the strategic objectives of the Issuer, in line with the Application Guideline 1.C.1., lett. b).

The Board of Directors defined the guidelines for the Internal Control and Risks Management system, so that the main risks concerning the Issuer and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining the compatibility of these criteria with a healthy and consistent business management in line with the Application Guideline 7.C.1., lett. a).

In 2013, the Group started a project for the implementation and development of the Enterprise Risk Management model (hereinafter “ERM”), through the adoption of methods and operations aimed at improving risk assessment and at implementing checks to monitor the control system related to the risks identified, according to a specific plan. In particular, the project identifies the risk events which, at a strategic, financial, operational and compliance level, may jeopardize the achievement of performance targets. The risk assessment model which was adopted will enable the evaluation of the protection tools adopted and the scheduling of the most adequate hedging actions in line with the issuer's risk preference. Furthermore, the model envisages the implementation of a risk analysis dashboard (so-called Tableau De Bord) through the identification of risks indicators to be continuously monitored.

Existing management of risk and internal control system in relation to the financial information procedure

The system of internal control and risk management is embodied in the set of rules, procedures and organizational structures designed to permit the identification, measurement, management and monitoring of the main risks. In line with the guideline 7.P.1. of the Code, this system is integrated into the broader organizational and corporate governance adopted by the Issuer and shall take in due account the reference models and best practices existing at national and international level.

The system is aimed at ensuring the trustworthiness, accuracy, reliability and timeliness of financial reporting.

a) Phases of the existing management of risk and internal control system in relation to the financial information procedure

The internal control and risk management system is aimed at supplying the reasonable certainty that the diffused accounting information 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, of 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 (year balance, half year balance and intermediate management 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 to Mr. Cristiano Belliato, Chief Financial Officer of the Issuer, 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 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 risk management and internal control system is based on the following characterising elements:

- a set of company procedures relevant for the preparation and circulation of financial information, comprising, among others, operating instructions, reporting and accounting calendar;
- an identification process of the main risks connected to the financial information and of the main controls for the acknowledged risks (financial risk assessment) that brought to the recognition, for each relevant accounting area, of the financial processes/flows considered critical and the activities of control supervising these financial processes/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 controls is entrusted; the Chief Financial Officer 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 controls. 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 department, on the basis of the indication of the Manager in charge. The tests on semi-annual controls are performed on the basis of the priorities identified during the risk assessment;
- 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 President and 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 Control and Risks Committee, to 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.

b) Roles and functions

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

- Board of Directors;
- Director in charge for the internal control and risks management system;
- Committee for control and risks;
- Supervisory Committee pursuant to Legislative Decree 231/2001;
- Manager in charge of preparing the company accounting documents;
- Head of the Internal Audit Department;
- Board of Statutory Auditors
- Auditing company.

The Board of Directors is the body required to define the nature and level of risk, which is consistent with the strategic objectives of the Issuer. It is up to the Board of Directors, after consultation with the control and risks committee, to set the guidelines of the internal control and risk management system and to evaluate, at least annually, the adequacy. To this aim, the Board of Directors relies on the work of the control and risks Committee and of the Director in charge for the system of internal control and risk management. In particular, the Director of the internal control system is in charge for the establishment and maintenance of an effective system of internal control and risk management. The control and risks Committee supports, with appropriate preliminary assessments, the evaluations and decisions of the Board of Directors relating to the system of internal control and risk management, as well as those for the approval of financial reports.

The Head of the Internal Audit Department is assigned with the task of verifying that the system of internal control and risk management is adequate and works properly.

Furthermore, each business unit and company manager of the Company is responsible, under the guidelines of the internal control and risk management 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.

In accordance with what specified by arts. 2.2.3, paragraph 3, letter (j) 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, by also appointing a Body in charge for supervising the adequacy and effective application of the Model; for the related details see paragraph 11.3 of this document.

The Board of Directors has assessed, during the fiscal year, the adequacy of the internal control and risk management system with respect to the Company characteristics and the risk profile, as well as its effectiveness, in accordance with the provisions of Application Guideline 7.C.1 letter b).

The evaluation was conducted on the occasion of the presentation of financial results for the period, as well as during the regular meetings of the Board, through the constant flow of information guaranteed by the players of the internal control system.

It is also in the process of implementing a process of co-ordination, integration and development of the system of risk management, to support the decision-making process of the Board of Directors.

