# Interim Report

# First half of 2010

# TABLE OF CONTENTS

GENERAL INFORMATION 4
**Directors, Officers and Company information 4**
**Main economic and financial data of the Ascopiave Group 5**
INTERMEDIATE REPORT ON THE MANAGEMENT TREND AS OF 30 JUNE 2010 6
**PREMISE 6**
**Activities 6**
**Strategic objectives 6**
**The structure of the Ascopiave Group 7**
**Ascopiave S.p.A. share trend on the Stock Exchange 8**
**Control of the Company 10**
**Shares held by Directors and Auditors 11**
**Corporate Governance and Ethics Code 11**
**Remuneration of directors, auditors and top management 13**
**Significant events during the first half of 2010 14**
**Other relevant events 14**
**New plan for own shares acquisition 15**
**Own shares 15**
**Management outlooks 15**
**Objectives and policies of the Group and description of risks 16**
**Research and development 16**
**Performance indicators 16**
**Comments on the economic and financial results of the first half of 2010 18**
ABRIDGED HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS 24
AS OF 30 JUNE 2010 24
**Consolidated balance sheet 25**
**Consolidated income statement 27**
**Statement of changes in the consolidated shareholders' equity items 28**
**Consolidated financial statement of account 29**
EXPLANATORY NOTES 31
**Company information 31**
**Content and form of the abridged consolidated financial statement 31**
**Drawing criteria and accounting standards 31**
**Accounting principle with new application 34**
**Consolidation area as of 30 June 2009 36**
**Synthesis data of the proportionally consolidated companies and of integrally consolidated companies 36**

OTHER INFORMATION .......... 37
**Seasonability of the business** .......... **37**
COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS .......... 38
**Non-current assets** .......... **38**
**Current assets** .......... **42**
**Consolidated shareholders' equity** .......... **45**
**Non-current liabilities** .......... **46**
**Current liabilities** .......... **49**
COMMENTS ON THE MAIN CONSOLIDATED INCOME STATEMENT ITEMS .......... 53
**Revenues** .......... **53**
**Costs** .......... **54**
**Financial income and expenses** .......... **59**
**Taxes** .......... **59**
**Non-recurring components** .......... **60**
**Dividends distribution** .......... **60**
**Commitments and risks** .......... **61**
**Specific risks of the sector in which the Group operates its activity** .......... **63**
**Business segment reporting** .......... **65**
**Transactions with related parties** .......... **66**
**Significant events after the end of the first half of 2010** .......... **67**

**Attachments:**

-Declaration by the Manager -Declaration of the consolidated half year financial Report according to article 81-ter of the Consob statute n. 11971;

-Independent Auditors' Report on the limited auditing of the financial statements as of 30 June 2010.

# GENERAL INFORMATION

## Directors, Officers and Company information

### *Board of Directors and Board of Statutory Auditors*

| Individual | Office | Duration of Office | From | To |
|---|---|---|---|---|
| Salton Gildo | Chairman of the Board of Directors | 2008-2010 | 28/04/2008 | 30/04/2011 |
| Beninatto Alfonso | Director | 2008-2010 | 28/04/2008 | 30/04/2011 |
| Bortolin Gianantonio | Director | 2008-2010 | 28/04/2008 | 30/04/2011 |
| Trinca Flavio | Indipendent director | 2008-2010 | 28/04/2008 | 30/04/2011 |
| Fassina Alessandro | Indipendent director | 2008-2010 | 28/04/2008 | 30/04/2011 |

(*) 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

| Individual | Office | Duration of office | From | To |
|---|---|---|---|---|
| Nicolai Paolo | Chiarman 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 |

| Control Comitee | Remuneration Comitee |
|---|---|
| Flavio Trinca | Alfonso Beninatto |
| Alfonso Beninatto | Flavio Trinca |
| Alessandro Fassina | Alessandro Fassina |

### *Independent Auditors*

Reconta Ernst & Young S.p.A.

### *Legal headquarters and Company data*

Ascopiave S.p.A.
Via Verizzo, 1030
I-31053 Pieve di Soligo, TREVISO, Italy
Tel.: +39 0438 980098
Fax: +39 0438 82096
Share Capital: Euro 234,411,575 fully paid-in
VAT Reg. No. 03916270261
e-mail: info@ascopiave.it

Investor - relations
Tel. +39 0438 980098
fax +39 0438 964779
e-mail : investor.relations@ascopiave.it

# Main economic and financial data of the Ascopiave Group

## Economic figures

| (Thousands of Euro) | As of 30/06/2010 | % on revenues | As of 30/06/2009 | % on revenues |
|---|---|---|---|---|
| Revenues | 453.947 | 100,0% | 462.202 | 100,0% |
| Gross operating margin (*) | 42.689 | 9,4% | 28.178 | 6,1% |
| Operating result | 32.069 | 7,1% | 18.514 | 4,0% |
| Income/losses of the period for the Group | 21.079 | 4,6% | 11.274 | 2,4% |

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

## Assets figures

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Net circulating assets (*) | (15.329) | 33.721 |
| Capital assets and other non current activities | 469.006 | 459.930 |
| Current liabilities (excluding loans) | (44.266) | (44.468) |
| **Net invested capital (**)** | **409.410** | **449.183** |
| Net financial position | (40.158) | (79.088) |
| Net total equity | (369.252) | (370.096) |
| **Financing sources** | **(409.410)** | **(449.183)** |

* 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) | As of 30/06/2010 | As of 30/06/2009 |
|---|---|---|
| **Net result of the Group** | **20.210** | **11.229** |
| Cash flow generated(used) by the operating activities | 73.710 | 26.437 |
| Cash flow used in investiment activities | (15.770) | (13.631) |
| Cash flow generated(used) in financing activities | (52.397) | 10.281 |
| **Financial flow of the period** | **5.544** | **23.087** |
| **Cash and cash equivalents at the beginning of the period** | **20.842** | **27.565** |
| **Cash and cash equivalents at the end of the period** | **26.385** | **50.651** |

# INTERMEDIATE REPORT ON THE MANAGEMENT TREND AS OF 30 JUNE 2010

## *PREMISE*

The Ascopiave Group closed the first half of 2010 with a net profit of Euro 32,1 millions and a consolidated net profit equal to Euro 21,1 million.

The net invested capital amounts to Euro 409,4 millions and the net consolidated asset to Euro 369,3 millions.

In the first half 2010 the Group accomplished net investments for Euro 15,8 millions mainly in the development, maintenance and modernization of the network and of the plants of gas distribution, in the acquisition of gas distribution concessions, in the purchase of energetic efficiency titles and in the construction of company buildings.

### **Activities**

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

For the extent of its customer's basin and for the quantity of gas sold, Ascopiave is currently one of the main operator of the sector at national level.

The Group owns concessions and direct entrusting for the management of the activity of gas distribution in 182 municipalities, supplying the service to more than one million users. The group is owner of the distribution network managed that is extended for more than 7.500 kilometres.

The activity of natural gas sale is carried out through different companies, some of which are controlled with majority shares, others are shared at 49%-51% and on them the Group exercise a joint control with other shareholders.

Considered as a whole, the controlled and participated companies supply gas to more than 750.000 final users.

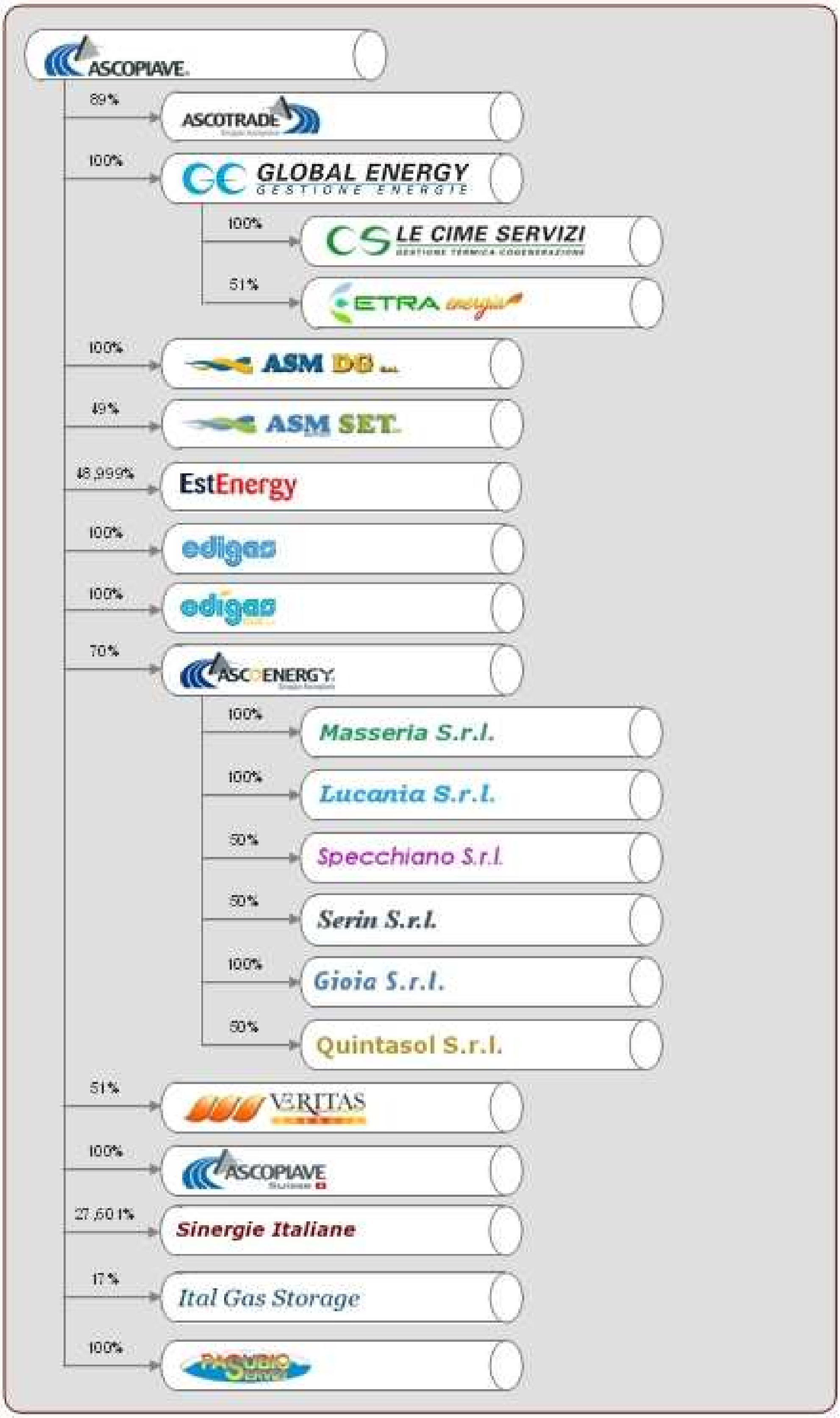
### **Strategic objectives**

Ascopiave S.p.A. proposes itself to pursue a strategy focused on the creation of value for its stakeholders, by maintaining the level of excellence in the quality of services offered, respecting the environment and social groups, in order to increase the value of the segment in which it operates.

The Group intends to consolidate its leadership position in the gas segment 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 that sense, Ascopiave S.p.A. follows a development strategy whose main guiding principles are dimensional growth, upstream integration in the sector, diversification in other divisions of the energy sector synergic with the core business, such as cogeneration and sales of electrical energy, and improving operative processes.

## The structure of the Ascopiave Group

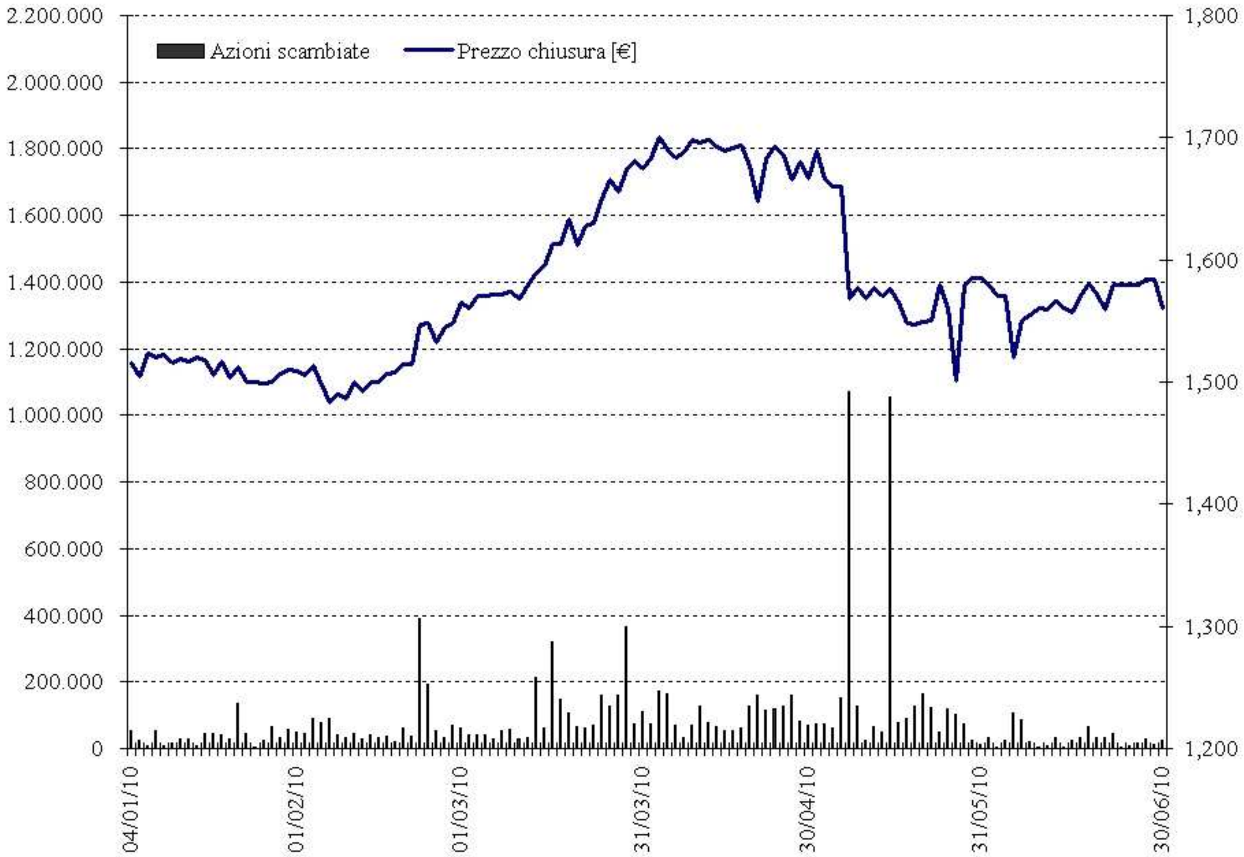
The following image shows the company structure of the Ascopiave Group, updated as of 30 June 2010; the Group works through 22 companies.



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

As of 30 June 2010 the Ascopiave share registers a quotation equal to Euro 1,560 per share, with an approximate increase of 2,9 percentage points as compared with the listing at the beginning of 2010 (Euro 1,516 per share, referred to the quotation of January the 4th 2010).

Capitalisation of the Stock Exchange as of 30 June 2010, was equal to Euro 369,00 million[1].




The quotation of the title during the first half of 2010 shows an increase of 2,9%, against the current trend of the main reference index. In fact the FTSE Italia Servizi di Pubblica Utilità sector index and the FTSE All-Share index (that substituted the Mibtel index) registered a negative performance suffering, in the first six month of the year, a flexion of 11,7% and 17,1%.

The following table summarises the main data relating to the shares and stock market as of 30 June 2010:

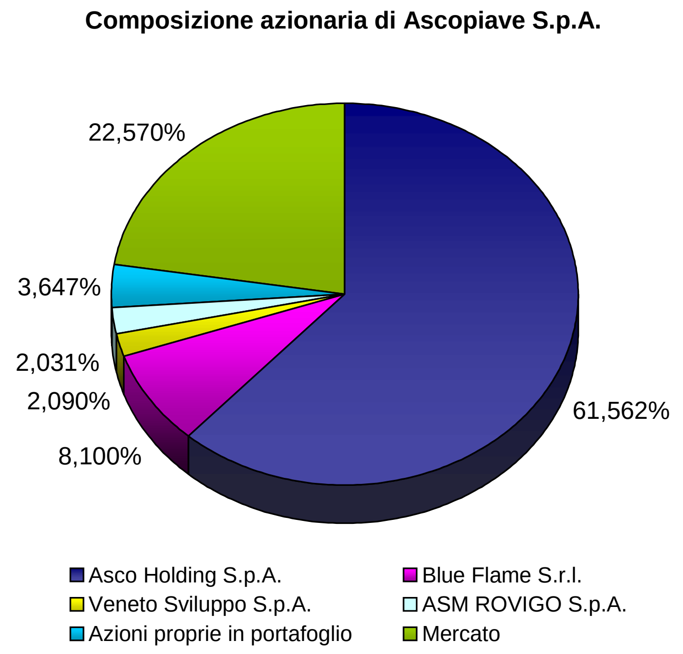
[1] As of 30 June 2010, capitalisation of the Stock Exchange of the main listed companies operating in the sector of local public services (A2A, Acea, Acegas-Aps, Acsm-Agam, Enìa, Hera and Iride) exceeded Euro 8,5 billion. Data taken from the Italian Stock Exchange website (www.borsaitaliana.it)

| Shares and Consob data | 30 June 2010 |
|---|---|
| Earnings per share | 0,09 |
| Interim dividend per share | 1,56 |
| Placing price | 1,80 |
| Closing price | 1,560 |
| Top price of the year | 1,700 |
| Bottom price of the year | 1,483 |
| Capitalization on the stock exchange | 369,00 |
| Medial outstanding shares | 225.861.996 |
| Shares numbers of capital share | 234.411.575 |
| Ownership of Company's own shares | 8.549.579 |

## Control of the Company

As of 30 June 2010 Asco Holding S.p.A. directly controls the Ascopiave S.p.A. capital with 61,562%.

