



Annual Financial Report
as of 31st December 2015

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Annexes:

- Individual Financial Statement of Ascopiave S.p.A. as of 31st December 2015.

In-Company Control:

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

Statutory Auditors:

- Report of the Board of Statutory Auditors on Financial Statements as of 31st December 2015.

Auditing Company:

- Independent Auditors' Report on the Consolidated Financial Statements as of 31st December 2015;
- Independent Auditors' Report on the Financial Statements as of 31st December 2015.

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Statutory Auditors

Name	Office	Duration of office	From	To
Zugno Fulvio	Chairman of the Board of Directors*	2014-2017	24/04/2014	Approval of budget 2016
Coin Dimitri	Independent Director	2014-2017	24/04/2014	Approval of budget 2016
Pietrobon Greta	Independent Director	2014-2017	24/04/2014	Approval of budget 2016
Paron Claudio	Independent Director **	2014-2017	19/06/2014	Approval of budget 2016
Quarello Enrico	Independent Director	2014-2017	24/04/2014	Approval of budget 2016

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

(**)Mr. Paron Claudio replaces Mr. Piva Bruno who has resigned.

Name	Office	Duration of office	From	To
Bortolomio Marcellino	President of the Board of Auditors	2014-2017	24/04/2014	Approval of budget 2016
Biancolin Luca	Statutory Auditor	2014-2017	24/04/2014	Approval of budget 2016
Alberti Elvira	Statutory Auditor	2014-2017	24/04/2014	Approval of budget 2016

In-Company Control Committee	From	To	In-Company Control Committee	From	To
Coin Dimitri	29/04/2014	Approval of budget 2016	Coin Dimitri	29/04/2014	Approval of budget 2016
Quarello Enrico	29/04/2014	Approval of budget 2016	Quarello Enrico	29/04/2014	Approval of budget 2016
Paron Claudio	19/06/2014	Approval of budget 2016	Paron Claudio	19/06/2014	Approval of budget 2016

Independent Auditors

PriceWaterhouseCoopers S.p.A.

Legal headquarters and Company data

Ascopiave S.p.A.

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Main economic and financial data of the Ascopiave Group

Economic figures

(Thousands of Euro)	Financial year 2015	% of revenues	Financial year 2014	% of revenues
Revenues	581,655	100.0%	585,300	100.0%
Gross operative margin	80,983	13.9%	79,585	13.6%
Operating result	56,950	9.8%	52,667	9.0%
Net result for the period	45,362	7.8%	37,333	6.4%

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

Assets figures

(Thousands of Euro)	31.12.2015	31.12.2014
Net working capital	56,689	66,547
Fixed assets and other non current assets	527,182	526,152
Non-current liabilities (excluding loans)	(49,698)	(53,360)
Net invested capital	534,173	539,340
Net financial position	(114,037)	(129,673)
Total Net equity	(420,137)	(409,666)
Total financing sources	(534,173)	(539,340)

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

Monetary flow data

(thousands of Euro)	Financial year 2015	Financial year 2014
Net income of the Group	43,014	35,583
Cash flows generated (used) by operating activities	69,221	56,164
Cash flows generated/(used) by investments	(21,527)	(22,106)
Cash flows generated (used) by financial activities	(120,276)	55,052
Variations in cash	(72,582)	89,110
Cash and cash equivalents at the beginning of the period	100,882	11,773
Cash and cash equivalents at the end of the period	28,301	100,882

REPORT ON MANAGEMENT

FOREWORD

The Ascopiave Group closed 2015 with a net consolidated profit of Euro 45.4 million (Euro 37.3 million as of 31st December 2014), with an increase of Euro 8.0 million, +21.5% compared to the previous year.

The consolidated net assets at year-end amount to Euro 420.1 million, (Euro 409.7 million as of 31st December 2014) and the net capital invested to 534.2 million (539,3 million as of 31st December 2014).

In 2015 the Group accomplished investments for Euro 22.0 million (Euro 21.1 million as of 31st December 2014), mainly in the development, maintenance and modernisation of the networks and plants of gas distribution and the installation of electronic metres.

Activities

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

The Group currently holds concessions and direct assurances for the supply of the service in 208 municipalities (208 municipalities as of 31st December 2014) and has a distribution network extending for over 8,300 km¹ (over 8,200 km as of 31st December 2014), and providing a service to a catchment area bigger than 1 million inhabitants.

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

In the gas sale segment, Ascopiave is one of the main National operators with about 961 million cu.m¹ of gas sold in 2015 (888 million cu.m¹ as of 31st December 2014).

Strategic objectives

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

The Group intends to consolidate its leadership position in the gas sector on a regional level and is looking to reach a prominent position also at the national level, taking advantage of the liberalization process currently underway. In this respect, Ascopiave follows a development strategy whose main guiding principles are dimensional growth, diversification in other divisions of the energy sector in synergy with the core business and the improvement of operative processes.

¹The data specified as regards the length of the distribution network and the volumes of gas sold are obtained by adding each Group company's data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

Management trend

The volumes of gas sold in 2015 are equal to 961.3 million cubic metres, marking an increase of 8.2% compared to the previous year.

The volumes of electrical energy sold were 409.6 GWh, marking a decrease of 10.9% compared to the previous year.

As to the activity of gas distribution, the volumes distributed through networks managed by the Group were 859.3 million cu.m., marking an increase of 10.8% as compared to 2014. The distribution network as of 31st December 2015 has an extension of 8,312 km (8,227 km as of 31st December 2014).

Economic results and financial situation

Consolidated revenues of 2015 of the Ascopiave Group equal Euro 581.7 million, compared to Euro 585.3 million of the previous year. The decrease in the turnover is mainly due to the reduction in the revenues on electricity sale (Euro - 6.0 million), due to lower volumes sold.

The Operating Result of the Group equals Euro 57.0 million, marking an increase compared to Euro 52.7 million in 2014. The increase in the Operating Result is mainly connected to improved results of the gas sale activity, explained by an increase in the volume of gas sold and a general decrease in the costs for services and other operating expenses.

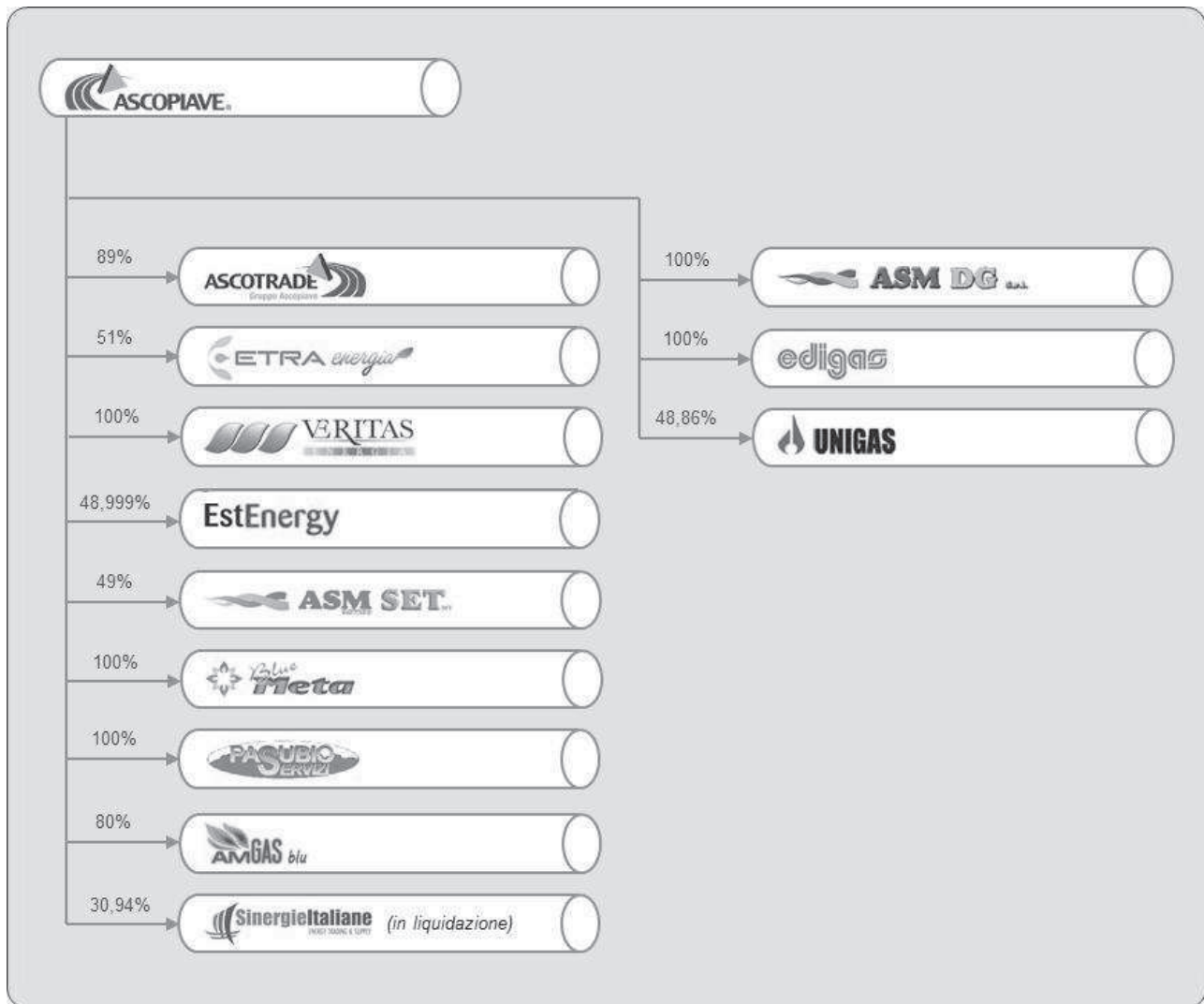
The Net Result, equalling Euro 43.0 million, marks an increase compared to Euro 35.6 million of 2014, due to a decrease in net financial charges and an improvement in the operating earnings of the companies consolidated through the equity method, which have more than offset the increased fiscal charges on income taxes.

The Net Financial Position of the Group as of 31st December 2015 is equal to Euro 114.0 million, with an increase of Euro 156 million as compared to Euro 129.7 million as of 31st December 2014. The cash flow of the fiscal year (given by the sum of the net result, allocations, amortization and depreciations) has generated financial resources for Euro 69.4 million. The investment activity and the management of the working capital have absorbed financial resources for Euro 21.9 million and 0.5 million respectively, whereas the management of equity (distribution of dividends and dividends received by the companies consolidated with the equity method) has absorbed resources for Euro 31.4 million.

The ratio between Net financial position and Net equity as of 31st December 2015 is equal to 0.27 (0.32 as of 31st December 2014).

The structure of the Ascopiave Group

The table below shows the company structure of the Ascopiave Group as of 31st December 2015.



The general economic context

The global economic outlook in 2015, although improving in advanced countries, is still subject to risks. The weakness of emerging markets² has curbed the expansion of global trade, thus contributing to a contraction in raw material prices, which have fallen below the lows reached during the economic crisis in 2008-2009. Although a modest acceleration is expected in the coming years, the estimates remain subject to doubts and uncertainties. In early-2016, in fact, new financial tensions emerged in the Chinese market and the recession in Brazil exacerbated, accompanying the fears about the growth of the economy in the two countries. In contrast to this situation, the Indian economy is positively evolving, and the Russian domestic product is slowing down its drop.

²Brazil, China, India, Russia

Some recent OECD projections estimate that in 2015 the global domestic product increased on average by 2.9% as compared to the previous year, and that 2016 will show a slightly positive trend, on the rise by 3.3%. In the coming years, the economic expansion is expected to be increasingly differentiated in the advanced countries, where in the face of a more modest increase in Europe (+1.8%) and Japan (+1.0%), a more marked expansion is expected in the United States (+2.5%) and the UK (+2.4%).

Emerging economies showed different trends in 2015. In India, despite high inflation, growth has strengthened (+7.2%) and in China, although an escalation of financial tensions, an economic expansion has however been recorded (+6.8%). In Brazil and Russia instead, the growth of the domestic product has slowed down, respectively by -3.1% and -4.0%.

In the advanced countries, consumer price inflation, at the end of 2015, remained at very low levels and even weak in China. The trend of consumer prices, however, is still high in India, Brazil and in Russia, driven by the sharp depreciation of the Ruble and by Western sanctions connected to the Ukrainian crisis.

In 2015, the average annual inflation in the Euro area, measured by the harmonised index of consumer prices, amounted to 0.0% as compared to +0.4% in 2014. Within the Euro zone, the economic indicators showed a slight recovery in 2015, albeit with persistent divergences among the major European economies. The growth of the GDP in the Euro area in 2015 as compared to the previous year is expected around 1.5%, a restrained expansion due to both the new fall in the prices of energy goods and the persistence of large margins of underused production capacity.

With regard to the economic situation of the **Italian economy**, in 2015 the economic activity was characterised by a somewhat gradual growth. Exports, which had supported the activities over the previous years, have started to weaken due to the decrease in non-European demand and they are gradually being replaced by a recovery in domestic demand. The cyclical manufacturing conditions appear to be favourable and they are also associated with an expansion in services and a stabilisation in the construction industry.

In 2015, the GDP increased by 0.8% as compared to the previous year and the positive variations in the national end consumption, equal to 0.5%, and in gross fixed capital formation, 0.8%, have contributed to its growth. As concerns interchange with foreign countries instead, exports of goods and services have increased by 4.3% and imports by 6.0%. The unemployment rate in December, equal to +11.4%, without taking into account seasonal factors, showed a slight increase as compared to the previous month (+0.1% with respect to November) and a decrease as compared to 2014 (+12.4% in 2014).

Average Italian inflation in 2015, measured by the harmonised index of consumer prices, recorded values in line with the Euro zone: +0.1%. Price dynamics have stabilised around zero in the last months of 2015, reflecting in particular the weakness of costs, specifically those related to energy, and the intense and prolonged contraction of household expenditure.

Evolution of international energy prices

In 2015, the Euro/Dollar exchange rate recorded an annual average equal to 1.11 USD per Euro (a decrease as compared to the 2014 average), achieving a maximum of 1.20 USD per Euro (January 2015) and a minimum value of 1.06 USD per Euro (April 2015). After a decrease in the Euro/U.S. Dollar exchange rate in the first months of 2015 up to early-April, the EU currency started a gradual appreciation with respect to the U.S. Dollar, fluctuating mostly within the range of 1.15 – 1.1 USD per Euro and declining again only in late-2015.

Euro/Dollar exchange rate trend in 2014 and 2015



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

In 2015, the cost of crude oil decreased considerably. Since January 2015, the price of oil (Brent) has remained fairly stable between \$ 50-65 per barrel until it reached its maximum value in mid-May (\$ 66.33 per barrel). Subsequently, since summer, oil price has started to decrease and its value has almost halved and reached its lowest annual level in late December (\$ 35.6 per barrel).

As far as the Euro ratings are concerned, the decrease was more moderate because of the depreciation of the EU currency with respect to the U.S. Dollar.

Quotations	2015	2014	2013	2012
Annual average brent quotation (dollars per barrel)	52.32	98.97	108.56	111.63
Annual average exchange rate dollar / euro	1.11	1.33	1.33	1.29
Annual average brent quotation (euro per barrel)	47.15	74.50	81.74	86.88

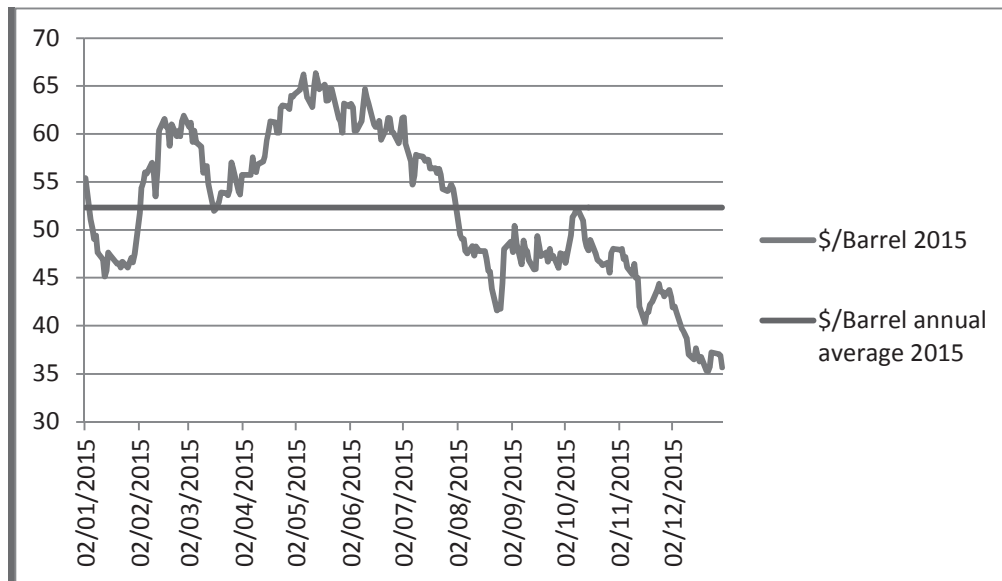
Source: Banca d'Italia and EIA, elaborated by Ascopiave S.p.A.

Its performance, and especially its decline, much faster than other raw materials, is explained by the expansion of the offer and the weak demand.

The downward trend in late 2015, also confirmed in January 2016, was particularly affected by the change in the strategy adopted by the OPEC since 1992. Agreed production targets are no longer established and therefore the petroleum exporting countries are no longer willing to curb the drop in prices in a context where, however, a gradual increase in supply (Iran after lifting the international sanctions, the United States although for more modest amounts than in previous years) is expected.

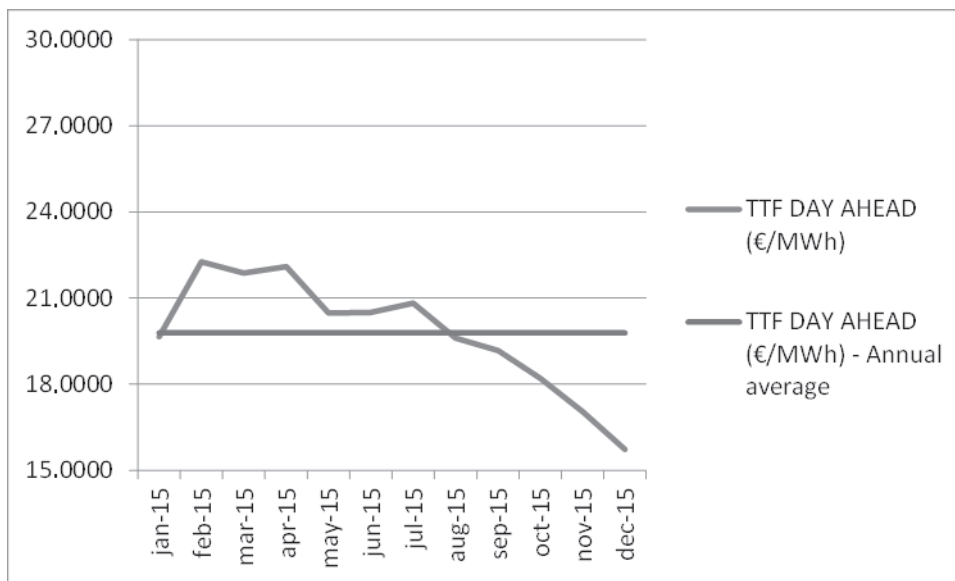
Moreover, as concerns the demand, a limited growth below expectations for some emerging economies (China and Brazil) and the fragile growth of the Euro area, have led operators to revise downward the estimated oil consumption for the next periods.

Brent trend 2015



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

Gas sales prices applied to the protected market are determined based on the Dutch gas Stock Exchange (TTF) quotations. On the other hand, the purchase prices of Ascopiave Group's supply agreements are mainly adjusted to the trend of the above-mentioned market.



Source: Ascopiave S.p.A elaborations.

The gas market: the European scenario

The gas system in Europe:

In 2015, the global gas market continued to grow, both in terms of demand and supply, albeit at a quite moderate pace. While the United States have continued to play a dominant role in the growth of consumption, Europe and Asia, also because of the current cost of coal which has affected gas consumption for the production of electricity, have played a

less relevant role.

It is estimated that European consumption, after years of negative trends, is resuming its growth even if the year 2015 was characterised by relatively mild temperatures and an increasing focus on efficiency and energy saving.

Natural gas is a cleaner fossil fuel than coal and oil, easy to control and efficient for distribution and use, and the current economic scenario offers a good alternative in the immediate path towards sustainability. Its use does not require new technological innovations and, at the same time, it is estimated that its conventional reserves can be a good source of energy for several years.

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

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

The gas market: the Italian scenario

Gas demand in Italy and its coverage sources

In the solar year 2015, the gross domestic consumption of gas in Italy recorded an increase of 9.1% as compared to 2014, reaching 67.52 billion cubic metres (source: Ministry of Economic Development.)

Demand highlights an improvement as compared to the previous year, marking an increase of 5.61 billion cu.m., significantly influenced by the indirect effect of the slight economic recovery.

The coverage of gas demand was performed mainly through the recourse to import sources that in 2015 achieved a level of 61.20 billion cu.m., an increase of 5.44 billion cu.m. compared to 2014 (+9.8%). With respect to 2014, the quantities traded are recording a recovery at almost all interconnection points, except the point connected to Northern Europe (Passo Gries -7.0%). On the rise, instead, the interconnection point connected to Russia (Tarvisio +14.4%) and Northern Africa (Gela +9.1% and Mazara del Vallo +6.9%). The volumes of gas imported from the entry point in Cavarzere, coming from the LNG terminal off the coast of Veneto (+33.6% as compared to 2014) are increasing, whereas the volumes coming from the LNG in Panigaglia are decreasing (-52.3% as compared to 2014).

National production of natural gas

In 2015, Italian production of gas, equal to 6.77 billion cubic metres, recorded a decrease of 5.3% as compared to 2014, covering approximately 10.03% of the national consumption.

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

Development prospects for Gas Demand in Italy

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

In recent years, our Country has shown a downward trend in natural gas consumption, due to the influence of both the economic downturn and the fiercer competition of renewable sources in the electricity generation sector. This decline in demand, together with the regulatory and infrastructural interventions undertaken in recent years at both national and European level, have led to a substantial alignment of Italian gas prices with European prices. The actions aimed at market organization and enhancement of the structures in Italy, continued throughout 2015 and promoted the integration of the gas sector in the EU context. In the future, an important contribution to integration and competitiveness of the Italian gas market is expected with the completion and commissioning of new projects for the supply of gas.

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

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

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

The configuration of the import and re-gasification infrastructure for natural gas in Italy has remained substantially unchanged compared to the previous years.

The current new projects related to the introduction of upgrades and/or new energy infrastructures fall within the strategic plan which envisages an increasingly marginal importance of Russian natural gas supply in a context in which natural gas is the main national energy source. Although in recent years consumption has slowed down due to the economic downturn, the primary objective is to prevent geopolitical instability that could jeopardise the stability of supply. To this end, the supply should be diversified.

The Tap, a project that would allow the import of gas to Italy via Greece and Albania, also enabling the supply from the natural gas reserves located in the Caspian Sea region, Russia and the Middle East, in autumn 2015 made remarkable progresses. Among the import infrastructures currently being planned, it is the most likely to be actually realised.

However, the feasibility studies for the IGI Poseidon project, a gas pipeline which, via Greece and Turkey, would allow Italy to import natural gas from the Caspian Sea and the Middle East, are still underway as well.

As concerns re-gasification plants, which have become a seriously competitive supply alternative to methane pipelines, able to bypass the obstacles presented by the limited shipment capacity available on the import gas pipelines networks, in Italy three plants are in operation: Panigaglia in La Spezia, Porto Levante in Rovigo and Livorno Offshore in Livorno. Our Country has at its disposal at least a dozen of projects regarding the realization of new LNG terminals.

Because of the bureaucratic difficulties, the litigations filed by the local bodies, the technical setbacks and, above all, the decisions taken by the potential investors following the development prospects of the industry and the profitability of the investments, we believe that not all of them can be realised.

Gas sale

Gas sale is the main activity of the Group in terms of contribution to company revenues.

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

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

Gas distribution

Gas distribution is the second activity of the Group in terms of contribution to company revenues.

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

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

Law Decree 159/2007 (Law 222/2007) has introduced, for the first time, the concept of Minimum Territorial Tender (Atem) for the management of the service, establishing that the tenders shall be invited in minimum territorial areas. The Atem tender was definitely adopted as a basic rule for the sector with Legislative Decree 93/2011, which has forbidden, commencing June 2011, the launch of invitations to tender in the single Municipalities, ratifying the obligation to launch tenders exclusively in minimum territorial areas.

Therefore, as to the distribution activity as well, the majority of analysts foresee, in the medium term, a strong concentration in the offer, with a reduction in the number of operators and an enlargement of the average size of the companies.

From 2011, with special reference to calls for tenders in territorial areas, the regulatory framework of the industry was In particular:

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

gas distribution service were approved (the so-called Decree for Criteria).

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

The Ascopiave Group - as indeed many other operators - favourably welcomed the emerging regulatory framework, believing that it actually creates important opportunities for investments and development to qualified operators of medium size, going in the direction of a positive rationalization of the offer.

At the end of 2013, with Law Decree 23/12/2013, no. 145, converted with amendments into Law 9/2014, art. 15, paragraph 5 of Legislative Decree 164/2000, which provides for the determination of the reimbursement value of the plants due to the outgoing operator at the end of the so-called “Transitional Period” was substantially modified.

In June 2014, the Decree of the Minister of Economic Development containing the “Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks” entered into force, which, although formally aimed at explaining the criteria to assess the value of plants pursuant to art. 5 of Ministerial Decree 226/2011, essentially establishes a peculiar framework, which implements only to a minimum extent art. 5 above.

Subsequently, with Law Decree 91/2014, amended and converted into Law 116/2014, another substantial change was made to art. 15, paragraph 5 of Legislative Decree no. 164/2000. The contents of the revised text and its evolution are described in sections “National regulations” and “Goals and policies of the Group and description of risks” of this financial report.

Finally, in mid-2015, the Decree of the Ministry of Economic Development no. 106, dated 20th May 2015, amended the previous Ministerial Decree 226/2011, reformulating Article 5, concerning the criteria to calculate the value of the plants. The new Decree has basically “transferred” the content of the Guidelines (mentioned above) into its text. Concisely, this measure has made Article 5 compatible with the Guidelines, which would have been a specification/clarification.

The regulatory framework

National regulations

Reference regulatory framework

Law no. 208 dated 28th December 2015 - “Provisions for the preparation of the yearly and long-term State budget (so-called 2016 Stability Law)”.

With this law, published in the Official Gazette no. 302 of 30th December 2015, the legislature approved the budget policy for 2016 and the following years.

The main changes introduced by the measure, as far as the gas and electricity sectors are concerned, include the insertion of the Rai television license fee in the electricity bill and the redefinition of the regulations governing the purchase of services by the Public Administration.

By Modifying Law Decree dated 21st February 1938, no. 246, converted by Law 4th June 1938, no. 880, the legislature has established that electricity suppliers shall charge in the bill a Euro 100,00 fee for the subscription of the Rai television license. This amount shall be divided into ten instalments which, only in 2016, will be paid commencing 1st July 2016.

As specified by the law, the possession of a television receiver is presumed if electricity is supplied to the place where a

person legally resides and the fee is due once for all the televisions installed in the places where the person resides or lives with the persons belonging to the same family.

The amount of the instalments will be separately indicated in the invoice and will not be taxable. The amounts collected by the companies will be directly transferred to the tax authorities by means of a unitary payment.

As far as the provisions for the purchase of services by the public administration are concerned, the legislator has amended the Law Decree dated 6th July 2012, no. 95, converted with amendments by Law 7th August 2012, no. 135, containing “Urgent provisions for the review of public spending without effects on services to citizens, as well as measures to strengthen the capital of banks”.

This confirms that the public administration may award tenders even beyond the conventions or the framework agreements provided by Consip and the central regional commissions, provided they follow tenders from other central commissions or public tenders, and envisage, unlike the previous regulations, fees that are at least 3 per cent lower than the best fees indicated by Consip and the regional commissions.

Also confirmed, the provisions according to which the contracts entered into with the Public Administration should be terminated if conventions by the Consip or the central regional commissions become available, ensuring greater economic benefit (higher than 10 percent compared to contracts already signed) with the possibility for the contractor of adapting to the aforementioned fees. The contracts concluded in violation of this provision are null and void, constitute a case of professional misconduct and entail administrative liability.

Excise duties and VAT

Note of the Agenzia delle Dogane e dei Monopoli File no. 33058 RU dated 30th November 2015.

Following consultations with the Attorney General's Office, the Agenzia delle Dogane e dei Monopoli with Note no. 33058 RU of 30th November 2015 confirmed the approach illustrated in its previous note no. 121523 RU dated 14th November 2014, confirming that the excise duty for industrial uses envisaged for natural gas consumption in hospitals can be applied with effect from 31st July 2014, both for existing supplies and new supplies.

Therefore, the use of natural gas in hospitals is subject to excise duty, pursuant to art. 26 of Legislative Decree dated 26th October 1995, no. 504 - “Consolidated laws concerning taxes on production and consumption and related criminal and administrative penalties” with effect from that date, excluding the possibility of applying the tax break for the previous period.

Provisions of the AEEGSI

The main measures issued by the AEEGSI during 2015 are the following:

Update of the economic conditions of supply

1st quarter 2015

Natural gas

With Resolution 89/2015/R/gas dated 5th March 2015 the AEEGSI recalculated the reference tariffs for gas distribution and metering services for the years 2009-2013, based on some correction requests submitted within 16th February 2015. In addition, some minor errors are corrected in resolution 18th December 2014, 634/2014/R/gas.

With Resolution 90/2015/R/gas dated 5th March 2015 the AEEGSI determined the reference tariffs for gas distribution and metering services for the year 2014, based on the provisions of Article 3, paragraph 2, letter b), of the RTDG, calculated on the basis of the final balance sheet data for the year 2013.

With Resolution 550/2014/R/gas dated 10th November 2014, the AEEGSI introduced provisions relating to the retail marketing component (QVD) pursuant to art. 7 of the TIVG and in particular provides for the update of the QVD component with effect from 1st January 2015 and its subsequent review and structure.

Compared to the QVD levels in force until 31st December 2014, commencing 1st January 2015 the values of the variable rate (0.7946 Euro-cents/Standard Cubic Meter) have been confirmed, whereas the fixed rate has increased by 0.41 Euro/Redelivery Point for domestic customers (from 57.35 to 57.76 Euro/Redelivery Point) and 0.54 Euro/Redelivery Point for condominiums (from 75.32 to 75.86 Euro/Redelivery Point). With the same resolution, the AEEGSI, as concerns the valuations of the QVD: has recognised a level of unpaid ratio equal to 1.99% (instead of 1.89%), postponed the possible introduction of a different relationship between fixed and variable rate, subsequent to an effective assessment of the possible effects in terms of competition, and postponed the review of credit management costs until the biannual update of the QVD, that is from 1st October 2015.

With Resolution 634/2014/R/gas dated 29th December 2014, the AEEGSI approved the updating of tariffs for gas distribution and metering services for the year 2015 (components $\tau 1$ (dis), $\tau 1$ (mis), $\tau 1$ (cot) – amounting to 1.20 Euro/Redelivery Point/year and valid in all the tariff areas without distinction, by group – and $\tau 3$ (dis)).

According to art. 40.9 of the RTDG, commencing 1st January 2015, the components $\tau 1$ (dis) – to cover the capital costs related to the distribution service – and $\tau 1$ (mis) – to cover the operating and capital costs related to the metering service – are divided according to the following groups: measurement Group $\leq G6$; $G6 < \text{Measurement Group} \leq G40$; Measurement Group $> G40$.

With Resolution 672/2014/R/gas dated 29th December 2014, the AEEGSI updated the economic conditions of supply of the protection service, for the quarter from January to March 2015.

The updates published with such resolution concerned in particular: the C_{MEM} component (fixing its value at 7.466763 Euro/GJ); the $P_{FOR,i}$ element (element to cover the natural gas procurement costs); the QTV_t element (variable fee to cover the costs related to self-consumption gas, network leakage and gas not recognized); the λ element (percentage recognized with reference to network leakage and gas not recognized); the QTF_i element (fee to cover the costs of transportation of gas from the Virtual Trading Point to the transport network); the QT_{MCV} element (element to cover the surcharge elements of the CV variable coverage element applied within the transport service to the volumes placed on the network, upstream from the Virtual Trading Point); the QT_{PSV} element (element to cover the transportation costs from the Italian border to the Virtual Trading Point); the UG3 component (component to cover interruption charges), belonging to the mandatory tariff for distribution and measurement services.

With Resolution 675/2014/R/com dated 29th December 2014 the AEEGSI defined the values of the components for the coverage of general charges in accordance with the mandatory tariff of the distribution service and the values of the compensation of expenses incurred for the supply of natural gas. The updates published concern, in particular: the GS component; the RE component; the RS component and the UG_1 component. From 2015, the components above are amended with two separate rates to be applied to annual consumption up to 200,000 standard cubic meters and higher

than 200,000 scm.

With effect from 1st January 2015, the AEEGSI has calculated that a reference price of gas for the average customer, that is a family with independent heating and annual consumption of 1,400 cubic meters, is equivalent to 81.73 Euro-cents per cubic meter, including taxes, divided as follows: 38.59% for natural gas supply and related activities; 36.36% for taxes; 14.19% for distribution and metering; 3.80% for transportation; 1.04% for the gradual implementation of the gas reform and the mechanism of renegotiation of long-term supply contracts; 6.02% for retail sales.

Electricity

With Resolution **670/2014/R/eel dated 29th December 2014**, the AEEGSI approved the update, commencing 1st January 2015, of the values of the electricity tariff components. The updates published concern, in particular: the PCV component, the DISP_{BT} component and the RCV component.

With **Resolution 671/2014/R/eel dated 29th December 2014**, the AEEGSI approved the update of the values of the electricity tariff components and, for the quarter January-March 2015, of the supply economic conditions applicable to protected customers (components PE and PD and fees PED and PPE).

With **Resolution 675/2014/R/com dated 29th December 2014**, the AEEGSI approved the update, with effect from 1st January 2015, of the tariff components for the coverage of general charges and further components of the electricity sector. The updates published concern, in particular: the components A, A6, UC and MCT, as well as general expenses, additional components and the TS_{MAX} fee. Following the implementation of Law Decree 91/14, the differentiation in fees related to system costs of non-household LV users is also planned for:

- other LV users with available power up to 16.5 kW;
- other LV users with available power higher than 16.5 kW.

This diversification results in a reduction of fees related to components A3, A4 and UC3 for users with available power higher than 16.5 kW.

With effect from 1st January 2015, the AEEGSI has calculated a reference price of electricity for the average Customer equal to 18.72 Eurocents per kilowatt-hour (including tax), broken down as follows: 45.78%, for the cost of procurement of energy and retail sales; 17.58% for network services (transmission, distribution and measurement); 23.24% for general system costs, fixed by law; 13.40% for taxes including excise taxes and VAT.

2nd quarter 2015

Natural gas

With Resolution **129/2015/R/com dated 26th March 2015** the AEEGSI calculated that the reference price of gas for the average customer, that is a family with independent heating and annual consumption of 1,400 cubic meters, is equivalent to 78.46 Euro-cents per cubic meter, including taxes, divided as follows: 36.33% for natural gas supply and related activities; 1.08% for the gradual implementation of the reform of the supply economic conditions applicable to protected customers and the mechanism of renegotiation of long-term supply contracts; 6.27% for retail sales, 15.12% for distribution and measurement; 3.95% for transport and 37.25% for taxes.

With Resolution **131/2015/R/gas dated 26th March 2015**, the AEEGSI updated the supply economic conditions applicable to protected customers, for the quarter April-June 2015, as well as the components UG3 and UG3T.

The updates published with the Resolution concern in particular: the CMEM component (fixing its value at 6.693659 Euro/GJ); the $P_{FOR,t}$ element (element to cover the costs of natural gas supply); the QTVt element (variable fee to cover the costs related to self-consumption gas, network leakage and gas not recognized); the QT_{MCV} element (element to cover the surcharge elements of the CV variable coverage element applied within the transport service to the volumes placed on the network, upstream from the Virtual Trading Point); the UG3 component (component to cover interruption charges), belonging to the mandatory tariff for distribution and measurement services

With Resolution **147/2015/R/gas dated 2nd April 2015** the AEEGSI determined the temporary reference tariffs for the services of distribution and measurement of natural gas for the year 2015, in compliance with the provisions of article 3, paragraph 2, letter a), of the RTDG, calculated on the basis of the preliminary balance sheet figures as of 2014.

With Resolution **232/2015/R/gas dated 21st May 2015** the AEEGSI determined the extent of the contribution for the year 2015 by the companies operating in the sectors of electricity, gas and water for the activities of the Authority for electricity, gas and water system (AEEGSI).

With Resolution **253/2015/R/gas dated 29th May 2015** the AEEGSI determined the definitive reference tariffs for the services of distribution and measurement of natural gas in compliance with the provisions of article 3, paragraph 2, letter b), of the RTDG, for the year 2014 in relation to some localities, following the correction of minor errors detected in resolution 90/2015/R/gas.

With Resolution **280/2015/R/gas dated 12th June 2015** the AEEGSI extended to the year 2016 as well the rules in force for the years 2014 and 2015 concerning the determination of the tariff components $TEL_{t,c}$ and $CON_{t,c}$, pursuant to article 29, paragraph 1, of the RTDG, to cover the centralised costs for the meter reading/remote management system and the concentrators costs.

Electricity

With Resolution **130/2015/R/eel dated 26th March 2015**, the AEEGSI approved the updating, for the quarter from April to June 2015, of the economic supply conditions applicable to customers in the protected market (PE and PD components and PED and PPE fees).

With Resolution **129/2015/R/com dated 26th March 2015**, the AEEGSI approved the update, commencing 1st April 2015, of the values of the tariff components for the coverage of general charges and further components of the electricity sector. The updates published concern, in particular, the components A, UC and MCT, as well as general charges, additional components and the TSMAX fee. The value of the A6 component is confirmed.

With effect from 1st April 2015 the AEEGSI has calculated a reference price of electricity for the average customer, that is a family with an annual consumption of 2,700 kWh and a committed power capacity equal to 3 kW) equivalent to 18.516 Euro-cents per kilowatt-hour (including taxes), broken down as follows: 39.85% for the costs of energy procurement; 4.81% for retail sales; 17.90% for network services (transmission, distribution and measurement); 23.98% for general system costs and 13.45% for taxes.

3rd quarter 2015

Natural gas

With Resolution **304/2015/R/gas dated 25th June 2015**, the AEEGSI updated the economic supply conditions applicable to customers in the protected market for the quarter from July to September 2015.

The updates published with the Resolution concern in particular the C_{MEM} component (equal to 6.374672 Euro/GJ); the $P_{FOR,t}$ element (element to cover the costs of natural gas supply); the QTV_t element (variable fee to cover the costs related to self-consumption gas, network leakage and gas not recognised); the CPR component (which covers the mechanism for the renegotiation of long-term natural gas supply agreements), which has increased by 0.55 Eurocent/Smc, from 0.35 to 0.90 Eurocent/Smc and the UG3 component (component to cover interruption charges) belonging to the mandatory tariff for distribution and measurement services.

With Resolution **302/2015/R/com dated 25th June 2015** the values of the tariff components to cover general charges pursuant to the mandatory gas distribution tariff in force and further components were updated. The updates published, in particular, concern the components GS, RE, RS and UG1.

With effect from 1st July 2015, the AEEGSI has calculated that the reference price of gas for the average customer, that is a family with independent heating and annual consumption of 1,400 cubic meters, is equivalent to 77.70 Euro-cents per cubic meter, including taxes, divided as follows: 35.11% for natural gas supply and related activities; 1.80% for the gradual implementation of the reform of the economic conditions of the protected market service and the mechanism of renegotiation of long-term supply contracts; 6.34% for retail sales, 15.3 for distribution and measurement: 3.98 for transport; 37.46 for taxes.

Electricity

With Resolution **303/2015/R/eel dated 25th June 2015**, the AEEGSI approved the update, for the quarter July to September 2015, of the supply economic conditions applicable to customers in the protected market (components PE and PD and fees PED and PPE).

With Resolution **302/2015/R/com dated 25th June 2015**, commencing 1st July 2015, the AEEGSI approved the update of the tariff components for the coverage of general charges and further components of the electricity sector. The updates published have concerned in particular the components A, UC and MCT, as well as general charges, other components and the TSMAX fee.

With effect from 1st July 2015, the AEEGSI has calculated that the reference price of electricity for the average customer, that is a family with an annual consumption of 2,700 kWh and a committed power capacity equal to 3 kW, is equivalent to 18.43 Euro-cents per kilowatt-hour (including taxes), broken down as follows: 39.00% for the costs energy procurement; 4.83% for retail sales; 17.99% for network services (transmission, distribution and measurement); 24.71% for general system costs and 13.47% for taxes.

4th quarter 2015

Natural gas

With Resolution **455/2015/R/gas dated 28th** September 2015, the AEEGSI updated the economic conditions of supply for the protection service, for the quarter from October to December 2015.

The updates have concerned the CMEM component (fixing its value at 6.222100 Euro/GJ); the PFOR,t element (element to cover natural gas procurement costs); the QTVt element (variable fee to cover the costs related to self-consumption gas, network leakage and gas not recognised); the QTFi element (fee to cover gas transportation costs from the Virtual Trading Point to the transport network); the QTMCV element (element to cover the surcharge elements of the CV variable coverage element applied within the transport service to the volumes placed on the network, upstream from the Virtual Trading Point); the CPR component (which covers the mechanism for the renegotiation of long-term natural gas supply agreements), which has increased by 0.30 Eurocents/Smc, from 0.90 to 1.2 Eurocents/Smc.

Effective the same date, moreover, the provisions envisaged by Resolution 95/2014/R/gas dated 6th March 2014 (GRAD component) and Resolution **133/2015/R/gas dated 26th March 2015** came into effect for the thermal year 2015/2016 (CMEM, QT and CCR components).

With Resolution **451/2015/R/com dated 28th September 2015** the values of the tariff components for the coverage of general charges pursuant to the mandatory gas distribution tariff in force and further components were updated. The updates published, in particular, concern the components GS, RE, RS and UG1.

With effect from 1st October 2015, the AEEGSI has calculated that the reference price of gas for the average customer, that is a family with independent heating and an annual consumption of 1,400 cubic meters, is equivalent to 79.59 Euro-cents per cubic meter, including taxes, divided as follows: 33.62% for natural gas supply and related activities; 3.08% for the gradual implementation of the reform of the supply economic conditions applicable to protected customers and the mechanism of renegotiation of long-term supply contracts; 6.18% for retail sales; 14.95% for distribution and measurement; 4.17% for transport and 36.93% for taxes.

Electricity

With Resolution **454/2015/R/eel dated 28th September 2015**, the AEEGSI approved the update, for the quarter from October to December 2015, of the supply economic conditions applicable to customers in the protected market (the PE and PD components and the PED and PPE fees).

With Resolution **451/2015/R/com dated 28th September 2015**, the AEEGSI approved the update, commencing 1st October 2015, of the tariff components for the coverage of general charges and further components of the electricity sector. The updates published, in particular, concern the components A, UC and MCT, as well as general charges, other components and the TS_{MAX} fee. The value of the A6 component is confirmed.

With effect from 1st October 2015, the AEEGSI has calculated that the reference price of electricity for the average customer, that is a family with an annual consumption of 2,700 kWh and a committed power capacity equal to 3 kW) is equivalent to 19.06 Euro-cents per kilowatt-hour (including tax), broken down as follows: 39.33% for the costs of energy procurement; 4.67% for retail sales; 17.39% for network services (transmission, distribution and measurement); 25.28% for general system costs and 13.33% for taxes.

1st quarter 2016

Natural gas

With Resolution **661/2015/R/gas dated 28th December 2015**, the AEEGSI updated the supply economic conditions of the protection service, for the quarter from January to March 2016.

The updates published with this Resolution have involved the C_{MEM} component (fixing its value at 5.582285 Euro/GJ); the $P_{FOR,t}$ element (element to cover the natural gas procurement costs); the QTV_t element (variable fee to cover the costs related to self-consumption gas, network leakage and gas not recognised); the QTF_i element (fee to cover the costs of transportation of gas from the Virtual Trading Point to the transport network); the QT_{MCV} element (element to cover the surcharge elements of the CV variable coverage element applied within the transport service to the volumes placed on the network, upstream from the Virtual Trading Point) and the CPR component (which covers the mechanism for the renegotiation of long-term natural gas supply agreements), which has increased by 0.40 Eurocent/Smc.

With Resolution **657/2015/R/com dated 28th December 2015** the values of the tariff components for the coverage of general charges pursuant to the mandatory gas distribution tariff in force and further components were updated. The updates published, in particular, concern the components GS, RE, RS and UG1.

With effect from 1st January 2016, in addition, the updates of the QVD component envisaged by **Resolution 575/2015/R/gas dated 26th November 2015** came into force. This measure confirms a single value at national level for that component. Specifically, with respect to the value of the component in force until 31st December 2015: the fixed portion increases from 57.76 Euro/Redelivery Point to 58.83 Euro/Redelivery Point (+1.07 Euro/Redelivery Point), as concerns household users and from 75.86 Euro/Redelivery Point to 77.26 Euro/Redelivery Point (+1.4 Euro/Redelivery Point) as regards condominiums; the variable portion, instead, remains unchanged for both types of Redelivery Points and is equal to 0.7946 Eurocents/standard cubic meter as far as household users are concerned.

With effect from 1st January 2016, the AEEGSI has calculated that the reference price of gas for the average customer, that is a family with independent heating and an annual consumption of 1,400 cubic meters, is equivalent to 76.93 Euro-cents per cubic meter, including taxes, divided as follows: 31.58% for natural gas supply and related activities; 3.70% for the gradual implementation of the reform of the supply economic conditions applicable to protected customers and the mechanism of renegotiation of long-term supply contracts; 6.49% for retail sales; 18.26% for the services of distribution, measurement, transport, distribution equalisation, quality; 2.28% for general system costs and 37.69% for taxes.

