



**Consolidated Half-Yearly
Financial Report
at 30th June 2011**

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Attachments:

- Declaration by the Manager - Certification of the Consolidated Interim Financial Statements in accordance with art. 81-ter of Consob regulation no. 11971;
- Independent Auditors' Report on the limited auditing of the consolidated interim financial statements as of 30th June 2011.

GENERAL INFORMATION

Directors, Officers and Company information*Board of Directors and Board of Statutory Auditors*

| Name | Office | Duration of office | From | To |
|----------------------|-------------------------------------|---------------------------|-------------|------------|
| Salton Gildo | Chairman of the Board of Directors | 2008-2010 | 28/04/2008 | 28/04/2011 |
| Beninatto Alfonso | Director | 2008-2010 | 28/04/2008 | 28/04/2011 |
| Bortolin Gianantonio | Director | 2008-2010 | 28/04/2008 | 28/04/2011 |
| Trinca Flavio | Independent Director | 2008-2010 | 28/04/2008 | 28/04/2011 |
| Fassina Alessandro | Independent Director | 2008-2010 | 28/04/2008 | 28/04/2011 |
| Zugno Fulvio | Chairman of the Board of Directors* | 2011-2014 | 28/04/2011 | 30/04/2014 |
| Coin Dimitri | Director | 2011-2014 | 28/04/2011 | 30/04/2014 |
| Salton Gildo | Director | 2011-2014 | 28/04/2011 | 30/04/2014 |
| Bernardelli Giovanni | Independent Director | 2011-2014 | 28/04/2011 | 30/04/2014 |
| Colomban Massimino | Independent Director | 2011-2014 | 28/04/2011 | 30/04/2014 |

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

| Name | Office | Duration of office | From | To |
|--------------------------|------------------------------------|---------------------------|-------------|------------|
| Nicolai Paolo | President of the Board of Auditors | 2008-2010 | 13.11.2008 | 30.04.2011 |
| Sforza Fabio | Statutory Auditor | 2008-2010 | 28.04.2008 | 30.04.2011 |
| Saccardi Giuliano | Statutory Auditor | 2008-2010 | 28.04.2008 | 30.04.2011 |
| Zancopè Ogniben Giovanni | President of the Board of Auditors | 2011-2014 | 28.04.2011 | 30.04.2014 |
| Papparotto Paolo | Statutory Auditor | 2011-2014 | 28.04.2011 | 30.04.2014 |
| Alberti Elvira | Statutory Auditor | 2011-2014 | 28.04.2011 | 30.04.2014 |

| In-Company Control Committee | From | To |
|-------------------------------------|-------------|------------|
| Trinca Flavio | 28/04/2008 | 28/04/2011 |
| Beninatto Alfonso | 28/04/2008 | 28/04/2011 |
| Fassina Alessandro | 28/04/2008 | 28/04/2011 |
| Coin Dimitri | 28/04/2011 | 30/04/2014 |
| Salton Gildo | 28/04/2011 | 30/04/2014 |
| Bernardelli Giovanni | 28/04/2011 | 30/04/2014 |
| Colomban Massimino | 28/04/2011 | 30/04/2014 |

| Remuneration Committee | From | To |
|-------------------------------|-------------|------------|
| Beninatto Alfonso | 28/04/2008 | 28/04/2011 |
| Trinca Flavio | 28/04/2008 | 28/04/2011 |
| Coin Dimitri | 28/04/2011 | 30/04/2014 |
| Bernardelli Giovanni | 28/04/2011 | 30/04/2014 |
| Colomban Massimino | 28/04/2011 | 30/04/2014 |

Independent Auditors

Reconta Ernst & Young S.p.A.

Legal headquarters and Company data

Ascopiave S.p.A.

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P.IVA 03916270261

e-mail : info@ascopiave.it

Investor relations

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e-mail : investor.relations@ascopiave.it

Main economic and financial data of the Ascopiave Group

Economic figures

| (Thousands of Euro) | First half of 2011 | % of revenues | First half of 2010 | % of revenues |
|---------------------------|-----------------------|---------------|-----------------------|---------------|
| Revenues | 486,334 | 100.0% | 453,947 | 100.0% |
| Gross operating margin * | 54,922 | 11.3% | 42,689 | 9.4% |
| Operating result | 42,131 | 8.7% | 32,069 | 7.1% |
| Net income for the period | 16,741 | 3.4% | 21,079 | 4.6% |

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

Assets figures

| (Thousands of Euro) | 30.06.2011 | 31.12.2010 |
|---|------------------|------------------|
| Net working capital | (6,828) | 52,209 |
| Fixed assets and other non-current assets | 533,588 | 470,712 |
| Non-current liabilities (excluding loans) | (62,993) | (47,526) |
| Net invested capital | 463,766 | 475,395 |
| Net financial position | (93,840) | (95,995) |
| Total net equity | (369,927) | (379,400) |
| Total financing sources | (463,766) | (475,395) |

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

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

Monetary flow figures

| (Thousands of Euro) | First half of 2011 | First half of 2010 |
|---|--------------------|-----------------------|
| Net operating income | 15,368 | 20,210 |
| Cash flows generated by operating activities | 88,567 | 76,591 |
| Cash flows generated by investments | (50,979) | (15,770) |
| Cash flows generated (used) by financing activities | (27,616) | (55,278) |
| Cash flow for the period | 9,973 | 5,544 |
| Liquid assets at the beginning of the period | 23,313 | 20,842 |
| Liquid assets at the end of the period | 33,286 | 26,385 |

REPORT ON OPERATIONS

PREMISE

The Ascopiave Group closed the first half of 2011 with an operating income of 42.1 million Euro and a consolidated net profit equal to 16.7 million Euro.

At the end of the period, the net capital invested amounted to 463.8 million Euro and the consolidated net assets to 369.9 million Euro.

In the first half of 2011, the Group accomplished investments in tangible and intangible assets for 19.7 million Euro, mainly for the development, maintenance and modernisation of the networks and plants of gas distribution, as well as for the construction of buildings for commercial use.

Activities

The Ascopiave Group mainly operates in the sectors of distribution and sale of natural gas to end users, as well as in other segments of the energy sector, such as the trading and wholesaling of natural gas, the sale of electric power, co-generation, heat management and the production of electric power from photovoltaic plants.

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

The Group owns concessions and direct entrusting for the management of the activity of gas distribution in over 200 municipalities, with a network which extends for more than 8,000.00 kilometres.

The activity of natural gas sale is carried out through different companies, some of which are controlled with a majority equity stake, while others are affiliates in which the Group holds a 49% and 51% and on which the Group exercises a joint control with the other shareholders. Considered as a whole, the controlled and affiliate companies supply gas to more than 800,000 final users.

Strategic objectives

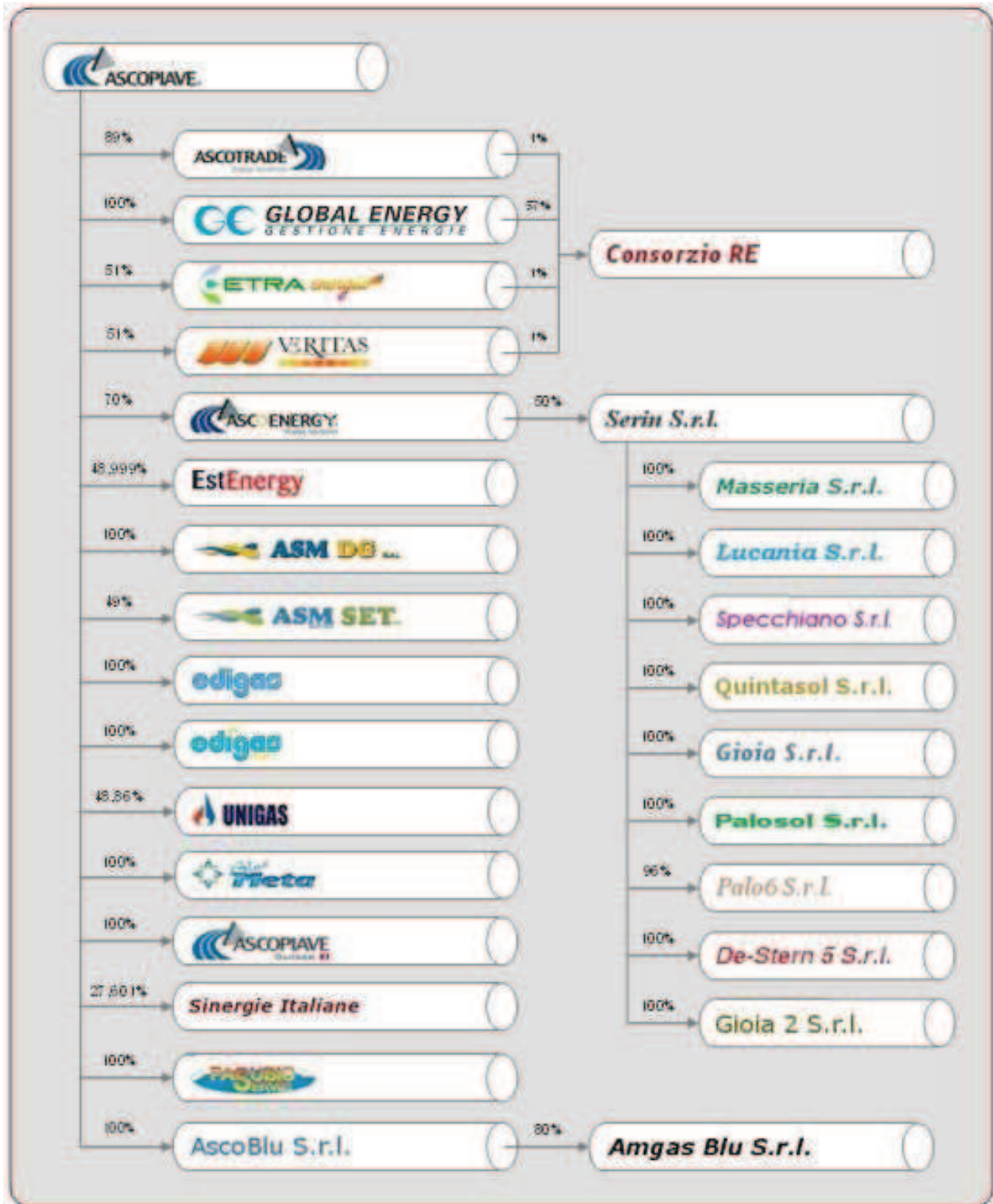
The Ascopiave Group aims at pursuing a strategy focused on the creation of value for its stakeholders, by maintaining the level of excellence in the quality of services offered, in the respect of the environment and social groups, to increase the value of the field in which it operates.

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

In this respect, the Ascopiave Group 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.

The structure of the Ascopiave Group

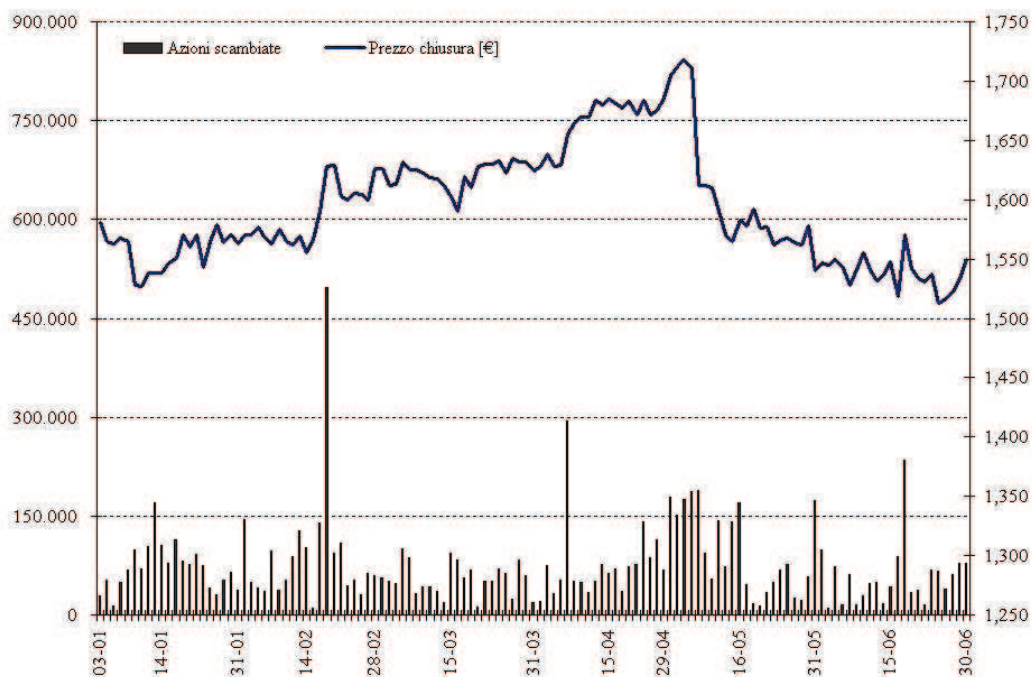
The table below shows the company structure of the Ascopiave Group as of 30th June 2011; the group operates through 29 companies.



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

As of 30th June 2011, the Ascopiave share registers a quotation of € 1,550 per share, with an approximate increase of 2.0 percentage points as compared with the listing at the beginning of 2011 (€ 1,581 per share, referred to the quotation of 3rd January 2011).

Capitalisation of the Stock Exchange as of 30 June 2011, was equal to Euro 358.81 million¹.



The quotation of the title during the first half of 2011 shows a decrease of 2.0%, which mirrors the current trend of the main reference index FTSE All-Share (-1.3%). On the other hand, the FTSE Italia Servizi di Pubblica Utilità sector index registered a positive performance with an increase of 13.7% in the first six months of the year.

The following table summarises the main data relating to the shares and stock market as of 30th June 2011.

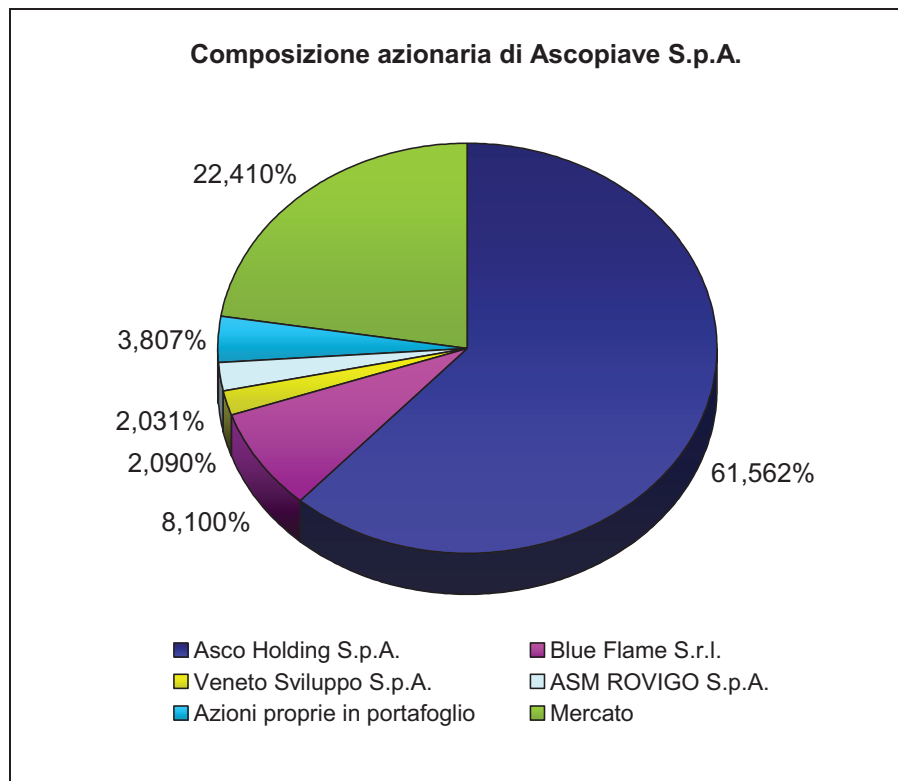
| Description | 30 th June 2011 |
|--|----------------------------|
| Earnings per share (Euro) | 0.09 |
| Net equity per share (Euro) | 1.59 |
| Placement price (Euro) | 1.80 |
| Closing price (Euro) | 1,550 |
| Max. annual price (Euro) | 1.718 |
| Min. annual price (Euro) | 1.513 |
| Stock-exchange capitalisation (Millions of Euro) | 358.81 |
| No. of shares in circulation | 225,487,264 |
| No. of shares in the share capital | 234,411,575 |
| No. of own shares in portfolio | 8,924,311 |

¹ As of 30th December 2010, the Stock exchange capitalisation of the main quoted companies active in the local public services (A2A, Acea, Acegas-Aps, Acsm-Agam, Iren and Hera) equalled Euro 8.2 billion. Internal elaboration from data taken from the Borsa Italiana website (www.borsaitaliana.it).

Control of the Company

As of 30th June 2010, Asco Holding S.p.A. directly controls 61.562% of the Ascopiave S.p.A. share capital.

The share composition of Ascopiave S.p.A., according to the number of shares held, is as follows:



* Elaborated by Ascopiave based on data drawn from the Consob website (www.consob.it). The data relate to the updated situation, based on the communications sent to Consob by Ascopiave, as per current regulations and elaborated as of 25th August 2011.

Corporate Governance and Ethical Code

During the first half 2011, Ascopiave S.p.A. continued its operating improvement process of corporate governance planned during the past years, introducing further improvements to the tools in order to protect the investors' interests.

Corporate Governance

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

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

The main aspects of the Report are summarised below.

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

Main characteristics of the risk management and internal control systems

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

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

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

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

On 8th July 2011, the Board of Directors appointed Mr. Fulvio Zugno (President of the Board of Directors), the executive director responsible for supervising the functioning of the In-Company Control system. This choice, which is shared by the In-company Control Committee, has been made on the basis of the importance that Mr. Zugno holds within Ascopiave's company structure, as principal of operative delegations and responsible for company management.

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

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

Ethical code

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

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

Transactions with related and affiliated parties

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

- ✓ Purchase of IT services from subsidiary ASCO TLC S.p.A;
- ✓ Purchase of materials for the production process and maintenance services from SEVEN CENTER S.r.l.;
- ✓ Purchase of gas from the joint company Sinergie Italiane S.r.l.

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

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

We would like to point out that these relations are characterized by the higher transparency and by market conditions.

Directors' and Statutory Auditors' fees

In accordance with Consob deliberation n.15520 dated 27th July 2006, we hereby report the remunerations and fees matured by the Ascopiave S.p.A. Directors and Auditors for the charges performed in the parent company and in other companies included in the consolidation (amounts in Euro).

Board of Directors

| Name | Office | Duration of office | From | To | Total remuneration as of 30.06.2011 |
|----------------------|------------------------------------|--------------------|------------|------------|-------------------------------------|
| Salton Gildo | Chairman of the Board of Directors | 2008-2010 | 28/04/2008 | 28/04/2011 | 53,521 |
| Beninatto Alfonso | Director | 2008-2010 | 28/04/2008 | 28/04/2011 | 16,389 |
| Bortolin Gianantonio | Director | 2008-2010 | 28/04/2008 | 28/04/2011 | 16,389 |
| Trinca Flavio | Independent Director | 2008-2010 | 28/04/2008 | 28/04/2011 | 13,000 |
| Fassina Alessandro | Independent Director | 2008-2010 | 28/04/2008 | 28/04/2011 | 16,389 |
| Zugno Fulvio | Chairman of the Board of Directors | 2011-2014 | 28/04/2011 | 30/04/2014 | 15,764 |
| Coin Dimitri | Director | 2011-2014 | 28/04/2011 | 30/04/2014 | 2,192 |
| Bernardelli Giovanni | Independent Director | 2011-2014 | 28/04/2011 | 30/04/2014 | 6,048 |
| Colomban Massimino | Independent Director | 2011-2014 | 28/04/2011 | 30/04/2014 | 8,750 |
| Total | | | | | 148,441 |

Statutory Auditors

| Name | Office | Duration of office | From | To | Total remuneration as of 30.06.2011 |
|--------------------------|------------------------------------|--------------------|------------|------------|-------------------------------------|
| Nicolai Paolo | President of the Board of Auditors | 2008-2010 | 13.11.2008 | 30.04.2011 | 12,427 |
| Sforza Fabio | Statutory Auditor | 2008-2010 | 28.04.2008 | 30.04.2011 | 8,388 |
| Saccardi Giuliano | Statutory Auditor | 2008-2010 | 28.04.2008 | 30.04.2011 | 8,388 |
| Zancopè Ogniben Giovanni | President of the Board of Auditors | 2011-2014 | 28.04.2011 | 30.04.2014 | 6,635 |
| Papparotto Paolo | Statutory Auditor | 2011-2014 | 28.04.2011 | 30.04.2014 | 4,479 |
| Alberti Elvira | Statutory Auditor | 2011-2014 | 28.04.2011 | 30.04.2014 | 4,479 |
| Total | | | | | 44,796 |

Top Management

| Name | Office | Duration of office | Total fees as of 30/06/2011 |
|--------------------|-----------------------------|---------------------|-----------------------------|
| Salton Gildo | CEO ** | | |
| Roberto Gumirato | Financial Director | Open-ended contract | |
| Giovanni Favaro | Managing Director | Open-ended contract | |
| Cristiano Belliato | Administrative Director | Open-ended contract | |
| Giacomo Bignucolo | Management Control Director | Open-ended contract | |
| Claudio Fabbi | Ascotrade CEO | Open-ended contract | |
| Total | | | 451,668 |

(*) Gross of taxes and welfare contributions

** On 19th July 2011, the company terminated the business relationship with Mr. Gildo Salton; moreover, the company questions the nature of his salaried employment as well as the validity and effectiveness of the contract they entered into with Mr. Salton on 28th January 2011.