11.1. EXECUTIVE DIRECTOR IN CHARGE OF INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM

The Board of Directors, on 8th July 2011, appointed Mr. Fulvio Zugno (Chairman of the Board of Directors and Chief Executive Officer) as executive director in charge of supervising the functioning of the internal control and risk management system, in charge for the implementation and preservation of an effective internal control and risks management system, in line with the Guideline 7.P.3, let a), n. (i).

This choice, also shared with the Internal Control Committee, has been made on the basis of the importance that Mr. Zugno holds within the Ascopiave company structure.

In accordance with the Application Guideline 7.C.4. of the Code, the executive director in charge of supervising the functioning of the internal control system:

- has identified the main company risks 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, within the scope of the powers appointed to him, 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 asked the internal audit department, which depends under the organizational point of view from the same Chairman and Chief Executive Officer, to perform verifications on specific areas of operation and on the compliance with the rules and the procedures in the execution of business operations;
- has set up a constant flow of information with the control and risks Committee and with the Board of Directors on issues and concerns raised, so that the Committee (or the Board) has been able to take appropriate action.

11.2. PARTY RESPONSIBLE FOR INTERNAL AUDIT

The responsible for internal audit is, since July 2011, Mr. Cristiano Ceresatto. The appointment of Mr. Ceresatto took place following the favourable opinion of the Director in charge for the Internal Control and risks Committee, on the basis of the technical knowledge and skills of the professional experience to perform the task.

Pursuant to the Guideline 7.C.3., lett. b) The Head of the Internal Audit Department is assigned with the task of verifying that the system of internal control and risk management is adequate and works properly.

The Compensation of the Head of the internal audit department is currently established by the Director in charge of the internal control system, as delegated by the Board of Directors, consistently with the company's Compensation policies.

In order to support the Head of Internal Audit in the performance of his duties, the audit department has been integrated in 2012 with a resource with specific expertise in economic and financial matters.

The internal audit function is not responsible for any operational area and reports to the Chairman of the Board of Directors of Ascopiave, in line with the Application Guideline 7.C.5, letter. b.

The Party responsible for Internal Control, pursuant to the Application Guideline 7.C.5. of the Code:

- verifies, either continuously or in relation to specific needs and in compliance with international standards, the operation and the suitability of the internal control and risk management system; the activity is regulated by an audit plan, approved annually by the Board of Directors, based on a structured analysis and prioritization of key risks;
- has direct access to all information useful to perform his tasks;
- prepares periodic reports containing adequate information about his work, the way in which the risk management is carried out, as well as on the compliance with the plans for their reduction, further to an assessment on the suitability of the internal control and risk management system and he transmits them to the Chairmen of the Board of Auditors and of the control and risk Committee, to the Chairman of the Board of Directors and to the Director responsible for the system of internal control and risk management;
- prepares timely reports on major events and transmits them to the Chairmen of the Board of Auditors, of the Control and Risk Committee and of the Board of Directors as well as to the Director in charge of the internal control system and risk management;
- verifies, as part of the audit plan, the reliability of information systems including systems of accounting.

For carrying out the activities, if deemed appropriate and if authorized by the Board of Directors or by its representatives, the Head of Internal Audit may request the support of external professionals expert in this field or of tools that support the activity.

During the financial year, the Head of Internal Audit performed a verification of the internal control system and risk management of the Issuer 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 Head of the Internal Audit Department has actively participated in the process of revising the structure of corporate governance of the Group Ascopiave, aimed at strengthening the functions of direction, management and control of their corporate governance, through the introduction of new organizational structures and regulations, both at Ascopiave and at the subsidiaries, also for the effective implementation of the management and coordination activity. He has also participated in the modification of the organizational structures of Ascopiave and the subsidiaries, contributing to the analysis of processes and to the consolidation of the related internal control systems.

The Head of Internal Audit department, during the financial year, has guaranteed systematic and periodical information about the outcomes of activity performed, addressed to the Chairmen of the control and risks Committee and of the Board of Auditors, as well as to the administrator in charge of supervising the internal control and risk management system, in order to enable them to fulfil the tasks assigned in the field of supervision and evaluation of the system of internal control and risk management.

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.

Along with 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 regulations 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, Mr. Cristiano Ceresatto – head of the internal auditing – and Mr. Paolo Ruggero Ortica - a professional in the economic-financial field.