The Ascopiave S.p.A. share composition according to the number of shares held appears as follow:



## Shares held by Directors and Auditors

| Description | Participated Company | Type of shares | Owned shares as of 01,01,2010 | Shares acquired during the period 01,01,2010-30,06,2010 | Shares sold during the period 01,01,2010-30,06,2010 | Shares owned as of 30.06.2010 | Ownership title |
|---|---|---|---|---|---|---|---|
| Salton Gildo (1) | Ascopiave S.p.a | Ordinary | 3.840 | 26.160 | 0 | 30.000 | Property |
| Beninatto Alfonso | Ascopiave S.p.a | Ordinary | 0 | 0 | 0 | 0 | Property |
| Bortolin Gianantonio | Ascopiave S.p.a | Ordinary | 0 | 0 | 0 | 0 | Property |
| Trinca Flavio | Ascopiave S.p.a | Ordinary | 0 | 0 | 0 | 0 | Property |
| Fassina Alessandro | Ascopiave S.p.a | Ordinary | 0 | 0 | 0 | 0 | Property |
| Sforza Fabio | Ascopiave S.p.a | Ordinary | 10.000 | 0 | 0 | 10.000 | Property |
| Saccardi Giuliano | Ascopiave S.p.a | Ordinary | 0 | 0 | 0 | 0 | Property |
| Nicolai Paolo | Ascopiave S.p.a | Ordinary | 0 | 0 | 0 | 0 | Property |
| Directors with strategic responsabilities (2) | Ascopiave S.p.a | Ordinary | 34.560 | 0 | 0 | 34.560 | Property |
| | | | **48.400** | **26.160** | 0 | **74.560** | |

(1) Shares held by the partner.
(2) During the semester 01.01.2010/30.06.2010 the charges of CFO, Ascotrade S.p.A. general Director, Administrative Director, CTO, Investor Relator for a total of 5 directing positions held the responsibility of director with strategic responsibilities.

The company Blue Flame S.r.l., whose CEO is the adviser Fassina Alessandro, as of 19 August 2010 owned n.19.087 thousands shares of the Ascopiave S.p.A..

## Corporate Governance and Ethics Code

During the first half of 2010, Ascopiave S.p.A. continued the operational implementation of the *corporate governance* set during previous years, further improving the tools aimed at protecting investors' interests.

Corporate Governance

Ascopiave agrees to the Self-discipline Code of the quoted Italian companies edited on March 2006, with the integrations and the adjustments concerning the characteristics of the group.

In compliance with the normative obligations we currently draw the "Relation of the Corporate Governance and the Equity assets" that contains a general description of the adopted system of the corporate governance and relates the information on the equity assets and on the agreement to the Self-discipline Code, including the main practices of governance applied and the characteristics of the system of risks management and of internal control concerning the process of financial information.

Here follow the synthesised relevant aspects for the current abridged report. The Self-discipline Code is available also on the Borsa Italiana S.p.A. website.

Main characteristics of the risks management system and of internal control

The internal control system is made up by the whole of regulations, procedures and organising structures aimed to construct, through a proper identification, measurement and monitoring of the main risks process, a healthy, correct and coherent conduction of the company with the pre-arranged objectives.

The internal control system of Ascopiave involves different subjects with different and specific roles and responsibilities:

- Board of Directors
- Internal Control Committee
- Vigilance Organism ex Dlgs 231/01
- Director responsible for preparing the company accounting documents

- Director responsible to the Internal Control and to the function of Internal Audit
- Board of Auditors and the Independent Auditor

It’s up to the Board of Directors to fix the guiding lines of the internal control system and to evaluate, at least with an annual deadline, the suitability, the efficiency and the effective functioning. With this aim, the Board of Directors avail itself of the Committee for the Internal Control, of the function of Internal Auditing and of the Director responsible to the Internal Control.

The Board of Directors found in the person of Mister Gildo Salton (President of the Board of Directors) the executive Director charged with the supervision of the functionality of the internal control system. This choice, agreed with the Committee for the Internal control, is justified by the relevance that Mister Salton covers within the structure of the Ascopiave Group, as he is the holder of many operating delegations, and first of all, the main responsible for the management of the company.

Furthermore, the responsible Directors of each business unit and company direction of the Company have the responsibility, within the guiding lines of control established by the Board of Directors and by the guidelines received in executing those guiding lines, to define, manage and monitor the efficient functioning of the internal control system with reference to its responsibility sphere. All the employees, each one with his specific role, contribute to assure an efficient functioning of the Ascopiave internal control.

The functions of vigilance and control reserved by law to the Board of Auditors remain fixed, while the accounting audit is entrusted to the auditing company Reconta Ernst &Young.

According to arts. 2.2.3, paragraph 3, letter (k) and 2.2.3 bis of the Stock Exchange Code, Ascopiave on 27 March 2008 provided to the organization, management and control model of which art. 6 of the Legislative Decree 8 June 2001, number 231 Cfr. 18. During the first semester of 2010 the company continued its activity of promotion, acknowledge and comprehension of the Ethic Code toward all its interlocutors, specifically within the trading and institutional relations.

We remember that the corporate governance document are available in the section investor relation of the website www.ascopiave.it.

## Remuneration of directors, auditors and top management

According to Consob deliberation n.15520 dated 27 July 2006 we report here 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:*

| Individual | Office | Duration of Office | From | To | Total amount of the fees as of 30/06/2010 |
|---|---|---|---|---|---|
| Salton Gildo | Chairman of the Board of Directors | 2008-2010 | 28/04/2008 | 30/04/2011 | |
| Beninatto Alfonso | Director | 2008-2010 | 28/04/2008 | 30/04/2011 | |
| Bortolin Gianantonio | Director | 2008-2010 | 28/04/2008 | 30/04/2011 | |
| Trinca Flavio | Indipendent director | 2008-2010 | 28/04/2008 | 30/04/2011 | |
| Fassina Alessandro | Indipendent director | 2008-2010 | 28/04/2008 | 30/04/2011 | |
| **Total amount** | | | | | **256.000** |

*Board of Auditors:*

| Individual | Office | Duration of office | From | To | Total amount of the fees as of 30/06/2010 |
|---|---|---|---|---|---|
| Nicolai Paolo | Chiarman 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 | |
| **Total amount** | | | | | **48.880** |

*Top management:*

| Subject | Charge | Duration of the charge | Total amount as of 30/06/2010 |
|---|---|---|---|
| Roberto Gumirato | Financial Director | Opened-ended contract | |
| Giovanni Favaro | Managing Director | Opened-ended contract | |
| Cristiano Belliato | Administrative Director | Opened-ended contract | |
| Giacomo Bignucolo | Management Control Director | Opened-ended contract | |
| Claudio Fabbi | Ascotrade CEO | Opened-ended contract | |
| **Total amount** | | | **370.116** |

(*) Gross of taxes and welfare contributions

## Significant events during the first half of 2010

*Opening of the photovoltaic plant*

On 23 February 2010 in Palo del Colle (BA) an important photovoltaic plant born from the Joint Venture with Agroenergetica S.r.l., company of the Casillo Group, world leader in the corn segment, and Ascoenergy s.r.l., subsidiary company of the Ascopiave Group, between the leaders of natural gas sale, listed in the Star Segment by the Milan Stock Exchange, has been inaugurated.

Both companies in fact have created within their groups a Business Unit for alternative energies and have jointly elaborated a project that, after Palo del Colle, forecasts the realization, always by Scheuten Solar, of another series of plants of which 4 with an advanced phase of realization and next to the entrance in work. The development program of the Joint Venture will bring to the installation of different plants mainly placed in the South of Italy.

*Constitution of Quintasol S.r.l.*

On **18 February 2010 AscoEnergy S.r.l., controlled company of Ascopiave S.p.A., subscribed the 50% of the** holdings of Quintasol S.r.l., with legal headquarters in Pieve di Soligo (TV), the remaining 50% has been subscribed by Agroenergetica S.r.l., company **of the Casilllo Group. The aim of the company** is to carry out an activity of electric energy production from photovoltaic plants.

*Constitution of Gioia S.r.l. Unipersonale*

On 2nd April 2010 AscoEnergy S.r.l., company controlled by Ascopiave S.p.A., constituted Gioia S.r.l. Unipersonale with legal headquarters in Pieve di Soligo (TV). The aim of the company is to carry out an activity of electric energy production from photovoltaic plants.

## Other relevant events

Contentious procedures

On 30 June 2010 five appeals presented by Ascopiave S.p.A. against some deliberations taken by concessionary municipalities about the duration of concessions are pending by the Veneto TAR. We point out that for three of the five appeals the prorogations of the concerning current concessions have been approved and the agreements for the value of the plants have been achieved.

With reference to the contentious procedures concerning tender notifications or deliberations of tender announcement for the selection of the new manager of the public service of gas distribution by the Veneto TAR two appeals are pending and four appeals by the Council of State. With reference to these two appeals, we specify that the Council of State rejected, with writ, the caution petition proposed with the appeal act against the TAR decision that approved the Ascopiave appeal. For the other two appeals we inform that on 3rd March 2010 the public hearing for the discussion of one of the two appeals took place but as of 30 June 2010 the device of the decision has not been published, while in the other case, on 18 May 2010 by the chamber of the Council with object the discussion of the decision of suspension presented by the appealing, it was decided for the postponement to the merit.

## New plan for own shares acquisition

On 28 April 2010 the Ascopiave S.p.A. shareholders' meeting deliberated the repeal, for the non executed part, of the deliberation for the authorization of the purchase of own shares adopted by the shareholders' meeting on 22 December 2008 and to authorize a new plan of purchase and disposition of own shares according to articles 2357 and 2357-ter of the Civil Code.

The new authorized plan counts the purchase, once or for more times, of a maximum number on rotary basis (thus meaning the maximum quantity of own shares that the Company could detain in its portfolio from time to time) of n. 46.882.315 ordinary shares or the different number that will represent a portion not higher to the maximum limit of the 20% of the share capital.

The minutes of the Shareholders' Meeting dated 28 April 2010 as well as the illustrative Report of the Board of Directors edited according to articles 73 and 93 of the Regulation adopted by the Consob with deliberation n. 11971 on 14 May 1999 are available on the website www.ascopiave.it in the section investor relations.

## Own shares

According to article 40 of the Legislative Decree 127 2 d), we formally acknowledge that as of 31 March 2010 the company owns own shares for an amount equal to Euro 12.647 thousands, which result to be accounted as a reduction of other reserves, as it is visible in the paragraph of net equity variation.

## Management outlooks

2010 seems to be a very difficult year for the international economy and for sure there will be repercussions on the activities and results of the group. The gas sale to the industrial and micro-business divisions could be penalized by the persistent economic crisis. We believe that, with normal climatic situation and without any strong losses of volumes in micro business industrial segment, also thank to the enlargement of the consolidation area and to the good level of consumption registered in the first half (with equal consolidation perimeter. +10,0% for the integrally consolidated companies and +14,0% for the per-quote consolidated companies), in 2010 the volumes of gas sold could at least balance those of previous year. Even though the higher competitive pressure on the gas sale activity, also brought by the higher liquidity of the market, the Group could consolidate at annual level the positive results already reached at the end of the first half, thus improving the 2009 results.

We point out that with the deliberation ARG/gas n. 89/10 dated 18 June 2010 the AEEG provided to modified the QE parameter of the sale tariff applied to the client of the protected market, that express almost the half of the volumes of gas annually sold by the Group.

This change will cause a significant reduction of the tariffs applied from October 1st 2010, determining a reduction of revenues on gas sale for the fourth three-month period of the year. The group believes that this contraction of revenues could be reasonably counterbalanced by an equal reduction of the gas purchase cost, thanks to the improvement of the economic conditions of supply on the contracts of provisioning in current negotiation for the thermic year 2010-2011 (October 2010- September 2011).

The Group is placed in a circumscribed context of offer concentration that could allow some growth opportunities through external lines through the conclusions of company acquisitions and/or aggregations. In his case 2010 results both in terms of activity and profitability, could change in a significant way.

We notice that the forecasting declaration contained in this paragraph have in their own nature, a component of risk and uncertainty, because they depend on the actual occurring of the events and future developments. The effective results thus could be different as compared to those announced in relation to different factors as: the evolution of the demand, of the offer and of the prices of natural gas, the effective operative performances, the general macro-economic conditions, the impact of the regulation in the energetic and environmental subject, the success in the development and in the application of new technologies, changes in the expectations of the stakeholders and other changes in th business conditions.

## Objectives and policies of the Group and description of risks

We would like to point out that 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 held 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. In order to control the residual risks that are possible with credit, there is in any case a fund for the devaluation of credit equal to approximately 7,88% of the total gross credit of third parties. The significant commercial operations take place in Italy. With reference to the company financial management, the administrators consider as appropriate the generating of cash suitable at covering its needs. The main payment obligations opened as of 30 June 2010 are associated to contracts for natural gas supply.

## Research and development

In the first half of 2010 no relevant activity of research and development have been carried out.

*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 the business monitoring also others performance indicators, that, even if they do not appear yet in the afore-stated principles, they have a considerable importance. In particular we introduced the following indicators:

- **Gross operative margin (Ebitda)**: defined by the company as the result of amortizations, credit depreciation, financial managing and taxes;
- **Operative income**: this indicator is reckoned by the accounting principles we refer to, and it is defined as operative margin (Ebit) minus the balance of costs and non recurrent revenues. We would like to underline that 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.

- **Tariff revenues on the activity of gas distribution**: it is defined by the company as the amount of the revenues made by the distribution companies of the Group for the application of the distribution and natural gas measurement tariffs to final users, net of the equalization amount managed by the Cassa Conguaglio per il Settore Elettrico;
- **First spread on the activity of gas sale**: it is defined by the Company as the amount obtained from the difference between the sale revenues (made by the sale companies of the group to the customers of the final market or within the trading and wholesale activity) and the sum of the following cost voices: supply service cost (cost expressed gross of the amount that is subjected of elision and represented by the amount of the distribution tariff applied by the distribution companies) and purchase cost of the gas sold;
- **First margin on the activity of electric energy sale**: it is defined by the Company as the amount obtained from the difference between the revenues from electric energy sale and the sum of the following cost voices: transport, dispatch and imbalance services cost and the purchase cost of the electric energy sold.

## Comments on the economic and financial results of the first half of 2010

### Management trend – The main operating indicators

| NATURAL GAS DISTRIBUTION | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Number of concessions | 182 | 182 |
| Lenght of the distribution network (km) | 7.576 | 7.408 |
| Volumes of gas distributed (smc/mln) | 534,7 | 480,4 |

| NATURAL GAS SALE TO THE FINAL MARKET | 30/06/2010 | 30/06/2009 |
|---|---|---|
| **Integrally consolidated companies** | | |
| Number of clients | 451.812 | 390.514 |
| Volumes of gas sold (smc/mln) | 590,1 | 473,4 |
| **Proportionally consolidated companies** | | |
| Number of clients | 294.412 | 295.091 |
| Volumes of gas sold (smc/mln) | 353,1 | 309,7 |
| **Ascopiave Group *** | | |
| Number of clients | 596.559 | 535.554 |
| Volumes of gas sold (smc/mln) | 764,2 | 626 |

* The data of the Group are obtained summing the data of the consolidated companies, pondering them for their consolidation quote.

| ELECTRIC ENERGY SALE | 30/06/2010 | 30/06/2009 |
|---|---|---|
| **Integrally consolidated companies** | | |
| Volumes of electric energy sold (GWh) | 56,2 | 51,7 |
| **Proportionally consolidated companies** | | |
| Volumes of electric energy sold (GWh) | 395,2 | 297,7 |
| **Ascopiave Group *** | | |
| Volumes of electric energy sold (GWh) | 252,4 | 199 |

* The data of the Group are obtained summing the data of the consolidated companies, pondering them for their consolidation quote.

| NATURAL GAS SALE - WHOLESALE and TRADING | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Volumes of gas sold (smc/mln) | 565,4 | 443,3 |

Here follows some comments to the trend of the main operating indicators of the activities of the group.

We specify that the value of each indicator is obtained through the sum of the values of the indicators of each consolidated company and pondering them for the concerning holding quote.

The volumes of gas sold to the final market in the first half of 2010 are equal to 764,2 million of cubic meters, marking an increase of 22,1% compared to the same period of 2009.

The enlargement of the consolidation area to the company Pasubio Servizi S.r.l. from July 1st 2009 caused an increase of the volumes sold for about 69,1 million of cubic meters, while with equal consolidation perimeter the Group sold higher quantities for 91,0 million of cubic meters, corresponding to a percentage increase of 11,6%. The increase of the quantities sold interested all the segments of the client and it's mainly linked to the trend of the climatic variable.

The activity of sale by the Virtual Point of Exchange and as wholesaler caused, during the period, the movement of 565,4 million of cubic meters, growing of 27,5% compared with the same period of 2009.

As of 30 June 2010 the group manages the sale of natural gas to more than 506.000 final users. Compared to the same period of the previous financial year, users grew for more than 6.000 units as a consequence of the acquisition of the company Pasubio Servizi S.r.l. while with equal consolidation perimeter their number it's the same.

The dynamic of the client depends both on the reasonable rate of passive switch, and for the modest growth of the gas use on the reference territory markets (new connections, conversion of methane thermic plants, etc.).