Electricity

With **Resolution 660/2015/R/eel dated 28th December 2015**, the AEEGSI approved the update, for the quarter January to March 2016, of the supply economic conditions applicable to customers in the protected market (PE and PD components and PED and PPE fees).

With **Resolution 657/2015/R/com dated 28th December 2015**, the AEEGSI approved the update, with effect from 1st January 2016, of the tariff components for the coverage of general charges and further components of the electricity sector. The updates published with this Resolution have involved in particular the components A, UC and MCT, as well as general charges, other components and the TSMAX fee. The value of the A6 component is confirmed.

With Resolution **659/2015/R/eel dated 28th December 2015**, the AEEGSI approved the update of the prices and components relating to the sale of electricity (PCV, RCV, DISPbt).

With effect from 1st January 2016, the AEEGSI has calculated that the reference price of electricity for the average customer, that is a family with an annual consumption of 2,700 kWh and a committed power capacity equal to 3 kW) is equivalent to 18.84 Euro-cents per kilowatt-hour (including taxes), broken down as follows: 36.66% for the costs of

energy procurement; 7.99% for retail sales; 17.51% for the services of distribution, measurement, transport, distribution equalisation, quality; 24.47% for general system costs and 13.38% for taxes.

With Resolution **582/2015/R/eel dated 2nd December 2015** - "Reform of grid tariffs and tariff components to cover general system costs for electricity customers. Simultaneous updating of expense compensations for household customers in economic distress" - the AEEGSI initiated the reform process of the tariffs applied to household electricity customers. This process, in force since 1st January 2016, will end on 1st January 2018.

The measure envisages in particular:

the termination of the progressive structure of rates for grid services and general system costs as concerns low voltage household customers, in particular:

- ✓ Effective 1st January 2016, the progressive structure of the tariff components for transmission, distribution and metering services was reduced with respect to the volumes withdrawn, whereas the current division into groups remains unchanged;
- ✓ Within 1st January 2017, the progressive structure of rates for grid services will be definitively superseded and a gradual phase for the replacement of the progressive mechanism also as regards general system costs will be initiated as well.

The tariff structure affected by the resolution, in fact, requires the application of two different structures *characterised by the progressive nature of the fees based on consumption, that is the D2 tariff for low voltage supplies for domestic use at the registered residence with committed power capacity up to 3 kW and the D3 tariff for all other supplies not covered by the D2 voltage tariff.*

the review of power capacity levels and the costs for level change:

- ✓ *Effective 1st January 2017, in order to ensure that customers benefit from greater choice, the intermediate power levels will be increased compared to those currently in place;*
- ✓ *with effect from the same date, the connection contributions and the fixed charges that the customer will be required to pay in order to change the contractual power level if the change is remotely performed by the distributor, will be reset for at least 24 months;*

update of the social bonus values with effect from 1st January 2016, to be defined in a subsequent ruling;

introduction of new provisions on heat pumps trial tariffs:

- ✓ *extension until 31st December 2016 of the deadline within which customers can join the D1 tariff probationary period;*
- ✓ *launch of a consultation phase for the purposes of extending the D1 tariff probationary period to other household customers;*

further obligations under the scope of the sellers: the resolution makes reference to subsequent regulations as regards the further obligations under the scope of the sales companies. In particular, the maximum monthly amount of power withdrawn shall be made available to domestic customers, and the status of registered residence for household customers with power higher than 3 kW shall be identified, because, according to the AEEGSI, it is not properly tracked.

Other provisions of the Natural Gas Sector

With Resolution 57/2015/R/gas dated 19th February 2015, the AEEGSI approved the procedures for the collection, storage and processing by the Authority of the tender documents submitted to the Authority by the awarding entities, pursuant to the provisions of Article 9, paragraph 2 of decree no. 226/11, aimed at preserving, among other things, the confidentiality of the information and data contained in the tender documents.

With reference to the consultation document 251/2014/R/gas, the AEEGSI, with Resolution **117/2015/R/gas dated 19th March 2015** defined the “Reform of the regulations governing the measurement of the distribution network's redelivery points, implementing legislative decree 102/2014”.

This reform has introduced important innovations as concerns the collection and availability of the data by the distribution companies, self-reading procedures and changes in switching time.

Specifically, with regard to the Redelivery Points not equipped with smart meters, the following requirements have been issued:

- the redefinition of consumption categories with effect from 1st January 2016 (with the introduction of an additional category for consumption higher than 1,500 standard cubic meters/year and up to 5,000 standard cubic meters/year for which the Distributor will be required to ensure at least three reading attempts per year);
- the definition of the relevant reading periods for each annual consumption category, within which the distributor is required to perform reading attempts covering in each case at least 80% of the period (commencing 1st January 2016 for the Redelivery Points with annual consumption up to 500 standard cubic meters/year, the relevant period is one year; for the Redelivery Points with annual consumption higher than 500 standard cubic meters/year and up to 1,500 standard cubic meters/year, the relevant periods shall be: April to October and November to March; for the Redelivery Points with annual consumption higher than 1,500 standard cubic meters/year and up to 5,000 standard cubic meters/year, the relevant periods shall be: November to January, February to April, May to October; for the Redelivery Points with annual consumption higher than 5,000 standard cubic meters/year, the relevant period is equal to one month).
- effective 1st January 2016, the distributor will be required to perform, in case of Redelivery Points which are not accessible or partially accessible, a further reading attempt following two consecutive unsuccessful attempts and lack of validated self-readings;
- the confirmation of the obligation, commencing 1st September 2016, to perform the attempt to read the newly-activated Redelivery Points with consumption up to 5,000 standard cubic meters/year within 6 months of activation;
- the confirmation of the obligation for the distributor to adopt, for the purposes of measurement validation, the unified national algorithm defined by the AEEGSI.

As concerns the Redelivery Points equipped with smart meters, the following provisions apply:

- the extension of the mandatory monthly reading, with daily details, already required for Redelivery Points whose class is higher than or equal to G40;
 - the execution, commencing the first day of the fourth month following the commissioning, of at least three attempts to collect the monthly measurement data;
 - the introduction of the obligation to perform at least three attempts to record the measurements relating to the month M, in the event of an unsuccessful attempt, together with the metering of the M+1 month.

The deadline for making available the measurement data and any corrections has also changed, as well as the regulations on remote-reading management with the introduction, in particular, of the obligation for the Seller to

provide end customers with a self-reading collection system, regardless of the consumption level and the type of market for the Redelivery Points not equipped with smart meters, whereas for the Redelivery Points equipped with smart meters, only in the event of suspected/ascertained malfunction of the measurement group or in the presence of written complaints regarding the measurement or repeated billings based on estimates.

Finally, the resolution above has amended Resolution 229/01 (relating to the contractual conditions of the gas sale service applicable to customers who are entitled to the protection service), Resolution 138/04 (relating to switching technical data management procedures and any requests for the correction of the measurement data submitted), Resolution 631/2013/R/gas (in relation to the commissioning of gas metering equipment), as well as resolution 574/2013/R/gas – RQDG (concerning the quality indicator related to the collection of measurements and measurement frequency for accessible meters, as well as the methods for charging the automatic compensation in the event of non-compliance with the measurement frequency envisaged for accessible meters).

With Resolution **162/2015/R/gas dated 9th April 2015**, the AEEGSI requires the Users accredited for the SII, in their capacity as distribution companies, both for the electricity and the gas sectors, and in their capacity as providers for the protected market - serving over fifty thousand pick-up/redelivery points - to adopt a Porta di Comunicazione (PdC – Communication Port) for the implementation of the processes managed by the system.

With Resolution **276/2015/R/gas dated 9th June 2015**, the AEEGSI approved urgent provisions in relation to the outcomes of the first adjustment session announced in May.

With Resolution **291/2015/R/gas dated 18th June 2015**, the AEEGSI initiated a procedure for reviewing the timing relating to the equalisation mechanisms for the natural gas distribution and measurement services and for the adoption of measures concerning adjustments of the data transmitted for the purposes of equalisation, in order to make the relevant provisions of the RTDG consistent with the provisions relating to equalisation managed by the Cassa conguaglio per il settore elettrico for other services of sectors under the scope of the AEEGSI.

With Resolution **336/2015/R/gas dated 9th July 2015** - “Update of percentage values necessary for the definition of the standard pick-up profiles for the thermal year 2015-2016” - the AEEGSI determined the updating of the percentage values of the benchmarks necessary to define the standard pick-up profiles for the thermal year 1st October 2015 – 30th September 2016, pursuant to article 5.3 of the TISG (Consolidated Law on Gas Settlement).

With Resolution **373/2015/R/gas dated 23rd July 2015** the AEEGSI corrected some minor errors found in the RTDG with reference to the provisions on the GS component of the mandatory tariff pursuant to Article 40, paragraph 3, letter c), RTDG, to cover the tariff compensation system for economically disadvantaged customers, and the formula of the restriction on the revenues to cover location costs related to the distribution service, pursuant to Article 35, paragraph 1, RTDG.

With Resolution **396/2015/R/gas dated 30th July 2015**, the AEEGSI amended the timing relating to the equalisation mechanisms for the natural gas distribution and measurement services, and introduced provisions on the adjustments of the data transmitted to the Cassa conguaglio per il settore elettrico for the purposes of equalisation.

With Resolution **407/2015/R/gas dated 30th July 2015**, the AEEGSI amended Resolution 310/2014/R/gas. In particular, these amendments are attributable, on the one hand, to the innovations in the transfer of network portions for consideration by the outgoing operator to the incoming operator, introduced by the Decree of the Minister of Economic Development and the Minister for Regional Affairs and Autonomy dated 20th May 2015, no. 106, published in the Official Gazette of 14th July 2015, which approves the Regulation amending the Decree dated 12th November 2011, no. 226, concerning the tender criteria for the award of the natural gas distribution service (hereinafter: Decree 20th May 2015), and on the other hand the introduction of the possibility for the awarding entities, following a reasoned request and with a view to administrative streamlining, of presenting data on the Residual Industrial Value and the RAB, to be used in gap assessments by the Authority, pertaining to 31st December of the year t-2 .

With Resolution **427/2015/R/gas dated 3rd September 2015** – “Review of the method for calculating the conversion coefficient of the volumes measured for natural gas in the redelivery points where G6-class meters or lower are installed” - the AEEGSI introduced the review of the method for calculating the conversion coefficient of the volumes of gas measured pursuant to Article 6 of the RTDG (that is for the redelivery points with a relative measurement pressure equal to or less than 0.025 bar, only equipped with apparatuses for the correction of gas taken at standard temperature and characterised by a difference in height lower than/equal to or higher than 150 m. between the ground where the buildings served by the same Redelivery Points are located and the altitude above sea level of the Municipality where the Redelivery Point is located).

The new calculation methods will enter into force commencing 10th January 2016 and a transitional period during which the Distributors may optionally calculate the coefficient according to the new methods will be granted. In conclusion, the distributors will be required to communicate to vendors that the method for calculating the value of the coefficient C in the redelivery point has changed by using dedicated information channels.

With Resolution **460/2015/R/gas dated 14th October 2015** - “Update, with effect from 1st January 2016, of the components to cover the costs arising from the insurance in favour of the end users of the gas distributed via local gas pipelines and transport networks” - the AEEGSI updated, with effect from 1st January 2016:

- the value of the annual fee to be charged to the end customer, equal to 0.20 €/Redelivery Point/year;
- the cost per insured Redelivery Point (Cp element) incurred by the sellers, equal to 0.60 €/Redelivery Point/year.

Both values, therefore, register a decrease as compared to the previous, amounting to 0.05 €/Redelivery Point/year.

With Resolution **554/2015/R/gas dated 20th November 2015** – “Provisions on gas smart meter commissioning requirements and amendments and supplements to the RTDG” - the AEEGSI updated the obligations and the penalties envisaged for the commissioning of gas smart meters.

With regard to G4 and G6-class smart meters, the measure envisages:

- new commissioning requirements for the years 2016-2017 (15% in operation in 2016 and 33% in operation in 2017) and reduction in the commissioning rate with effect from 31st December 2018 from 60% to 50% for companies which had more than 200,000 end customers as of 31st December 2013;
- a new requirement for the commissioning of 33% of smart meters commencing 31st December 2018 for companies with a number of end customers between 100,000 and 200,000 as of 31st December 2014;
- a new requirement for the commissioning of 8% of smart meters commencing 31st December 2018 for companies with a number of end customers between 50,000 and 100,000 as of 31st December 2015;

- that the distribution companies cannot use the remote management of the solenoid valve until the end of the year following the year of commissioning.

As far as G10-class smart meters are concerned, the resolution provides for the commissioning of 100% of meters by 31st December 2018 (50% in operation as of 31st December 2016 and 85% by 31st December 2017).

With regard to the calculation of penalties in cases where the objectives have not been achieved:

- for smart meters lower than G40, a 2% attenuation of the penalty has been introduced;

- G16-G25 classes are understood as belonging to a single class, applying a penalty of Euro 17.00 per unit.

With Resolution **583/2015/R/gas dated 2nd December 2015**, the AEEGSI approved the criteria for determining and updating the rate of return on invested capital for infrastructure services of the electricity and gas sectors (2016-2021 TIWACC), which are applied in the period 1st January 2016 - 31st December 2021.

The resolution defines the methods for determining and updating the rate of return on invested capital (WACC) for the infrastructure services of the electricity and gas sectors, unifying all parameters except those that are specific to individual services, including the b parameter, which expresses the specific non-diversifiable risk level of a single service, and the weight of equity and debt capital employed for the weighting (D/E ratio).

The revision of the method has been proposed in order to establish a more transparent and predictable regulatory framework, while ensuring uniformity in the WACC calculation criteria and avoiding that differences in the rates of return of individual infrastructure services regulated in the two sectors depend on the specific conditions of the financial markets in the period considered for determining the rate of return on risk-free activities.

The resolution establishes that the regulatory period of the rate of return on invested capital for the infrastructure services of the electricity and gas sectors (PWACC) is six years (2016-2021), and envisages an update mechanism - at mid-year - that, in a predictable and transparent manner, allows adjustments in the rate based on the economic trend.

With the measure, the Authority has approved the Annex listing the “Criteria for determining and updating the rate of return on invested capital for infrastructure services of the electricity and gas sectors for the period 2016-2021 (TIWACC 2016-2021)” and, in order to ensure consistency with the current regulations for the gas sector, it has changed the provision for the determination of the re-gasification (RTRG), transport (RTTG), distribution (RTDG) and storage (RTSG) tariffs, in connection with the methods for determining and updating the WACC.

The TIWACC, in particular, contains the formula for determining the WACC and its updating, considering the various parameters that make it up: the real rate of return on equity (based on the rate of return on risk-free activities, the level of inflation, the total market return (TMR) and the country risk premium (CRP); the effective cost of debt; the theoretical rate of incidence of taxes on the profit for the year; the tax rate for the calculation of the tax shield of the financial charges; the gearing level for the regulated infrastructure service; the adjustment factor to cover taxes on nominal profits.

In addition, it identifies the specific parameters of the different services with reference to the gearing level (the ratio of debt capital and the sum of equity and debt capital) and the b parameter (the measure of systematic risk non-diversifiable for each service) in force since 1st January 2016 (with the exception of b parameters related to the electricity sector, that will be determined shortly in the context of the review of the regulatory period).

The Attachment therefore contains the tables with the specific values of the basic WACC parameters, the gearing level, the b parameter and the WACC.

The new criteria are applied since 1st January 2016 until 31st December 2021.

In order to implement the new method, in the three-year period 2016-2019, the WACC is set at 6.1% for the natural gas

distribution activity and at 6.6% for gas measurement activities.

With Resolution **627/2015/R/com dated 17th December 2015**, the AEEGSI defined the procedure according to which delinquency charges shall be recognised separately for the sector of electricity and natural gas and for the sector of the integrated water service with reference to supplies intended for the populations affected by the earthquakes occurred on 20th May 2012 and the following days.

Other provisions of the Electricity Sector

With Resolution **161/2015/R/eel dated 9th April 2015** – “Amendments to the provisions of Annex A of AEEGSI Resolution 398/2014/R/eel in relation to the collection of measurement data upon the transfer of electricity contracts”- the AEEGSI introduced new obligations for the distribution companies, including:

- the obligation to record measurement data at the date of contract activation for each non-hourly POD, also through the repetition of acquisition attempts;
- the obligation to repeat the attempt to acquire the measurement data within the deadline envisaged for providing the data if the record attempt at the date of contract activation is unsuccessful;
- the obligation to process the measurement data recorded at the date of contract activation according to the pro quota die principle;
- the obligation to estimate and validate the data in the event of unavailability of the measurement;
- the obligation to provide the user of the dispatching associated with the commercial counterparty and simultaneously the Integrated Information System (SII) with the measurement data recorded within 5 working days of the contract activation date.

With reference to the consultation pursuant to DCO 259/2015/R/eel, with Resolution 402/2015/R/eel dated 30th July 2015 - “Regulations on the management of measurement data in the Integrated Information System with reference to the pick-up points not handled on an hourly basis” - the AEEGSI ordered the start of the probationary period for making available through the SII the flows containing the non-hourly measurement data transmitted by the distribution companies, according to the terms and deadlines established by the Integrated Text of the provisions for the supply of the electricity metering service (TIME).

Resolution **419/2015/R/eel dated 6th August 2015** - “Entry into force of the process for the transfer of electricity contracts within the Integrated Information System for the electricity sector” - established that, with effect from 1st January 2015, the process for the transfer of electricity contracts shall be managed definitively within the SII. This process started subsequent to an experimentation phase implemented between April and July 2015, during which the proper functioning of the process and the reliability of the SII were tested.

Following the feedback received as concerns the consultation of Resolution 547/2013/R/com, the AEEGSI, with Resolution 487/2015/R/eel - “Reform of the switching process in the electricity retail market” - has defined the switching process through the use of the SII in the event of active pick-up points, together with the management of contract resolution and the activation of services of last resort.

Please find below the main innovations introduced by the measure:

- the amendment to the market structure according to which the SII is in charge of the switching, both in the event of change of provider and activation of last resort services;
- the reduction in switching time: it will be possible to apply for switching, which will be effective on the first day of the month, up to the 10th day of the previous month;
- the definition of a single process, with undifferentiated timing, both in the case in which the Seller decides to make use of conditional switching, and in the case in which the Seller decides not to use it;
- confirmation that the distributor is responsible for providing the measurement data and the data necessary to start the supply, as well as the outcomes of the powering-up and powering-down of PODs.

Finally, the measure defines the process implementation schedule and the deadline for the definitive entry into force of the reform, envisaging a first phase for testing the proper operation of the process, subsequent to which, commencing 1st May 2016, the switching related to non-domestic end customers will be managed by the SII and, commencing 1st June 2016, the switching related to all customers will be managed by the SII.

Following the guidelines set out in DCO 547/2013/R/com on the reform of the processes necessary for the management of end customers within the SII, as well as the provisions of resolutions 98/2014/R/eel and 487/2015/R/eel, which have defined, respectively, the provisions for the implementation and management of the switching and transfer processes for the electricity sector in the SII, with Resolution 628/2015/R/eel dated 17th December 2015 - “Provisions concerning the extension and update of the data contained in the Official central registry of the Integrated information system, with reference to the electricity sector” - the AEEGSI extended and updated the information content of the Official central registry (RCU).

In particular, the update mode of the data in the RCU has been redefined and the content of the data associated with each pick-up point has been standardised.

The purpose of the resolution is to simplify the exchange of information related to contract termination, the provision of the data necessary to start the supply and the activation of the protected category services managed in the switching and transfer processes within the SII. The new data update mode will be active with effect from 1st October 2016.

Following a lengthy consultation process that has entailed the publication of the documents 5/2015/R/eel, 48/2015/R/eel, 415/2015/R/eel and 544/2015/R/eel, the Regulator with Resolution 646/2015/R/eel dated 22nd December 2015 approved the “Integrated Text of the output-based regulation of electricity distribution and metering services for the 2016-2023 regulatory period” (new TIQE), effective from 1st January 2016.

The AEEGSI has established that the previous TIQE (2012-2015 regulatory period), will continue to apply until 1st January 2017 if necessary for the implementation of the new TIQE and as regards the items pertaining to the year 2015 relating to the adjustment of the bonuses-penalties based on the duration and number of outages without prior notice, as well as the individual adjustment for MV users and prolonged or extended outages.

The new TIQE is composed of three parts:

Part I – Regulation of service continuity and voltage quality;

Part II – Regulation of specific and general commercial quality levels;

Part III – Selective promotion of investments in the distribution networks.

The main innovations introduced by the Text, as regards the sales companies, are the following:

- faster implementation of services requested by customers regarding estimates and execution of works;
- extension of quick estimate services under the scope of the seller.

With Resolution **654/2015/R/eel dated 23rd December 2015** - “Tariff regulation for transmission, distribution and metering services for the 2016-2023 regulatory period” - the AEEGSI approved the following new Texts, valid for the 2016-2019 regulatory period: Integrated Text for the provision of electricity transmission and distribution services (TIT); Integrated Text for the provision of electricity transmission and distribution services (TIME); Integrated Text for the economic conditions for the provision of the connection service (TIC).

The resolution, which follows a long consultation process, has extended the regulatory period to eight years (2016-2019), then dividing it into two sub-periods of four years each (2016-2019 and 2020-2023). Among the most interesting changes introduced by the resolution, the definition of tariffs for the connection services envisaged by the TIC which establishes:

- the updating of the unit amount of fixed contributions to cover administrative charges, which was set for the year 2016 at € 27.03;
- the updating of the power Quota value (that is the amount due for each kW of power made available) which was set for the year 2016 at € 69.36 in the case of LV supply and € 55.21 in the case MV supply;
- the update for the year 2016 of the contributions for other specific services, such as:
- the contribution for activations and deactivations as a result of non-payment, the recurring reconnection and disconnection of seasonal utilities, equal to € 26.29;
- the contribution for the requests to transfer the metering equipment within a radius of 10 meters from its previous location, amounting to € 199.20;
- the contribution for the requests to verify the correct operation of the metering equipment, amounting to € 48.69;
- the contribution for the requests to verify supply voltage, equal to € 48.69.

Natural Gas and Electricity Sector

Taking into account the outcome of the consultation, including the ordinary hearings held on 11th and 12th November 2014 and the Third National Conference on the regulation of water services held on 24th November 2014, by Resolution 3/2015/A dated 15th January 2015 - “Strategic framework of the Authority for electricity, gas and water for the four-year period 2015 - 2018”- the AEEGSI adopted the Strategic Framework for the years 2015-2018.

The new Strategic Framework contains the guidelines and objectives which, as far as the energy sector is concerned, can be summarised in:

- selective development of infrastructure investments;
- with reference to the retail market, the reform of the current price protections with a progressive revision of the scope of price protection for the different user categories;
- greater responsibility of the distributor and the seller in case of arrears, by improving credit management and protection for the seller, safeguarding the end user with respect to improper actions of the supplier and defining a network code relating to the relationships between seller and distributor that also includes aspects concerning billing and guarantees.

With Resolution **86/2015/E/com dated 5th March 2015** – “Establishment of the National Register of market operators pursuant to art. 9 of EU Regulation no. 1227/2011 of the European Parliament and of the Council of 25th October 2011, on wholesale energy market integrity and transparency (REMIT)”- the AEEGSI made available, as of 17th March 2015, the national Register of market Operators.

This register, set up pursuant to art. 9 of the REMIT - European Regulation on wholesale energy market integrity and transparency, is available on the Authority's website.

The measure requires those operators active in organised wholesale electricity and natural gas markets to register within 7th October 2015.

With Resolution 200/2015/R/com dated 30th April 2015 – “Bolletta 2.0: approval of the Glossary and definition of the aggregation level of the amounts billed to end customers served in the protected market. Amendments to Resolution 501/2014/R/com” - the AEEGSI defined the aggregation level of the amounts billed to gas and electricity end customers falling within the scope of the protected market and approved the Glossary of electricity and gas bills.

Taking into account the feedback from the consultation 61/2015/R/com, the AEEGSI has also introduced some amendments/additions to the provisions contained in resolution 501/2014/R/com, as concerns “Bolletta 2.0” (the new Bill) and in particular:

- it has clarified that Bolletta 2.0 should be applied to all customers classified as households, domestic condos, entities for public services or other uses, which have an overall annual consumption of less than 200,000 standard cubic meters/year (therefore including multi-site customers);
- two additional items have been included in the concise bill: the REMI code and the class of the meter;
- further specifications have been defined regarding the recalculations;
- some new details about the average cost of supply (definition, calculation and presentation) have been defined;
- the methods to illustrate fiscal charges have been clarified in the concise bill, as well as the unit prices in the detailed elements for the protection market.

Finally, the entry into force of Bolletta 2.0, originally scheduled for 1st September 2015, has been postponed; the new regulations shall apply to invoices recording consumption of electricity or gas occurred after 1st January 2016.

Subsequent to the feedback arisen from the consultation DCO 477/2014/R/com, with Resolution 258/2015/R/com - “First actions against delinquency in the retail electricity and natural gas markets and revision of switching timing in the natural gas sector” - the AEEGSI modified the regulations concerning arrears in the sectors of electricity and natural gas, the switching process in the natural gas sector as well as the regulations on payment in instalments.

With regard to the regulations concerning arrears, the Gas Delinquency Integrated Text - TIMG (Annex A of Resolution ARG/gas 99/11) has been amended, while for the electricity sector the new Electricity Delinquency Integrated Text (TIMOE) has been approved, replacing Annex A of Resolution 04/08.

Please find below the detail of the main changes introduced by the measure which, unless otherwise specified, refer to both sectors:

• Issuance of a formal notice of default

The measure clarifies that it is necessary to place in default the customer for all the unpaid bills. In relation to the electricity sector, this clarification is related to the amendment made to the Integrated Text of energy distribution and metering equipment Quality (TIQE) which specifies that the reactivation following a suspension for arrears is subject to the payment of each invoice that had entailed the request for suspension. The minimum information that

the formal notice of default should contain, moreover, remains virtually unchanged, except for the fact that it is no longer necessary to explicitly mention the Euro 20,00 compensation.

In addition, if in the preceding 90 days a supply suspension request is sent due to non-payment, the payment deadline specified in the letter of formal notice can be halved.

• Suspension and interruption capacity (gas sector)

if the weekly residual suspension capacity is fully allocated, the Distributor can now offer, since 1st September 2015, an additional suspension capacity.

The price of the service cannot in any case be 30% higher than the price of the related closing service.

• Interruption of supply (electricity sector)

the Resolution has introduced, as for the gas sector, the Interruption of the supply. If suspension is not possible, in cases where the distributor indicates that it is technically and economically feasible to interrupt the POD, the seller/transport user may request the interruption.

Before they interrupt the supply, the sellers/commercial counterparts are required to send the customer by registered mail, at least 10 days prior to the request, a communication containing – among other things – the highest cost estimate for the intervention.

• Reactivation following suspension for non-payment

in cases where the closing is successful and following the payment by the end customer of the amounts due for all the bills that had entailed the suspension request or a proof of payment, the seller shall immediately request the distributor to reactivate the service.

• Automatic compensations in favour of the sellers

if the distributor fails to comply with the deadlines for the services, the distributor is now required to compensate the seller/transport user, in proportion to the delay.

• Payment in instalments

The customers served in the protected market have more time to request payments in instalments pursuant to art. 10 Resolution 229/01 and art. 12Bis of the TIVG. The payment in instalments of the total bill amount may be requested no later than 10 days from the due date; according to the previous regulation, instead, the request had to be filed within the bill due date.

• Switching (gas sector)

With effect from 1st January 2016, the seller is required to send the distributor the switching request no later than the 10th day of the month prior to the month in which the switching becomes effective and no longer, according to the deadlines provided for by art. 28 of Resolution 138/04, by the 20th day of the second month before the month in which the switching becomes effective. This timing also includes the conditional switching request. In conclusion, the information that the distributor is required to submit to the incoming seller that avails itself of the possibility of exercising the conditional switching have been supplemented.

• Supplement to the default service regulations (gas sector)

In order to facilitate the legal proceedings aimed at physically powering down the point, the seller is now required to send the distributor the documentation proving the breach of contract by the customer - within 15 days of obtaining the administrative termination for non-payment if the interruption is not possible.

• Contractual clauses

The seller is required to supplement the contractual clauses with other specific clauses in order to adapt them to the

changes introduced by the measure.

With Resolution **269/2015/R/com dated 4th June 2015** - “Further measures to adapt the code of business conduct and the regulation to the Legislative Decree 21/2014” - the AEEGSI further adapted the current regulations to the new provisions of the Code of Consumption introduced by the national legislature with legislative decree 21/02/2014, no. 21. In particular, the Code of Business Conduct (Annex A, Resolution ARG/com 104/2010) and the Integrated Sales Text (Annex A, Resolution 301/2012/R/eel – TIV) have been amended and further provisions have been introduced concerning the right of withdrawal.

The main changes introduced by the measure are the following:

- clarification on how to illustrate the service prices, that can either include or exclude taxes, as long as a specific note is inserted;
- the addition of the pre-contractual information to be provided to the domestic consumer in the event of distance or off-premises agreements and disclosure of the mandatory information;
- definition of the regulations governing the right of withdrawal after the request for the finalisation of the contract;
- as concerns the amounts due to the seller if the right of withdrawal is exercised after the request for the finalisation of the contract, a compensation must include the costs of the supply due for the period between the finalisation of the supply and the termination date.

With Resolution **296/2015/R/com dated 22nd June 2015** – “Provisions concerning unbundling obligations for the electricity and gas sectors” - following an extensive consultation process, the AEEGSI approved the new Unbundling Integrated Text – TIUF.

The most significant innovations were the following:

- **Notion of vertically integrated company**
in accordance with the European Directives 2009/72/EC and 2009/73/EC and Legislative Decree no. 93/11, a definition of vertically integrated company has been adopted which includes the cases in which control is exercised by individuals or by public bodies that are even non-economic in nature.
- **Simplification of requirements for operators with less than 100,000 customers**
Minimum unbundling requirements have been established (appointment of an independent manager, corporate separation) as well as the exemption from the obligation to prepare the Compliance programme, the Annual report on the measures taken and to appoint the compliance supervisor.
In addition, it is specified that the corporate scope should be identified on the basis of the total number of redelivery points belonging to the customer served referred to each sector in which the vertically integrated company operates.
- **Unbundling for operators with more than 100,000 customers**
The requirements have been strengthened; in addition appointing an independent manager, the companies are also required to appoint a compliance supervisor and to send the AEEGSI each year the Compliance programme.
All the distribution companies are required to prepare this programme, regardless of their size.
- **Separation of the communication policy and brand**
the obligation presented in DCO 77/2015/R/com has been confirmed. It envisages that the brand and the

communication policy shall be separated for the distribution and the sales companies and, as far as the electricity sector is concerned, the separation also applies to the sales companies in the free market with respect to those in the protection market.

Not only does the separation obligation affect the brand, but also each distinctive element of the company containing visual, phonetic and conceptual elements suitable to create an association with the sales branch of the vertically integrated company.

• Processing of sensitive information

Distributors, regardless of their size, are required to process sensitive information confidentially, by making use, where possible, of the instruments made available by the AEEGSI, first of all the SII.

• Implementation timing

the provisions of the TIUF have immediate effect. At the latest, the companies are required to comply with the new provisions before 1st January 2016. The fulfilment of the obligations regarding brand and communication policies separation shall be guaranteed within 30th June 2016, whereas the obligation to separate the commercial activities related to the distribution companies and the customer interface requirement shall be complied with by 1st January 2017.

With Resolution **330/2015/R/com dated 10th July 2015** – “Bolletta 2.0 for the protected market: approval of the guide to the reading of the bill and the criteria for the definition of the concise bill template” - the AEEGSI approved the guide to the reading of the expense items and the criteria for the definition of the concise bill template for electricity and gas customers served in the protected market. The sellers that offer the protection service will be required to publish and update the reading guide on their websites, by reproducing the identical information items published on the Authority's website or, alternatively, by linking the Authority's web page to their websites.

In the same resolution the AEEGSI has entrusted the Directorate for consumers, conciliation and arbitration with the creation of a concise bill template, with the clarification that this document is not a facsimile of the bill; the companies are free to design their own layout.

Following DCO 272/2015/R/gas, the AEEGSI, with Resolution **418/2015/R/com dated 6th August 2015** – “First implementations concerning the Integrated Information System for the natural gas sector and changes in the field of accreditation of the commercial counterparties for the electricity sector” - approved the first implementations in the field of accreditation to the Integrated Information System (SII) of the commercial counterparties for the gas sector, as well as the extension of the monthly and annual master data pre-check and management service within the SII.

The resolution above also introduces changes to the accreditation process of the Seller for the electricity sector.

Specifically, the resolution provides that the authorised sellers of natural gas are required to be accredited to the SII in their capacity as commercial counterparties of the end customer with effect from 1st December 2015.

The resolution specifies that in cases where the distribution user is different from the commercial counterparty, the latter is required to update the list of the combinations as a result of switching or activation of Redelivery Points.

On 15th January 2016, the pre-check service, already active in the electricity sector, was extended to the natural gas sector, while, with effect from 1st July 2016, the SII will communicate to each seller, six days before the end of each month at the latest, their monthly master data (the list of the points under their scope with reference to the next month, the relevant data making up the Official Central Register, the list of points no longer under their scope, for the following month) and by 31st July each year, the annual consumption.

Another innovation is the possibility for the sellers of querying the SII, as from 1st July 2016, and accessing all the data contained in the Register (RCU), for the points under their scope.

With Resolution **440/2015/E/com dated 17th September 2015** - “Completion of the survey on invoicing of electricity and natural gas supplies to small-sized customers” - the AEEGSI closed the study launched with resolution 542/2013/E/com on the invoicing of electricity and natural gas supplies to small-sized customers.

The investigation had been initiated in view of the many complaints filed by the end customers at the energy consumer office regarding invoicing, both as concerns the electricity sector and the natural gas market. The survey was conducted by collecting data and information from sellers and through inspections.

The main findings of the verifications have confirmed the existence of a number of critical aspects affecting the entire market, such as:

- the presence of non-remote meters in the electricity sector (in the second half of 2013, they were about 2% of the total, approximately 750,000) and failures in the remote reading for about 4% of those meters that are managed remotely;
- measurement data not received within the deadline and high incidence of estimated values;
- the fact that the sellers prioritise their billing cycles, even at the expense of the number of bills based on actual consumption;
- failure to comply with billing frequency;
- the end consumer shows active behaviour in the market, not always adequately appreciated.

With Resolution **507/2015/R/com dated 29th October 2015** - “Application of self-auditing procedures to the unbundling provisions for the electricity and gas sectors” - the AEEGSI clarified the application of the self-auditing procedures with reference to unbundling provisions, reformed by resolution 296/2015/R/com.

First of all, it is clarified that the purpose of the self-auditing procedure is to verify if every individual proposal for the application of self-auditing procedures is suitable to validate the fulfilment of the purposes implied in unbundling provisions, as well as to identify certain unbundling obligations or independence requirements for the manager components, in place of which the company may apply the aforementioned procedure.

The resolution has also extended until 30th November 2015 the deadline for the submission of procedure proposals by the companies. In addition, the measure also specifies that the companies may also, commencing the submission date, apply the procedures on an experimental basis, and that they may also jointly request temporary exemptions from the provisions of the TIUF, except if these exceptions relate to obligations already provided for in the previous regulation of the TIU or regulations contained in EU and national laws.

With Resolution **522/2015/E/com dated 5th November 2015** - “Start of the procedure for the adoption of the legislation governing alternative dispute resolution procedures for litigations between end-customers and/or end-users and operators, in the sectors under the jurisdiction of the Authority for electricity, gas and water - European ADR” - in implementation of Legislative Decree no. 130/15 which implements Directive 2013/11/EU on alternative dispute resolution for consumers, a procedure was initiated for the adoption of the Regulations on alternative dispute resolution procedures for litigations between operators and end-customers, to be concluded by 30th June 2016. The decree above in fact mandates the attempt to settle the dispute, bestowing on the Authority the power to regulate the procedure with

its own measures.

Following the observations emerged as regards the DCO 468/2014/R/com and 388/2015/R/com, with Resolution 584/2015/R/com dated 4th December 2015 – “Approval of additional protection measures for domestic customers benefiting from social bonuses for electricity and/or gas” - the AEEGSI strengthened, commencing 1st July 2016, the regulations on electricity and gas bonuses. This resolution introduces the possibility of requesting payments in instalments in cases of abnormal billing pursuant to art. 12 bis of TIVG also for customers in the free market, and the obligation for the sellers to offer the customers who are entitled to the so-called “social bonus”, upon issuing a formal notice of default, the payment in instalments of the unpaid bill, in order to facilitate the payment and avoid the suspension of the supply, without prejudice to any more favourable terms made available by the Sellers.

The AEEGSI, with Resolution **610/2015/R/com dated 11th December 2015** – “Bolletta 2.0: Quantification of the discount for electronic bills to customers served in the protected market. Amendments and additions to AEEGSI resolutions 501/2014/R/com and 200/2015/R/com” - besides indicating the discount to be applied to protected customers for the delivery of electronic bills, also introduced amendments and additions to resolution 501/2014/R/com and subsequent amendments and additions.

The main changes introduced by the measure are:

- integration of the minimum elements to be indicated in the bill (for domestic customers: the committed power capacity and, for each month, the highest level of power consumed since the provision of data by the distributor and, for other customers, the available power and the committed power capacity if fees are envisaged for the latter; finally, for electrical household customers, at least once a year, the details of the highest levels of power consumed on a monthly basis over the past 12 months);
- change in the presentation of the recalculations in the case of multi-site customers, stating that the recalculations may be reported in detail elements provided they are sent together with the concise bill and that the bill invites to acknowledge the detail elements;
- confirmation of the introduction of the Rai television license item in the electricity bill, as established under the 2016 Stability Law, and how to charge and present the television license fee;
- quantification of the discount for electronic bills for customers served in the protection market (equal to 5.4 €/Redelivery Point/year for gas domestic customers, 12 €/Redelivery Point/year for condominiums with domestic gas supply, equal to 6.00 €/POD/year for electric household customers);
- guidelines for the application and presentation of the discount for electronic bills, which shall be applied commencing 1st January 2016 to all customers served in the protected market that have activated an automatic debit mode and chosen the electronic issuance of the bill. In the first application stage, the discount may be applied no later than the 6th bill issued after 1st January 2016, in case of invoicing on a monthly basis, and by the 4th bill issued after 1st January 2015 in the event of invoicing with a frequency other than monthly.
- update of expense item aggregation tables with the introduction of the discount (where applicable) under the heading “Expense for electricity/natural gas”;
- changes and amendments to the texts of the Glossaries as a result of the changes introduced by the measure.

In conclusion, by the same resolution, the AEEGSI has initiated a procedure, to be completed by 30th June 2016, aimed at clarifying the regulations governing the discount system, which envisages the automatic adoption of the electronic bill format for the customers who have already activated the automatic debit of the amount billed.

Resolution **620/2015/E/com dated 17th December 2015** – “Establishment of the list of ADR entities pursuant to Article 141-decies of the Consumer Code and approval of its first implementation regulations” - established the list of the ADR (Alternative dispute resolution) entities authorised to manage the voluntary procedures for the alternative resolution of national and cross-border disputes between consumers and professionals residing and based in the European Union.

Other provisions of the Authority for electricity, gas and water for the Natural Gas Sector

With Resolution **1/2015/DCCA dated 22nd January 2015** the AEEGSI approved transitional measures to request the renewal of the social bonus for the supply of electricity and natural gas.

With Resolution **1/2015/DIUC dated 28th January 2015** the AEEGSI issued provisions on the acquisition of the documentation pursuant to article 9 of Resolution 310/2014/R/gas, for monitoring gaps between VIR and RAB.

With Resolution **4/2015/DMEG dated 27th February 2015** the AEEGSI integrated the XML structures to be used in order to exchange information regarding the communication standards.

With Resolution **4/2015/DCCA dated 20th March 2015** the AEEGSI extended the transitional measures to request the renewal of the social bonus pursuant to resolution no. 1/DCCA/2015.

With Resolution **6/2015/DIUC dated 27th April 2015** the AEEGSI issued provisions for the acquisition, storage and processing of the tender documents sent to the Authority by the awarding entities required to fulfil the obligations with regard to tenders for awarding the distribution of natural gas pursuant to article 9, paragraph 2 of the decree 226/11.

With Resolution **10/2015/DMEG dated 22nd May 2015** the AEEGSI approved provisions on the standardisation of the information flows exchanged between distributors and sellers in compliance with the TIBEG (Attachment A to Resolution 402/2013/R/com).

With Resolution **7/2015/DCCA dated 26th June 2015** the AEEGSI approved the forms for filing complaints and the online complaint forwarding process (point 9, letter B), of Resolution dated 19th June 2014, 286/2014/R/com

With Resolution **49/2015/DAGR dated 3rd July 2015** the AEEGSI defined the operational procedures for the payment and communication of the contribution to the fee for the 2015 operations of the Authority for electricity, gas and water by the operators in the electricity, gas and water sectors.

With Resolution **15/2015/DMEG dated 7th August 2015** the AEEGSI integrated the XML structures to be used to exchange information regarding communication standards.

With Resolution **09/2015/DCCA dated 28th October 2015** the AEEGSI updated the Transitional Measures for the submission of the requests to renew the social bonus for the supply of electricity and natural gas in the months of

January and February 2016.

Efficiency and energy saving obligations according to Legislative Decree 102/2014

Legislative Decree no. 102/2014 on energy efficiency requires certain types of companies (large companies and enterprises with high energy consumption, so-called “energy-intensive”) to perform an energy audit in accordance with Annex 2 to the Decree above. Ascopiave S.p.A., falling into the definition of a “Large multi-site enterprise”, has performed the audit of the group, thus complying with legal obligations.

The energy audit allows a thorough knowledge about the energy use and consumption of the plants being examined, in order to identify the most effective changes; the audit is therefore the necessary condition to start reducing energy consumption in end usage, by identifying, modifying and managing the least energy efficient activities through the evaluation of possible margins of achievable savings.

To do this, it is necessary to identify appropriate energy indicators based on the analysis of the data collected; these indicators will be used to compare the energy performance of a given company with benchmark indicators, in order to define whether it is necessary to continue pursuing potential improvement measures.

The Ascopiave Group, in order to perform the audit, has followed the instructions contained in the ENEA guidelines for the implementation of energy audits in companies pursuant to Legislative Decree no. 102/2014 and contained in Annex 2 to the ministerial clarification of May 2015.

Efficiency and energy saving obligations

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

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

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

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

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

- 0.10 Million TOE for the year 2005;
- 0.20 Million TOE for the year 2006;

- 0.40 Million TOE for the year 2007;
- 1.00 Million TOE for the year 2008;
- 1.40 Million TOE for the year 2009;
- 1.90 Million TOE for the year 2010;
- 2.20 Million TOE for the year 2011;
- 2.50 Million TOE for the year 2012.

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

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

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

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

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

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

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

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

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

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

The GSE has the task of checking that each distributor is in possession of energy efficiency certificates that comply

with the annual objective assigned to it (increased by any additional shares for compensation or updated following the introduction of new national quantity objectives) and of informing the Ministry for Economic Development, the Ministry for the Environment and the Protection of the Territory and the Electric Market Administrator (GME), of all certificates received and the outcome of the inspections.

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

The next targets for the distributors subject to the obligations as regards the period 2017-2020 will be defined by taking into consideration the provisions of the National Energy Strategy and the Legislative Decree 102/2014, but also by evaluating the new operating framework that will be revised soon with the updating of the new guidelines for the mechanism. To this end, the consultation document of the Ministry of Economic Development issued in July 2015 (“Proposals for the upgrading and qualification of the white certificates mechanism”) seems to entail a major review of the mechanism, mostly affecting the “tau” coefficient used to correlate the technical life and the useful life of the facilities, but also the controversial concept of additionality and the extension of the scopes of application (see the water sector and electrical networks). White certificates for projects involving the replacement of fossil fuels with renewable sources will also be revised and it is likely that the evaluation methods of the savings will be adapted to allow the operators to manage them more easily. Also interesting, the chapter on the measures for speculative behaviours such as preventing certain operators from retaining for a long time the certificates they hold in order to increase the exchange value of the certificates themselves.

For further information on efficiency and energy saving relating to the companies of the Group, please see paragraph “Efficiency and energy saving”.

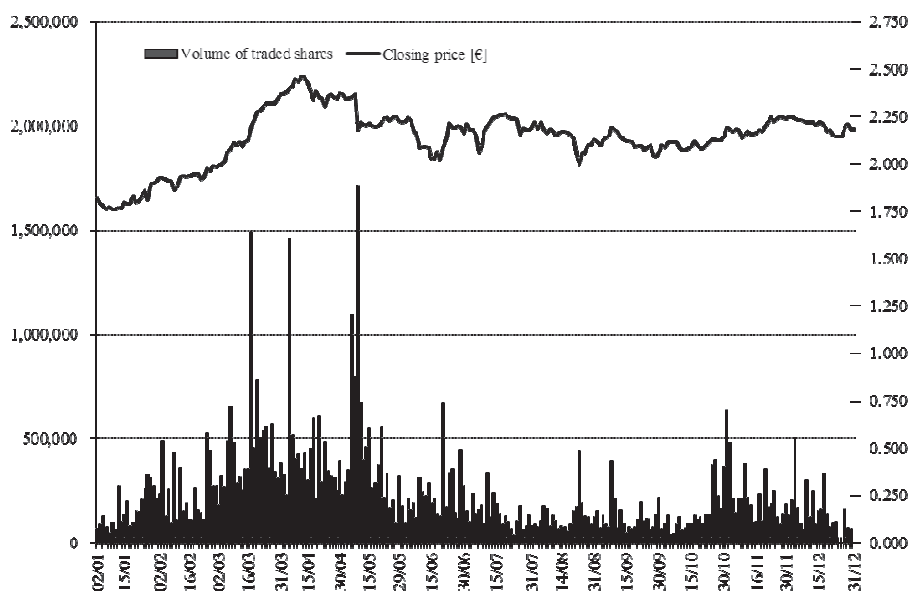
Ascopiave S.p.A. share trend on the Stock Exchange

As of 30th December 2015, the Ascopiave share has registered a quotation of Euro 2.184 per share, marking an increase of 20.0 percentage points as compared to the listing at the beginning of 2015 (Euro 1.820 per share, referred to the quotation of 2nd January 2015).