The abstract of the above model consists of a general part showing the normative system of reference, the process of definition of the model and the constituent elements of the model itself; it also includes various special parts dealing with the special cases of crime that the model is intended to prevent, among which:

- crimes against the public administration
- corporate crimes
- market abuse
- safety at work
- environmental crimes
- computer crimes
- receiving of stolen goods and money laundering

In order to spread the Model, the general part of it can be found on the Issuer's website in the section investor relations/corporate governance/ethics code.

11.4. AUDITING COMPANIES

Auditing is entrusted to the company Reconta Ernst & Young S.p.A..

The appointment was made by the Shareholders' Meeting on 5th 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, the Issuer's Chief Financial Officer since 19th July 2012, formerly Administrative Director of the Company, 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 147quinquies 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 performing his tasks, in accordance with the provisions of article 154 bis of Legislative Decree no. 58 dated 24th February 1998.

11.6. COORDINATION BETWEEN THE PARTIES INVOLVED IN THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

The Issuer has implemented mechanisms of interaction between the parties involved in the system of internal control and risk management aimed to ensure the coordination and the effective performance of specific tasks. Among these, it is to be noticed the performance of regular meetings between the bodies and the departments responsible for internal control and risk management, the participation of the Board of Statutory Auditors and of the Internal Audit Manager to the meetings of the Control and Risks Committee.

It should be noted that the Head of Internal Audit is a member of the Supervisory Board of the Company.

12. INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES

On 24th November 2010, the Board approved the text of the Code on Related Parties Transactions (hereinafter referred to as the "Code"). The Code governs the operations with related parties performed by the Company, either directly or through subsidiaries, in accordance with the provisions set forth in the Regulatory Norms adopted pursuant to art. 2391-bis of the civil code by the National Committee for the Companies and the Stock Market, (CONSOB) with resolution no. 17221 dated 12th March 2010 and further amendments ("Regulatory Norms").

The Code came into force as of 1st January 2011 and it has replaced the previous regulation governing Related Parties Transactions approved by the Board of Directors of the Company on 11th September 2006 (subsequently modified).

For the contents of the Code, see the document available on the Issuer's website at the following address:

http://www.ascopiave.it/media/InvestorRelation/BEPLEX-191043-v1-Procedura_FINALE.PDF

In order to implement the procedure, a mapping of the so-called Related Parties is performed periodically, to which the contents and the controls provided for by the document are applied. The Directors are also required to declare, if existent, any interests in conflict with the performing of the transactions in question.

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.

The Board of Auditors is composed of three statutory auditors and two alternate auditors, whose office lasts three years and which can be re-elected. At least one of the statutory auditors should be: (i) a woman, if the majority of the statutory auditors are men; (ii) a man, if the majority of the statutory auditors are women.

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. In the lists composed of three or more candidates, the gender of at least one third (rounded up) of the candidates for the role of statutory auditor and the candidates for the office of alternate auditor must be different from the gender of the other candidates.

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, without prejudice to applicable regulations governing gender balance.

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, without prejudice to applicable regulations governing gender balance. 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, respecting applicable regulations governing gender balance. 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, always in compliance with applicable regulations governing gender balance. 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. COMPOSITION AND FUNCTIONING OF THE BOARD OF 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	Position
Giovanni Zancopé Ogniben	Chairman of Statutory 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 2012, please refer to Table 3 attached to the Report.

Below, the 3 lists that were presented:

PRESENTING PARTY	LIST OF CANDIDATES	LIST OF ELECTED CANDIDATES	% VOTES OBTAINED IN RELATION TO VOTING EQUITY OWNERSHIP INTEREST
List n. 1 Asco Holding S.p.A.	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	77,009%
List n. 2 ASM Rovigo S.p.A.	Standing Auditor 1. Franco Turrini Alternate Auditor 1. Massimo Maiarelli	No elected candidate	5,494%
List n. 3 Blue Flame S.r.l.	Standing Auditor 1. Giovanni Zancopé Ogniben Alternate Auditor 1. Paolo Nicolai	Standing Auditor 1. Giovanni Zancopé 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.