For what concerns the activity of gas distribution, the volumes of gas supplied through the networks managed by the Group have been 534,7 million of cubic meters, with an increase of 11,3% compared to the first half of 2009.

The distribution network, also after the economic and estate crisis, has temporarily moderated its development and, as a consequence of the new extensions, as of 30 June 2010 has a length of about 7.576 kilometres. In the first half of 2010 the group has laid down more than 50 kilometres of new network.

**General operational performance - The economic results of the Group**

| | 30.06.2010 | | 30.06.2009 | |
|---|---|---|---|---|
| (thousands of Euro) | As of 30/06/2010 | % on revenues | As of 30/06/2009 | % on revenues |
| Revenues | 453.947 | 100,0% | 462.202 | 100,0% |
| Operating costs | 411.258 | 90,6% | 434.024 | 93,9% |
| **Gross operating margin** | 42.689 | 904,0% | 28.178 | 6,1% |
| Depreciations | 8.381 | 1,8% | 7.636 | 1,7% |
| Allocations on risks and credits | 2.239 | 0,5% | 2.028 | 0,4% |
| **Operating results** | 32.069 | 7,1% | 18.514 | 4,0% |
| Financial income | 434 | 0,1% | 502 | 0,1% |
| Financial charges | 931 | 0,2% | 1.538 | 0,3% |
| Evaluation of subsidiary companies with net assets method | 1.784 | 0,4% | 522 | 0,1% |
| **Income before taxes** | 33.356 | 7,3% | 18.000 | 3,9% |
| Taxes of the period | 12.276 | 2,7% | 6.726 | 1,5% |
| **Net result** | 21.079 | 4,6% | 11.274 | 2,4% |
| Net income (losses) of the year for the Grou | 20.210 | 4,5% | 11229 | 2,4% |
| Net income (losses) of the year for others | 869 | 0,2% | 45 | 0,0% |

According to the Consob communication n. DEM/6064293 dated 28 July 2006 we specify that the Performance alternative indicators are defined at page 151 of the this report.

During the first half of 2010 income amounts to Euro 453.947 thousands down by 1,8% as compared to previous financial year. The following table reports details of income.

| (thousands of Euro) | 30.06.2010 | 30.06.2009 |
|---|---|---|
| Revenues from gas transport | 5.449 | 2468 |
| Revenues from gas sale | 405.505 | 423.404 |
| Revenues from electric energy sale | 29.558 | 23.021 |
| Revenues from connection services | 2.840 | 3.642 |
| Revenues from heat supply services | 1.469 | 2.328 |
| Revenues from distribution services | 2.563 | 3.365 |
| Revenues from billing and taxes | 179 | 110 |
| Revenues from general services to Group's companies | 977 | 634 |
| Revenues for AEEG contributions | 2.329 | 1.611 |
| Other revenues | 3.078 | 1.619 |
| **Total revenues** | **453.947** | **462.202** |

The **revenues from gas sales activity** go from Euro 423.404 to Euro 405.505, recording a decrease equal to Euro 17.899 thousands -4,2%); this variation due to:

- Diminution of revenues from trading and wholesale activities for Euro 13.318 thousands;
- Diminution of revenues from gas sale to final market –with equal consolidation perimeter- for Euro 32.075 thousands;
- Increase of the revenues from gas sale to final market for the enlargement of the consolidation area to the company Pasubio Servizi S.r.l. for Euro 28.124 thousands.

The decrease of gas sale revenues, against a total increase of the quantity of gas sold, has been determined by the reduction of the sale prices, that is mainly referred to the decrease of the shares of the energetic products incorporated in the indexation formula of prices.

**Revenues from electric energy sale** go from Euro 23.021 thousands to Euro 29.558 thousands, recording an increase of Euro 6.537 thousands (+28,4%) mainly for the increase of the quantities sold and for the enlargement of the consolidation perimeter.

The **other revenues**, mainly referring to the gas distribution activity, go from Euro 15.777 thousands to Euro 18.884 thousands, recording an increase of Euro 3.107 thousands (+19,7%).

The **operative result** of the first half of 2010 amounts to Euro 32.069 thousands, recording an increase of Euro 13.555 thousands (+73,2%) compared to the same period of the previous financial year.

The enlargement of the consolidation area determined an increase of the operative result for about Euro 1.908 thousands (+10,3%) while the increase with equal consolidation perimeter is equal to Euro 11.647 thousands (+62,9%).

The improvement o the results are due to the following reasons:

- Increase of the tariff revenues on the gas distribution activity for Euro 1.380 thousands;
- Increase of the first margin on gas sale activity for Euro 17.820 thousands (of which Euro 3.094 thousands due to the enlargement of the consolidation area);
- Increase of the first margin on electric energy sale activity for Euro 1.016 thousands;
- Negative variation of the other cost and revenue voices for Euro 6.661 thousands (of which Euro 1.190 thousands due to the enlargement of the consolidation area).

The increase of the **tariff revenues on the distribution activity** (that go from Euro 27.144 thousands to Euro 28.524 thousands ) has been determined by the increase of the tariff levels due to the application of the new regulation introduced by the AEEG Deliberation n. 159/08, besides the new modality of inscription of the supply revenues by the distribution companies of the Group.
With reference to this last aspect we send back to the paragraph dedicated to the seasonability of the business.

The increase of the **first margin on gas sale activity** (that go from Euro 14.619 thousands to Euro 32.439 thousands) has been mainly determined by:

- The increase of the quantities of gas sold, also for the effect of the enlargement of the consolidation area;
- The increase of the specific marginality (eurocent/cm) on the segment domestic users and micro-business, mainly linked to the best economic condition of provisioning and to the application of new sale tariffs on the protected market, according to the dispositions of the deliberation of the Authority n. 64/09;
- The increase of the specific marginality (eurocent/cm) on the sale contracts to the business client that present indexation formula of the prices not lines up with those calculated by the purchase contracts.

The increase of the **first margin on electric energy sale activity** for Euro 1.016 thousands, which has reference to the increase of the quantities sold, besides the improvement of the specific marginality (eurocent/Kwh).

The negative variation of the **other voices of cost and revenue** equal to Euro 6.661 thousands is mainly due to:

- The enlargement of the consolidation area: negative variation for Euro 1.190 thousands;
- Higher revenues (with equal perimeter) for Euro 184 thousands;
- Higher costs for materials for Euro 978 thousands;
- Higher costs for services and different charges (with equal perimeter) for Euro 3.692 thousands;
- Higher cost for personnel (with equal perimeter) for Euro 576 thousands;
- Higher amortizations and allocations (with equal perimeter) for Euro 408 thousands.

The **net consolidated profit** of the first half of 2010 amounts to Euro 21.079 thousands, recording an increase of Euro 9.805 thousands (+87,0%) compared to the same period of the previous financial year.

The improvement of the profit is due to the following aspects:

- Decrease of the financial charges for Euro 539 thousands;
- Increase of the result per-quote of the consolidated companies with the net equity method for Euro 1.262 thousands;
- Increase of the taxes for Euro 5.551 thousands, after the increase of the result with a tax rate that go from 37,4% to 36,8%.

**General operational performance – Net financial position**

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

| | (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|---|
| A | Cash | 17 | 30 |
| B | Other liquid assets | 26.367 | 20.811 |
| C | Shares for negotiation | | |
| **D** | **Liquid assets (A) + (B) + (C)** | **26.385** | **20.842** |
| E | Current financial assets | 5.176 | 2.295 |
| F | Current bank debts | (64.400) | (93.679) |
| G | Current part of non-current debts | (877) | (954) |
| H | Other current financial debts | (1.447) | (2.519) |
| **I** | **Current financial debt (F) + (G) + (H)** | **(66.724)** | **(97.152)** |
| **J** | **Net current financial debt (I) - (E) - (D)** | **(35.164)** | **(74.015)** |
| K | Non current bank debts | (4.273) | (4.326) |
| L | Floated bonds | | |
| M | Other non-current debts | (722) | (746) |
| **N** | **Non-current financial debt (K) + (L) + (M)** | **(4.995)** | **(5.073)** |
| **O** | **Net financial debt (J) + (N)** | **(40.158)** | **(79.088)** |

The net financial debt go from Euro 79.088 thousands as of 31 December 2009 to Euro 40.158 thousands, recording an increase of Euro 38.929 thousands.

Following some figures relative to the financial flows of the Group:

| Thousands of Euro | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Net income of the Group | 20.210 | 11.229 |
| Depreciation | 8.381 | 7.636 |
| Credit depreciation | 2.239 | 2.028 |
| **(a) Self-financing** | **30.831** | **20.893** |
| **(b) Rectifications to conform the net income to the variation of financial situation generated by operating management** | **45.779** | **448** |
| **( c) Variation of the financial position generated by operating activity = (a) + (b)** | **76.610** | **21.341** |
| **(d) Variation of the financial position generated by investment activity** | **(15.759)** | **(12.478)** |
| **(e) Other variation in the financial position** | **(21.921)** | **(20.033)** |
| **Variation of the net financial position = ( c) + (d) + (e)** | **38.930** | **(11.171)** |

The cash flow generated by the operative management equal to Euro 76.610 thousands is mainly determined by the significant variation of the net circulating invested capital, which generated financial resources for Euro 45.779 thousands and by self-financing for Euro 30.831 thousands. The reduction of the net circulating invested capital is mainly explained by the increase of the debt due to the Treasury for the management of the consumptions taxes.

The investment activity in intangible assets and holdings has generated a cash requirement of Euro 15.759 thousands net of the dismissing; for what concerns the detail of the investments, we send to next paragraph.

Other changes in the net financial position (equal to Euro 21.921 thousands) are mainly connected to net assets variations due to the distribution of dividends and to the purchase of own shares .

**General operational performance - Investments**

The investments in the first half of 2010 are equal to Euro 16.077 thousands.

| **Thousands of Euro** | **30/06/2010** |
|---|---|
| **Goodwill** | |
| Plants and enlargement costs | 368 |
| Concessions, licences, trademarks and similar rights | 59 |
| Other intangible fixed assets | 1.815 |
| Plants and machineries under concessions | 3.517 |
| Constructions in progress and advanced payments | 1.976 |
| **Other intangible assets** | **7.734** |
| Lands and buildings | 619 |
| Plants and machineries | 29 |
| Industrial and commercial equipment | 36 |
| Other assets | 453 |
| Constructions in progress and advanced payments | 7.206 |
| **Tangible assets** | **8.343** |
| **Total investments** | **16.077** |

The investments in intangible assets carried out during the considered period are equal to Euro 7.734 thousands, and mainly concern the purchase of energetic efficiency certificates for Euro 1.606 thousands, inscribed under the voice other intangible assets, and to the realization of the infrastructures necessary for the activities of natural gas distribution for Euro 3.517 thousands, inscribed under the voice plants and machinery under concession following the entrance in force of the principle IFRIC 12. The investments carried out in intangible assets under construction mainly concern the costs sustained for the realization of the distribution network not completed at the closing of the interim report as of 30 June 2010.

At the end of the first half of 2010 the investments in tangible assets result equal to Euro 8.343 thousands and mainly concern the costs for the realization of infrastructures in construction. The investments in current intangible assets mainly concern the costs for the construction of the multipurpose building placed in via Verizzo in the municipality of Pieve di Soligo for Euro 2.481 thousands and to the carrying out of photovoltaic and co-generation plants for Euro 4.075 thousands.

# ASCOPIAVE GROUP

## ABRIDGED HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2010

## Consolidated balance sheet

| (€/000) | | 30.06.2010 | 31.12.2009 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | (1) | 92.225 | 92.225 |
| Other intangible assets | (2) | 322.675 | 322.660 |
| Tangible fixed assets | (3) | 36.786 | 29.627 |
| Investments | (4) | 2.609 | 782 |
| Other non-current assets | (5) | 3.431 | 3.686 |
| Deferred tax assets | (6) | 11.279 | 10.950 |
| **Total non-current assets** | | **469.006** | **459.930** |
| **Current assets** | | | |
| Inventories | (7) | 3.599 | 3.427 |
| Trade receivables | (8) | 140.737 | 187.367 |
| Other current assets | (9) | 29.054 | 20.380 |
| Current financial instruments | (10) | 5.176 | 2.295 |
| Tax receivables | (11) | 899 | 623 |
| Cash and cash equivalents | (12) | 26.385 | 20.842 |
| **Total current assets** | | **205.850** | **234.933** |
| **Total assets** | | **674.855** | **694.863** |
| **SHAREOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Share capital | | 234.412 | 234.412 |
| Reserves | | 111.552 | 107.545 |
| Net result of the period | | 20.210 | 25.288 |
| **Total Group shareolders' equity** | | **366.174** | **367.245** |
| **Total shareolders' equità of others** | | **3.077** | **2.851** |
| **Total shareolders' equity** | (13) | **369.252** | **370.096** |
| **Non-current liabilities** | | | |
| Provisions for risks and changes | (14) | 221 | 476 |
| Severance indemnities | (15) | 2.929 | 2.937 |
| Medium/long-term debt | (16) | 4.273 | 4.326 |
| Other non-current liabilities | (17) | 14.652 | 14.149 |
| Other non-current financial liabilities | (18) | 722 | 746 |
| Deferred tax liabilities | (19) | 26.464 | 26.905 |
| **Total non-current liabilities** | | **49.261** | **49.540** |
| **Current liabilities** | | | |
| Short-term borrowing | (20) | 65.277 | 94.632 |
| Trade payables | (21) | 97.034 | 151.861 |
| Tax liabilities | (22) | 3.816 | 988 |
| Other current liabilities | (23) | 88.768 | 25.226 |

| | | | |
|---|---|---|---|
| Current financial instruments | (24) | 1.447 | 2.519 |
| **Total current liabilities** | | **256.343** | **275.227** |
| **Total liabilities** | | **305.604** | **324.767** |
| **Total  shareolders' equity and liabilities** | | **674.855** | **694.863** |

## Consolidated income statement

| (thousands of Euro) | | First half 2010 | First half 2010 |
|---|---|---|---|
| **Revenues** | (25) | **453.947** | **462.202** |
| **Operating costs** | | **413.497** | **436.052** |
| Costs of Gas purchases | (26) | 327.926 | 371.338 |
| Costs of other material and consumables | (27) | 24.312 | 19.822 |
| Cost for services | (28) | 43.306 | 28.594 |
| Personnel costs | (29) | 10.309 | 9.346 |
| Other operating costs | (30) | 7.720 | 7.042 |
| Other operating income | (31) | 76 | 90 |
| Amortization and depreciation | (32) | 8.381 | 7.636 |
| **Operating Result** | | **32.069** | **18.514** |
| Financial income | | 434 | 502 |
| Financial expenses | (33) | 931 | 1.538 |
| Evaluation of subsidiaries companies carried at equity | (33) | 1.784 | 522 |
| **Income before taxes** | | **33.356** | **18.000** |
| Income taxes of the period | (34) | 12.276 | 6.726 |
| **Net result** | | **21.079** | **11.274** |
| Income/(losses) for the period | | 20.210 | 11.229 |
| Income/(losses) of others | | 869 | 45 |
| **Overall income statement** | | | |
| Change in the cash Flow Hedge reserves of subsidiaries | | | (581) |
| Tax impact of the change in Cash Flow Hedge reserves | | | 220 |
| Net change in reserves for affiliates carried at equity | | (22) | 2.998 |
| **Net result of the period** | | **21.058** | **13.912** |
| Group overall net result | | 20.189 | 13.867 |
| Overall minority net result | | 869 | 45 |
| Basic earnings per share | | 0,09 | 0,06 |
| Diluted earnings per share | | 0,09 | 0,06 |

## Statement of changes in the consolidated shareholders' equity items

| (In thousands of Euro) | Share capital | Legal reserve | Company's own shares | Other reserves | Net result for the period | Group shareholders' equity | net results and shareholders' equity of others | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at 01.01.2010** | **234.412** | **46.882** | **(11.747)** | **72.410** | **25.288** | **367.245** | **2.851** | **370.096** |
| Net income for period | | | | | 20.210 | 20.210 | 869 | 21.079 |
| Evaluation reserve net assets joint companies | | | | (22) | | (22) | | (22) |
| **Net result of the period** | | | | (22) | 20.210 | 20.189 | 869 | 21.058 |
| Allocation of 2009 result | | | | 25.288 | (25.288) | (0) | | (0) |
| Dividends paid out to Ascopiave S.p.A. shareolders | | | | (20.349) | | (20.349) | | (20.349) |
| Dividends paid to others shareolders | | | | | | (0) | (642) | (642) |
| Company's own shares adjustment | | | (900) | | | (900) | | (900) |
| Other operations | | | | (10) | | (10) | | (10) |
| **Balance at 30.06.2010** | **234.412** | **46.882** | **(12.647)** | **77.317** | **20.210** | **366.174** | **3.078** | **369.252** |

| (In thousands of Euro) | Share capital | Legal reserve | Company's own shares | Other reserves | Net result for the period | Group shareholders' equity | net results and shareholders' equity of others | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at 01.01.2009** | **234.412** | **46.882** | **(5.299)** | **64.661** | **18.452** | **359.109** | **2.324** | **361.433** |
| Net income for period | | | | | 11.229 | 11.229 | 45 | 11.274 |
| Reserves variation on Hedge Accounting | | | | (361) | | (361) | | (361) |
| Evaluation reserve net assets joint companies | | | | 2.998 | | 2.998 | | 2.998 |
| **Net result of the period** | | | | **2.637** | **11.229** | **13.866** | **45** | **13.911** |
| Allocation of 2008 result | | | | 18.452 | (18.452) | (0) | | (0) |
| Dividends paid out to Ascopiave S.p.A. shareolders | | | | (13.662) | | (13.662) | | (13.662) |
| Dividends paid to others shareolders | | | | | | (0) | (326) | (326) |
| Company's own shares adjustment | | | (5.684) | | | (5.684) | | (5.684) |
| Other operations | | | | 78 | | 78 | (22) | 56 |
| **Balance at 30.06.2009** | **234.412** | **46.882** | **(10.983)** | **72.166** | **11.229** | **353.707** | **2.021** | **355.728** |