Shares held by Directors, Auditors and Top Managers

Directors and Auditors

| Surname / Name | Company in which shares are held | Type of shares | Number of shares owned as of 30.06.2010 (or as of date of termination of the office) | Number of shares bought during the period 01.01.2011 / 30.06.2011 | Number of shares sold during the period 01.01.2011 / 30.06.2011 | Number of shares owned as of 01.01.2011 (or as of date of appointment) | Ownership title |
|---|----------------------------------|----------------|--|---|---|--|-----------------|
| Zugno Fulvio | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Coin Dimitri | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Bernardelli Giovanni | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Salton Gildo [1] | Ascopiave | Ordinary | 0 | - | 30,000 | 30,000 | Property |
| Colomban Massimino | Ascopiave | Ordinary | 145,200 | - | - | 145,200 | Property |
| Zancopè Ogniben Giovanni | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Papparotto Paolo | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Alberti Elvira | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Beninato Alfonso | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Bortolin Gianantonio | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Trinca Flavio | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Fassina Alessandro | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Sforza Fabio | Ascopiave | Ordinary | 10,000 | - | - | 10,000 | Property |
| Saccardi Giuliano | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Nicolai Paolo | Ascopiave | Ordinary | 0 | - | - | 0 | Property |
| Directors with strategic responsibilities [2] | Ascopiave | Ordinary | 34,560 | - | - | 34,560 | Property |
| | | | 189,760 | 0 | 30,000 | 219,760 | |

Top Management

| Surname / Name | Company in which shares are held | Number of shares owned as of 30.06.2010 (or as of date of termination of the office) | Number of shares bought during the period 01.01.2011 / 30.06.2011 | Number of shares sold during the period 01.01.2011 / 30.06.2011 | Number of shares owned as of 01.01.2011 (or as of date of appointment) | Ownership title |
|--------------------|----------------------------------|--|---|---|--|-----------------|
| Belliato Cristiano | Ascopiave | 7,680 | - | - | 7,680 | Property |
| Bignucolo Giacomo | Ascopiave | 0 | - | - | 0 | Property |
| Fabbi Claudio | Ascopiave | 21,120 | - | - | 21,120 | Property |
| Favaro Giovanni | Ascopiave | 5,760 | - | - | 5,760 | Property |
| Gumirato Roberto | Ascopiave | 0 | - | - | 0 | Property |
| | | 34,560 | - | - | 34,560 | |

Significant events during the first half of 2011

Acquisition of Unigas Distribuzione S.r.l.

On 13th January 2011, Ascopiave S.p.A. acquired at a price of Euro 19.9 million (of which about 1.7 million for the capital and about 18.2 million as an extra charge), 48.8% of the stakes in Unigas Distribuzione S.r.l.

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

Unigas Distribuzione operates in the gas distribution sector in 30 Municipalities in the District of Bergamo, with over 175 million cubic metres of gas distributed in 2010 and about 91,000 customers served.

Acquisition of Blue Meta S.p.A.

On 13th January 2011, Ascopiave S.p.A. acquired at a price of Euro 23.8 million the entire shareholding in Blue Meta S.p.A. through the controlled Ascotrade S.p.A. that had previously acquired it for the same price. The agreement provides, among other things, for the assignment to Anita S.r.l. of an option to purchase 10% of Blue Meta S.p.A., to be exercised before January 2012.

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

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

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

As of 30th June 2011, the Convention was approved by 86 municipalities located in the districts mentioned above.

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

The agreed definition of the VIR will allow Ascopiave S.p.A. to limit the risk of litigation in the execution of the bid for the award of new licenses for the gas distribution service, with the aim of preventing such events from being initiated in a climate of uncertainty and possible conflict.

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

With reference to some of these municipalities, Ascopiave S.p.A. agreed to pay an amount consisting of a fixed component to be paid as a lump sum upon subscription of the Convention. The overall amount of the fixed component equals Euro 3,869 thousand; in 2010, the outlay amounted to Euro 3,344 thousand, plus Euro 525 thousand during the first half of 2011 due to the adhesion to the procedure by all the 93 municipalities.

In addition, Ascopiave S.p.A. agreed with all the municipalities concerned, on the recognition of a variable component which will be paid annually as a result of the determination of the criteria for assessing the VIR, starting as from the year 2011 for an amount equal to the difference, if positive, between 30% of "restriction on the revenues from distribution" ("VRD"), to which Ascopiave S.p.A. is entitled by tariff regulation for the management of the gas distribution service in the municipality concerned, and the amounts already received by that municipality as a dividend in 2009, for the indirect participation in the capital of Ascopiave S.p.A.

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

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

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

On 28th January 2011, the Board of Directors approved a plan of financial guarantees in favour of the subsidiary Sinergie Italiane S.r.l..

The excellent results achieved by the Group with regard to the sales companies are also related to the modes of supply of gas as a raw material. For the first half of 2011, procurement of the Group made reference, for almost all of the requirements, to Sinergie Italiane S.r.l..

Moreover, the Board of Directors of Ascopiave S.p.A. acknowledged the fact that the shareholder Iren Mercato S.p.A. exercised its way-out option in response to strategic logics to improve the positioning in the gas industry expressed by the new shareholding group of Iren Mercato S.p.A.. The way-out option exercised by Iren will be effective as of the date of approval of the 2010/2011 balance sheet, i.e. 30th September 2011, upon transfer of the shares by 31st December 2011.

Ascopiave S.p.A., now owner of 27.61% of the share capital of Sinergie Italiane, has undertaken an assessment of the options available to change the company structure once the shareholder Iren Mercato S.p.A. leaves the group, taking into account the shareholders' agreements entered into and the possible business developments.

Establishment of the RE Consortium

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

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

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

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

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

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

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

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

Incorporation of Gioia 2 S.r.l.

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

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

Acquisition of Ascoblu S.r.l.

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

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

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

On 30th June 2011, Ascopiave S.p.A., through its fully-controlled company Ascoblu S.r.l., acquired 80% of the shares of Amgas Blu S.r.l., a newly incorporated company to which the operating company branch of the company Amgas Blu S.p.A. as of 1st July 2011; due to an arrangement with creditors, said company branch involves about 50,000 contracts for natural gas sale in the area of Foggia. The company branch was transferred to Amgas Blu S.r.l. following a partial spin-off of the same company, pursuant to art. 2.506 of the Italian Civil Code. On 30th May 2011, Ascoblu S.r.l. was declared final winner of the public tender through which Amgas S.p.A., a company controlled by the Municipality of Foggia, sold off 80% of the share capital of Amgas Blu S.r.l..

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

The price paid for the acquisition of 80% of Amgas Blu S.r.l. amounts to Euro 11.2 million, was settled in cash and is based on the assumption that the company branch involves no. 50,000 service contracts for natural gas sale as of the date of the closing. The price is subject to adjustment following a verification of the actual number of service contracts owned by Amgas Blu S.r.l. by 30th September 2011, in accordance with the provisions of the call for tenders.

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

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

Other relevant events

Litigations

Common litigations

As of 30th June 2011, before the Regional Administrative Court of Veneto, two legal procedures are pending, presented by Ascopiave S.p.A. against certain resolutions taken by municipal dealers as to the duration of concessions. With reference to one of the disputes, on 31st March 2011 the Regional Administrative Court of Veneto dismissed the appeal presented by Ascopiave against the local body/grantor, declaring it partly inadmissible. On 14th July 2011, Ascopiave presented another appeal against such decision. As from 1st November 2010, Ascopiave has ceased to manage the Municipality. As to the other procedure pending before the Regional Administrative Court of Veneto, we point out that

on 5th March 2011, the Municipality, which was managed by Ascopiave, published a call for tenders on the Official Journal of the European Union for a 12-year gas distribution contract as from 1st January 2012. Upon resolution of the Directors, the Municipality suspended the procedure for the call for tenders until 30th September 2011.

As to the litigations regarding tenders, decisions on calls for tenders for the selection of the new operator of the public gas distribution service and assignments to other service providers, as of 30th June 2011, there are three appeals pending before the Regional Administrative Court of Veneto and one before the Council of State. As to the latter, the hearing initially scheduled for 28th June 2011 to discuss the appeal was postponed *ex officio* to 27th September 2011. The municipality is still being served by Ascopiave.

As to litigations concerning orders of delivery of natural gas distribution plants, we point out that on 13th June 2011, the Regional Administrative Court of Veneto issued a final resolution whereby it accepted the appeal filed by Ascopiave. The resolution of the administrative judge is based on the substantiated necessity that the delivery of the plants be carried out only after agreements between the service providers have been reached, so as to ensure - because of the existing interconnection - all the safety guarantees necessary.

As to the call for tenders regarding the providing of the public service of gas distribution for twelve years in 14 municipalities in the District of Vicenza, the company is currently providing the service in accordance with the new agreement.

Relations with the Agenzia delle Entrate (Inland Revenue Office)

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

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

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

On 27th June 2011, the local Inland Revenue Office filed an appeal against the decision of the Provincial Tax Commission and the company is waiting for the date in which the appeal will be discussed in the Regional Tax Commission to be scheduled.

Territorial areas

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

Art. 3 of the Territorial Areas Decree contains a provision whereby calls for tenders can only be won through the ATEM's. In this framework, the existing calls for tenders announced by the single municipalities would be blocked,

even if they started before the publication of the decree on the Official Gazette.

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

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

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

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

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

Distribution of dividends

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

Own shares

In accordance with Art. 40 of Legislative Decree 127 2 d, as of 30th June 2011, own shares held by the company are equal to Euro 13,073 thousand, counted as a reduction from the other reserves, as can be seen in the Net Equity report.

Expected evolution of management trend

As for the distribution segment, in 2011 the Group will be involved in the enhancement of its portfolio of concessions and in the agreed definition with local grantors, of the industrial value of the networks and distribution systems, as well as participation in the bidding for the acquisition of new managements. The stability of the profitability of the distribution depends on the certainty of regulation and, from this point of view, there are no reasons to believe the group can not reach at least the results achieved before taxes in 2010, also thanks to the expansion of the consolidation perimeter on the newly acquired company Unigas Distribuzione S.p.A.

As for the sale segment, it is expected that the results of 2011, in relation to the current competitive scenario and to the regulatory framework in force, will be positive thanks to the favourable supply conditions negotiated for the thermal year in progress (ending 30th September 2011) and to the contract renewals currently underway; this should allow to close 2011 - with the same climate conditions and, as a consequence, of consumption - with income levels in line with 2010, also by expanding the consolidation perimeter of the newly acquired Blue Meta S.p.A. .

The actual results of 2011 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.

Group objectives and policies and description of risks

The main financial instruments in use by our group are represented by commercial debt and credits, liquidity, bank debt and other forms of financing. It is maintained that the Group is not exposed to credit risks greater than the product sector average, considering the numerous customers and the low physical risk in the service of gas delivery. To keep residual credit risks under control, there is in any case a fund for the devaluation of credit equal to approximately 10.96% 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 30th June 2011 are associated with contracts for natural gas supply.

Other information

Research and development

No significant research and development activities were performed in the first half of 2011.

Human resources

As of 30th June 2011, Ascopiave Group had 601 employees², divided between the various companies of the Group as outlined below:

| Company | 31/12/2010 | 30/06/2011 | Variation |
|----------------------|-------------------|-------------------|------------------|
| Ascopiave S.p.A. | 287 | 290 | +3 |
| Ascotrade S.p.A. | 48 | 49 | +1 |
| Global Energy S.r.l. | 4 | 4 | 0 |
| Estenergy | 71 | 85 | +14 |
| ASM DG | 23 | 20 | -3 |
| ASM Set | 11 | 10 | -1 |
| Edigas | 32 | 32 | 0 |
| Edigas Due | 3 | 4 | +1 |
| Pasubio Servizi | 19 | 19 | 0 |
| Veritas Energia | 30 | 33 | +3 |
| Unigas S.r.l. | 0 | 31 | +31 |
| Blue Meta S.p.A. | 0 | 16 | +16 |
| Amgas Blu S.r.l. | 0 | 8 | +8 |
| Total | 528 | 601 | +73 |

As compared to 31st December 2010, the Group's workforce increased of 73 units, mainly because of the enlargement of the consolidation perimeter:

² The data concerning the new acquired companies proportionally consolidated at 49%, EstEnergy S.p.A. and ASM Set S.r.l., are represented at 100%.

- Unigas S.r.l. (48.86%), gas distribution company, +31 employees;
- Blue Meta S.p.A., company selling gas and electricity, +16 employees
- Amgas Blu S.r.l. , company selling gas, +8 employees.

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

| Type | 31/12/2010 | 30/06/2011 | Variation |
|----------------|-------------------|-------------------|------------------|
| Managers | 21 | 27 | +6 |
| Office workers | 383 | 442 | +59 |
| Manual workers | 124 | 132 | +8 |
| Total | 528 | 601 | +73 |

Performance indicators

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

- **Gross operative spread (Ebitda)**: defined by the company as the result of amortizations, credit depreciation, financial managing and taxes;
 - **Operating result**: this indicator is accounted for by the accounting principles we refer to, and it is defined as operative spread (Ebit) minus the balance of costs and non recurrent revenues. This last voice includes extraordinary incomes and losses, appreciations and capital losses for alienation of assets, insurance reimbursements, taxes and others positive and negative components with less relevance.
 - **Revenues from the tariff on the activity of gas distribution**: the Company defines it as the amount of revenue realised by the distribution companies of the Group for the implementation of tariffs for distribution and measurement of natural gas to their end customers, net of amounts equalisation managed by the Electricity Equalisation Fund;
 - **First margin on gas sales**: the Company defines it as the amount obtained from the difference between the sales proceeds (realised by the Group's sale companies to end customers or final market within the business of trading and selling as a wholesaler) and the sum of the following costs: the cost of transmission service (gross of amounts subject to elimination and distribution tariffs applied by the distribution companies) and the purchase cost of gas sold;
 - **First margin on electric power sale**: the Company defines it as the amount obtained from the difference between the proceeds of sale of electricity and the sum of the following costs: cost of transport services, dispatching and balancing cost and purchase of electricity sold.
- .

Comments on the economic and financial results of the first half of 2011

General operational performance and indicators

| NATURAL GAS DISTRIBUTION | 1st half 2011 | 1st half 2010 | Var. | Var. % |
|--|-------------------------------------|-------------------------------------|-------------|---------------|
| Totally consolidated companies | | | | |
| Number of concessions | 182 | 182 | 0 | 0.0% |
| Length of distribution network (km) | 7,602 | 7,576 | 25 | 0.3% |
| Volumes of gas distributed (cm/mln) | 498.3 | 534.7 | -36.3 | -6.8% |
| Proportionally consolidated companies | | | | |
| Number of concessions | 30 | 0 | 30 | n.a. |
| Length of distribution network (km) | 965 | 0 | 965 | n.a. |
| Volumes of gas distributed (cm/mln) | 87.9 | 0 | 87.9 | n.a. |
| Ascopiave Group* | | | | |
| Number of concessions | 197 | 182 | 15 | 8,1% |
| Length of distribution network (km) | 8,073 | 7,576 | 497 | 6.6% |
| Volumes of gas distributed (cm/mln) | 541.3 | 534.7 | 6.6 | 1.2% |

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

| NATURAL GAS SALES TO FINAL MARKET | 1st half 2011 | 1st half 2010 | Var. | Var. % |
|--|-------------------------------------|-------------------------------------|-------------|---------------|
| Totally consolidated companies | | | | |
| Number of customers | 515,203 | 451,812 | 63,391 | 14.0% |
| Volumes of gas sold (cm/mln) | 632.9 | 590.1 | 42.8 | 7.2% |
| Proportionally consolidated companies | | | | |
| Number of customers | 290,961 | 294,412 | -3,451 | -1.2% |
| Volumes of gas sold (cm/mln) | 356.2 | 353.1 | 3.1 | 0.9% |
| Ascopiave Group* | | | | |
| Number of customers | 658,324 | 596,559 | 61,764 | 10.4% |
| Volumes of gas sold (cm/mln) | 808.7 | 764.2 | 44.5 | 5.8% |

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

| SALE OF ELECTRIC POWER | 1st half 2011 | 1st half 2010 | Var. | Var. % |
|--|-------------------------------------|-------------------------------------|-------------|---------------|
| Totally consolidated companies | | | | |
| Volumes of electric power sold (GWh) | 66.4 | 56.2 | 10.2 | 18.1% |
| Proportionally consolidated companies | | | | |
| Volumes of electric power sold (GWh) | 628.8 | 395.2 | 233.6 | 59.1% |
| Ascopiave Group* | | | | |
| Volumes of electric power sold (GWh) | 378.2 | 252.4 | 125.8 | 49.8% |

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

| NATURAL GAS SALE - WHOLESALING AND TRADING | 1st half 2011 | 1st half 2010 | Var. | Var. % |
|---|-------------------------------------|-------------------------------------|-------------|---------------|
| Volumes of gas sold (cm/mln) | 333.3 | 565.4 | -232.1 | -41.1% |

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

The value of each indicator is obtained by adding the values of the indicators of each consolidated company, weighting them according to the share of consolidation.

The volume of gas sold to the final market during the first half of 2011 amounted to 808.7 million cubic meters, marking a growth of 5.8% as compared to the same period in 2010.

The enlargement of the consolidation perimeter of the company Blue Meta S.p.A., consolidated as from 1st January 2011, led to an increase in volumes sold of about 69.7 million cubic meters, while with the same consolidation perimeter, the Group sold smaller quantities, equal to 25.2 million cubic meters, with a percentage decrease of 3.3%.

The decrease in the quantities sold affected mainly the civil segment of the customers, and it can be explained by climate trends; on the other hand, sales in the industrial business segment recorded an increase thanks to acquisitions carried out.

Sales activity at the virtual trading point and as a wholesaler led, during the period, to the movement of 333.3 million cubic meters of gas, with a decrease of 41.1% compared to the same period in 2010.

As of 30th June 2011, the Group manages the sale of natural gas to approximately 650,000 customers. As compared to the same date in the previous financial year, the number of customers increased of over 60,000 units, thanks to the acquisition of Blue Meta S.p.A., which effect was partially offset by the decrease in the number of customers with the previous consolidation perimeter.

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

As to the activity of gas distribution, the volumes distributed through networks managed by the Group have been 541.3 million cubic metres (+1.2% compared to the first half of 2010).

The enlargement of the consolidation perimeter following the acquisition of the company Unigas Distribuzione S.r.l., consolidated as from 1st January 2011, led to an increase in volumes sold for about 43.0 million cubic meters (pro-rata consolidation), while with the same consolidation perimeter, the Group sold smaller quantities, equal to 36.3 million cubic meters, with a percentage decrease of 6.8%.

Following the new extensions, as of 30th June 2011 the distribution network extends for 8,073 km.

General operational performance - The Group's economic results

| (thousands of Euro) | First half of 2011 | % of profits | First half of 2010 | % of profits |
|---|--------------------|--------------|--------------------|--------------|
| Profits | 486,334 | 100.0% | 453,947 | 100.0% |
| Operational costs | 431,412 | 88.7% | 411,258 | 90.6% |
| Gross operative margin | 54,922 | 11.3% | 42,689 | 9.4% |
| Amortization | 9,288 | 1.9% | 8,381 | 1.8% |
| Bad debt provision | 3,503 | 0.7% | 2,239 | 0.5% |
| Operating result | 42,131 | 8.7% | 32,069 | 7.1% |
| Financial income | 738 | 0.2% | 434 | 0.1% |
| Financial expenses | 2,053 | 0.4% | 931 | 0.2% |
| Evaluation of associated companies with net assets method | (1,147) | 0.2% | 1784 | 0.4% |
| Income before taxes | 39,669 | 8.2% | 33,356 | 7.3% |
| Taxation for the period | 22,928 | 4.7% | 12,276 | 2.7% |
| Profit/loss of the Group in the period | 16,741 | 3.4% | 21,079 | 4.6% |
| Net income of the Group in the period | 15,368 | 3.2% | 20,210 | 4.5% |
| Third-party operating result in the period | 1,374 | 0.3% | 869 | 0.2% |

In accordance with CONSOB communication DEM/6064293 dated 28th July 2006, the alternative performance indicators are defined at page 25 of the present report.