Here below is the personal and professional history of each Auditor:

- Chairman, Giovanni Zancopè Ogniben: Registered in the Association of Business Consultants and Professional Accountants of Treviso, and in the Legal Auditors Registry of Labour's Consultants of Treviso. He practices in his office of Lanzago Silea (TV). He is chairman of the board of auditors and auditor in various companies, for which he performs the function of auditor.
- Statutory Auditor, Elvira Alberti: Registered in the Association of Business Consultants and Professional Accountants and in the Legal Auditors Registry, she practices in her office of Treviso. She is currently auditor of public entities and auditor for various companies of public and private law.
- Statutory Auditor, Paolo Papparotto: Registered in the Association of Business Consultants and Professional Accountants of Treviso and in the Legal Auditors Registry, he practices in his office of Treviso. He is currently director and auditor in various private law companies.
- Alternate Auditor, Andrea Sartor: Registered in the Association of Business Consultants and Professional Accountants of Treviso and in the Legal Auditors Registry. He practices in his office of Treviso, and he is specialized in consultancy for corporate finance operations. He is currently director and auditor in various private law companies.
- Alternate Auditor, Paolo Nicolai: Registered in the Association of Business Consultants and Professional Accountants of Padova and in the Legal Auditors Registry, he practices in his office of Padova. He is currently auditor and director in capital companies, some of which listed in the Stock Exchange.

The professional curricula of the auditors pursuant to articles 144-*octies* e 144-*decies* of the Consob Issuers Regulation are available on the Issuer's website in the section "investor relations".

During the year, 9 (nine) meetings of the Board of Directors were held on the following dates: 17th January 2013, 14th March 2013; 28th March 2013; 29th March 2013; 11th April 2013; 24th April 2013, 10th July 2013; 14th October 2013. The average length of the meetings was equal to 3.5 hours. For details on the participation of the Auditors to the meetings, see Table 3 attached to this report.

During 2014, the Board of Auditors will meet for at least at a 90-day interval, pursuant to Article 2404 of the Civil Code. At the end of the fiscal year, on 14th January 2014, the Board of Auditors met to discuss. The meetings scheduled in 2014 are 4 (four).

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.

The Board of Auditors, at its meeting on 17th January 2013, verified the permanence of the requirements of independence of its members, in accordance with the provisions in the Guideline 8.C.1. The verification did not reveal any element that lead to the disappearance of this need for independence.

During the year, in line with the Application Guideline 2.C.2 of the Self-Discipline Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments affecting the industry in which the Issuer operates, as well as about the performance of the corporate bodies functions, through the divulgation of information during meetings and in the pre-board report.

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 Board of Auditors in the conduct of its business, is regularly coordinates with the Head of Internal Audit and with the control and risks Committee, in line with the Application Guidelines 8.C.4 and 8.C.5. of the Code.

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. The article 2.2.3 lett. i) 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 9 of the Self-discipline Code, the Company's Board of Directors appointed during the meeting held on 24th July 2006 Mr. Giacomo Bignucolo as Investor Relator 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 important for its shareholders is available.

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 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 the 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 9.C.3 of the Self-discipline Code, the Company's Ordinary Meeting held on 5th July 2006 resolved to adopt Meeting Regulations (subsequently amended by the Meeting held on 28th April 2008 and by the Meeting held on 28th April 2011), which came into effect as from the date of the Start of Negotiations (http://www.ascopiave.it/media/InvestorRelation/Ascopiave_Regolamento_Assembleare_28042011.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. 5 (five) Directors have attended the meeting of 23rd April 2013.

The method of exercise of the Compensation Committee functions were presented to the shareholders, during the meeting, on 23rd April 2013, by the publication of the Report on Compensation and the discussion about the contents of the same.

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 2012, the Board of Directors of the Issuer approved the "Guidelines on the exercise of management and coordination powers of the parent company" in order to seize the opportunity to strengthen the functions of direction, management and control, through the introduction of new organizational structures and regulations, both at the parent company in the subsidiaries Ascopiave that, even for the effective implementation of the management and coordination. The Guidelines have been adopted by the boards of the subsidiary companies and approved by the respective shareholders.

18. CHANGES SINCE THE END OF THE YEAR IN QUESTION

No changes in the corporate governance system adopted by the Issuer since the end of the fiscal year.