## Consolidated financial statement of account

| (In thousands of Euro) | First half 2010 | First half 2010 |
|---|---|---|
| **CASH FLOWS GENERATED BY OPERATING ACTIVITIES** | - | - |
| **Net income for the Group** | **20.210** | **11.229** |
| | | |
| **Adjustments to reconcile net income to net cash provided by operting activities** | | |
| Net income of the other | 869 | 45 |
| Depreciation and amortisation | 8.381 | 7.636 |
| Bads debits | 2.239 | 2.028 |
| Net change in deferred tax assets and libilities | (771) | (718) |
| Provision for termination indemnities | (8) | (10) |
| Net change in other provinsions | (50) | 45 |
| Evaluation of joint companies with net assets method | (1.784) | (521) |
| | 29.087 | 19.734 |
| **Changes in operating assets and liabilities** | | |
| Inventories | (172) | 129 |
| Trade receivables | 44.391 | 138.620 |
| Other currents assets | (8.742) | 5.150 |
| Currents financial assets | (2.881) | 0 |
| Tax receivables and payables | 2.552 | 497 |
| Trade payables | (54.827) | (162.247) |
| Other currents liabilities | 63.542 | 27.478 |
| Other non-currents assets | 256 | (3.912) |
| Other non-currents liabilities | 504 | 988 |
| **Total adjustments** | 53.500 | 15.208 |
| **Net cash provided/(used) by operating activities** | **73.710** | **26.437** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Additions to intagible assets | (7.554) | (8.044) |
| Disposals of intagible assets | 196 | 16 |
| Additions to property, plant and equipment | (8.312) | (1.435) |
| Disposals of property, plant and equipment | 113 | 542 |
| Change in investment | (204) | (4.766) |
| Other changes of equity | (11) | (22) |
| Acquisition of subsidiary, net of acquired cash | 0 | 78 |
| **Net cash provided/(used) in investing activitis** | **(15.770)** | **(13.631)** |
| **Cash flow from financing activities** | | |
| Net variation debts toward other backers | (25) | (501) |
| Net changes in short-term bank-borrowings | (29.355) | 33.323 |
| Net variation toward cotrolled companies financing | (1.072) | (2.429) |
| Share buyback | (900) | (5.684) |
| Medium-long-term financial refund | (53) | (439) |
| Dividends paid out to Ascopiave S.p.A. shareolders | (20.349) | (13.662) |
| Dividends paid out to shareolders | (642) | (326) |

| | | |
|---|---|---|
| **Net cash provided/(used) in financing activities** | **(52.397)** | **10.281** |
| **Increase in cash and cash equivalents** | 5.544 | 23.087 |
| **Cash and cash equivalents at beginning of the period** | **20.842** | **27.565** |
| **Cash and cash equivalents at end of period** | **26.385** | **50.651** |

| Additional information | First half 2010 | First half 2010 |
|---|---|---|
| **Interest paid** | 898 | 1.380 |
| **Taxes paid** | 1.670 | 1.983 |

# EXPLANATORY NOTES

## Company information

The publication of the Ascopiave S.p.A. consolidated half year intermediate report as of 30 June 2010 has been authorised by resolution of the Board of Directors dated 26 August 2010. The parent company is a joint-stock company established and domiciled in Italy.

## Content and form of the abridged consolidated financial statement

This half year financial report has been prepared by the Board of Directors on the basis of the accounts as of 30 June 2010, and is provided with the Management Report on the trend of the Ascopiave Group. The abridged half year consolidated financial statements have been drawn up in accordance with IAS no. 34 ‘Intermediate financial statements’.
For comparative purposes, the consolidated schedules show a comparison with the assets reported on the financial statements as of 31 December 2009, whilst the economic data is compared with the six-month period ended 30 June 2009. The unit of currency used is the Euro, and all values are rounded off to thousands of euros.

## Drawing criteria and accounting standards

The abridged half-year consolidated financial statements as of 30 June 2010 have been prepared in accordance with IAS 34 ‘Intermediate financial statements'. In drawing up the abridged half-year consolidated financial statements as of 30 June 2009, the same consolidation criteria and accounting standards have been applied as those used to prepare the consolidated financial statements as of 31 December 2009, to which we ask you to refer, with exception for the news about the modality of survey and evaluation of the “Agreements for serviced in concession” after the entrance in force from January 1st 2010 of the IFRIC 12
This interpretation defines the criteria for the survey and evaluation to be adopted for the agreement between the public and private sector concerning the development, financing, management and maintenance of the infrastructures under concession. In particular the IFRIC 12 counts that in the case in which the conceding subject controls the infrastructure, regulating/controlling the characteristics of the services supplied, the applicable prices and maintaining a residual interest on the activity, the concessionary survey the right to the use of it that is a financial activity in function of the characteristics of the current agreements.

In consideration of the agreements existing in the Group, the application of the IFRIC 12 that exclusively notices for the sector natural gas distribution activity, causes the classification of the infrastructures under concession between the intangible assets; in the compared consolidated balance sheet as of 31 December 2009 the net accounting value of the infrastructures concerning the agreements under concession former IFRIC 12 (Euro 294.734 thousands) has been re-classified under the voice “Buildings, plants and machinery” under the voice “Tangible assets”.
For what concerns the profit and loss account, the application of this interpretation didn’t cause any effect in relation to the fact that: (i) the revenues achieved in relation to the construction and empowerment of the infrastructure are surveyed following the concerning costs (Euro 2.335 thousands in the first quarter of 2010) as the tariff structure of the services supplied under concession and in absence of reference *benchmark*, doesn’t allow to estimate in a reliable way a

margin for the activity of construction/empowerment of the infrastructure and so the investment are surveyed as work in progress following an order equal to the costs held; (ii) the process of amortization of the activities concerning the agreements for services under concession remained the same and continues to be applied considering the expected modalities of obtainment of the economic benefits deriving from the use and the residual value of the infrastructure, as previewed by the reference normative framework.

With reference with other accounting principles adopted for the editing of the abridged consolidated financial statement editing, these are homogenous with those adopted for the financial statement as of 31 December 2009, with exception for the following amendments and interpretations, effective from January 1st 2010, that anyway discipline cases and possibilities not present within the Group as of the current financial statement, but that could have accounting effects on future transactions and agreements:

IFRS 2 – Payments based on shares

IASB emitted an amendment to IFRS 2 which clarifies the accounting of the operations with payments based on shares at group level. This amendment surpasses IFRIC 8 and IFRIC 11. The adoption of this amendment didn't generate any impact on the financial position or on the Group's performance.

IFRIC 15 – Agreement for the construction of buildings

This interpretation furnishes the guiding lines for determining if an agreement for the construction of buildings concerns IAS 11 "Job orders" or IAS 18 "Revenues", defining the moment in which the revenue has to be recognized. After this interpretation the activity of residential development is part of the application of IAS 18 "Revenues" causing the survey of the revenue by the deed; the activity of tertiary development, if carried out following the specific techniques of the purchaser, is part of the application of the IAS 11 "Job orders". There are no significant impacts on the balance following the application of this interpretation as the accounting treatment already applied by the Group is lined up with this modifications.

IFRIC 16 – Net investment coverage in a foreign management

This interpretation clarifies some themes concerning the accounting treatment, in the consolidated balance, of the coverage of net investments in foreign managements, specifying which types of risks have the requirements for the application of the Hedge accounting. In particular, it establishes that the hedge accounting is applicable only for the exchange differences that emerge between the functional currency of the foreign entity and the functional currency of the parent company, and not between the functional currency of the foreign entity and the currency of the consolidated presentation. There are not impacts on the Group balance after the application of this interpretation.

IFRIC 3 Company mergers (Reviewed) and IAS 27 Consolidated and separated balance (Reviewed)

IFRIC 3 (Reviewed) introduces some significant changes in the accounting of company mergers happened after a specific date. The changes concern the evaluation of the minority quote, the accounting of transaction costs, the initial survey and the following evaluation of the possible integrative payments (contingent consideration) and of the company mergers carried out in more phases. These changes will have an impact on the amount of the surveyed goodwill, on the results of the period in which the acquisition is carried out and on future results.

IAS 27 (Reviewed)requires that a change in the property asset of a subsidiary company (without loss of control) must be accounted as an operation between shareholders in their role of shareholders.

Therefore, these transactions will no more generate goodwill, nor profits or losses. Besides, the amended principle introduces some modifications about the accounting of the losses recorded by the subsidiary and of the loss of control of the parent company. The changes introduced by IFRS 3 (Reviewed) and IAS 27 (Reviewed) regard future acquisitions or losses of control of a subsidiary and the transactions with minorities.
There are no impacts on the balance of the Group deriving from the introduction of the new standard.

IAS 39 – Financial instruments: survey and evaluation – Eligible Hedged items
The change concerns the designation of an unilateral risk (one-sided) in an element object of coverage and the designation of the inflation as covered risk or as a portion of the risk in particular situations. The adoption of this amendment did not generate any impact on the financial position or on the performance of the Group.

IFRIC 17 – Non monetary activity distribution to shareholders
The interpretation furnishes a guide for the accounting of operations in which the company distributes non monetary activity to the shareholders as dividend or as reserves distributions. This interpretation did not have repercussions on the equity financial situation nor in the performance of the Group.

Here we indicate and briefly illustrate the new principles and Interpretations already emitted, but not yet in force or not yet homologated by the European Union and thus non applicable.
No one of these Principles and Interpretations have been adopted by the Group in advance.

Modifications to IAS 32 – Financial instruments: exposition in the balance – classification of rights emissions
These changes concern rights emissions – as options and warrants – named in a currency different from the functional currency of the issuing. Previously, these rights emissions were surveyed as derived financial liabilities. Now, if certain conditions are satisfied, it is possible to classify these rights emissions as net assts instruments independently of the currency in which the year price is named.
These changes have been homologated by the European Union on December 2009 (Regulation CE n. 1293/2009) and are applied since January 1st 2011.

IAS 24 (Reviewed) – Balance information on operations with related parties
The reviewed IAS 24 simplifies the information requirements concerning the related parties where public local bodies are present and furnish a new simplified and coherent definition of related parties. This principle has been homologated by the European Union on July 2010 (Regulation CE n. 632/2010) and it will be applied from January 1st 2011. we do not preview significant impacts on the disclosures supplied by the group after the future application of this principle.

Modifications to IFRIC 14 – Anticipated payment of minimum financing requirements
The changes to IFRIC 14 discipline the rare case in which an entity, subjected to minimum financing requirements concerning definite benefits plans, carries out anticipated payments in order to guarantee these limits. The benefits deriving from the anticipated benefits can be surveyed as asset. The changes to IFRIC 14 have been homologated by the

European Union on July 2010 (Regulation CE n. 633/2010) and will be applied from January 1st 2011. These changes are not applicable to the Group.

IFRIC 19 – Financial liabilities extinction through own capital instruments

This interpretation supplies the guiding lines for the accounting of the extinction of financial liabilities through the emission of own capital instruments (debt for equity swap), that is when an entity re-negotiates the terms of a debt with its financer which accepts to receive shares of the entity or other instruments of own capital for the partial or complete extinction of the debt. The interpretation clarifies that:

- the emitted shares are part of the corresponding amount paid for the extinction of the financial liability;
- the emitted shares are evaluated at fair value. In the case in which the fair value cannot be evaluated in a reliable way, the emitted shares must be evaluated in order to reflect the fair value of the liability that is paid off;
- the difference between the accounting value of the financial liability object of the extinction and the initial evaluation of the emitted shares must be surveyed by the entity in the profit and loss account of the year.

This interpretation, whose entrance in force is forecasted for July 1st 2010, has been homologated yet by the European Union.

In the abridged half year consolidated financial statement the same consolidation principles and evaluation criteria illustrated for the editing of the annual financial report, to which we send back, have been applied.

## Accounting principle with new application

The application of these principles doesn't determine impacts on the operations carried out before the financial year 2010, except for the dispositions of IFRIC 12 "Agreements for services in concession" (from here on IFRIC 12) that defines the survey and evaluation criteria to be adopted for the agreements between public and private sectors concerning the development, financing and maintenance of infrastructure under concession. In particular, in the cases in which the conceding subject controls the infrastructure, regulating/controlling the characteristics of the supplied services, the applicable prices and maintaining a residual interest on the activity, the concessionary takes over the right to the use of the infrastructure that is a financial asset in operation of the existing agreements. In consideration of the agreements existing in the Group, the application of the IFRIC 12 that exclusively notices for the sector natural gas distribution activity, causes the classification of the infrastructures under concession between the intangible assets; in the compared consolidated balance sheet as of 31 December 2009 the net accounting value of the infrastructures concerning the agreements under concession former IFRIC 12 (Euro 294.734 thousands) has been re-classified under the voice "Buildings, plants and machinery" under the voice "Tangible assets".

For what concerns the profit and loss account, the application of this interpretation didn't cause any effect in relation to the fact that: (i) the revenues achieved in relation to the construction and empowerment of the infrastructure are surveyed following the concerning costs (Euro 2.335 thousands in the first quarter of 2010) as the tariff structure of the services supplied under concession and in absence of reference *benchmark*, doesn't allow to estimate in a reliable way a margin for the activity of construction/empowerment of the infrastructure and so the investment are surveyed as work in progress following an order equal to the costs held; (ii) the process of amortization of the activities concerning the agreements for services under concession remained the same and continues to be applied considering the expected modalities of obtainment of the economic benefits deriving from the use and the residual value of the infrastructure, as previewed by the reference normative framework.

The comments to the balance sheet are presented synthetically. The current income taxes are calculated on the basis of the estimation of the taxable income. The tax debts and receivables for current taxes are surveyed to the value that we believe to pay/recover to/from the tax authorities applying the fiscal norms in force or substantially approved at the closing of the period and the aliquots estimated on annual basis.

The consolidated companies, the non consolidated controlled companies, the joint control (with other shareholders) companies and the other relevant holdings according to Consob deliberation n. 11971 dated 14 May 1999 and following changes, are distinctly indicated in the paragraph “Synthesis data of the proportionally consolidated companies and of integrally consolidated companies” of this note.

The abridged consolidated financial report as of 30 June 2010, approved by the Board of Directors of the Ascopiave S.p.A. company have been submitted to limited accounting revision of Reconta Ernst & young S.p.A.

## Consolidation area as of 30 June 2009

The companies included in the consolidation area as of 30 June 2010 and consolidated through the line-by-line or proportional method are the following:

| Denomination | | Legal headquarter | Paid-up capital | Group quote | Directly controlled quote | Indirectly controlled quote |
|---|---|---|---|---|---|---|
| **Parent company** | | | | | | |
| Ascopiave S.p.a. | | Pieve di Soligo (TV) | | | | |
| **Integrally consolidated controlled companies** | | | | | | |
| Ascotrade S.p.a. | | Pieve di Soligo (TV) | 1.000.000 | 89,00% | 89% | 0% |
| Global Energy s.r.l. | | Mirano (VE) | 529.000 | 100,00% | 100% | 0% |
| Le Cime Servizi s.r.l. | (1) | Mirano (VE) | 20.000 | 100,00% | 0% | 100% |
| Etraenergia S.r.l. | (1) | Cittadella (PD) | 100.000 | 51,00% | 0% | 51% |
| ASM DG S.R.L. | | Rovigo (RO) | 7.000.000 | 100,00% | 100% | 0% |
| Edigas Due S.r.l. | | Cernusco sul Naviglio (MI) | 120.000 | 100,00% | 100% | 0% |
| Edigas Esercizio Distribuzione Gas S.p.A. | | Cernusco sul Naviglio (MI) | 1.000.000 | 100,00% | 100% | 0% |
| AscoEnergy S.r.l. | | Pieve di Soligo (TV) | 300.000 | 70,00% | 70% | 0% |
| Masseria S.r.l. | (2) | Pieve di Soligo (TV) | 10.000 | 70,00% | 0% | 100% |
| Pasubio Servizi S.r.l. | | Schio (VI) | 250.000 | 100,00% | 100% | 0% |
| Lucania S.r.l. | (2) | Pieve di Soligo (TV) | 10.000 | 70,00% | 0% | 100% |
| Gioia S.r.l. | (2) | Pieve di Soligo (TV) | 10.000 | 70,00% | 0% | 100% |
| **Joint control companies, proportionally consolidated** | | | | | | |
| ASM SET S.R.L. | (4) | Rovigo (RO) | 200.000 | 49,00% | 49% | 0% |
| Estenergy S.p.A. | (5) | Trieste (TS) | 1.718.096 | 49,00% | 49% | 0% |
| Serin S.r.l. | (3) | Carugo (BA) | 100.000 | 35,00% | 0% | 50% |
| Specchiano S.r.l. | (3) | Pieve di Soligo (TV) | 10.000 | 35,00% | 0% | 50% |
| Veritas Energia S.r.l. | (6) | Venezia | 1.000.000 | 51,00% | 51% | 0% |
| Quintasol S.r.l. | (3) | Pieve di Soligo (TV) | 30.000 | 35,00% | 0% | 50% |
| **Subsidiary companies evaluated with net asset method** | | | | | | |
| Sinergie Italiane S..r.l. | | Reggio Emilia (RE) | 3.000.000 | 0,00% | 0% | 0% |

1) Controlled by Global Energy S.r.l.
2) Controlled by AscoEnergy S.r.l.
3) Controlled by AscoEnergy S.r.l. con Agroenergetica S.r.l..;
4) Joint control with ASM Rovigo S.p.A.
5) Joint control with Acegas-APS S.p.A.
6) Joint control with veritas S.p.A.