In the first half of 2011, the Group incomes amount to Euro 486,334 thousand, with an increase of 7.1% as compared to the same period of the previous year. The following table reports the details of income.

| (Thousands of Euro) | First half of 2011 | Values of new companies acquired | Values net of new companies acquired | First half of 2010 |
|--|--------------------|----------------------------------|--------------------------------------|--------------------|
| Revenues from gas transport | 7,087 | 663 | 6,424 | 5,449 |
| Revenues from gas sale | 416,213 | 32,005 | 384,208 | 405,505 |
| Revenues from electricity sale | 48,506 | 5,238 | 43,268 | 29,558 |
| Revenues from connections | 2,361 | | 2,361 | 2,840 |
| Revenues from heat supply | 1,296 | 507 | 790 | 1,469 |
| Revenues from distribution | 2,609 | 74 | 2,535 | 2,563 |
| Revenues from billing and tax services | 259 | | 259 | 179 |
| Revenues from general services supplied to Group's companies | 1,057 | | 1,057 | 977 |
| Revenues from AEEG contributions | 2,805 | 257 | 2,549 | 2,329 |
| Other revenues | 4,140 | 336 | 3,804 | 3,078 |
| Total revenues | 486,334 | 39,080 | 447,255 | 453,947 |

The **revenues from gas sale** increased from Euro 405,505 thousand to Euro 416,213, recording an increase of Euro 10,708 thousand (+2.6%); this variation was determined by:

- the decrease in the sales of the Group as trader and wholesaler, for Euro 34,067 thousand;
- the increase in revenues from final market sale - with the same consolidation area - for Euro 12,770 thousand;
- the increase in revenues from gas sale to the final market following the enlargement of the consolidation perimeter of Blue Meta S.p.A. for Euro 32,005 thousand.

Revenues from electricity sales increased from Euro 29,558 thousand to Euro 48,506 thousand, recording an increase of Euro 18,948 thousand (+64.1%), mainly due to the increase of the quantities sold and to the enlargement of the consolidation perimeter.

Other revenues, mainly attributable to the distribution of gas, increased from Euro 18,884 thousand to Euro 21,615 thousand, recording an increase of Euro 2,731 thousand (+14.5%), of which Euro 1,837 for the enlargement of the consolidation perimeter.

The operating result for the first quarter of 2011 amounts to Euro 42,131 thousand, with an increase of Euro 10,062 thousand (+31.4%) as compared to the same period of the previous year.

The enlargement of the consolidation perimeter resulted in an increase in operating income of Euro 4,171 thousand (+13.0%), while the increase with the same consolidation perimeter amounted to Euro 5,891 thousand (+18.4%).

The improved result is due to the following factors:

- increase in the revenues from the tariffs on the activity of gas sales, equal to Euro 3,858 thousand (of which Euro 2,792 thousand due to the enlargement of the consolidation perimeter);
- increase in the first margin on the activity of gas sales, equal to Euro 15,729 thousand (of which Euro 5,554 thousand due to the enlargement of the consolidation perimeter);
- increase in the first margin on the activity of electric power sale, equal to Euro 247 thousand;
- decrease in other items of cost and revenues, equal to Euro 9,772 thousand (of which Euro 4,123 thousand due to the enlargement of the consolidation perimeter);

The increase in **revenues from tariffs in the distribution activity** (which increased from Euro 28,524 thousand to Euro 32,382 thousand) was mainly determined by the consolidation of Unigas Distribuzione S.r.l..

The increase in the **first margin on the activity of gas sale** (which increased from Euro 32,435 thousand to Euro 48,164 thousand) was determined by the increase in the specific marginality (Eurocent/cm) mainly linked to the best economic condition of provisioning, as well as by the increase in the quantities of gas sold, an objective achieved thanks to the enlargement of the consolidation perimeter, which effect offset the decrease in consumptions caused by a warmer winter.

The **first margin on the activity of electric power sale**, amounting to Euro 1,572 thousand, recorded an improvement as compared to the same period in the previous financial year.

The decrease of **other items of cost and revenues** of Euro 9,772 thousand, is due to:

- enlargement of the consolidation perimeter: decrease of Euro 4,123 thousand;
- increase in revenues (with equal consolidation perimeter) of Euro 894 thousand;
- higher costs for materials, services and other expenses (with equal consolidation perimeter) for Euro 3,624 thousand;

- increased personnel costs (with equal consolidation perimeter) for Euro 1,554 thousand;
- increased depreciation and provisions (with equal consolidation perimeter) for Euro 1,366 thousand;

Consolidated net income for the first half of 2011 amounts to Euro 16,741 thousand, with a decrease of Euro 4,338 thousand (-20.6%) compared to the same period of the previous year.

The variation is due to the following factors:

- increase in operating result, for Euro 10,062 thousand;
- reduction of the pro-rata result of the affiliate company Sinergie Italiane S.r.l., consolidated using the net equity method, for Euro 2,931 thousand;
- increase of other net financial charges for Euro 818 thousand;
- increase in taxes equalling Euro 10,651 thousand, following the improvement of the result before taxes and the increase in the tax-rates as described below.

The tax-rate increased from 36.8% to 57.8%, mainly because of the increase in the IRES tax-rates (tax surcharge of the so-called Robin Hood Tax, which will be applicable to companies distributing natural gas), in the IRAP tax-rates and in the non-taxable charges (mainly the result of the companies consolidated by the net equity method).

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) | 30.06.2011 | 31.12.2010 |
|----------|---|-----------------|------------------|
| A | Cash | 58 | 40 |
| B | Other liquid assets | 33,228 | 23,273 |
| C | Negotiable shares | | |
| D | Liquid assets (A) + (B) + (C) | 33,286 | 23,313 |
| E | Current financial receivables | 16,770 | 4,088 |
| F | Current bank debt | (80,185) | (112,039) |
| G | Current share of non current debt | (7,021) | (848) |
| H | Other current financial debts | (12,750) | (4,283) |
| I | Current financial indebtedness (F) + (G) + (H) | (99,956) | (117,170) |
| J | Net current financial indebtedness (I) - (E) - (D) | (49,901) | (89,769) |
| K | Non-current bank debt | (43,268) | (5,529) |
| L | Bonds issued | | |
| M | Other non-current debts | (671) | (697) |
| N | Non-current financial indebtedness (K) + (L) + (M) | (43,939) | (6,225) |
| O | Net financial indebtedness (J) + (N) | (93,840) | (95,995) |

As of 31st December 2010, the financial position decreased from Euro 95,995 thousand to Euro 93,840 thousand, reporting a decrease of Euro 2,155 thousand.

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

| (Thousands of Euro) | First half of 2011 | First half of 2010 |
|--|---------------------------|---------------------------|
| Group's net income | 15,368 | 20,210 |
| Amortization | 9,288 | 8,381 |
| Bad debt provisions | 3,503 | 2,239 |
| (a) Auto-financing | 28,158 | 30,830 |
| (b) Adjustment to reconcile net income with the variation in financial position generated by operating management | 60,431 | 45,779 |
| (c) Variation in financial position generated by operating activities = (a) + (b) | 88,589 | 76,610 |
| (d) Variation in financial position generated by investments | (50,979) | (15,759) |
| (e) Other variations in financial position | (35,456) | (21,921) |
| Net variation in financial position = (c) + (d) + (e) | 2,155 | 38,929 |

The cash flow generated by the operating management, equal to Euro 88,589 thousand, was determined by the significant variation in the net invested circulating capital, which generated financial resources for Euro 60,431 thousand, and by self-financing for Euro 28,158 thousand. The decrease in net circulating capital was determined by the increase in the amounts due to the Inland Revenue for the management of consumption taxes).

Investments in intangible and tangible assets net of divestments generated financial resources for a total amount equal to Euro 50,979 thousand. Investments in intangible and tangible assets are detailed in the next paragraph.

The other variations in net financial position, equalling Euro 35,456 thousand, were determined by net equity movements mainly connected to the distribution of dividends, for an overall amount of Euro 24,183 thousand, and to the non-current financial position of the newly consolidated companies as of the first date of consolidation.

General operational performance - Investments

| Thousands of Euro | 30.06.2011 | From new acquisitions | Net of new acquisitions |
|--|---------------|-----------------------|-------------------------|
| Industrial patents and intellectual property rights | 76 | 36 | 40 |
| Concessions, licences, trademarks and similar rights | 6,490 | 3,358 | 3,132 |
| Other intangible fixed assets | 10,126 | 9,760 | 365 |
| Leased plants and machinery | 15,374 | 11,338 | 4,036 |
| Tangible assets in progress under concession | | 107 | 2,759 |
| Intangible assets in progress and advance payments | 200 | 148 | 51 |
| Other intangible fixed assets | 32,264 | 24,747 | 10,384 |
| Land and buildings | 1,124 | 1,106 | 18 |
| Plants and machinery | 1,003 | 151 | 852 |
| Industrial and commercial equipment | 70 | 49 | 22 |
| Other assets | 536 | 201 | 335 |
| Tangible assets in progress and advance payments | 6,757 | 3,327 | 3,429 |
| Tangible assets | 9,490 | 4,834 | 4,656 |
| Total investments | 41,755 | 29,581 | 15,040 |

The investments in intangible assets carried out during the considered period are equal to Euro 10,384 thousand and mainly concern the realisation of the infrastructures needed for natural gas distribution (Euro 6,795 thousand); concessions and licenses for Euro 3,132 thousand and other intangible assets for Euro 365 thousand.

The investments in plants and distribution network relate to the construction of facilities that were operational as of the closing date of the interim report, and they amount to Euro 4,036 thousand, whereas Euro 2,759 thousand were invested in facilities partially constructed on a time and materials basis and still being built as of the closing date of the report.

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

The investments in tangible assets carried out during the considered period are equal to Euro 4,656 thousand and mainly concern the costs incurred into for the realisation of photovoltaic plants (Euro 852 thousand), and the costs incurred into for the construction of the multi-purpose building located in Via Verizzo in the municipality of Pieve di Soligo (Euro 2,815 thousand). As of the closing date of the report, the new building is not finished yet; the financial resources invested were equal to Euro 13,016 thousand.

Ascopiave Group

Condensed half-yearly consolidated financial statements

at 30th June 2011

Consolidated statement of financial position as of 30th June 2011 and as of 31st December 2010

| (thousands of Euro) | | 30.06.2011 | 31.12.2010 |
|--|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | (1) | 115,894 | 91,896 |
| Other intangible assets | (2) | 343,948 | 318,870 |
| Intangible assets | (3) | 51,878 | 43,814 |
| Shareholdings in other companies | (4) | 1 | 1 |
| Other non-current assets | (5) | 6,977 | 4,472 |
| Advance tax receivables | (6) | 14,890 | 11,660 |
| Non-current assets | | 533,588 | 470,712 |
| Current assets | | | |
| Inventories | (7) | 6,256 | 4,249 |
| Trade receivables | (8) | 152,295 | 229,806 |
| Other current assets | (9) | 69,840 | 26,471 |
| Current financial assets | (10) | 16,770 | 4,088 |
| Tax receivables | (11) | 951 | 610 |
| Cash and cash equivalents | (12) | 33,286 | 23,313 |
| Current assets | | 279,399 | 288,538 |
| Assets | | 812,986 | 759,250 |
| NET EQUITY AND LIABILITIES | | | |
| Total net equity | | | |
| Share capital | | 234,412 | 234,412 |
| Reserves | | 116,062 | 109,949 |
| Group's operating result | | 15,368 | 31,174 |
| Group's Net Equity | | 365,842 | 375,535 |
| Third-Party Net Equity | | 4,085 | 3,866 |
| Total net equity | (13) | 369,927 | 379,400 |
| Non-current liabilities | | | |
| Provisions for risks and charges | (14) | 7,395 | 3,622 |
| Severance indemnity | (15) | 3,630 | 2,870 |
| Medium- and long-term bank loans | (16) | 43,268 | 5,529 |
| Other non-current liabilities | (17) | 16,544 | 15,044 |
| Non-current financial liabilities | (18) | 671 | 697 |
| Deferred tax payables | (19) | 35,425 | 25,989 |
| Non-current liabilities | | 106,932 | 53,751 |
| Current liabilities | | | |
| Payables due to banks and financing institutions | (20) | 87,206 | 112,887 |
| Trade payables | (21) | 114,661 | 166,079 |
| Tax payables | (22) | 7,952 | 3,722 |
| Other current liabilities | (23) | 113,558 | 39,127 |
| Current financial liabilities | (24) | 12,750 | 4,283 |
| Current liabilities | | 336,127 | 326,098 |
| Liabilities | | 443,060 | 379,849 |
| Net equity and liabilities | | 812,986 | 759,250 |

Consolidated income statement

| (thousands of Euro) | | 30.06.2011 | 30.06.2010 |
|--|------|----------------|----------------|
| Production value | (25) | 486,334 | 453,947 |
| Total operating costs | | 434,915 | 413,497 |
| Purchase costs for raw material (gas) | (26) | 318,530 | 327,926 |
| Purchase costs for other raw materials | (27) | 32,821 | 24,312 |
| Costs for services | (28) | 61,680 | 43,306 |
| Costs for personnel | (29) | 12,662 | 10,309 |
| Other management costs | (30) | 9,686 | 7,720 |
| Other income | (31) | 463 | 76 |
| Amortization and depreciation | (32) | 9,288 | 8,381 |
| Operating result | | 42,131 | 32,069 |
| Financial income | (33) | 738 | 434 |
| Financial charges | (33) | 2,053 | 931 |
| Evaluation of companies consolidated with the net equity method | (33) | (1,147) | 1,784 |
| Earnings before tax | | 39,669 | 33,356 |
| Taxes for the period | (34) | 22,928 | 12,276 |
| Net result for the period | | 16,741 | 21,079 |
| Group's Net Result | | 15,368 | 20,210 |
| Third-Party Net Result | | 1,374 | 869 |
| Consolidated statement of comprehensive income | | | |
| Net variation of reserves for evaluation of subsidiary companies' net equity | | (2,564) | (22) |
| Total comprehensive income | | 14,177 | 21,058 |
| Group's overall net result | | 12,804 | 20,189 |
| Third parties' overall net result | | 1,374 | 869 |
| Base income per share | | 0.07 | 0.09 |
| Diluted net income per share | | 0.07 | 0.09 |

Consolidated statement of changes in shareholders' equity

| | Share capital | Legal reserve | Own shares | Other reserves | Net result for the period | Group's net equity | Net result and net equity of others | Total net equity |
|--|----------------|---------------|-----------------|----------------|---------------------------|--------------------|-------------------------------------|------------------|
| (thousands of Euro) | | | | | | | | |
| Balance as of 01st January 2011 | 234,412 | 46,882 | (13,073) | 76,140 | 31,173 | 375,534 | 3,866 | 379,401 |
| Result for the period | | | | | 15,368 | 15,368 | 1,374 | 16,741 |
| Reserve for evaluation of subsidiary companies' net equity | | | | (2,564) | | (2,564) | | (2,564) |
| Total result of overall income statement | | | | (2,564) | 15,368 | 12,804 | 1,374 | 14,177 |
| Allocation of 2010 result | | | | 31,173 | (31,173) | (0) | | (0) |
| Dividends distributed to Ascopiave S.p.A. shareholders | | | | (22,557) | | (22,557) | | (22,557) |
| Dividends distributed to third-party shareholders | | | | | | (0) | (1,626) | (1,626) |
| Purchase and adjustments on own shares | | | | | | (0) | 472 | 472 |
| Other operations | | | | 60 | | 60 | | 60 |
| Balance as of 30th June 2011 | 234,412 | 46,882 | (13,073) | 82,252 | 15,368 | 365,841 | 4,085 | 369,927 |

| | Share capital | Legal reserve | Own shares | Other reserves | Net result for the period | Group's net equity | Net result and net equity of others | Total net equity |
|--|----------------|---------------|-----------------|----------------|---------------------------|--------------------|-------------------------------------|------------------|
| (thousands of Euro) | | | | | | | | |
| Balance as of 01st January 2010 | 234,412 | 46,882 | (11,747) | 72,410 | 25,288 | 367,245 | 2,851 | 370,096 |
| Result for the period | | | | | 20,210 | 20,210 | 869 | 21,079 |
| Reserve for evaluation of subsidiary companies' net equity | | | | (22) | | (22) | | (22) |
| Total result of overall income statement | | | | (22) | 20,210 | 20,189 | 869 | 21,058 |
| Allocation of 2009 result | | | | 25,288 | (25,288) | (0) | | (0) |
| Dividends distributed to Ascopiave S.p.A. shareholders | | | | (20,349) | | (20,349) | | (20,349) |
| Dividends distributed to third-party shareholders | | | | | | (0) | (642) | (642) |
| Purchase and adjustments on own shares | | | (900) | | | (900) | | (900) |
| Other operations | | | | (10) | | (10) | | (10) |
| Balance as of 30th June 2010 | 234,412 | 46,882 | (12,647) | 77,317 | 20,210 | 366,174 | 3,078 | 369,252 |

Consolidated statement of cash flows

| | First half of 2011 | First half of 2010 |
|---|--------------------|--------------------|
| STATEMENT OF CASH FLOW | | |
| Net income of the Group | 15,368 | 20,210 |
| Cash flows generated (used) by operating activities | | |
| Adjustments to reconcile net income to net cash | | |
| Third-party operating result | 1,374 | 869 |
| Amortization | 9,288 | 8,381 |
| Bad debt provisions | 3,503 | 2,239 |
| Variations in deferred/advance taxes | 2,801 | (771) |
| Variations in severance indemnity | 161 | (8) |
| Net variation of other funds | (35) | (50) |
| Evaluation of subsidiaries with the net equity method | 1,147 | (1,784) |
| (Gains)/depreciation of shares | (442) | 0 |
| Variations in assets and liabilities | | |
| Inventories | (1,803) | (172) |
| Accounts payable | 99,006 | 44,391 |
| Other current assets | (40,759) | (8,742) |
| Tax payables and receivables | 3,423 | 2,552 |
| Trade payables | (69,973) | (54,827) |
| Other current liabilities | 65,464 | 63,542 |
| Other non-current assets | (428) | 256 |
| Other non-current liabilities | 474 | 504 |
| Total adjustments and variations | 73,199 | 56,381 |
| Cash flows generated by operating activities | 88,567 | 76,591 |
| Cash flows generated by investments | | |
| Investments in intangible assets | (12,201) | (7,554) |
| Realisable value of intangible assets | 177 | 196 |
| Investments in tangible assets | (7,841) | (8,312) |
| Realisable value of tangible assets | 162 | 113 |
| Acquisition of companies net of liquid assets | (31,720) | (204) |
| Other net equity operations | 444 | (11) |
| Cash flows generated by investments | (50,979) | (15,770) |
| Cash flows used by financial activities | | |
| Net changes in amounts due to other financiers | (7,833) | (25) |
| Net changes in short-term bank borrowings | (32,131) | (29,355) |
| Net changes in loans to subsidiaries | 3,342 | (3,953) |
| Purchase of own shares | 0 | (900) |
| Net changes in medium- and short-term loans | 33,190 | (53) |
| Dividends distributed to shareholders of Ascopiave S.p.A. | (22,557) | (20,349) |
| Dividends distributed to third-party shareholders | (1,626) | (642) |
| Cash flows used by operating activities | (27,616) | (55,278) |
| Variations in cash | 9,973 | 5,544 |
| Cash and cash equivalents at the beginning of the period | 23,313 | 20,842 |
| Cash and cash equivalents at the end of the period | 33,286 | 26,385 |

| Additional information | | First half of 2011 | First half of 2010 |
|-------------------------------|--|--------------------|--------------------|
| Interests paid | | 1,886 | 898 |
| Taxes paid | | 3,067 | 1,670 |

EXPLANATORY NOTES

Company information

The publication of the Ascopiave S.p.A. consolidated half year intermediate report as of 30th June 2011 was authorised by resolution of the Board of Directors dated 29th August 2011. Ascopiave S.p.A. is a public limited company incorporated and established in Italy.

Drafting criteria and accounting standards

Drafting criteria

The interim consolidated financial statements are prepared in accordance with the IFRS international accounting principles issued by the International Accounting Standards Board (IASB) and approved by the European Community pursuant to Regulation no. 1606/2002. The abridged half-year consolidated financial statements as of 30th June 2011 was prepared in accordance with IAS 34 'Intermediate financial statements' and with art. 154-ter of the T.U.F. (Financial Services Act). As such, these statements do not include all information required of the annual financial statements, and must be read together with the consolidated financial statements prepared for the financial year ended on 31st December 2010.

The drawing-up of the interim financial statements requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the information disclosure of contingent assets and liabilities as of the date of the report.