TABLES

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

	N° Shares	% against S. C.	Listed/Non-Listed	Rights & Obligations
Ordinary Shares	234.411.575	100%	STAR	Each share represents one vote. Shareholders' rights and obligations are those stated in Articles 2346 et seq Civil Code and Company Charter

SIGNIFICANT SHARES IN THE CAPITAL AS OF 31ST DECEMBER 2013 (in compliance with Article 120 Consolidated Financial Law)

Declarant	Direct Shareholder	% ordinary capital	% voting share capital
Asco Holding S.p.A.	Asco Holding S.p.A.	61,562%	61,562%
Ascopiave S.p.A.	Ascopiave S.p.A.	5,203%(i)	5,203%(i)
Blue Flame S.r.l.	Blue Flame S.r.l.	8,142%	8,142%
Comune di Rovigo	ASM Rovigo S.p.A.	4,419%	4,419%
Regione Veneto	Veneto Sviluppo S.p.A.	2,090%	2,090%

Data relating to the shares held by Ascopiave S.p.A as of 31st December 2013, inclusive of n. 1,975 bonus shares, with a value of Euro 1

Since the beginning of 2014, the following communications were received pursuant to 120 Consolidated Financial Law:

- Veneto Sviluppo S.p.A.: reduction of the shareholding to 1.923%, on 21/01/2014
- Blue Flame S.r.l.: disposal of the entire shareholding, on 14/02/2014
- Amber Capital UK LLP: acquisition of a shareholding equal to 3.09%, on 14/02/2014

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors											Control and Risk Committee		Remuneration Committee	
Office	Members	Beginning of Term	End of Term	List (M/m)*	Exec.	Non-exec.	Independent of Code	Independent 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 Colombari	28/04/2011	Fin Stat 2013	m		X	X	X	83,33	5	X	75	X	50
Director	Quarello Enrico	14/02/2012	Fin Stat 2013	Cooptation		X	X	X	100	0				
Quorum required for the presentation of lists in the last appointment : 2,5%														
No. of meetings held during the financial year:							Board: 13				CCI:4		RC: 2	

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.

TABLE 2: OFFICES OF THE DIRECTORS IN OTHER COMPANIES

Massimino Colomban	Office	Company
	Director	Save Engineering S.p.A.
	Governing Director	Quaternario Investimenti S.p.A.
	Director	Sedicidodici S.r.l.
	Director	Xepta Holding S.r.l.
	Director	LAFERT S.p.A.

TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS

Board of Statutory Auditors							
<i>Office</i>	Members	Beginning of Term	End of Term	List (M/m)*	Independent of Code	** (%)	Other offices held ***
Chairman	Giovanni ZancopéOgniben	28/04/2011	Financial Statements 2013	m	X	100	0
Standing Auditor	Elvira Alberti	28/04/2011	Financial Statements 2013	M	X	75	0
Standing Auditor	Paolo Papparotto	28/04/2011	Financial Statements 2013	M	X	75	4
No. of meetings held during the financial year: 8							

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).

*** This column reports the number of offices as director or auditor held by the subject, in accordance with Article 148 bis of the Consolidated Financial Law. The complete list of appointments is published by Consob of its website pursuant to art 144-luinquiesdecies of the Consob Issuers Regulation.

TABLE 4: OFFICES OF THE AUDITORS IN OTHER COMPANIES

<i>Paolo Papparotto</i>	Position	Company
<i>Standing Auditor</i>	<i>Standing Auditor</i>	Rossfin S.p.A.
	<i>Standing Auditor</i>	BH 4 S.p.A.
	<i>Standing Auditor</i>	BH 5 S.p.A.
	<i>Board of Directors</i>	Patrimoni affidati S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO MEETING OF SHAREHOLDERS

Gentlemen,

In the accounting period ended 31st December 2013, 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 23rd April 2013 that was called to resolve on the approval of the financial statements for the 2012 accounting period, the remuneration policy, the long-term incentive plan relating to executives and management; a new plan relating to the purchase and sale of treasury stock as well as resolve on the compliance of the Company Charter with the provisions envisaged in Law 120 dated 12th July 2011.
- 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 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 Controlling Committee 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 as well as the respective Report on Operations for the accounting period and the accompanying documents through direct checks and dedicated details obtained from the External Auditors.

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

- 1.** the more relevant transactions of economic, financial and equity importance performed by the Company and its subsidiaries have been implemented 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.

The following extraordinary operations took place in fiscal 2013:

- wind-up of Asco Energy Srl (19th February 2013) and its subsequent cancellation from the Register of Corporations (30th December 2013)
- wind-up of Consorzio Re and its subsequent cancellation from the Register of Corporations (30th December 2013)

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.

The Report on Operations also features the following information provided by the Directors:

- the signing of a non-binding Letter of Intent with ENI relating to the development of a partnership governing the marketing of electricity and gas;
- the signing of a funding agreement with the European Investment Bank (EIB) to the tune of € 70 million in 3 instalments: the first and the second (€ 35 million and € 10 million) already disbursed in fiscal 2013; the third instalment of € 25 million will be provided in accordance with some investment targets and in any event, by 30th June 2016.