## Synthesis data of the proportionally consolidated companies and of integrally consolidated companies

| Description | Sales and services revenues | Net result | Net asset | Net financial position (availability) | Reference accounting standard |
|---|---|---|---|---|---|
| Ascopiave S.p.a. | 35.661 | 16.658 | 350.991 | 87.157 | IFRS |
| AscoEnergy S.r.l. | 135 | 33 | 294 | 355 | Ita Gaap |
| Ascotrade S.p.a. | 311.221 | 8.290 | 22.344 | (37.861) | IFRS |
| Le Cime Servizi s.r.l. | 244 | (149) | 1.739 | (212) | Ita Gaap |
| Edigas Esercizio Distribuzione Gas S.p.A. | 2.490 | 479 | 8.081 | (1.773) | Ita Gaap |
| Estenergy S.p.A. | 139.691 | 4.489 | 8.417 | 11.800 | IFRS |
| Etraenergia S.r.l. | 1.498 | (157) | 283 | (358) | Ita Gaap |
| Edigas Due S.r.l. | 12.689 | 559 | 2.177 | (7.203) | Ita Gaap |
| Global Energy s.r.l. | 5.615 | (35) | 3.510 | (1.041) | Ita Gaap |
| Gioia S.r.l. | | (4) | 8 | (0) | Ita Gaap |
| Lucania S.r.l. | | (9) | 2 | 759 | Ita Gaap |
| Masseria S.r.l. | | (14) | 2 | 2.055 | Ita Gaap |
| Pasubio Servizi S.r.l. | 29.484 | 1.164 | 4.044 | (15.738) | Ita Gaap |
| ASM DG S.R.L. | 1.944 | 377 | 10.970 | (72) | Ita Gaap |
| ASM SET S.R.L. | 19.091 | 420 | 1.036 | 2.476 | Ita Gaap |
| Veritas Energia S.r.l. | 35.060 | 1.716 | 2.987 | 8.881 | Ita Gaap |
| Serin S.r.l. | | (9) | 90 | (66) | Ita Gaap |
| Specchiano S.r.l. | 317 | 118 | 129 | 3.597 | Ita Gaap |

OTHER INFORMATION

## Seasonability of the business

Gas consumption varies considerably based on the season, with a higher demand for the winter period (January – March) related to the average winter temperature levels and consequent need for heating. Seasonability affects the criteria for calculating prices for the supply of gas and consequently the Group revenues. On the other hand, fixed costs are sustained by the Group on a uniform fashion throughout the entire fiscal year. Seasonability of the business practised also affects the trend of the Group net financial position, because the revenue cycles are not aligned with that of the costs based on the fact that actual consumptions by the household customers are subject to invoice adjustments subsequent to the payment of cost for gas provisioning.

Therefore, the figures and information contained in the accounting schedules do not allow drawing immediate representative information of the overall annual trend.

With the deliberation ARG/gas 159/08, the Authority adopted the regulation for the determination of tariffs for the distribution and measure services (RTDG) of the so-called third regulatory period, that is composed by four thermic years from January 1st 2009. The RTDG has been the object of following interventions and changes by the Authority. Within the most relevant news we signal the introduction of a mechanism of tariff equalization, that will allow the companies to free their incomes from the climatic variable.

Considering that the distribution revenues, to which the companies are titled with reference to a determined time period – in virtue of the equalization system- are independent from the volumes of gas distributed in the period and that furthermore the costs for the management of the service are independent from the consumption trends – as they are homogenous during the year – the tariff revenues of distribution are coherently accounted for monthly constant quotes. In the first half of 2010 this causes the accounting of revenues equal to the half of the value of the Revenues Bond recognized to the distribution companies of the Group for the entire 2010; this bond has been determined on the basis of the reference tariff approved by the Authority, firstly in a provisory way with deliberation n. 206/2009 and then definitively with deliberation n. 155/2010.

We point out that this modality of accounting of tariff revenues has been adopted by the companies of the Group since the drafting of the Interim Report as of 30 September 2009, when some elements of uncertainty that weighed on the concrete application of the new tariff system have been resolved. The revenues allocated in the Interim Report as of 30 June 2009 followed a different calculation modality, as they were lined up to the incomes charged to the final users in relation to the consumptions of the quarter on the basis of the tariffs of the previous thermic year (2007-2008).

The specified circumstance makes non comparable the income-results of the first half of 2010 with those pointed out in the first half of 2009.

We inform however that the new modality of inscription of the tariff revenues of natural gas distribution and measure service had a negative impact on the operating results of the Group of the first half of 2010 of Euro 66 thousands, gross of the concerning fiscal effect.

The income represents the lower distribution revenues that should have been allocated in the interim management report as of 30 June 2009 in the case in which they would have been accounted for monthly constant quotes, taking as calculation basis the entire net revenues for the distribution service achieved by the companies of the Group in the entire financial year 2009.

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

## Non-current assets

*1. Goodwill*

Goodwill, equal to Euro 92.225 thousands as of 30 June 2010, didn't change as compared to 301 December 2009 and 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.

Goodwill has been allocated to the following financial cash flow-generating units:

| (thousands of Euro) | 31/12/2009/ | Increase | Decrease | 30/06/2010 |
|---|---|---|---|---|
| Natural gas distribution | 24.909 | 0 | 0 | 24.909 |
| Natural gas sale | 67.315 | 0 | 0 | 67.315 |
| **Total goodwill** | **92.225** | 0 | 0 | **92.225** |

As of the date of the presentation of the present abridged half year consolidated financial statement we did not record the presence of impairment indicators so, in accordance with IAS 36 we did not carry out the verification for value reduction; the impairment test has been carried out on 31 December 2009, without any losses of value.

*2. Other intangible assets*

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

| | 30.06.2010 | | | 31.12.2009 | | |
|---|---|---|---|---|---|---|
| **Thousands of Euro** | Historic cost | Amortization fund | Net value | Historic cost | Amortization fund | Net value |
| Plants and enlargement costs | 100 | (89) | (1) | 100 | (100) | 0 |
| Industrial patents and intellectual property rights | 4.213 | (2.553) | 1.660 | 3.753 | (2.450) | 1.303 |
| Concessions, licences, trademarks and similar rights | 3.510 | (1.171) | 2.339 | 3.450 | (1.081) | 2.369 |
| Other intangible fixed assets | 492.613 | (176.747) | 315.686 | 483.687 | (169.118) | 314.569 |
| Constructions in progress and advanced payments | 2.991 | 0 | 2.991 | 4.419 | 0 | 4.419 |
| **Other intangible assets** | **503.427** | **(180.559)** | **322.675** | **495.408** | **(172.748)** | **322.660** |

The following table shows the changes in the intangible assent of the period:

| | 31/12/2009 | | | | | | 30/06/2010 |
|---|---|---|---|---|---|---|---|
| Thousands of Euro | Net value | Increase | Decrease | Amortizations | Re-classifications | Decrease amortization fund | Net value |
| Industrial patents and intellectual property rights | 1.303 | 368 | 73 | (120) | 168 | (15) | 1.660 |
| Concessions, licences, trademarks and similar rights | 2.369 | 59 | 0 | (90) | 0 | 0 | 2.339 |
| Other intangible fixed assets | 18.031 | 1.634 | 0 | (1.105) | 0 | 0 | 18.560 |
| Plants and machinery under concession | **296.537** | **3.517** | **244** | **(6.026)** | **3.118** | **(160)** | **297.126** |
| Constructions in progress and advanced payments | 4.419 | 1976 | 54 | 0 | (3.349) | 0 | 2.991 |
| **#NOME?** | **322.660** | **7.554** | **371** | **(7.342)** | **0** | **(175)** | **322.676** |

The investments carried out during the first half of 2010 result equal to Euro 7.554 thousands, and mainly concern the costs held for the realization of the natural gas distribution network. About this we signal that the entrance in force of the IFRIC 12, from January 1st 2010 caused the inscription of the voice intangible assets of the infrastructures under concession, as explained in the explanatory notes of this report.

<u>Industrial patents and intellectual property rights</u>

During the first quarter of the current financial year, the voice Industrial patents and intellectual property rights shows an increase equal to Euro 368 thousands comprehending the re-classification from current assets. The investment mainly concern the costs held for the implementation of the software.

Concessions, licences, trademarks and similar rights

They represent the costs for the acquisition of use licences and servitude rights connected to the gas distribution network. The voice doesn't point out any significant variation during the first half of the year.

Other intangible assets

The voice other intangible assets go from Euro 18.031 thousands of the previous year to Euro 18.560 thousands of the first half of the current financial year. The Group provided to purchase on the market the titles of energetic efficiency (so-called white certificates) necessary to the fulfilment of the objectives of energetic saving fixed by the AEEG for the considered period carrying out investments for Euro 1.976 thousands. The charges concerning the cost for the purchase of the energetic efficiency titles on the market, together with the projects that allowed the obtainment of the same, have been capitalized in the other intangible assets and aren't submitted to amortization, but debited on the profit and loss account because of the effective use of the certificates.

Plants and machineries under concession

The entrance in force of the principle IFRIC 12 caused the inscription of the infrastructures under concession between the intangible assets, in the voice the costs held for the realization of the plants and of the natural gas distribution network, of the connection to the same and also the laying down of the reduction groups and measurers have been reported. These at the end of the first half of the financial year 2010 show a net accounting value equal to Euro 297.126 thousands. The investment carried out during the first half of 2010 for the realization of the infrastructures necessary to the natural gas distribution, comprehending the re-classification from current assets, result equal to Euro 6.698 thousands, and mainly concern the realization of connection for Euro 2.805 thousands, the realization of the natural gas network for Euro 3.524 thousands, the laying down of measurers for Euro 233 thousands. We point out that the activities of realization of the natural gas distribution network interested the laying down of 42.195 meters of pipelines.

Current intangible fixed assets and account payments

During the period the voice "Current assets and advanced payments" valorised investments for Euro 1.976 thousands, which mainly concern the works for the extension of the network and the construction of distribution plants partially done on the cheap.

*3. Tangible fixed assets*

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

| | **30.06.2010** | | | **31.12.2009** | | |
|---|---|---|---|---|---|---|
| (thousands of Euro) | **Historic cost** | **Amortization fund** | **Net value** | **Historic cost** | **Amortization fund** | **Net value** |
| Lands and buildings | 19.156 | (2.860) | 16.296 | 19.391 | (3.414) | 15.977 |
| Plants and machinery | 4.753 | (844) | 3.909 | 4.732 | (711) | 4.021 |
| Industrial and commercial equipment | 2.626 | (1.443) | 1.183 | 2.629 | (1.340) | 1.289 |
| Other assets | 11.162 | (7.802) | 3.360 | 11.375 | (7.935) | 3.440 |
| Assets under construction and advanced payments | 12.038 | 0 | 12.038 | 4.901 | 0 | 4.901 |
| **Tangible assets** | **49.734** | **(12.948)** | **36.786** | **43.028** | **(13.401)** | **29.627** |

The changes in the tangible fixed assets in the first half of 2010 are shown in the following table:

| (thousands of Euro) | 31.12.2009 Net value | Increase | Decrease | Amortizations | Intangible assets re-classifications | Amortization fund depreciation | 30.06.2010 Net value |
|---|---|---|---|---|---|---|---|
| Lands and buildings | 15.977 | 619 | 2 | (298) | 0 | 0 | 16.296 |
| Plants and machinery | 4.021 | 29 | 0 | (141) | 0 | 0 | 3.909 |
| Industrial and commercial equipment | 1.289 | 5 | 11 | (110) | 0 | (9) | 1.183 |
| Other assets | 3.440 | 453 | 671 | (492) | 0 | (630) | 3.360 |
| Assets under construction and advanced paymer | 4.901 | 7.206 | 69 | 0 | 0 | 0 | 12.038 |
| **Tangible assets** | **29.627** | **8.312** | **752** | **(1.040)** | **0** | **(639)** | **36.786** |

Lands and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses, as well as the building works related to the transformer rooms.

Plants and machinery

Under the voice “Plants and machinery”, after the entrance in force of the IFRIC12, result to be inscribed only the costs sustained for the realization of co-generation and photovoltaic plants. At the end of the first half of the current financial year the voice shows an accounting net value equal to Euro 3.909 thousands recording investments equal to Euro 29 thousands.

Industrial and commercial equipment

This voice “Industrial and commercial equipment” in the period considered registered investments equal to Euro 5 thousands, and concern the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investment achieved during the first half of the financial year that, with equal consolidation perimeter, have increased the voice “Other assets ”, equal to Euro 453 thousands, mainly concern the costs sustained for the purchase of hardware and to the purchase of furniture destined to offices.

Assets under construction and advances

This heading primarily covers costs concerning the works for the construction of headquarters, the construction of co-generation and photovoltaic plants partially carried out with savings. The investments achieved during the first half of the current financial year, equal to Euro 7.206 thousands, mainly concern the realization of the multipurpose building placed in via Verizzo in the municipality of Pieve di Soligo for Euro 2.431 thousands and to the realization of photovoltaic and cogeneration plants for Euro 4.075 thousands.

*4. Holdings*

The following table shows the changes in the holdings in joint companies and in other companies in the periods considered:

| | 31.12.2009 | First half 2010 | | 30.06.2010 |
|---|---|---|---|---|
| (thousands of Euro) | Historic cost | Increase | Net asset evaluation | Net value |
| Holdings in joint companies | 0 | | 1.624 | 1.624 |
| Holdings in other companies | 782 | 204 | | 986 |
| **Holdings** | **782** | **204** | **1.624** | **2.609** |

*Holdings in joint companies*

The accounting situation as of 30 June 2010 of Sinergie Italiane S.r.l. presents an equity situation equal to Euro 6.113 thousands, which includes the positive result achieved in the first half of 2010 of Euro 6.695 thousands. We would like to remember that this joint company closes its first financial year on 30 September.

We point out that at the balance of the net equity of the company Sinergie Italiane as of 31 December 2009 equal to Euro 2.791 thousands a variation occurred in the reserves of the Hedge Accounting for Euro 22 thousands.

Compared to 31 December 2009, the evaluation with net equity carried out as of 30 June 2010 presents a net improvement that causes the complete return of the risk fund for losses coverage for Euro 206 thousands in the balance sheet as of 31 December 2009 and the restore of the value of the participation for Euro 1.624 thousands.

The results of the period of the joint company influenced the voice "Evaluation of the joint companies with the net equity method" for a quote equal to Euro 1.851 thousands.

We would like to point out that the results of thee joint company are also influenced by season trends.

| (in Euro) | Revenues from sales and services | Net result | Net asset | Net financial position | Reference accounting principles |
|---|---|---|---|---|---|
| **Joint company** | | | | | |
| Sinergie Italiane S..r.l. | 1.022.813.000 | 3.563.000 | 6.113.000 | (161.191.000) | IFRS |

* Intermediate periodic situation as of 30 June 2010

*Holdings in other companies*

The increase of the voice for Euro 204 thousands, as compared to 31 December 2009 concerns the payment on the increase of the share capital of Ital Gas Storage S.r.l. whose holdings is currently equal to 17%;

*5. Other non-current assets*

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Deposits and guarantees | 541 | 794 |
| Other receivables | 2.890 | 2.892 |
| **Other non-current activities** | **3.431** | **3.686** |

The "Other non-current assets" considering the same period, go from Euro 3.686 thousands to Euro 3.431 thousands, with a decrease equal to Euro 255 thousands.

In the voice "Other receivables" we point out in particular a receivable from the municipality of Santorso for Euro 748 thousands, corresponding to the net book value of the distribution plants consigned in 2007 to the same municipality following the natural expiry of the distribution concession on 31 December 2006 and a receivable from the local authority of Creazzo, to the value of Euro 2.141 thousands, corresponding to the net book value of the distribution plants awarded in June 2005 to the above-mentioned local authority following the natural expiry, on 31 December 2004, of the concession awarded by the above-mentioned local authority.

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.

As of 30 June 2010 a contentious procedure is going on with both municipalities, in order to define the value of the compensation of the distribution plants consigned. The Group, also following the opinion of the legal advisor, believes that the result of the contentious procedure is not certain and it's not able to calculate the money charge that this could have.

*6. Prepaid taxes*

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

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Receivables for prepaid taxes | 11.279 | 10.950 |
| **Prepaid taxes** | **11.279** | **10.950** |

The prepaid taxes go from Euro 10.950 thousands to Euro 11.279 thousands with an increase equal to Euro 329 thousands mainly due to the dynamic of the receivables depreciation fund for Euro 764 thousands partially counterbalanced by the use of the fiscal deductible expenses for the quotation for Euro 298 thousands.