If, in the future, such estimates and assumptions, which are based on the management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise. For a detailed description of the most significant evaluation processes of the Group, please refer to paragraph "Use of Estimates" in the Consolidated Financial Statements as of 31st December 2010.

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

Income taxes are recognised on the basis of the best assessment of the weighted average tax rate expected for the entire financial year.

Accounting standards

The accounting principles adopted for the drawing-up of the abridged consolidated financial statements, these are in line with those adopted for the financial statements as of 31st December 2010, except for the following amendments and interpretations, effective as from 1st January 2011:

- Modifications to IAS 24 – Balance information on operations with related parties

The IASB issued a IAS 24 amendment clarifying the definition of related party. The new definition places emphasis on the symmetry needed for identifying related subjects, and it clarifies under which circumstances people and managers with strategic functions should be considered as related parties. Secondly, the entity is released from its disclosure

requirements on related parties when transactions are carried out with a Government, controlled entities, jointly controlled entities or under the influence of the Government, as well as with the entity itself. The adoption of such changes had no impact on the financial position or performance of the Group.

Modifications to IAS 32 – Financial instruments: exposition in the balance

The principle includes a change in the definition of a financial liability for the purposes of the classification of the issue of rights in a foreign currency (and of some options and warrants) as equity instruments in cases where these instruments are allocated on a pro-quota basis to all holders of the same class of an equity (not derivative) instrument of the entity, or to purchase a fixed number of equity instruments of the entity for a fixed amount in any currency. This change had no impact on the financial position or performance of the Group.

- Modifications to IFRIC 14 - Advance payments relating to a minimum financing requirement

The changes to IFRIC 14 involve the removal of a unintentional consequence that takes place when an entity subject to minimum financing requirements carries out advance payments in order to meet said requirements. The change introduced allows an entity to recognise the advance payments for the purposes of minimum financing requirements as an asset. The Group is not subject to minimum financing requirements in Europe. This change had no impact on the financial position or performance of the Group.

- IFRS amendments (issued in May 2010)

In May 2010, the IASB issued a third series of amendments to the principles, mainly with the aim of removing inconsistencies and clarifying terminology. Each principle provides for specific temporary rules. The adoption of the following amendments caused changes in the accounting policies but it had no impact on the financial position or performance of the Group:

- IFRS 3 Company mergers: the options available for evaluating third-party interest (NCI) were changed. It is now possible to evaluate the components of third-party interests that represent an actual share in the company on a fair-value basis or in relation to the proportional share of the net assets of the acquired company.

Such actual share in the company is the one that ensures that their owners obtain a proportional share in the company's net equity in case of liquidation. All the other elements must be evaluated on the basis of their fair-value as of the date of acquisition.

- IFRS 7 - Financial instruments – Integrating information: the change is aimed at simplifying and improving the integrating information by reducing, on the one hand, the part regarding the guarantees held, and, on the other, by including more information on quality in order to better set the quantitative part in context.

- IAS 1 - Presentation of financial statements: the amendment requires that the reconciliation of every net equity item is presented either in the explanatory notes or in the financial statement representations. This analysis is provided under the section "Net equity" of this note.

- IAS 34 'Interim financial statements': the amendment requires additional information disclosure for the fair-value and for the variations

in the classification of financial assets, as well as for the changes in potential assets and liabilities in the interim report. This analysis is provided under the section "Financial risks" of this note.

The changes in the following principles had no impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 Company mergers - the sums potentially due deriving from company mergers before the adoption of IFRS 3 (as reviewed in 2008) are recognised in accordance with IFRS 3 (2005);

- IFRS 3 Company mergers - payments based on shares (voluntarily replaced or not replaced) and their accounting in the context of a company merger;
 - IAS 27 - Consolidated and separate financial statement - application of the transitional rules of IAS 27 (reviewed in 2008) and the accounting standards subsequently modified;
 - IFRIC 13 Loyalty-building programmes - in determining the fair value of the prizes, an entity has to consider discounts and incentives that would otherwise be offered to customers not taking part in loyalty-building programmes.
- The Group did not adopt any other principle, interpretation or amendment that has been issued but is not yet in force.

Consolidation area as of 30th June 2011

The companies included in the consolidation area as of 30th June 2011 and consolidated through the line-by-line, the proportional method or valued through net assets 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) | 1,000,000 | | | |
| 100% consolidated companies | | | | | | |
| Ascotrade S.p.A. | | Pieve di Soligo (TV) | 1,000,000 | 89.00% | 89.00% | 0% |
| Global Energy S.r.l. | | Pieve di Soligo (TV) | 20,000 | 100.00% | 100% | 0% |
| Etraenergia S.r.l. | | Citadella (PD) | 100,000 | 51.00% | 51.00% | 0% |
| ASM DG S.r.l. | | Rovigo (RO) | 7,000,000 | 100.00% | 100% | 0% |
| Edigas Due S.r.l. | | Cernusco sul Naviglio (MI) | 120,000 | 100.00% | 100% | 0% |
| Edigas Esercizio Distribuzione Gas S.p.A. | | Cernusco sul Naviglio (MI) | 1,000,000 | 100.00% | 100% | 0% |
| AscoEnergy S.r.l. | | Pieve di Soligo (TV) | 300,000 | 70.00% | 70.00% | 0% |
| Amgas Blu S.r.l. | (7) | Foggia (FG) | 10,000 | 80.00% | 0% | 80.00% |
| Blue Meta S.p.A. | | Orio al Serio (BG) | 606,123 | 100.00% | 100.00% | 0% |
| Pasubio Servizi S.r.l. | | Schio (VI) | 250,000 | 100.00% | 100% | 0% |
| Ascoblu S.r.l. | | Pieve di Soligo (TV) | 10,000 | 100.00% | 100% | 0% |
| Consorzio RE | (8) | Pieve di Soligo (TV) | 100,000 | 58.91% | 0% | 60% |
| Companies under joint control consolidated proportionally | | | | | | |
| ASM SET S.r.l. | (1) | Rovigo | 200,000 | 49.00% | 49% | 0% |
| Estenergy S.p.A. | (2) | Trieste | 1,718,096 | 49.00% | 49% | 0% |
| Veritas Energia S.r.l. | (3) | Venice | 1,000,000 | 51.00% | 51% | 0% |
| Unigas Distribuzione S.r.l. | (4) | Nembro (BG) | 3,700,000 | 48.90% | 49% | 0% |
| Serin S.r.l. | (5) | Carugo (BA) | 100,000 | 35.00% | 0% | 50% |
| Specchiano S.r.l. | (6) | Pieve di Soligo (TV) | 10,000 | 35.00% | 0% | 100% |
| Lucania S.r.l. | (6) | Pieve di Soligo (TV) | 10,000 | 35.00% | 0% | 100% |
| Palosol S.r.l. | (6) | Corato (BA) | 100,000 | 35.00% | 0% | 100% |
| Palo6 S.r.l. | (6) | Pieve di Soligo (TV) | 2,500 | 33.60% | 0% | 96% |
| Gioia S.r.l. | (6) | Pieve di Soligo (TV) | 10,000 | 35.00% | 0% | 100% |
| Masseria S.r.l. | (6) | Pieve di Soligo (TV) | 10,000 | 35.00% | 0% | 100% |
| Gioia 2 S.r.l. | (6) | Pieve di Soligo (TV) | 111,995 | 35.00% | 0% | 100% |
| De Stern 5 S.r.l. | (6) | Parma (PR) | 55,000 | 35.00% | 0% | 100% |
| Quintasol S.r.l. | (6) | Pieve di Soligo (TV) | 30,000 | 35.00% | 0% | 100% |
| Subsidiaries consolidated with the net equity method | | | | | | |
| Sinergie Italiane S.r.l. | | Milano (MI) | 3,000,000 | 27.60% | 27.60% | 0% |

- (1) Joint control with ASM Rovigo S.p.A. ;
 (2) Joint control with Acegas-APS S.p.A. ; ;
 (3) Joint control with Veritas S.p.A. ; ;
 (4) Joint control with AnitaS.p.A. ; ;
 (5) Joint control of Asco Energy S.r.l. with Agroenergetica S.r.l.;;
 (6) Controlled by Serin S.r.l.;;
 (7) Controlled by Asco Blu S.r.l.;;
 (8) 57% is controlled by da Global Energy S.r.l., 1% by Ascotrade S.p.A. , 1% by Etra S.r.l., 1% by Veritas S.r.l.

Synthesis data of proportionally consolidated companies and of consolidated companies

| Description | Revenues from sales and service supply | Net result | Net equity | Net financial position (liquid assets) | Reference accounting principles |
|---|--|------------|------------|--|---------------------------------|
| Ascopiave S.p.A. | 35,760 | 27,509 | 360,025 | 130,032 | IFRS |
| AscoEnergy S.r.l. | 15 | (67) | 141 | 2,582 | Ita Gaap |
| Ascotrade S.p.A. | 272,086 | 11,219 | 25,272 | (44,421) | IFRS |
| Global Energy S.p.A. | 849 | (152) | 2,237 | 71 | Ita Gaap |
| Coge Calore S.r.l. | | | | (0) | Ita Gaap |
| Edigas Esercizio Distribuzione Gas S.p.A. | 2,573 | 299 | 7,901 | (1,975) | Ita Gaap |
| Estenergy S.p.A. | 166,407 | 4,999 | 11,380 | 18,529 | IFRS |
| Etraenergia S.r.l. | 1,791 | 4 | 443 | 1,107 | Ita Gaap |
| Edigas Due S.r.l. | 21,293 | 648 | 2,266 | (1,685) | Ita Gaap |
| Gioia S.r.l. | 160 | 27 | 40 | 2,218 | Ita Gaap |
| Lucania S.r.l. | 342 | 133 | 798 | 2,149 | Ita Gaap |
| Masseria S.r.l. | 334 | 170 | 818 | 2,211 | Ita Gaap |
| Pasubio Servizi S.r.l. | 29,880 | 2,055 | 4,935 | (15,407) | Ita Gaap |
| Quintasol S.r.l. | 328 | 122 | 681 | 2,236 | Ita Gaap |
| De Stern 5 S.r.l. | | (221) | 2,885 | 1,548 | Ita Gaap |
| ASM DG S.r.l. | 1,892 | 506 | 11,166 | 777 | Ita Gaap |
| ASM SET S.r.l. | 19,086 | 1,334 | 1,980 | (1,451) | Ita Gaap |
| Veritas Energia S.r.l. | 48,508 | 1,496 | 3,497 | 3,097 | Ita Gaap |
| Serin S.r.l. | 450 | 493 | 4,605 | 6,695 | Ita Gaap |
| Specchiano S.r.l. | 341 | 114 | 656 | 2,856 | Ita Gaap |
| Ascoblu S.r.l. | | (5) | 2 | 12,106 | Ita Gaap |
| Amgas Blu S.r.l. | | | 10 | (10) | Ita Gaap |
| Unigas Distribuzione S.r.l. | 6,663 | 6,614 | 39,931 | (12,132) | Ita Gaap |
| Blue Meta S.p.A. | 37,953 | 2,054 | 5,278 | (757) | Ita Gaap |
| Palo6 S.r.l. | 157 | 42 | 44 | 2,708 | Ita Gaap |
| Palosol S.r.l. | 338 | 213 | 1,568 | 2,406 | Ita Gaap |
| Gioia 2 S.r.l. | | 0 | 112 | 150 | Ita Gaap |
| Consorzio RE | | (0) | 25 | (21) | Ita Gaap |

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.

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

Non-current assets*1. Goodwill*

Goodwill, equal to Euro 115,894 thousand as of 30th June 2011, increases of Euro 23,998 thousand as compared to the previous financial year. The increase is explained by the acquisition of the companies Blue Meta S.p.A. for Euro 13,941 thousand, Unigas Distribuzione S.r.l. for Euro 707 thousand and Amgas Blu S.r.l. for Euro 9,350 thousand.

For the details regarding goodwill, please see the section "Company mergers" of this note; the cash-generating units to which goodwill has been allocated are as follows.

The remaining amount as of 30th June 2011 refers in part to the surplus value created by the contribution of the gas distribution networks by members of local authorities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some branches of the company related to the distribution and sale of natural gas, as well as the acquisition of certain holdings in the photovoltaic segment.

The cash-generating units to which goodwill has been allocated are as follows:

| Thousands of Euro | 31.12.2010 | Increase | Decrease | 30.06.2011 |
|-----------------------------|---------------|---------------|----------|----------------|
| Distribution of natural gas | 24,909 | 705 | | 25,614 |
| Sale of natural gas | 66,986 | 23,293 | | 90,279 |
| Total goodwill | 91,896 | 23,998 | 0 | 115,894 |

As of 30th June 2011, considering the outcome of the impairment tests carried out while preparing the balance sheet as of 31st December 2011, the evolution of the indicators and of the internal values previously used to estimate the value recoverable from the cash-generating units and that there are no no new impairment indicators to take into account, the administrators did not judge it necessary to carry out another impairment test on the book value of the goodwill reported above.

2 Other intangible fixed assets

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

| | 30.06.2011 | | | 31.12.2010 | | |
|---|----------------|--------------------------|----------------|----------------|--------------------------|----------------|
| Thousands of Euro | Historic cost | Accumulated depreciation | Net value | Historic cost | Accumulated depreciation | Net value |
| Industrial patents and intellectual property rights | 5,120 | (3,297) | 1,822 | 4,554 | (2,747) | 1,808 |
| Concessions, licences, trademarks and similar rights | 9,963 | (1,344) | 8,619 | 3,589 | (1,255) | 2,335 |
| Other intangible assets | 31,972 | (7,491) | 24,480 | 21,912 | (6,108) | 15,804 |
| Intangible assets under IFRIC 12 concession | 488,369 | (183,769) | 304,600 | 473,231 | (176,788) | 296,443 |
| Intangible assets in progress under IFRIC 12 concession | 3,678 | 0 | 3,678 | 1,821 | 0 | 1,821 |
| Intangible assets in progress and advance payments | 748 | 0 | 748 | 659 | 0 | 659 |
| Other intangible assets | 539,849 | (195,901) | 343,948 | 505,767 | (186,897) | 318,870 |

The changes in the inventory allowance for the other intangible assets in the period considered are shown in the following table:

| | 31.12.2010 | | | | | | | 30.06.2011 |
|---|----------------|---------------|------------------------------------|--------------|--------------|-------------------|-------------------------|----------------|
| Thousands of Euro | Net Value | Increase | Values of newly acquired companies | Decrease | Depreciation | Reclassifications | Depreciation impairment | Net value |
| Industrial patents and intellectual property rights | 1,808 | 40 | 36 | | 172 | 111 | | 1,822 |
| Concessions, licences, trademarks and similar rights | 2,335 | 3,132 | 3,358 | | 205 | | | 8,619 |
| Other intangible assets | 15,804 | 365 | 9,760 | | 1,450 | | | 24,480 |
| Intangible assets in progress under IFRIC 12 concession | 296,443 | 4,036 | 11,338 | 3,122 | 6,197 | 1,000 | 1,103 | 304,600 |
| Intangible assets in progress under IFRIC 12 concession | 1,821 | 2,759 | 107 | 9 | | (1,000) | | 3,678 |
| Intangible assets in progress and advance payments | 659 | 51 | 148 | | | (111) | | 748 |
| Other intangible assets | 318,870 | 10,384 | 24,747 | 3,131 | 8,023 | 0 | 1,103 | 343,948 |

With equal consolidation perimeter, the investments reported as of 30th June 2011 are equal to Euro 10,384 thousand and they mainly relate to the costs incurred into for the realisation of the infrastructures for natural gas distribution (Euro 4,036 thousand) and for the acquisition of the license for natural gas distribution in the municipality of Marostica (Euro 3,016 thousand).

Industrial patents and intellectual property rights

During the first half of the current financial year, the item "Industrial patents and intellectual property rights" shows an increase equal to Euro 151 thousand, that comprehends the re-classifications connected to intangible assets under construction. The investment mainly relates to costs incurred into for software implementation.

Concessions, licences, trademarks and similar rights

They represent the costs for the acquisition of licences and servitude rights connected to the gas distribution network. During the first half of the financial year, the item includes investments amounting to Euro 3,132 thousand, mainly explained by the costs incurred into for the acquisition of the license for natural gas distribution in the municipality of Marostica; a useful life of twelve years (equalling the duration of the license) was assigned to the newly acquired intangible asset.

Other intangible fixed assets

The item "Other intangible assets" increased from Euro 15,804 thousand in the previous year, to Euro 24,480 thousand as of 30th June 2011. With the same consolidation perimeter, investments amount to Euro 365 thousand. The increase is mainly due to the investments in customer lists (Euro 6,000 thousand) and in the two companies operating in natural gas sale Blue Meta S.p.A. and AMGAS Blu S.r.l. (Euro 3,800 thousand).

Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of measurement and reduction groups. At the end of the first half of

the year, they show a net book value of Euro 304,600 thousand. The investments made during the first half of 2011 for the construction of infrastructure suitable for the distribution of natural gas, including the reclassification of assets under construction, amount to Euro 5,036 thousand and mainly relate to costs incurred into for the creation of connections for Euro 1,873 thousand, for the implementation of the distribution of natural gas for Euro 1,297 thousand, and the realisation of transformer rooms and reduction groups for Euro 494 thousand. It should be noted that the activity of implementing the network of natural gas has involved the installation of 13,059 meters of pipelines.

Following the change of economic subject designated to manage the distribution of natural gas in the municipality of Zané, in the District of Vicenza, the parent company provided the granting local body with the distribution network. The operation involved the divestment of intangible assets for a net book value equalling Euro 1,858 thousand, collected in the month of July 2011.

The enlargement of the consolidation perimeter involved the recording of the plants for natural gas distribution of the company Unigas Distribuzione S.r.l. for an overall amount of Euro 11,338 thousand.

Intangible assets in progress under concession

The item includes the costs incurred into for the enlargement of the network and for the building of the natural gas distribution plants constructed partially on a time and materials basis (those not finished and those commissioned as of 30th June 2011). At the end of the first half of 2011, the item involved investments amounting to Euro 2,759 thousand.

Intangible assets in progress and advance payments

During the first half of 2011, with equal consolidation perimeter, the item "Intangible assets in progress and advance payments" involved investments amounting to Euro 51 thousand. The item basically includes the costs incurred into for the purchase and implementation of software that, as of 30th June 2011, was not yet in use in corporate processes.

3. Tangible 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:

| | 30.06.2011 | | | 31.12.2010 | | |
|--|---------------|--------------------------|---------------|---------------|--------------------------|---------------|
| Thousands of Euro | Historic cost | Accumulated depreciation | Net value | Historic cost | Accumulated depreciation | Net value |
| Lands and buildings | 20,525 | (4,094) | 16,431 | 19,450 | (3,667) | 15,783 |
| Plants and machinery | 13,347 | (1,320) | 12,028 | 8,843 | (1,035) | 7,808 |
| Industrial and commercial equipment | 2,851 | (1,754) | 1,097 | 2,684 | (1,546) | 1,138 |
| Other tangible assets | 12,348 | (9,075) | 3,273 | 11,361 | (8,126) | 3,235 |
| Tangible assets in progress and advance payments | 19,050 | 0 | 19,050 | 15,849 | 0 | 15,849 |
| Other tangible assets | 68,121 | (16,243) | 51,878 | 58,188 | (14,374) | 43,814 |

The changes in the inventory allowance for the other tangible assets in the period considered are shown in the following table:

| | 31.12.2010 | | | | | | | 30.06.2011 |
|--|---------------|--------------|------------------------------------|------------|--------------|-------------------|-------------------------|---------------|
| Thousands of Euro | Net Value | Increase | Values of newly acquired companies | Decrease | Depreciation | Reclassifications | Depreciation impairment | Net value |
| Lands and buildings | 15,783 | 18 | 1,106 | 162 | 314 | | | 16,431 |
| Plants and machinery | 7,808 | 852 | 151 | | 340 | 3,556 | | 12,028 |
| Industrial and commercial equipment | 1,138 | 22 | 49 | | 111 | | | 1,097 |
| Other tangible assets | 3,235 | 335 | 201 | | 498 | | | 3,273 |
| Tangible assets in progress and advance payments | 15,849 | 3,429 | 3,327 | | | (3,556) | | 19,050 |
| Other tangible assets | 43,814 | 4,656 | 4,834 | 162 | 1,264 | 0 | 0 | 51,878 |

Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. During the first half of 2011, the item was not affected by significant variations as compared to the end of the previous financial year.

Plants and machinery

The investments made during the first quarter of 2011, with equal consolidation perimeter, amount to Euro 4,408 thousand gross of the re-classifications of assets under construction, and they mainly relate to the capitalisation of photovoltaic systems made by the subsidiaries Gioia S.r.l. (Euro 1,596 thousand), Palo 6 S.r.l. (Euro 1,433 thousand) and Ascoenergy S.r.l. (Euro 466 thousand).