Capitalisation of the Stock Exchange as at 30th December 2015 was equal to Euro 516.08 million³.

³

The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 30th December 2015 equalled 12.4 billion Euro. Borsa Italiana website (www.borsaitaliana.it).



During 2015, the quotation of the shares shows a positive performance (+20.0%), in line with the trend of the main national indexes: FTSE Italia Star: +38.2%; FTSE Italia Servizi di Pubblica Utilità sector index: +23.8%; FTSE Italia All-Share: +14.6%.

In the following table we report the main shares and stock-exchange data as of 30th December 2015:

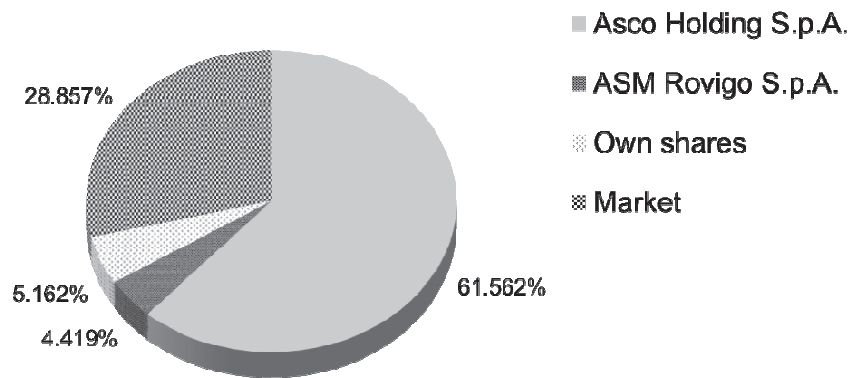
Share and stock-exchange data	30.12.2015	30.12.2014
Earning per share (Euro)	0.19	0.16
Net equity per share (Euro)	1.77	1.73
Placement price (Euro)	1.800	1.800
Closing price (Euro)	2.184	1.826
Maximum annual price (Euro)	2.460	2.326
Minimum annual price (Euro)	1.760	1.708
Stock-exchange capitalization (Million of Euro)	516.08	427.16
No. of shares in circulation	222,310,702	222,216,361
No. of shares in share capital	234,411,575	234,411,575
No. of own share in portfolio	12,100,873	12,195,214

Control of the Company

As of 31st December 2015, Asco Holding S.p.A. directly controls 61.562% of the Ascopiave S.p.A. share capital.

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

Share composition of Ascopiave S.p.A.



Internal processing on information received by Ascopiave S.p.A. pursuant to art. 120 Consolidated Financial Law.

Corporate Governance and Code of Ethics

During 2015 Ascopiave S.p.A. continued its operating improvement process of the corporate governance planned during past years, introducing further improvements to the tools in order to defend investors' benefits.

Internal audit

The activity plan of the Internal Audit structure is approved yearly by the Board of Directors of the Company. In particular, the audit activities included in the above-mentioned activity plan, formulated before a risk assessment involving the main decisional processes, concern both areas of compliance and business processes related to the business areas deemed highly strategic.

Appointed Manager

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

Organizational, management, and controlling model pursuant to Leg. Decree 231/2001

Ascopiave S.p.A. and all of its subsidiaries have adopted an Organizational, management and controlling model; they have also adhered to the Code of Ethics of the Parent company Ascopiave.

The Company, availing of the activity of the Supervisory Board, constantly monitors the efficiency and adequacy of the Model adopted.

The Company has also continued its promotional, diffusion and understanding activity of the Code of Ethics as concerns all its interactions, esp. with business and institutional parties.

The 231 Model and the Code of Ethics can be read in the corporate governance section at www.gruppoascopiave.it.

Transactions with related and affiliated parties

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

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

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

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

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

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

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

The table below shows the economic and financial nature of the transactions described above:

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payable	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.P.A.	65	0		0	0		17,102	0	68	0
Total parent company	65	0	0	0	0	0	17,102	0	68	0
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	130	52	0		0	522	12	0	127	323
SEVEN CENTER S.R.L.	54	0	131	0	8	319	11	0	47	0
Total affiliated companies	184	52	131	0	8	841	23	0	174	323
<i>Subsidiary companies</i>										
Estenergy S.p.A.	36	0	349	0	0		0	0	0	0
ASM SET S.R.L.	1,725	0	7	249	0	36	67	6,330	447	60
Unigas Distribuzione Gas S.r.l.	61	0	2,669	0	0	9,244	0	123	45	0
SINERGIE ITALIANE S.R.L.	49 ^F	9,900		0	79,417	0	0	0	71	0
Total subsidiary companies	1,871	9,900	3,025	249	79,417	9,280	67	6,453	563	60
Total	2,120	9,951	3,156	249	79,425	10,121	17,193	6,453	805	383

Significant events during 2015

Shareholders' Meeting held on 23rd April 2015

The Shareholders' Meeting of Ascopiave S.p.A. convened in its ordinary session on 23rd April 2015, chaired by Mr. Fulvio Zugno. During the meeting, the 2014 yearly statement was approved and the Meeting agreed to distribute a dividend of € 0.15 per share. The dividend was paid on 13th May 2015 with ex-dividend date on 11th May 2015 (record date on 12th May 2015).

Furthermore, the Meeting has approved the remuneration policy of the Company, set out in compliance with Art. 123/3 of the Unified Finance Law, and has authorised a long-term share-based incentive plan for the three 2015 – 2017 fiscal periods regarding executives and company administrators.

The Shareholders' Meeting has also approved a new purchase and sale plan for treasury shares pursuant to Art. 2357 and 2357/3 of the Italian Civil Code, replacing and superseding the previous authorisation dated 24th April 2014.

Finally, subsequent to the expiry of the auditing role entrusted in 2005 to the company Reconta Ernst Young, the Meeting decided to appoint the auditing company PriceWaterhouseCoopers S.p.A. as the independent legal auditor for Ascopiave S.p.A. for the period 2015 to 2023.

2015-2017 Long-term incentive plan

On 29th June 2015, the Ascopiave's Board of Directors identified the beneficiaries of the new 2015-2017 Long-term incentive plan (the "Plan"), approved by the Meeting on 23rd April 2015.

In compliance with the provisions of the Plan Rules, the Board of Directors decided to specify as beneficiaries of the potential outcomes of the Plan the executive directors of the companies Ascopiave S.p.A and Ascotrade S.p.A, and a number of managers and directors of the Ascopiave Group, based on the relevance of the functions performed.

Robin Tax

Since 2016, the companies of the Group are no longer required to pay the additional IRES tax (the so-called Robin Tax), which was declared unconstitutional by judgement no. 10 dated 11th February 2015 issued by the Supreme Court.

Subsequent to this judgement, in December 2015 the companies submitted to the relevant offices of Agenzia delle Entrate the requests for the reimbursement of the IRES tax paid for the years 2008 to 2014, totalling € 26.6 million, of which € 20.8 million attributable to the gas and electricity sales segment.

Other significant events during the period

With Judgement no. 2221/2015, filed on 19th October 2015, the Regional Administrative Court of Lombardy rejected the appeal lodged by Ascopiave and other operators against AEEGSI Resolution ARG/gas 367/2014.

As far as the most impactful aspects are concerned, the Judgement has recognised the legitimacy of the asymmetric regulatory solution adopted by AEEGSI, according to which for each municipal installation, the local net invested capital (RAB), recognised to the winner of the territorial tender, will be equal to:

- The reimbursement value of the above-mentioned installation, when the new operator differs from the outgoing operator;
- The amount currently recognised by virtue of the current municipal concession, if the new operator coincides with the outgoing operator.

The symmetric regulatory solution shall only apply for the duration of the first territorial concession.

AEEGSI, by virtue of law no. 481/95, is responsible for monitoring the price levels of natural gas, and for defining the economic conditions for the supply of gas to customers who are entitled to the protection service. The decisions made by AEEGSI as regards such matters may limit the ability of the gas operators to transfer the increases in raw material cost to the final price. The customers entitled to the protection service are households and condominiums with residential purposes consuming less than 200 thousand cubic meters/year.

In 2013, the Authority for electricity, gas and water (AEEGSI – “Authority”) reformed the structure of gas tariffs intended for protected customers in the civil segment with the introduction of the hub indexation of the component to cover the cost of raw material – forward prices recorded at the TTF Dutch hub – instead of the previous indexation, mostly oil-linked, in a market where hub gas prices were significantly lower than the oil-indexed prices of long-term agreements. In this context, the Authority introduced, with Resolution 447/2013/R/gas, among the compensation instruments for the operators which had signed long-term agreements, an optional mechanism “to promote the renegotiation of long-term procurement agreements”. This compensation mechanism, based on the so-called APR (amount pro renegotiation), has two aims: on the one hand it ensures these operators, which had entered into long-term (typically oil-linked) procurement agreements, a gradual transition to the new price system, by offsetting part of the higher long-term procurement costs which are no longer recoverable through the tariff; on the other hand it safeguards protected customers in the event of a trend reversal of gas spot prices and long-term formulas in the three years after the reform. The reference period of the APR mechanism corresponds to the three thermal years 2014/2016.

The initial amount of the compensation was decided by the Authority in 2013 for each operator on the basis of the documentation submitted, considering the differential between the average theoretical efficient cost of long-term agreements (so-called Ptop) and the price expressed by the hub market (TTF reference), leaving to the operators’ discretion whether or not to adopt it. The Authority has determined (with reference to the volumes of the Ascopiave Group and a forward reading of the price formulas) a maximum total compensation for the three years of validity of the mechanism equal to Euro 11.2 million. The resolution envisaged a financial settlement of the consideration with a proportion, over the three thermal years considered, equal to 40/40/20%. The mechanism involved an updating process

of the APR in the three years aimed at confirming the value originally envisaged, or, in the event of reversal of procurement price and spot price, a return to end customers up to 3 times the amount initially defined: about Euro 33.5 million. In particular, the downward trend would have been activated if the long-term procurement price had been lower than the spot price, according to the indicators and procedures set forth in Resolution 447/2013/R/GAS. The Ascopiave Group at first did not adopt the APR mechanism because of unfavourable operating conditions, challenging the measure before the Regional Administrative Court of Lombardy, requesting a stay.

It being understood that the Ascopiave Group did not deem it appropriate to adopt the APR mechanism in the previous two years, even if it had entered into long-term procurement agreements through the associate Sinergie Italiane S.r.l. in liquidation, and that during the third quarter of 2015 it finalised the renegotiation of the formulas that regulate natural gas procurement prices, the Group decided to reconsider the position originally taken.

The evolution of the general conditions of the natural gas market, the effect deriving from the renegotiation of the indexing formulas of the Group's long-term agreement and the reasonable scenarios prepared by the management, have shown that the risk of suffering financial losses caused by the adoption of the aforesaid mechanism is remote. Rather, the same scenarios have highlighted a possible loss of future economic opportunities if the mechanism is not adopted. Given the reasonableness of the scenarios developed, the Group has decided to adopt the APR mechanism and the economic effects resulting from this mechanism will be reported in the financial statements in accordance with the future AEEGSI deliberations on the matter.

The Group, even if the Regional Administrative Court of Lombardy has rejected the appeal through which the Group had challenged the functioning of the original mechanism for the renegotiation of natural gas long-term procurement agreements, will consider whether to appeal before the Council of State the negative judgement of the Regional Administrative Court of Lombardy, in order to protect its legitimate interests.

Sale of natural gas and electric power

The Group sells gas and electricity through the companies Ascotrade S.p.A., ASM Set S.r.l., Estenergy S.p.A., Blue Meta S.p.A., Veritas Energia S.p.A. Pasubio Servizi S.r.l., Etra Energia S.r.l. and Amgas Blu S.r.l..

The companies ASM Set S.r.l. and Estenergy S.p.A. are consolidated with the equity method.

The gas market

Although the trends of the gas market and the oil market are less and less correlated, their prices have both dropped. During 2015, the value of Brent experienced a significant depreciation (from \$ 57.50/bbl in January to \$ 37.50/bbl in December), the TTF value also decreased (from € 23.24/MWh in January to € 17.48/MWh in December) and an appreciation of the dollar against the euro was also registered.

The supply is still structurally higher than the demand, and in the short to medium term, producers are not expected to reach agreements in order to reduce their production and make the gas market less liquid. Iran, in particular, after the lifting of the economic sanctions on nuclear agreements, will probably increase its production in the coming year. At the same time, the rectified expectations on the growth of emerging economies and the massive investment in renewable sources and in the search for new solutions for energy efficiency contribute to increasing liquidity.

Due to this situation, characterised by a rapid decline in prices, the operators in the wholesale market have to manage major issues: they must be very careful and accurate upon formulating and managing their offers, which often become obsolete within a short time, and they must be able to devise appropriate hedging instruments.

Sales of gas to end customers show an increase as compared to 2014, although 2015 is the warmest year since temperatures are recorded. Also for the current thermal year, the Authority has confirmed that the price of the raw material will be linked to the TTF Dutch Hub, the most liquid in Europe, and not to the prices that are formed in the domestic market, which is not mature enough to be used as a valid reference instrument for prices.

In relation to the right to join the mechanism for the renegotiation of long-term contracts (AEEGSI Resolution 447/2013/R/gas), following the ruling of the Regional Administrative Court of Lombardy which has rejected the appeals filed by several companies involved (including Ascotrade S.p.A.) against the provision issued by the Authority, the Group has decided to formally join the Authority's proposal. This mechanism takes into account the volumes imported for the protected market based on the long-term contracts entered into, according to the annual average in the period 2010-2012. On these volumes, the AEEGSI has established a contribution amounting to 3.26 Euro-cent/cubic meter, providing that if the average "Ptop" import price, in the three-year thermal period 2013-2016, from importers with volumes higher than 10% of the total import, is lower than the price set by the Authority for the protected market, the companies which had joined the mechanism should return to the system an amount equal to the difference between "Ptop" and "Cmem" multiplied by the initial volumes for which the contribution had been granted. The maximum amount to be returned was set up to 3 times the initial contribution received. The appeal by Ascotrade S.p.A. before the Regional Administrative Court of Lombardy had been filed to challenge the decision to refer to the import contracts of the most active players excluding the contracts of individual operators. During the suspension period, two years after the introduction of the mechanism, however, it was possible to assess that import contracts as a whole had very similar formulations and that any price misalignments arguably cannot create disadvantageous situations as compared to the renegotiation of contracts envisaged by the Authority.

The electricity market

Wholesale electricity prices did not record major variations during the year, with the exception of July when, as a result of an exceptional heat wave, there was a surge in consumption subsequent to which prices increased by over 30%.

In 2015, the value of the "Pun" rose from € 51.10/MWh in January to € 55.66/MWh in December.

As concerns the regulatory framework, the Authority for Electricity, Gas and Water has taken steps to issue a Resolution aimed at eliminating distortions in the tariff structure which penalises highest consumptions and that envisages the removal of the progressive nature of variable fees and the relocation of some charges from variable fees to fixed fees. This measure will be implemented in stages over two years and will become fully operational commencing January 2018. In addition, the Authority has reviewed the "PCV" sales rate relating to customer management costs for the protected market, adapting it to the model of the corresponding component of customer management for the gas protected market (QVD).

Measures of the Authority and the Government intended for the gas sector and the electricity sector

The Authority has scheduled for January 2016 the obligation to process bills in compliance with the model envisaged (Bolletta 2.0). According to this template, the bill will include a brief overview of the price through the aggregation of multiple components in a few items, so that customers can better understand costs (such as transport costs, distribution costs, ancillary charges...), as well as costs related to taxes, commercial costs, and costs related to the raw material. The aim is to help end customers better understand the bill and at the same time provide them with the tools to evaluate and compare in a clear and transparent way the offers that the sales companies propose to the end market. This new regulation has significantly affected the operations of the sales companies which, in order to comply with the new

obligations, have often had to introduce new calculation methods in order to provide the average costs required.

Since the television license will be included in the bill, some major implementations will be necessary before the end of 2016. This will entail an increase in the operations relating to process management and interface with end customers and the public offices that will require specific reports on such activities.

In addition, with the Draft Legislative Act no. 2085 on the full liberalisation of the electricity and gas retail markets, a heated debate has sparked off between the Associations of the sales companies and the Committee appointed by the Government: the Associations have expressed their preference for the full liberalisation since they believe that the markets are mature and can take on this challenge, whereas the Authority is proposing further intermediate steps to gradually reach the full liberalisation of the markets.

Ascopiave Group: Management trend

The volumes of gas sold to the final market in 2015 by 100% consolidated companies are equal to 818.6 million cu.m., marking an increase of 7.3% as compared to 2014. To these volumes we have to sum the volumes sold by the proportionally consolidated companies (Estenergy S.p.A. and ASM Set S.r.l.), which in 2015 totally sold 291.2 million cu.m. of gas (+13.9% compared to the previous year).

With regard to the electricity sale activity, in 2015 the amount of electricity sold by the 100% consolidated companies was equal to 352.4 GWh, marking a decrease of 7.6% as compared to 2014. To these volumes we have to sum the volumes sold by the proportionally consolidated companies (Estenergy S.p.A. and ASM Set S.r.l.), which in 2015 totally sold 116.7 Gwh, marking a decrease of -27.1% as compared to 2014.

Distribution of natural gas

The Group is active in the gas distribution sector through the companies Ascopiave S.p.A., ASM DG S.r.l., Edigas Esercizio Distribuzione Gas S.p.A. and Unigas Distribuzione S.r.l..

The company Unigas Distribuzione S.r.l. Is consolidated with the equity method.

Activity of distribution of natural gas

Ascopiave S.p.A.

In 2015, the process revision and refinement continued, with the aim of reducing operating costs, implementing actions and increasing the capacity to produce value with internal resources. The purpose is to create the best possible conditions to confront our competitors in terms of management efficiency with a view to the invitations of the territorial tenders.

In this perspective, in late 2014, the Work Force Management system in support of the workforce for field activities has become fully operational. This system has allowed the Group to pursue the optimization of operational resources, through a better planning of the activities. The final balance of the work orders directly from the tablet provided to the operating staff has entailed significant savings in terms of back office activity, and even an improvement of the service offered. The improvement in the management of assets on behalf of the sales companies and end customers has allowed a significant improvement in service quality standards, entailing a decrease of over 30% in the number of services performed below the benchmarks set by the AEEGSI and in the amounts of the compensations offered to end

customers.

During the year, the functional integration with other distribution subsidiaries was increased, in particular as concerns the integration of emergency structures and operational support in the operating activities of Edigas and ASM DG. The full integration of distribution activities with ASM DG has allowed us to further streamline the operational headquarters and close the headquarters in Porto Viro (Rovigo).

The workload required to meet the requests of the municipalities for the provision of the states of consistency of plants and the determination of the RIV (residual industrial values) was particularly significant. All the requests received were processed within the time limit allowed by laws in force.

In compliance with the provisions of the AEEGSI, the renewal process of the meters with the achievement of all major objectives envisaged by current regulations has continued. In this context, since the second half of the year, pilot projects have been launched to test the 169 MHz technology in mass market meters, as an alternative to the “point to point” technology, thanks to the effective collaboration of several municipalities that have joined our initiative by providing sites for the installation of equipment for the reception of metering data (concentrators). During 2015, over 35,000 electronic meters were installed, using entirely in-house operating resources.

With reference to the activities of extension and enhancement of distribution networks and plants, over 83 km of network were installed, with an increase over the previous year amounting to about 25%. At the same time, the specialised unit has built almost one hundred reduction stations, greatly reducing the need for outsourcing. All the design and project management activities for the construction of distribution networks and systems were performed by internal resources.

During the year, we performed extraordinary maintenance interventions, which had been planned to overcome the gradual obsolescence of the plants and improve the transmission capacity of the networks. At the major reduction and measurement stations, we have also completed activities aimed at enhancing the efficiency of preheating systems which will reduce the conditioning costs of the gas introduced into the network.

In 2015 as well, the schedule of operation and maintenance activities was respected, and performed almost exclusively by internal staff, only minimally using third-party companies.

In 2015, the emergency service carried out over 5,000 interventions with times of arrival largely lower than the 60 minutes envisaged by the AEEGSI resolution.

In 2015, 90% of the distribution network was inspected to reduce the risks deriving from uncontrolled gas leakages caused by damage to the plants. The activity carried out was mainly performed by internal resources, largely meets the minimum standards required by the AEEGSI and reflects the particular attention paid to the issue of service security.

ASM DG S.r.l.

ASM DG S.r.l. manages the gas distribution network in the municipality of Rovigo thanks to the use of management tools and procedure made available by the Parent Company Ascopiave S.p.A.. Important synergies with the Parent

Company Ascopiave S.p.A and the other companies of the Group, are implemented in all administrative and technical activities, as well as in those regarding process control and HR management.

The management of a call-centre service for emergencies is entrusted by all the companies of the Ascopiave group to one single company at the same contractual conditions, with a clear and positive economic outcome and management uniformity. Also emergency activities, essential for the safe operation of gas distribution systems, are managed with the parent company, which has allowed us to better assess the most critical or dangerous situations.

Activities concerning design, estimate calculation and project management for the implementation of new distribution systems are carried out centrally upon request of private customers or by the public administration. In 2015 the investments for the extension, empowering and maintenance of the distribution network were significant: many segments of obsolete city network were replaced and dozens of outdated or deteriorated connections were rebuilt. In addition, the programme started in 2003 to replace cast ducts with hemp and lead joints was completed well ahead of the deadline set by AEEG's total elimination programme.

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

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

In 2015, the corporate emergency department, open 24/7, 365 days a year, which can be reached through a dedicated toll-free number, performed its interventions; the arrival time was largely lower than 60 minutes.

During the year, inspections of the distribution network were carried out, with the aim of reducing risks coming from the uncontrolled leaks of gas due to deterioration or damage to the systems. All the leaks detected were repaired within the standards deadlines set by the Authority. The inspection programme implemented in 2015 was even stricter compared to the requirements of the AEEG, thus clearly showing the commitment and attention paid by ASM DG S.r.l. to safety.

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

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

As concerns the renewal of meters to conform to the AEEG's standards as per resolution 155/08 and subsequent, in 2015, 1,300 meters were brought into compliance, largely meeting the minimum percentages set by the Authority for Electricity and Gas for the year. Overall, 2,570 groups of measure have been adjusted to resolution 155/08.

Edigas Esercizio Distribuzione Gas S.p.A.

Edigas Esercizio Distribuzione Gas S.p.A. (hereinafter Edigas DG S.p.A.) manages the gas distribution activity in 27

municipalities in Lombardy, Piedmont and Liguria.

In 2015, the investments for the extension, empowering and maintenance of the distribution network were significant. The investments in network extension were concentrated in the Municipality of Albenga, Sabbioneta and Viverone (BI), serving the hamlets along the lake, and the network was extended with a motorway crossing in the Municipality of Alice Castello, in order to remove piping on the overpass.

During the year, more than 3.5 km of distribution network were installed, with interventions in 8 municipalities. Moreover, some new stations for cathodic protection were commissioned with related wells in Castelluccio and Tornata and the earthing system in Castelluccio was rebuilt.

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

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

The Eternit of first stage decompression systems was removed in the Municipalities of Castelluccio and Salussola, and replaced with eco-friendly fibre cement. In 2015, 32 final reduction groups and one intermediate reduction group underwent extraordinary maintenance, 11 new final reduction groups were installed to replace obsolete material, the equipment of 6 final reduction stations was fully replaced and 2 new reduction and measurement stations were installed and commissioned.

The indicators of safety (time of arrival at the place of call for the emergency service, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) were maintained efficiently under control, in full compliance with the obligation of service set by the AEEG Deliberation. In 2015 the company's emergency intervention service, operative 365 days a year, 24/7, carried out its interventions and the arrival time was on average largely less than 60 minutes.

In 2015 the network was inspected in order to reduce the risks arising from uncontrolled leakage of gas caused by deteriorations or damages to the equipment. The inspection programme performed (about 662 Km) largely meets and exceeds the minimum standards required by AEEG and this proves the particular attention paid by Edigas DG S.p.A. to the issue of service safety.

In 2015 over 162 measurements of the level of odorizing were made (with the gas chromatographic instrumental method) upon maximal and minimal period of supply, and all measurements were compliant with current technical regulations.

Interventions on meters, such as activations, transfers, cancellations, reactivations after delayed payment, to the service of the sales company were carried out in compliance with the required standards.

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

By means of AEEG's resolution no 155/08, Edigas DG S.p.A. has continued its change and normalization policy of the new directives by installing G25 and G16-class meters with electronic readers, replacing during the year 11 G10 meters, expecting to complete this replacement by the next year, and replacing 74 G4 electronic meters as well as 6 flow computers on classes higher than G25.

Unigas Distribuzione S.r.l.

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

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

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

In 2015 the investments for the extension, the empowering and maintenance of distribution network involved 6.3 km, in line with the 2015 budget and the previous years.

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

On the first stage decompression systems (so-called Re.Mi.), on final reduction (GRF) and on reduction and measurement stations (GRM), preventive and corrective maintenance required under the regulations in force are performed for the most part by internal staff. With the aim of controlling the correct operation of plants and of reducing the probability of damage or malfunction, ordinary maintenance is carried out through operations of Programmed Preventive Maintenance (MPP), i.e. partial or total disassembly of the apparatus, cleaning, control of the component parts and replacement of the parts subjected to wear and tear and of Functional Verification. In 2015, 29 Functional Verifications, 34 Inspections, and 5 Planned Maintenance Actions were performed (by internal personnel). The first stage decompression systems were verified by in-house staff for a total of about 36 checks for every single station during the year. As regards to GRFs, 150 Functional Verifications, 169 Inspections and 24 planned maintenance actions were carried out.

In 2015, 1 new final reduction group and 2 GRM were activated – at the same time, following the design inspections performed, 10 final reduction groups were removed because they did not affect the efficacy of distribution.

As regards cathodic protection, during 2015, 4 new systems were installed. The quadrennial checks for earthing systems were also performed. The indicators of safety (time of arrival at the place of call for the emergency service, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, in full compliance with the obligation of service set by the AEEG Deliberation.

The company's emergency intervention service can be contacted by means of the dedicated free-phone number, active 365 days a year, 24/7 and managed by Unigas Distribuzione S.r.l. In 2015, 936 interventions were performed, and the average arrival time was largely below the average time set by the Authority (60 minutes). In total the calls received by the call centre were 3,283 (slightly decreasing with respect to 3,668 of the previous year) of which 1,111 calls were handled and 1,462 did not concern reasons attributable to emergency intervention.

Over the course of 2015, inspection of approximately 44% of the distribution network was carried out, with the aim of reducing risks coming from the uncontrolled loss of gas due to deterioration or damage to the systems. The inspection program carried out exceeds the minimum standards required by the AEEG for distribution systems, and demonstrates the attention paid by Unigas to the safety of its services.

In particular, 94 Km of medium-pressure distribution network and 357 Km of low-pressure distribution network were inspected, and 29 leakages were removed on the networks and underground connections to users.

In 2015, an extraordinary activity was planned, with in-house staff, for the scheduled inspection of overhead connections to users and measurement systems for the plants in Nembro and Ponte San Pietro. This activity has led to the identification of 132 leakages, all removed during the year.

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

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

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

The services supplied in 2015 are in line with those supplied in the previous years. The services were carried out in accordance with the standards identified in the corporate Service Charter.

In 2015, the activity performed in 2014 for arrearage is confirmed.

Over the year, the plan to adjust meters concerning resolution 631/13 by completing the replacement of G16 and G25 meters and 45% of G10 meters through the installation of remote-reading devices and systems with a dedicated modem and battery continued.

Ascopiave Group: management trend

In 2015, the volumes of natural gas distributed through the networks managed by the Group were 859.3 million cu.m.⁴, of which 682.1 million cu.m. by the company Ascopiave S.p.A., 47.7 million cu.m. by ASM DG S.r.l., 58.8 million cu.m.c by Edigas Esercizio Distribuzione Gas S.p.A. And 70.8 million cu.m. by Unigas Distribuzione S.r.l. (proportionally consolidated company of which the Group owns a share equal to: 48.86).

The distribution network, as a consequence of new extensions in 2015 and considering the variations of managed concessions portfolio, as at 31st December 2015 has an extension of over 8,300 km (8,200 km in 2014)⁴.

Co-generation

In 2015 the co-generation activity of the Ascopiave Group S.p.A. was carried out by the Research and Development Department.

As far as the activity of heat generation plants in co-generation is concerned, in 2015 four plants were managed.

The plant “Le Cime” in Mirano (VE) has not been modified and its remote heating network has not been extended but its saturation level of connected household customers has increased from 79% to 85%. On the plant there is an on-going leasing agreement.

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

⁴ The data specified as regards the length of the distribution network and the volumes of gas sold are obtained by adding each Group company's data, previously pondering the data of the companies consolidated with the equity method.

The plant “Bella Mirano” in Mirano (VE) has registered an increase in saturation for household clients connected to the network (from 105% to 113%). The saturation above 100% is due to the fact that, in addition to the original project, in 2014 two new condos were connected to the remote heating network, which did not belong to the initial project, but connected subsequent to a contribution which fully covers the costs, paid by the builders of the two new condominiums. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients. The saturation for the connected household clients of the plant “Ca’ Tron” in Dolo (VE) has increased from 29% to 31%. It is however specified that as of today only 50% of the new urban area envisaged in the agreement has been built. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients. The plant “Ponte Teresa” in Ponte Teresa (VA) did not register significant variations in saturation for the connected household clients

The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients. As far as the activities on thermal plants are concerned, in 2015 Ascopiave S.p.A managed some ten plants.

Efficiency and energy saving

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

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

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

In 2015, Ascopiave decided to resume the implementation of projects to obtain the certificates and to this end it submitted a request to enhance the efficiency of gas preheating systems for the distribution network.

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

The 2014 objective of 79,326 Energy Efficiency Certificates has been reached.

As concerns 2015, Ascopiave S.p.A. received a communication from GSE which quantifies an obligation of 84,057 white certificates, to be delivered by 31st May 2016.

The company Unigas Distribuzione S.r.l. in 2015 as well had to purchase white certificates on the market or through bilateral transactions in order to fulfil its energy saving obligations equal to 16,518 Energy Efficiency Certificates, and submitted just over 50 (8,485 EECs). The remaining quota of the Energy Efficiency Certificates falling within the 2013 target (6,315 Energy Efficiency Certificates) was cancelled.

The GSE determined a 2015 target for Unigas Distribuzione S.r.l equal to 19,116 EECs to be delivered by 31st May 2016.

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

The regulatory amendments which have replaced each other over the past years and in particular the legislation which provided for the selection of the operator of the distribution service through the so-called “territorial calls for tenders” tool, have led to, among other things, the need to determine the Residual Industrial Value (RIV) of the plants owned by the Operators.

Normally, in relation to this aspect, the concession agreements governed two “paradigmatic” situations, namely:

- the early redemption (normally governed with reference to Royal Decree no. 2578/1925) and
- the reimbursement from the (natural) expiration of the concession.

The eventuality of a “force of law” expiration, preceding the effective date of the “contractual” expiration, (as a rule) was not envisaged (and therefore governed) in the concession deeds.

Substantially, the case in question (earlier termination imposed by law) represents a “third category”, in some ways similar to the exercise of early redemption (from which, however, it differs significantly for the lack of a will independently formed to that effect by the Body) and in other ways similar to the expiration of the concession term (which however has not expired).

At least until Ministerial Decree 226/2011, there were no legislative and/or regulatory norms which precisely defined the methods and criteria to determine the R.I.V. of the plants and which could therefore complement the contractual clauses, often deficient.

Legislative Decree no. 164/2000 as well, until the recent amendment introduced in the first place with Law Decree 145/2013, and then Law 9/2015, merely referred to Royal Decree 2578/1925 which, however, ratified the method of the industrial estimate without setting precise assessment parameters.

The situation illustrated above entailed the necessity to define specific agreements with the Municipalities aimed at reaching a shared estimate of the R.I.V.. Just consider that the lack of such agreements in the past has often led to administrative and civil/arbitral litigations.

The situation of the Municipalities partners of Asco Holding S.p.A. was even more peculiar in the sense that, with the latter, there is not a real concession deed in “canonical” form, but various deeds of assignment to Companies (“Azienda Speciale”, at the time). These deeds have ratified, at the same time, the continuation of the award of the service previously provided by the Bim Piave Consortium.

It is evident that, as deeds of assignment, a real regulation concerning the purchase and/or the termination of the management was not and could not be envisaged.

With the above-mentioned partner Municipalities, Ascopiave has signed a convention which implied hiring a renown independent competent professional in order for him to determine the fundamental criteria to apply to calculate the RIV of the gas distribution plants.

The related negotiated procedure performed adopting the criterion of the most economically advantageous tender ended on 29th August 2011.

The expert has written a report on the “*Fundamental criteria to calculate the RIV of the natural gas distribution plants*”

located in the Municipalities currently serviced by Ascopiave S.p.A.” which was approved on 2nd Dec. 2011 by Ascopiave’s Board of Directors and then by all 92 Local Bodies by City Council Resolution.

In 2013 Ascopiave submitted the state of consistency and the appreciation of the plants determined applying the criteria set in the Report, offering at the same time its willingness to perform the cross-examination with the Municipalities, aimed at analysing the documents.

To date, following the outcome of the technical cross-examination, 87 Municipalities (unchanged since 31st December 2014) have approved the residual value.

As part of the above process, the reciprocal relations mostly connected to the management of the service were governed as well, since both the payment of “one-off” amounts (2010 – signature of supplementary deeds) for Euro 3,869, and (since 2011) real fees for variable amounts and equal to the difference, if positive, between 30% of the "restriction on revenues" recognized by the tariff regulation and the amount already received by the Municipality itself as a dividend in 2009 (financial statements 2008) are envisaged.

In particular:

- Euro 3,869 thousand in 2010;
- Euro 4,993 thousand in 2011;
- Euro 5,253 thousand in 2012;
- Euro 5,585 thousand in 2013;
- Euro 5,268 thousand in 2014;
- Euro 5,258 thousand in 2015.

were paid for a total amount of Euro 30,226 thousand.

During 2015, Ascopiave S.p.A. made available to the Municipalities belonging to the Minimum Territorial Areas of Treviso 2 - Nord and Venezia 2 – Entroterra and Veneto Orientale (69 municipalities out of 92), an update of the valuations of the plants as of 31st December 2014, by applying the valuation criteria agreed upon and by providing a calculation of the assessment of private contributions to be deducted from the residual industrial value pursuant to Law 9/2014.

Litigations

CLASS I – ADMINISTRATIVE LITIGATIONS

As of 31st December 2015, as far as concessions are concerned, no administrative litigations are pending.

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

As of 31st December 2015, the following litigations are pending:

MUNICIPALITY OF CREAZZO:

A trial is pending between Ascopiave and the Municipality of Creazzo for the establishment of the industrial residual value of the distribution plants (delivered in 2005 to the new operator) following the result of the previous Judgement, with respect to which the Court of Appeal of Venice, with Judgement no. 2178/15, has accepted the appeal of the

Municipality, ratifying the validity of the arbitral clause set forth in the original Agreement, thereby cancelling the Judgement of the Court of First Instance dated 25th August 2014, by which the Single Judge sentenced the Municipality to pay an amount of Euro 1,678 thousand. Although the Group hopes to reach a settlement agreement, with a conservative approach aimed at avoiding the expiry subsequent to Judgement 2178, on 11th December 2015, Ascopiave S.p.A. gave a Notification of Litigation to start the Arbitration procedure.

CATEGORY III – LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 31st December 2015, the following litigations are pending:

MUNICIPALITY OF COSTABISSARA:

An arbitration is pending between Ascopiave and the Municipality of Costabissara for the establishment of the industrial residual value of the distribution plants (delivered in to the new operator during FY 2011).

The Arbitration Commission held its first meeting on 16th January 2012.

Given the disagreement on this point between the parties, with a partial arbitral award, the Commission has confirmed the enforcement of the same clause.

With a final Arbitration award on 25th-26th May 2015, the Commission ordered the Municipality to pay the sum of Euro 3,473 thousand, in addition to the interests at the date of filing the Award. In the same Measure the costs of the procedure were quantified in Euro 210 thousand (plus VAT, Lawyers' social security fund and overheads), two-thirds of which under the scope of the Municipality and one third under the scope of Ascopiave S.p.A.. The Award was declared enforceable by the Court of Vicenza on 7th July 2015.

The Municipality, by a deed notified on 12th December 2015, appealed the Award before the Court of Appeal of Venice.

MUNICIPALITY OF SANTORSO:

An arbitration is pending between Ascopiave S.p.A. and the Municipality of Santorso for the establishment of the residual industrial value of the distribution plants (delivered in 2007 to the new operator). The start of the procedure was necessary as a result of the Judgement dated 4th September 2013 by which the Judge declared that the Court of Vicenza has no jurisdiction for the validity of the arbitral clause set forth in the original Agreement. Noting the failure of attempts to amicable settlement, on 12th November 2013, Ascopiave S.p.A. served the litigation notice with the appointment of the party Arbitrator. The Municipality, by resolution dated 26th November 2013, appointed its Arbitrator. By decision of the President of the Court of Vicenza dated 31st January 2014 (taken upon request by Ascopiave) the third Arbitrator and the Chairman of the Panel were appointed. The Municipality has contested this procedure (also set forth in the concession agreement) supporting the applicability of the new law dated 2012 which, amending the Public Contracts Code, introduced a peculiar regulation with respect to the arbitration proceedings with the Public Bodies which envisages, among other things, the appointment of the third Arbitrator by the Court of Arbitration of AVCP (Authority for the Supervision of Public Contracts for works, services and supplies). The Authority has adhered to the request, envisaging a retroactive application of the new rule and introducing a sort of supervening invalidity of the arbitral clauses. In this perspective it has scheduled the draw of the third Arbitrator on 17th April. Ascopiave S.p.A. has always expressed its opposition to this formulation (most recently with the note to the AVCP dated 15th April 2014) and therefore considers the Panel perfectly formed, which, moreover, at its meeting held

on 14th April 2014, confirmed its legitimacy.

AVCP's Chamber of Arbitration has submitted the extract of the minutes of the meeting held on 17th April 2014 which ratified the acknowledgement of Ascopiave S.p.A.'s communication. As a consequence, the proceeding was declared extinguished. The Municipality's defence has renewed its application to AVCP, while Ascopiave S.p.A.'s lawyer has reaffirmed the position of the Parent Company in another letter dated 12th June 2014.

The Panel, in hearings held on 26th June and 7th July dealt with the issue envisaging a partial award on the matter and establishing the deadlines for the Parties' briefs on 30th September 2014 and 15th October 2014. The recent Law Decree 90/2014, whose article 19 has abolished AVCP, could have a significant impact on the matter. The Parties have submitted their respective briefs (and replies) within the specified time limits.

With a partial award dated 10th January 2015, the Panel confirmed the legitimacy of its constitution and therefore the full legitimacy to proceed.

With order dated 27th February 2015, the Panel set an investigation by a court-appointed expert to determine the value of the plants.

The investigations are currently in progress, regarding which, following the request of the court-appointed expert witness, the Chairman of the Panel has extended the original deadline by 45 days. The activities should therefore be completed by 30th November 2015.

The court-appointed expert witness has submitted his report within the aforementioned deadline. The report has been strongly contested in detail by the defendant's expert and Ascopiave's attorney.

At the hearing held on 21st December 2015, the Panel gave the Parties a time limit for filing a defence (1st February 2016) to respond to the respective notes filed during the hearing, relating to the expert's reports prepared by the court-appointed expert witness.

In view of the aforesaid challenges and the subsequent applications filed by the Parties, the Panel has allowed the latter to consult the court-appointed expert witness on 10th March 2016.

The expert's operations, therefore, are to be considered not concluded and indeed, still in progress.

CATEGORY IV – PENDING ADMINISTRATIVE LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31st December 2015, the following litigations are pending:

ASCOPIAVE S.p.A. – HEADQUARTERS EXTENSION:

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

In order to obtain the review of the First Instance Sentence, Ascopiave S.p.A. has filed an incidental appeal.

By a communication dated 29th September 2015, however, the Lawyer of the company reported that the Council of State, Section V, scheduled the public Hearing for the discussion of the appeal on 24th November 2015. The main issue will be focused on the claim for damages pursuant to the Criminal Code (€ 1,300 thousand), in relation to which the same arguments that led to the non-acceptance in the first instance will be proposed again. Although the company hopes

for a similar outcome, the risk of a partial acceptance and therefore a sentence, at least on a lump-sum basis, cannot be neglected. The judgement is pending.

With Judgement no. 275/2016 dated 27th January 2016, the Council of State allowed the interlocutory appeal filed by Ascopiave and therefore rejected both the main appeal and the request for compensation (Euro 1,300,000) submitted by Setten Genesisio, without prejudice to the compensation of legal costs. As a consequence, Ascopiave is not indebted to Setten Genesisio.

AEEGSI – RESOLUTION ARG/GAS 241/2013 – 533/2013:

An appeal to the Regional Administrative Court of Latium, which overrules Ministerial Decree dated 5th February 2013 approving the agreement template for managing the service subsequent to the following calls, limiting to the last part of art. 21.3 where the manager “supplies the default service according to the methods defined by the Authority.” This is a merely precautionary measure aiming at avoiding the risk of lack of interest in the aforesaid main judgement. Given the merely instrumental nature and Judgement issued on 6th December 2014, by which the Council of State allowed the appeal filed by AEEGSI and, as a consequence, cancelled the Judgement issued by the Regional Administrative Court of Lombardy no. 3272 of 28th December 2012, the Proceedings will not be carried on.

With appeal to the Regional Administrative Court of Lombardy Milan, Resolution 241/2013 was contested as well. The main reasons are: failure to envisage a compensation for the default service interventions in progress; the provisions concerning delay penalties or failure to implement power failure to be paid by the distributor even if the delay or the failure to implement depend on causes not attributable to the distributor. Finally, in connection with previous appeals (pending at that time), the “motivation” given to the provision was contested: according to the AEEGSI, this motivation only derives from the need to obviate a sort of “incompetence” of the distributors.

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

In early-March 2015, it was disclosed that, with judgements no. 593 and 594/2015, the Regional Administrative Court rejected the appeals of 2i Rete Gas S.p.A. and Italgas against the same resolutions 241/2013 and 533/2013.

The interest in the judgement has somewhat diminished because the regulatory environment has been profoundly changed by the subsequent numerous legislative measures and there is therefore a need to evaluate other judgements with respect to the proceeding brought by other companies in the sector.

AEEGSI – RESOLUTIONS ARG/GAS 28/12 – 193/12 – 246/12 – 631/2013:

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

Subsequently, as partial modifications to Resolution 28, the AEEGSI issued Resolutions 93/2012 and 246/2012, which, however, were not sufficient to withdraw the company's complaint. The deadline set on 1st March 2012 was cancelled and postponed to 31st December 2012. The company has filed an appeal against both resolutions with additional

grounds. Similarly, Resolution 316/2012 through which the AEEGSI further intervened on the matter, has also been contested.

With Resolution 631/2013 the AEEGSI further intervened on the matter, amending Resolution 28/2012. Therefore, the new stay request, submitted with reference to the previous rules, (also contested) was withdrawn. The proceedings are formally still in progress; however, by virtue of Resolution 631, they should/could be considered without further legal interest.

GUIDELINES – MINISTERIAL DECREE 22ND MAY 2014

An appeal to the Regional Administrative Court of Latium – Rome against the Minister of Economic Development for the cancellation of Ministerial Decree dated 22nd May 2014 concerning the introduction of Guidelines for the determination of the residual industrial value. As part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9 and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (retrospective deduction of private contributions and time limit of agreements' validity) were raised. The Regional Administrative Court, with reference to the appeals filed by other Distributors including an application for suspension, has scheduled the hearing on 27th June 2015. Ascopiave S.p.A.'s lawyers will request that the proceedings are discussed during the same hearing, or another one to be scheduled.

The Court has ordered the postponement of the discussion to another Hearing to be scheduled subsequent to the entry into force (29th July 2015) of Ministerial Decree no. 106 dated 20th May 2015, amending Decree 226/2011, and its appeal. The Ministerial Decree, in fact, at least as far as art. 5 is concerned, essentially introduces the regulation of the Guidelines into Ministerial Decree 226/2011.

On 1st October 2015, Ascopiave actually filed an appeal against the above-mentioned Decree as well, with “additional grounds” with respect to the main appeal.

The hearing is scheduled for 28th April 2016.

AEEGSI RESOLUTIONS ARG/GAS 310/2014 and ARG/GAS 414/2014

An appeal to the Regional Administrative Court of Lombardy – Milan against the AEEGSI, for the cancellation of the Resolutions ARG/gas 310 and 414/2014 related to the methods for assessing the RAB RIV delta, pursuant to art. 15, paragraph 5 of Legislative Decree 164/2000 (current text) when the difference is higher than 10%. To date, there are no further procedural steps.

AEEGSI RESOLUTION ARG/GAS 367/2014

An appeal to the Regional Administrative Court of Lombardy – Milan against the AEEGSI, for the cancellation of Resolution ARG/gas 367/2014 related to the methods for recognizing the value of the RAB RIV delta in the section which envisages different regulations for incumbent (no reimbursement) and non-incumbent (full reimbursement) winners of the Territorial tender.

With Judgement no. 2221/2015 filed on 19th October 2015, the Regional Administrative Court, confirming the previous (already reported) Judgement 1396/2015, rejected the appeal. Ascopiave is currently assessing if an Appeal is appropriate.

As far as the most impactful aspects are concerned, the Judgement has recognised the legitimacy of the asymmetric regulatory solution adopted by AEEGSI, according to which for each municipal installation, the local net invested capital (RAB), recognised to the winner of the territorial tender, will be equal to:

- The reimbursement value of the above-mentioned installation, when the new operator differs from the outgoing operator;
- The amount currently recognised by virtue of the current municipal concession, if the new operator coincides with the outgoing operator.