The following table shows the detail of the prepaid taxes for each period considered:

| | 30.06.2010 | | | 31.12.2009 | | |
|---|---|---|---|---|---|---|
| Description | Temporary differences | Taxes perentage % | Fiscal effect | Temporary differences | Taxes perentage % | Fiscal effect |
| Allocation for writedown of receivables | 9.610 | 34,0% | 3.268 | 7.363 | 34,0% | 3 |
| Allocation for inventory writedown | 413 | 31,4% | 130 | 472 | 31,4% | 148 |
| Amortization surpluses | 18.253 | 31,4% | 5.731 | 18.522 | 31,4% | 5.816 |
| Listing expenses | 951 | 31,4% | 299 | 1.902 | 31,4% | 597 |
| Other | 394 | 31,4% | 124 | 784 | 31,4% | 246 |
| Other gas sale | 176 | 37,9% | 67 | 118 | 37,9% | 45 |
| Phanton stock option | 56 | 27,5% | 15 | 21 | 34,0% | 7 |
| Customer list - goodwill | 1.014 | 37,9% | 384 | 962 | 37,9% | 364 |
| Other gas sale IRES 33% | 29 | 33,0% | 9 | 303 | 33,0% | 100 |
| IRES amortization surpluses | 4.081 | 27,5% | 1.122 | 3.771 | 27,5% | 1.037 |
| Other gas sale IRES 34% | 384 | 34,0% | 131 | 251 | 34,0% | 85 |
| **Total prepaid taxes** | **35.360** | | **11.279** | **34.469** | | **10.950** |

The Group has been performing a full accounting of prepaid 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. Determining the prepaid 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 we used the tax rate of 27,5% for the IRES and of 3,9% for the IRAP (taxes for the productive activities) and for some sale societies the IRES additional tax previewed by the law bill approved by the Senato of the Italian Republic called "DDL Sviluppo" equal to 6,5% that has modified the tax rate previously in force of 5,5%.

## Current assets

*7. Inventories*

The following table shows the make-up of the inventories for each period considered:

| (thousands of Euro) | 30.06.2010 Gross value | Depreciation fund | Net value | 31.12.2009 Gross value | Depreciation fund | Net value |
|---|---|---|---|---|---|---|
| Fuels and warehouse materials | 2.769 | (413) | 3.183 | 2.055 | (472) | 2.527 |
| Contract work in progress | 417 | | 417 | 900 | | 900 |
| **Total inventories** | **3.186** | **(413)** | **3.599** | **2.955** | **(472)** | **3.427** |

As of 30 June 2010, the inventories are equal to Euro 3.599 thousands and record an overall increase equal to Euro 172 thousands as compared to 31 December 2009.

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 the gas setting is completed.

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

Inventories are entered on the balance sheet under the Net Devaluation of Inventory fund in order to adapt their value to the opportunities for their clearance or use. This fund during the first half of 2010 has been used for Euro 50 thousands and no other allocations have been made.

*8. Trade receivables*

The following table shows the composition of the item for each period considered:

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Receivables to client | 100.359 | 84.669 |
| Receivables for invoices to be issued | 52.420 | 113.661 |
| Allowance for doubtful receivables | (12.042) | (10.963) |
| **Trade receivables** | **140.737** | **187.367** |

Trade receivables have gone from Euro 187.367 thousands to Euro 140.737 thousands with a decrease equal to Euro 46.630 thousands.

The decrease of trade receivables is mainly due to the seasonality of the gas sector, which concentrates consumptions in the winter months and receipts during the spring.

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.

We specify that the balance of client receivables equal to Euro 140.737 thousands includes for Euro 30.986 thousands the receivables concerning the invoices to be issued for consumptions not yet measured, by the end of the period.

The nominal value has been adjusted to the presumed realisable value by means of an allowance for doubtful accounts. The changes in the provision for doubtful accounts are shown in the following table:

| (thousands of Euro) | 30.06.2010 |
|---|---|
| Initial allowance for doubtful receivables | 10.963 |
| Allocations | 2.239 |
| Utilisation | (1.160) |
| **Final allowance for doubtful receivables** | **(12.042)** |

*9. Other current assets*

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

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Receivables due to Asco Holding S.p.A. | 84 | 106 |
| Annual prepaid expenses | 11.373 | 542 |
| Advances to suppliers | 2.211 | 890 |
| Annual accrued incomes | 21 | 22 |
| Receivables to Cassa Conguaglio Settore Elettrico | 7.755 | 8.247 |
| VAT receivables | 1.517 | 2.347 |
| UTF and Region/Province additional tax receivables | 4.471 | 7.029 |
| Other receivables | 1.622 | 1.198 |
| **Other current activities** | **29.054** | **20.380** |

The other current activities go from Euro 20.380 thousands to Euro 29.054 thousands with an increase equal to Euro 8.674 thousands.

The change is mainly explained by the increase of the annual active rediscount for Euro 10.831 thousands, by the increase of the advanced payments to suppliers for Euro 1.321 thousands partially counterbalanced by the diminution of the credits to UTF and regional additional amounts for Euro 2.558 thousands and by the diminution of the credits for white certificates for Euro 5.009 thousands and to the increase of the VAT receivables for Euro 830 thousands.

We point out that the inscription of the active rates is justified by the suspension of the economic effects on the natural gas purchase contracts to the PSV (Virtual Point Of Exchange) with the company SPEIA S.p.A.

*10. Current financial activities*

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

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Joint companies | 5.176 | 2.295 |
| **Current financial activities** | **5.176** | **2.295** |

The current financial activities go from Euro 2.295 thousands to Euro 5.176 thousands with an increase of Euro 2.881 thousands.

The increase is mainly explained by the growth of the credits to Asm Rovigo S.p.A. through the joint company Asm Set S.r.l. for Euro 3.034 thousands, by the growth of the credits to Veritas Energia S.r.l. for Euro 1.225 thousands concerning the correspondence current account partially counterbalanced by the decrease of the other financial receivables of Veritas Energia S.r.l. to Veritas S.p.A. for Euro 1.282 thousands.

*11. Tax receivables*

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

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| IRAP receivables | 143 | 143 |
| IRES receivables | 501 | 460 |
| Other tax receivables | 255 | 19 |
| **Tax receivables** | **899** | **623** |

Tax receivables go from Euro 623 thousands to Euro 899 thousands with an increase equal to Euro 276 thousands.

The item includes residual receivables from accounts IRAP and IRES paid, less taxes attributable to the first quarter of 2010.

*12. Cash and cash equivalents*

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

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Bank and post office deposits | 26.367 | 20.811 |
| Cash and equivalents on hand | 17 | 30 |
| **Cash and cash equivalents** | **26.385** | **20.842** |

The cash and cash equivalents go from Euro 20.842 thousands to Euro 26.385 thousands with an decrease equal to Euro 5.993 thousands. They mainly refer to the bank accounting balance and to the social cash.

The bank deposits are at sight and accrue interest on the base of the conditions agreed with banks, supposing that the availabilities generate from the changes caused by the financial flows but the financial position of the Group is negative.

Net financial debt position

At the end of the periods in question, the net financial debt position of the Group is the following:

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Cash and cash equivalents | 26.385 | 20.842 |
| Currents financial activities | 5.176 | 2.295 |
| Current financial liabilities | (1.366) | (2.438) |
| Debt due to banks and financing | (65.277) | (94.632) |
| Debts to leasing companies within 12 months | (81) | (81) |
| **Short term net financial position** | **(35.164)** | **(74.015)** |
| Medium-long term loans | (4.273) | (4.326) |
| Non current financial liabilities | (722) | (746) |
| **Net medium-long term financial position** | **(4.995)** | **(5.073)** |
| **Net financial position** | **(40.158)** | **(79.088)** |

For comments regarding the main dynamics that caused relevant changes in the net financial position, we refer to the analysis of the Group financial data recorded in the paragraph “Comments on the economic and financial results of the first half of 2010”.

## Consolidated shareholders’ equity

*13. Net shareholders’ equity*

Ascopiave S.p.a.'s share capital as of 30 June 2010 is made up of 234.411.575 common 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) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Share capital | 234.412 | 234.412 |
| Legal reserve | 46.882 | 46.882 |
| Reserve and profit at new | 64.670 | 60.663 |
| Result of the period | 20.210 | 25.288 |
| **Net equity of the Group** | **366.174** | **367.245** |
| Third part's capital and reserves | 2.208 | 2.248 |
| Third part's result of the period | 869 | 603 |
| **Third part's net equity** | **3.077** | **2.851** |
| **Total net equity** | **369.252** | **370.096** |

The reasons for the changes of the consolidated net shareholder's equity happened in the first half of 2010 are due to the purchase of own shares that regarded a number of ordinary shares equal to 565.221 for a value of Euro 900 thousands, to the distribution of the dividends of the parent company for Euro 20.349 thousands, to the dividend distribution of Ascotrade S.p.A. for Euro 642 thousands and to movements linked to the consolidation inscriptions for Euro 30 thousands.

*14. Net equity of minority interests*

This voice comprises the net assets and the result not attributable to the Group, and refers to third party shares of the subsidiaries Ascotrade S.p.A., AscoEnergy S.r.l., Etra Energia S.r.l. and the companies controlled by the latter.

## Non-current liabilities

*15. Reserves for risks and charges*

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

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Other funds for risks and charges | (221) | (476) |
| **Reserves for risks and charges** | **(221)** | **(476)** |

Reserves for risks and charges go from Euro 476 thousands to Euro 221 thousands with a decrease equal to Euro 255 thousands. The change is mainly due to the evaluation of net equity of the joint company Sinergie Italiane S.r.l. as explained in the paragraph Participation of this note, and by other changes.

The changes in the first half of 2010 are analysed in the following table:

| (thousands of euro) | 30.06.2010 | 30.06.2009 |
|---|---|---|
| Reserves for risks and charges as of 01,01,2010 | 476 | 3.778 |
| Use of hedge fund for joint companies with net asset mehod | | 3.219 |
| Allocation to reserves for risks and charges | (43) | 193 |
| Use of risks and charges reserves | (212) | (6.887) |
| **Reserves for risks and charges** | **221** | **304** |

*16. Severance indemnity*

The severance indemnity go from Euro 2.937 thousands as of January 1st 2010 to Euro 2.929 thousands as of 30 June 2010 with a decrease equal to Euro 8 thousands due to the paid TFR net of new allocations.

| (thousands of Euro) | |
|---|---|
| Severance indemnity as of 01.01.2010 | 2.937 |
| Payments | (577) |
| Costs concerning the service of current work | 566 |
| Previous actuarial losses/ (profits) recorded | 10 |
| Actuarial loss/(profit) recorded | (7) |
| **everance indemnity as of 30 June 2010** | **2.929** |

The use of actuarial techniques to establish severance indemnities to IFRS standards at the end of the period in question led to the recording of charges worth Euro 7 thousands.

*17. Medium/Long-term loans*

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

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Passive loans with Cassa DD. PP. With direct guarai | 993 | 1.070 |
| Passive loans with Cassa DD.PP. With municipalities | 1.786 | 2.038 |
| Passive loans with Mediocredito Italiano | 1.495 | 1.218 |
| **Medium-long term loans** | **4.273** | **4.326** |
| Current quote of medium-long term loans | (877) | (954) |
| **Medium-long term loans** | **(5.150)** | **(5.280)** |

Medium-long term loans go from Euro 4.326 thousands to Euro 4.273 thousands concerning the payment of the loans with the Cassa Depositi e Prestiti for Euro 330 thousands partially counterbalanced by the supply of the Mediocredito concerning the photovoltaic sector for Euro 277 thousands.

*18. Other non-current liabilities*

The value of this heading at the end of each period considered is analysed below:

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Caution money amount | 11.495 | 11.528 |
| Long-term deferred income | 2.242 | 1.660 |
| Other debts | 915 | 960 |
| **Other non-current liabilities** | **14.652** | **14.149** |

The other non current liabilities go from Euro 14.149 thousands to Euro 14.652 thousands with an increase equal to Euro 503 thousands.

The increase is mainly due to the increase of the multi-years passive rates linked to the contributions received for the construction of the plants for electric and thermic energy production of Le Cime Servizi S.r.l.. We point out that the amount of the passive multi-years rates that will mature after the fifth year are equal to Euro 125 thousands.

*19. Non-current financial liabilities*

The value of this heading at the end of each period considered is analysed below:

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Liabilities to leasing companies - more than 12 montl | 722 | 746 |
| **Non current financial liabilities** | **722** | **746** |

Non current financial liabilities go from Euro 746 thousands as of 31 December 2009 to Euro 722 thousands with a decrease of Euro 24 thousands. They are represented by debts contracted by the subsidiary company Le Cime Servizi S.r.l. in relation to the subscription of a financial leasing contract with object the co-generation plant placed in Mirano (VE).

*20. Deferred tax liabilities*

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

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Deferred taxes fund | 26.464 | 26.905 |
| **Liabilities for deferred taxes** | **26.464** | **26.905** |

The deferred taxes go from Euro 26.905 thousands to Euro 26.464 thousands with a decrease equal to Euro 441 thousands mainly due to the diminution of the tax funds established on the customers lists of the natural gas sale companies.

The provision for deferred taxation at the end of each related period is analysed below:

| (thousands of Euro) | 30/06/2010 Temporary differences | Tax percentage % | Total effect | 31/12/2009 Temporary differences | Tax percentage % | Total effect |
|---|---|---|---|---|---|---|
| Surpluses amortization | 45.442 | 31,4% | 14.269 | 49.592 | 31,4% | 15.572 |
| Surpluses amortization | 11.100 | 27,5% | 3.053 | 7.829 | 27,5% | 2.153 |
| Severance indemnity | 216 | 27,5% | 59 | 206 | 27,5% | 57 |
| Goodwill deductibility for tax purposes | 12.412 | 31,4% | 3.897 | 11.578 | 31,4% | 3.635 |
| Goddwill deductibility for gas purchase purposes | 1.000 | 37,9% | 379 | 907 | 37,9% | 344 |
| Client list | 14.578 | 31,4% | 4.577 | 15.480 | 31,4% | 4.861 |
| Other | 52 | 31,4% | 16 | 116 | 31,4% | 36 |
| Gas sale | 198 | 34,0% | 67 | 245 | 34,0% | 83 |
| Other | 529 | 27,5% | 145 | 596 | 27,5% | 164 |
| Total deferred taxes | | | **26.464** | | | **26.905** |

The heading 'deferred tax liabilities' contains primarily the deferred tax liabilities allocated to temporary differences in the tax base between tax laws and balance sheet values, relative to the amortisation surpluses of tangible fixed assets and of the goodwill for tax purposes. The calculation of deferred taxation made reference to the IRES (company earnings tax) rate and, where applicable, to the IRAP (regional business tax) rate applicable at the time when the temporary differences are expected to be reversed. Specifically, the rate of 27.5% was used for IRES and 3.9% for IRAP, and for some selling companies the additional tax, in consideration of law bill approved on 9 July 2009 by the Senato of the Italian Republic called “DDL Sviluppo” equal to 6,5%, that modified the former tax-rate equal to 5,5%.

## Current liabilities

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

The value of this heading at the end of each period considered is analysed below:

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Amounts due to banks | 64.400 | 93.679 |
| Current portion of madium-long term loans | 877 | 954 |
| **Amounts due to banks and financing** | **65.277** | **94.632** |

Debts due to banks go from Euro 94.632 thousands to Euro 65.277 thousands with an increase equal to Euro 29.355 thousands and is made of debtor accounting balance to credit institutions and of the short-term quote of loans.

*22. Accounts payable*

The value of this heading at the end of each period considered is analysed below:

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Amounts due to suppliers | 51.222 | 61.164 |
| Amounts due to suppliers for invoices not yet received | 45.812 | 90.697 |
| **Trade receivables** | **97.034** | **151.861** |

Account payables go from Euro 151.861 thousands to Euro 97.034 thousands, showing an increase of Euro 54.827 thousands. The increase of accounts payables is mainly due to the concentration of the consumptions of volumes of natural gas sold during the winter period and the payment of the same during the spring period.

*23. Payables to tax authorities*

The value of this heading at the end of each period considered is analysed below:

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| IRAP payables | 2.125 | 348 |
| IRES payables | 1.691 | 640 |
| **Tax payables** | **3.816** | **988** |

Payables to tax authority go from Euro 988 thousands to Euro 3.816 thousands with an increase equal to Euro 2.828 thousands which include the debt for IRAP payables for the first half of 2010 concerning the companies that did not agree to the fiscal consolidation in charge to Asco Holding S.p.A

*24. Other current liabilities*

The value of this heading at the end of each period considered is analysed below:

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Advance payments from client | 4.554 | 2.616 |
| Debt to parent company for fiscal consolidation | 8.565 | 1.034 |
| Debt to security bodies | 1.298 | 1.263 |
| Debts to employees | 3.047 | 2.417 |
| VAT debts | 7.674 | 2.317 |
| Debts to Tax authority for source retention | 861 | 847 |
| Annual passive rates | 667 | 1.363 |
| Annual passive rates | 2.542 | 1.647 |
| UTF and regional/provincial tax debts | 52.362 | 7.046 |
| Other debts | 7.197 | 4.676 |
| **Other current debts** | **88.768** | **25.226** |

The other current liabilities go from Euro 25.226 thousands to Euro 88.768 thousands with an increase equal to 63.542 thousands.

<u>Customer advances</u>

Customer advances increase for Euro 1.938 thousands and represent the amounts paid by the clients as a contribution to the works of allotments and connection and for the construction of the thermic station current on 30 June 2010.

<u>Payables due to the Fiscal Authority for V.A.T.</u>

The debts to fiscal authorities for VAT increase for Euro 5.357 thousands compared to 31 December 2009. the increase of the VAT debt is explained by the modality of three-months liquidation of the tax agreed to the controlled companies Ascotrade S.p.A. and Estenergy S.p.A., as they are part of the subject that emit invoices to a high number of final users.

<u>Payables to UTF and Regional/Provincial additional tax</u>

The significant increase in the payables due to the technical finance offices is due to the typical method of liquidation and payment of excise duty and additional taxation on natural gas, explained by the different timing for the invoicing of the users' consumption of gas, to which the monthly payment carried out by the sale company with reference to previous year's values are opposed.

During the first half of 2010 the Group matured debts Euro 45.316 thousands.