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 27th March 2014 by the external auditors Reconta Ernst & Young S.p.A. regarding Ascopiave S.p.a. fiscal 2013, 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 2013.
6. No other complaints were received by the Board of Statutory Auditors in fiscal 2013.
7. In fiscal 2013, 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. Furthermore, Ernst & Young Financial Business Advisors Spa has received a contract relating to methodological assistance on model analysis, operating instruments and control pursuant to legislative decree 231/2001.

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	175
Auditing of subsidiaries	200
accounting services to parent company	3
accounting services to subsidiaries	10
Other auditing services to parent company	13
Other auditing services to subsidiaries	43
Other consulting services to parent company	126
<u>Total</u>	<u>570</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 attended 12 meetings held by the Board of Directors in the 2013 accounting period. The former also held 8 meetings regarding its own role. Moreover, the Internal Controlling Committee met 4 times and the Remuneration Committee met 2 times. At least 1 member of the Board of Statutory Auditors was in attendance at all such meetings.

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 been subjected to constant enhancement by the Board of Directors.

- 11.** The organizational structure of the Company responds to the standards of management and coordination required for the operating companies of the Group.

We also confirm that all corporate initiatives were followed and coordinated by the Parent Company's Board of Directors.

- 12.** Internal Audit activities were ongoing. Consisting of a Manager and an Assistant, the focus is on internal control of Group companies through inspection activities and through the provision of 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.

As a matter of fact, the Board of Directors, in fiscal 2013, approved the Organization, Management and Control Model issued by the company as well as a new version of the Code of Ethics. All the subsidiaries have adopted the Organization, Management and Control Model and complied with the Code of Ethics

In their report on operations, the Directors have also 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.

- 13.** During fiscal 2013, the Administration continued with the enhancement of the company subsidiaries' technology and communication systems as to retain an efficient control over the Group's data and information processing operations.

- 14.** 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, such operations are also through organizational procedures envisaged in the document.

- 15.** 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.
- 16.** We notify that the Board of Directors, in its “Report on Corporate Governance and Property Structure of Ascopiave S.p.A.” 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.
- 17.** 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.

In virtue of the above, this Board of Statutory Auditors, as far as it is concerned, deems that year 2013 Financial Statements as submitted by the Board of Directors in the Report on Operations, can be approved

Treviso - 27th March 2014

THE BOARD OF STATUTORY AUDITORS

Giovanni Zancope Ogniben

Elvira Alberti

Paolo Paparotto



Building a better
working world

Reconta Ernst & Young S.p.A.
Viale Appiani, 20/b
31100 Treviso

Tel: +39 0422 358811
Fax: +39 0422 433026
ey.com

**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 2013 and for the year then ended, comprising the statement of financial position, the income statement and 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.

The consolidated financial statements of the prior year are presented for comparative purposes. As described in the explanatory notes, Directors have restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated March 29, 2013. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the consolidated financial statements as of 31 December 2013 and for the year then ended.

3. In our opinion, the consolidated financial statements of the ASCOPIAVE Group at 31 December 2013 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 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 Company Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard n. 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 Company Structure, are consistent with the consolidated financial statements of the ASCOPIAVE Group at December 31, 2013.

Treviso, March 27, 2014

Reconta Ernst & Young S.p.A.

Signed by: Maurizio Rubinato, partner

This report has been translated into the English language solely for the convenience of international readers.



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Reconta Ernst & Young S.p.A.
Viale Appiani, 20/b
31100 Treviso

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1. We have audited the financial statements of ASCOPIAVE S.p.A. as of 31 December 2013 and for the year then ended, comprising the statement of financial position, the income statement and 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 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.

The financial statements of the prior year are presented for comparative purposes. As described in the explanatory notes, Directors have restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated March 29, 2013. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the financial statements as of 31 December 2013 and for the year then ended.

3. In our opinion, the financial statements of ASCOPIAVE S.p.A. at 31 December 2013 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 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 Company Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard n. 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 Company Structure, are consistent with the financial statements of ASCOPIAVE S.p.A. at December 31, 2013.

Treviso, March 27, 2014

Reconta Ernst & Young S.p.A.

Signed by: Maurizio Rubinato, partner

This report has been translated into the English language solely for the convenience of international readers.