Industrial and commercial equipment

With equal consolidation perimeter, the item "Industrial and commercial equipment" in the period considered registered investments equal to Euro 22 thousand. It refers to the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during the first half of 2011 increased the voice "Other assets", for Euro 335 thousand (with equal consolidation perimeter), and they mainly relate to the costs incurred into for the purchase of hardware (Euro 109 thousand) and for the purchase of new corporate vehicles (Euro 125 thousand).

Tangible assets in progress and advance payments

The item includes costs incurred into for the construction of corporate offices, as well for the construction of photovoltaic and cogeneration plants, partly carried out on a time and material basis. The investments in tangible assets carried out during the first half of 2011 are equal to Euro 3,429 thousand and mainly concern the costs incurred into for the construction of the multi-purpose building located in Via Verizzo in the municipality of Soligo (Euro 2,815 thousand) and the realisation of photovoltaic plant of the company Gioia Due S.r.l. (Euro 357 thousand).

4. Shareholdings

The following table shows the changes in the shareholdings in joint companies and in other companies in the period considered:

| | 31.12.2010 | | | 30.06.2011 |
|----------------------------------|---------------|----------|-------------|------------|
| Thousands of Euro | Historic cost | Decrease | Write-downs | Net value |
| Shareholdings in other companies | 1 | | | 1 |
| Total shareholdings | 1 | 0 | | 1 |

Shareholdings in joint companies

As of 30th June 2011, Sinergie Italiane S.r.l.'s accounting situation still presents an equity deficit of Euro 25,593 thousand; the equity deficit can be explained by the negative result of the first nine months of 2010-2011 (the company closes the fiscal year on 30th September), as well as by the variation in Hedge Accounting reserves.

As of 31st December 2011, the company's equity deficit was equal to Euro 12,228 thousand, and during the first half of 2011, it increased because of the loss suffered during the period, equal to Euro 4,158 thousand (as compared to the overall loss of Euro 15,057 thousand in the period October 2010-June 2011), and because of the variation in Hedge Accounting Reserves, equal to Euro 9,270 thousand.

Following the increase in Sinergie Italiane's equity deficit as compared to 31st December 2010, the reserve for risks and charges was increased of an overall amount equalling Euro 3,712 thousand, of which Euro 1,147 thousand are connected to the loss suffered during the first half of 2011 (entered into the income statement under the item "Evaluation of joint companies with the net equity method"), and of which Euro 2,564 thousand are connected to the variation of the Hedge Accounting Reserves, entered into the net equity movements of the Group.

The essential data of the shareholdings in joint companies as of 30th June 2011 and 30th June 2010 are reported below:

| (In Euro) | 01.10.10/30.06.11 | 01.10.09/30.06.10 |
|----------------------------------|-------------------|-------------------|
| Revenues from sales and services | 1,700,233,000 | 1,022,813,000 |
| Net result (Loss) of the period | (15,057,000) | 3,563,000 |
| Net equity | (25,593,000) | 6,113,000 |
| Net financial indebtedness | (380,469,000) | (161,191,000) |
| Reference accounting standards | IFRS | IFRS |

Intermediate periodic situation as of 30th June 2011, approved by the BoD on 1st August 2011.

Intermediate periodic situation as of 30th June 2010

The data provided by the company regarding the results of the first nine months of the financial year 2010 show a worsening of the net result amounting to Euro 18,620 thousand as compared to the same period in the previous financial year, as well as a decrease in net equity equalling Euro 31,706 thousand. In the meeting held on 1st August 2011, the Board of Directors of Sinergie Italiane S.r.l. significantly modified the forecasts on the company's performance in the natural gas market, expressing confidence in being able to offset the negative result of the first three quarters (October-June) during the fourth quarter of 2011, also reducing the company's exposure to the credit system. As of 30th June

2011, the parent company Ascopiave S.p.A. provided bank guarantees in favour of Sinergie Italiane for an amount of Euro 236,877 thousand.

5. *Other non-current assets*

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|---------------------------------|--------------|------------------------------------|--|--------------|
| Deposits and guarantees | 1,031 | 13 | 1,018 | 593 |
| Other receivables | 5,946 | 2,067 | 3,879 | 3,879 |
| Other non-current assets | 6,977 | 2,080 | 4,897 | 4,472 |

With equal consolidation perimeter, the “Other non-current assets” pass from Euro 4,472 thousand to Euro 6,977 thousand with an increase equal to Euro 2,505 thousand.

The increase in deposits and guarantees is mainly due to the provision of a security deposit amounting to Euro 400 thousand by Amgas Blu S.r.l. in favour of the Foggia Customs Office for the excise duty.

The item "Other receivables" is made up of:

- receivables from the local authority of Creazzo, for a value of Euro 2,141 thousand (unvaried since 31st December 2006), corresponding to the net book value of the distribution plants awarded in June 2005 to the above-mentioned local authority. The delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2004. The value of the receivable from the municipality corresponds to the 'Letta' law, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal. A litigation is going on with the municipality, in order to define the value of the compensation of the distribution plants delivered to new distributors.
- receivables from the municipality of Santorso, for Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2006. The value of the receivable from the municipality corresponds to the 'Letta' law, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.
- receivables from the municipality of San Vito di Leguzzano, for Euro 990 thousand. The value corresponds to the net book value of the distribution plants consigned on 1st November 2010 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2009. The value of the credit is equal to the net book value of the divested asset, considered lower than the reconstruction value as per new request of the Local Body.

As of 30th June 2010, there is an ongoing litigation with the municipalities mentioned in order to define the value of compensation of distribution systems delivered, while there is an ongoing arbitration procedure with the municipality of San Vito di Leguzzano for determining the value of the network. The Group, also following the opinion of the legal advisor, believes that the result of the contentious and arbitration procedures is uncertain.

As to the other receivables of the newly acquired companies, the figure of Euro 2,067 thousand relates to the 12-month duration of the credit granted by Amgas Blu S.p.A. to Amgas Blu S.r.l., payable in 6-months instalments of Euro 344

thousand each, postponed in 4 years; the first will expire on 31st December 2011 and the last one on 31st December 2015.

6. *Advance tax receivables*

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|----------------------------------|---------------|------------------------------------|--|---------------|
| Advance taxes receivables | 14,890 | 501 | 14,389 | 11,660 |
| Advance taxes receivables | 14,890 | 501 | 14,389 | 11,660 |

With the same consolidation area, advance taxes increase from Euro 11,660 thousand to Euro 14,890 thousand; the increase of Euro 3,230 thousand is mainly due to the creation of new temporary differences as well as to the changes in the IRES surcharges included in the National Budget Law issued on 13th August 2011.

The Group has been performing a full accounting of advance taxes concerning temporary differences between tax-imposition and balance sheet value, as the Group suppose that future tax-imposition could take up all differences that generated them. In determining the advanced taxes, we referred to IRES (taxes on the companies income) and, where suitable, to the current IRAP at the moment in which the temporary differences are supposed to be deposited again. In particular, a 27.5% IRES tax rate and a 3.9% IRAP tax rate were applied; moreover, in accordance with the changes introduced by Law 111 dated 15th July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6th July 2011, the Group's companies operating in the business of distribution were subject to a 4.2% IRAP tax rate, in that they provide services and public works.

As to the IRES tax, some sales companies of the Group were already subject to the 6.5% IRES surcharge (the so-called "Robin Hood Tax") pursuant to art. 81 of Decree-Law 112 dated 25th June 2008.

Following the changes introduced by art 7 of Decree-Law 138 in force as of 13th August 2011 (the so-called "Mid-August National Budget Law"), the so-called "Robin Hood Tax" was increased of 4 percentage points (current tax rate: 10.5%) and is now also applicable to subjects operating in the industries of transportation and distribution of natural gas and electric power whose turnover was higher than 10 million Euro in the previous tax period (i.e. 25 million Euro in the previous financial year) and a non-taxable income higher than a million Euro.

Moreover, the Robin Hood Tax increase of 4 percentage points will only be effective for three tax periods starting from the one after 31st December 2010, i.e. for the tax periods from 2011 to 2013. Therefore, in calculating advance taxes, the amounts to be paid during the above mentioned periods were taken into account, forecasting an overall IRES tax rate equal to 38%, whereas for those to be paid after 2013, an overall IRES tax rate of 34% was forecast.

The change described above involved an increase in advance taxes amounting to Euro 1,883 thousand.

Current assets

7. Inventories

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

| Thousands of Euro | 30.06.2011 | | | 31.12.2010 | | |
|----------------------------------|--------------|--------------------|--------------|--------------|--------------------|--------------|
| | Gross value | Bad debt provision | Net value | Gross value | Bad debt provision | Net value |
| Fuels and warehouse materials | 3,902 | (413) | 3,489 | 3,595 | (413) | 3,181 |
| Sub-contracted works in progress | 2,767 | | 2,767 | 1,068 | | 1,068 |
| Total inventories | 6,670 | (413) | 6,256 | 4,663 | (413) | 4,249 |

As of 30th June 2011, inventories are equal to Euro 6,256 thousand and show an overall increase equal to Euro 2,007 thousand as compared to 31st December 2010, mainly relating to the new consolidation area.

The increase in sub-contracted works in progress is due to works on photovoltaic plants not yet finished for Euro 1,681 thousand, of which Euro 1,279 thousand refer to the company asm Set S.r.l., and Euro 402 thousand to Global Energy S.r.l.

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

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

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

8. Trade receivables

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

| Thousands of Euro | 30.06.2011 | | 31.12.2010 | |
|---------------------------------------|------------------------------------|--|------------------------------------|--|
| | Values of newly acquired companies | Net values of newly acquired companies | Values of newly acquired companies | Net values of newly acquired companies |
| Trade receivables | 123,869 | 5,046 | 118,823 | 133,455 |
| Receivables for invoices to be issued | 44,718 | 7,615 | 37,103 | 109,664 |
| Bad debt provisions | (16,292) | (1,278) | (15,014) | (13,313) |
| Trade receivables | 152,295 | 11,383 | 140,913 | 229,806 |

With the same consolidation area, account payables decreased from Euro 229,806 thousand to Euro 140,913 thousand (- Euro 88,893 thousand).

The decrease is mainly explained by the invoicing and collection timings in the sale of natural gas.

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

The balance of receivables from customers, equal to Euro 152,295 thousand, includes Euro 44,718 thousand which concern the invoices to be issued for consumptions not yet measured as of 30th June 2011, and Euro 7,615 thousand which relate to the new consolidation area.

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

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

| Thousands of Euro | 30.06.2011 | 31.12.2010 |
|--------------------------------------|-----------------|-----------------|
| Initial bad debt provision | 13,313 | 10,963 |
| Bad debt provision from acquisitions | 1,278 | |
| Provisions | 3,503 | 4,841 |
| Use | (1,802) | (2,491) |
| Final bad debt provision | (16,292) | (13,313) |

9. Other current assets

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|---|---------------|------------------------------------|--|---------------|
| Tax consolidation receivables | 3,673 | 0 | 3,673 | 2,223 |
| Annual pre-paid expenses | 21,435 | 692 | 20,743 | 694 |
| Advance payments to suppliers | 5,270 | 94 | 5,176 | 4,015 |
| Annual active accruals | 8 | | 8 | 8 |
| Receivables due from Cassa Conguaglio Settore Elettrico | 11,076 | 972 | 10,104 | 5,973 |
| VAT receivables | 3,882 | 499 | 3,383 | 3,361 |
| UTF and Provincial/Regional Additional Tax receivables | 22,749 | 10,675 | 12,074 | 8,269 |
| Other receivables | 1,748 | 727 | 1,021 | 1,929 |
| Other current assets | 69,840 | 13,659 | 56,181 | 26,471 |

With the same consolidation area, other current assets increased from Euro 26,471 thousand to Euro 56,181 thousand (+Euro 29,710 thousand).

The variation is mainly due to the increase in annual active accruals, for Euro 20,049 thousand; to the increase in receivables due from the Customs office and from the Electric Sector Compensation Fund,, amounting to Euro 7,936 thousand.

The increase in annual active accruals is mainly explained by the suspension of economic effects on natural gas purchase agreements at the virtual trading point with the company Speia S.p.A.. In accordance with said agreements, invoicing took place before the actual delivery of the goods.

The increase in advances to suppliers is explained mainly by the payment of photovoltaic material and renewals of concessions for the management of the gas distribution network.

10. Current financial assets

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

| Thousands of Euro | 30.06.2011 | 31.12.2010 |
|--|---------------|--------------|
| Financial receivables from joint companies | 16,770 | 4,088 |
| Current financial assets | 16,770 | 4,088 |

With the same consolidation area, current financial assets increased from Euro 4,088 thousand to Euro 16,770 thousand (+Euro 12,682 thousand).

The increase is mainly explained by the increase in financial receivables relating to the share of dividends of joint companies that have not been paid (Euro 3,620 thousand) and by the increase in current account financing (Euro 1,357 thousand), by the increase in amounts disursed in favour of the photovoltaic sector (Euro 4,232 thousand), and by the increase in receivables due from Veritas Energia S.r.l. to the Veritas Group (Euro 1,374 thousand).

11. Tax receivables

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|-----------------------------|------------|------------------------------------|--|------------|
| Receivables related to IRAP | 182 | 34 | 148 | 349 |
| Receivables related to IRES | 385 | 177 | 208 | 7 |
| Other tax receivables | 384 | 136 | 248 | 255 |
| Tax receivables | 951 | 347 | 604 | 610 |

With the same consolidation area, tax receivables decreased from Euro 610 thousand to Euro 604 thousand (-Euro 6 thousand). The item includes residual receivables from accounts IRAP paid, minus the taxes attributable to the first half of 2011.

12. Cash and cash equivalents

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|-----------------------------------|---------------|------------------------------------|--|---------------|
| Bank and post office deposits | 33,228 | 12,500 | 20,728 | 23,273 |
| Cash and cash equivalents on hand | 58 | 5 | 54 | 40 |
| Liquid assets | 33,286 | 12,504 | 20,782 | 23,313 |

With the same consolidation area, the cash and cash equivalents decreased from Euro 23,313 thousand to Euro 20,782 thousand (-Euro 2,531 thousand) and they mainly refer to the bank accounting balance and to the company funds.

Bank deposits are sight deposits and bear interest based on the conditions agreed with the banks.

Net financial position

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|---|-------------------|---|---|-------------------|
| Cash and cash equivalents | 33,286 | 12,504 | 20,782 | 23,313 |
| Current financial assets | 16,770 | 0 | 16,770 | 4,088 |
| Current financial liabilities | (12,669) | (213) | (12,457) | (4,201) |
| Payables to banks and financing institutions | (87,206) | (453) | (86,753) | (112,887) |
| Payables to leasing institution within 12 months | (81) | | (81) | (81) |
| Net short-term financial position | (49,901) | 11,839 | (61,739) | (87,769) |
| Medium- and long-term loans | (43,268) | (3,712) | (39,556) | (5,529) |
| Non-current financial liabilities | (671) | | (671) | (697) |
| Net medium- and long-term financial position | (43,939) | (3,712) | (40,227) | (6,225) |
| Net financial position | (93,840) | 8,127 | (101,967) | (95,995) |

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

Consolidated shareholders' equity

13. Net shareholders' equity

Ascopiave S.p.A.'s share capital as of 30th June 2011 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

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

| Thousands of Euro | 30.06.2011 | 31.12.2010 |
|------------------------------------|-------------------|-------------------|
| Net equity | 234,412 | 234,412 |
| Legal reserve | 46,882 | 46,882 |
| Reserve and income carried forward | 69,180 | 63,067 |
| Group's result for the period | 15,368 | 31,174 |
| Group's net equity | 365,842 | 375,535 |
| Third-party equity and reserves | 2,711 | 2,195 |
| Third-party result for the period | 1,374 | 1,671 |
| Third-party net equity | 4,085 | 3,866 |
| Total net equity | 369,927 | 379,400 |

The variations in the Group's net equity during the first half of 2011 are connected to the distribution of the dividends of the parent company (Euro 22,557 thousand), to the distribution of the dividends of Ascotrade S.p.A. (Euro 1,626 thousand) and to the assessment of the affiliated Sinergie Italiane S.r.l. with the net equity method (Euro 2,564 thousand).

Net equity of minority interests

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

The variations in third-party net equity during the first half of 2011 are due to the presence of new minority shareholders for Euro 463 thousand, following the acquisition of Amgas Blu S.r.l..

Non-current liabilities

14. Reserves for risks and charges

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|---------------------------------------|-------------------|---|---|-------------------|
| Other reserves for risks and charges | (7,395) | (97) | (7,298) | (3,622) |
| Reserves for risks and charges | (7,395) | (97) | (7,298) | (3,622) |

With the same consolidation area, reserves for risks and charges increased from Euro 3,622 thousand to Euro 7,298 thousand (+Euro 3,676 thousand).

The variation is mainly explained by the assessment through the net equity method of the affiliated Sinergie Italiane S.r.l., already explained in the section "Shareholdings" of this note, which involved a provision of Euro 3,711 thousand.

The changes in reserves for risk and charges in the period considered are shown in the following table:

| | | |
|--|--|--------------|
| Thousands of Euro | | |
| Reserves for risks and charges as of 1 st January 2010 | | 3,622 |
| Hedge fund for joint companies consolidated with the net assets method | | 3,711 |
| Provisions for risks and charges | | 44 |
| Use of provisions for risks and charges | | (79) |
| Reserves for risks and charges as of 30th June 2011 | | 7,395 |

15. Severance indemnity

The severance indemnity increased from Euro 2,870 thousand as of 1st January 2011 to Euro 3,630 thousand as of 30th June 2011, with an increase equal to Euro 760 thousand mainly due to the new consolidation area (Euro 603 thousand).

| Thousands of Euro | | |
|--|--|--------------|
| Severance indemnity as of 1 st January 2010 | | 2,870 |
| Values of newly acquired companies | | 629 |
| Retirement allowance | | (459) |
| Payments for current services and work | | 603 |
| Previous actuarial losses/(profits) recorded | | 1 |
| Actuarial loss/(profit) recorded | | (14) |
| Severance indemnity as of 31st December 2010 | | 3,630 |

The use of actuarial techniques for the identification of severance indemnity in accordance with IFRS implied, at the end of the period considered, the record of costs equal to Euro 14 thousand.

16. Medium- and long-term loans

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|---|-------------------|---|---|-------------------|
| Loans from other banks | 3,712 | 3,712 | (0) | |
| Loans from Cassa Depositi e Prestiti with direct guarantee | 827 | | 827 | 911 |
| Loans from Cassa Depositi e Prestiti with guarantee from municipalities | 1,339 | | 1,339 | 1,541 |
| Loans from Unicredit | 34,286 | | 34,286 | |
| Loans from Microcredito Italiano | 1,356 | | 1,356 | 1,412 |
| Loans from BCC Prealpi | 637 | | 637 | 700 |
| Loans from Banca Popolare di Bari | 1,111 | | 1,111 | 965 |
| Loans from other banks | 43,268 | 3,712 | 39,556 | 5,529 |
| Current portion of medium / long-term loans | (7,021) | (453) | (6,568) | (848) |
| Medium- and long-term loans | (50,289) | (4,165) | (46,124) | (6,377) |

With the same consolidation area, medium- and long-term loans increased from Euro 5,529 thousand to Euro 39,556 thousand (+Euro 34,027); the increase is due to the granting of a loan to Ascopiave S.p.A. amounting to Euro 40,000 thousand, partially offset by the payment of instalments of ongoing mortgages.

The figures relating to the newly acquired companies concern mortgages with credit institutions, of which one is a mortgage loan subscribed by Unigas Distribuzione S.r.l., its value after 5 financial years amounting to Euro 556 thousand.

During the first half of 2011, the Group concluded important company mergers, involving financial flows equal to Euro 31,720 thousand. In order to establish a better connection between the fixed component of the assets, represented by the shares of the parent company, and the liabilities structure, which mainly involves non-current liabilities, the parent

company entered into a medium-to-long-term loan agreement with Unicredit S.p.A.. The amount of the agreement is equal to Euro 40,000 thousand and its duration is of seven years.

The six-months instalments will be paid starting from 31st December 2011 to 30th June 2018.