The symmetric regulatory solution shall only apply for the duration of the first territorial concession.

With deed notified on 18th January 2016, Ascopiave S.p.A. filed an appeal.

CATEGORY V – CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 31st December 2015, the following litigations are pending:

ASCOPIAVE – UNIT B:

A civil Judgement before the Court of Treviso (RG 6941/2013) following the pre-trial technical investigation, which ended with the report of the Expert witness (appointed by the Court), and started by Ascopiave (writ of summons dated 22nd August 2013) in order to obtain compensation for damages to the entrance floor of the “Unit B”, against: Bandiera Architetti S.R.L (Designers), Mr. Mario Bertazzon (Contract Manager) and Mr. R. Paccagnella Lavori Speciali S.R.L. (Contractor). The compensation request refers to an assessment of damage between approximately Euro 127 thousand (Expert witness estimate for full restoration) and Euro 208 thousand (estimate of a Third party firm for full makeover). All the Parties regularly appeared before the Court. Following the third-party notice (Insurance Company and Site engineer) the first hearing is scheduled on 17th April 2014. Upon its completion, the Judge granted the ordinary investigatory period and scheduled the next hearing on 15th July 2014. The Court, by Order dated 22nd December 2014, decided the complete renewal of the expert witness board, appointing an assessor. The appointment was confirmed in the hearing held on 13th March 2015. Ascopiave S.p.A. has appointed its own expert. The experts’ investigations are currently in progress and we are awaiting the Final report of the expert witness. Meanwhile, since the “field” operations are basically completed, in order to remedy a situation of degradation and potential danger for Visitors and prior notice to the expert witness, the works to reconstruct the flooring have started.

Relationships with Agenzia delle Entrate (Tax collection agency)

During 2008, the subsidiary company Ascopiave S.p.A. was subject to tax audit by the Regional Inland Revenue Office. Following the audit, a report on findings with observations on the indirect and direct taxes was issued. During the month of July 2008, the local Internal Revenue Office issued a notice of assessment regarding the contents of the report on findings.

The company, on 5th February 2010, filed an appeal to the Provincial Tax Commission and paid the sum of Euro 243 thousand following the entry in taxpayers' list while the Judgement is pending.

On 30th September 2010 the Tax Commission of the Province of Treviso with judgement 131/03/10 filed on 14th December 2010 accepted the appeal and acknowledged the good tax behaviour of the company.

Later, Agenzia delle Entrate filed an appeal against the decision of the Commission of the Province of Treviso.

On 24th September 2012, the Regional Provincial Tax Commission issued judgement no. 109/30/12, filed on 20th December 2012 which rejected the appeal submitted by Agenzia delle Entrate.

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

Territorial areas

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

Specifically:

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

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

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

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

The conversion into Law of the Decree (Law no. 9 / 2014) has made substantial changes to Article 15 of Legislative Decree no. 164/2000, providing that the new operators shall pay a reimbursement to the holders of assignments and concessions existing in the transitional period, calculated in compliance with the provisions of the agreements or contracts and, even if not inferable by the will of the Parties and for aspects which are not envisaged in those agreements or contracts, based on guidelines on operating criteria and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) have to be deducted from the reimbursement value. If the reimbursement value is higher than 10% of the value of local assets calculated as per tariff regulation, net of public capital contributions and of private ones for local fixed assets, the granting local body submits the related evaluations detailing the reimbursement value to the Authority for Electricity and Gas and Water Supply System so that it can be checked

before publishing the invitation to tender.

In addition, Law no. 9 / 2014 has established that the deadlines envisaged in paragraph 3 of article 4 of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98, are extended by four months and that the deadlines illustrated in Attachment 1 to the regulations of the Minister for Economic Development Decree dated 12th November 2011, no. 226 (so-called “Decree for Criteria”), related to dispositions contained in the third grouping of Attachment 1 itself, and the deadlines illustrated in article 3 of the regulations, are extended by four months.

On 6th June 2014 the Decree of the Minister of Economic Development dated 22nd May 2014 was published in the Official Gazette, which approved the “Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks” pursuant to Article 4, paragraph 6, of Law Decree no. 69 / 2013, converted with amendments by Law no. 98 / 2013 and article 1, paragraph 16, of Law Decree no. 145 / 2013, converted with amendments into Law no. 9 / 2014. Pursuant to Law no. 9 / 2014, the “Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks” define the criteria to be applied to the valuation of reimbursement of facilities in order to integrate those aspects that are not already provided for in the agreements or contracts and what cannot be deduced from the will of the parties.

The “Guidelines” feature several critical issues not only as concerns the resulting valuations, but also in terms of application scope, extremely extended by the Ministry, to the extent that all the agreements regarding the valuations of the facilities entered into by the operators and the Municipalities after 12th February 2012 (date of entry into force of Ministerial Decree 226/2011) are believed to be ineffective.

Furthermore, these Guidelines contrast with the provisions of art. 5 of Ministerial Decree 226/2011 itself. This is in non-compliance with the provision of law which refers to art. 4, paragraph 6 of Law Decree 69/2013, which, in turn, makes explicit reference to Article 5 of Ministerial Decree 226/2011.

Considering such illegitimacies, Ascopiave S.p.A. has appealed the Ministerial Decree dated 21st May 2014 (and as a consequence the Guidelines) before the administrative court (Regional Administrative Court of Latium). As part of the said proceedings, the issue of constitutional legitimacy and/or preliminary ruling was raised relating to the interpretation (mainly retrospective) of the new rules on the deduction of private contributions set forth by Law 9/2014.

Lastly, by Resolution 310/2014/R/gas - “Provisions for determining the reimbursement value of natural gas distribution networks”, published on 27th June 2014, the Authority for Electricity, Gas and Water approved provisions for determining the reimbursement value of the gas distribution networks, implementing the provisions of Article 1, paragraph 16 of Law Decree dated 23rd December 2013, no. 145, converted with amendments by Law dated 21st February 2014, no. 9.

That provision states that the granting Local Authority shall send the Authority the verification documents containing a detailed calculation of the reimbursement value (RIV), if this value is 10% higher than the local RAB.

The Authority performs the checks set forth in Article 1, paragraph 16 of Law Decree no. 145/13 within 90 days from the date of receipt of the documentation by the Awarding entities, ensuring priority based on the deadlines for the publication of the calls for tenders.

With Law no. 116/2014 dated 11th August 2014 (converted with amendments to law decree 24th June 2014 no. 91) the Legislator has envisaged a further extension of deadlines for the publication of invitations to tender. Specifically, for the areas belonging to the first group referred to in Annex 1 of Ministerial Decree 226/2011, the time limit was extended by eight months; for the areas belonging to the second, third and fourth groups the deadline was postponed by six months

and lastly for the areas of the fifth and sixth groups the extension is four months.

However, these postponements do not apply to those areas which, although they belong to the first six groups, are affected by earthquakes, because over 15% of the redelivery points are in the municipalities affected by the earthquakes of 20th and 29th May 2012, in compliance with the annex to the Decree of the Minister of economy and finance dated 1st June 2012.

The same law, further amending Article 15, paragraph 5 of Legislative Decree 2000, has finally determined that the redemption value is to be calculated in compliance with the provisions of the agreements or contracts, provided that the latter were entered into before the date of entry into force of Ministerial Decree dated 12th November 2011 no. 226, that is to say before 12th February 2012, thus affirming the principle of retroactive application of the Guidelines, which had already been appealed during the court action against the Guidelines.

On 14th July 2015, the Decree of the Minister of Economic Development and the Minister of Regional Affairs and Autonomies no. 106 dated 20th May 2015 was published in the Official Gazette, amending the decree dated 12th November 2011 no. 226 regarding the tender criteria for awarding the gas distribution service.

The most significant changes include:

- 1) the provisions concerning the value of the reimbursement of the plants to be applied in case of absence of specific agreements between the parties occurred before the entry into force of Decree no. 226/2011, which include to a large extent the provisions of the “Guidelines”.
- 2) a higher maximum threshold for the amount of the annual payments that may be offered in tenders to local authorities. This threshold, previously equal to 5% of the portion of the restriction on tariff revenues to cover the local capital costs, has been brought to 10%;
- 3) the treatment of a number of important technical and economic aspects related to the tendered energy efficiency investments, concerning the value of the amounts to be paid to local authorities and the payments to cover the costs of the operator which implements the interventions and gains the related energy efficiency certificates.

In 2015, a number of tenders were published for the award of the service with Territorial procedure. Many of them did not follow the procedures required by law, which envisages, among other things, the prior examination by the Authority of the reimbursement amounts of the plants due to outgoing operators as well as the review of the invitation to tender's overall content and annexes before publication. Moreover, most calls are also inconsistent, even significantly, with the instructions contained in the ministerial regulations, also with regard to the criteria for evaluating bids; according to the current regulations, such inconsistencies should be specifically justified by the Awarding Entities.

In this context, the standardisation of the tender process envisaged by the law is encountering serious difficulties, to the extent that the procedures may freeze due to a major litigation.

Distribution of dividends

On 23rd April 2015, the Shareholders' Meeting approved the yearly statement and decided the distribution of dividends for an amount equal to Euro 0.15 per share with dividend date on 11th May 2015, record date on 12th May 2015 and payment on 13th May 2015.

Own shares

In accordance with Art. 40 of Legislative Decree 127 2 d), as of 31st December 2015, the value of own shares held by the company is equal to Euro 17,521 thousand (Euro 17,660 thousand as of 31st December 2014), as can be seen in the Net Equity variations.

Outlook for the Year

As far as the gas distribution activities are concerned, in 2016 the Group will continue its normal operations and service management and perform preparatory activities for the invitations to tender. The Group will also participate in the tenders invited, if any, for the award of the Minimum Territorial Areas in which it is interested. Most Municipalities currently managed by the Ascopiave Group belong to Minimum Territorial Areas for which the maximum deadline to issue the call for tenders exceeds 31st December 2016. However, since tender authorities may anticipate the maximum terms stated in the regulations, it is possible that some Municipalities may be interested in tenders already in 2016. If this should be the case, however, even with no certainties concerning the required time for the assignment, it is reasonable to assume that, for the first call for tenders, possible transfers of management to potential new operators may be executed only after the end of 2016. Thus, the activity perimeter of the Group will likely not change compared to today.

As far as profitability is concerned, it will be negatively affected by the adjustment of the capital return rate envisaged in the recent tariff measures; in fact, the actual pre-tax rate of return for the distribution activity was reduced from 6.9% in 2015 to 6.1%, thus determining an expected decrease in global tariff revenues.

As far as gas sale is concerned, it is even more difficult to forecast result trends, also due to the impact of weather conditions, which significantly affect gas consumption. However, for the time being there is no reason to believe that in the near future there will be considerable variations in business profitability conditions, despite the competitive pressure in the retail market and the expected impact of the tariff measures defined by AEEGSI for the protected market.

As regards electricity sales, the fiscal year 2016 could confirm 2015 results.

However, these results could be influenced, in addition to the possible tariff provisions by the Electricity, Gas and Water System Authority (AEEGSI) – currently unforeseeable – also by the evolution of the more general competitive context, as well as by the Group's procurement strategy.

The actual results of 2016 could differ compared to those announced depending on various factors amongst which: the evolution of supply and demand and gas prices, the actual operational performance, the general macroeconomic conditions, the impact of regulations in the energy and environmental fields, success in the development and application of new technologies, the changes in stakeholder expectations and other changes to business conditions.

Goals and policies of the group and risk description

Credit and liquidity risk

The main financial instruments in use by our Group are represented by trade payables and receivables, liquidity, bank debt and other forms of financing. It is maintained that the Group is not exposed to credit risks greater than the product sector average, considering the numerous customers and the low physical risk in the service of gas delivery. To keep residual credit risks under control, there is in any case a fund for the devaluation of credit equal to approximately 14.6% (21.7% as of 31st December 2014) of the total gross credit of third parties. Significant commercial operations take place

in Italy.

With reference to the company financial management, the administrators consider it appropriate to generate a cash flow suitable for covering its needs.

The main payment obligations opened as of 31st December 2015 are associated with contracts for natural gas supply.

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

As of 31st December 2015, the Ascopiave Group holds a portfolio of 208 (208 as of 31st December 2014) natural gas distribution concessions located throughout the country. In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19th January 2011 and 18th October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12th November 2011. With new tenders being launched, Ascopiave S.p.A. may not be able to obtain one or more new concessions, or it could obtain them at less advantageous conditions than the current ones, with possible negative impacts on the operative activity and the economic, equity and financial situation, it being understood that, if the company is not awarded with a new concession, limited to the Municipalities previously managed by the company, it will obtain a reimbursement value envisaged for the outgoing operator.

Risks relating to the amount of reimbursement paid by the new operator

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

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

In the periods following the first, transitional one, the reimbursement value to the outgoing operator shall be equal to the local net intangible assets, net of public capital contributions and of private ones for local fixed assets, calculated with reference to the criteria used by the Authority to determine the distribution tariffs (RAB). As far as this point is concerned, it should be noted that the Authority has recently intervened with Resolution 367/2014/R/gas, providing that the redemption value, referred to in Article 14, paragraph 8, of Legislative Decree no. 164/00, at the end of the first

period of concession is determined as the sum of: a) the residual value of the existing stock at the beginning of the concession period, assessed for all the fixed assets subject to transfer for consideration to the new operator in the second period of concession based on the redemption value, provided for in Article 5 of Decree 226/11, recognized to the outgoing operator in the first territorial concession, taking into account the depreciations and divestments recognized for tariff purposes in the concession period; b) the residual value of the new investments made in the concession period and existing at the end of the period, assessed based on the re-valued historical cost method for the period in which the investments are recognized in the final balance, as provided in Article 56 of the Tariff Regulation of Gas Distribution and Measurement Services, and as the average between the net value determined based on the re-valued historical cost method and the net value determined based on standard cost assessment methods, pursuant to paragraph 3.1 of Resolution 573/2013/R/GAS, for the next period.

The Group intends to protect its financial performance and standing with respect to regulatory changes as described in the terms set out in the section “Territorial areas” of this report.

Human Resources

As of 31st December 2015, Ascopiave Group had 615 employees⁵, divided between the various companies of the Group as outlined below:

Companies consolidated with full consolidation method	31/12/2015	31/12/2014	Var.
Ascopiave S.p.A.	259	263	-4
Ascotrade S.p.A.	82	81	1
ASM DG S.r.l.	18	20	-2
Edigas Distribuzione S.p.A.	27	27	0
Pasubio Servizi S.r.l.	18	19	-1
Etra Energia S.r.l.	6	6	0
Veritas Energia S.p.A.	42	31	11
Blue Meta S.p.A.	23	20	3
Amgas Blu S.r.l.	7	7	0
Companies consolidated with full consolidation method	482	474	8

Companies consolidated with net equity consolidation method	31/12/2015	31/12/2014	Var.
Estenergy S.p.A.	78	79	-1
ASM Set S.r.l.	9	9	0
Unigas Distribuzione S.r.l.	46	48	-2
Companies consolidated with net equity consolidation method	133	136	-3

Ascopiave Group	615	610	5
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Compared to 31st December 2014 the workforce of the Ascopiave Group has increased by 5 units. The main variations concern the following companies:

- Ascopiave: -4 employees, with 3 new people hired and 7 people laid-off, which partly relate to the transfer of some employees to the subsidiary company Ascopiave S.p.A.;

⁵ Data concerning the proportionally consolidated companies, i.e. Estenergy (48.999%), ASM Set (49%) and Unigas Distribuzione (48.86%).

- Ascotrade: + 1 employee, with 8 new people hired and 7 people laid-off;
- Bluemeta S.p.A.: +3 employees; with 6 new people hired and 3 people laid-off;
- Veritas Energia S.p.A.: +11 employees, with 11 new people hired;
- Pasubio Servizi S.r.l.: -1 employee, with one person laid-off;
- Unigas Distribuzione S.r.l.: -2 employees, with 2 new people hired and 4 people laid-off;
- Asm DG S.r.l.: -2 employees, with 2 people laid-off.

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

Companies consolidated with full consolidation method	31/12/2015	31/12/2014	Var.
Managers	17	17	0
Office workers	362	351	11
Manual workers	103	106	-3
Companies consolidated with full consolidation method	482	474	8

Companies consolidated with net equity consolidation method	31/12/2015	31/12/2014	Var.
Managers	3	3	0
Office workers	112	114	-2
Manual workers	18	19	-1
Companies consolidated with net equity consolidation method	133	136	-3

Ascopiave Group	31/12/2015	31/12/2014	Var.
Managers	20	20	0
Office workers	474	465	9
Manual workers	121	125	-4
Ascopiave Group	615	610	5

Research and development

IT Systems

In support of the sales companies of the Group, during 2015 the innovation strategy of information systems in order to create new services for the end customer continued.

In particular, the CRM system implemented for Ascotrade S.p.A. has been extended to all the sales companies, a new system to manage offers intended for customers has been introduced and the websites of all the Group's companies have been completely revamped. In addition, the "A Tutta Energia" club has been developed: it offers discounts, benefits and coupons reserved to our customers that can be used in a network of selected partners.

The Ascopiave Group has then completed the adoption of the CBILL circuit created by Consorzio CBI, allowing its customers (individuals and companies) to use a new payment channel and pay the bills issued by the Group's companies directly through their Internet Banking.

As far as regulatory changes are concerned, the main project has involved the adaptation of invoicing to the "Bolletta 2.0" standard that has revolutionised the layout of Gas and Electricity bills.

In 2015, an IT tool to support electricity dispatching activities was basically completed; it automates the dialogue with the management systems of the group's sales companies.

In the first half of 2015 a project to extend the use of electronic billing to our suppliers based on the system created for the Public Administration was then implemented. The project has led to the construction of a platform able to receive invoices according to the xml layout of Public Administration electronic invoices. Electronic invoices in “PA format” are automatically loaded into our systems.

The functionalities to support the reporting management system based on SAP BPC, were expanded by heavily modifying the module supporting budget activities and by implementing a new module in support of gas distribution.

During the year, the features of the application dedicated to the management of watch-list receivables were enhanced, by virtue of a better integration of the law firms network and the enrichment of the debt collection practices, thus enabling a significantly faster issuance of injunctions.

Another significant project implemented in 2015 concerns the use of Big Data analysis and Predictive Analytics techniques applied in the credit area. The project has entailed the construction of a Big Data platform in the credit area and the creation of a model able to estimate the evolution of the credit risk on a geographical basis based on the historical data (outstanding payments per customer) and the trend of external variables, including macroeconomic variables, with the possibility of building scenarios and supporting forecasts and what-if analyses.

As for the digitisation of accounts receivables, a project has been completed in order to send invoices by certified e-mail to all subjects with a VAT identification number; this project has entailed the full traceability of the process for over 50% of the portfolio, faster delivery times and the elimination of the related costs.

In addition, other significant projects have involved the development of new features for the software supporting the management of legal disputes, the enhancement of the features of the tool supporting the management of certified e-mail boxes, and an improvement in the electrical safety of the Disaster Recovery data-centre.

In 2015, the Work Force Management system to support the Technical Department of the Gas Distribution company, which was put into production in late 2014, was perfected.

The WFM system has substantially changed the processes through which field interventions are planned and implemented, entailing many advantages through the introduction of automatic systems to schedule operations and optimize the use of resources, the application of principles of saturation of the working day and minimization of paths.

The resources operating in the area have been equipped with mobile devices for the assignment of meter tasks, the field consultation of information necessary to carry out the interventions and the immediate final balance of the work performed. Task status can therefore be monitored in real time, allowing better planning and communication of the outcomes of the operations and thus substantially improving the level of service offered to customers.

In 2015, the Central Acquisition System (SAC) of readings already in use for meters above G6 was also extended to G4 meters. Moreover, in addition to the installations of point-to-point electronic meters, the first installations of point-to-multipoint smart meters with 169 MHz technology began as well. Both types of meters can be managed with the Central Acquisition System installed.

The activities to enable interaction with the Integrated Information System (SII) have continued, including the implementation of a Communication Port according to the specifications issued by Acquirente Unico.

In 2015, a new system for budgeting and order management was released to production; it also supports the information flows exchanged with external companies which provide construction services.

Also in support of the Gas Distribution companies of the Group, new functionalities have been introduced to the management systems and the Portal of the Distributor to comply with regulatory updates, the need of improving

internal processes and the communications standards defined by the AEEG.

Additional information

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

For further information pertaining remuneration members of administration and auditing bodies, general directors and executives with strategic responsibilities and their share participation please refer to the Remuneration Report drafted pursuant to Art. 123 – third paragraph of the Legislative Decree 58/1998 (National Finance Law), approved by the Board of Directors on 16th March 2015.

Security of personal data

Ascopiave Group is attentive to the protection of personal data and the adoption of appropriate security measures. For a greater protection of these data, the Group also continues to update each year the DPS (Security Planning Document), although it is no longer required under Legislative Decree no. 196 dated 30th June 2003 as a result of the amendments introduced by Law Decree 9th February 2012, no. 5, converted into Law no. 35 of 4th April 2012

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

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

List of company headquarters

Owned offices

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

Rented offices

Owner	Location	Intended use
Ascopiave S.p.A.	Castelfranco (TV)- Via della Cooperazione n° 8	Building hosting warehouse
Ascopiave S.p.A.	Marchirolo (VA) - Via Cavalier Busetti n° 7/H	Building leased to ASCOTRADE hosting offices
Ascotrade S.p.A.	Agordo (BL) - Via IV Novembre n°2	Building hosting company offices
Ascotrade S.p.A.	Belluno - Via Tiziano Vecellio n°27/29	Building hosting company offices
Ascotrade S.p.A.	Feltre (BL) - Via C. Rizzarda n°21	Building hosting company offices
Ascotrade S.p.A.	Pieve di Cadore (BL) - Via Degli Alpini n°28	Building hosting company offices
Ascotrade S.p.A.	Trebaseleghe (PD) - Piazza Principe di Piemonte, 12	Building hosting company offices
Ascotrade S.p.A.	Vittorio Veneto (TV) - Galleria Nazioni Unite	Building leased to SAVNO Srl hosting offices
Ascotrade S.p.A.	Casteggio (PV) - Via Anselmi n° 33	Building hosting company offices
Ascotrade S.p.A.	Porto Viro (RO) - Piazza della Repubblica n° 14	Building hosting company offices
Ascotrade S.p.A.	Conegliano (TV) - Via S. Giuseppe n° 38/A	Building hosting company offices
Ascotrade S.p.A.	Castelfranco (TV) - Piazza Serenissima n°12	Building hosting company offices
Ascotrade S.p.A.	Montebelluna (TV) - Schiavonesca Priula n° 86	Building leased to ATS Srl hosting offices
Ascotrade S.p.A.	Oderzo (TV) -Cesare Battisti n° 7/A	Building hosting company offices
Ascotrade S.p.A.	Oderzo (TV) -Cesare Battisti n° 7/B	Building hosting company offices
Ascotrade S.p.A.	Portogruaro (VE) - Viale Trieste n° 31	Building hosting company offices
Ascotrade S.p.A.	Lentate sul Seveso (MB) - Via Padova n° 35	Building hosting company offices
Ascotrade S.p.A.	Vicenza - SS Felice e F. n° 203	Building hosting company offices

Performance Indicators

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

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

Comments on the economic-financial results of the year 2015

General operational performance and indicators

NATURAL GAS DISTRIBUTION	2015	2014	Var.	Var. %
Companies consolidated with full consolidation method				
Number of concessions	176	176	0	0.0%
Length of distribution network (km)	7,775	7,691	83	1.1%
Volumes of gas distributed (scm/mln)	788.5	710.8	77.7	10.9%
Companies consolidated with net equity consolidation method				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,100	1,095	5	0.4%
Volumes of gas distributed (scm/mln)	144.9	133.2	11.8	8.8%
Ascopiave Group*				
Number of concessions	192	192	0	0.0%
Length of distribution network (km)	8,312	8,227	86	1.0%
Volumes of gas distributed (scm/mln)	859.3	775.9	83.4	10.8%

* Operating data of companies consolidated with net equity consolidation method are considered pro-quota

NATURAL GAS SALES TO FINAL MARKET	2015	2014	Var.	Var. %
Companies consolidated with full consolidation method				
Volumes of gas sold (smc/mln)	818.6	763.1	55.5	7.3%
Companies consolidated with net equity consolidation method				
Volumes of gas sold (smc/mln)	291.2	255.6	35.6	13.9%
Ascopiave Group*				
Volumes of gas sold (smc/mln)	961.3	888.4	72.9	8.2%

* Operating data of companies consolidated with net equity consolidation method are considered pro-quota

SALE OF ELECTRIC POWER	2015	2014	Var.	Var. %
Companies consolidated with full consolidation method				
Volumes of electricity sold (GWh)	352.4	381.2	-28.8	-7.6%
Companies consolidated with net equity consolidation method				
Volumes of electricity sold (GWh)	116.7	160.0	-43.3	-27.1%
Ascopiave Group*				
Volumes of electricity sold (GWh)	409.6	459.6	-50.0	-10.9%

* Operating data of companies consolidated with net equity consolidation method are considered pro-quota

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

The value of each indicator is obtained by adding the values of the indicators of each consolidated company, weighting the data of the companies consolidated with the equity method according to the share of consolidation.

As far as the activity of gas distribution is concerned, in 2015 the volumes distributed through the networks managed by

the fully consolidated companies of the Group totalled 788.5 million cubic metres, marking an increase of 10.9% compared to the previous year.

The company Unigas Distribuzione S.r.l., consolidated through the equity method, has distributed 144.9 million cubic metres, marking an increase of 8.8% as compared to 2014.

In 2015 the volume of gas sold by the 100% consolidated companies amounted to 818.6 million cubic meters, marking an increase of 7.3% compared to the previous year. In 2015 the companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 291.2 million cubic metres (+13.9% compared to the previous year).

In 2015 the volume of electricity sold by the fully consolidated companies is equal to 352.4 GWh, marking a decrease of 7.6% compared to the previous year. In financial year 2015 the companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 116.7 GWh of electrical energy.

General operational performance - The Group's economic results

(Thousands of Euro)	Financial Year 2015	% of revenues	Financial Year 2014	% of revenues
Revenues	581,655	100.0%	585,300	100.0%
Total operating costs	500,671	86.1%	505,714	86.4%
Gross operative margin	80,983	13.9%	79,585	13.6%
Amortization and depreciation	20,029	3.4%	20,099	3.4%
Provision for risks on credits	4,004	0.7%	6,819	1.2%
Operating result	56,950	9.8%	52,667	9.0%
Financial income	803	0.1%	1,364	0.2%
Financial charges	1,321	0.2%	2,957	0.5%
Evaluation of subsidiary companies with the net €	7,449	1.3%	4,453	0.8%
Earnings before tax	63,881	11.0%	55,527	9.5%
Taxes for the period	18,519	3.2%	18,194	3.1%
Net result for the period	45,362	7.8%	37,333	6.4%
Group's Net Result	43,014	7.4%	35,583	6.1%
Third parties Net Result	2,349	0.4%	1,750	0.3%

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

In fiscal year 2015, the Group incomes amount to Euro 581,655 thousand, with a decrease of 0.6% compared to the previous year. The following table reports the details of income.

(Thousands of Euro)	Financial year 2015	Financial year 2014
Revenues from gas transportation	26,752	21,697
Revenues from gas sale	472,974	473,641
Revenues from electricity sale	61,188	67,199
Revenues from connections	1,133	52
Revenues from heat supply	13	55
Revenues from distribution services	3,563	3,530
Revenues from billing and taxes		38
Revenues from services supplied to Group comp:	1,157	842
Revenues from AEEG contributions	8,871	12,555
Other revenues	6,003	5,690
Revenues	581,655	585,300

Revenues from gas sale decreased from Euro 473,641 thousand to Euro 472,974 thousand, thus recording a decrease of Euro 667 thousand (-0.1%). The positive effect of higher volumes of gas sold is offset by the decrease in average unit sale prices.

Revenues from electricity sales decreased from Euro 67,199 thousand to Euro 61,188 thousand, marking a decrease of Euro 6,011 thousand (-8.9%), mainly due to lower volumes of electricity sold.

The operating result for 2015 amounts to Euro 56,950 thousand, thus recording an increase of Euro 4,283 thousand (+8.1%) compared to the previous year.

The improvement is due to several factors:

- decrease in the tariff revenues on the activity of gas distribution for Euro 708 thousand;
- increase in the first margin on the activity of gas sales, equal to Euro 1,201 thousand;
- decrease in the first margin on the activity of electricity sale, equal to Euro 1,509 thousand;
- increase in other items of cost and revenues, equal to Euro 5,300 thousand.

The decrease in the **revenues from tariffs in the gas distribution activity** (decreasing from Euro 62,669 thousand to Euro 61,960 thousand) is due to the entry into force of the new tariff regulation for the period 2014-2019 (so-called fourth regulatory period) envisaged by AEEGSI resolution 367/2014/R/gas.

The increase in the **first margin on the activity of gas sale** (from Euro 63,190 thousand to Euro 64,391 thousand), is mainly due to higher volumes of gas sold, offset by the decrease in average unit sale prices.

The decrease in the **first margin on the activity of electricity sales**, from Euro 5,342 thousand to Euro 3,833 thousand is due to lower unit margins and lower amounts of electricity sold compared to the previous year, which had benefited from a downward-moving trend of purchase prices.

The positive variation in the item **other costs and revenues**, amounting to Euro 5,300 thousand, is mainly due to:

- lower other revenues for Euro 2,022 thousand;
- lower material and service costs and other charges equalling Euro 3,283 thousand;
- lower personnel cost for Euro 1,153 thousand;

- lower amortization of fixed assets for Euro 70 thousand;
- lower bad debts provisions for Euro 2,815 thousand.

The net consolidated profit of 2015 amounts to Euro 45,362 thousand, thus recording an increase of Euro 8,029 thousand (+21.5%) compared to the previous year.

The variation is due to the following factors:

- an increase in the operating result, as previously stated, for Euro 4,283 thousand;
- higher result of companies consolidated through the equity method for Euro 2,996 thousand;
- decrease in financial revenues for Euro 561 thousand;
- decrease in financial charges for Euro 1,636 thousand;
- increase in taxes for Euro 325 thousand, due to the increase in income.

The tax rate, calculated by normalizing the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreases from 35.6% to 32.8%.

General operational performance – Financial situation

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

(Thousands of Euro)	31.12.2015	31.12.2014
A Cash and cash equivalents on hand	15	16
B Bank and post office deposits	28,286	100,867
D Liquid assets (A) + (B) + (C)	28,301	100,882
E Current financial assets	3,487	8,234
F Payables due to banks	(88,238)	(175,106)
G Current portion of medium-long-term loans	(9,628)	(9,745)
H Current financial liabilities	(3,708)	(280)
I Current financial indebtedness (F) + (G) + (H)	(101,574)	(185,131)
J Net current financial indebtedness (I) - (E) - (D)	(69,786)	(76,015)
K Medium- and long-term bank loans	(43,829)	(53,456)
L Non current financial assets	0	3,124
M Non-current financial liabilities	(422)	(3,327)
N Non-current financial indebtedness (K) + (L) + (M)	(44,250)	(53,659)
O Net financial indebtedness (J) + (N)	(114,037)	(129,673)

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph “Transactions with related parties” of this financial report.

In order to comply with Consob communication no. DEM/6064293/2006, the following table shows the reconciliation between the Net financial position and the ESMA Net financial position:

(Thousands of Euro)	31.12.2015	31.12.2014
Net financial position	(114,037)	(129,673)
Non current financial assets	0	3,124
Net financial position ESMA	(114,037)	(132,797)

The financial position decreased from Euro 129,673 thousand as of 31st December 2014 to Euro 114,037 thousand as of 31st December 2015, reporting an increase of Euro 15,636 thousand. As of 31st December 2014, other non-current liabilities amounted to Euro 3,124 thousand, related to the item non-current financial receivables explained by the aggregation of Veritas Energia S.r.l..

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

(Thousands of Euro)	31.12.2015	31.12.2014
Net Income	45,362	37,333
Depreciations and amortizations	20,029	20,099
Provisions	4,004	6,819
(a) Self financing	69,396	64,251
(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:	(501)	(11,011)
(c) Change in financial position generated by operating activities = (a) + (b)	68,894	53,240
(d) Change in financial position generated by investing activities	(21,892)	(25,156)
(e) Other financial position changes	(31,366)	(33,947)
Net financial position changes = (c) + (d) + (e)	15,637	(5,863)

The cash flow generated by the operating management (letters a + b), equal to Euro 68,89 thousand, was mainly due to self-financing for Euro 69,395 thousand and other financial positive variations amounting to Euro 501 thousand, mainly related to the management of the net circulating capital for Euro 6,262 thousand and to the assessment of companies consolidated through the equity method for Euro -7,449 thousand.

Management of net circulating capital has generated financial resources amounting to Euro 6,262 thousand and was influenced mainly by a variation in the overall balance with the Technical Office for Taxation on Building and Regional Taxation, which has generated financial resources for Euro 31,577 thousand, by the variation in VAT allocation, which has generated financial resources for Euro 2,659 thousand, by the variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes, which has generated financial resources for Euro 7,794 thousand, and the variation in the net operating capital, which has absorbed financial resources for Euro 36,523 thousand.

The following table shows in detail the changes in the net working capital during the period:

(Thousands of Euro)	31.12.2015	31.12.2014
Inventories	(1,095)	(435)
Trade receivables and payables	(41,578)	24,671
Operating receivables and payables	5,918	4,876
Severance pay and other funds	19	752
Current taxes	18,519	18,194
Taxes paid	(13,535)	(25,273)
Tax receivables and payables	38,368	(31,113)
Non current financial assets/(liabilities)	(355)	0
Change in net working capital	6,262	(8,327)

Investment activities have generated a cash requirement of Euro 21,892 thousand.

Additional variations in the net financial position concern dividends received by the companies consolidated with the equity method, which have generated resources for Euro 3,369 thousand and the distribution of dividends for Euro 35,100 thousand. The following table shows in detail the other changes in the financial position during the period:

(Thousands of Euro)	31.12.2015
Dividends paid to Ascopiave S.p.A. shareholders	(33,332)
Dividends paid to minority interest	(1,768)
Dividends / (loss coverage) associated copanies or jointly controlled companies	3,369
Net change in short-term bank loans	365
Other changes in financial position	(31,366)

General operational performance - Investments

During fiscal year 2015 the Group made investment for an amount of Euro 22,013 thousand.

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 20,697 thousand, relate to the creation of connections for Euro 4,280 thousand, the implementation and maintenance of the network and natural gas distribution systems for Euro 9,952 thousand and the installation/replacement of meters and the installation of correctors for Euro 6,465 thousand.

INVESTMENTS (thousands of Euro)	2015	2014
Connection of end customers to distribution network	4,280	4,598
Extension, enhancement and upgrading network	8,316	7,047
Gas meters	6,465	5,497
Maintenance	1,635	2,590
Raw material (gas) investments	20,697	19,731
Lands and Buildings	146	361
Industrial and commercial equipment	121	126
Fornitures	14	51
Vehicles	436	396
Hardware and Software	148	319
Other assets	452	81
Other investments	1,317	1,334
Investments	22,013	21,065

Schedule of reconciliation of the of individual net shareholders' equity with the consolidated net Shareholders' Equity

	31.12.2015	31.12.2015	31.12.2014	31.12.2014
(Thousands of Euro)	Groups' Operating Result	Total net equity	Groups' Operating Result	Total net equity
Net equity and results for the year as recorded in the statutory financial statements of the parent company	33,547	392,954	43,628	392,459
Results obtained by subsidiary companies net of the book value of the consolidated equity investments	29,117	(46,104)	24,548	(54,843)
Variations				
Goodwill	(0)	56,176	(0)	56,176
Trade relation value, net of tax effects	(1,139)	7,089	(537)	8,228
Appreciation of gas distribution network, net of tax effects	34	11,547	182	11,581
Elimination of infra-group dividends	(20,524)	(0)	(29,726)	(0)
Effects of the evaluation of companies consolidated with the net assets method	1,491	(5,662)	1,228	(7,078)
Effects of the evaluation of joint companies consolidated with the net assets method	2,593	4,530	(3,294)	2,197
Other effects	243	(392)	1,304	946
Total variations, net of tax effects	(17,302)	73,287	(30,843)	72,050
Net Shareholders' equity and result for the period as recorded in the consolidated financial statement	45,362	420,137	37,333	409,666
Minority interests and results	2,349	4,873	1,750	4,310
Operating result and net equity for the period as recorded in the consolidated financial statement	43,014	415,264	35,583	405,357

Ascopiave Group

Prospects of the consolidated financial statements
as of 31st December 2015

Consolidated assets and liabilities statement

(Thousands of Euro)		31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Goodwill	(1)	80,758	80,758
Other intangible assets	(2)	316,659	313,772
Tangible assets	(3)	34,987	36,614
Shareholdings	(4)	68,078	65,453
Other non-current assets	(5)	15,366	16,741
Non current financial assets	(6)	0	3,124
Advance tax receivables	(7)	11,333	12,814
Non-current assets		527,182	529,276
Current assets			
Inventories	(8)	3,577	2,482
Trade receivables	(9)	172,022	147,804
Other current assets	(10)	46,518	73,973
Current financial assets	(11)	3,487	8,234
Tax receivables	(12)	1,368	4,837
Cash and cash equivalents	(13)	28,301	100,882
	(14)		
Current assets		255,272	338,212
ASSETS		782,454	867,488
Net equity and liabilities			
Total Net equity			
Share capital		234,412	234,412
Own shares		17,521	17,660
Reserves		198,374	188,605
Net equity of the Group		415,264	405,357
Net equity of Others		4,873	4,310
Total Net equity	(14)	420,137	409,666
Non-current liabilities			
Provisions for risks and charges	(15)	7,360	8,496
Severance indemnity	(16)	3,864	3,968
Medium- and long-term bank loans	(17)	43,829	53,456
Other non-current liabilities	(18)	18,903	17,221
Non-current financial liabilities	(19)	422	3,327
Deferred tax payables	(20)	19,571	23,675
Non-current liabilities		93,948	110,142
Current liabilities			
Payables due to banks and financing institutions	(21)	97,866	184,851
Trade payables	(22)	122,823	136,179
Tax payables	(23)	397	205
Other current liabilities	(24)	43,324	26,164
Current financial liabilities	(25)	3,708	280
Current liabilities from derivative financial instruments	(26)	252	
Current liabilities		268,370	347,679
Liabilities		362,317	457,821
Net equity and liabilities		782,454	867,488

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this financial report.

Overall consolidated income statement

(Thousands of Euro)		Financial year 2015	Financial year 2014
Revenues	(26)	581,655	585,300
Total operating costs		504,675	512,533
Purchase costs for raw material (gas)	(27)	325,936	333,335
Purchase costs for other raw materials	(28)	20,495	26,032
Costs for services	(29)	119,151	107,740
Costs for personnel	(30)	21,573	22,726
Other management costs	(31)	18,110	22,733
Other income	(32)	591	32
Amortization and depreciation	(33)	20,029	20,099
Operating result		56,950	52,667
Financial income	(34)	803	1,364
Financial charges	(34)	1,321	2,957
Evaluation of subsidiary companies with the net equity method	(34)	7,449	4,453
Earnings before tax		63,881	55,527
Taxes for the period	(35)	18,519	18,194
Result for the period		45,362	37,333
Group's Net Result		43,014	35,583
Third parties Net Result		2,349	1,750
Consolidated statement of comprehensive income			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		(194)	
2. Components that can not be reclassified to the income statement			
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		190	(253)
Total comprehensive income		45,358	37,080
Group's overall net result		43,028	35,333
Third parties' overall net result		2,331	1,747
Base income per share		0.194	0.160
Diluted net income per share		0.194	0.160

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this financial report.

N.b.: Earnings per share are calculated by dividing the net income for the period attributable to the Company's shareholders by the weighted average number of shares net of own shares. For the purposes of the calculation of the basic earnings per share, we specify that the numerator is the economic result for the period less the share attributable to third parties. There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company. Diluted profits for shares result as equal to those for shares in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

Statement of changes in shareholders' equity

(thousands of Euro)									
	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1 st January 2015	234,412	46,882	(17,660)	(286)	106,426	35,583	405,357	4,309	409,666
Result for the period						43,014	43,014	2,349	45,362
Other operations					(172)		(172)	(21)	(194)
IAS 19 TFR actualization for the period				186			186	3	190
Total result of overall income statement				186	(172)	43,014	43,027	2,331	45,358
Allocation of 2014 result					35,583	(35,583)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(33,332)		(33,332)		(33,332)
Dividends distributed to third parties shareholders							(0)	(1,768)	(1,768)
Long-term incentive plans			138		74		212		212
Balance as of 31st December 2015	234,412	46,882	(17,522)	(99)	108,578	43,014	415,264	4,873	420,137

(thousands of Euro)									
	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1 st January 2014	234,412	46,882	(17,660)	(35)	95,413	38,678	397,692	4,989	402,679
Result for the period						35,583	35,583	1,750	37,333
IAS 19 TFR actualization for the period				(251)			(251)	(3)	(253)
Total result of overall income statement				(251)		35,583	35,333	1,747	37,080
Allocation of 2013 result					38,678	(38,678)	0		0
Dividends distributed to Ascopiave S.p.A. shareholders'					(26,666)		(26,666)		(26,666)
Dividends distributed to third parties shareholders								(2,427)	(2,427)
Change in reserves on business combinations					(1,000)		(1,000)		(1,000)
Balance as of 31st December 2014	234,412	46,882	(17,660)	(286)	106,426	35,583	405,357	4,309	409,666

Consolidated financial statements

(thousands of Euro)	Financial year 2015	Financial year 2014
Net income of the Group	43,014	35,583
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	2,349	1,750
Amortization	20,029	20,099
Bad debt provisions	4,004	6,819
Variations in severance indemnity	(104)	547
Current assets / liabilities on financial instruments	252	0
Net variation of other funds	123	205
Evaluation of subsidiaries with the net equity method	(7,449)	(4,453)
Depreciation of fixed assets	232	0
Losses / (gains) on disposal of fixed assets	454	666
Interests paid	(1,240)	(2,273)
Taxes paid	(13,535)	(25,273)
Interest expense for the year	1,211	2,560
Taxes for the year	18,519	18,194
Variations in assets and liabilities		
Inventories	(1,095)	(435)
Accounts payable	(28,221)	45,125
Other current assets	27,454	(33,844)
Trade payables	(13,356)	(20,454)
Other current liabilities	13,019	(1,760)
Other non-current assets	1,730	11,376
Other non-current liabilities	1,830	1,731
Total adjustments and variations	26,207	20,580
Cash flows generated (used) by operating activities	69,221	56,164
Cash flows generated (used) by investments		
Investments in intangible assets	(21,112)	(19,750)
Realisable value of intangible assets	114	3
Investments in tangible assets	(901)	(1,315)
Realisable value of tangible assets	6	160
Disposals / (Acquisition) of investments and advances	(0)	(951)
Other net equity operations	365	(253)
Cash flows generated/(used) by investments	(21,527)	(22,106)
Cash flows generated (used) by financial activities		
Net changes in debts due to other financiers	(67)	2,774
Net changes in short-term bank borrowings	(155,112)	(11,278)
Net variation in current financial assets and liabilities	8,106	(2,583)
Interest expense	28	(287)
Ignitions loans and mortgages	146,500	258,000
Redemptions loans and mortgages	(88,000)	(169,000)
Dividends distributed to Ascopiave S.p.A. shareholders'	(33,332)	(26,666)
Dividends distributed to other shareholders	(1,768)	(2,427)
Dividends distributed from subsidiary companies	3,369	6,519
Cash flows generated (used) by financial activities	(120,276)	55,052
Variations in cash	(72,582)	89,110
Cash and cash equivalents at the beginning of the period	100,882	11,773
Cash and cash equivalents at the end of the period	28,301	100,882

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this financial report.

EXPLANATORY NOTES

Company information

Ascopiave S.p.A. (hereinafter “Ascopiave”, the “Company” or the “Parent Company” and, jointly with its subsidiaries, the “Group” or the “Ascopiave Group”) is a legal entity under Italian law.

As of 31st December 2015, 61.56% of the Company’s share capital, amounting to € 234,411,575 was held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario – STAR Segment – organized and managed by Borsa Italiana S.p.A..

The registered office of the Company is in Pieve di Soligo (TV), via Verizzo, 1030, Italy.

The publication of the Financial report as of 31st December 2015 of the Ascopiave Group was authorized by resolution of the Board of Directors on 14th March 2016.

The activities of the Ascopiave Group

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

The Group owns concessions and direct entrusting for the management of the activity of gas distribution in 208 municipalities (208 municipalities in 2043), supplying the service to more than one million users. The group is the owner of the distribution network managed that is extended for more than 8,800 kilometres.

The activity of natural gas sale to end customers is carried out through different companies, some of which are controlled with majority shares, others are shared with other partners and on them the Group exercise a joint control with other shareholders. In the Gas sale sector Ascopiave is one of the main National operators, featuring approximately 979 million cubic meters of gas sold⁶.

General drafting criteria and declaration of conformity with IFRS

The Ascopiave Group Consolidated Financial Statements as of 31st December 2015 have been prepared in accordance with the IFRS, that is all the “International Financial Reporting Standards”, “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously “Standing Interpretations Committee” (SIC) adopted by the European Commission in accordance with the procedure set forth in Art. 6 of EC Directive no. 1606/2002 issued by the European Parliament and Council on 19th July 2002 as well as with the provisions issued for the implementation of Art. 9 of Legislative Decree no. 38/2005.

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

The accounting principles adopted are consistent with those used as of 31st December 2014, except as described in the following paragraph Accounting principles, amendments and interpretations effective from 1st January 2015. For

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The data specified as regards the volumes of gas sold are obtained by adding each Group company’s data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

comparative purposes, the consolidated profiles present the comparison with balance sheet figures as of 31st December 2014.

The consolidated financial statements are subject to auditing procedure by the auditing company PricewaterhouseCoopers SpA, in charge of the external audit of the Parent Company and the main Companies of the Group.