Amounts due to parent company for tax consolidation system

This item includes the payables due to the parent company Asco Holding S.p.A. under the scope of the Italian tax consolidated contract signed by the Group companies with Asco Holding S.p.A.. The balance corresponds to the IRES debt matured for taxes relating to the first half of 2010 for Euro 7.531 thousands.

Amounts due to social security bodies

The amount due to social security institutions mainly relates to charges for the year that were paid at the beginning of the following year.

Amounts due to employees

The amounts due to employees for untaken vacation, deferred remuneration and bonuses earned relate to the vacation accumulated by 30 June 2010. those debts aren't onerous and are normally paid within the following month.

Accrued expenses and deferred income

Accrued liabilities are mainly referred to fees matured on state owned property concessions, for the prolongation of the duration of the methane gas distribution concession matured as of 30 June 2010

Other payables

Other payables primarily include payables for the matured and not yet taken vacations and the following social charges, the salaries and the bonus for the employees maturated and not yet enjoyed as of 30 June 2010 besides the social charges and debts due to the AEEG concerning the new supply component tariffs. Those last caused an increase compared to 31 December 2009 equal to Euro 2.369 thousands..

The other liabilities also include the benefits that the Group acknowledges to the President of Ascopiave S.p.A., to the President and vice president of Ascotrade S.p.A. and to some employees holding important positions within the Group, through payment plans based on financial instruments. Specifically, the plans adopted by the Group include the attribution of rights involving the recognition in favour of the beneficiaries of an extraordinary payment linked to the reaching of preset objectives, and the financial regulation of which is based on the trend of the share (the so-called 'phantom stock option'). The fair value of these instruments is measured using a Black and Scholes model and taking into account the terms and conditions on the basis of which these rights are assigned. The cost of these instruments, reported on the income statement under labour costs, and the related payables, are reported throughout the period of maturation. Until such time as the payable is not extinguished, the fair value is recalculated at each year end and on the date of effective outlay, reporting all change to the fair value on the income statement, which, for the first half 2010, is positive for Euro 35 thousands.

*25. Current financial liabilities*

The current liabilities at the end of each period considered are analysed in the following table:

| (thousands of Euro) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Financial debts to others within 12 months | 7 | 1.436 |
| Debts to financial shareholders | 1.359 | 1.002 |
| Debts to leasing companies within 12 months | 81 | 81 |
| **Current financial liabilities** | **1.447** | **2.519** |

Current financial liabilities go from Euro 2.519 thousands to Euro 1.447 thousands with a decrease equal to Euro 1.072 thousands. The change is mainly explained by the decrease financial debt due to the company Acegas-APS S.p.A. for Euro 1.428 thousands partially counterbalanced by the increase of the financial debt to Vesta S.p.A. for Euro 100 thousands and to the debts due third parties shareholders of the photovoltaic sector for Euro 270 thousands.

# COMMENTS ON THE MAIN CONSOLIDATED INCOME STATEMENT ITEMS

## Revenues

*26. Revenues*

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

| (thousands of Euro) | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Revenues from gas transport | 5.449 | 2.468 |
| Revenues from gas sale | 405.505 | 423.404 |
| Revenues from electric energy sale | 29.558 | 23.021 |
| Revenues from connection services | 2.840 | 3.642 |
| Revenues from heat supply services | 1.469 | 2.328 |
| revenues from distribution services | 2.563 | 3.365 |
| Revenues from billing and taxes | 179 | 110 |
| revenues from general services to Group's companie | 977 | 634 |
| Revenues from AEEG contributions | 2.329 | 1.611 |
| Other revenues | 3.078 | 1.619 |
| **Revenues** | **453.947** | **462.202** |

At the end of the first half of 2010, the Ascopiave Group revenues amount to Euro 453.947 thousands recording a decrease equal to Euro 8.255 thousands compared to the first half of 2009. The decrease of revenues is mainly due to the decrease in natural gas sale revenues for Euro 17.899 thousands, by the decrease for connection services for Euro 802 thousands and by lower revenues for heat supply services for Euro 859 thousands. The reported decreases are partially counterbalanced by the revenues made for the natural gas transport service on the distribution network for Euro 2.980 thousands, by the increase of the revenues made with the electric energy sale for Euro 6.537 thousands and by the increase of other revenues for Euro 1.459 thousands.

The revenues from natural gas sale, with equal consolidation perimeter, during the first half of the financial year result equal to Euro 377.381 thousands, recording a diminution equal to Euro 46.023 thousands compared to the first half of 2009. The decrease is partially counterbalanced by the inscription of the revenues of the company Pasubio Servizi S.r.l. for Euro 28.124 thousands as a consequence of the enlargement of the consolidation area.

The sales of natural gas to final users, with equal consolidation area, interested the transfer of 874,1 million of cm, compared to the volumes traded during the first half of the previous year, at the end of which they resulted equal to 783,1 million, showing an increase equal to 91 million of cm. the revenues made for this activity show a decrease equal to Euro 33.081 thousands, going from 288.782 thousands at the end of the first half of previous year, to Euro 255.700 thousands of the reference period.

At the end of the reference period the natural gas trading activities show a diminution equal to Euro 12.942 thousands, going from Euro 134.622 thousands of the first half of the previous financial year, to Euro 121.680 thousands of the first half of the current financial year. These activities interested the transfer of 565,4 million of cm compared to 443,3 million of cm of the first half of the previous financial year, showing an increase of the traded volumes equal to 122,1 million of cm.

Revenues from natural gas transport on the distribution network go from Euro 2.468 thousands of the first half of 2009 to Euro 5.449 thousands of the first half of the current year, showing an increase equal to Euro 2.980 thousands. The increase is mainly explained by the regulatory changes introduced by the AEEG with deliberation ARG/gas 159/08 concerning the remuneration of natural gas distribution activity. These concern the determination of an active fixed amount of the distribution revenues and to the parameters for the calculation of the distribution tariff to be applied to the sale companies that operate on the distribution network. During the first half of the year 534,7 million of cubic meters of natural gas have been distributed, with an increase of the volumes passed in the network of the Group equal to 54,3 million of cm compared to the same period of previous year.

At the end of the first half of the year, with equal consolidation area, revenues for electrical energy are equal to Euro 29.558 thousands, showing an increase as compared to the same period of previous year equal to Euro 6.537 thousands. The increase is mainly explained by the increase of the traded volumes equal to 94,6 million of kilowatt hour, going from 349,4 million of the first semester of 2009 to 444 million of the current period.
We specify that the enlargement of the consolidation area caused the inscription of the revenues made during the semester by the controlled company Pasubio Servizi S.r.l. for Euro 974 thousands.

Revenues for heat supply services go from Euro 2.328 thousands for the first half of 2009 to Euro 1.469 thousands for the first half of 2010, determining a decrease equal to Euro 859 thousands, or 36,9%. The decrease is mainly explained by the decrease of the plants managed by the companies of the Group.

Revenues from connections services are equal to Euro 2.840 thousands showing a decrease equal to Euro 802 thousands compared to the first semester of the previous year, at the end of which they resulted to be Euro 3.642 thousands. The decrease is due to the diminution of the number of new connections to the natural gas distribution network.

At the end of the first half of the year, with equal consolidation perimeter, the revenues from contribution to the AEEG are equal to Euro 2.329 thousands, increasing as compared to the first half of the previous financial year of Euro 718 thousands. The item receives the revenues made by the parent company for the transfer of the energetic efficiency titles called “white certificates”.

The item other revenues go from Euro 1.619 thousands of the first half of 2009 to Euro 3.078 thousands of the current year, showing an increase equal to Euro 1.459 thousands.

## Costs

*27. Cost of gas purchase*

The following table shows the costs concerning the purchase of gas raw material in the period considered:

| (thousands of Euro) | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Cost of gas purchase | 327.926 | 371.338 |
| **Cost of gas purchase** | **327.926** | **371.338** |

At the end of the period considered, with equal consolidation area, the costs for natural gas purchase result equal to Euro 308.598 thousands recording a decrease as compared to the previous financial year equal to Euro 62.740

thousands, which is mainly explained by the diminution of the prices basket of hydrocarbons to which the natural gas cost is indexed.

We specify that as an effect of the enlargement of the consolidation area under this voice Euro 19.328 thousands held by the controlled company Pasubio Servizi S.r.l. are inscribed.

The natural gas provisioning destined to final users interested the purchase of 943,3 millions of cm, showing an increase of the volumes as compared to the same period of the previous financial year, equal to 160,1 millions of mc. The operations of natural gas purchase destined to the trading go from Euro 134.157 thousands of the first half of previous financial year to 120.713 thousands of the current financial period, showing a decrease equal to Euro 13.744 thousands.

We point out that the most significant quantities of natural gas are supplied to the subsidiary company Sinergie Italiane S.r.l..

*28. Cost of other raw materials*

The following table reports on costs relating to the purchase of other raw materials over the periods considered:

| (thousands of Euro) | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Gas purchase | 1.087 | 1.051 |
| GPL and diesel oil purchase | 11 | 27 |
| Electric energy purchase | 21.557 | 17.668 |
| Purchhase of other materials | 1.658 | 1.076 |
| **Purchase cost of raw materials** | **24.312** | **19.822** |

The costs contracted for the purchase of raw materials go from Euro 19.822 thousands of the first half of the previous financial year to Euro 24.318 of the first half of the current financial year, showing an increase equal to Euro 4.496 thousands, which is mainly explained by the increase of the costs occurred for the electric energy purchase.

At the end of the first half, with equal consolidation perimeter, costs for purchase of electrical energy amount to Euro 20.592 thousands with an increase of Euro 2.924 thousands as compared to the first half of the previous year. The increase is mainly explained by the higher volumes of kilowatt hour traded, that go from 102,1 million of the first half of the previous financial year, to 451,4 million of the current year, with an increase equal to 94,6 million of kilowatt hour.

The enlargement of the consolidation area determined the inscription of Euro 975 thousands for the costs held by the company Pasubio Servizi S.r.l. that interested the transfer of 7,5 million of kilowatt hour, determining an increase of the volumes traded by the Group equal to 102,1 million of kilowatt hour.

The voice gas purchase go from Euro 1.051 thousands of the previous financial year to Euro 1.087 thousands of the current financial year, with an increase equal to Euro 36 thousands. They mainly contain costs for fuel used by gas distribution boxes and by heat supply service besides tangible costs used for the upkeep in the distribution network.

The costs inscribed under the voice purchase of other materials show an increase equal to Euro 582 thousands, going from Euro 1.076 thousands of the first half of the previous financial year to Euro 1.658 thousands of the reference period.

*29. Costs for services*

Cost of services for the relevant periods is analysed in the following table:

| (thousands of Euro) | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Costs of conveynce on secondary networks | 28.967 | 17.273 |
| Costs of meter reading | 581 | 548 |
| Costs for mailing bills | 236 | 232 |
| Postage and telegraphic costs | 634 | 827 |
| Maintenance and repairing | 1.538 | 1.436 |
| Consulting services | 2.529 | 1.822 |
| Commercial servoces and advertisement | 580 | 178 |
| Various utences | 927 | 937 |
| directors' and Statutory auditors' fees | 526 | 497 |
| Insurences | 384 | 384 |
| Personnel expenses | 348 | 299 |
| Other managing expenses | 3.058 | 2.687 |
| Costs for use of third parties assets | 2.998 | 1.474 |
| **Costs for services** | **43.306** | **28.594** |

Costs for services held during the first half of the financial year amount to Euro 43.306 thousands compared to Euro 28.594 thousands of the first half of the previous financial year, showing an increase equal to Euro 14.712 thousands. The change is mainly due to the increase of the costs held for the natural gas and electric energy transport on the distribution network for Euro 11.694 thousands, to the increase of the management expenses for Euro 2.227 thousands and to the increase of the costs held for use of third parties assets for Euro 1.525 thousands.

With equal consolidation perimeter, the costs held for the gas transport on the distribution network go from Euro 12.183 thousands of the first half of the previous financial year to Euro 16.458 thousands of the current financial year. The increase is mainly explained by the increase of the natural gas volumes distributed on the network, and by the changes brought by the AEEG in relation to the tariffs already showed in the paragraph “Seasonability of the business” of this report to which we send back. We point out that the enlargement of the consolidation area caused the inscription under the voice costs held during the period by the company Pasubio Servizi S.r.l. for Euro 5.702 thousands.

The costs held for the electric energy transport service show an increase equal to Euro 1.717 thousands, going from Euro 5.090 thousands of the first half of the previous financial year to Euro 6.806 thousands of the reference period. The increase is mainly explained by the higher volumes of kilowatt hour traded by the consolidated companies Estenergy S.p.A. and Veritas Energia S.r.l.

The main costs for services are represented by costs for maintenances and repairing, technical, administrative and legal consultancy services, costs for the sending of the bills to users, and costs for the use of third party assets that comprehend the leasing concerning the conduction in leasing of the warehouses and offices and payments of fees for the works of connection and lay down of the networks.

The costs for commercial services and advertisement include charges concerning the market research activities and the advertisement campaigns.

The expenses for the personnel include the costs for the management of the vehicles assigned to the employees, the costs for the canteen service and the costs for training and instruction.

The costs for the use of third party assets show an increase equal to Euro 1.525 thousands going from Euro 1.474 thousands of the first half of the previous financial year to Euro 2.998 thousands of the first half of the current financial year. The increase is mainly explained by the higher concession fees recognized to the Local Bodies and by the increase of the costs for leasing held for the use of the peripheral headquarters.

The other management expenses include the costs for business trips, cleaning, security and other costs of the ordinary management.

*30. Personnel costs*

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

| (thousands of Euro) | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Wages and salaries | 8.124 | 7.096 |
| Social security contributions | 2.764 | 2.490 |
| Severance indemnity | 566 | 506 |
| TFR current actualization | (7) | (11) |
| Other costs | 192 | 235 |
| **Total cost of personnel** | **11.638** | **10.316** |
| Capitalized cost of personnel | (1.329) | (970) |
| **Personnel costs** | **10.309** | **9.346** |

Personnel costs are expressed net of capitalized costs because of the increase of tangible assets for internal projects.

Personnel costs are up by Euro 963 thousands, going from Euro 9.346 thousands of the previous financial year to Euro 10.309 thousands of the first half of 2010. The increase is mainly due to the growth of the average personnel equal for 15 units.

Capitalised personnel costs refer to the share of costs directly charged to the realisation of new extensions of network by the parent company and by the natural gas distribution companies consolidated.

The table below shows the average number of employees of the Group by category over the relevant financial periods:

| Description | 30.06.2010 | 30.06.2009 | Change |
|---|---|---|---|
| Executives | 19 | 18 | 1 |
| Office workers | 308 | 300 | 8 |
| Workers | 124 | 114 | 10 |
| **Average number of employees** | **451** | **432** | **19** |

We would point out that some Group employees own phantom stock option plans, as explained in the paragraph 23 of these explanatory notes.

*31. Other operating costs*

Other operating expenses for the related periods are analysed in the following table:

| (thousands of Euro) | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Risks provisions on credits | 2.239 | 2.028 |
| Other provisions | | 39 |
| Membership and AEEG contributions | 358 | 655 |
| capital losses | 261 | 74 |
| Extraordinary losses | 189 | 657 |
| Other taxes | 912 | 809 |
| Other costs | 912 | 645 |
| Costs for tenders | 600 | 1.012 |
| Energetic efficiency titles | 2.249 | 1.124 |
| **Other operating costs** | **7.720** | **7.042** |

Other operating incomes are up by Euro 677, going from Euro 7.042 thousands of the first half of 2009 to Euro 7.720 thousands of the current financial year. The increase is mainly due to the higher purchase of energy efficiency for Euro 1.125 thousands and by the increase of the allocations carried out for risks on credits for Euro 211 thousands. The same result partially counterbalanced by the reduction of the costs held for tenders for Euro 412 thousands, by the diminution of passive contingency for Euro 469 thousands.

*32. Other operating incomes*

Other operating income for the related periods are analysed in the following table:

| (thousands of Euro) | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Out-of-period incomes | 7 | 71 |
| Other incomes | 70 | 19 |
| **Other operating incomes** | **76** | **90** |

Other "Operating incomes" at the end of the first half of 2010 are equal to Euro 76 thousands recording a decrease as compared to the same period of the first semester of the previous financial year equal to Euro 14 thousands. The decrease is mainly explained by the lower active contingency surveyed in the first half of the year for Euro 64 thousands, partially counterbalanced by the increase of the other proceeds from alienations for Euro 50 thousands.

*33. Amortization*

Amortisation and depreciation for the related periods are analysed in the following table:

| (thousands of Euro) | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Intangible assets | 7.341 | 6.803 |
| Tangible assets | 1.040 | 833 |
| **Amortizations** | **8.381** | **7.636** |

Amortizations concerning the end of the half quarter of the current financial year record an increase equal to Euro 745 thousands, going from Euro 7.636 thousands of previous year to Euro 8.381 thousands of 2010. The amortizations of the intangible assets, as a consequence of the entrance in force of the IFRIC principle 12, mainly concern to the amortization quotes of the natural gas distribution plants.

The values concerning the first half of 2009 reflect, compared to those of the first half of 2009 report, the re-classification carried out according to IFRIC 12, concerning the transfer from tangible amortizations from the amortization quotes concerning the natural gas distribution plants (goods in concession) for Euro 5.782 thousands.