The interest rate is variable, and it involves a three-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the "spread" parameter. The value of the fixed margin is subject to hypothetical increases on the basis of the value of the ratio between the consolidated net financial position and the consolidated gross operative margin at the end of each financial year. The variation in the fixed margin on the basis of the index described above is reported in the following table

| Value of N.F.P./G.O.M. ratio | Spread value |
|------------------------------|------------------|
| Index>2.5 | 125 basis points |
| 2<Index<2.5 | 90 basis points |
| Index<2 | 75 basis points |

Along with the terms and conditions provided for to calculate the interest rate to be applied to the financed capital, the continuation of the loan agreement is subject to the following financial and operating terms and conditions:

- a) the value of the index described above cannot be higher than 2.75;
- b) R.A.B.'s value (Regulatory Asset Base, i.e. the value for 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 capital share of loans to be re-paid during the next financial years is reported below:

| Thousands of Euro | 30.06.2011 |
|--|-------------------|
| Financial year 2012 | 3,583 |
| Financial year 2013 | 7,132 |
| Financial year 2014 | 7,126 |
| Financial year 2015 | 7,089 |
| Financial year 2016 | 6,944 |
| After 31 st December 2016 | 11,394 |
| Total medium- and long-term loans | 43,268 |

17. Other non-current liabilities

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|--------------------------------------|-------------------|---|---|-------------------|
| Security deposits | 12,067 | 804 | 11,262 | 11,770 |
| Multi-annual prepayments | 2,311 | | 2,311 | 2,351 |
| Other liabilities | 2,166 | 1,296 | 871 | 923 |
| Other non-current liabilities | 16,544 | 2,100 | 14,444 | 15,044 |

With the same consolidation area, other non-current assets decreased from Euro 15,044 thousand to Euro 14,444 thousand; a decrease of Euro 600 thousand mainly due to the lower number of security deposits paid by the customers (Euro 508 thousand).

The other liabilities relate to the instalments paid for the surface rights on land of the photovoltaic segment.

18. Non-current financial liabilities

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|--|------------|------------------------------------|--|------------|
| Payables to leasing companies beyond 12 months | 671 | | 671 | 697 |
| Non-current financial liabilities | 671 | | 671 | 697 |

With the same consolidation area, non current financial liabilities have decreased from Euro 697 thousand as of 31st December 2010, to Euro 671 thousand as of 30th June 2011 (-Euro 26 thousand), and they are represented by debts contracted by the subsidiary Global Energy S.r.l. in relation to the subscription of a financial leasing contract with object the co-generation plant in Mirano (VE).

| (Thousands of Euro) | 30/06/2011 |
|---|-------------------|
| Financial year 2011 | 26 |
| Financial year 2012 | 55 |
| Financial year 2013 | 58 |
| Financial year 2014 | 61 |
| Financial year 2015 | 64 |
| Financial year 2016 | 67 |
| Beyond 31 st December 2016 | 422 |
| Total of payables to leasing companies | 752 |

19. Deferred tax payables

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|------------------------------|---------------|------------------------------------|--|---------------|
| Deferred tax payables | 35,425 | 3,739 | 31,685 | 25,989 |
| Deferred tax payables | 35,425 | 3,739 | 31,685 | 25,989 |

With the same consolidation area, deferred tax liabilities increased from Euro 25,989 thousand to Euro 31,685 thousand; an increase of Euro 5,696 thousand mainly due to the changes in the IRES tax rates following the National Budget Law dated 13th August 2011, described in paragraph "Advance tax receivables" above. The change described above involved an increase in deferred taxes amounting to Euro 6,532 thousand.

The values of the newly acquired companies, amounting to Euro 3,861 thousand, mainly relate to the fund for deferred taxes recorded in the value of the customer lists obtained following the acquisition of Blue Meta S.p.A. and Amgas Blu S.r.l., as described in paragraph "Company mergers" above.

The item "Deferred tax liabilities" includes mainly the deferred taxes allocated for the temporary differences between fiscally significant values and budget values relating to the excess depreciation of fixed assets and goodwill.. In addition, as a result of price allocations relating to corporate acquisitions made in recent years, tax funds for customers identified as fiscally irrelevant have been allocated. In determining deferred taxes, we referred to IRES and, where

applicable, to the current IRAP at the moment in which the temporary differences are supposed to be deposited again. In particular, a 27.5% IRES tax rate and a 3.9% IRAP tax rate were applied; moreover, in accordance with the changes introduced by Law 111 dated 15th July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6th July 2011, the Group's companies operating in the business of distribution were subject to a 4.2% IRAP tax rate, in that they provide services and public works.

Current liabilities

20. Amounts due to banks and current portion of medium / long-term loans

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|---|---------------|------------------------------------|--|----------------|
| Amounts payable to banks | 80,185 | | 80,185 | 112,039 |
| Current portion of medium- and long-term bank loans | 7,021 | 453 | 6,568 | 848 |
| Loans and amounts payable to banks | 87,206 | 453 | 86,753 | 112,887 |

With the same consolidation area, debts due to banks decreased from Euro 112,887 thousand to Euro 86,753 thousand (- Euro 26,134 thousand), and they refer to debtor accounting balance to credit institutions and of the short-term quota of loans.

21. Trade payables

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|---|----------------|------------------------------------|--|----------------|
| Payables to suppliers | 57,919 | 4,230 | 53,690 | 64,112 |
| Payables to suppliers for invoices not yet received | 56,742 | 4,495 | 52,246 | 101,968 |
| Trade payables | 114,661 | 8,725 | 105,936 | 116,079 |

With the same consolidation area, account payables decreased from Euro 166,079 thousand to Euro 105,936 thousand (- Euro 60,143 thousand). The decrease in trade payables is mainly explained by a larger supply of natural gas in winter compared to spring and summer.

22. Payables to tax authorities

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|-------------------|------------|------------------------------------|--|------------|
| IRAP payables | 2,924 | 185 | 2,739 | 913 |

| | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|
| IRES payables | 5,027 | 1,614 | 3,413 | 2,763 |
| Payables to tax authorities | 7,952 | 1,800 | 6,152 | 3,722 |

With the same consolidation area, payables to tax authorities increased from Euro 3,722 thousand to Euro 6,152 thousand and they include the debt accrued during the first half of 2011 for the IRES surcharge that applies to gas sales companies but that is not included in the fiscal consolidation of the Group, as well as for IRAP and for the IRES debt relating to companies that do not adhere to the fiscal consolidation of Asco Holding S.p.A..

23. Other current liabilities

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|---|----------------|------------------------------------|--|---------------|
| Advance payments from customers | 4,786 | 2,394 | 2,392 | 2,076 |
| Amounts due to parent companies for tax consolidation | 14,675 | | 14,675 | 5,698 |
| Amounts due to social security institutions | 1,721 | 121 | 1,601 | 1,798 |
| Amounts due to employees | 3,971 | 245 | 3,727 | 2,982 |
| VAT payables | 9,969 | 57 | 9,912 | 127 |
| Payables to revenue office for withholding tax | 718 | 47 | 671 | 789 |
| Annual passive prepayments | 13,901 | 1 | 13,900 | 531 |
| Annual passive accruals | 2,476 | 7 | 2,469 | 1,265 |
| UTF and Provincial/Regional Additional Tax payables | 56,169 | 10,456 | 45,712 | 18,148 |
| Other payables | 5,171 | 1,118 | 4,053 | 5,714 |
| Other current liabilities | 113,558 | 14,445 | 99,112 | 39,127 |

With the same consolidation area, other current liabilities have increased from Euro 39,127 thousand to Euro 99,112 thousand (+Euro 59,985 thousand).

Advances from customers

With the same consolidation perimeter, advances from customers have increased of Euro 316 thousand; they represent the amounts paid by the customers as contribution for works of allotments and connection, realisation of photovoltaic and thermal plants in progress as of the end of the first half of 2011.

VAT payables

With the same consolidation perimeter, VAT payables have increased of Euro 9,785 thousand as compared to 31st December 2010. The increase in VAT payables is explained by the quarterly compensation of the tax, granted to the subsidiaries Ascotrade S.p.A. and Estenergy S.p.A., in that they fall within the category of the subjects billing a high number of end customers.

UTF payables and Additional Regional/Provincial Tax

The significant increase in amounts payable to the technical department of finance (equal to Euro 27,564 thousand), with the same consolidation area, is due to the peculiarity of the method of liquidation, to the payment of excise duty and additional taxes on natural gas, which is explained by the different timing of billing gas consumption to users, in

contrast with the monthly payments carried out by the sales company with reference to the previous year. During the first half of 2011, the Group's total amount of payables is of Euro 45,712 thousand.

Payables to parent companies for tax consolidation

This item includes the debt incurred into in relation to the parent company Asco Holding S.p.A. and Acegas APS S.p.A., which exercises joint control over the company Estenergy S.p.A., proportionally consolidated by Ascopiave SpA, within the framework of the contracts of national tax consolidation subscribed by the companies of the Group with Asco Holding S.p.A. and Acegas APS S.p.A.. The balance corresponds to the IRES accrued amounts payable for taxes relating to the first half of 2011, and it amounts to Euro 14,675 thousand.

Amounts due to social security bodies

The amount due to social security institutions mainly relates to charges for the first half of 2011 that were paid at the beginning of July in the current financial year.

Amounts due to employees

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 30th June 2011 but not paid out on that date.

Accruals and deferrals

Accruals and deferrals, which increased by Euro 1,204 thousand, are primarily in relation to State fees and the fees granted to local licensing bodies for the extension of the concession for the distribution of natural gas accrued as of 30th June 2011.

Annual passive prepayments

Annual passive prepayments increased from Euro 13,369 thousand, mainly in relation to the invoices issued in June 2011 by Ascotrade S.p.A., amounting to Euro 10,675 thousand for the gas consumption of wholesalers at the virtual trading point in July 2011; Euro 2,039 thousand relate instead to revenues from the transfer of photovoltaic plants not yet finished of the company Asm Set S.r.l..

Other payables

Other payables consist mainly of payables to the Authority for Electricity and Gas regarding the new tariff components of transport. These figures decreased of Euro 1,661 thousand as compared to 31st December 2010.

24. Current financial liabilities

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2010 |
|--|------------|------------------------------------|--|------------|
| Financial payables within 12 months | 4,486 | | 4,486 | 2,447 |
| Payables to shareholders | 8,183 | 213 | 7,970 | 1,755 |
| Payables to leasing companies within 12 months | 81 | | 81 | 81 |

| | | | | |
|--------------------------------------|---------------|------------|---------------|--------------|
| Current financial liabilities | 12,750 | 213 | 12,538 | 4,283 |
|--------------------------------------|---------------|------------|---------------|--------------|

With the same consolidation area, current financial liabilities have increased from Euro 4,283 thousand to Euro 12,538 thousand (+Euro 8,255 thousand). The variation is mainly due to the increase in payables to Acegas APS S.p.A. (Euro 2,437 thousand) and by the increase in in payables to third-party partners of the photovoltaic sector (Euro 4,383 thousand).

COMMENTS ON THE MAIN CONSOLIDATED INCOME STATEMENT ITEMS

Revenues

25. Revenues

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 30.06.2010 |
|--|----------------|------------------------------------|--|----------------|
| Revenues from gas transportation | 7,087 | 663 | 6,424 | 5,449 |
| Revenues from gas sale | 416,213 | 32,005 | 384,208 | 405,505 |
| Revenues from electricity sale | 48,506 | 5,238 | 43,268 | 29,558 |
| Revenues from connections | 2,361 | | 2,361 | 2,840 |
| Revenues from heat supply | 1,296 | 507 | 790 | 1,469 |
| Revenues from distribution services | 2,609 | 74 | 2,535 | 2,563 |
| Revenues from billing and taxes | 259 | | 259 | 179 |
| Revenues from services supplied to Group companies | 1,057 | | 1,057 | 977 |
| Revenues from AEEG contributions | 2,805 | 257 | 2,549 | 2,329 |
| Other revenues | 4,140 | 336 | 3,804 | 3,078 |
| Revenues | 486,334 | 39,080 | 447,255 | 453,947 |

At the end of the first half of 2011, the Ascopiave Group revenues amount to Euro 486,334 thousand, with an increase of Euro 32,387 thousand as compared to the first half of the previous year. The increase is mainly connected to the revenues of the companies acquired during the period, whereas with the same consolidation period, revenues show a decrease of Euro 6,692 thousand. This is explained by the decrease in revenues from natural gas sale (-Euro 21,297 thousand), partially offset by the increase in revenues from electric power sale (+Euro 13,710 thousand), from gas transportation to the distribution network (+Euro 976 thousand) and from higher revenues entered under the item "Other revenues" (+Euro 726 thousand).

With equal consolidation perimeter, the revenues from electric power sale amount to Euro 384,208 thousand at the end of the period considered, recording a decrease as compared to the same period of the previous financial year equal to Euro 21,297 thousand. The decrease is mainly explained by less intense gas trading activities during the reference period; the decrease was equal to Euro 33,417 thousand, but the effect was partially offset by higher revenues from natural gas sales to the final market, for Euro 12,120 thousand.

The decrease in the revenues from natural gas trading is mainly explained by the lower quantity of volumes traded during the first half of the year, which were equal to 232.1 million units. Revenues from natural gas trading amounted to Euro 88,263 thousand, with 333.3 million cubic metres traded, compared to 565.4 million cubic metres traded in the first half of the previous year, with revenues amounting to Euro 121,680 thousand.

Revenues from natural gas sale to the final market increase from Euro 283,825 thousand in the first half of 2010 to Euro 295,945 thousand in the first half of 2011; the increase is mainly explained by the increase in the tariff applied to end users, with an increase in revenues amounting to Euro 21,702 thousand. The positive effect of the tariff increase was partially offset by the decrease in volumes of natural gas traded during the reference period. This decrease affected 25.2 million cubic metres (from 764.2 in the first half of 2010 to 739 in 2011) produced a negative effect on revenues equal

to Euro 9,582 thousand. The drop in natural gas consumption is mainly due to the higher temperatures registered during the first half of the financial year, in particular in April, when the most significant reduction in consumption took place. This trend is contrary to the one registered in the same period of the previous financial year; in fact, during the first half of 2010, the climate was particularly favourable and had a positive effect on revenues.

With equal consolidation perimeter, the transportation of natural gas to the distribution network generated revenues for Euro 6,424 thousand, with an increase of Euro 976 thousand compared to the first half of the previous year. This is mainly explained by the increase in the tariffs applied to the companies selling natural gas that use the Group's distribution network, which led to an overall increase in revenues of Euro 1,366 thousand. The positive effect of the tariff increase was partially offset by the decrease in volumes of natural gas transported during the reference period; the reduction was due to the fact that in the same period of the previous financial year, the climate had been particularly favourable. During the first half of the year, the distribution of natural gas involved the transport of 498.3 million cubic metres, as compared to 534.7 million of the same period in the previous year, with lower vectorial volumes equalling 36.3 million and a negative impact on the revenues amounting to Euro 390 thousand,

The restriction on the revenues from gas distribution is determined, year after year, on the basis of the number of delivery points the Company actually served during the reference period, as well as on the reference tariff, which values are established and published by the Authority for Electricity and Gas by 15th December of the year before the one in which the tariff becomes effective. The date of approval of the restriction on total revenues for the financial year 2011 was postponed by the Authority for Electricity and Gas; therefore, the restriction was accounted for by means of a procedure that applied the calculation algorithms included in the regulation to the data provided by the Authority for Electricity and Gas, and by using general parameters also provided for by the Authority.

With equal consolidation perimeter, the revenues from electric power purchase amount to Euro 43,268 thousand at the end of the period considered, recording an increase as compared to the previous financial year equal to Euro 13,710 thousand. The increase is mainly explained by higher volumes of KWh sold during the period under consideration, which increased from 252.4 million of the first half of the previous year, to 319.5 million in the first half of 2011, marking an increase of 67.1 million.

At the end of the first half of 2011, revenues from connections services are equal to Euro 2,361 thousand, showing a decrease of Euro 479 thousand as compared to the same period of 2010. This is due to the decrease in the number of new connections to the natural gas distribution network, associated with the crisis of the building industry in the North of Italy.

With equal consolidation perimeter, the revenues from heat supply services decreased from Euro 1,469 thousand in the first half of 2010 to 790 thousand in the first half of the current financial year (-46.3%; -Euro 680 thousand). This is mainly explained by the decrease in the number of plants managed by the Group. The enlargement of the consolidation perimeter, that took place during the first half of the year, produced revenues amounting to Euro 507 thousand by the subsidiary Blue Meta S.p.A..

The revenues from services provided by distributors register a decrease equal to Euro 28 thousand, from Euro 2,563 thousand in the first half of 2010 to Euro 2,535 thousand in the first half of 2011.

At the end of the first half of 2011, the revenues from contributions granted by the Authority for Electricity and Gas are equal to Euro 2,805 thousand, and they relate to the incentives for the achievement of the energy saving target (called "white certificates") granted to the parent company Ascopiave S.p.A. and to the newly acquired Unigas Distribuzione Gas S.p.A..

With equal consolidation perimeter, the item "Other revenues" increased from Euro 3,078 thousand in the first half of 2010 to 3,804 thousand in the period considered (+Euro 726 thousand). The increase is due to higher revenues from contributions paid by the Provider of Electric Services for the production of energy from renewable sources for Euro 648 thousand, achieved thanks to the commissioning of new electric power plants.

Costs

26. Cost of gas purchase

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 30.06.2010 |
|-------------------------------|----------------|------------------------------------|--|----------------|
| Costs for gas purchase | 318,530 | 8,687 | 309,843 | 327,926 |
| Costs for gas purchase | 318,530 | 8,687 | 309,843 | 327,926 |

With equal consolidation perimeter, the costs for natural gas purchase amount to Euro 309,843 thousand at the end of the period considered, recording a decrease as compared to the same period of the previous financial year equal to Euro 18,083 thousand.

With equal consolidation perimeter, at the end of the reference period, natural gas purchase for final market registers an increase equal to Euro 4,532 thousand, from Euro 207,212 thousand in the first half of the previous financial year to Euro 211,744 thousand in the same period of 2011. The increase in the costs for natural gas purchase is mainly explained by the decrease of the market prices of the hydrocarbons to which the cost of natural gas is indexed, causing an increase in costs of Euro 11,511 thousand. The negative effect produced by the increase in the prices of raw materials is partially offset by the decrease in the quantity of cubic metres purchased, with a subsequent decrease in costs incurred into for Euro 6,979 thousand. The volumes of traded gas purchased during the first half of 2011 are equal to 739 million cubic metres, with a decrease of 25.2 million cubic metres as compared to the same period of the previous financial year.

The operations of natural gas purchase for trading activities increased from Euro 120,714 thousand in the first half of 2010 to Euro 86,195 thousand in the first half of the current financial year (+Euro 34,519 thousand). The decrease is associated with the decreased volumes of cubic metres purchased to cover these activities; in the first half of 2010 the purchased volumes were 565.4 million cubic metres, and 333.3 million cubic metres in the same period of 2011.

Most of the natural gas supply - both for the final market and trading activities - comes from Sinergie Italiane S.r.l..

27. *Cost of other raw materials*

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 30.06.2010 |
|--------------------------------------|-------------------|---|---|-------------------|
| Gas purchases | 341 | | 341 | 1,087 |
| LPG and diesel fuel purchases | 11 | | 11 | 11 |
| Electricity purchases | 30,701 | 5,290 | 25,410 | 21,557 |
| Purchases of other materials | 1,768 | 58 | 1,710 | 1,658 |
| Costs for other raw materials | 32,821 | 5,349 | 27,472 | 24,312 |

At the end of the reference period, with equal consolidation perimeter, the costs incurred into for the purchase of other raw materials register an increase equal to Euro 3,160 thousand, from Euro 24,312 thousand in the first half of the previous financial year to Euro 27,472 thousand in the same period of 2011. The increase is mainly due to the higher costs incurred into for electric power supply, but it is partially offset by the decrease in costs for purchasing natural gas for distribution and cogeneration plants.

With equal consolidation perimeter, at the end of the reference period, the costs incurred into for electric power purchase for final market register an increase equal to Euro 3,853 thousand, from Euro 21,557 thousand in the first half of the previous financial year to Euro 25,410 thousand in the same period of 2011. The increase is mainly explained by a higher amount of KWh purchased during the first half of the year, equalling 67.1 million.

The costs incurred into for the purchase of other materials register an increase equal to Euro 52 thousand, from Euro 1,658 thousand of the first half of the previous financial year to Euro 1,710 thousand in the same period of 2011. The increase is mainly explained by higher purchases of material used in construction and maintenance of facilities for the distribution of natural gas, as well as for the construction of photovoltaic systems.

28. *Costs for services*

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 30.06.2010 |
|---|-------------------|---|---|-------------------|
| Costs of conveyance on secondary networks | 40,149 | 3,725 | 36,425 | 28,967 |
| Costs for counting metres reading | 701 | 51 | 650 | 581 |
| Costs for mailing bills | 252 | 73 | 179 | 236 |
| Mailing and telegraph costs | 739 | 76 | 663 | 634 |
| Maintenance and repairs | 2,271 | 144 | 2,127 | 1,538 |
| Consulting services | 4,059 | 446 | 3,613 | 2,529 |
| Commercial services and advertisement | 1,068 | 29 | 1,039 | 580 |
| Sundry supplies | 1,414 | 340 | 1,074 | 927 |
| Directors' and Statutory Auditors' fees | 532 | 114 | 418 | 526 |
| Insurance | 489 | 48 | 441 | 384 |
| Personnel costs | 349 | 23 | 326 | 348 |
| Other managing expenses | 4,340 | 598 | 3,738 | 3,058 |
| Costs for use of third-party assets | 5,315 | 1,062 | 4,253 | 2,998 |
| Total costs for services | 61,680 | 6,730 | 54,946 | 43,306 |

At the end of the reference period, with equal consolidation perimeter, the costs incurred into for services register an increase equal to Euro 11,641 thousand, from Euro 43,306 thousand in the first half of the previous financial year to Euro 54,946 thousand in the same period of 2011. This is mainly explained by higher costs incurred into for the transportation of natural gas and electricity on the distribution network for a total of Euro 7,458 thousand, by higher costs incurred into for consultancy for Euro 1,084 thousand, and by the costs incurred into for the use of third party assets for Euro 1,255 thousand.