The consolidated financial statements are expressed in Euro, the currency used in the economy where the Group operates, and includes the Consolidated assets and liabilities statement, the Overall consolidated income statement, the Consolidated statement of changes in shareholders' equity, the Consolidated financial statement and the Explanatory notes. All the values reported in the statements and explanatory notes are expressed in thousands of Euros, unless otherwise indicated.

The values used for consolidation were gathered from income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data have been adjusted and reclassified, where necessary, to ensure compliance with international accounting standards and with the classification criteria applied throughout the Group. These consolidated financial statements as of 31st December 2015 were approved by the Board of Directors of the Company on 14th March 2016.

Financial statements representation

The items of the consolidated assets and liabilities statement are classified into "current" and "non-current"; those in the overall consolidated income statement are classified by their nature in multi-step format.

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

The financial statement has been defined according to the "indirect" method, by adjusting operating income of non-monetary components.

We believe that these patterns adequately represent the economic situation and financial position.

Accounting principles, amendments and interpretations applied from 1st January 2015

Please find below a brief description of the amendments, improvements and interpretations applicable to financial statements closed as of 31st December 2015 and entered into force on 1st January 2015. The application of these standards had no particular impact on the consolidated financial statements of the Group, as they relate to matters that are not present, or they only affect financial reporting:

IFRIC 21 - Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached. IFRIC 21 is retrospectively applied. This interpretation is applied to the financial statements beginning on 17th June 2014 or later;

Improvements to IFRSs 2011–2013 Cycle

In December 2013 the IASB issued the document “*Annual improvements to IFRSs – 2011-2013 Cycle*” applicable to the fiscal periods beginning on, or after, 1st January 2015 as part of the principles’ annual improvement programme. Most are clarifications or corrections of existing IFRSs or amendments subsequent to changes previously made to IFRSs.

Accounting principles, amendments and interpretations not yet applicable and not adopted ahead of time by the Group

Please find below the amendments, improvements and interpretations which, at the date of the consolidated financial statements, had already been issued but were not yet effective.

Amendments to IAS 19: *Employee Benefits: Defined Benefit Plans: Employee Contributions*

In November 2013, the IASB issued the document “*Defined Benefit Plans: Employee Contributions*. The changes made to IAS 19 allow the entry, to reduce the current service cost of the period, of the contributions paid by employees or by third parties, that are not related to the number of years of service, instead of allocating such contributions over the period when the service is rendered. The amendments are effective retrospectively for fiscal periods beginning on or after 1st February 2015.

Improvements to IFRSs 2010–2012 Cycle

In December 2013 the IASB issued the documents “*Annual improvements to IFRSs – 2010-2012 Cycle*” applicable to the fiscal periods beginning on, or after, 1st February 2015 as part of the principles’ annual improvement programme. Most are clarifications or corrections of existing IFRSs or amendments subsequent to changes previously made to IFRS. The amendments are applicable for fiscal periods beginning on or after 1st February 2015.

Amendments to IAS 27: *Separate financial statements*

In August 2014, the IASB issued amendments to IAS 27 - Separate Financial Statements. The goal is to allow the assessment of investments in associates and joint ventures according to the equity method even in the separate financial statements. These amendments are effective for the periods beginning on 1st January 2016.

Amendments to IAS 1: *Presentation of Financial Statements*

In December 2014, the IASB issued amendments to IAS 1. The goal is to clarify some doubts about the presentation and disclosure requirements and to ensure that companies can use professional judgement in determining what information to disclose in their financial statements focusing on relevant information. These amendments are effective for periods beginning on 1st January 2016.

Improvements to IFRSs 2012–2014 Cycle

In September 2014, the IASB issued the documents “*Annual improvements to IFRSs – 2012–2014 Cycle*” (applicable to the fiscal periods ended after 1st January 2016) as part of the principles’ annual improvement programme. Most are clarifications or corrections of existing IFRSs or amendments subsequent to changes previously made to IFRS.

Amendments to IAS 16 and IAS 38: *Clarification of acceptable methods of depreciation and amortization*

In May 2014, the IASB issued an amendment to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible assets. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the

consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These changes are effective for annual periods beginning on or after 1st January 2016.

Amendments to IFRS 11: Joint arrangements: Acquisitions of Interests in Joint Operations

In May 2014, the IASB issued amendments to IFRS 11 – Joint arrangements: Acquisitions of Interests in Joint Operations, which require that an entity adopts the principles contained in IFRS 3 to recognise the accounting effects of acquisitions of an interest in a joint operation in which the activity of the joint operation constitutes a business. The amendments are effective retroactively for annual periods beginning on or after 1st January 2016.

Accounting principles, amendments and interpretations not yet applicable and not adopted ahead of time by the Group

Please find below a brief description of the new standards, amendments, improvements and interpretations already issued but not yet approved by the European Union and therefore not applicable for the preparation of financial statements closed as of 31st December 2015. The list does not include the standards and interpretations which by their nature are not adoptable by the Group.

IFRS 15 - Revenues from contracts with customers

In May 2014, the IASB issued the standard IFRS 15 - Revenues from contracts with customers, which requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To this end, the new recognition model defines a five-step process. The new standard also requires further additional information about the nature, the amount, timing and uncertainty about revenue and cash flows arising from a contract with a customer. The new standard is effective for annual periods beginning on or after 1st January 2018. The Group is assessing the impact of the new standard on its consolidated financial statements.

IFRS 9 - Financial Instruments

In July 2014, the IASB issued IFRS 9 - Financial Instruments. The series of changes introduced by the new standard replace the provisions of IAS 39 and introduce a logical approach for the classification and measurement of financial instruments driven by cash flow characteristics and the business model in which an asset is held, a single impairment model to be applied to all financial assets based on expected losses and a substantially reformed approach for hedge accounting. The new standard will be applied retroactively from 1st January 2018.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exceptions

In December 2014, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 28. The aim is to clarify: i) the method of accounting for investment entities; ii) the exemption from preparing consolidated financial statements for an intermediate parent entity and iii) how a company that is not an investment entity should apply the equity method evaluation of an investment entity. These amendments are effective for periods commencing 1st January 2016.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In September 2014, the IASB issued amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in associates and joint ventures. The aim is to clarify the accounting method of the results related to the sale

of assets between companies in a group and associated companies and joint ventures. The approval process of these amendments has been suspended and the application date has been postponed to a future date to be determined.

Consolidation principles

The consolidated financial statements include the financial statements of all the subsidiaries. The Group controls an entity when the Group is exposed, or is entitled, to the variability of results from such entities and has the possibility of influencing these outcomes through the exercise of power over the entity. The financial statements of the subsidiaries are included in the Consolidated financial statements commencing the date on which control is taken until the date such control ceases. The costs incurred in the acquisition process are expensed in the year they are incurred. The assets and liabilities, the charges and income of companies consolidated with the line-by-line method are fully included in the consolidated financial statements; the book value of investments is eliminated against the corresponding share of equity of the investee companies. Receivables and payables, as well as the costs and revenues arising from transactions between companies included in the consolidation area are entirely eliminated; the capital gains and losses arising from transfers of assets between consolidated companies, the gains and losses deriving from transactions between consolidated companies related to the sale of assets that remain as inventories of the purchasing company, the write-downs and write-backs of investments in consolidated companies, as well as intercompany dividends are also eliminated.

At the date of acquisition of control, the net equity of the investee companies is determined by attributing to the individual assets and liabilities their current value. Any positive difference between the acquisition cost and the fair value of the net assets acquired is recognized as “Goodwill”; if negative, it is recognized in the income statement.

The equity and profit shares attributable to minority interests are recorded in specific items of the shareholders' equity and income statement. In the case of acquisition of partial control, the equity share of minority interests is determined on the basis of the share of the current values assigned to assets and liabilities at the date of acquisition of control, excluding any goodwill attributable to them (so-called partial goodwill method); in relation to this, the minority interests are measured at their total fair value, also including the goodwill (negative goodwill) attributable to them. The choice of the methods for determining the goodwill (negative goodwill) is made based on each individual business combination operation.

In the case of shares acquired subsequent to the acquisition of control (purchase of minority interests), any difference between the acquisition cost and the corresponding portion of equity acquired is recognized in the equity; similarly, the effects arising from the sale of minority interests without loss of control are recognized in equity.

If the acquisition value of the shares is higher than the net equity pro-quota value of the investees, the positive difference is attributed, where possible, to the net assets acquired based on their fair value while the remainder is recorded in an item of assets, “Goodwill”.

The value of goodwill is not amortized but is subject to, at least on an annual basis, an impairment test when facts or changes in the circumstances indicate that the carrying value cannot be realized. Goodwill is booked at cost, net of impairment losses. If the carrying value of the investments is lower than the net equity pro-quota value of the investees, the negative difference is recognized in the income statement. The acquisition costs are booked in the income statement. Associated companies are those over which a significant influence is exercised, which is presumed to exist when the shareholding is between 20% and 50% of the voting rights. Investments in associates are initially recorded at cost and

subsequently accounted for using the equity method. The carrying value of these investments is in line with the Shareholders' equity and includes the recording of the higher values attributed to assets and liabilities and any goodwill identified upon acquisition. The unrealized gains and losses generated on transactions between the Parent Company/Subsidiaries and the investee valued with the equity method are eliminated based on the value of the stake held by the Group in the investee; the unrealized losses are eliminated, except when they represent an impairment.

The financial statements of the Subsidiaries used for the purpose of preparing the Consolidated Financial Statements are those approved by the respective Boards of Directors. The data of the Consolidated companies are adjusted, where necessary, to harmonize them with the accounting standards used by the Parent company, which are in accordance with the IFRSs adopted by the European Union.

Business combinations

The business combinations through which the control of an entity is acquired are recognised, in accordance with the provisions of IFRS 3 - Business Combinations, by using the acquisition method. The cost of acquisition is the fair value at the date of purchase of the assets acquired, the liabilities assumed, and the equity instruments issued. The identifiable assets acquired, the liabilities and the potential liabilities assumed are recognised at acquisition-date fair value, except deferred tax assets and liabilities, assets and liabilities for employees' benefits and assets held for sale booked based on the relevant accounting standards. The difference between the cost of acquisition and the fair value of the acquired assets and liabilities, if positive, is recorded under intangible assets as goodwill and, if negative, after verifying the correct measurement of the fair values of assets and liabilities acquired and the cost acquisition, is recognised directly in the profit and loss account as gain. The acquisition-related costs are recognised in the income statement when they are incurred. The cost of acquisition also includes the contingent consideration, recognised at fair value at the date of control acquisition. Subsequent changes in fair value are recognised in profit or loss or the overall profit and loss account if the contingent consideration is a financial asset or liability. Contingent considerations classified as Equity are not recalculated and the subsequent settlement is accounted for directly in Equity. If the business combinations through which control is acquired occur in multiple stages, the Group recalculates the equity interest it previously held in the acquiree at fair value at the acquisition date and recognises in the profit and loss account any resulting profit or loss. Acquisitions of minority interests in entities for which control is already held or sale of minority interests which do not involve the loss of control are considered as Equity transactions; therefore, any difference between the cost of acquisition/divestiture and its acquired/divested portion of Shareholders' equity is recognised to adjust the Group's Shareholders' equity.

In the event of purchase of non-controlling interests, goodwill is only recognised for the portion attributable to the parent company. The minority interest amount is determined in proportion to the minority interests in the identifiable net assets of the acquiree. Incidental expenses related to the acquisition are recognised in profit or loss when the services are rendered.

Consolidation area and principles

The companies included in the consolidation area as of 31st December 2015 and consolidated through the line-by-line, proportional method or equity method are the following:

Company name	Registered offices	Paid-up capital	Group interest	Direct controlling interest	Indirect controlling interest
Parent company					
Ascopiave S.p.A.	Pieve di Soligo (TV)	234,411,575			
100% consolidated companies					
Ascotrade S.p.A.	Pieve di Soligo (TV)	1,000,000	89.00%	89.00%	0%
Etra Energia S.r.l.	Cittadella (PD)	100,000	51.00%	51.00%	0%
ASM DG S.r.l.	Rovigo (RO)	7,000,000	100.00%	100.00%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Cernusco sul Naviglio (MI)	1,000,000	100.00%	100.00%	0%
Amgas Blu S.r.l.	Foggia (FG)	10,000	80.00%	80.00%	0%
Blue Meta S.p.A.	Bergamo (BG)	606,123	100.00%	100.00%	0%
Pasubio Servizi S.r.l.	Schio (VI)	250,000	100.00%	100.00%	0%
Veritas Energia S.p.A.	Venezia	1,000,000	100.00%	100.00%	0%
Companies under joint control proportionally consolidated					
ASM Set S.r.l.	(1) Rovigo (RO)	200,000	49.00%	49.00%	0%
Estenergy S.p.A.	(2) Trieste (TS)	1,718,096	48.999%	48.999%	0%
Unigas Distribuzione S.r.l.	(3) Nembro (BG)	3,700,000	48.86%	48.86%	0%
Subsidiary companies consolidated with net equity method					
Sinergie Italiane S.r.l. in liquidazione	Milano (MI)	1,000,000	30.94%	30.94%	0%

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

(2) Joint control with AcegasApsAmga S.p.A.;

(3) Joint control with Anita S.p.A..

As compared to the financial statements as of 31st December 2014, the consolidation area in 2015 remained unchanged.

Synthesis data of fully consolidated companies and jointly controlled companies consolidated through the equity method

Description	Revenues from sales and service supply	Net result	Net equity	Net financial position (liquid assets)	Reference accounting principles
Amgas Blu S.r.l.	20,545	1,746	2,011	(2,009)	Ita Gaap
Ascopiave S.p.A.	75,766	33,547	392,954	124,205	IFRS
Ascotrade S.p.A.	357,344	17,042	30,913	(1,030)	IFRS
Blue Meta S.p.A.	75,525	4,361	9,203	(6,962)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	5,923	633	9,185	36	Ita Gaap
Estenergy S.p.A.	146,235	9,549	22,163	(2,006)	IFRS
Etra Energia S.r.l.	7,607	237	422	(813)	Ita Gaap
Pasubio Servizi S.r.l.	38,008	2,492	5,373	(6,628)	Ita Gaap
ASM DG S.r.l.	4,310	1,032	12,725	124	Ita Gaap
ASM Set S.r.l.	28,697	1,798	2,067	(4,624)	Ita Gaap
Unigas Distribuzione S.r.l.	16,570	1,982	39,845	3,908	Ita Gaap
Veritas Energia S.p.A.	91,276	1,575	3,497	7,425	Ita Gaap
Total Entities	878,194	77,698	538,019	114,014	Ita Gaap

The financial statements of subsidiaries prepared in accordance with national accounting standards are harmonised upon consolidation.

Information on consolidated subsidiaries with minority interests

The company Ascopiave S.p.A. holds interests in consolidated subsidiaries in which, in some cases, third parties hold minority interests. Please refer to the information table contained in the previous paragraph for the indication of the controlling interest relating to each consolidated company. The management deems that the stake that minority interests hold in the assets and financial flows of the Ascopiave Group is not significant.

Assessment criteria

The evaluation principles adopted by the Group are reported below:

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

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

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

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

Units generating financial flows:

- (i) represent the lowest level, within the Group, to which the goodwill is monitored for internal management purposes;
- (ii) are no greater than one sector, as defined in the primary or secondary indication scheme of the Group in accordance with IFRS 8 “Product information sector”.

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

Other intangible assets: intangible assets mainly include assets pertaining to concessions between the public and the private sectors (so-called service concession agreements) related to development, financing, management and maintenance of infrastructures in concession, of which:

- (i) the lessor controls or regulates the services supplied by operator through the infrastructure and their prices;
- (ii) the lessor controls through property, ownership of benefits or in other ways any significant remaining profit-sharing at the end of the concession.

Other intangible assets also include the recognition of the fair value of customer lists resulting from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous years and in the current year (Veritas Energia S.p.A.) rather than, the recognition of charges paid to the awarding entities (Municipalities) and/or the outgoing operators subsequent to the assignment and/or the renewal of the relevant invitation to tender to award the service of natural gas distribution.

As concerns the write-off period:

- (i) the customer lists are amortized on a straight-line basis, based on the estimate of the benefits that will have effects in future years and determined during the Purchase Price Allocation. In particular, the Directors have established that the useful life associated with customer lists is ten years, due to the low turnover rate of customers, represented mainly by civil users;
- (ii) the concessions for the service of natural gas distribution are amortized on a straight-line basis, based on the duration of the concession period. In particular, the amortization period of the concessions acquired by the Ascopiave Group is equal to twelve years in accordance with the regulatory framework.

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

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

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

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

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

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

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

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

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

The main economical-technical rates used are as follows:

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

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

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

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

Shareholdings:

The shareholdings recognised in this item relate to long-term investments; the Group classifies its shareholdings into the following categories:

- shareholdings accounted for using the equity method;
- other shareholdings

Shareholdings accounted for using the equity method: these shareholdings are in turn divided into two categories:

- **Shareholdings in joint companies:** The shareholdings in joint companies, i.e. in which the Group controls the entity with other shareholders, are accounted for using the net equity method. The profit and loss account shows the share of the Group in the operating profit of the joint company. According to the equity method, shareholdings are recognised in the balance sheet at cost, adjusted for post-acquisition changes in the net assets, net of any loss in value of individual shareholdings. The excess of acquisition cost as compared to the share attributable to the Group of the identifiable fair value of assets, liabilities and contingent liabilities of the company at the acquisition date is recognised as goodwill. Goodwill is included in the carrying value of the investment and is subject to impairment tests.

- **Shareholdings in affiliate companies:** The shareholdings in affiliate companies, i.e. in which the Group has a significant influence, are accounted for using the net equity method. The profit and loss account shows the share of the Group in the operating profit of the affiliate. If an affiliate company detects adjustments directly attributable to the net equity, the Group recognizes its share and includes it, where applicable, in the statement of changes in the net equity.

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

Shareholdings in other companies: the shareholdings in companies other than subsidiaries, affiliate and joint ventures (generally with a stake lower than 20%), if their fair value at the date of the balance sheet cannot be determined because the related shares are not listed, are valued at their cost of purchase or subscription, minus any repayment of principal, and are subsequently adjusted for losses in value determined in the same manner previously described for the tangible assets.

Other non-current assets: are booked at their nominal value adjusted for any losses in value, corresponding to the amortised cost.

Financial assets

The Group classifies its financial assets into the following categories:

- assets at fair value through Profit or Loss;
- loans and receivables;
- financial assets held to maturity;
- financial assets available for sale.

Financial assets at fair value through Profit or Loss: this category includes financial assets acquired for the purpose of selling in the near term, as well as derivatives (for the latter, please refer to the specific paragraph below). The fair value of these instruments is determined with reference to the market value at the closing date of the reporting period. The changes in fair value of the instruments falling within this category are immediately recognised in the profit and loss account. The distinction between current and non-current reflects the directors' expectations regarding their trading.

Loans and receivables: This category includes loans not represented by derivative instruments and not listed on an active market, from which fixed or determinable payments are expected. These assets are initially recognised at fair value and, subsequently, measured at amortised cost using the effective interest rate method. If there is objective evidence indicating impairment, the assets' value is reduced to such an extent as to be equal to the discounted value of future cash flows: the impairments determined upon the impairment test are recognised in the profit and loss account. If, in subsequent periods, the reasons for the previous write-downs cease to exist, the value of the assets is restored up to

the value that would have resulted from the application of the amortised cost if the impairment test had not been performed. These assets are classified as current assets, except for those due beyond 12 months, which are included in non-current assets.

Financial assets held to maturity: this category includes financial instruments, other than derivatives, with fixed maturities and that the Group has the intention and ability to hold in its portfolio until maturity. They are classified as current assets if their contractual maturity is envisaged within the next 12 months. If there is objective evidence indicating impairment, the asset's value is reduced to such an extent as to be equal to the discounted value of future cash flows: the impairments determined upon the impairment test are recognised in the profit and loss account. If, in subsequent periods, the reasons for the previous write-downs cease to exist, the value of the assets is restored up to the value that would have resulted from the application of the amortised cost if the impairment test had not been performed.

Financial assets available for sale: This category includes financial assets, other than derivative instruments, specifically designated as falling within this category or not classified in any of the previous items. These assets are measured at fair value, which is calculated with reference to market prices at the date of annual or interim financial statements, or through financial evaluation techniques and models, recognising their changes in value in a specific equity reserve. The classification as current or non-current depends on the intentions of the Management and the actual marketability of the security itself. They are classified as current assets if they are expected to be realised within 12 months.

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

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

Inventories of stored natural gas

The inventories of stored natural gas, are booked at whichever of the following is lower: purchase cost including incidental expenses, determined by applying the weighted average cost, or the spot market value at the closing date of the period.

Trade receivables and other current assets: trade receivables and other current assets, whose expiry is within normal commercial trading terms, are not discounted back and are booked at amortized cost net of the relevant value losses. These are suited to their presumed realisation value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Company will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement. The Group sells some of its trade receivables through sale operations of receivables (“factoring”). Factoring transactions are with recourse.

Cash and cash equivalents: they include cash values, values available at sight, other short term financial investments. They are accounted at nominal value.

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

Benefits for employees: benefits guaranteed to employees, paid when or after employment ceases, by means of programs with defined benefits (Employees' leaving indemnities) or with other long-term benefits (retirement indemnity) are recognized in the period when the right accrues. The liability related to defined benefit plans, net of any plan assets, is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the employment period required to obtain the benefits. Defined benefit plans also include severance indemnity (TFR) owed to the employees of the Group companies in accordance with Article 2120 of the Italian Civil Code, accrued prior to the reform of this regulation occurred in 2007 (Finance Act of 27th December 2006 no. 296), subsequent to which, for companies employing more than 50 persons and for quotas accrued commencing 1st January 2007, the Severance indemnity is classified as a defined contribution plan.

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

The components of the defined benefits are recognized as follows:

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

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

For the Severance indemnity accrued after 1st January 2007, the company is only required to pay contributions to the State (so-called Fondo INPS) or to a trust fund or a legally separate entity (so-called Fund) and is determined on the basis of contributions due.

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

The remaining part of the plan instead is paid in the form of options that can only be sold for cash. The cost of cash operations is evaluated initially at the fair value as of the date of allocation. In particular, the plans adopted by the Group include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the reaching of pre-set objectives, the financial regulation of which is based on the trend of the share title. This fair value is spent in the period until maturation with reporting of a corresponding payable. The liability is recalculated upon each closure of the period, until the date of regulation, with all changes made to the fair value reported on the income statement.

In 2015, the compensation plans relating to the preceding three-year period were settled; this operation has entailed the allotment of 99,078 shares. In accordance with the rules governing the plan, there were no other allotments in the

period, since the benefits will accrue at the end of the financial year. These compensation plans are accounted for in compliance with the requirements set out in IFRS 2.

For more details on the compensations paid during the year 2015, please refer to “Section II” of the Remuneration Report, prepared pursuant to art. 123 - ter of Legislative Decree no. 58/1998 (TUF).

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

Provisions are reported when:

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

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

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

Financial liabilities: financial liabilities include the medium and long-term loans recorded initially at fair value, net of any transaction costs incurred and, subsequently, measured at amortised cost, calculated by applying the effective interest rate, net of principal repayments already made.

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

Other current financial liabilities are measured at amortised cost and are eliminated when they are settled, that is when the specific obligation in the contract is fulfilled, cancelled or has expired.

Trade payables and other payables: trade payables, whose expiry is within normal commercial trading terms, refer to financial liabilities resulting from trade transactions and are recognised at amortised cost.

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

Other current liabilities: This item includes sundry transactions which are booked at their nominal value, corresponding to their amortised cost.

Derivative financial instruments: The Group holds derivative instruments for the purposes of hedging its exposure to the risk of changes in methane gas and electricity prices. In connection with such activity, the Group has to manage the risks associated with the misalignment between the indexation formulas relating to the purchase of gas and electricity and the indexation formulas linked to the sale of the same commodities. The instruments used to manage the risk related to the volatility of goods prices basically consist in commodity-swap agreements, aimed at pre-establishing the effects on the sales margins irrespective of the changes in market conditions.

The transactions which, in accordance with risk management policies, satisfy the requirements of the international accounting standards for hedge accounting, are classified as “hedging transactions” (and recognised as set out below). On the contrary, those which, despite having hedging purposes, do not meet the requirements envisaged by the international standards, are classified as “trading transactions”. In this event, the changes in fair value of derivatives are recognised in the profit and loss account in the period in which they occur. The fair value is determined based on the reference market value.

Derivatives embedded in financial assets/liabilities are separated and assessed at fair value, except for cases where, in accordance with IAS 39, the strike price of the derivative at the starting date is close to the value determined on the basis of the amortised cost of the reference asset/liability. In this event, the valuation of the embedded derivative is absorbed in the valuation of the asset/financial liability.

Fair value hierarchy

Financial assets and liabilities measured at fair value are classified in a three-level hierarchy based on the methods for determining the fair value itself, or based on the relevance of the information (input) used in determining their value:

- (i) Level 1, financial instruments whose fair value is determined on the basis of a price listed in an active market;
- (ii) Level 2, financial instruments whose fair value is determined using valuation techniques that use benchmarks which can be observed directly or indirectly on the market. This category includes instruments valued on the basis of market forward curves and short-term contracts for difference;
- (iii) Level 3, financial instruments whose fair value is determined using valuation techniques that use benchmarks which cannot be observed on the market, that is using exclusively internal estimates.

The Group, as of 31st December 2015, has only one type of financial instruments on commodities falling within the scope of level 3.

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

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

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

for by the regulations issued by the Authority for Electricity, Gas and Water;

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

As concerns the quantification of consumption, commencing 1st January 2013, the AEEGSI has amended, by resolution 229/2012/R/GAS dated 31st May 2012, the Network Code appointing Snam Rete Gas S.p.A. as the entity in charge of allocating natural gas to the sales companies. The resolution has also amended the deadlines for the publication of the temporary and definitive allocations, which, up to the previous financial year, were performed by local distributors in the three months subsequent to those of consumption, at the end of which the final allocation was definitive.

Commencing 1st January 2013, the allocation methods envisage the publication of a first allocation during the month following that of consumption which will be subject to a first adjustment session within the month of May of the following financial year, and undergo further refinement as part of the multi-year adjustment sessions to be carried out in the following years up to the limit of five years.

The adjustment sessions modify the first allocations by considering the further information received by local distributors and transmitted to Snam Rete Gas S.p.A..

The regulatory changes described above, therefore, generate a scenario in which it is possible that the amounts allocated in the first phase are adjusted after the terms of approval of the draft financial statements.

For the purpose of valuation of revenues for the supply of natural gas to end-customers, given the regulatory change and the adjustments that occur during the following year, the Group has deemed it reasonable, in order to determine the revenues, to balance the cubic meters sold (except the cubic meters consumed by customers subject to monthly reading) with the cubic meters allocated by Snam Rete Gas S.p.A..

The physical quantities allocated during adjustment sessions are subject to valuation in the following year subsequent to the publication of the data made available by Snam Rete Gas S.p.A..

By resolution 250/2015/R/GAS dated 29th May 2014, the AEEGSI approved the request submitted by Snam Rete Gas S.p.A. to perform the 2013 annual session adjustment by the month of May 2015 as part of the first multi-year adjustment session that will affect the financial years 2013 and 2014.

Following the decision above, the AEEGSI, with Resolution 276/2015/R/GAS dated 9th June 2015, suspended the payment of the invoices issued subsequent to the first multi-year adjustment session as well as the count of the invoices as part of the activities for monitoring the potential exposure of the system against the user, for the time necessary to conduct the required audits and, in any case, with timelines suitable to ensure the proper execution of the next adjustment session. The recent resolution has consequently outlined a scenario that exposes the Group to assume the positive and negative economic effects arising from the probable modification of the allocated volumes and the

volumetric differences that are naturally formed in different parts of the network where natural gas is measured. In this regard, it should be noted that the economic effects that the Group has recorded as a result of the failure to perform the adjustment session affect the financial years 2013 and 2014 as well as the effects accrued in 2015. In order to represent consistently the results achieved by the Group, maintaining a conservative approach and safeguarding the correlation of costs incurred and revenues generated, the directors have considered it appropriate to balance the cubic meters sold during the reference year with the cubic meters allocated by the entity in charge of the balance; however, the economic effects of the measurement differentials of the previous years have been taken into consideration.

The coefficient used to separate the revenues generated by the measurement differential is the ratio between the cubic meters placed in the network by the leading distributor and the cubic meters read at the point of redelivery by the distributor itself. This percentage is believed to be a much more reliable estimate, by virtue of the significant amounts of readings recorded during the years being analysed, which include real measurements of almost all the redelivery points. Once the effect resulting from the measurement factor was separated, the residual differential between the volumes allocated by the entity in charge of the balance and the volumes sold to end customers (billed based on actual measurements), will be a probably adjusted. These adjustments will be performed when the first valid correct adjustment session is completed.

Based on current regulations or conventions, it is not possible to establish when the results of the first valid adjustment session will be made available to the public.

At the end of financial year 2015, as in 2013 and 2014, the amounts of natural gas valued at purchase and sale may be less than the amounts of gas actually sold.

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

Private contributions: it should be noted that private contributions received up to 31st December 2013 for the construction of connections to users were fully entered in the income statement when the costs for their construction were incurred and the work was commissioned. The contributions received for the construction of these works that were not related to the costs incurred for their construction were suspended in liabilities and recognized in the income statement when the conditions were fulfilled. The private contributions received for the construction of connections to users are recorded from 1st January 2014 in liabilities at the moment of payment and recorded to the income statement from the date of connection construction, consistent with the recognition of costs to which the works refer and their useful life.

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

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

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

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

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

- when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with holdings in subsidiaries, associated companies and joint ventures, the deferred tax assets are reported only in the amount in which it is probable that the deductible temporary differences will reverse in the immediate future and that there are suitable tax income against which the temporary differences can be used.

Earnings per share: Earnings per share are calculated by dividing the net income for the period attributable to the Company's shareholders by the weighted average number of shares net of own shares. For the purposes of the calculation of the basic earnings per share, we specify that the numerator is the economic result for the period less the share attributable to third parties. There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company. Diluted profits for shares result as equal to those for shares in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

Use of estimates

The preparation of the financial statements requires the management to provide estimates and assumptions based on complex and/or subjective judgements, estimates based on past experience and assumptions deemed to be reasonable and realistic on the basis of information available at the time of estimate. This affects the values of the assets and

liabilities reported on the consolidated financial statements, as well as costs and revenues and information relating to potential assets and liabilities as of that date. If, in the future, such estimates and assumptions, which are based on the management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise.

Estimates are used to report:

- Duration and residual value of the goods in concession: the gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, between 31st December 2010 and 31st December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;
- Permanent reductions in the value of non-financial assets: At each balance sheet date, the Group assesses whether there are permanent reductions in the value of all non-financial assets. In particular, goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting on the basis of a suitable discount rate. As of 31st December 2015, the book value of goodwill amounts to Euro 80,758 thousand (2014: Euro 80,758 thousand). Further details can be found under Note 1;
- The valuation of the revenues from gas consumption for which the actual reading is not yet available;
- Provisions for risks on receivables, obsolete inventories, the useful lives of intangible and tangible fixed assets and related amortization, employee benefits and payment plans based on stock options (so-called phantom stock option), taxes and provisions for risks and charges.

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

Impairment of assets

The Group performs at least once a year an impairment test on tangible and intangible assets if their useful lives are indefinite or, more often, in the presence of events suggesting that their carrying amount may not be recoverable. In particular, goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this test requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting on the basis of a suitable discount rate.

As of 31st December 2015, the book value of goodwill amounts to Euro 80,758 thousand (2014: Euro 80,758 thousand).

Recognition of Revenue

Revenues from the sale of electricity and gas are recognised and recorded upon delivery and include the allocation for the services provided between the date of the last reading and the end of the year, but not yet invoiced. This allocation is based on the customer's daily consumption estimates, on the basis of the historic profile, adjusted to reflect weather conditions or other factors that may affect the consumption under evaluation.

Amortisation and depreciation

Amortisation and depreciation are calculated based on the estimated useful life of the asset or the remaining term of the concession; the useful life is determined by the directors, with the assistance of technical experts, when the asset is entered in the financial statements; the assessments about the duration of the useful lives are based on historical experience, market conditions and expectations of future events that could affect the useful life, including technological innovations. On a regular basis, the company evaluates technological and sector changes, dismantling and close-down charges and the recovery value in order to update the asset's remaining useful life. This periodic update may lead to a change in the depreciation/amortisation period and thus the depreciation/amortisation quota for future periods.

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

Provisions for risks

These provisions have been devised by adopting the same procedures as in the previous years and by referring to the updated reports prepared by the lawyers and consultants who are examining the disputes, as well as on the basis of the procedural developments of the latter.

Provision for doubtful accounts

The provision for doubtful accounts reflects the estimated losses connected with the receivables of the company. Provisions have been established to cover specific cases of insolvency, as well as in relation to expected bad debts estimated based on past experience with respect to receivables with a similar risk profile.

Deferred tax assets

Deferred tax assets are recognised on the basis of expectations about the Group's taxable income in future years. The assessment of the expected taxable income for the purpose of accounting for deferred taxes depends on factors that may

vary over time and that might have significant effects on the recoverability of deferred tax assets.

Benefits to employees

The expenses and related liabilities are calculated on the basis of actuarial assumptions. The effects arising from any changes in these actuarial assumptions are recognised in a specific shareholders' equity reserve.

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS
Non-current assets1. *Goodwill*

Goodwill, equal to Euro 80,758 thousand as of 31st December 2015, is unchanged since 31st December 2014. The amount recognized refers in part to the surplus value created by the delivery of the gas distribution networks by partner municipalities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some company branches related to the distribution and sale of natural gas.

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

In order to determine the recoverable amount, the goodwill is allocated to the *Cash Generating Unit* composed of the natural gas distribution activity (gas distribution CGU) and to the *Cash Generating Unit* consisting in the natural gas sale activity (gas sale CGU). The cash-generating units to which goodwill was allocated are the following:

(Thousands of Euro)	31.12.2014	Increase	Decrease	31.12.2015
Distribution of natural gas	24,396			24,396
Sales of natural gas	56,362			56,362
Total goodwill	80,758			80,758

The depreciation audit on goodwill has been carried out by comparing the recoverable value of the activities of natural gas distribution and sale with their accounting value, including the goodwill allocated to them. As no reliable criteria exist to evaluate the sale value between the aware and available parties in the activity of gas sale and distribution, other than the criteria put forward in literature to evaluate the branches of a company, the recoverable value of the audited asset is defined by its use value.

The recoverable value of gas sale and distribution financial flow-generating units has been estimated using the Discounted Cash Flow method, discounting back the operating financial flows generated by the assets themselves at a discount rate representative of the cost of capital.

The financial flows used to calculate the recoverable value cover the forecasts formulated by the management in the Economic and Financial Plan for the period 2016-2018 approved with resolution of the Board of Directors dated 26th February 2016.

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

The tenders for the award of the service in the territorial areas where the Group currently holds most of its municipal concessions – if the deadlines illustrated in the regulations (recently postponed by Law no. 21/2016) are respected – will mainly take place during the two-year period 2017-2018. Although it is reasonable to believe that some tenders will be launched and awarded before 31st December 2018, the Economic and Financial Plan - and consequently also the assessment methods adopted to determine the use value of the gas distribution CGU - is based on the assumption that the Group, during the three-year period 2016-2018, will maintain the management of the current portfolio of concessions.

With reference to the activity of gas distribution, it was hypothesised that in the period 2016-2018 the management would generate financial flows in line with those envisaged in the Economic and Financial Plan 2016-2018 while, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the gas distribution CGU by hypothesising two alternative scenarios:

- scenario 1: the Group obtains in 2087 the renewal of all the concessions and credits in effect on 31st December 2015;
- scenario 2: the Group ends the activity of gas distribution in 2018, realising the return value of the plants as per Art. 15 of Legislative Decree no. 164/2000;

With reference to scenario 1, the terminal value has been estimated as an estimate of perpetuity as from the last year specified in the financial forecasts, and considering the economic terms and conditions of the renewals.

The growth factor (g) used for the purpose of calculating the terminal value, has been estimated at 1.5%, in line with the inflation rate forecasts elaborated by BMI Research and however lower than the inflation target of the European Central Bank.

The cost of capital (WACC) of the gas distribution CGU was calculated assuming:

- a) an average beta unlevered sector coefficient, as indicated by the AEEG in Attachment A of Resolution 583/2015/R/com dated 2nd December 2015;
- b) the level of financial leverage (ratio between financial debt and own means) is in line with the financial structure of reference presumed by the AEEG in Attachment A of Resolution 583/2015/R/com dated 2nd December 2015;
- c) the market risk equal to 5.5%, on the basis of authoritative academic sources, professional practices, market consensus and the guidance provided by Organismo Italiano di Valutazione (OIV);
- d) the Risk-Free Rate adopted - equal to the annual average of net yields on 10-year government bonds as of 31st December 2015.
- e) the cost of debt equal to the annual average of 10-year Interest Rate Swap on Euribor, calculated as of 31st December 2015 and increased by a 3% spread;
- f) an additional risk premium in order to calculate the cost of equity (Ke) equal to 1%.

On the basis of these elements, the average weighted cost of the post-tax capital is equal to 5.01%. These rates have been used for updating cash flows in the period provided for by the Plan 2016-2018.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 5.64% and was calculated on the basis of the above parameters and providing for an additional risk premium for the calculation of the cost of equity (Ke) of 2.0%, to take into account the uncertainty on the possible renewal of the concessions and their conditions of renewal.

The results obtained have undergone sensitivity tests, in order to find out how the result of this assessment process might vary depending on the change of profitability parameters assumed in future cash flows, of the growth rate considered upon determining the terminal value or of the discount rate to discount the cash flows. This analysis has led

the Directors to evaluate that the expected cash flows can absorb normal variations of the parameters highlighted with respect to the sensitivity analyses generally performed in assessment practice.

The Directors have identified - in scenario 1 - which discount rate value and which variation in EBITDA considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Distribution CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 6.0%, or an average decrease in EBITDA equal to 7.6%.

The Directors have finally identified - in scenario 2 - which discount rate value and which variation in plants reimbursement values considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Distribution CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 10.6%, or an average decrease in reimbursement values equal to 19.1%.

The estimate of the recoverable value of the cash generating units requires discretion and the use of estimates by the management. Several factors related to the evolution of the difficult regulatory context could require a reassessment of any impairment losses. The circumstances and events that could cause a further verification of impairment losses are constantly monitored by the Company.

With reference to the activity of natural gas sale, cash flows used to calculate the recoverable value implement the forecasts made by management for the period 2016-2018. The terminal value has been estimated as an estimate of a perpetuity based on results expected for 2018.

The growth factor (g) used for the purpose of calculating the terminal value, has been estimated at 1.5%, in line with the inflation rate forecasts elaborated by BMI Research and however lower than the inflation target of the European Central Bank.

The cost of capital (WACC) of the gas sale CGU was calculated assuming:

- a) a *beta unlevered* coefficient determined on the basis of a sample of comparable companies (listed Italian utility companies); stock market prices were observed over a period of two years on a weekly basis;
- b) the level of financial leverage (ratio between financial debt and own means) in line with the financial structure of reference (Italian multi-utility companies);
- c) a market risk premium equal to 5.5%, on the basis of authoritative academic sources, professional practices, market consensus and the guidance provided by Organismo Italiano di Valutazione (OIV);
- d) the Risk-Free Rate adopted - equal to the annual average of net yields on 10-year government bonds as of 31st December 2015;
- e) the cost of debt equal to the annual average of 10-year Interest Rate Swap on Euribor, calculated as of 31st December 2015 and increased by a 3% spread;
- f) an additional risk premium in order to calculate the cost of equity (Ke) equal to 1%.

On the basis of these elements, the average weighted cost of the post-tax capital is equal to 5.83%. These rates have

been used for updating cash flows in the period provided for by the Plan 2016-2018.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 6.38% and was calculated on the basis of the above parameters and providing for a further additional risk premium or the calculation of the cost of equity (Ke) of 3%, to take into account a fiercer competitive context.

Considering the other hypotheses described, the recoverable value of financial flow-generating units for gas sales is higher than the accounting values and therefore the conditions are not met to proceed to devaluing the goodwill for depreciation.

The results obtained have undergone sensitivity tests, in order to find out how the result of this assessment process might vary depending on the change of profitability parameters assumed in future cash flows, of the growth rate considered upon determining the terminal value or of the discount rate to discount the cash flows. This analysis has led the Directors to evaluate that the expected cash flows can absorb normal variations of the parameters highlighted with respect to the sensitivity analyses generally performed in assessment practice.

The Directors have finally identified which discount rate value and which variation in EBITDA considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Gas Sale CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 21.5%, or an average decrease in EBITDA equal to 73.7%.

The estimate of the recoverable amount of the cash generating units requires discretion and the use of estimates by the management. Several factors could require a reassessment of any impairment losses. The circumstances and events that could cause a further verification of impairment losses are constantly monitored by the Company.

2. Other intangible fixed assets

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

(Thousands of Euro)	31.12.2015			31.12.2014		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	4,886	(4,321)	565	4,706	(4,129)	577
Concessions, licences, trademarks and similar rights	9,933	(4,096)	5,837	9,933	(3,356)	6,577
Other intangible assets	25,631	(14,838)	10,793	25,632	(12,341)	13,291
Tangible assets under IFRIC 12 concession	520,579	(230,243)	290,336	500,850	(216,958)	283,892
Intangible assets in progress under IFRIC 12 concession	9,128	0	9,128	9,435	0	9,435
Other intangible assets	570,157	(253,498)	316,659	550,556	(236,784)	313,772

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

	31.12.2014				31.12.2015	
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
(Thousands of Euro)						
Industrial patent and intellectual property rights	577	181	0	193	0	565
Concessions, licences, trademarks and similar rights	6,577	0	0	740	0	5,837
Other intangible assets	13,291	(1)	0	2,497	0	10,793
Tangible assets under IFRIC 12 concession	283,892	21,240	1,715	14,080	(1,000)	290,336
Intangible assets in progress under IFRIC 12 concession	9,435	(301)	6	0	0	9,128
Other intangible assets	313,772	21,118	1,722	17,509	(1,000)	316,659

The investments made during the financial year amount to Euro 21,118 thousand and refer to costs incurred for the realization of the infrastructures for natural gas distribution.

Industrial patents and intellectual property rights

During the period considered, the item “Industrial patents and intellectual property rights” shows an increase equal to Euro 181 thousand explained by the purchase and development of management software aimed at further streamlining the organisation of field staff operations.

Concessions, licences, trade-marks and similar rights

This item includes costs paid to awarding entities (Municipalities) and/or outgoing operators after the award and/or the renewal of the relevant tenders for the assignment of the natural gas distribution service, rather than the costs incurred for the acquisition of licenses. During the year, the item did not register increases and the variation is explained by amortization. The assignments obtained, following the implementation of Legislative Decree no. 164/00 (Letta Decree), are amortized with a useful life of 12 years in compliance with the period provided for by the decree.

Other intangible fixed asset

This item includes the fair value of customer lists that result from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous years.

The analysis of customers switching performed at the end of the year has not highlighted any switch-out percentages above the expected depreciation percentage, and therefore its useful life (10 years) has not required any changes or impairments.

Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of measurement and reduction groups. The investments for the construction of infrastructure suitable for the distribution of natural gas amount to Euro 19,975 thousand, and mainly relate to the construction of the distribution plants for natural gas for Euro 2284 thousand, the distribution network for Euro 7,056 thousand, the creation of connections for Euro 4,194 thousand and the installation of meters for Euro 6,347 thousand. The latter are mainly related to the campaign to replace of the so-called traditional meters with electronic meters, in compliance with AEEGSI resolution 155.

The infrastructures located in Municipalities in which the invitation to tender for the distribution of natural gas has not been launched, are depreciated by applying the lower amount between the technical life of plants and the useful life indicated by the AEEGSI in tariff regulations. The technical life of plants has been assessed by an independent external expert who has determined the technical obsolescence of the infrastructures.

The analysis carried out at the end of the fiscal year as concerns the distribution CGU, performed in order to verify the recoverability of the entire capital invested, has shown no indicators of impairment of the assets recorded.

Intangible assets in progress under concession

The item includes the costs incurred into for the building of the natural gas distribution plants and systems constructed partially on a time and materials basis and not completed at the end of the period considered. The item involved investments amounting to Euro 308 thousand.

3. Tangible assets

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

(Thousands of Euro)	31.12.2014			31.12.2013		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	36,575	(8,629)	27,945	36,575	(7,535)	29,040
Plant and machinery	4,576	(1,879)	2,697	4,576	(1,622)	2,954
Industrial and commercial equipment	3,172	(2,539)	633	3,051	(2,361)	690
Other tangible assets	15,354	(12,232)	3,122	14,721	(11,297)	3,424
Tangible assets in progress and advance payments	590	0	590	506	0	506
Other tangible assets	60,266	(25,278)	34,987	59,428	(22,815)	36,614

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

(Thousands of Euro)	31.12.2014			31.12.2015		
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Lands and buildings	29,040	0		1,094		27,945
Plant and machinery	2,954	(0)		257		2,697
Industrial and commercial equipment	690	178		235		633
Other tangible assets	3,424	633		935		3,122
Tangible assets in progress and advance payments	506	84		0		590
Other tangible assets	36,614	894	0	2,521	0	34,987

Land and buildings

This item is mainly made up of the buildings owned in relation to company headquarters, offices and warehouses. At the end of the first nine months of 2015 the item did not register increases and the variation is explained by the amortization of the period.

Plants and machinery

The item “Plants and machinery” decreases from Euro 2,954 thousand in the previous year, to Euro 2,697 thousand as of 31st December 2015. The decrease, equal to Euro 257 thousand, is explained by the amortization of the period.

Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 178 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants

and for measurement activity.

Other assets

The investments made during financial year 2015, increased the item "Other assets" by Euro 633 thousand, and they mainly relate to the costs incurred for the purchase of corporate vehicles for Euro 446 thousand and hardware for Euro 174 thousand.