## Financial income and expenses

*34. Financial incomes and expenses*

Financial income and expense for the related period is analysed in the following table:

| (thousands of Euro) | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Interest incomes on banks and post offices accounts | 25 | 82 |
| Other interest incomes | 372 | 418 |
| Other financial incomezs | 37 | 2 |
| **Financial incomes** | **434** | **502** |
| Interest expenses on banks | 594 | 1.100 |
| Interest expenses on mortgage loans | 165 | 180 |
| Other financial charges | 172 | 258 |
| **Financial charges** | **931** | **1.538** |
| Evaluation of joint companies with net asset method | 1.851 | 522 |
| Depreciation of the holdings of joint companies | 67 | |
| **Evaluation of joint companies with net asset method** | **1.784** | **522** |
| **Total net financial charges/(incomes)** | **(1.287)** | **515** |

At the end of the semester the difference between financial incomes and expenses shows a positive result equal to Euro 1.287 thousands, showing an increase as compared to the first semester of the previous financial year, equal to Euro 1.802 thousands.

The diminution of the financial expenses, equal to Euro 607 thousands, is mainly explained by the smaller bank exposition in the first half of the year compared to the same period of the 2009.

The voice “Evaluation of the joint companies with net asset method”, at the end of the first half of the year equal to Euro 1.784 thousands, mainly receives the re-evaluation of the joint company Sinergie Italiane S.r.l., as explained in the paragraph “holdings” of this note.

## Taxes

*35. Income taxes*

The income tax charge for the related period is analysed in the following table, distinguishing the current element from the provisions for deferred tax assets and liabilities:

| (thousands of Euro) | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Current IRES taxes | 11.151 | 6.019 |
| Current IRAP taxes | 1.896 | 1.301 |
| (Anticipated)/deferred taxes | (771) | (595) |
| **Taxes of the period** | **12.276** | **6.726** |

The incidence of income taxes on income before taxes for the related years is shown in the following table:

| (thousands of Euro) | 30/06/2010 | 30/06/2009 |
|---|---|---|
| Income before taxes | 33.356 | 18.000 |
| Taxes of the period | 12.276 | 6.726 |
| **Incidence on the result before taxes** | **36,8%** | **37,4%** |

The effective tax rate goes from 37,4% of the first half of 2009 to 36,8% of the first half of 2010, showing an increase of the fiscal incidence equal to 0,6%.

## Non-recurring components

In accordance with CONSOB communication 15519/2005, we report the absence of non-recurring economic components reported in the consolidated financial statements as of 30 June 2010.

### Transactions deriving from atypical and/or unusual operations

In accordance with CONSOB communication N. DEM/6064296 of 28 July 2006, we would report that during the first half of 2010 any unusual and/or atypical operations occurred.

## Dividends distribution

On 28 April 2010 Ascopiave S.p.A. shareholders' ordinary meeting approved the balance sheet as of 31 December 2009 deliberated the distribution of dividends for an amount equal to Euro 0,09 per share having right with release of the warrant on 10 May 2010 and payment on 13 May 2010 for a total amount equal to Euro 21.097 thousands.

## Commitments and risks

## Sureties given

The Group has provided the following potential sureties as of 30 June 2010:

| (thousands of Euro) | |
|---|---|
| On surities on credit lines | 246.801 |
| On works executions | 45.202 |
| To UTF and Region for gas taxes | 638 |
| On distribution concessions | 555 |
| On purchase/sale of social shares | 2.500 |
| On trading rent contracts | 17 |
| On conveyance contracts | 1.808 |
| On gas purchase contracts | 24.500 |
| On electric energy purchase contracts | 560 |
| On gas supply contracts | 29.667 |
| On financial renting contracts | 956 |

The guarantees on credit lines and on gas purchase contracts released in favour of the subsidiary company Sinergie Italiane S.r.l. as of 30 June 2010 amount to Euro 197.040 thousands.

**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 dead-lines forecasted.

The risk for the fluctuation of the change Euro/Dollar and of treated commodities prices (in the specific case natural gas and oil products) is managed through operation on derivatives, mainly options on exchanges and raw materials.

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

**Interest rate risk**

Group policy, depending on the seasonability of the business cycle, aims to manage the need for cash by means of temporary loans at variable rates, that given their constant change, do not make it possible to suitably cover the interest rate risk.

The Group 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..

**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.

| | January | February | March | April | May | June | |
|---|---|---|---|---|---|---|---|
| Net financial position First half 2010 | (97.586) | (85.380) | (106.296) | (68.644) | (110.002) | (40.158) | |
| Lending/borrowing average rate | 0,83% | 0,82% | 1,06% | 0,85% | 0,61% | 0,74% | |
| Average rate increased of 0,5 | 1,33% | 1,32% | 1,56% | 1,35% | 1,11% | 1,24% | |
| Average rate decreased of 0,5 | 0,33% | 0,32% | 0,56% | 0,35% | 0,11% | 0,24% | |
| NFP recalculated with 0,5 increase | (97.627) | (85.413) | (106.341) | (68.672) | (110.049) | (40.175) | |
| NFP recalculated with 0,5 decrease | (97.545) | (85.348) | (106.250) | (68.616) | (109.956) | (40.142) | |
| Negative effect on pre-tax result | 41 | 33 | 45 | 28 | 47 | 17 | 211 |
| Positive effect on pre-tax result | (41) | (33) | (45) | (28) | (47) | (17) | (211) |

The sensitivity analysis, obtained simulating a variation on interest tax rates applied on the credit lines of the Group equal to 50 basis points in increase and decrease, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes respectively negative or positive for Euro 211 thousands.

**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 with 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 with own financial obligations, in the forecasted terms and dead-lines.

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 change**

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 the thermic year 2009-2010 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 of the sector in which the Group operates its activity

***Regulation***

The Ascopiave Group carries out an activity in the gas segment that are subjected to regulation. The directives and the normative measures emitted about this subject by the European Union and by the Italian government and the decisions of the Authority for the Electric Energy and Gas can have a significant impact on the efficiency, the economic results and the financial equilibrium of the Group. Future changes in the normative politics adopted by the European Union or at national level could have unforeseen repercussion on the normative framework and, consequently, on the activity and on the results of the Ascopiave Group.

***Risks connected with the expiry of concessions/entrusting of gas distribution of which Ascopiave S.p.A. and its participated companies are the holders and to the possible anticipated ransom of the concession by the conceding local body***

**Risks concerning the tenders for the assignment of the new gas distribution concessions**

As of 30 June 2010 the Group hold a portfolio with 182 concessions for the distribution of natural gas dispensed in all the national area. On the expiry scheduled by the normative applicable for concessions and entrusting of which Ascopiave S.p.A. and its participated companies are the holders, or in the hypothesis of anticipated ransom by the municipalities, the local bodies will have to publish the tenders for the assignment of the new gas distribution concessions. Following the tenders, Ascopiave S.p.A. and its participated companies, could not award the title of one or more concessions, or they could award the concessions with less favourable conditions compared to the current ones, with possible negative effects on the activity and on the economic, equity and financial situation of the Group, being understood, in case of non adjudication, the proceeds for indemnity scheduled for the leaving manager.

**Risks connected to the subsistence of the right of the municipalities to acquire the property of the gas distribution networks and to the quantification of the reimburse on the charge of the new manager**

With reference to the concessions of which Ascopiave S.p.A. and its participated companies are the holders also of the distribution networks, we point out that the doctrine and the jurisprudence that concerned themselves with the interpretation of the rules concerning the gas distribution networks contained in the Letta Decree didn't clarify weather the company holder of the networks has to transfer to the municipalities, within the expiry of the concessions/entrusting, the properties of the networks, and some interpretative difference exist between the conceding local bodies and the managers about the modalities of application of the criteria for the quantification of the indemnity due to the leaving manager owner of the network according to article 24, paragraph 4, letter a) and b) of the R.D. 15 October 1925 n. 2578 (according to which it is scheduled that it must be considered only the “industrial value” of the plant, and not also the income that the concessionary miss as a consequence of the non adjudication of the concession).

Therefore, by the expiry of the concessions and/or entrusting some contentious procedures could begin for the quantification of the indemnity due to Ascopiave S.p.A. and to its Companies; the outcome of these judgement could be unfavourable to Ascopiave S.p.A. and for its companies, with consequent negative effects on the activities and on the economic, equity and financial situation.

**Management of Capital**

The primary objective of the management of Group capital is to guarantee that a solid credit rating is maintained, and suitable levels of 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) | 30.06.2010 | 31.12.2009 |
|---|---|---|
| Medium-long term loans | 4.273 | 4.326 |
| Debt to banks and financing net of liquid availabilities | 38.892 | 73.791 |
| **Gross financial debt** | 43.165 | 78.117 |
| Share capital | 234.412 | 234.412 |
| Reserves | 114.630 | 110.396 |
| Net result not distributed | 20.210 | 25.288 |
| **Total net asset** | **369.252** | **370.096** |
| **Total capital and gross debt** | **412.417** | **448.213** |
| Relation between debt/net asset | 0,10 | 0,17 |

The relation debt/net equity go from 0,17 of 2009 to 0,10 of the first half of 2010. The improvement is mainly explained by the diminution of the debts due to banks.

## Business segment reporting

The sector information is provided in 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 were, among other things, 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 2010 and for the first half of 2009.

| (thousands of Euro) | Distribution | Gas sale | Trading | Electric energy sale | Other | Elisions | Total |
|---|---|---|---|---|---|---|---|
| 30/06/2010 | | | | | | | |
| Net revenues to third parties | 16.475 | 283.108 | 122.397 | 29.558 | 2.409 | | 453.947 |
| Reveues in-group between segments | 37.223 | 2.317 | 717 | 2.252 | 236 | (42.744) | 0 |
| **Segment result** | 53.698 | 285.425 | 123.114 | 31.810 | 2.645 | (42.744) | 453.947 |
| **Pre-tax result** | 11.983 | 18.313 | 1.488 | 987 | 585 | | 33.356 |

| (thousands of Euro) | Distribution | Gas sale | Trading | Electric energy sale | Other | Elisions | Total |
|---|---|---|---|---|---|---|---|
| 30/06/2009 | | | | | | | |
| Net revenues to third parties | 13.339 | 280.652 | 142.752 | 23.021 | 2.438 | | 462.202 |
| Reveues in-group between segments | 27.321 | 2.965 | 8.130 | 3.598 | 148 | (42.162) | 0 |
| **Segment result** | 40.660 | 283.617 | 150.882 | 26.619 | 2.586 | (42.162) | 462.202 |
| **Pre-tax result** | 13.687 | 3.539 | 475 | (55) | 354 | | 18.000 |

## Transactions with related parties

The details on transactions with related parties over period in question is summarised in the following table.

| Company | 30 June 2010 | | | | First half 2010 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Costs | | | Revenues | | |
| | Trade receivables | Other receivables | Accounts payables | Other payables | Assets | Services | Other | Assets | Services | Other |
| *Parent companies* | | | | | | | | | | |
| Asco Holding S.p.A. | 7.702 | 45.596 | 203.826 | 8.552.605 | - | - | 7.425.886 | - | - | 40.067 |
| **Total Parent companies** | **7.702** | **45.596** | **203.826** | **8.552.605** | **-** | **-** | **7.425.886** | **-** | **-** | **40.067** |
| *Associated companies* | | | | | | | | | | |
| Asco TLC S.p.A. | 447.821 | | 462.530 | | - | 192.180 | - | - | 152.448 | - |
| Seven Center S.r.l. | 13.546 | | 112.776 | | - | 170.997 | - | - | - | 8.179 |
| Mirant Italia S.r.l. | - | | - | | - | - | - | - | - | - |
| **Total associated companie** | **461.367** | **-** | **575.306** | **-** | **-** | **363.177** | **-** | **-** | **152.448** | **8.179** |
| *Joint companies* | | | | | | | | | | |
| Sinergie Italiane S.r.l. | 59.339 | | 17.302.647 | | 151.261.691 | - | - | - | 160.335 | 13.984 |
| **Total joint companies** | **59.339** | **-** | **17.302.647** | **-** | **151.261.691** | **-** | **-** | **-** | **160.335** | **13.984** |
| **Total** | **528.408** | **45.596** | **18.081.779** | **8.552.605** | **151.261.691** | **363.177** | **7.425.886** | **-** | **312.783** | **62.230** |

For the 2010 financial year, Ascopiave S.p.A and Ascotrade S.p.A., Asm Dg S.r.l., Edigas Due S.p.A., Edigas Distribuzione Gas S.p.A., Global Energy S.r.l., and Le Cime Servizi S.r.l. agreed to the consolidation of tax relations in the head of the parent company Asco Holding S.p.A, entered among the other current liabilities and other activities.
In order to better 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 afore-mentioned subsidiary derive from the contract to supply gas and electrical energy and from service contracts drawn up between the parties.

The costs for goods to Sinergie Italiane concern the purchase of natural gas for the first half of 2010 mainly carried out by Ascotrade S.p.A. and Edigas Due S.r.l., while the costs and revenues concern the services for service contracts agreed between the parties and to re-billing of consulting.
We also point out that the guarantees on credit lines and on gas purchase contracts released in favour of the subsidiary company Sinergie Italiane S.r.l. as of 30 June 2010 amount to Euro 226.797 thousands.

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;
- referring to the provisions of art. 150, paragraph 1 of Legislative Decree no. 58 of 24 February 1998, no operations have been carried out that could potentially be conflicts of interest with companies of the Group, by members of the Board of Directors.

## Significant events after the end of the first half of 2010

*Constitution of Asco Blu S.r.l.*

On 26 July 2010 Ascopiave S.p.A. constituted Ascoblu S.r.l. with legal headquarters in Pieve di Soligo (TV). The aim of the company, detained at 64%, is to trade methane gas, electric energy and other energetic products and also to supply connected services and in particular to carry out an activity of "wholesale customer" through the direct exercise of the activity that is though the hiring and acquisition of holdings in other companies.

Within the sphere of the social object, Ascoblu S.r.l. participated to the procedure started by AMGAS S.p.A. of Foggia for the transfer of 80% of the capital of a Newco that will receive about 50.000 contracts and gas sale use relations currently in chief to AMGAS BLU S.p.A., the trend "AMGAS BLU" as well as the eight employees of AMGAS BLU S.p.A.. On 9 August 2010 the tender commission communicated that Ascoblu S.r.l. results to be the provisory winner of the tender.

*Relinquishment of a company branch*

On 30 July 2010 Global Energy S.r.l., controlled by Ascopiave S.p.A., transferred to Veritas Energia S.r.l., controlled for 51% by Ascopiave S.p.A., the gas and electric energy client company branch.

The relinquishment of the company branch has been carried out as a consequence of the unification of the gas client in the province of Venice on the most significant territory operator of the Group for dimension and for the previewed change of the company mission of Global Energy S.r.l. toward the construction and sale of photovoltaic plants.

### Contentious procedure

In the matter of contentious procedures pending by the Council of State we inform that with verdict of 6 July 2010 the Council of State, deciding definitively, approved the united appeals of the municipalities and of the awarder of the tender having subject the new management of the gas distribution service for the duration of twelve years.

With reference to one of the contentious procedures by the Veneto TAR (Regional Administrative Court) we inform that the administrative judge rejected, with writ dated 8 July 2010, the petition made by Ascopiave having subject the caution suspension of the determination of the definitive adjudication to another operator of the tender for the gas distribution in the municipal area. After the challenging of this decision, by Ascopiave, the Council of State fixed the Council Chamber on 14 September 2010 for the treatment of the appeal.

### Relations with the Agenzia delle Entrate (Tax Authority)

During 2008 the company has been the subjected to fiscal examination by the Agenzia delle Entrate (Public Revenues Bureau). As the result of this examination, a Trial minutes of Ascertainment has been emitted with relief about direct and indirect taxes. During the month of July, the local Agenzia delle Entrate emitted an ascertainment notice concerning the contents of the afore-stated Trial minutes of Ascertainment. The higher ascertainable taxes and due tax burden for the foundation of the contentious procedure are prudentially estimated in Euro 92 thousands that were allocated as appropriate risk reserve, also according to the opinion of the tax consultant.

The company on 20 January 2010 provided to present the appeal by the provincial tax commission and to pay the amount of Euro 243 thousands necessary for the instauration of the quarrel. On 27 January 2010 the company presented an appeal and the discussion of the appeal has been fixed on 30 September 2010.

Pieve di Soligo, 28 August 2009

The Chairman of the Board of Directors
Gildo Salton

# CERTIFICATION

**of the Abridged half year Consolidated Financial Statements in accordance with article 154-bis, close 5 and 5-bis, part IV, title III, Item II, section V-bis section, of the Legislative Decree dated 24 february 1998, no. 58: "Testo unico of the dispositions concerning the Financial intermediation, according to articles 8 and 21, Law 52 dated 6 february 1996".**

1. The undersigned Gildo Salton, President of the Board of Directors of Ascopiave S.p.A., and Cristiano Belliato, Director responsible for preparing the company accounts of Ascopiave S.p.A., hereby certify, in consideration of that specified by article 154-*bis*, paragraphs 2, 3 and 4 of Legislative Decree no. 58 dated 24 February 1998:
   - the suitability in relation to the characteristics of the business, and
   - the effective application of the administrative and accounting procedures for the preparation of the Abridged half year Consolidated Financial Statements for the first half of 2010.

2. We would also certify that the Half Year Financial Report:
   a) comply with the results of the books and accounts;
   b) is drawn up in accordance with International Accounting Standards (IFRS) adopted by the European Union, as well as to the measures issued in operation of the article 9 of Legislative Decree no. 38/2005.
   c) is able to provide for a real and correct rapresentation of the assets, economic and financial situation of the Parent company and of all the companies included in the consolidation.
   d) the intermediate relation contains a reliable analysis of the trend and of the result of the management and also of the situation of the Issuer and the situation of the Group, as well as the information about relevant operations with related or linked parts, unitedly to the description of the main risks and uncertainty to which the Group is exposed.

Pieve di Soligo, 26 August 2010

| | |
|---|---|
| The President of the Board of Directors | The Director responsible for preparing the company accounting documents |
| Gildo Salton | Cristiano Belliato |