With equal consolidation perimeter, the costs incurred into for the transportation of natural gas on the distribution network decreased from Euro 22,160 thousand in the first half of 2010 to Euro 20,497 thousand in the first half of the current financial year (-Euro 1,663 thousand). The decrease is mainly explained by the smaller number of volumes of gas introduced into the distribution network of companies owned or managed by companies not under the control of Ascopiave Group.

The costs incurred into for transportation of electricity register an increase equal to Euro 9,121 thousand, from Euro 6,806 thousand in the first half of the previous financial year to Euro 15,927 thousand in the reference period. The increase is mainly explained by higher volumes of KWh sold by the consolidated companies Estenergy S.p.A. and Veritas Energia S.r.l.

At the end of the reference period, the main increases in costs for services are represented by the costs incurred into for maintenance and repairs of the infrastructures for the distribution of natural gas (Euro 589 thousand), for consulting, technical, administrative and legal services supplied to the companies of the Group for Euro 1,084 thousand, and the higher costs incurred into for commercial and advertisement services, amounting to 459 thousand. These are mainly explained by the enhancement of expansion activities on the so-called "outside-the-network market" initiated by the Group over the first half of 2011, in order to reduce the pressure from other competitors.

The higher costs incurred into for consultancy are due to the expenses borne over the first half of 2011 for the merger of the companies BLUMETA S.p.A., UNIGAS S.p.A., DESTERN S.r.l. and AMGAS BLU S.r.l.. With the introduction of the modifications to the relevant accounting principles, such costs can no longer be considered as an increase of the share valu.

With equal consolidation perimeter, other expenses increased from Euro 3,058 thousand in the first half of 2010 to 3,738 thousand of the reference period (+Euro 680 thousand). The increase is mainly explained by higher costs incurred into for the realisation of photovoltaic plants for the final market (Euro 775 thousand), partially offset by the decrease in costs incurred into for connection services required by the customers and carried out by the sales companies (Euro 142 thousand).

The costs incurred into for the use of third party assets register an increase equal to Euro 1,255 thousand, from Euro 2,998 thousand in the first half of 2010 to Euro 4,253 thousand in the first half of 2011. The increase is mainly explained by the higher fees for concessions paid to Local Bodies, as a result of longer concessions for natural gas management following the agreements finalised over the last quarter of 2010 and the first quarter of 2011. Therefore, the two reference periods cannot be compared.

Costs for commercial services and advertisement include fees and charges relating to marketing activities and advertisement campaigns, which were more intense during the first half of 2011 because of the competitiveness in the final market.

Personnel costs include costs for the management of vehicles assigned to employees, expenses for the canteen service and costs for training and education.

29 Personnel costs

Personnel costs for the relevant periods are analysed in the following table:

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 30.06.2010 |
|---|---------------|------------------------------------|--|---------------|
| Wages and salaries | 9,308 | 522 | 8,785 | 8,124 |
| Social security contributions | 3,120 | 184 | 2,936 | 2,764 |
| Severance indemnity | 642 | 39 | 603 | 566 |
| Current severance indemnity actualisation | (14) | | (14) | (7) |
| Other costs | 362 | 53 | 309 | 192 |
| Total personnel costs | 13,418 | 799 | 12,619 | 11,638 |
| Capitalized personnel costs | (756) | | (756) | (1,329) |
| Personnel costs | 12,662 | 799 | 11,863 | 10,309 |

Personnel costs are reported net of capitalised costs in relation to increases in intangible assets for price-based works, which are directly attributed to the creation of facilities for the distribution of natural gas by the parent company and by the consolidated distribution companies.

With equal consolidation perimeter, personnel costs register an increase equal to Euro 1,554 thousand, from Euro 10,309 thousand in the first half of 2010 to Euro 11,863 thousand in the reference period. The increase is explained mainly by the increase in the average number of personnel working in the companies of the Ascopiave Group, equalling 24 units, as well as by the decrease in the costs directly attributable to intangible assets, which equal Euro 573 thousand.

The table below shows the average number of employees of the Group, divided by category, at the end of the first half of 2011 and 2010.

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 30.06.2011 | Variation |
|----------------------------------|------------|------------------------------------|--|------------|-----------|
| Executives (average) | 23 | 1 | 22 | 19 | 4 |
| Office workers (average) | 364 | 32 | 332 | 308 | 56 |
| Manual workers (average) | 128 | 6 | 122 | 124 | 4 |
| Total number of employees | 514 | 39 | 475 | 451 | 63 |

Some employees of the Group are owners of phantom stock options.

30. Other operating costs

Other operating costs for the relevant periods are analysed in the following table:

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 30.06.2010 |
|--------------------------------|--------------|------------------------------------|--|--------------|
| Provision for risks on credits | 3,503 | 100 | 3,403 | 2,239 |
| Other provisions | | | | |
| Membership and AEEG fees | 596 | 15 | 581 | 358 |
| Capital losses | 177 | | 177 | 261 |
| Extraordinary losses | 205 | 88 | 117 | 189 |
| Other taxes | 904 | 34 | 871 | 912 |
| Other costs | 772 | 92 | 680 | 912 |
| Cost of contracts | 594 | 138 | 456 | 600 |
| Energy efficiency certificates | 2,934 | 269 | 2,665 | 2,249 |
| Other operating costs | 9,686 | 735 | 8,950 | 7,720 |

With equal consolidation perimeter, other operating costs register an increase equal to Euro 1,231 thousand, from Euro 7,720 thousand in the first half of 2010 to Euro 8,950 thousand in the first half of 2011. The increase is mainly explained by higher costs incurred into for purchases of energy efficiency certificates (the so-called "white certificates"), for Euro 416 thousand and for the increase in provisions made for doubtful accounts for Euro 1,164 thousand, which were partially offset by lower costs incurred into for contracts, equal to Euro 144 thousand, and a general decrease of other management costs, equal to Euro 232 thousand.

The energy saving targets set for the current financial year by the AEEG were published following resolution no. 18/2010 dated 22nd November 2010. The resolution defines the specific energy saving standards which Ascopiave S.p.A. and the controlled company Unigas Distribuzione S.r.l. will have to meet during the financial year 2011 by purchasing or producing energy efficiency certificates.

31. Other operating incomes

Other operating incomes for the relevant periods are analysed in the following table:

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 30.06.2010 |
|------------------------------|------------|------------------------------------|--|------------|
| Non-operating income | | | | 7 |
| Other income | 463 | 3 | 460 | 70 |
| Total of other income | 463 | 3 | 460 | 76 |

At the end of the first half of 2011, other operating costs register an increase equal to Euro 384 thousand, from Euro 76 thousand in the first half of 2010 to Euro 460 thousand in the first half of 2011. The item includes the capital gain from the transfer of the gas distribution facilities located in the Municipality of Zané, in the District of Vicenza. The transfer of the network to the local body, due to a change in the subject managing the distribution network, allowed to fully recover the investment made through the company mergers carried out during the first financial years of this decade in the Veneto region.

32. Amortisation

Amortisations and depreciations for the relevant periods are analysed in the following table:

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 30.06.2010 |
|-------------------------|--------------|------------------------------------|--|--------------|
| Intangible fixed assets | 8,024 | 645 | 7,379 | 7,779 |
| Tangible fixed assets | 1,264 | 29 | 581 | 602 |
| Amortization | 9,288 | 674 | 7,959 | 8,381 |

With equal consolidation perimeter, at the end of first half of 2011, amortisations register a decrease equal to Euro 422 thousand, from Euro 8,381 thousand in the first half of the previous financial year to Euro 7,959 thousand at the end of the reference period. The decrease in amortisation amounts is mainly explained by the transfer of gas distribution facilities to local bodies in the Municipality of San Vito di Laguzzano, after failing to win the call for tenders for the concession of gas distribution licenses in the same municipality.

Financial income and expenses

33. Financial income and expenses

Financial income and expenses for the relevant periods are analysed in the following table:

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 30.06.2010 |
|--|--------------|------------------------------------|--|----------------|
| Interest income on bank and post office accounts | 139 | 37 | 102 | 25 |
| Other interest income | 583 | 61 | 522 | 372 |
| Other financial income | 16 | 0 | 16 | 37 |
| Financial income | 738 | 98 | 640 | 434 |
| Interest expense on banks | 1,214 | 35 | 1,179 | 594 |
| Interest expense on mortgage loans | 219 | 39 | 180 | 165 |
| Other financial expenses | 620 | 6 | 614 | 172 |
| Financial charges | 2,053 | 80 | 1,973 | 931 |
| Evaluation of subsidiary companies with net equity method | 1,147 | | 1,147 | (1,851) |
| Depreciation of shares in subsidiary companies | | | | 67 |
| Evaluation of subsidiary companies with the net equity method | 1,147 | 0 | 1,147 | 1,784 |
| Total net financial expenses | 2,462 | (18) | 2,480 | (1,287) |

At the end of the first half of 2011, the differential between financial expenses and income shows, with equal consolidation perimeter, a negative result of Euro 1,333 thousand, with an increase of Euro 836 thousand as compared to the previous reference period, mainly due to the increase in financial charges (Euro 1,042 thousand), partially offset by the increase in financial income (Euro 206 thousand).

The increase in financial charges is mainly explained by a higher exposure to the credit system during the first half of 2011, as well as by an increased interest rate demanded by credit institutions. The increase in interest rate is mainly due to the trend of the reference index Euribor, which began to rise again after dropping for a few months at the beginning

of the previous financial year. In this respect, the average increase rate of the reference index was of about 60 basis points as compared to the first half of 2010.

The item "Evaluation of associated companies with the net equity method" amounted to Euro 1,147 thousand, and includes the loss of competence in the period by the company Sinergie Italiane S.r.l., as detailed in the section "Shareholdings" of this note. The item registers a decrease of Euro 2,931 thousand as compared to the same period of the previous financial year.

Taxes

34. Taxes in the reference period

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

| Thousands of Euro | 30.06.2011 | Values of newly acquired companies | Net values of newly acquired companies | 30.06.2010 |
|-----------------------------------|---------------|------------------------------------|--|---------------|
| Current taxes - IRES | 17,634 | 1,897 | 15,736 | 11,151 |
| Current taxes - IRAP | 2,553 | 227 | 2,326 | 1,896 |
| (Advance)/deferred taxes | 2,741 | (172) | 2,913 | (771) |
| Total taxes for the period | 22,928 | 1,952 | 20,975 | 12,276 |

With equal consolidation perimeter, the taxes in the reference period increased from Euro 12,276 thousand in the first half of 2010 to 20,975 thousand at the end of the first half of 2011 (+Euro 8,699 thousand). The increase is mainly explained by the increase in the tax rates to which the companies of the Group are subject, following the new regulations introduced during the summer.

In particular, in accordance with the changes introduced by Law 111 dated 15th July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6th July 2011, the Group's companies operating in the business of distribution were subject to a 4.2% IRAP tax rate, in that they provide services and public works.

As to the IRES tax, some sales companies of the Group were already subject to the 6.5% IRES surcharge pursuant to art. 81 of Decree-Law 112 dated 25th June 2008, which was amended pursuant to art. 7 of Law 138, in force as from 13th August 2011 (the so-called "Mid-August National Budget Law"). The so-called "Robin Hood Tax" was increased of 4 percentage points (current tax rate: 10.5%) and is now also applicable to subjects operating in the industries of transportation and distribution of natural gas and electric power whose turnover was higher than 10 million Euro in the previous tax period (i.e. 25 million Euro in the previous financial year) and a non-taxable income higher than a million Euro. In accordance with art. 7, paragraph 3 of the Decree-Law 138/2011, the change will only be effective for three tax periods starting from the one after 31st December 2010. Therefore, the economic effect on the first half of 2011 is expected to involve higher current taxes (Euro 2,443 thousand) and higher deferred taxes (euro 6,532 thousand), partially offset by higher advance taxes (Euro 1,883 thousand).

The table shows the impact of income tax on profit before tax in the periods considered:

| Thousands of Euro | 30.06.2011 | 30.06.2010 |
|--|-------------------|-------------------|
| Income before taxes | 39,669 | 33,356 |
| Income taxes for the period | 22,928 | 12,276 |
| Percentage of income before taxes | 57.8% | 36.8% |

The actual tax rate rose from 36.8% in the first half of 2010 to 57.8% in the period considered, recording an increase of 21%. The increase in the tax rate is mainly explained by the change in the regulatory framework described above.

The tax rate increase is also explained by the effect on the income before taxes of the operating result of Sinergie Italiane S.r.l. which, at the end of the first half of the previous financial year, was one of the factors that reduced the impact of taxes on the result of the period. At the end of the first half of 2011, because of the loss suffered by the company, it is one of the factors that actually increase it, with an overall variation equal to 3.3%.

Non-recurring components

In accordance with CONSOB communication 15519/2005, we report that there were no non-recurring economic components reported in the interim financial statements as of 30th June 2011.

Transactions deriving from unusual and/or atypical operations

In accordance with CONSOB communication N. DEM/6064296 dated 28th July 2006, we report that during the first half of 2011 no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE ABRIDGED HALF YEAR CONSOLIDATED FINANCIAL STATEMENT AS OF 30th JUNE 2011

Company mergers:

Acquisition of shares in Unigas Distribuzione Gas S.r.l. and Blue Meta S.p.A.

On 13th January 2011, Ascopiave S.p.A. finalised the acquisition of shares in the Unigas Group. The award of the tender announced by Unigas Distribuzione Gas S.r.l. for finding a strategic partner led to the purchase of a stake equal to 100% of Blue Meta S.p.A. for Euro 23,788 thousand, originally held by the same Unigas Distribuzione S.r.l. and to the simultaneous increase in the reserved share capital for a percentage equal to 48.86% (Euro 19,910 thousand). Ascopiave S.p.A. therefore suffered a total financial outlay of Euro 43,698 thousand. The acquisition costs, pursuant to the "IFRS 3 Revised - Company mergers" were recorded in the consolidated income statement for a value of Euro 643 thousand.

The shares purchased were subject to external evaluation by an independent company in order to determine the allocation of the higher amounts paid against the book values of the net assets of the companies as of 31st December 2010.

The evaluation carried out by the independent company reported the existence of an intangible asset with finite useful life, attributable to Blue Meta S.p.A., that well represents the value of the contracts entered into with customers and of the business relationships established by these contracts, amounting to Euro 6,000 thousand (hereinafter "customer lists sales branch"), which also includes the corresponding effect of deferred taxes. With a conservative estimate, for this type of intangible asset the directors considered a useful life of 10 years, in line with previous assessments of similar company mergers.

The company merger was provisionally accounted for as of 30th June 2011, in accordance with the international accounting standard IFRS 3.62. In particular, the aggregate fair value provisionally attributed to the identifiable assets and liabilities of Unigas Distribuzione Gas S.r.l. and Blue Meta S.p.A. as of 30th June 2011 is as follows:

| | Book values | | | Fair values as of date of acquisition | | |
|--|------------------|----------------------|---------------|---------------------------------------|----------------|---------------|
| | Unigas 48.86% | Blue Meta 100% | Aggregate | Unigas 48.86% | Blue Meta 100% | Aggregate |
| Non-current assets | | | | | | |
| Goodwill | 0 | 400 | 400 | 0 | 0 | 0 |
| Other intangible fixed assets | 2,343 | 129 | 2,471 | 2,324 | 6,055 | 8,379 |
| Tangible assets | 11,755 | 628 | 12,383 | 11,755 | 628 | 12,383 |
| Shareholdings | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-current assets | 6 | 4 | 10 | 6 | 4 | 10 |
| Advance taxes | 113 | 289 | 402 | 122 | 320 | 442 |
| Total non-current assets | 14,217 | 1,450 | 15,667 | 14,207 | 7,007 | 21,214 |
| Current assets | | | | | | |
| Inventories | 203 | 0 | 203 | 203 | 0 | 203 |
| Trade receivables | 2,991 | 20,044 | 23,036 | 2,991 | 20,044 | 23,036 |
| Other current assets | 670 | 2,699 | 3,369 | 670 | 2,699 | 3,369 |
| Current financial assets | 10 | 12 | 22 | 10 | 12 | 22 |
| Tax receivables | 0 | 439 | 439 | 0 | 439 | 439 |
| Cash and cash equivalents | 20,546 | 2,690 | 23,236 | 20,546 | 2,690 | 23,236 |
| Total current assets | 24,421 | 25,884 | 50,304 | 24,421 | 25,884 | 50,304 |
| Total assets | 38,638 | 27,334 | 65,971 | 38,627 | 32,891 | 71,518 |
| Non-current liabilities | | | | | | |
| Reserves for risks and charges | 0 | 97 | 97 | 0 | 97 | 97 |
| Severance indemnity | 138 | 111 | 249 | 131 | 106 | 237 |
| Medium-long term loans | 4,550 | 0 | 4,550 | 4,550 | 0 | 4,550 |
| Non-current financial liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred taxes | 0 | 0 | 0 | 3 | 2,366 | 2,369 |
| Total non-current liabilities | 4,688 | 208 | 4,896 | 4,683 | 2,569 | 7,252 |
| Current liabilities | | | | | | |
| Loans and payables to banks | 6,449 | 0 | 6,449 | 6,449 | 0 | 6,449 |
| Trade payables | 2,098 | 18,124 | 20,222 | 2,098 | 18,124 | 20,222 |
| Payables to tax authorities | 131 | 0 | 131 | 131 | 0 | 131 |
| Other current liabilities | 6,013 | 4,952 | 10,964 | 6,013 | 2,131 | 8,143 |
| Current financial liabilities | 49 | 221 | 270 | 49 | 221 | 270 |
| Total current liabilities | 14,739 | 23,296 | 38,035 | 14,739 | 20,475 | 35,214 |
| Total liabilities | 19,427 | 23,504 | 42,931 | 19,423 | 23,044 | 42,467 |
| Total assets/liabilities of the company acquired | 19,210 | 3,830 | 23,040 | 19,205 | 9,847 | 29,052 |
| Goodwill from acquisition | | | | 705 | 13,941 | 14,646 |
| Total cost of acquisition | | | | 19,910 | 23,788 | 43,698 |
| Net liquid assets of the company | | | | 20,546 | 2,690 | 23,236 |
| Payments | | | | 19,910 | 23,788 | 43,698 |
| Net liquid assets used | | | | (636) | 21,098 | 20,462 |

The residual surplus equal to Euro 14,646 thousand was provisionally registered to goodwill relating to the acquisition of the of gas sales segment of Blue Meta S.p.A., for Euro 13,941 thousand, and to goodwill relating to the acquisition of the natural gas distribution segment of Unigas Distribuzione Gas S.r.l., for Euro 705 thousand.

Acquisition of shares in De Stern 5 S.r.l.

On 22nd February 2011, the company Serin S.r.l., subject to joint control by Agroenergetica S.r.l. (Casillo Group) and Ascoenergy S.r.l. (subsidiary of Ascopiave S.p.A.), acquired 77.50% of the shares in De Stern 5 S.r.l., a company with legal headquarters in Parma active in the production of electric power from photovoltaic plants, at an agreed-upon price of Euro 3,056 thousand (share of the Ascopiave Group: Euro 1,528 thousand).

On 24th May 2011, the company Serin S.r.l. acquired the remaining 22.5% of the shares, with a further outlay of Euro 80 thousand (share of the Ascopiave Group: Euro 40 thousand).

The share acquired was subject to internal evaluation in order to determine the allocation of the higher amounts paid against the book values as of 31st December 2010. The assessment carried out on the basis of the business plan and considering the administrative authorisations already acquired by the company allowed to reckon that the price was fair in relation to the fair value of the company acquired.