Tangible assets in progress and advance payments

The item essentially includes the costs concerning the construction of cogeneration plants built partially on a time and materials basis as well as the costs incurred for extraordinary maintenance of corporate offices. During the period considered the item registered investments equal to Euro 84 thousand.

4. Shareholdings

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

	31.12.2014			31.12.2015	
(Thousands of Euro)	Net value	Increase	Decrease	Net value	
Shareholdings in jointly controlled companies	65,453	5,943	3,318	68,078	
Shareholdings in associated companies	0			0	
Shareholdings in other companies	1			1	
Shareholdings	65,453	5,943	3,318	68,078	

Shareholdings in joint companies

Shareholdings in joint companies increase from Euro 65,453 thousand to Euro 68,078 thousand marking an increase of Euro 2,625 thousand. In particular, the increase is mainly explained by the results achieved in 2015 for Euro 5,957 thousand of which Estenergy S.p.A. Euro 4,149 thousand, ASM Set S.r.l. Euro 818 thousand and Unigas Distribuzione S.r.l. Euro 990 thousand, partially offset by the dividends distributed by the jointly controlled companies for Euro 3,318 thousand of which Estenergy S.p.A. Euro 1,953 thousand, ASM Set S.r.l. Euro 681 thousand and Unigas Distribuzione S.r.l. Euro 684 thousand, net of the changes due to the remeasurement of defined benefit plans (IAS 19R) for Euro 14 thousand.

The valuation of investments in joint ventures using the equity method and the economic and financial data of these companies are shown in the section "Synthesis data as of 31st December 2015 of jointly controlled companies consolidated using the equity method" of the Explanatory Notes.

Shareholdings in affiliate companies

Sinergie Italiane S.r.l. in liquidation

The Group has shareholdings in the affiliate Sinergie Italiane S.r.l., company in liquidation, which meets part of the needs for natural gas amounting to 30.94%. The associate closes its financial year on 30th September.

The scope of activity of the associate company during the financial year 2014-2015 only included the import of Russian gas and its transfer to the sales companies in which shareholders hold a stake as well as the management of agreements,

transactions and disputes concerning the regulation of contractual relations, finalised before to the liquidation.

It should be noted that during the month of August 2013, the associate completed the renegotiation of natural gas purchase prices envisaged by the “Take or pay” agreements with the supplier “Gazprom Export LLC”; the economic benefit resulting from the renegotiation will be extended to the two-year periods 2013-2014 and 2014-2015.

In September 2015, the affiliate signed the second renegotiation of the long-term agreement with the same supplier, mainly focussed on the renegotiation of the raw material purchase price. At the same time, it was possible to achieve a significant reduction in the minimum contractual amounts. The economic effects of this renegotiation will also affect the three thermal years 2015/2016 - 2017/2018.

Based on the results of the financial statements for the year 2014-2015, as approved by the Shareholders' meeting on 18^h December 2015 and on preliminary operating data of financial year 2015-2016 restated in accordance with international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 17,300 thousand, of which Euro 5,353 thousand attributable to the Ascopiave Group. Given that the capital deficit of the affiliate company as of 31st December 2014 amounted to € 22,119 thousand, of which € 8,072 thousand attributable to the Ascopiave Group, the Directors have adjusted the related provision for risks and charges allocated against the capital deficit of the affiliate company for € 1,528 thousand, with a positive impact on the profit and loss statement (Euro 1,228 thousand as of 31st December 2014).

The essential data of the shareholdings in the subsidiary as of 31st December 2015, 30th September 2015 and 31st December 2014 are reported below:

(Values referred to pro-rata participation in Million of Euro)	31/12/2015	30/09/2015	31/12/2014
Non-current assets	2.84	2.90	3.83
Current assets	9.33	9.34	9.12
Net equity	(5.13)	(5.43)	(6.67)
Non-current liabilities	0.00	0.00	0.00
Current liabilities	16.28	16.64	18.83
Revenues	15.89	71.07	11.67
Costs	(15.39)	(67.62)	(11.11)
Gross operative margin	0.50	3.45	0.56
Amortization and depreciation	(0.20)	(0.80)	(0.06)
Operating result	0.30	2.65	0.50
Net result	0.30	1.71	0.47
NFP	2.60	2.07	3.98

The Directors point out that, compared to the provisional data presented in the interim report for year ended 30th September 2015, the net profit of the associate as of 30th September 2015 marks a decrease of Euro 125 thousand of which 39 thousand attributable to the Ascopiave Group; the variation is mainly explained by changes in the calculation of taxes.

The shareholders' meeting held on 16th September 2015 resolved to continue the liquidation for another three years. As a result of the decisions adopted by the shareholders' meeting, the shareholder Territorio Energia Ambiente S.p.A. Mantova, abbreviated TEA S.p.A., resolved not to continue the liquidation. The company has implemented the

necessary actions to protect the Company's assets against the dissenting shareholder.

5. *Other non-current assets*

(Thousands of Euro)	31.12.2015	31.12.2014
Security deposits	11,304	12,779
Other receivables	4,062	3,963
Other non-current assets	15,366	16,741

Non-current assets are mostly made up of security deposits that the companies selling natural gas have issued for the monthly payments due for the import of gas from Russia and deposits paid to Gestore Mercati Energetici for the purchase of energy efficiency certificates. Other non-current assets decrease from Euro 16,741 thousand to Euro 15,366 thousand marking a decrease of Euro 1,375 thousand.

The other items in "Other receivables" are made up of:

- Receivables from the Municipality of Creazzo, for a value of € 1,678 thousand, which is unchanged since 31st December 2006, corresponding to the net book value of the distribution plants delivered in June 2005 to the above-mentioned local authority. The delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2004. The value of the receivables from the municipality corresponds to what the municipality of Creazzo has been asked to retrocede, as per the "Letta" legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal. A litigation is going on with the municipality, in order to define the value of the compensation of the distribution plants delivered to new distributors, whose evolution can be found in the paragraph "Litigations" of these financial statements.
- Receivables from the Municipality of Santorso, for Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2006. The value of the receivables from the municipality corresponds to what the municipality of Santorso has been asked to retrocede as per the "Letta" legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.
- Receivables from the municipality of Costabissara, for Euro 1,537 thousand. This amount corresponds to the net book value of the distribution systems delivered on 1st October 2011.

As of 31st December 2015, there are on-going litigations with the municipalities mentioned above in order to define the value of compensation of the delivered distribution systems. The Group, also following the opinion of its legal advisors, believes that the result of the litigation and arbitration procedures is uncertain, for further information please see the paragraph "Litigations" of this annual financial report.

6. *Non-current financial asset*

The following table shows the breakdown of Non-current assets at the end of each period considered:

(Thousands of Euro)	31.12.2015	31.12.2014
Security deposits after 12 month		2,838
Other financial receivables after 12 months		286
Non current financial assets		3,124

As of 31st December 2015, in the item no non-current financial assets are recorded.

The change in the item is explained by the reclassification of the receivables from the Municipality of San Vito Leguzzano, due by 30th June 2016, and the two-year repurchase agreements made in 2014 by the Parent Company upon the acquisition of the remaining 49% of Veritas Energia S.p.A. as reported in the current section of the Balance sheet.

7. Advance tax receivables

The following table highlights the balance of advance tax receivables at the end of each period considered:

(Thousands of Euro)	31.12.2015	31.12.2014
Advance tax receivables	11,333	12,814
Advance tax receivables	11,333	12,814

Advance taxes decrease from Euro 12,814 thousand to Euro 11,333 thousand, marking a decrease of Euro 1,481 thousand.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31st December 2015 and at the time when it is estimated that any temporary differences will be carried forward.

The total value of the temporary differences and the related amounts on which advance tax assets were recognized are as follows:

Description	31.12.2015			31.12.2014		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	1,303	24.0%	313	0	24.0%	0
Allocation of bad debt provisions	5,064	27.5%	1,393	8,196	27.5%	2,254
Allocation of inventory write-down	33	28.2%	9	27	31.7%	8
Other - IRES 27.5% + IRAP 4.2%	1,371	28.2%	386	2,529	31.7%	802
Risks fund	2,267	24.0%	544	250	31.7%	79
Exceeding amortizations within 2013	11,224	28.2%	3,165	12,842	31.7%	4,071
Other 24%+IRAP 4,2%	1,491	28.2%	420	0	28.2%	0
Risks fund stocking gas	559	31.4%	176	746	27.5%	205
Phantom stock option+risks fund	0	31.4%	0	214	31.4%	67
Risks fund	324	27.9%	90	1,166	27.5%	321
Other - IRES 27,5%	682	27.5%	188	728	27.5%	200
IRES 24% exceeding amortizations	18,945	24.0%	4,547	16,761	27.5%	4,609
Other - gas sale IRES 27,5% + IRAP 3,9%	297	31.4%	93	627	31.4%	197
Other - gas distr. IRES 27,5% + IRAP 4,2%	29	31.7%	9	0	31.7%	0
Total advance taxes	43,588		11,333	44,086		12,814

The change in deferred taxes is mainly due to the adjustment of the amounts accrued for deferred tax receivables to the

24% IRES tax rate whose entry into force is scheduled commencing 1st January 2017.

Current assets

8. Inventories

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

(Thousands of Euro)	31.12.2015			31.12.2014		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Gas stockage	1,980	(562)	1,418			
Fuels and warehouse materials	2,192	(33)	2,158	2,509	(27)	2,482
Fuels and warehouse materials	4,172	(595)	3,577	2,509	(27)	2,482

As of 31st December 2015, inventories are equal to Euro 3,577 thousand and show an overall increase equal to Euro 1,095 thousand as compared to 31st December 2014 mainly explained by the storage of natural gas because of the purchase of natural gas at the V.T.P. (Virtual Trading Point) of the subsidiary Ascotrade S.p.A..

In fact, during the year, the Company Ascotrade S.p.A. changed its mode of supply of natural gas and also started stocking the raw material.

At the end of the year, the reserves of stored natural gas amounted to Euro 1,980 thousand. In order to adjust the value entered in inventories to the assumed realisable value, a provision amounting to Euro 562 thousand was created, mainly due to the significant drop in raw material prices in the reference markets.

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

Inventories are entered net of the provision for loss in value of stock, equal to Euro 595 thousand, in order to adapt their value to the opportunities for their clearance or use.

9. Trade receivables

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

(Thousands of Euro)	31.12.2015	31.12.2014
Receivables from customers	82,413	85,612
Receivables for invoices to be issued	101,660	80,758
Bad debt provisions	(12,052)	(18,566)
Trade receivables	172,022	147,804

Trade receivables increased from Euro 147,804 thousand to Euro 172,022 thousand, marking an increase of Euro 24,218 thousand.

Receivables from customers are owed from national debtors and are expressed net of the billing down payments and are payable within the following 12 months.

The lower provisions, equal to Euro 6,514 thousand, are mainly explained by the important use due to the intensive activity of cancellation of older receivables for which all the recovery activities have been completed unsuccessfully, and by the lower provision for doubtful accounts made in financial year 2015 as compared to the previous year, due to the good capacity of the existing provisions and the results of the debt collection process by external agencies.

In particular, Euro 4,876 thousand of the total uses of the provision for bad debts, which amounts to Euro 10,518 thousand, are attributable to the company Veritas Energia S.p.A.. Commencing 2014, the year in which 100% of capital was acquired, and especially during 2015, an intense credit management activity for the receivables outstanding at the time of purchase was started for Veritas Energia S.p.A.. Subsequent to these operations, the oldest outstanding receivables have been written off, after performing all the activities required by the Group's debt collection policy. The outstanding receivables as of 10th February 2014 equalled Euro 28,085 thousand; of this total amount, as of 31st December 2015, Euro 20,056 thousand were collected and Euro 5,043 thousand were written off, of which Euro 4,142 during 2015 alone.

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

(Thousands of Euro)	31.12.2015	31.12.2014
Bad debt provisions	18,566	12,770
Bad debt provisions from acquisitions	(0)	6,435
Provisions	4,004	6,819
Use	(10,518)	(7,459)
Final bad debt provision	12,052	18,566

The following table highlights the composition of accounts receivables for invoices issued based on ageing, highlighting the capacity of the allowance for doubtful accounts as compared to receivables with higher ageing:

(Thousands of Euro)	31 st December 2015	31 st December 2014
Gross trade receivables for invoices issued	82,413	85,612
- allowance for doubtful accounts	(12,052)	(18,566)
Net trade receivables for invoices issued	70,362	67,046
Aging of trade receivables for invoices issued:		
- to expire	62,031	53,068
- expired within 6 months	6,892	10,789
- overdue by 6 to 12 months	3,504	6,707
- expired more than 12 months	9,986	15,049

10. Other current assets

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

(Thousands of Euro)	31.12.2015	31.12.2014
Tax consolidation receivables	1,570	3,723
Annual pre-paid expenses	736	822
Advance payments to suppliers	7,587	5,878
annual accrued income	136	235
Receivables due from Conguaglio Settore Elettrico	29,217	25,560
VAT Receivables	3,309	4,289
UTF and Provincial/Regional Additional Tax receival	3,515	33,360
Other receivables	449	104
Other current assets	46,518	73,973

Other current assets decreased from Euro 73,973 thousand to Euro 46,518 thousand, marking a decrease of Euro 27,455 thousand.

The variation is mainly explained by the decrease in receivables from the Agenzia delle Dogane (Customs Office) for Euro 29,845 thousand, the decrease in receivables for tax consolidation for Euro 2,153 thousand and the decrease in VAT receivables for Euro 980 thousand partially offset by the increase in receivables for the tariff and equalisation components towards the Cassa Conguaglio Settore Elettrico for Euro 3,657 thousand and the increase in advance payments to suppliers for Euro 1,709 thousand.

The variation of UTF (Customs Office) and Regional/provincial surtax receivables is related to the modality of payment of taxes on consumption based on the monthly billings to end users as opposed to monthly advances envisaged by the tax returns in the first months of the year and based on the consumption of previous year.

11. Current financial assets

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

(Thousands of Euro)	31.12.2015	31.12.2014
Jointly controlled companies		7,281
Other financial current assets	3,487	953
Current financial assets	3,487	8,234

The current financial assets decreased from Euro 8,234 thousand to Euro 3,487 thousand, marking a decrease of Euro 4,747 thousand.

The decrease in receivables from jointly controlled companies related to current accounts, is equal to Euro 7,281 thousand, and is attributable to the decrease in the balance towards Estenergy S.p.A. and the decrease in the exposure to Asm Set S.r.l..

Other changes are related to the entry in the current financial assets of the repurchase agreements, expiring on 10th February 2016, for Euro 2,838 thousand, through the cash deposited in February 2014 by Veritas S.p.A. as a security deposit envisaged as a guarantee on trade receivables of Veritas Energia S.p.A. when Ascopiave S.p.A. purchased 49% of Veritas Energia S.p.A..

Euro 5,945 thousand of the receivables under guarantee, as of 31st December 2015 were recorded as losses by Veritas Energia S.p.A. as a result of the activities of debt recovery carried out in financial years 2014 and 2015.

A marginal note is the inclusion in other current financial assets of the receivables due to Ascopiave S.p.A. from the Municipality of San Vito Leguzzano, expiring on 30th June 2016.

12. Tax receivables

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

(Thousands of Euro)	31.12.2015	31.12.2014
Receivables related to IRAP	368	1,041
Receivables related to IRES	647	3,444
Other tax receivables	352	352
Tax receivables	1,368	4,837

Tax receivables decreased from Euro 4,837 thousand to Euro 1,368 thousand, marking a decrease of Euro 3,469 thousand. The item includes the residual credit, minus the taxes for 2015, of the IRAP advances paid and the IRES advances for the companies that do not adhere to the Group tax consolidation system.

13. Cash and cash equivalents

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

(Thousands of Euro)	31.12.2015	31.12.2014
Bank and post office deposits	28,286	100,867
Cash and cash equivalents on hand	15	16
Cash and cash equivalents	28,301	100,882

The cash and cash equivalents decreased from Euro 100,882 thousand to Euro 28,301 thousand, marking a decrease of Euro 72,581 thousand and they mainly refer to the bank accounting balance and to the company funds.

For a better understanding of the variations of cash flows in the period, please refer to the consolidated financial statement.

Net financial position

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

(Thousands of Euro)	31.12.2015	31.12.2014
Cash and cash equivalents	28,301	100,882
Current financial assets	3,487	8,234
Current financial liabilities	(3,641)	(217)
Payables due to banks and financing institutions	(97,866)	(184,851)
	(67)	(64)
Net short-term financial position	(69,786)	(76,015)
Non current financial assets	0	3,124
Medium- and long-term bank loans	(43,829)	(53,456)
Non-current financial liabilities	(422)	(3,327)
Net medium and long-term financial position	(44,250)	(53,659)
Net financial position	(114,037)	(129,673)

For comments on the main dynamics that caused changes in the net financial position, please refer to the analysis of the Group's financial data reported under the paragraph "Comments on the economic and financial results of financial year 2015" of the report on management and under the paragraph "Medium- and long-term loans" of these Annual financial statements.

Consolidated shareholders' equity

14. Net shareholders' equity

Ascopiave S.p.A.'s share capital as of 31st December 2015 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

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

(Thousands of Euro)	31.12.2015	31.12.2014
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,521)	(17,660)
Reserves	108,478	106,139
Group's Net Result	43,014	35,583
Net equity of the Group	415,264	405,357
Net equity of Others	2,524	2,560
Third parties Net Result	2,349	1,750
Net equity of Others	4,873	4,310
Total Net equity	420,137	409,666

In 2015, the variations in the consolidated net equity, excluding the result achieved in the period, were due to the distribution of dividends by the Parent company for Euro 33,332 thousand as well as the distribution of dividends to Third-party Shareholders by the subsidiary companies Ascotrade S.p.A. and Amgas Blu S.r.l. respectively for € 1,495

and 272 thousand.

In addition, we specify a positive variation for Euro 190 thousand in the reserve of re-measurement of defined benefits plans (IAS 19R) and a negative variation for Euro 194 thousand, related to a Cash Flow Hedge reserve against the valuation at fair value of derivatives as of 31st December 2015, a decrease in own shares and a negative variation in reserves connected to long-term incentive plans .

The hedging effects accrued during the year and those transferred to the profit and loss account in order to adjust the underlying supply costs with reference to all derivatives designated as hedge accounting during the year are:

(Thousands of Euro)	
Opening balance	0
Effectiveness gained during the year	294
Effectively released in the income statement during the year	-100
Closing balance	194

The value of the cash flow hedge reserve as of 31st December 2015 refers to the expected supply flows which will be recognised at cost (and therefore with effects on the income statement) in the first quarter of 2016.

Assuming a 10% change in the future quotes of natural gas (i.e. TTF Month Ahead) at year-end, upward and downward, there would be, respectively, an improvement and a worsening of approximately Euro 88 thousand in the balance of the Equity cash flow hedge reserve; instead, there would be no impact on the Profit and Loss statement due to the total effectiveness of the hedging relationships analysed.

Net equity of minority interests

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

Non-current liabilities

15. Reserves for risks and charges

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

(Thousands of Euro)	31.12.2015	31.12.2014
Provisions for risks and charges	(7,360)	(8,496)
Provisions for risks and charges	(7,360)	(8,496)

Reserves for risks and charges decreased from Euro 8,496 thousand to Euro 7,360 thousand, marking a decrease of Euro 1,136 thousand.

The variation is mainly explained by the decrease in the provisions for risks related to Sinergie Italiane S.r.l. in liquidation for Euro 1.491 thousand and the adjustment for the settlement of a litigation with employees for Euro 138 thousand partially offset by Euro € 300 thousand provision related to labour litigations and Euro 232 thousand for risks connected to current taxes on trade receivables.

As of 31st December 2015, the provisions for risks mainly include provisions for risks related to Sinergie Italiane S.r.l.

in liquidation for Euro 5,353 thousand and the provision related to potential labour litigations for Euro 1,225 thousand.

The changes in the period under examination are shown in the following table:

(Thousands of Euro)	
Reserves for risks and charges as of 1st January 2015	8,496
Provisions for risks hedging losses of associates with the equity method	(1,491)
Provisions for risks and charges	532
Use of provisions for risks and charges	(177)
Provisions for risks and charges as of 31st december 2015	7,360

16. Severance indemnity

Severance indemnity decreases from Euro 3,968 thousand as of 1st January 2015 to Euro 3,864 thousand as of 31st December 2015, with a decrease equal to Euro 104 thousand.

(Thousands of Euro)	
Severance indemnity as of 1st January 2015	3,968
Retirement allowance	(1,490)
Payments for current services and work	1,447
Actuarial loss/(profits) of the period (*)	(60)
Severance indemnity as of 31st december 2015	3,864

*including the interest cost booked in the income statement.

The liabilities for employee severance indemnities are measured using an actuarial method, its value is therefore sensitive to changes in assumptions. The main assumptions used in the measurement of severance indemnities are the discount rate, the annual average percentage of outgoing employees and the maximum retirement age of employees.

The discount rate used for the measurement of the liability resulting from employee severance indemnity is determined with reference to the market yields of high quality fixed-income securities for which the due dates and amounts correspond to the due dates and amounts of future payments envisaged. For this plan, the average discount rate that reflects the estimated due dates and amounts of future payments relating to the 2015 plan is 2.03%.

The main hypotheses of the model are:

- mortality rate: survival table ANIA IPS55
- invalidity rate: INPS tables year 2000
- personnel rotation rate: 3.00%
- increase in remuneration rate: 3.00%
- inflation rate: 1.50%
- anticipation rate: 2.00%

The current cost related to work performed is booked under Personnel costs, whereas, the interest cost, equal to Euro 57 thousand, is recognized in the item Financial income and expenses.

17. Medium- and long-term loans

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

(Thousands of Euro)	31.12.2015	31.12.2014
Loans from Prealpi	757	828
Loans from European Investment Bank	34,500	38,000
Loans from Cassa DD.PP. With direct guarantee		127
Loans from Cassa DD.PP. With guarantee from municipalities		215
Loans from Unicredit S.p.A.	8,571	14,286
Medium- and long-term bank loans	43,829	53,456
Current portion of medium-long-term loans	9,628	9,745
Finanziamenti a medio-lungo termine	53,456	63,201

Medium and long term loans, mainly represented as of 31st December 2015 by the payables of the Parent Company to the European Investment Bank for Euro 38,000 thousand and Unicredit for Euro 14,286 thousand, decrease from Euro 63,201 thousand to Euro 53,456 thousand, marking a decrease of Euro 9,745 thousand, explained by the payment of the loan instalments during the year.

Concerning the loan issued by the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, its outstanding debt as of 31st December 2015 is equal to Euro 38,000 thousand, with Euro 3,500 thousand classified in due to banks and short-term loans.

The first loan tranche, whose original amount was Euro 35,000 thousand, will be reimbursed in 16 constant six-month instalments between 29th February 2016 and 28th August 2023; an interest rate equal to the six-month Euribor plus a 95.5 basis points spread will be applied. The second loan tranche, whose original amount was Euro 10,000 thousand, will be reimbursed in 16 constant six-month instalments, the first expiring on 27th February 2018 and the last expiring on 27th August 2025; an interest rate equal to the six-month Euribor plus a 71.5 basis points spread will be applied, in addition to the annual cost of 135 basis points related to the guarantee issued by Cassa Depositi e Prestiti S.p.A..

As a guarantee of the fulfilment of the obligations associated with the loan agreement, the Parent Company has sold to the European Investment Bank a share of future receivables arising from the reimbursement of the value of assets related to gas distribution concessions.

The loan agreement envisages the fulfilment of the following covenants applied to consolidated data and to be checked twice a year:

- a) Ebitda / net financial expenses ratio higher than 5;
- b) Net financial position / Ebitda ratio lower than 3.5.

In addition, the bank is entitled to request a reimbursement before the deadlines envisaged by the amortization schedule, in the following cases:

- a) decrease in project cost below the amount originally envisaged by the contract;
- b) anticipated reimbursement of non-EIB loans (except revolving lines of credit);
- c) change in the control of Ascopiave S.p.A. or Asco Holding S.p.A.;
- d) changes in the regulatory framework, which could jeopardize Ascopiave S.p.A.'s ability to fulfil its obligations;
- e) loss of concessions, if determining a value for consolidated RAB lower than Euro 300 million.

At the end of 2015, the covenants envisaged by the contract were respected since:

- a) the Ebitda / net financial expenses ratio was equal to 156.34, calculated as the ratio between the Ebitda

consolidated on that date, amounting to Euro 80,983 thousand, and the consolidated net financial expenses, amounting to Euro 518 thousand;

- b) the net financial position / Ebitda ratio was 1.41, calculated as the ratio between the net financial position consolidated on that date, amounting to Euro 114,037 thousand, and the consolidated Ebitda, amounting to Euro 80,983 thousand.

The medium long-term loan with Unicredit S.p.A. was signed by the Parent Company in 2011, to finance important company aggregation operations. The original amount of the loan was Euro 40,000 thousand and the loan has a seven-year duration. The prepayment of the loan is set on six-month postponed instalments, from 31st December 2011 to 30th June 2018.

During 2015 two instalments of said loan have been paid for Euro 2,857 thousand each, leading to a decrease in the loan itself for Euro 5,714 thousand and to an outstanding debt amounting to Euro 14,286 thousand at the end of the financial year.

The interest rate is variable, and it involves a three-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the “spread” parameter. The value of the fixed margin is apt to increase on the basis of the value of the ratio between the consolidated net financial position and the consolidated gross operative margin at the end of each financial year, as reported in the following table:

Value of N.P.P./G.O.M.	ratio Spread value
Index>2.5	125 basis point
2<Index>2.5	90 basis point
Index<2	70 basis point

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

- the value of the index described above cannot be higher than 3.5 (covenant modified with notary deed dated 22nd December 2014, this limit was previously equal to 2.75);
- R.A.B.'s value (Regulatory Asset Base, i.e. the value of the gas network) cannot be lower than Euro 270,000 thousand;
- the stake of ASCOHOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

As a guarantee of the fulfilment of the obligations associated with the loan agreements, the Parent Company has sold to Unicredit a share of future receivables arising from the reimbursement of the value of assets related to gas distribution concessions.

Subsequent to an agreement reached with Unicredit S.p.A. on 20th November 2015, the annual verification of compliance with financial and operating covenants under a) and b), since 2015 is no longer performed on the Group's consolidated data prepared in accordance with the IFRSs, but on the pro-forma consolidated data based on the sum of the consolidated financial statements and the pro-rata share of the jointly controlled companies.

As of 31st December 2015, having complied with the index under letter a), equal to 1.30, calculated as the ratio between the pro-forma net debt on that date, amounting to Euro 112,652 thousand, and the pro-forma EBITDA, equal to Euro 86,636 thousand and with the ratio under letter b), amounting to Euro 394,049 thousand, the spread applied as from 1st January 2016 will be 75 basis points.

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

(Thousands of Euro)	
Financial year 2016	9,628
Financial year 2017	9,287
Financial year 2018	7,681
Financial year 2019	4,826
After 31st December 2019	22,034
Total medium and long-term loans	53,456

18. Other non-current liabilities

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

(Thousands of Euro)	31.12.2015	31.12.2014
Security deposits	12,054	12,351
Multi-annual passive prepayments	6,849	4,870
Other non-current liabilities	18,903	17,221

Other non-current liabilities increased from Euro 17,221 thousand to Euro 18,903 thousand marking an increase of Euro 1,682 thousand.

Security deposits refer to deposits of gas and electricity users.

Long-term deferred income was recognized against revenues on connections to the gas network and related to the useful life of the gas distribution plants, against revenues on cogeneration plants/heat supply and against revenues on contributions for the construction of distribution network. The suspension of revenues is explained by the content of Law no. 9/2014 which envisages the full deduction of contributions from private individuals from the value of technical assets held under concession within the scope of gas distribution.

19. Non-current financial liabilities

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

(Thousands of Euro)	31.12.2015	31.12.2014
Payables due to leasing companies (over 12 months)	422	489
Other's non-current financial liabilities		2,838
Non-current financial liabilities	422	3,327

Non-current financial liabilities decreased from Euro 3,327 thousand as of 31st December 2014 to Euro 422 thousand, marking a decrease of Euro 2,905 thousand, and mainly include payables to leasing companies due after 12 months.

The decrease is explained by the reclassification to current financial liabilities of the amount paid in February 2014 by Veritas S.p.A. to Ascopiave S.p.A. at the time of the acquisition by Ascopiave S.p.A. of 49% of Veritas Energia S.p.A., as a security deposit envisaged as a guarantee of trade receivables of Veritas Energia S.p.A..

The table below shows the due dates of the financial lease instalments:

(Thousands of Euro)	
Financial year 2017	70
Financial year 2018	74
Financial year 2019	78
Financial year 2020	82
Financial year 2021	86
Financial year 2022	32
Total due payables to leasing companies over 12 months	422

20. Deferred tax payables

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2015	31.12.2014
Deferred tax payables	19,571	23,675
Deferred tax payables	19,571	23,675

Payables for deferred taxation decrease from Euro 23,675 thousand to Euro 19,571 thousand, marking a decrease of Euro 4.104 thousand, mainly due to the dynamics of amortizations in the client lists.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31st December 2015 and at the time when it is estimated that any temporary differences will be carried forward.

The total value of the temporary differences and the related amounts on which liabilities for deferred tax were recognized are as follows:

Description	31.12.2015			31.12.2014		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations	30,037	24.0%	7,209	33,538	27.5%	9,223
Exceeding amortizations	318	31.7%	101	0	31.7%	0
Severance indemnity	31	24.0%	7	31	27.5%	9
Exceeding amortizations	21,198	28.2%	5,978	13,986	31.7%	4,434
Goodwill deductibility for tax purposes - gas sale	2,014	27.9%	562	1,807	31.4%	567
Customer lists within 2016	2,074	31.7%	657	0	31.7%	0
Gas sales uncollected interest on late payments	110	24.0%	26	110	27.5%	30
Customer lists after 2016	7,900	28.2%	2,228	11,980	31.7%	3,798
Goodwill deductibility for tax purposes	9,872	28.2%	2,784	17,637	31.7%	5,591
Other operations	67	28.2%	19	87	27.5%	24
Total deferred tax payables	73,620		19,571	79,177		23,675

The change in deferred taxes is mainly due to the adjustment of the amounts accrued for deferred tax liabilities to the 24% IRES tax rate whose entry into force is scheduled commencing 1st January 2017.

Current liabilities

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

The following table shows how the item is broken down for each period considered:

<u>(Thousands of Euro)</u>	31.12.2015	31.12.2014
Payables due to banks	88,238	175,106
Current portion of medium-long-term loans	9,628	9,745
Payables due to banks and financing institutions	97,866	184,851

Payables to banks decrease from Euro 184,851 thousand to Euro 97,866 thousand, marking a decrease of Euro 86,985 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

The following table shows the allocation of Group's credit lines used and available and related rates applied as of 31st December 2015.

Banks		Credit lines 31 dec 2015	Interest rate 31 dec 2015	Debt 31 dec 2015
Banca Europea per gli Investimenti	Bank loan	10,000	0.99%	10,000
Banca Europea per gli Investimenti	Bank loan	28,000	1.23%	28,000
Banca Intesa	Bank credit for overdraft	40,000	n.d.	-
Banca Intesa	Bank credit for derivatives	7,000	n.d.	-
Banca Nazionale del Lavoro	Bank credit for overdraft	50,000	0.63%	5,000
Banca Nazionale del Lavoro	hedging on commodities	5,000	n.d.	-
Banca Popolare dell'Emilia Romagna	Bank credit for overdraft	10,000	0.55%	998
Banca Popolare di Vicenza	Short-term financing	52,000	n.d.	-
Banca Prealpi	Bank credit for overdraft	5,000	n.d.	-
Banca Prealpi	Unsecured loan	828	1.83%	828
Banca Sella	Bank credit for overdraft	5,000	n.d.	-
Banco di Desio e della Brianza	Bank credit for overdraft	5,000	0.40%	2,500
Banco Popolare	Short-term financing/guarantees	20,000	n.d.	-
Banco Popolare	Guarantees	10,000	0.40%	3,455
Cassa Depositi e Prestiti	Bank loan	127	7.50%	127
Cassa Depositi e Prestiti	Bank loan	215	7.50%	215
Cassa di Risparmio del Veneto	Bank credit for overdraft	13,000	0.50%	12,983
Credem	Bank credit for overdraft	25,000	0.24%	25,000
Friuladria Crédit Agricole	Credit facility - short-term loans	13,000	0.45%	5,500
Monte dei Paschi di Siena	Bank credit for overdraft	7,100	0.30%	3,000
Monte dei Paschi di Siena	Guarantees	6,800	0.30%	6,790
UBI - Banco di Brescia	Bank credit for overdraft	30,000	0.30%	10,000
Unicredit	Short-term financing	48,700	0.20%	23,000
Unicredit	Bank loan	14,286	0.80%	14,286
Unicredit	Guarantees	12,400	0.30%	11,838
Unicredit	Credit cards	515	n.d.	-
Banco Popolare	Guarantees	10,000	0.40%	515
Cassa di Risparmio del Veneto	Bank credit for SDD	20,000	n.d.	-
Friuladria Crédit Agricole	Bank credit for SDD	5,000	n.d.	-
Monte dei Paschi di Siena	Guarantees	556	0.30%	556
Unicredit	Guarantees	10,800	0.30%	5,123
Unicredit	Credit cards	23	n.d.	-
Unicredit	Short-term financing	700	n.d.	-
Unicredit	Short-term financing	1,100	n.d.	-
Unicredit	Bank credit for derivatives	15,000	n.d.	-
Veneto Banca	Receivables SBF	5,000	n.d.	-
Veneto Banca	Guarantees	200	0.35%	200
Unicredit	Credit cards	15	n.d.	-
Banca Popolare di Bergamo	Guarantees	50	n.d.	-
Banco Popolare	Bank credit for overdraft/guarantees	500	n.d.	-
Banco Popolare	Trade discount	500	n.d.	-
Unicredit	Credit cards	40	n.d.	-
Banca Sella	Guarantees	200	n.d.	-
Banca Sella	Bank credit for cheque	75	n.d.	-
Banca Sella	Bank credit for overdraft	55	n.d.	-
Banca Popolare di Vicenza	Bank credit for overdraft	500	n.d.	-
Unicredit	Short-term financing	1,100	n.d.	-
Unicredit	Guarantees	1,410	0.30%	1,381
Banca Nazionale del Lavoro	Guarantees IFITALIA	6,000	n.d.	-
Banca Nazionale del Lavoro	Guarantees	3,850	1.60%	76
Banco Popolare	Guarantees	2,000	n.d.	-
Banco Popolare	Short-term financing	3,000	n.d.	-
Cassa di Risparmio di Venezia	Guarantees	1,100	0.40%	1,050
Monte dei Paschi di Siena	Guarantees	2,550	0.40%	1,271
Unicredit	Bank credit for derivatives	700	n.d.	-
Unicredit	Credit cards	10	n.d.	-
Unicredit	Credit cecks for SBF	50	n.d.	-
Unipol Banca	Guarantees	2,000	n.d.	-
Total		513,055		173,692

22. Trade payables

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2015	31.12.2014
Payables to suppliers	43,078	58,400
Payables to suppliers for invoices not yet received	79,744	77,779
Trade payables	122,823	136,179

Trade payables decrease from Euro 136,179 thousand to Euro 122,823 thousand, a decrease of Euro 13,356 thousand. This variation is mainly explained by the decrease in the purchase cost related to the trend of the price basket to which the raw material is adjusted.

23. Payables to tax authorities

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2015	31.12.2014
IRAP payables	176	
IRES payables	221	205
Tax payables	397	205

Tax payables increase from Euro 205 thousand to Euro 397 thousand, marking an increase of Euro 192 thousand and include payables accrued at the end of 2015 for IRES, for the surcharge related to the companies selling gas which do not fall within the scope of the Group's tax consolidation system and for IRAP, and the IRES payable related to the companies which do not adhere to Asco Holding S.p.A.'s tax consolidation system.

24. Other current liabilities

The following table shows how the item is broken down at the end of each period considered:

(Thousands of Euro)	31.12.2015	31.12.2014
Advance payments from customers	1,821	1,152
Amounts due to parent companies for tax cons	3,020	1,040
Amounts due to social security institutions	1,441	1,404
Amounts due to employees	4,419	3,675
VAT payables	2,643	965
Payables to revenue office for withholding tax	951	887
Annual passive prepayments	1,102	721
Annual passive accruals	1,059	931
UTF and Provincial/Regional Additional Tax pa	2,881	1,149
Other payables	23,986	14,239
Other current liabilities	43,324	26,164

Other current liabilities increased from Euro 26,164 thousand to Euro 43,324 thousand marking an increase of Euro 17,160 thousand.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of the end of the financial period as of 31st December 2015.

Tax consolidation payables

This heading includes the accrued payables to parent company Asco Holding S.p.A., as part of the National Consolidation regime contracts signed by the Group companies with Asco Holding S.p.A.. The balance of the IRES payables accrued for taxation up to 31st December 2015 is Euro 3,020 thousand, with an increase of Euro 1,980 thousand.

Amounts due to employees

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31st December 2015 but not paid out on that date

VAT payables

VAT payables increased by Euro 1,678 thousand as compared to 31st December 2014. The increase in VAT payables is explained by the quarterly compensation of the tax, granted to the subsidiaries selling natural gas, in that they fall within the category of the subjects billing a high number of end customers.

Annual deferred income

The change in the item is mainly related to the reclassification from other payables of deferred income on revenues from cogeneration/heat supply.

Annual accrued liabilities

Accrued liabilities refer mainly to State fees and the fees granted to local licensing bodies for the extension of the concession for the distribution of natural gas, awaiting the territorial calls for tenders.

UTF payables and Additional Regional/Provincial Tax

They relate to amounts payable to the technical department of finance and to the payment of excise duty and additional taxes on natural gas. The balance is explained by the different timing of billing gas consumption to users, in contrast with the monthly payments carried out by the sales company with reference to the previous year. As of 31st December 2015, the Group's total amount of payables is Euro 2,881 thousand.

Other payables

These figures increased by Euro 9,747 thousand as compared to 31st December 2014 and mainly include payables to the Authority for Electricity and Gas and Water regarding the new tariff components of transport (Euro 22,458 thousand).

Benefits based on financial instruments

The Group grants additional benefits to some employees in strategic positions within the Group. These benefits are based on financial instruments (so-called "long-term incentive plan 2015-2017").

In particular, the plans adopted by the Group include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the reaching of pre-set objectives, the financial regulation of which is based on the trend of the share title.

25. Current financial liabilities

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

(Thousands of Euro)	31.12.2015	31.12.2014
Financial payables within 12 months	3,641	217
Payables to leasing companies within 12 months	67	64
Current financial liabilities	3,708	280

Current financial liabilities increased from Euro 280 thousand to Euro 3,708 thousand marking an increase of Euro 3,428 thousand due to the reclassification from the non-current financial liabilities of the deposit received in February 2014 by Veritas S.p.A. when Ascopiave S.p.A. purchased 49% of Veritas Energia S.p.A., as a security deposit envisaged as a guarantee on trade receivables of Veritas Energia S.p.A..

26. Current liabilities from derivative financial instruments

The following table shows how the item is broken down at the end of each period considered:

(Thousands of Euro)	31.12.2015	31.12.2014
Current liabilities from derivative financial instruments	252	
Current liabilities from derivative financial instruments	252	

Liabilities on derivatives are represented by the fair value of the following commodity derivatives as of 31st December 2015, which will have financial manifestation during the year 2016 (specifically, in the first 4 months of the year):

	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€)
1	17580206 Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	16-set-15	1-ott-15	31-dic-15	Long/Buy	62.540 MWh	-58.460
2	17809118 Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	21-ott-15	1-gen-16	31-mar-16	Long/Buy	58.520 MWh	-193.694
Totale								121.060	-252.154

COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS
Revenues*27. Revenues*

The following table shows the composition of the item by type of activity in the fiscal years considered:

(Thousands of Euro)	Financial year 2015	Financial year 2014
Revenues from gas transportation	26,752	21,697
Revenues from gas sale	472,974	473,641
Revenues from electricity sale	61,188	67,199
Revenues from connections	1,133	52
Revenues from heat supply	13	55
Revenues from distribution services	3,563	3,530
Revenues from billing and taxes		38
Revenues from services supplied to Group comp:	1,157	842
Revenues from AEEG contributions	8,871	12,555
Other revenues	6,003	5,690
Revenues	581,655	585,300

At the end of the period considered, the Ascopiave Group's revenues amounted to Euro 581,655 thousand, with a decrease as compared to the previous year of Euro 3,645 thousand.

The revenues from natural gas sale, equalling Euro 472,974 thousand, record a decrease as compared to the same period of the previous financial year totalling Euro 667 thousand. The decrease is mainly explained by a decline in unit sales prices, partially offset by higher volumes of natural gas sold to the market (+57.3 million); the volumes in the previous year had been influenced by particularly mild temperatures. These volumes in fact increase from 763.1 million cubic meters recorded in 2014 to 820.4 million in 2015.

Revenues recognised in connection to the import of Russian gas amount to Euro 75,942 thousand and until 30th September 2015 they were regulated under the framework contract signed for the 2014-2015 thermal year with the reference shipper of the Group. Since the fourth quarter, the Group has been managing independently the quantities of natural gas imported. The sales revenues recorded, which are integrally correlated with the costs incurred, are mostly attributable to the sales made at the virtual trading point.

It is to be pointed out that in 2015 no trading activities were performed.

The transportation of natural gas to the distribution network generated revenues for Euro 26,752 thousand, with an increase compared to the previous year of Euro 5,055 thousand, involving the transport of 788.5 million cubic meters (+77.7 million as compared to 2014).

The Restriction on total revenues is determined, year after year, on the basis of the number of redelivery points the Company actually served during the reference period, as well as on the reference price, whose values are established and published by the Authority for Electricity and Gas by 15th December of the year before that in which the price becomes effective.

At the end of 2015, the revenues from electricity sales amounted to Euro 61,188 thousand, showing a decrease over the previous year of Euro 6,011 thousand. The KWhs sold in 2015 amount to 352.4 million, a decrease of 28.8 million compared to the previous year.

At the end of 2015, revenues from connection services to the distribution network are equal to Euro 1,133 thousand, with an increase of 1,081 thousand as compared to 2014. The revenues from the distribution companies of the Group are fully recognised among the non-current liabilities and posted to the profit and loss statement based on the useful life of the plants built.

The revenues derived from services provided by distributors, being equal to Euro 3,563 thousand, basically in line with the previous year (Euro 3,530 thousand.)

The revenues from contributions made by the Authority for Electricity, Gas and Water amount to Euro 8,871 thousand recording a decrease of Euro 3,684 thousand compared to the previous year. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the obligated distributors.

Other revenues increased from Euro 5,690 thousand in 2014, to Euro 6,003 thousand in 2015, showing an increase of Euro 313 thousand. The item "other revenue" includes contingent assets related to credit entries of energy consumption of previous years for Euro 894 thousand, lower costs of mapping services from previous years for Euro 550 thousand and non-existent debts for the distribution of electricity amounting to Euro 530 thousand.

Costs

28. Cost for gas purchase

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

(Thousands of Euro)	Financial year 2015	Financial year 2014
Purchase costs for raw material (gas)	325,936	333,335
Purchase costs for raw material (gas)	325,936	333,335

At the end of the fiscal year, the costs incurred for the supply of natural gas amount to Euro 325,936 thousand, showing a decrease of Euro 7,399 thousand as compared to 2014. The decrease in costs incurred is mainly explained by lower costs for the purchase of the raw material used to supply end customers, which registers a decrease of Euro 7,879 thousand; this decrease is mainly explained by the trend of the price basket to which the raw material is adjusted and was partially offset by greater consumption during the reference year. During the period, in fact, the procurement activity involved the purchase of 818.6 million cubic metres, an increase equal to 55.5 million as compared to 2014. The decrease in the costs incurred for the supply of the raw material intended for the end market was also offset by higher costs incurred for the import of Russian gas totalling Euro 5,035 thousand.

In the period considered, the company purchased and stored natural gas for a total amount of Euro 1,418 thousand.

It is to be noted that, during the financial period, no trading activities were performed and that the most significant amounts of natural gas for the supply to end customers were provided to the Ascopiave Group by the company Eni Gas & Power S.p.A..

29. Cost of other raw materials

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

(Thousands of Euro)	Financial year 2015	Financial year 2014
Purchase of electricity	18,824	24,660
Purchase of other raw material	1,671	1,372
Purchase costs for other raw materials	20,495	26,032

At the end of the fiscal year, the costs incurred for the purchase of other raw materials register a decrease equal to Euro 5,537 thousand mainly explained by the lower costs incurred to procure electricity.

The costs incurred for the purchase of electricity showed a decrease of Euro 5,836 thousand, from Euro 24,660 thousand, to Euro 18,824 thousand in the reference period. The decrease is mainly explained by the decrease in KWh traded (-28.8 million) which at the end of 2015 amount to 352.43 million.

The costs incurred for the purchase of other raw materials register an increase equal to Euro 299 thousand, from Euro 1,372 thousand in 2014 to Euro 1,671 thousand in the reference period. This item mainly includes costs related to the purchase of materials for the construction of natural gas distribution plants.

30. Costs for services

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

(Thousands of Euro)	Financial year 2015	Financial year 2014
Costs of conveyance on secondary networks	85,777	72,986
Costs for counting meters reading	755	1,036
Costs for mailing bills	461	458
Mailing and telegraph costs	1,483	1,025
Maintenance and repairs	2,672	2,960
Consulting services	4,131	4,527
Commercial services and advertisement	2,173	1,900
Sundry suppliers	1,729	2,273
Directors' and Statutory Auditors' fees	1,086	1,104
Insurances	1,016	989
Personnel costs	836	831
Other managing expenses	6,283	5,745
Costs for use of third-party assets	10,531	11,906
	218	
Costs for services	119,151	107,740

The costs for services incurred during the financial year showed an increase of Euro 11,411 thousand, from Euro 107,740 thousand in 2014, to Euro 119,151 thousand in the reference period. This variation is mainly explained by the higher costs totalling Euro 11,371 thousand related to the carriage costs on the primary and secondary networks, for the transportation of electricity (Euro 1,420 thousand), as well as post and telegraph expenses (Euro 458 thousand). This increase is partially offset by lower costs for maintenance and repairs (Euro -288 thousand), for consultancy services (Euro -396 thousand), consumption (Euro -544 thousand) as well as costs connected to use of third party asset (Euro -1,375 thousand).