The company merger was provisionally accounted for as of 31st March 2011, in accordance with the international accounting standard IFRS 3.62. In particular, the provisional fair values attributed to the identifiable assets and liabilities of De Stern 5 S.r.l. as of 31st March 2011 resulted in the recognition of a goodwill value amounting to Euro 320 thousand. As of 30th June 2011, following the acquisition of the remaining shares, the surplus value previously determined was no longer effective. As to the goodwill accounting as of the date of approval of the quarterly report, no other goodwill was recorded.

| Assets/liabilities transfer after purchase by Serin S.r.l. of 77.5% of the shares in De Stern 5 S.r.l. | Book value | Fair value recorded on acquisition |
|--|--------------|------------------------------------|
| Non-current assets | | |
| Intangible assets | 20 | 20 |
| Total non-current assets | 20 | 20 |
| Current assets | | |
| Other current assets | 3 | 3 |
| Cash and cash equivalents | 1,564 | 1,564 |
| Total current assets | 1,567 | 1,567 |
| Total assets | 1,588 | 1,587 |
| Current liabilities | | |
| Trade payables | 1 | 1 |
| Current financial liabilities | 35 | 18 |
| Total current liabilities | 36 | 19 |
| Total liabilities | 0 | 19 |
| Total assets/liabilities of acquired company | <u>1,588</u> | 1,568 |
| Goodwill from acquisition | | 0 |
| Total cost of the acquisition | | <u>1,568</u> |
| Company's net liquidity | | 1,564 |
| Payments | | 1,568 |
| Net liquidity used | | <u>4</u> |

Acquisition of shares in Amgas Blu S.r.l.

On 30th June 2011, Ascoblu S.r.l. - 100% controlled by Ascopiave S.p.A. - acquired the shares of Amgas Blu S.r.l. from Amgas Blu S.p.A., which had transferred its natural gas sale segment to Amgas Blu S.r.l. on 26th June 2011. The award of the tender announced by Amgas Blu S.p.A. (which to date owns the remaining 20% of the shares), led to the purchase of a stake in Amgas Blu S.r.l. equal to 80%, for an amount of Euro 11,650 thousand including the tender fees and charges that, pursuant to the "IFRS 3 Revised - Company mergers" were recorded in the consolidated income statement for a value of Euro 450 thousand

The shares purchased were subject to external evaluation by an independent company in order to determine the allocation of the higher amounts paid against the book values of the net assets as of 30th June 2010.

The evaluation carried out by the independent company reported the existence of an intangible asset with finite useful life that well represents the value of the contracts entered into with customers and of the business relationships established by these contracts, amounting to Euro 3,800 thousand (hereinafter "customer lists sales branch"), which also includes the corresponding effect of deferred taxes. With a conservative estimate, for this type of intangible asset the directors considered a useful life of 10 years, in line with previous assessments of similar company mergers.

The company merger was provisionally accounted for as of 30th June 2011, in accordance with the international accounting standard IFRS 3.62. In particular, the aggregate fair value provisionally attributed to the identifiable assets and liabilities of Amgas Blu S.r.l. and Blue Meta S.p.A. as of 30th June 2011 is as follows:

| Assets/liabilities transfer after purchase by Ascoblu S.r.l. of 80% of the shares in Amgas Blu S.r.l. | Book value | Fair value recorded on acquisition |
|---|--------------|------------------------------------|
| Non-current assets | | |
| Other intangible assets | 0 | 3,800 |
| Other non-current assets | 2,067 | 2,067 |
| Total non-current assets | 2,067 | 5,867 |
| Current assets | | |
| Other current assets | 689 | 689 |
| Cash and cash equivalents | 10 | 10 |
| Total current assets | 699 | 699 |
| Total assets | 2,766 | 6,566 |
| Current liabilities | | |
| Severance indemnity | 362 | 362 |
| Other non-current liabilities | 2,394 | 2,394 |
| Deferred taxes | 0 | 1,497 |
| Total current liabilities | 2,756 | 4,253 |
| Current liabilities | | |
| Total liabilities | 0 | 4,253 |
| Total assets/liabilities of acquired company | <u>2,766</u> | <u>2,313</u> |
| Third-party net equity | | 463 |
| Goodwill from acquisition | | 9,350 |
| Total cost of the acquisition | | 11,200 |
| Company's net liquidity | | 10 |
| Payments | | 11,200 |
| Net liquidity used | | 11,190 |

The residual surplus equal to Euro 9,350 thousand was provisionally registered to goodwill relating to the acquisition of the of gas sales segment of Amgas Blu S.r.l..

The price paid for the acquisition of Amgas Blu S.r.l. will be subject to an adjusted balance as a result of the amounts obtained by the count of virtual delivery points active as of 31st August 2011, as established in the agreement.

Commitments and risks

Bank guarantees

As of 30th June 2011, the Group provided the following bank guarantees:

| Thousands of Euro | | |
|--|--|----------------|
| On credit lines (letter of comfort) | | 236,690 |
| On financial leasing agreements (letter of comfort) | | 956 |
| On gas supply agreements (letter of comfort) | | 42,817 |
| On electricity purchase agreements (letter of comfort) | | 870 |
| On photovoltaic plants realisation (letter of comfort) | | 1,200 |
| Guarantees on credit lines | | 3,50 |
| On execution of works | | 8,810 |
| On UTF offices and regions for taxes on gas | | 3,173 |
| On UTF offices and regions for taxes on electricity | | 148 |
| On distribution concession | | 1,218 |
| On purchase/sale of shares | | 2,500 |
| On commercial leasing agreements | | 17 |
| On conveyance agreements | | 2,386 |
| On gas transport agreements | | 1,517 |
| On active agreements for electricity supply | | 162 |
| On active agreements for gas supply | | 18 |
| On activities carried out by the company | | 7 |
| On gas purchase agreements | | 3 |
| On electricity purchase agreements | | 3,213 |
| On photovoltaic plants realisation | | 9,998 |
| Total | | 319,203 |

The guarantees on credit lines and on gas purchase contracts released in favour of Sinergie Italiane S.r.l. as of 30th June 2011 amount to Euro 236,877 thousand.

We point out that the company Speedenergy S.r.l. holds a three-year, 36% purchase right on the property of the shares of Ascoblu S.r.l., parent company of Amgas Blu S.r.l..

We point out that the company Anita S.r.l. holds a 10% purchase right on the property of the shares of Blue Meta S.p.A., to be exercised by January 2012.

Management of financial risk: objectives and criteria

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

The operative activity, on the contrary, put the Group on the position of possible receivable risks with the counterparts.

The Group, furthermore, is subject to liquidity risks because the available financial resources may not be sufficient to meet its financial obligations, in the terms and deadlines forecast.

The Board of Directors re-examines and agrees the policies for risk management, described hereinafter.

Interest rate risk

because of the seasonality of the natural gas business cycle, the Group aims at managing the need for cash by means of temporary and medium-term loans at variable rates.

Ascopiave S.p.A. also manages fixed rate loans for insignificant amounts that depend on the conferral for the gas distribution networks of the local bodies, now shareholders of Asco Holding S.p.A.

Moreover, during the first half of 2011, the parent company entered into a medium-to-long-term loan agreement with Unicredit S.p.A.. The amount of the agreement is equal to Euro 40,000 thousand and its duration is of seven years.

The interest rate is variable, and it involves a three-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the "spread" parameter. The value of the fixed margin is subject to hypothetical increases on the basis of the value of the ratio between the consolidated net financial position and the consolidated gross operative margin at the end of each financial year.

Along with the terms and conditions provided for to calculate the interest rate to be applied to the financed capital, the continuation of the loan agreement is subject to the following financial and operating terms and conditions:

- a) the value of the index described above cannot be higher than 2.75;
- b) R.A.B.'s value (Regulatory Asset Base, i.e. the value of the gas network) cannot be lower than Euro270,000 thousand;
- c) the stake of ASCOHOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

To date, the covenants provided for by said financing have been respected.

Sensitivity analysis of the interest rate risk

The following table shows the impacts on the Group's Pre-tax result of the possible variations in interest rates in a reasonably possible interval.

| | January | February | March | April | May | June | |
|---|-----------|-----------|-----------|----------|----------|----------|--------------|
| Net Financial position as of 30.06.2011 | (113,767) | (120,465) | (105,741) | (94,187) | (92,868) | (93,840) | |
| Lending/borrowing average rate | 1.29% | 1.13% | 1.29% | 1.34% | 1.45% | 1.42% | |
| Average rate increased of 150 basis points | 2.79% | 2.63% | 2.79% | 2.84% | 2.95% | 2.92% | |
| Average rate decreased of 60 basis points | 0.69% | 0.53% | 0.69% | 0.74% | 0.85% | 0.82% | |
| Net Financial position recalculated with increase of 150 basis points | (113,912) | (120,604) | (105,875) | (94,304) | (92,986) | (93,956) | |
| Net Financial position recalculated with decrease of 60 basis points | (113,709) | (120,410) | (105,687) | (94,141) | (92,821) | (93,794) | tot |
| Negative effect to income before taxes | 145 | 139 | 135 | 116 | 118 | 116 | 768 |
| Positive effect to income before taxes | (58) | (55) | (54) | (46) | (47) | (46) | (307) |

The sensitivity analysis, obtained simulating a variation on interest tax rates applied on the credit lines of the Group equal to 60 basis points in decrease and 105 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 768 thousand or positive for Euro 307 thousand, respectively.

Receivable risk

The operative activity put the Group in a position of possible receivable risk caused by the market for the missed respect of trading obligations between the counterparts.

The Group constantly monitors this type of risk through an appropriate credit management procedure, helped in that sense also by the division of a significant component of accounts receivable. The Group policy is fully writing down the receivables that show an older expiry date than the year, and to apply write-down percentages determined by historical series on the remaining part of the credit.

Liquidity risk

The liquidity risk concerns the risk of the Group not to dispose of available and sufficient financial resources in order to meet its financial obligations, in the forecast terms and deadlines.

The Group constantly pursues a maintenance of the balance and flexibility of financing sources and uses. The two main factors influencing Group liquidity are on the one hand the resources generated or absorbed by the operative or investment assets, on the other hand the expiry characteristics and debt renewal.

Risk of prices of raw materials and of Euro/Dollar exchange rate

The company is exposed to the risk of fluctuation of the cost of the raw material due to the misalignment between the baskets of tariff index of natural gas sale and the basket of purchase costs index, that can be different.

In 2011, in order to reduce the afore-stated risk, the company subscribed contracts of provisioning that predict index clauses in the purchase of raw material, lined up with the index formula of the AEEG for the calculation of the component raw material in the sale tariff to domestic customers, that represent the most significant quote of the market. Thus the risk is still linked to the remaining minor market quote, mainly represented by the business client, for which the company can't give coverage to the different time of index of the cost of raw material compared to the index of sale price.

Specific risks in the business sectors in which the Group operates

Regulations

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

Risks related to the expiry of the concessions / licenses for the distribution of gas held by Ascopiave S.p.A. and its subsidiaries and to a possible early redemption of concessions by the licensing bodies

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

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

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

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

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

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

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

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

Risks relating to the existence of the right of municipalities to acquire ownership of distribution networks for gas and to the amount of reimbursement paid by the new operator

With regard to the concessions under which Ascopiave SpA and its subsidiaries also own the gas distribution networks, we point out that doctrine and jurisprudence that have dealt with the interpretation of the rules relating to the distribution of gas contained in the Letta Decree have not yet explained, pending the entry into force of new regulations for the sector, if the company owner of the network has, at the expiry date of the concessions and/or licenses, to transfer to municipalities the ownership of the networks. There are differences of interpretation between institutions and licensing bodies as to how to apply the criteria for the quantification of the indemnity to the outgoing operator owner of the network, pursuant to Article 24, paragraph 4, letter. a) and b) the R.D. issued on 15th October 1925 no. 2578 (which states that only the "industrial value" of the plant should be taken into account, and not the loss of profit for the operator after failing to win the concession).

Therefore, upon expiry of concessions and/or licenses, disputes may arise relating to the quantification of the indemnity to Ascopiave S.p.A. and its subsidiaries; the outcome of such disputes may be unfavourable for Ascopiave S.p.A. and its subsidiaries, with consequent negative effects on the business, as well as on its economic and financial conditions, that would still operate under the principle of going-concern.

Management of Capital

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

The Group checks its capital by means of a debt/capital ratio, i.e. comparing the net debt to the total of the capital plus the net debt.

The Group includes financial charges, accounts payable and other liabilities in the net liabilities, net of liquid funds and equivalent.

| (thousands of Euro) | 30.06.2011 | 31.12.2010 |
|---|-------------------|-------------------|
| Medium-long term loans | 43,939 | 6,225 |
| Loans from banks net of equivalents on hand | 49,901 | 89,770 |
| Financial gross debt | 93,840 | 95,995 |
| Share capital | 234,412 | 234,412 |
| Reserves | 120,147 | 113,815 |
| Net result | 15,368 | 31,174 |
| Net assets | 369,927 | 379,400 |
| Total capital and gross debt | 463,767 | 475,395 |
| Debt/Net assets ratio | 0.25 | 0.25 |

Business segment reporting

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

Based on the information required by the IAS 8 'Business Segment Reporting, Operative segments', the company has identified as segments subjects of the reporting the activities of gas sales and distribution.

Information for geographic sectors is not provided, since the Group does not have any business activity outside of the national territory.

The following tables show the information on revenues, financial results and balance sheet items concerning the business segments of the Group for the first half of the years 2011 and 2010.

| (In thousands of Euro) | Distributio n | Gas sale | Trading | Electricity sale | Other | 30.06.2011 value from company acquisitions | Eliminations | Total |
|---|------------------|----------|---------|---------------------|-------|---|--------------|---------|
| First half of 2011 | | | | | | | | |
| Net revenues from third parties | 16,983 | 295,945 | 88,263 | 43,268 | 2,796 | 39,080 | | 486,334 |
| Infra-group revenues among business sectors | 30,332 | 1,270 | | 1,220 | 44 | 2,867 | (35,733) | 0 |
| Revenues from business sector | 47,315 | 297,215 | 88,263 | 44,488 | 2,840 | 41,947 | (35,733) | 486,334 |
| Income before taxes | 7,693 | 23,881 | 2,068 | 2,322 | 488 | 3,217 | | 39,669 |

| (In thousands of Euro) | Distributio n | Gas sale | Trading | Electricity sale | Other | 30.06.2010 value from company acquisitions | Eliminations | Total |
|---|------------------|----------|---------|---------------------|-------|---|--------------|---------|
| First half of 2010 | | | | | | | | |
| Net revenues from third parties | 16,475 | 283,108 | 122,397 | 29,558 | 2,409 | | | 453,947 |
| Infra-group revenues among business sectors | 37,223 | 2,317 | 717 | 2,252 | 236 | | (42,744) | 0 |
| Revenues from business sector | 53,698 | 285,425 | 123,114 | 31,810 | 2,645 | | (42,744) | 453,947 |
| Income before taxes | 11,983 | 18,313 | 1,488 | 987 | 585 | | | 33,356 |

Transactions with related parties

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

| Company | 30 th June 2011 | | | | First half of 2011 | | | | | |
|-----------------------------------|----------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|----------------|----------|----------------|-------|
| | Trade receivables | Other receivables | Trade payables | Other payables | Costs | | | Revenues | | |
| | | | | | Goods | Services | Other | Goods | Services | Other |
| <i>Parent companies</i> | | | | | | | | | | |
| Asco Holding S.p.A. | 11,188 | 2,171,804 | 146,481 | 14,269,761 | - | - | - | - | 23,967 | - |
| Total parent companies | 11,188 | 2,171,804 | 146,481 | 14,269,761 | - | - | - | - | 23,967 | - |
| <i>Associated companies</i> | | | | | | | | | | |
| Asco TLC S.p.A. | 351,216 | | 146,465 | - | - | 326,028 | - | - | 188,284 | - |
| Seven Center S.r.l. | 5,135 | | 221,201 | | 214,146 | 72,329 | - | - | 8,436 | - |
| Mirant Italia S.r.l. | - | | 15,710 | | - | - | - | - | - | - |
| Total associated companies | 356,351 | - | 383,376 | - | 214,146 | 398,357 | - | - | 196,720 | - |
| <i>Subsidiaries</i> | | | | | | | | | | |
| Sinergie Italiane S.r.l. | 123,238 | | 13,157,747 | - | 187,161,364 | - | - | - | 279,753 | - |
| Total subsidiaries | 123,238 | - | 13,157,747 | - | 187,161,364 | - | - | - | 279,753 | - |
| Total | 490,777 | 2,171,804 | 13,687,604 | 14,269,761 | - | 187,375,509 | 398,357 | - | 500,441 | - |

Moreover, for the first half of 2011, Ascopiave S.p.A. and Ascotrade S.p.A., Asm DG S.r.l., Edigas Due S.r.l., Edigas Distribuzione S.r.l., Global Energy S.r.l., Pasubio Servizi S.r.l. joined the consolidation of the tax relationships of the parent company Asco Holding S.p.A., recorded under the items "Other current assets" and "Other current liabilities".

In order to effectively manage the liquidity of the Group, the afore-stated companies have current account relations of correspondence with the parent company Ascopiave S.p.A..

Cost for services to the subsidiary Asco TLC S.p.A. refers to a rental fee for the server. Revenues for the aforementioned subsidiary derive from the contract to supply gas and electrical energy and from service contracts drawn up between the parties.

The costs for assets due to Sinergie Italiane relate to the purchase of natural gas for the first half of 2011 carried out mainly by Ascotrade S.p.A., Veritas Energia S.r.l. and Pasubio Servizi S.r.l., while costs and revenues for services relate to service contracts between the parties and re-invoicing of consultancy.

The guarantees on credit lines and on gas purchase contracts released in favour of the subsidiary company Sinergie Italiane S.r.l. as of 30th June 2011 amount to Euro 236,877 thousand.

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

In-Company Control:

In the meeting held on 8th July 2011, and in accordance with art. 8, paragraph 1 of the Self-Discipline Code, the Board of Directors of Ascopiave S.p.A. resolved:

- to appoint Mr. Fulvio Zugno executive director, entrusting him with the task of supervising the effectiveness of the in-company control system;
- to appoint Mr. Cristiano Ceresatto manager in charge for in-company control.

Termination of the contract with the CEO

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

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

According to the contract, should the following conditions occur:

- (i) dismissal without just cause, pursuant to art. 2199 of the Italian Civil Code;
- (ii) resignation with just cause to be notified within 6 (six) months from the event, which conventionally includes the following conditions:
 - significant change in the position of Mr. Salton, including, for example, the reduction of the Powers and/or termination of the Office and/or reduction of the Powers of Delegation;
 - failure to renew the Office or the Delegation as of their date of expiry;
 - appointment of a CEO;
 - appointment of other general directors who are not hierarchically subordinate to the CEO;

- creation, within the Company, of divisions and/or departments not subject to the organisational and hierarchical authority of the CEO;
 - maintenance and /or assignment to other subjects of tasks, delegations or powers that result, also as a whole, substantially equivalent to the Powers or Delegation or, in any case, owed to the manager by virtue of their tasks and/or Office and/or so significant as to have a substantial impact on the overall position of the manager;
- (iii) resignation within twelve months as from the transfer of the manager in the framework of a company transfer or of a change in the company structure, meaning the acquisition, by one or more third -party subjects, of the control of the company, or, in any case, of a share allowing to have a substantial influence on the company itself;

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

The fact that, in the meeting held on 28th April 2011, the Shareholders' Assembly failed to re-appoint Mr. Salton as CEO, in itself represents a just cause that justified his resignation, as well as the right to obtain the payment of the amount described above from the Company. He would have had the right to receive said payment also if there had been any change in the Powers/Delegations assigned to him by the previous Board of Directors, and, furthermore, if a new CEO had been appointed (i.e. a general Director not hierarchically subordinate to Mr. Salton).

In spite of denying the subordinate nature of the relationship established by the contract and disputing its validity, the Company Ascopiave S.p.A. judged it appropriate to give Mr. Salton the opportunity to provide justifications to his behaviour, and therefore proceeded to file a formal complaint of professional misconduct, without, however, expressing its willingness to change the nature of the relationship.

On 8th July 2011, Mr. Salton (via registered mail) replied to the Company's complaint and provided the justifications to his behaviour, which were carefully examined by the Board of Directors and found incomplete and unsatisfactory.

For this reason, the Company resolved to notify Mr. Salton with the termination of the contract with just cause with immediate effect (via letter dated 19th July 2011). The official termination notice, containing all the relevant reasons, was delivered to Mr. Salton on 19th July 2011.

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

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

To date, no legal dispute is pending.

After evaluating the reasons that brought to the termination of the contract and having obtained legal consultancy and support, the opinion expressed by the Board of Directors is that the requests are unfounded.

To date, it is not possible to forecast the amounts the company will have to disburse if Mr. Salton decides to take legal action or in case a settlement agreement is reached.

Commissioning of photovoltaic plant

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

Pieve di Soligo, 29th August 2011

The President of the Board of Directors
Fulvio Zugno

**Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)**

To the Shareholders of
ASCOPIAVE S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes, of ASCOPIAVE S.p.A. and its subsidiaries (the "ASCOPIAVE Group") as of June 30, 2011. Management of ASCOPIAVE S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March, 30, 2011 and on August, 27, 2010, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of ASCOPIAVE Group as of June 30, 2011 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, August 29, 2011

Reconta Ernst & Young S.p.A.
Signed by: Maurizio Bastasin, Partner

This report has been translated into the English language solely for the convenience of international readers