The costs incurred for the transportation of natural gas re mainly explained by the increase in consumption recorded in the period considered (+57.3 million cubic meters).

The decrease recorded in the costs for maintenance and repairs is mainly explained by lower costs incurred for the maintenance of corporate headquarters, which decrease by Euro 221 thousand.

The costs incurred for consultancy services increase from Euro 4,527 thousand in 2014, to Euro 4,131 thousand in the reference period. The decrease is mainly explained by lower costs incurred for IT consulting, as well as for administrative and legal advice, which have respectively decreased by Euro 445 thousand and 172 thousand. These decreases have been partially offset by higher technical consultancy costs, which have increased by Euro 220 thousand.

The costs incurred for the use of third-party assets, which have decreased by Euro 1,375 thousand, have benefited from lower costs incurred for the purchase of licenses and the reduction in fees paid to Local Authorities.

31. Costs for staff

The following table shows the breakdown of personnel costs in the years considered:

	Financial year 2015	Financial year 2014
<i>(Thousands of Euro)</i>		
Wages and salaries	18,607	18,895
Social security contributions	5,926	5,872
Severance indemnity	1,291	1,307
Current severance indemnity actualization		(0)
Other costs	164	317
Totale costo del personale	25,987	26,391
Costo del personale capitalizzato	(4,414)	(3,664)
Costi del personale	21,573	22,726

The cost for staff is net of costs capitalized by the companies of natural gas distribution in comparison with increases in intangible assets for works performed on a time and material basis, which are directly attributed to the implementation of facilities for the distribution of natural gas and recorded as an asset.

Costs for staff decrease from Euro 26,391 thousand in 2014 to Euro 25,987 thousand in the reference period, marking a decrease of Euro 404 thousand. The decrease is mainly explained by the entry of the value of the phantom stock options granted to managers at the time of the listing of the parent company, not exercised yet, performed in the first nine months of the previous financial year, which has entailed higher costs totalling Euro 668 thousand. The decrease was partially offset by wage increases paid during the period due to personal rewards and increases provided for by contract. The capitalized staff cost shows an increase equal to Euro 750 thousand, from Euro 3,664 thousand in the previous fiscal year, to Euro 4,414 thousand in 2015, thus reducing the cost for staff by an equal amount.

The table below shows the average number of Group employees by category at the end of the indicated periods:

Type	FY 2015	FY 2014	Variation
Executives	17	19	(2)
Office workers	357	353	4
Manual workers	105	103	2
Total employees	478	474	4

32. Other operating costs

The following table shows the breakdown of other operating costs in the periods considered:

(Thousands of Euro)	Financial year 2015	Financial year 2014
Provision for risks on credits	4,004	6,819
Other provisions	532	319
Membership and AEEG fees	646	739
Capital losses	454	611
Extraordinary losses	1,353	1,435
Other taxes	969	1,090
Other costs	865	777
Costs of contracts	522	907
Energy efficiency certificates	8,766	10,036
Other management costs	18,110	22,733

Other operating costs, decreasing from Euro 22,733 thousand as of 31st December 2014 to Euro 18,110 thousand in the reference period, show a decrease of Euro 4,623 thousand, mainly due to lower allowances for doubtful accounts for Euro 2,815 thousand, made possible thanks to the appropriate capacity of the bad debt provision, as well as lower costs incurred for the purchase of Energy efficiency certificates equal to Euro 1,270 thousand partially offset by a provision on a receivable from suppliers for credit notes to be received for Euro 551 thousand.

33. Other operating revenues

The following table shows a breakdown of other operating income in the periods considered:

(Thousands of Euro)	Financial year 2015	Financial year 2014
Other income	591	32
Other income	591	32

At the end of the reference period, other operating income shows an increase of Euro 559 thousand, from Euro 32 thousand in 2014, to Euro 591 thousand. During the third quarter, the Parent company in fact received an insurance compensation amounting to € 305 thousand related to damage suffered in a reduction and measurement station located in the province of Vicenza.

34. Amortization and depreciation

Amortization and depreciation for the relevant periods are analysed in the following table:

(Thousands of Euro)	Financial year 2015	Financial year 2014
Intangible fixed assets	17,509	17,536
Tangible fixed assets	2,521	2,564
Amortization and depreciation	20,029	20,099

Amortization and depreciation record a decrease of Euro 70 thousand, from Euro 20,099 thousand in 2014, to Euro

20,029 thousand in the reference period.

Financial income and expense

35. Financial income and expense

The following table shows a breakdown of financial income and expenses in the periods considered:

(Thousands of Euro)	Financial year 2015	Financial year 2014
Interest income on bank and post office accounts	309	708
Other interest income	489	648
Other financial income	5	9
Financial income	803	1,364
Interest expense on banks	516	1,334
Interest expense on loans	621	891
Other financial expenses	184	732
Financial charges	1,321	2,957
Evaluation of subsidiary companies with net equity method	1,491	1,228
Evaluation of subsidiary companies with net equity method	5,958	3,225
Evaluation of subsidiary companies with the net equity method	7,449	4,453
Total net financial expenses	6,931	2,860

At the end of 2015, the balance between financial income and expenses showed a loss of Euro 518 thousand, a decrease from the previous year of Euro 1,075 thousand.

The decrease is explained by the combined effect of the reduction in interest rates applied by banks to lines of credit and by the improvement of the Group's financial position, which reduced the recourse to lines of credit.

The item "Evaluation of associated companies using the equity method" amounts to Euro 1,491 thousand and includes the use of a portion of the bad debt provision for the coverage of the capital deficit of the affiliate company Sinergie Italiana S.r.l. in liquidation following the profit achieved during the period as detailed in the section "Shareholdings" of these explanatory notes. The item registers a decrease as compared to the same period of the previous year equal to Euro 263 thousand.

The item "Result quota from jointly controlled companies" includes the net results achieved by the jointly controlled companies in the reference period; they increased by Euro 2,733 thousand compared to the previous year, totalling Euro 5,958 thousand.

Taxes

36. Taxes in the reference period

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

(Thousands of Euro)	Financial year 2015	Financial year 2014
IRES current taxes	17,953	16,032
IRAP current taxes	3,232	3,404
(Advance)/Deferred taxes	(2,666)	(1,242)
Taxes for the period	18,519	18,194

Taxes increase from Euro 18,194 thousand in 2014 to Euro 18,519 thousand in the reference period, thus registering an increase of Euro 325 thousand. The increase recorded is mainly explained by the higher profit achieved in 2015, which has fully offset the positive effect arising from lower tax rates in force in the two comparison periods to which the companies operating in the sector are subject. The judgement of the Constitutional Court (No. 10 of the year 2015), has in fact declared the unconstitutionality of the IRES additional tax, called Robin Hood Tax, effective from the date of publication of the judgement in the Official Gazette. As a consequence, unlike in the period considered, 2014 also included the taxes related to the IRES additional tax, equal to a tax rate of 6.5%. The change in advance/deferred taxes is mainly due to the adjustment of the amounts accrued for advance tax receivables and payables for deferred tax to the 24% IRES tax rate, which will become effective commencing 1st January 2017.

The table below shows the breakdown of IRES taxes in the years considered:

(Thousands of Euro)	FY 2015	FY 2014
IRES	850	531
Additional IRES	0	3,218
Charges / (income) from tax consolidation	17,103	12,282
Current taxes IRES	17,953	16,032

The table below shows the incidence of tax on the result before tax for the periods considered:

(Thousands of Euro)	Financial year	Financial year
Earnings before tax	63,881	55,527
Taxes for the period	18,519	18,194
Percentage of income before taxes	29.0%	32.8%

The tax-rate recorded as of 31st December 2015 is equal to 29.0%, a decrease of 3.8% compared to the previous year. The decrease in tax rate is mainly due to effects caused by the reduction in tax rates described above.

Non-recurrent items

In accordance with CONSOB communication no. 15519/2005, we report that there were no non-recurring economic components reported in the annual financial statements as of 31st December 2014.

Transactions deriving from unusual and/or atypical operations

In accordance with CONSOB communication N. DEM/6064296 dated 28th July 2006, we report that during 2015 no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE ANNUAL FINANCIAL REPORT AS OF 31ST DECEMBER 2015

Commitments and risks

Guarantees given

As of 31st December 2015, the Group provided the following bank guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	31 th Dicembre 2015	31th Dicembre 2014
On credit lines	6,400	13,050
On financial leasing agreements	956	956
Guarantees on credit lines (letter of comfort)	1,653	5,129
On execution of works (letter of comfort)	943	879
Agreements on incentives art. 4 of Law no. 92/2012	119	196
On UTF offices and regions for taxes on gas (letter of comfort)	6,232	6,382
On UTF offices and regions for taxes on electricity (letter of comfort)	669	669
On distribution concession (letter of comfort)	2,789	3,405
On services agreements (letter of comfort)		120
On conveyance agreements (letter of comfort)	8,778	9,676
On agreements for transport of electricity (letter of comfort)	13,849	2,043
On active agreements of electricity administration (letter of comfort)		23
On purchase of gas agreements (letter of comfort)	556	
On purchase of electricity agreements (letter of comfort)	2,000	11,190
On contest	19	
On storage of natural gas service	110	
Total	45,072	53,718

Guarantees to the jointly controlled companies and affiliate companies assessed with the equity method:

(Thousands of Euro)	31 th Dicembre 2015	31th Dicembre 2014
On credit lines	34,333	34,333
On gas supply agreements		0
On execution of works (letter of comfort)	8	3
On UTF offices and regions for taxes on gas (letter of comfort)	928	482
On UTF offices and regions for taxes on electricity (letter of comfort)	79	12
On distribution concession (letter of comfort)	180	179
On conveyance agreements (letter of comfort)	671	621
On agreements for transport of electricity (letter of comfort)	406	2,436
On active agreements of gas administration (letter of comfort)		50
On purchase of electricity agreements (letter of comfort)		2,623
On realization of photovoltaic agreements (letter of comfort)		191
On leases	114	
Total	36,719	40,930

The letters of comfort on lines of credit and gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation amount as of 31st December 2015 to Euro 34,400 thousand.

Risk and uncertainty factors

Management of financial risk: objectives and criteria

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

The operative activity, on the contrary, put the Group on the position of possible receivable risks with the counterparts. The Group, furthermore, is subject to liquidity risks because the available financial resources may not be sufficient to meet its financial obligations, in the terms and deadlines forecast.

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

Interest rate risks

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

Furthermore the Group manages medium-long term financings at variable rates with primary bank institutions, with an outstanding debt as of 31st December 2015 of Euro 53,456 thousand and due dates between 1st January 2016 and 5th February 2026.

Furthermore the Group manages credit lines at fixed rates (loans) for minor amounts, which originated upon assignment of gas distribution networks by local authorities that are now partners of Asco Holding S.p.A.

The medium - long term loans are mainly represented by the loan granted in 2011 by Unicredit S.p.A. with an outstanding debt of Euro 14,286 thousand as of 31st December 2015, subject to a securitization operation by the lender, and by the loan issued in August 2013 by the European Investment Bank with an outstanding debt of Euro 38,000 thousand. oth are subject to covenants which are met.

For further details please see paragraph no. 17 “*Medium- long term loans*”.

Sensitivity analysis of the interest rate risk

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

	January	February	March	April	May	June	July	August	September	October	November	December
Net Financial Position 2015	(152,556)	(133,526)	(113,176)	(74,360)	(98,086)	(93,093)	(101,529)	(106,685)	(96,994)	(109,136)	(130,700)	(114,037)
Positive average rate	0.75%	0.85%	0.83%	0.76%	0.05%	0.02%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Negative average rate	0.88%	0.87%	0.85%	0.82%	0.85%	0.83%	0.82%	0.80%	0.80%	0.78%	0.72%	0.66%
Positive average rate increased of 200 basis point	2.75%	2.85%	2.83%	2.76%	2.05%	2.02%	2.01%	2.01%	2.01%	2.01%	2.01%	2.01%
Negative average rate increased of 200 basis point	2.88%	2.87%	2.85%	2.82%	2.85%	2.83%	2.82%	2.80%	2.80%	2.78%	2.72%	2.66%
Positive average rate decreased of 50 basis point	0.25%	0.35%	0.33%	0.26%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Negative average rate decreased of 50 basis point	0.38%	0.37%	0.35%	0.32%	0.35%	0.33%	0.32%	0.30%	0.30%	0.28%	0.22%	0.16%
Net Financial Position recalculated with increase of 200 basis point	(152,815)	(133,730)	(113,369)	(74,482)	(98,253)	(93,246)	(101,701)	(106,866)	(97,153)	(109,321)	(130,915)	(114,231)
Net Financial Position recalculated with decrease of 50 basis point	(152,491)	(133,474)	(113,128)	(74,329)	(98,044)	(93,055)	(101,485)	(106,639)	(96,954)	(109,090)	(130,647)	(113,989)
Effect to income before taxes with increase of 200 basis point	(259)	(205)	(192)	(122)	(167)	(153)	(172)	(181)	(159)	(185)	(215)	(194)
Effect to income before taxes with decrease of 50 basis point	65	51	48	31	42	38	43	45	40	46	54	48
												551

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 2,205 thousand (2014: Euro 2,299 thousand) or positive for Euro 551 thousand (2014: Euro 575 thousand).

Receivable risk

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

The Group constantly monitors this type of risk through an appropriate credit management procedure, helped in that sense also by the division of a significant component of accounts receivable. The policy prescribes to fully write down

the receivables that show an older expiry date than the year (that is to say which have expired for over a year) and in any case all the existing receivables from insolvent clients or clients subject to bankruptcy proceedings, and to apply write-down percentages determined by historical series on the most recent receivables, checking the capacity of the allowance for bad debts, so that it can entirely cover all receivables having an ageing higher than 12 months and most receivables expired between 6 and 12 months.

Liquidity risk

The liquidity risk concerns the risk of the Group not to dispose of available and sufficient financial resources in order to meet its financial obligations, in the forecast terms and deadlines, due to the impossibility of raising new funds or selling assets on the market, affecting the income statement if the Group is obliged to incur additional costs to meet its obligations, or in case of insolvency entailing risks for the business.

The Group constantly aims at highest balance and flexibility of financing sources and uses, minimizing that risk. 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

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

In order to reduce the afore-stated risk, the company subscribed contracts of provisioning that envisage the almost full coverage of the indexing clauses of cost in the raw material purchase portfolio and of the indexing clauses of price in the sale portfolio.

The risk is therefore connected to possible volume mismatches between the amounts in the final balance underlying the various indexing formulas and the related amounts budgeted on the basis of which the purchase portfolio has been structured.

Risk management and control policy

In September 2015, as part of the project aimed at controlling and managing the risks involved in the activity, also connected with the commencement of procurement, the Group deemed it necessary to adopt the following policies for the management and control of business risks:

- “Energy Risk Management and Control” Policy,
- “Financial Risk Management and Control” Policy,
- “Compliance with EMIR Regulation” Procedure.

The “Energy Risk Management and Control” Policy aims to contain the volatility implied by energy risks on overall margins and to stabilise cash flows; the following corporate figures and bodies are involved:

- the Board of Directors, responsible for risk guidance and governance,
- the newly formed Energy Risks Committee, in charge of overseeing and approving the results of the monitoring and control of energy risks, composed of the General Manager, the Chief Financial Officer, the Sales SBU Coordinator, the Supply & Pricing Director and the Risk Control Unit Manager,
- the Risk Control Unit, responsible for monitoring and controlling energy risks,
- the Supply & Pricing Director of the Sales SBU, in charge of managing the portfolio in accordance with the

- risk limits set annually by the Board of Directors,
- the Chief Financial Officer, with the task of supporting the business structures in the management and control of energy risks,
- Internal Auditing, responsible for monitoring activities aimed at ensuring the enforcement of the policy and the adequacy of the energy risk internal control systems.

The “Financial Risk Management and Control” Policy is aimed at maintaining the balance between funding sources and uses, at containing funding costs and stabilising financial flows. The corporate figures and bodies involved are:

- the Board of Directors, responsible for risk guidance and governance,
- the General Manager, in charge of overseeing and approving the results of the monitoring and control of financial risks,
- the Chief Financial Officer, responsible for managing and controlling financial risks,
- Finance and Treasury, responsible, under the supervision of the Chief Financial Officer, for operations related to the management and monitoring of financial risks,
- the Management, which supports the Chief Financial Officer in defining the accounting treatment applicable to risk management operations,
- Internal Auditing, responsible for monitoring activities aimed at ensuring the enforcement of the policy and the adequacy of the financial risk internal control systems.

In accordance with the provisions of the “Energy and Financial Risk Management and Control” Policy, the Group will be able to resort to derivatives for hedging purposes, in order to reduce or mitigate those risks.

To this end, the “Compliance with EMIR Regulation” Procedure has been approved, which defines the criteria and rules through which the Ascopiave Group fulfils its obligations under the EU Regulation no. 648/2012 – European Market *Infrastructure Regulation*, concerning the risk mitigation techniques associated with the use of derivative hedging instruments, required to make these operations as transparent as possible to the market.

The main parties involved in fulfilling these obligations are the Group's Finance and Treasury Department and the Supply & Sale Pricing Director of the Sales SBU, the first in relation to derivatives on interest and exchange rates, the second with reference to commodity derivatives. They will consult the relevant bank officers in order to prepare the reporting activity required by the EMIR Regulation.

Price risk management and methods of accounting presentation

The Group is exposed to commodity price risk due to its operations in the gas and electricity sectors; the overall objective of risk management is to reduce the impact on the Group's Income statement of the effects arising from the portfolio purchases and sales as a result of changes in market prices.

The risk exposure is currently defined in terms of volumetric gap between the different indexing formulas of contracts in portfolio and taking into consideration, therefore, any natural hedging situations in the portfolio; as concerns risk management activities, the Group uses derivative financial instruments and specifically Swap transactions in order to reduce the overall exposure of the portfolio, through a reduction in the gaps detected between the different formulas.

Specifically, the derivative instruments that may be used by the Group are Commodity swaps on the price of gas and/or Contracts For Difference on the price of electricity (actually comparable to Swap contracts); both operating situations involve the periodic swap of a differential between a fixed price and a variable price indexed to a specific market benchmark (such as the TTF index for gas and the PUN for electricity).

The purpose of these instruments is therefore to “fix” the purchase cost or the sales proceeds (thus making them unaffected by changes in market prices) related to the volumes of gas or electricity traded and/or expected at variable prices.

From an accounting standpoint, the Group's hedging operations are represented in accordance with the provisions of the International Accounting Standard IAS 39 “Financial Instruments: recognition and measurement” and specifically the rules governing hedge accounting.

Please find below a summary of the main features of the hedge accounting model applied by the Group:

the hedging relationships designated in hedge accounting are classified as cash flow hedges of future purchases and/or sales of gas and/or electricity at variable prices;

the types of hedging instruments used by the group (i.e. Commodity Swaps and Contracts For Difference) fall within the definition of derivative provided by IAS 39 and, as such, have the requirements to be designated as hedging instruments;

the underlying hedged items are cash flows expected from the purchase and/or sale and, consequently, as forecast transactions, they can be qualified as hedged items;

the date of designation of the individual hedging relationships (so-called inception) coincides with the date of signing of negotiated derivatives; at present, it is not possible to designate after the signing of the hedging instruments;

each hedging relationship designated in hedge accounting is subject to formalisation through the preparation of a specific Hedging Relationship Documentation (HRD);

each hedging relationship is subject to specific efficacy tests aimed at proving the applicability of hedge accounting treatment, as required by IAS 39;

the effectiveness of the hedging relationships is periodically tested prospectively at inception date, retrospectively and prospectively at each accounting reporting date (i.e. quarterly) and, finally, retrospectively at the expiration date or upon any discontinuation of the relationship. At each accounting reporting date, the effective portion of the hedging relationship to be recognised in a specific equity reserve is determined, equal to whichever of the following is lower: the cumulative change in fair value of the hedging instrument or the cumulative change in fair value of the hedged item. Any ineffective portion of the hedging relationship is determined as a difference as compared to the fair value of the derivative to be recognised in the balance sheet as an asset or liability and is recognised in the Income Statement.

The effectiveness of the hedging relationships is measured by the so-called “Dollar Offset Method”, that is by comparing the changes in the value of the hedging derivative entered into (hedging instrument) and a hypothetical derivative (Hypothetical Swap - HPS) whose features entail the same changes in fair value that would occur in relation to the underlying transactions as market prices change. Specifically, the hypothetical derivative used for the purposes of the hedging relationships under examination is a Commodity Swap, signed when the hedging relationship is designated, which envisages the collection of a fixed price at market conditions (so-called Par Price) and the payment of a variable price calculated according to the same indexation formula used for the calculation of the purchase cost of the underlying supply.

With reference to each hedging relationship, the Par Price value has been calculated individually on the basis of market conditions at the relevant designation dates (inception) and the contractual conditions of the underlying transactions. However, in cases where the price formula of the hedging instrument coincides with that of the underlying transaction, if the difference between the Par Price calculated and the fixed price of the Commodity Swap contract entered into is reasonably attributable to intraday changes in market conditions and/or surcharges applied by the counterparties in the form of fees, the fixed contractual price is assumed as Par price for determining the underlying Hypothetical Swap.

The prospective effectiveness test has been performed by simulating, upon the execution of the test, a shift (+/-10%) in the natural gas market prices (i.e. TTF quotes) and by comparing the change in fair value of the hedging derivative and the change in the Hypothetical Swap determined by the simulated fluctuations compared to the current market values. The hedge is considered effective prospectively if the absolute value of the ratio between the two changes calculated falls within a 80-125% range.

Retrospectively, a hedging relationship is considered effective through the measurement of the change in fair value of the hedging derivative and the change in the Hypothetical Swap determined by the fluctuations in natural gas market prices (i.e. TTF curves) as compared to the date of designation of the hedging relationship (Cumulative Test). The hedge is considered retrospectively effective if the absolute value of the ratio between the two changes falls within the 80-125% range.

On 31st December 2015, for both the existing derivative instruments, whose mark to market totals Euro -252 thousand, the outcome of the prospective and retrospective effectiveness tests is 100%, thus demonstrating a perfect correlation between the fair value of the hedging instrument and the Hypothetical Swap.

Specific risks in the business sectors in which the Group operates

Regulations

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

Seasonal nature of the activity

Gas consumption varies considerably on a seasonal basis, with a higher demand during winter, in relation to higher consumption for heating. Such seasonal nature influences the rise in gas sales and supply costs, while other management costs are fixed and evenly supported by the Group during the year. The seasonal nature of the activity also affects the performance of the Group's net financial position, as the active and passive billing cycles are not aligned with each other and also depend on the performance of gas volumes sold and purchased during the year. Therefore, the data and information contained in the interim financial statements do not allow to draw meaningful conclusions as to the overall trend of the year.

Management of Capital

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

The Group checks its capital by means of a debt/capital ratio.

The Group includes financial charges, trade and other payables in its net debt, net of liquid funds and equivalent.

(Thousands of Euro)	31.12.2015	31.12.2014
Financial position in the short term	(69,786)	(76,015)
financial position in the medium-long term	(44,250)	(53,659)
Financial gross debt	114,037	129,673
Share capital	234,412	234,412
Own shares	(17,521)	(17,660)
Reserves	160,233	157,331
Undistributed net profit	43,014	35,583
Total Net equity	420,137	409,666
Total capital and gross debt	534,173	539,340
Debt/Net assets ratio	0.27	0.32

The debt/net equity ratio as of 31st December 2015 is 0.27, a decrease as compared to 31st December 2014, equal to 0.32.

The decrease in this indicator is related to the combined effect of the increase in the Net financial position (Euro +15,636 thousand in 2015), and the Shareholders' equity, which has increased by Euro 10,471 thousand.

Representation of financial assets and liabilities by categories

The breakdown of financial assets and liabilities by categories and their fair value (IFRS 13) as of 31st December 2015 and 31st December 2014 is as follows:

(Thousands of Euro)							31.12.2015	
	A	B	C	D	E	F	Total	Fair value
Other non-current assets				15,366			15,366	15,366
Non current financial assets							0	0
Trade receivables and Other current assets				210,217			210,217	210,217
Current financial assets				3,487			3,487	3,487
Cash and cash equivalents				28,301			28,301	28,301
Medium- and long-term bank loans						43,829	43,829	43,829
Other non-current liabilities						12,054	12,054	12,054
Non-current financial liabilities						422	422	422
Payables due to banks and financing institutions						97,866	97,866	97,866
Trade payables and Other current liabilities						163,224	163,224	163,224
Current financial liabilities						3,708	3,708	3,708
Current liabilities from derivative financial instruments				252			252	252

							31.12.2014	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				16,741			16,741	16,741
Non current financial assets				3,124			3,124	3,124
Trade receivables and Other current assets				215,077			215,077	215,077
Current financial assets				8,234			8,234	8,234
Cash and cash equivalents				100,882			100,882	100,882
Medium- and long-term bank loans						53,456	53,456	53,456
Other non-current liabilities						12,351	12,351	12,351
Non-current financial liabilities						3,327	3,327	3,327
Payables due to banks and financing institutions						184,851	184,851	184,851
Trade payables and Other current liabilities						160,470	160,470	161,622
Current financial liabilities						280	280	280
Current liabilities from derivative financial instruments							0	0

Legend

- A - Assets and liabilities at fair value directly recognised in the Profit and Loss Account
- B - Assets and liabilities at fair value directly recognised in Equity (including hedging derivatives)
- C - Investments held to maturity
- D - Assets for granted loans and receivables (including cash equivalents)
- E - Assets available for sale
- F - Financial liabilities recognised at amortised cost

Remuneration of Auditing Company

Pursuant to Art. 149-duodecies of Consob Issuers' Regulation, hereby a full overview of remuneration of the Auditing Company for 2015 is provided. Payment includes both the auditing service and additional services as well.

Type of service	Entity providing the service	Recipient	Fees (Thousands of Euro)
Audit	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	109
	PricewaterhouseCoopers S.p.A.	Controlled companies	161
Attestation services	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	
	PricewaterhouseCoopers S.p.A.	Controlled companies	
Audit and other service	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	
	PricewaterhouseCoopers S.p.A.	Controlled companies	
Other service	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	
	PricewaterhouseCoopers S.p.A.	Controlled companies	
Total			270

Type of service	Entity providing the service	Recipient	Fees (Thousands of Euro)
Audit	Reconta Ernst & Young Spa	Ascopiave S.p.A.	
	Reconta Ernst & Young Spa	Controlled companies	
Attestation services	Reconta Ernst & Young Spa	Ascopiave S.p.A.	
	Reconta Ernst & Young Spa	Controlled companies	
Audit and other service	Reconta Ernst & Young Spa	Ascopiave S.p.A.	6
	Reconta Ernst & Young Spa	Controlled companies	21
Other service	Reconta Ernst & Young Spa	Ascopiave S.p.A.	14
	Reconta Ernst & Young Spa	Controlled companies	43
Total			82

Business segment reporting

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

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

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

The following tables show the information on revenues, financial results and balance sheet items concerning the business segments of the Group for the years 2015 and 2014.

Financial Year 2015 (Thousand of Euro)	Gas distribution	Gas sale	Electricity sale	Other	31.12.2015 values from new acquisitions	Elisions	Total
Net revenues of third-party customers	46,861	472,974	61,188	632	0		581,655
Intra-group revenues among the segments	60,905	1,954	31,267	0	0	(94,126)	0
Segment revenues	107,765	474,928	92,455	632	0	(94,126)	581,655
Operating result before amortization	36,207	37,962	3,167	(356)	0		76,980
Amortization	17,031	2,414	156	428	0		20,029
Operating result	19,175	35,547	3,011	(783)	0		56,950
Result before taxes	20,153	41,062	3,449	(783)	0		63,881
Assets	570,783	257,414	9,781	0	0	(55,524)	782,454
Liabilities	(283,243)	(130,864)	(3,735)	0	0	55,524	(362,317)

Financial Year 2014 (Thousand of Euro)	Gas distribution	Gas sale	Electricity sale	Other	31.12.2014 values from new acquisitions	Elisions	Total
Net revenues of third-party customers	42,766	444,684	34,261	364	63,223		585,300
Intra-group revenues among the segments	52,590	1,496	455	388	29,202	(84,130)	0
Segment revenues	95,356	446,180	34,717	752	92,425	(84,130)	585,300
Operating result before amortization	34,392	31,453	(284)	132	7,072		72,766
Amortization	16,943	2,355	178	251	373		20,099
Operating result	17,450	29,098	(462)	(119)	6,700		52,667
Result before taxes	17,807	33,601	(102)	(119)	4,340		55,527
Assets	637,654	236,337	8,143	0	43,799	(58,446)	867,488
Liabilities	(375,467)	(95,158)	(6,056)	0	(39,587)	58,446	(457,821)

The figures above have been restated subsequent to the application of a different method to allocate (operating and pre-tax) earnings to the SBUs.

Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The basic earnings per share is calculated by dividing the net income for the period attributable to the Company’s shareholders by the number of shares, net of own shares.

For the purposes of calculating the profit per base share, the numbering used the financial result of the period less the share attributable to third parties.

There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company.

Diluted profits for shares result as equal to those for shares in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

The result and the number of ordinary shares used to calculate base earning per share, identified according to the method forecast by IAS 33 are reported below:

(Thousands of Euro)	Amount at 31 dicembre 2015	Amount at 31 dicembre 2014
Net profit attributable to parent company shareholders	43,014	35,583
Weighted average number of ordinary shares including own shares, for the purpose of earnings per share	234,411,575	234,411,575
Weighted average number of own shares	12,148,044	12,195,214
Weighted average number of ordinary shares, excluding own shares, for the purposes of net income per share	222,263,532	222,216,361
Earnings per share (in Euro)	0.194	0.160

Transactions with related parties

The transactions with related parties in the financial period considered are detailed in the following tables:

(Thousands of Euro)	Trade receivables	Other recepta	Trade payables	Other payable	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.P.A.	65	0		0	0		17,102	0	68	0
Total parent company	65	0	0	0	0	0	17,102	0	68	0
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	130	52	0		0	522	12	0	127	323
SEVEN CENTER S.R.L.	54	0	131	0	8	319	11	0	47	0
Total affiliated companies	184	52	131	0	8	841	23	0	174	323
<i>Subsidiary companies</i>										
Estenergy S.p.A.	36	0	349	0	0		0	0	0	0
ASM SET S.R.L.	1,725	0	7	249	0	36	67	6,330	447	60
Unigas Distribuzione Gas S.r.l.	61	0	2,669	0	0	9,244	0	123	45	0
SINERGIE ITALIANE S.R.L.	49 [*]	9,900		0	79,417	0	0	0	71	0
Total subsidiary companies	1,871	9,900	3,025	249	79,417	9,280	67	6,453	563	60
Total	2,120	9,951	3,156	249	79,425	10,121	17,193	6,453	805	383

In the first nine months of 2015, in addition, Ascopiave S.p.A., Ascotrade S.p.A., Asm DG S.r.l., Edigas Distribuzione S.r.l., Pasubio Servizi S.r.l., Blue Meta S.p.A. and Veritas Energia S.p.A. joined the consolidation of the tax relationships of the parent company Asco Holding S.p.A., recorded under the items “Other current assets” and “Other current liabilities”.

As far as the jointly controlled companies are concerned:

- Estenergy S.p.A.:
 - o The costs for assets are related to the purchase of electricity by Etra Energia S.r.l. and Ascotrade S.p.A.;
 - o The revenues for services are connected to services of gas transportation by Ascopiave S.p.A.;
 - o The other revenues relate to interests on the intragroup current account.
- ASM Set S.r.l.:
 - o The other receivables: are related to intragroup current account agreements with Ascopiave S.p.A.;
 - o The costs for assets are related to the purchase of Gas with Asm Dg S.r.l.;
 - o The costs for assets are related to the purchase of Electricity with Veritas Energia S.p.A.;
 - o The costs for services are connected to administrative services provided to Ascopiave S.p.A.;
 - o The other costs relate to interest payable on the current account with Ascopiave S.p.A.;
 - o The revenues for services are connected to gas transportation revenues and distribution services with Asm DG S.r.l.;
 - o The other revenues relate to interests accrued on the current account with Ascopiave S.p.A..
- Unigas Distribuzione S.r.l.;
 - o The costs for services are connected to gas transportation costs and distribution services with Blue Meta S.p.A.;
 - o The revenues for assets concern the gas sale with Blue Meta S.p.A..

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

The costs for assets due to Sinergie Italiane S.r.l. in liquidation relate to the purchase of natural gas for 2015 made by Ascotrade S.p.A. while costs and revenues for services relate to service contracts between the parties and re-invoicing of consultancy.

It is also noted that the letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount to € 34,400 thousand as of 31st December 2015 (unchanged value as compared to 31st December 2014).

The costs for services for the subsidiary Seven Centre S.r.l. mainly refer to maintenance services for the natural gas distribution network.

Furthermore:

- the economic relations between the companies of the Group and the subsidiary companies occur at market prices and are eliminated in the process of consolidation;
- the operations set up by the companies of the Group with correlated parties are part of normal management activity and are regulated at market prices;
- with reference to the provisions of art. 150, paragraph 1 of Legislative Decree no. 58 of 24th February 1998, no operations have been carried out that could potentially represent a conflict of interest with companies of the Group, by members of the Board of Directors.

Financial statements representation pursuant to Consob resolution 15519/2006

Please find below the Financial statements representation showing the effects of the transactions with related parties pursuant to Consob resolution no.15519 dated 27th July 2006.

Consolidated assets and liabilities statement

(Thousands of Euro)	FY 2015	Of which related parties						FY 2014	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
ASSETS														
Non-current assets														
Goodwill (1)	80,758							80,758						
Other intangible assets (2)	316,659							313,772						
Tangible assets (3)	34,987							36,614						
Shareholdings (4)	68,078			68,078		68,078	100.0%	65,453		65,453		65,453	100.0%	
Other non-current assets (5)	15,366							16,741		24,030		24,030	143.5%	
Non current financial assets (6)	0							3,124						
Advance tax receivables (7)	11,333							12,814						
Non-current assets	527,182			83,106		83,106	15.8%	529,276		88,048		88,048	16.6%	
Current assets														
Inventories (8)	3,577							2,482						
Trade receivables (9)	172,022	65	184	1,871		2,120	1.2%	147,804	10	94	1,821	1,924	1.3%	
Other current assets (10)	46,518		52	9,900		9,952	21.4%	73,973	3,717			3,717	5.0%	
Current financial assets (11)	3,487							8,234		7,281		7,281	88.4%	
Tax receivables (12)	1,368							4,837						
Cash and cash equivalents (13)	28,301							100,882						
Current assets	255,272	65	184	1,871		2,120	0.8%	338,212	3,727	94	9,102	12,923	3.8%	
ASSETS	782,454	65	184	84,977		85,226	10.9%	867,488	3,727	94	97,150	100,971	11.6%	
Net equity and liabilities														
Total Net equity														
Share capital	234,412							234,412						
Own shares	(17,521)							(17,660)						
Reserves	198,374							188,605						
Net equity of the Group	415,264							405,357						
Net equity of Others	4,873							4,310						
Total Net equity (14)	420,137							409,666						
Non-current liabilities														
Provisions for risks and charges (15)	7,360							8,496						
Severance indemnity (16)	3,864							3,968						
Medium- and long-term bank loans (17)	43,829							53,456						
Other non-current liabilities (18)	18,903							17,221						
Non-current financial liabilities (19)	422							3,327						
Deferred tax payables (20)	19,571							23,675						
Non-current liabilities	93,948							110,142						
Current liabilities														
Payables due to banks and financing institutions (21)	97,866							184,851						
Trade payables (22)	122,823		131	3,025		3,156	2.6%	136,179		643	4,915	5,558	4.1%	
Tax payables (23)	397							205						
Other current liabilities (24)	43,324							26,164	1,028			1,028	3.9%	
Current financial liabilities (25)	3,708			249		249	6.7%	280						
Current liabilities from derivative financial instrum (26)	252													
Current liabilities	268,370		79	6,626		6,547	-2.4%	347,679	1,028	643	4,915	6,586	1.9%	
Liabilities	362,317		79	6,626		6,547	-1.8%	457,821	1,028	643	4,915	6,586	1.4%	
Net equity and liabilities	782,454		79	6,626		6,547	-0.8%	867,488	1,028	643	4,915	6,586	0.8%	

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Overall consolidated income statement

(Thousands of Euro)	Note	FY 2015	Of which related parties						FY 2014	Of which related parties					
			A	B	C	D	Total	%		A	B	C	D	Total	%
Revenues	(26)	581,655	68	498	7,066		7,632	1.3%	585,300	26	477	6,770		7,274	1.2%
Total operating costs		504,675		872	88,760	1,426	91,058	18.0%	512,533		560	86,544	1,599	88,703	17.3%
Purchase costs for raw material (gas)	(27)	325,936			79,417		79,417	24.4%	333,335			73,996		73,996	22.2%
Purchase costs for other raw materials	(28)	20,495		8			8	0.0%	26,032			2,940		2,940	11.3%
Costs for services	(29)	119,151		841	9,280	563	10,685	9.0%	107,740		545	9,611	566	10,722	10.0%
Costs for personnel	(30)	21,573				863	863	4.0%	22,726				1,033	1,033	4.5%
Other management costs	(31)	18,110		23	62		85	0.5%	22,733		15	3		12	0.1%
Other income	(32)	591							32						
Amortization and depreciation	(33)	20,029							20,099						
Operating result		56,950	68	(374)	(81,694)	(1,426)	(83,426)	-146.5%	52,667	26	82	79,774	1,599	81,429	-154.6%
Financial income	(34)	803		0	10		10	1.2%	1,364		0	188		188	13.7%
Financial charges	(34)	1,321		0	5		5	0.4%	2,957			114		114	-3.9%
Evaluation of subsidiary companies with the net equity method	(34)	7,449		(10)			(10)	-0.1%	4,453			(1)		(1)	0.0%
Earnings before tax		63,881	68	(383)	(81,689)	(1,426)	(83,431)	-130.6%	55,527	26	82	79,473	1,599	81,128	-146.1%
Taxes for the period	(35)	18,519		17,102			17,102	92.4%	18,194		12,281			12,281	67.5%
Result for the period		45,362	(17,034)	(383)	(81,689)	(1,426)	(100,533)	-221.6%	37,333	12,255	82	79,473	1,599	93,409	-250.2%
Net result for the period		45,362	(17,034)	(383)	(81,689)	(1,426)	(100,533)	-221.6%	37,333	12,255	82	79,473	1,599	93,409	-250.2%
Group's Net Result		43,014							35,583						
Third parties Net Result		2,349							1,750						
Consolidated statement of comprehensive income															
1. Components that can be reclassified to the income statement															
Fair value of derivatives, changes in the period net of tax		(194)													
2. Components that can not be reclassified to the income statement															
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		190	(14)				(14)	-7.1%	(253)						
Total comprehensive income		45,358	(17,048)	(383)	(81,689)	(1,426)	(100,547)	-221.7%	37,080	12,255	82	79,473	1,599	93,409	-251.9%
Group's overall net result		43,027	(17,030)	(366)	(81,672)	(1,408)	(100,520)	-233.6%	35,333	(12,237)	(65)	(79,455)	(1,581)	(93,391)	-264.3%
Third parties' overall net result		2,331	(18)	(18)	(18)	(18)	(18)	-0.8%	1,747	(18)	(18)	(18)	(18)	(18)	-1.0%
Base income per share		0.194							0.160						
Diluted net income per share		0.194							0.160						

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Consolidated net debt

(migliaia di Euro)	Of which related parties						Of which related parties							
	31.12.2015	A	B	C	D	Total	%	31.12.2014	A	B	C	D	Total	%
A Cash and cash equivalents on hand	15							16						
B Bank and post office deposits	28,286							100,867						
C Securities held for trading														
D Liquid assets (A) + (B) + (C)	28,301							100,882						
E Current financial assets	3,487							8,234		7,281			7,281	88.4%
F Payables due to banks	(88,238)							(175,106)						
G Current portion of medium-long-term loans	(9,628)							(9,745)						
H Current financial liabilities	(3,708)			(249)		(249)	6.7%	(280)						
I Current financial indebtedness (F) + (G) + (H)	(101,574)			(249)		(249)	0.2%	(185,131)						
J Net current financial indebtedness (I) - (E) - (D)	(69,786)			(249)		(249)	0.4%	(76,015)		7,281			7,281	-9.6%
K Medium- and long-term bank loans	(43,829)							(53,456)						
L Non current financial assets	0							3,124						
M Non-current financial liabilities	(422)							(3,327)						
N Non-current financial indebtedness (K) + (L) + (M)	(44,250)							(53,659)						
O Net financial indebtedness (J) + (N)	(114,037)			(249)		(249)	0.2%	(129,673)		7,281			7,281	-5.6%

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Consolidated financial statements

(Thousands of Euro)	FY 2015		Of which related parties					FY 2014		Of which related parties				
	A	B	C	D	Total	%	A	B	C	D	Total	%		
(thousands of Euro)	43,014							35,583						
Net income of the Group														
Cash flows generated (used) by operating activities														
Adjustments to reconcile net income to net cash	2,349				0	0%	1,750				0	0%		
Third-parties operating result	20,029				0	0%	20,099				0	0%		
Amortization	4,004				0	0%	6,819				0	0%		
Variation delle imposte differite/anticipate	(104)				0	0%	547				0	0%		
Variations in severance indemnity	252				0	0%	0				0	0%		
Current assets / liabilities on financial instruments	123				0	0%	205				0	0%		
Net variation of other funds	(7,449)	(5,994)			(5,994)	80%	(4,453)	0	(6,519)	5,515	(1,004)	23%		
Evaluation of subsidiaries with the net equity method	232				0	0%	0				0	0%		
Depreciation of fixed assets	454				0	0%	666				0	0%		
Losses / (gains) on disposal of fixed assets	(1,240)				0	0%	(2,273)				0	0%		
Interests paid	(13,535)				0	0%	(25,273)				0	0%		
Taxes paid	1,211				0	0%	2,560				0	0%		
Interest expense for the year	18,519				0	0%	18,194				0	0%		
Taxes for the year														
Variations in assets and liabilities	(1,095)				0	0%	(435)				0	0%		
Inventories	(28,221)	(55)	(91)	(50)	0	(196)	1%	45,125	5	62	(105)	0	(38)	0%
Accounts payable	27,454	3,717	(52)	(9,900)	0	(6,234)	-23%	(33,844)	(568)	0	0	0	(568)	2%
Tax receivables and tax payables	(13,356)				0	0%	(20,454)	(2)	513	3,687	0	4,198	-21%	
Trade payables	13,019	(1,028)	0	0	0	(1,028)	-8%	(1,760)	573	0	0	0	573	-33%
Other current liabilities	1,730	0	0	24,030	0	24,030	1389%	11,376					0	0%
Other non-current assets	1,830	0	0	0	0	0	0%	1,731					0	0%
Other non-current liabilities	26,207	2,635	(6,137)	14,080	0	10,579	40%	20,580	8	(5,944)	9,097	0	3,161	15%
Total adjustments and variations	69,221	2,635	(6,137)	14,080	0	10,579	15%	56,164	8	(5,944)	9,097	0	3,161	6%
Cash flows generated (used) by operating activities														
Goodwill	(21,112)				0	0%	(19,750)				0	0%		
Investments in intangible assets	114				0	0%	3				0	0%		
Realisable value of intangible assets	(901)				0	0%	(1,315)				0	0%		
Investments in tangible assets	6				0	0%	160				0	0%		
Realisable value of tangible assets	(0)				0	0%	(951)				0	0%		
Recupero elisione Disponibilità Liquide nuove c	365				0	0%	(253)				0	0%		
Flussi utilizz.da attività/passività non correnti	(21,527)	0	0	0	0	0%	(22,106)	0	0	0	0	0%		
Cash flows generated/(used) by investments														
Effetti di derivati in HA su società collegate	(67)	0	0	0	0	0%	2,774				0	0%		
Net changes in debts due to other financiers	(155,112)				0	0%	(11,278)				0	0%		
Net changes in short-term bank borrowings	8,106	0	0	7,530	0	7,530	93%	(2,583)	0	0	4,045	0	4,045	-157%
Net variation in current financial assets and liabilities	28				0	0%	(287)				0	0%		
Net changes in medium and long-term loans	146,500				0	0%	258,000				0	0%		
Ignitions loans and mortgages	(88,000)				0	0%	(169,000)				0	0%		
Redemptions loans and mortgages	(33,332)				0	0%	(26,666)				0	0%		
Dividends distributed to Ascopiave S.p.A. shareholders'	(1,768)				0	0%	(2,427)				0	0%		
Variations di PN (sempre a zero)	3,369		3,369		3,369	100%	6,519		6,519		6,519	100%		
Dividends distributed from subsidiary companies	(120,276)	0	3,369	7,530	0	10,899	-9%	55,052	0	6,519	4,045	0	10,564	19%
Cash flows generated (used) by financial activities	(72,582)				0	0%	89,110				0	0%		
Variations in cash	100,882				0	0%	11,773				0	0%		
Cash and cash equivalents at the beginning of the period	28,301				0	0%	100,882				0	0%		
Cash and cash equivalents at the end of the period	(0)				0	0%	(0)				0	0%		

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

The values reported in the tables above refer to the related parties listed below:

Group A - Parent companies:

- Asco Holding S.p.A.

Group B - Associates:

- Asco TLC S.p.A.

- Seven Center S.r.l.

Group C - Affiliates and jointly controlled companies

- Joint companies:

o Estenergy S.p.A.

o ASM Set S.r.l.

o Unigas Distribuzione S.r.l.

- Affiliate company
 - o Sinergie Italiane S.r.l. in liquidation

Group D - other related parties:

- Board of Directors
- Auditors
- Strategic managers

Relevant events after the end of 2015

On 18th January 2016, Ascopiave, along with other operators, filed an appeal before the Council of State against the judgement of the Regional Administrative Court of Lombardy no. 2221/2015.

In February 2016, the Law no. 21/2016 was approved, which contains provisions governing the distribution of gas.

In particular, Article 3 establishes that the time limits for the publication of the tender notices envisaged in the earlier legislation should range from a maximum of 14 months to a minimum of five months, depending on the group to which the Minimum Territorial Area belongs.

Subsequent to the expiration of the time limits within which the awarding entities designated by the Municipalities should have published the tender notices, the new legislation provides that the competent Region for the Area grants 6 extra months, after which it may invite tenders by appointing an acting Commissioner.

If two months elapse without such appointment, the Ministry of Economic Development, in agreement with the Region, may intervene by appointing its own acting Commissioner.

The law has also abolished the penalties under the scope of the Municipalities established by the previous legislation in the event of delayed publication of tender notices.

Significant events after the approval of the draft financial statements

On 18th March 2016, the company AP Reti Gas S.p.A. was established, with a share capital of Euro 200 thousand, fully paid-in, 100% controlled by Ascopiave S.p.A..

Goals and policies of the group

As for the natural gas distribution segment, the Group intends to enhance its portfolio of concessions, aiming at confirming its service provision in the territorial areas served, in which it boasts a significant presence, and at expanding its activities to other fields, with the goal of increasing its market share and strengthen its local leadership.

As for the segment of gas sale, the Group intends to implement the necessary actions to safeguard the current levels of profitability in an ever-changing market, through a trade policy focused on the proposition of differential pricing formulas and improvement of the quality of service.

In this segment, the Group intends to pursue the objectives of increasing its market share by direct acquisition of new customers, and through extraordinary company mergers and/or partnerships.

Synthesis data as of 31st December 2015 of jointly controlled companies consolidated through the equity method

Estenergy S.p.A.

The Group holds a 48.999% stake in Estenergy S.p.A., a jointly controlled entity selling natural gas and electricity to end customers and wholesalers.

The stake of the Group in Estenergy S.p.A. is recognized in the consolidated financial statements through the equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

Balance sheet - summary data

(Thousands of Euro)	31.12.2015	31.12.2014
Current assets	61,728	85,472
of which		
Cash and cash equivalents	2,751	5,259
Non-current assets	73,452	73,854
Current liabilities	38,647	66,846
of which		
Current financial liabilities	18	13,143
Non - current liabilities	5,974	6,402
	90,560	86,079
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	44,373	42,178

Statement of profit/(loss) for the period (synthesis data);

Income Statement - summary data

(Thousands of Euro)	Financial year 2015	Financial year 2014
Revenues	146,235	153,735
Total operating costs	134,502	141,845
Gross operative margin	11,733	11,890
Amortization and depreciation	1,934	2,060
Operating result	9,799	9,830
Financial income	3,951	822
Financial charges	75	3,257
Earnings before tax	13,674	7,395
Taxes of the period	5,206	3,229
Result of the period	8,468	4,166
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	4,149	2,041

Unigas Distribuzione S.r.l.

The Group holds a 48.86% stake in Unigas Distribuzione S.r.l., a jointly controlled entity active in the distribution of

natural gas.

The stake of the Group in Unigas Distribuzione S.r.l. is recognized in the consolidated financial statements through the equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

Balance sheet - summary data

(Thousands of Euro)	31.12.2015	31.12.2014
Current assets	14,848	12,042
of which		
Cash and cash equivalents	3,322	1,410
Non-current assets	46,146	45,572
Current liabilities	18,764	14,760
of which		
Current financial liabilities	0	0
Non - current liabilities	929	2,138
	41,302	40,716
Group inteterest	48.860%	48.860%
Net profit for the period attributable of the Group	20,180	19,894

Statement of profit/(loss) for the period (synthesis data)

Income Statement - summary data

(Thousands of Euro)	Financial year 2015	Financial year 2014
Revenues	16,570	14,603
Total operating costs	11,273	9,729
Gross operative margin	5,298	4,874
Amortization and depreciation	2,431	2,269
Operating result	2,867	2,605
Financial income	15	21
Financial charges	80	40
Earnings before tax	2,802	2,586
Taxes of the period	775	876
Result of the period	2,027	1,710
Group inteterest	48.86%	48.86%
Net profit for the period attributable of the Group	990	835

Asm Set S.r.l.

The Group holds a 49% stake in Asm Set S.r.l., a jointly controlled entity selling natural gas and electricity to end customers and wholesalers.

The stake of the Group in Asm Set S.r.l. is recognized in the consolidated financial statements through the equity method. Please find below the economic and financial synthesis data related to the company, based on the financial

statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

Balance sheet - summary data

(Thousands of Euro)	31.12.2015	31.12.2014
Current assets	10,707	10,715
of which		
Cash and cash equivalents	4,375	4,412
Non-current assets	5,538	5,820
Current liabilities	8,058	8,547
of which		
Current financial liabilities	0	911
Non - current liabilities	995	1,089
	7,192	6,900
Group inteterest	49.000%	49.000%
Net profit for the period attributable of the Group	3,524	3,381

Statement of profit/(loss) for the period (synthesis data)

Income Statement - summary data

(Thousands of Euro)	Financial year 2015	Financial year 2014
Revenues	28,697	26,803
Total operating costs	25,994	25,382
Gross operative margin	2,703	1,421
Amortization and depreciation	207	209
Operating result	2,496	1,212
Financial income	38	39
Financial charges	20	27
Earnings before tax	2,514	1,224
Taxes of the period	845	513
Result of the period	1,670	711
Group inteterest	49.00%	49.00%
Net profit for the period attributable of the Group	818	348

This statement has been cleared for publishing by the Board of Directors of Ascopiave S.p.A. during the 14th March 2016 Meeting. Said publication shall be carried out pursuant to Law regulations. The Board has authorized the Chairman to modify this statement to perfect the form of this document within the time frame between 14th March 2016 and the Shareholders' Meeting in which this statement will be approved.

Pieve di Soligo, 14th March 2016

Chairman of the Board of Directors
Fulvio Zugno



Annual Financial Report
as of 31st December 2015

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Premise

Pursuant to the provisions set forth in Legislative Decree no. 32 dated 2nd February 2007, with which EU Directive 2003/51/EC was implemented, the Company avails itself of the possibility to draw up and prepare a single document for both the Report on Management of the Parent Company Ascopiave S.p.A. and the Report on Consolidated Management, to be included in the Consolidated Financial Statements.

Therefore, the Report on Consolidated Management also contains all information relating to the balance sheet of Ascopiave S.p.A., as required by article 2428 of the Italian Civil Code.

ASCOPIAVE S.p.A.

Statement of assets and liabilities as of 31st December 2015 and as of 31st December 2014

(Euro)		31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Goodwill	(1)	20,433,126	20,433,126
Other intangible assets	(2)	267,494,985	262,788,450
Tangible assets	(3)	33,891,193	35,556,524
Shareholdings	(4)	183,037,099	183,037,099
Other non-current assets	(5)	4,534,382	4,369,348
Non current financial assets	(6)		3,124,060
Advance tax receivables	(7)	8,298,269	9,070,257
Non-current assets		517,689,053	518,378,864
Current assets			
Inventories	(8)	1,731,340	1,986,872
Trade receivables	(9)	28,439,336	23,181,121
Other current assets	(10)	35,209,431	30,432,021
Current financial assets	(11)	20,973,338	45,153,279
Tax receivables	(12)	375,864	732,105
Cash and cash equivalents	(13)	9,389,611	71,838,303
Current assets		96,118,920	173,323,701
ASSETS		613,807,973	691,702,565
Net equity and liabilities			
Total Net equity			
Share capital		234,411,575	234,411,575
Own shares		17,521,332	17,659,719
Reserves		142,516,363	132,078,878
Group's Result of the period		33,547,021	43,628,329
Reserves		176,063,384	175,707,207
Net equity of the Group	(14)	392,953,628	392,459,063
Non-current liabilities			
Provisions for risks and charges	(15)	550,000	250,000
Severance indemnity	(16)	1,171,798	1,224,362
Medium- and long-term bank loans	(17)	43,828,512	53,456,054
Other non-current liabilities	(18)	5,533,825	3,673,871
Non-current financial liabilities	(19)	421,677	3,326,734
Deferred tax payables	(20)	12,231,658	14,686,101
Non-current liabilities		63,737,471	76,617,122
Current liabilities			
Payables due to banks and financing institutions	(21)	97,622,233	184,665,042
Trade payables	(22)	15,516,232	19,407,318
Other current liabilities	(23)	31,282,466	18,490,283
Current financial liabilities	(24)	12,695,944	63,738
Current liabilities		157,116,875	222,626,380
Liabilities		220,854,345	299,243,502
Net equity and liabilities		613,807,973	691,702,565

Pursuant to Consob Decision no. 15519 dated 27th July 2006, the effect of associated parties' relations are highlighted in the specific paragraph herein "Relationship with associated parties"

Income statement - FY 2015 and FY 2014

(Euro)		Esercizio 2015	Esercizio 2014
Revenues	(27)	75,765,706	80,404,425
Revenue from third parties		23,209,251	31,488,170
Revenues from subsidiaries		52,556,455	48,916,255
Total operating costs		44,529,405	50,206,286
Purchase costs for raw material	(28)	1,519,306	1,299,094
Costs for services	(29)	19,704,675	22,054,142
Costs for personnel	(30)	11,269,551	12,710,991
Other management costs	(31)	12,493,842	14,168,894
Other income	(32)	457,969	26,835
Amortization and depreciation	(33)	15,466,306	15,410,700
Operating result		15,769,995	14,787,439
Financial income	(34)	24,640,096	36,368,496
Financial charges	(34)	1,293,035	2,352,960
Evaluation of subsidiary companies with the net equity method	(33)		
Earnings before tax		39,117,056	48,802,975
Taxes for the period	(35)	5,570,035	5,174,647
Result for the period		33,547,021	43,628,329
Net income from discontinued operations / held for sale			
Net Result		33,547,021	43,628,329
Statement of comprehensive income			
1. Components that can be reclassified to the income statement Actuarial (losses)/gains from remeasurement on defined-benefit		(67,806)	(71,367)
Total comprehensive income		33,479,215	43,556,962

Pursuant to Consob Decision no. 15519 dated 27th July 2006, the effect of associated parties' relations are highlighted in the specific paragraph herein "Relationship with associated parties"

Statement of changes in shareholders' equity as of 31st December 2015 and as of 31st December 2014

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Result for the period	Total net equity
Balance as of 1st January 2015	234,411,575	46,882,315	(17,659,718)	85,325,906	(129,344)	43,628,329	392,459,063
Allocation of result				43,628,329		(43,628,329)	-
Dividends paid to shareholders				(33,332,158)			(33,332,158)
IAS 19 TFR actualization					67,806		67,806
Purchase / sale of own shares			138,387	73,508			211,895
Result for the period						33,547,021	33,547,021
Balance as of 31st December 2015	234,411,575	46,882,315	(17,521,331)	95,695,586	(61,537)	33,547,021	392,953,628

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Result for the period	Total net equity
Balance as of 1st January 2014	234,411,575	46,882,315	(17,659,718)	70,884,663	(57,977)	40,052,837	374,513,694
Allocation of result				40,052,837		(40,052,837)	-
Dividends paid to shareholders				(26,665,726)			(26,665,726)
IAS 19 TFR actualization					(71,367)		(71,367)
Incorporation of Ascoblù S.r.l.				1,054,133			1,054,133
Purchase / sale of own shares							(0)
Result for the period						43,628,329	43,628,329
Balance as of 31st December 2014	234,411,575	46,882,315	(17,659,718)	85,325,906	(129,344)	43,628,329	392,459,063

Financial statement -FY 2015 and FY 2014

	31.12.2015	31.12.2014
Net income of the year	33,547,021	43,628,329
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash	15,173,432	14,948,785
Amortization and depreciation	15,614,231	15,410,700
Bad debt provisions	0	831,713
Variations in severance indemnity	(2,437)	62,450
Net variation of other funds	306,328	(136,245)
Losses/(gains) on disposal fixed assets	428,696	665,746
Interests paid	(1,337,561)	(2,291,194)
Interest expense for the year	1,293,035	2,318,260
Taxes paid	(6,698,896)	(7,087,291)
Taxes for the year	5,570,035	5,174,647
Variations in assets and liabilities	714,890	(6,177,413)
Inventories	249,203	(22,107)
Accounts payable	(5,258,215)	2,296,247
Other current assets	(4,930,219)	(11,294,369)
Trade payables	(3,918,552)	(1,846,172)
Other current liabilities	12,868,288	2,495,302
Other non-current assets	(54,524)	33,085
Other non-current liabilities	1,758,909	2,160,601
Total adjustments and variations	15,888,322	8,771,372
Cash flows generated (used) by operating activities	49,435,343	52,399,701
Cash flows generated (used) by investments		
Investments in intangible assets	(18,424,102)	(18,010,900)
Realisable value of intangible assets	0	3,099
Investments in tangible assets	(700,470)	(1,446,753)
Realisable value of tangible assets	0	19,940
Disposal/(acquisitions) in investments and avances	0	(4,000,000)
Other net equity operations	73,508	(71,367)
Cash flows generated/(used) by investments	(23,505,981)	(23,505,981)
Cash flows generated (used) by financial activities		
Net changes in non current financial liabilities	0	2,838,060
Net changes in short-term bank borrowings	(96,737,349)	85,548,831
Net changes in loans to subsidiaries	37,098,148	(21,300,332)
Purchase of own shares	138,387	
Dividends paid to Ascopiave S.p.A. shareholders'	(33,332,158)	(26,665,726)
Cash flows generated (used) by financial activities	(92,832,971)	40,420,832
Variations in cash	(62,448,692)	69,314,552
Cash and cash equivalents at the beginning of the year	71,838,303	2,523,751
Cash and cash equivalents at the end of the year	9,389,611	71,838,303

Pursuant to Consob Decision no. 15519 dated 27th July 2006, the effect of associated parties' relations are highlighted in the specific paragraph herein "Relationship with associated parties"

ACCOUNTING PRINCIPLES ADOPTED IN DRAWING UP THE BALANCE SHEET AS OF 31st DECEMBER 2015

Drafting criteria and compliance with IFRS

The Ascopiave S.p.A. balance sheet as of 31st December 2015 was prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) adopted by the European Commission as per art. 6 of the Regulation (EC) no. 1606/2002 of the European Parliament and of the European Council of 19th July 2002, and 9 of Legislative Decree no. 38/2005.

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

The Board of Directors held on March 16, 2015, authorized the publication of these financial statements drawn up based on the accounting records updated to 31st December 2013 and audited by Ernst & Young SpA .

These financial statements consist of the Balance Sheet, Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement, drawn up in Euros, as required by art. 2423 of the Civil Code, and by the notes, where, however, the information is given in thousands of Euros.

Financial statements representation

The items of the balance sheet are classified into "current" and "non-current"; those in the income statement are classified by their nature; furthermore, the items of income suspended in equity are also highlighted in the comprehensive income.

The statement of changes in shareholders' equity reconciles the opening and closing balances of each net equity item, reconciling through the profit or the loss of the FY, operations with shareholders and variations in the net equity.

The financial statement has been defined according to the indirect method, by adjusting operating income of non-monetary components.

We believe that these schemes adequately represent the economic situation and financial position of the company.

Accounting principles, amendments and interpretations applied from 1st January 2015

Hereby is a brief description of amendments, improvements and interpretations applicable to financial reports as of 31st December 2015, implemented on 1st January 2015. The application of said principles shall not have effects on the Company, as they relate to instances that are not present in our company or are sole financial reporting provisions.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognizes a liability at the earliest when the event related to the payment occurs, in accordance with applicable law. For payments that are due only above a certain minimum threshold, the liability is recognized only when this threshold is reached. IFRIC 21 requires retrospective application. This interpretation is to be applied mandatorily in financial statements beginning on 17th June 2014 or later.

Improvements to IFRSs 2011–2013 Cycle

On December 2013 IASB issued a document called “Annual Improvements to IFRSs - 2011–2013 Cycle” (applicable to statements starting on or after 1st January 2015), as part of an improvement program to the standards. The vast majority

of the amendments are clarifications or corrections of existing IFRS or modifications due to previous changes in the IFRS.

Accounting principles, amendments and interpretations not yet applicable and not adopted ahead of time by the Group

Please find below the standards and interpretations, which, at the date of the consolidated financial statements, had already been issued but were not yet effective.

Changes to IAS 19: *Employee benefits: employee contributed benefit plans*

On November 2013 IASB issued a document called “Defined Benefit Plans: Employee Contributions”. Modifications to IAS 19 allow (but do not make it obligatory) diminishing accounting of current service cost for the contribution period by employees or third parties. Current service cost need not be correlated to the years of service. Said amendments may be applied retroactively to financial statements starting from or after 1st February 2015.

Improvements to IFRSs 2011–2013 Cycle

On December 2013 IASB issued a document called “Annual Improvements to IFRSs - 2011–2013 Cycle” (applicable to statements starting on or after 1st January 2015), as part of an improvement program to the standards. The vast majority of the amendments are clarifications or corrections of existing IFRS or modifications due to previous changes in the IFRS. Amendments are applicable to financial statements starting from or after 1st February 2015.

Changes to IAS 27 – Separate financial Statement

In August 2014 IASB published some amendments to IAS 27 – Separate financial Statement. The purpose is to enable valuation of share interest in associated companies and joint ventures with the equity method in separate financial statements. Said amendments will be applicable to financial statements starting from 1st January 2016.

Changes to IAS 1: *Statement presentation*

On December 2014 IASB published a number of amendments to IAS 1. The purpose is to clarify certain doubts regarding obligatory presentations and information, ensuring that company may use their professional judgement when deciding which information they can disclose in their financial statement, focusing on relevant data. Said amendments will be applicable to financial statements starting from 1st January 2016.

Improvements to IFRSs 2012–2014 Cycle

On December 2013 IASB issued a document called “Annual Improvements to IFRSs - 2012–2014 Cycle” (applicable to statements starting on or after 1st January 2016), as part of an improvement program to the standards. The vast majority of the amendments are clarifications or corrections of existing IFRS or modifications due to previous changes in the IFRS. Amendments are applicable to financial statements starting from or after 1st February 2015.

Changes to IAS 16 and IAS 38: *Clarification on acceptable amortization and depreciation methods*

In May 2014 IASB issued an amendment to IAS 16 – property, plants and machinery and IAS 38 – Intangible assets. IASB also clarified that the use of earning base methods when calculating amortization is not appropriate as the earning generated by an activity that is the result of the usage of an asset generally includes other factors in addition to simple usage of the asset. IASB furthermore clarified that earning is generally not an adequate measurement of usage of economic assets generated by an intangible property. This general guideline may, however, be overruled in certain determined circumstances. Said amendments will be applicable to financial statements starting from 1st January 2016.

Changes to IFRS 11: *Joint agreements: purchase of a joint operation*

In May 2014 IASB issued some amendments to IFRS 11 - Joint Agreements: entering of purchase of share interests in joint control activities. The amendments envisage the use of IFRS 3 to enter the accounting effects of purchase of share interests in joint control activities. Said amendments will be applicable retroactively to financial statements starting from 1st January 2016.

Accounting principles, amendments and interpretations not yet applicable and not adopted ahead of time

Hereby is a brief description of amendments, improvements and interpretations that have been already issued but have not been homologated by the European Union and are therefore not applicable to Financial Statements ending 31st December 2015. Principles and interpretations that would find no application in the Company have been excluded.

IFRS 15- *Revenues by client contracts*

In May 2014 IASB issued the IFRS 15 - Revenues by client contracts. According to this principle, a company needs to account for revenue upon transfer of control of goods or services to its clients, for an amount that is deemed congruous with the sum that the company is expected to receive for said products or services. In order to obtain this, the new entry model defines a five-step process. The new principles also demands additional information regarding the nature, amount, timing and uncertainty of revenue and financial flows deriving from customer contracts. The new accounting principle will be applied to all yearly statements starting on 1 January 2018 or later. The Company is evaluating the impact of said principle on its consolidated financial statement.

IFRS 9 – *Financial instruments*

In July 2014, IASB published the IFRS 9 – Financial instruments. A number of modifications to this new principle supersede the provisions of IAS 39 and introduce a new logical approach to classification and valuation of financial instruments, based on the characteristics of the financial flow and business model, as well as a single model of impairment for financial assets based on expected losses and new approach to hedge accounting. The principle will be applied retroactively from 1st January 2018.

Changes to IFRS 10, IFRS 12 and IAS 28: *Investment: applications of exceptions to consolidation*

In December 2014, IASB published some amendments to IFRS 10, IFRS 12 and IAS 28. Their purpose is to clarify i) investment entities accounting modalities; ii) exemptions to presentation of consolidated statement for companies that control investment entities and iii) how a company that is not an investment entity must apply the valuation with equity method of an investment entity. Said amendments will be applicable to all statements from 1st January 2016.

Changes to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

On September 2014 IASB published some amendments to IFRS 10 – Consolidated Statement and IAS 28 – Share interest in associated companies and joint ventures. Their purpose is to clarify the accounting modalities of results related to sale of assets between companies of a group, associated companies and joint ventures. The process of homologation of said amendments has been paused and their application is not yet determined.

Use of estimates

The preparation of the financial statements and related explanatory notes in compliance with the IFRS requires the management to provide accounting estimates based on complex and/or subjective assumptions, on past experience and

hypotheses that are considered reasonable and realistic and that are known at the estimates moment. The use of these estimates affects the values of the assets and liabilities reported on the financial statements and the information relating to potential assets and liabilities as of that date, as well as the amount of revenues and costs in the reference financial year.

Estimates are used to report:

- Duration and residual value of the goods in concession: the gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the length of the concessions, Legislative Decree no. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for Ascopiave S.p.A., between 31st December 2010 and 31st December 2012) and that the new term of the concessions will not exceed twelve years. Upon expiry of the concessions, the outgoing provider, against the sale of its distribution networks, with the exception of freely transferable assets, receives a compensation defined according to the criteria of business appraisal. In relation to the estimates made by the Management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value;
- the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;
- Permanent reductions in the value of all non-financial assets: the Group assesses whether there are permanent reductions in the value of all non-financial assets. In particular, goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting on the basis of a suitable discount rate. Further details can be found under Note 1;
- Inventory obsolescence;
- Benefit plans for employees and share-based payment plans;
- Taxation.

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

Assessment criteria

The accounting principles adopted by Ascopiave S.p.A. are reported below.

Non-current assets

Goodwill: As of 1st January 2005, goodwill refers to the surplus values paid for the acquisition of distribution companies, as well as to those recognized to the shareholders upon allocation of the distribution network. Goodwill is entered at cost price. As from the transition date of IFRS (1st January 2005), goodwill is no longer depreciated is reduced by any impairment.

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

With the intent of analysing the recoverability, the examination is performed at the level of the smallest aggregate on the basis of which the Management evaluates, directly or indirectly, the return on investment (units which generate flows or groups of units) which includes the goodwill itself. Loss of value is determined by defining the recoverable value of a unit which generates flows (or groups of units) to which the goodwill is allocated. When the value entered in the financial statements of the cash generating unit which includes the goodwill attributed to it exceeds the recoverable value, the difference is subject to depreciation attributed as a matter of priority to the goodwill up to its amount; any depreciation surplus with respect to goodwill is ascribed pro-rata at book value of the assets which constitute the cash generating unit. Therefore, the original value is not restored if the reasons that determined the reduction in value cease to exist.

Other intangible fixed assets: Other intangible assets include agreements for service under concession between the public and the private sector (so-called service concession arrangements) for the development, funding, management and maintenance of infrastructure under concession in which:

- (i) the grantor controls or governs the services provided by the operator through the infrastructure and the related price to apply;
- (ii) the grantor controls — through ownership, beneficial entitlement or otherwise — any significant residual interest in the infrastructure at the end of the term of the arrangement

Other intangible assets also include the recognition of the fair value of customer lists resulting from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous year, as well as the recognition of charges paid to the awarding entities (Municipalities) and/or the outgoing operators subsequent to the assignment and/or the renewal of the relevant invitation to tender to award the service of natural gas distribution.

As concerns the write-off period:

- i) the customer lists are amortized on a straight-line basis, based on the estimate of the benefits that will have effects in future years and determined during the Purchase Price Allocation. In particular, the Directors have established that the useful life associated with customer lists is ten years, due to the low turnover rate of customers, represented mainly by civil users;
- ii) the concessions for the service of natural gas distribution are amortized on a straight-line basis, based on the duration of the concession period. In particular, the amortization period of the concessions acquired by the Ascopiave Group is equal to twelve years in accordance with the regulatory framework.

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

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

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

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

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

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

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

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

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

The main economical-technical rates used are as follows

Buildings	2%
Equipment	8.5% -8 .3%
Furniture	8.80%
Electronic equipment	16.20%
Basic hardware and software	20%
Motorcars, motor vehicles and similar	20%

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

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

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

Share interests:

Share interests entered herein refer to lasting investments. The Company classifies share interests in the following categories:

- Shareholding in subsidiaries
- Share interests valued at Equity
- Other share interests

Shareholdings: shareholdings in subsidiaries jointly controlled and associated companies are entered at the cost adjusted for any impairment. The value entered in the financial statements is determined on the basis of the purchase or subscription price.

Shareholdings in subsidiaries, jointly controlled and associated companies are reviewed annually or, if necessary, more frequently, for impairment detection. The analysis of recoverability of the value entered in the financial statements is performed by comparing this value with the recoverable value, which is the higher between the fair value, net of disposal charges, and the use value. If there is no binding sale agreement, the fair value is estimated on the basis of the values expressed by an active market, by recent transactions or on the basis of the best information available to represent the amount that the company could obtain by selling the asset. The use value is determined by actualizing the asset's expected cash flows and, if considerable and reasonably determinable, by its transfer net of disposal charges. Cash flows are determined on the basis of reasonable assumptions which can be documented and which represent the best estimate of future economic conditions. The actualization is performed at a rate which reflects current market evaluations of the time value of money and of the specific risks of the asset not reflected in cash flow estimates.

Share interests valued at equity: said share interests may be further divided into two categories:

- (i) **Share interests in joint control companies:** share interests in joint control companies, in which the company has control over an entity with a number of other shareholders, are valued with the equity method. Income statement includes the share interest that is property of the Company for the reference year. According to the equity method, share interests are entered in the income statement at their cost, adjusted for possible subsequent variations due to purchase of net assets, net of possible losses of value for each share interest. The excess of purchase cost compared to the percentage of current value of assets, liabilities and potential liabilities that is attributed to the Company upon purchase date is attributed to goodwill. Goodwill is included in the load value of the investment and undergoes impairment tests.
- (ii) **Shareholdings in joint companies:** The shareholdings in affiliate companies, i.e. in which the Group has a significant influence, are accounted for using the net equity method. The income statement shows the share of the Group in the operating profit of the affiliate. If an affiliate company detects adjustments directly attributable to the net equity, the Group recognizes its share and includes it, where applicable, in the statement of changes in the net equity. In the event that the loss attributable to the Group exceeds the book value of the shareholding, the latter is cancelled and any excess is recognized in a special fund to the extent that the Group has legal or constructive obligations towards the subsidiary to cover its losses or, however, to make payments on its behalf. If, at a later stage, the loss does no longer exist or has decreased, a reversal of an impairment loss is booked in the income statement, up to its cost.

Shareholdings in other companies: share interests in companies that are not joint companies or joint ventures (normally with a share interest not exceeding 20%) are entered at their fair value if it can be determined. Should the share interest be in companies that are not publicly traded, share interest is valued at their cost of purchase or

subscription, minus any repayment of principal, and are subsequently adjusted for losses in value determined in the same manner previously described for the tangible assets.

Other non-current Assets: they are entered at nominal value. Said value may be amended in case of losses of value, for an amount equal to the amortized cost.

Financial Assets

The Company classifies financial assets according to the following categories:

- Fair value financial assets offset in the P&L account
- Credits and financings
- Financial assets held up to their expiry date
- Financial assets available for sale:

Fair value financial assets offset in the P&L account: this category includes financial assets that were acquired for short-term negotiations as well as derivative instruments. For additional details, please refer to the next paragraph. The fair value of said instruments is determined from their market value at the date of closure of the period under consideration. Variations of fair value of instruments of this category are immediately entered in the P&L account. Their classification as either current or non-current derives from the expectations of administrators regarding their negotiation.

Credits and financings: this category includes credits that do not include derivative instruments and that are not traded in an active market, from which fixed or determinable payments are expected. Said assets are initially entered at fair value and subsequently valued at their amortized cost based on actual interest rates.

Should there be an obvious indicator of loss of value, the value of the asset shall be reduced so that its value is equal to the monetary flows that are obtainable in the future: losses of value determined through an impairment test are entered in the P&L account. Should the reason of said depreciation cease to be applicable in future periods, the asset value shall be restored up to the value of the amortized cost should the impairment test never have been applied. Said assets are classified as current assets and instalments due past 12 months are entered as non-current assets.

Financial assets held up to their expiry date: this category includes non-derivative financial instruments with a set expiry that the Company intends and has the power to maintain in its portfolio up to their expiry. Assets that will expire in the following 12 months are all entered as current assets. Should there be an obvious indicator of loss of value, the value of the asset shall be reduced so that its value is equal to the monetary flows that are obtainable in the future: losses of value determined through an impairment test are entered in the P&L account. Should the reason of said depreciation cease to be applicable in future periods, the asset value shall be restored up to the value of the amortized cost should the impairment test never have been applied.

Financial assets available for sale: this category includes non-derivative financial instruments that are especially entered in this category or that may not be classified in any of the previous entries. These assets are valued at their fair value. The fair value is determined with market prices at the financial statement date or interim report, through models of financial evaluation, by determining changes in values, offset by a specific entry in the P&L account. Their

classification as either current or non-current derives from the expectations of administrators regarding their negotiation: assets that are expected to be relinquished in the next 12 months are entered as current assets.

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

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

Trade receivables and other current assets: trade receivables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value) net of the relevant value losses. These are suited to their presumed realization value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Company will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement.

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

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

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

Company bonds are determined separately for each plan, measuring the current value of future benefits that the employees have accrued in the current year and in the previous ones. This calculation is carried out with the projected unit credit method.

The components of the defined benefits are established as follows:

- the re-measurement components of liabilities, which include actuarial profits and losses, are immediately measured in the total Other revenue (losses);
- Costs for the service performances are inscribed at their P&L account value;
- Net financial costs on liabilities on defined benefits are entered in the P&L account.

The components found in total Other revenues (losses) may never be reclassified in the P&L account in the following years.

For the Severance Indemnity accrued after 1 January 2015 the company is only required to pay contributions to the National Pension Institute or to a Fund or a legally separate entity. Said accrued amount is based on due contributions pursuant to law provisions.

Furthermore, the Group has created remuneration plans that are partially paid with Ascopiave S.p.A. shares, by allocating shares created in long-term stock options incentive plans. These are entered as liabilities and valued at their

fair value at the end of each fiscal year up to the moment they will be paid (during the approval of the 2017 yearly statement). Each variation to their fair value is entered in the P&L account.

The remaining part of the incentive plan is composed of stock options that may be bought only in cash. The cost of the cash operation is initially valued at their fair value of their allocation date. Specifically, the stock plans of the Group envisage the attribution of rights based on the attainment by its recipients of special goals related to objectives. The financial treatment of these options is based, among other criteria, on the share title trend. Said fair value is paid up to its expiry and a corresponding liability is entered. This liability is calculated at the end of each year end up to and including the year of its payment. Each variation to their fair value is entered in the P&L account.

For additional details please refer to “Section II” of the Remuneration Report, as envisaged by Art. 123 – par3 of the Legislative Decree no. 58/1998 (so-called Unified Financial Text).

During 2015 the remuneration plans of the previous three-year period have been paid. This resulted in the allocation of 99,078 shares. Considering the regulations of the plan, no further allocations have been made during the year, as the benefits will be allocated at the end of the period. Said remuneration plans are accounted pursuant to what is set forth in IFRS 2.

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

Provisions are reported when:

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

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

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

Financial liabilities: financial liabilities include mid to long term financings that are initially entered at fair value net of costs for transactions if applicable and are subsequently valued at their amortized cost, calculated by applying their effective interest rate, net of previous reimbursements.

Should the terms of the long term financing agreement be breached before the end of the year with the effect that the liability becomes an account payable on request, the liability is classified as current even if the financing institution agreed, after the closure of the year under scrutiny and before the publishing of the yearly statement, to not demand payment of the sum as result of the agreement breach. The liability is classified as current because, at the date of reference of the statement, the company does not have the unconditional right to defer payment of said liability for at least 12 months from that date.

Other current financial liabilities are valued at their amortized cost and are eliminated upon their extinguishment, which is when the agreement obligations is achieved, cancelled or expired.

Trade payables and other liabilities: trade payables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at amortized cost.

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

Other current liabilities: Include various exchanges and are all booked at face value, corresponding to their amortized cost.

Fair value hierarchy

Financial assets and liabilities valued at fair value are further classified in a three-tier hierarchy system, based on the modalities in which the fair value itself was determined, i.e. the based to the surety of the input information that was used to determine value:

- (i) **Tier 1:** financial instruments, which fair value is determined based on a share price in a public market;
- (ii) **Tier 2:** financial instruments, which fair value is determined with valuation methods that adopt directly or indirectly observable market parameters. Instruments valued with a forward market curve and short term differential contracts are all part of this tier.
- (iii) **Tier 3:** financial instruments, which fair value is determined with valuation methods that adopt valuation systems that are not based on market parameters, i.e. based exclusively on internal estimates.

As of 31st December 2015 the Company solely possesses financial instruments based on commodities that can be included into the third tier of the fair value hierarchy.

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

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

- i) the revenues from natural gas transportation are recognized at the time when the supply or the service are provided - although not yet invoiced - and are determined according to the restriction on total revenues as provided for by the regulations issued by the Authority for Electricity and Gas;
- ii) the contributions received by users for connection services or for parcelling works, if not in relation to costs incurred into for network extension, are reported in the Income statement;
- iii) the revenues for service performance are recognized with reference to the level of completion of the activity, based on the same criteria applied to works performed upon order. In case it is impossible to determine their value, the revenues will not be not booked until the amounts of the costs incurred into are deemed recovered.

- iv) the revenues are entered net of all discounts, rebates and premiums, as well as the fees directly connected with the sale of the commodities and service performance;

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

Private contributions: private contributions received until 31 December 2013 for the construction of users derivations were recorded in full in the income statement when the costs for its realization and for the commissioned work were incurred. The received contributions for these works that were not related to the costs incurred for the realization of the same were suspended in liabilities and attributed in the income statement when the conditions were realized. The private contributions received for the construction of users derivations are recognized as of 1st January 2014 in the liabilities at the time of payment and reattributed in the income statement, as of the date of the connection, in line with the detection of the costs related to the works and to their life.

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

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

As concerns, taxes on companies' income (IRES) Ascopiave S.p.A. decided to join in 2013 for a three-year period the national tax consolidation regime, pursuant to articles 117/129 of the T.U.I.R. (Income Tax Consolidated Act). This option allows the determination of IRES on a taxable base made up of the sum of the negative and positive taxable amounts of companies joining the national tax consolidation regime. AscoHolding S.p.A., in its capacity as consolidating company, determines only one taxable base for the group of companies joining the national tax consolidation regime.

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

Deferred taxes are calculated using the so-called liability method on the temporary differences resulting from the date of the statements between the tax values taken as reference for the assets and liabilities and the values reported on the statements. Deferred tax liabilities are reported against all taxable temporary differences, except for:

i) when deferred payable taxes derive from the initial reporting of goodwill or an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;

ii) with reference to temporary taxable differences associated with holdings in subsidiaries, associated companies and joint ventures, should the reversal of the temporary differences be able to be controlled, and it is probable that this does not take place in a foreseeable future;

Earnings per share: the basic earnings per share is calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares, net of own shares.

For the purposes of calculating the profit per base share, the numbering used the financial result of the period less the share attributable to third parties.

There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company.

Diluted profits for shares result as equal to those for shares in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

Use of estimates

The preparation of the financial statements and related explanatory notes in compliance with the IFRS requires the management to provide accounting estimates based on complex and/or subjective assumptions, on past experience and hypotheses that are considered reasonable and realistic and that are known at the estimates moment. The use of these estimates affects the values of the assets and liabilities reported on the financial statements and the information relating to potential assets and liabilities as of that date, as well as the amount of revenues and costs in the reference financial year.

Estimates are used to report:

- Duration and residual value of the goods in concession: the gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for Ascopiave S.p.A., between 31st December 2010 and 31st December 2012) and that the new term of the concessions will not exceed twelve years. Upon expiry of the concessions, the outgoing provider, against the sale of its distribution networks, with the exception of freely transferable assets, receives a compensation defined according to the criteria of business appraisal. In relation to the estimates made by the Management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value;
- the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;
- Permanent reductions in the value of all non-financial assets: the Group assesses whether there are permanent reductions in the value of all non-financial assets. In particular, goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting on the basis of a suitable discount rate. Further details can be found under Note 1;

- Inventory obsolescence, Benefit plans for employees and share-based payment plans;
- Taxation.

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

Activity impairment

At least every year the Company performs an impairment test on the tangible and intangible assets of indefinite life or when events occur that might result in the irreparable loss of value of the accounted statement value. Specifically, goodwill undergoes verification to assess possible losses at least every year and possibly more frequently if indicators of loss exist. Said verification requires a usage value valuation of the financial flow generating unit on which goodwill is based on, which in turn is based on the expected financial flows of the unit and their actualization with the adequate discount rate. As of 31st December 2015, the accounting value of goodwill is Euro 20,433 thousand (2014 Euro 20,433 thousand)

Acknowledgment of earnings

Earnings for sale of electricity and natural gas are acknowledged and accounted upon their supply. They include the performance of service occurred between the last reading date and the year-end that have not been invoiced yet, Said performance is based on estimates of daily usage by the client, based on their history and is adjusted by weather conditions and other factors that may influence estimated consumptions.

Amortizations

Amortizations are calculated according to the estimated residual life of the asset or the remaining duration of the concession. Useful life is determined by administrators, with the support of experts, when the asset is first entered in the statement. Estimates regarding useful life are based on history, market conditions and expectations of future events that might influence the useful life itself, including technological advances. The company regularly evaluates technological and sector changes, costs of dismantling/closure of an asset and the salvageable value of an asset when assessing its residual life. Said periodic updating might result in changes in the amortization period and therefore in variations in the amortization instalments for future years.

Duration and residual value of the goods in concession: the gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, between 31st December 2010 and 31st December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those

with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;

Provisions for risks

Said provisions are set aside using the same procedures as the previous years, based on notifications and advices by consultants and lawyers in charge of proceedings, as well as on the actual developments thereof.

Provisions for doubtful accounts

Provisions for doubtful accounts are based on estimated losses related to the account portfolio of the company. Specific insolvency instances have led to the creations of new provisions, as well as expected losses for doubtful accounts based on previous experiences with accounts with similar risk profiles.

Accrued tax credits

Accounting of accrued tax credits is based on the expected taxable income of the Company in future years. The valuation of the expected taxable income for the accounting of accrued tax credits is based on a number of factors that may differ in time and have significant effect on the recoverability of tax credits for advanced taxation.

Employee's Benefits

Expenses and liabilities related to employee's benefits are based on actuarial estimates. The effects deriving from modifications in said actuarial estimates are entered in a specific Equity entry.

INFORMATION ON MANAGEMENT AND COORDINATION ACTIVITIES

Ascopiave S.p.A. is not subject to management and coordination activities on the part of AscoHolding S.p.A. since it operates in conditions of corporate and entrepreneurial autonomy with respect to its parent company. Ascopiave S.p.A. avails itself of some services offered by AscoHolding S.p.A. and other subsidiary companies, under market conditions, for organization and economic reasons.

EXPLANATORY NOTES AND COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF ASSETS AND LIABILITIES

Non-current assets

1. Goodwill

Goodwill, equal to Euro 20,433 thousand at the end of the reference period, refers in part to the surplus value created by the contribution of the gas distribution networks by the local authorities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some branches of the company related to the distribution of natural gas.

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

The depreciation audit on goodwill has been carried out by checking the depreciation in the activities of natural gas distribution, comparing the recoverable value of the relevant assets with their accounting value, including the goodwill allocated to them. As no reliable criteria exist to evaluate the sales value between the aware and available parties in the activities of gas distribution, other than the criteria put forward in literature to evaluate the branches of a company, the recoverable value of the audited activity is defined by its use value.

The value recoverable from the financial flow-generating unit in the distribution of natural gas has been estimated using the Discounted Cash Flow method, discounting back the operating financial flows generated by the activity itself at a discount rate representative of the cost of capital.

Cash flows used for the calculation of the recoverable value receive the forecasts made by the management in the business plan 2015-2017 approved by the Board of Directors on 26th February 2016.

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

The tenders for the award of the service in the territorial areas where the Company currently holds the municipal concessions – if the deadlines illustrated in recent Laws (and extended with Law no. 21/2016) are respected with regards to the tenders publication – will mainly take place during the three-year period 2017-2018. Although it is reasonable to believe that some tenders will be issued and awarded before 31st December 2018 - even assuming that the tender procedures have an extended duration - the business plan, and thus the valuation method adopted for determining the value of use of the company's activities, suggests that the same, in the three years 2016-2018, will keep the management of the portfolio of municipal concessions.

With reference to the activity of gas distribution, it was hypothesised that in the three-year period 2016-2018 the management would generate financial flows in line with those envisaged in the Economic and Financial Plan 2015-2017 while, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the company's activities by hypothesising two alternative scenarios:

- Scenario 1: the Company obtains in 2018 the renewal of all the concessions and credits in effect on 31st December 2015.

- Scenario 2: the Company ends the activity of gas distribution in 2018, realising the return value of the plants as per Art. 15 of Legislative Decree no. 164/2000;

With reference to the first scenario, the terminal value has been estimated as an estimate of a perpetuity as from the last year specified in the financial forecasts, and considering the economic terms and conditions of the renewals.

The growth factor (g) used for the purpose of calculating final value, estimated at

The cost of capital (WACC) of gas distribution was calculated assuming:

- a) the sector-average coefficient beta levered, as indicated by the AEEG with Deliberation no. 583/2015/R/com dated 2nd December 2015;
- b) the level of financial leverage (ratio between financial debt and own means) is in line with the financial structure of reference presumed by the AEEG with Deliberation no. 583/2015/R/com dated 2nd December 2015;
- c) A market risk premium of 5% in line with the market procedure;
- d) the Risk-Free Rate adopted - equal to net yields on 10-year government bonds recorded as peak value as of 31st December 2015
- e) the average cost of debt equal to the annual average of the Euro - Swap to 10 years, calculated at 31st December 2015, increased by a spread of 3%

On the basis of these elements, the average weighted cost of the post-tax capital will be equal to 5.01%. These rates have been used for updating cash flows in the period provided for by the Plan 2016-2018.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 5.64% and was calculated on the basis of the above parameters and providing for an "additional risk premium" for the calculation of the cost of equity (Ke) of 2%, to take into account the uncertainty on the possible renewal of the concessions and their conditions of renewal.

The results obtained were subjected to sensitivity tests, in order to find as the result of this evaluation process might change depending on the change of the profitability parameters assumed in the future cash flows, the growth rate considered in determining the terminal value or the discount rate to update the cash flow. This analysis has led the Directors to evaluate that the expected cash flows are such that they can absorb normal variations of the parameters highlighted with respect to the sensitivity analysis generally performed in the evaluation process.

The Directors have identified - in scenario 1 - which discount rate value and which variation in EBITDA considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Distribution CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 6.0%, or an average decrease in EBITDA equal to 7.6%.

The Directors have finally identified - in scenario 2 - which discount rate value and which variation in plants reimbursement values considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Distribution CGU. This additional sensitivity analysis has led to identify the

breakeven point of the CGU with a discount rate of 10.6%, or an average decrease in reimbursement values equal to 19.1%.

The estimate of the recoverable value of the cash generating units requires discretion and the use of estimates by the management. Several factors related to the evolution of the difficult regulatory context could require a reassessment of any impairment losses. The circumstances and events that could cause a further verification of impairment losses are constantly monitored by the Company.

2. Other intangible fixed assets

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

(Thousands of Euro)	31.12.2015			31.12.2014		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	4,194	(3,665)	529	4,014	(3,489)	525
Concessions, licences, trademarks and similar rights	9,887	(4,050)	5,837	9,887	(3,310)	6,577
Other intangible assets	1,241	(762)	478	1,241	(709)	531
Intangible assets under IFRIC 12 concession	456,371	(204,453)	251,918	439,120	(193,074)	246,047
Intangible assets in progress under IFRIC 12 concession	8,732		8,732	9,109		9,109
Other intangible assets	480,425	(212,930)	267,495	463,370	(200,581)	262,788

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

(Thousands of Euro)	31.12.2014				31.12.2015	
	Net value	Change for the year	Decrease	Amortizations during the year	Depreciations	Net value
Industrial patent and intellectual property rights	525	181		176		529
Concessions, licences, trademarks and similar rights	6,577	0		740		5,837
Other intangible assets	531	(0)		53		478
Intangible assets under IFRIC 12 concession	246,047	18,726	1,475	12,322	942	251,918
Intangible assets in progress under IFRIC 12 concession	9,109	(370)	6	0		8,732
Other intangible assets	262,788	18,537	1,481	13,291	942	267,495

The investments made during the financial year are equal to Euro 18,537 thousand and are mainly related to costs for the construction of infrastructures for natural gas distribution.

Industrial patents and intellectual property rights

During the year, the item "Industrial patents and intellectual property rights" saw an increase of Euro 181 thousand, due to purchase and development of a management software suite to increase efficiency of personnel operations on the territory.

Concessions, licences, trademarks and similar rights

They represent the costs for the acquisition of licences and servitude rights connected to the natural gas distribution network. The credit lines obtained after being placed in the tender because of the implementation of the Decree n. 164/00 (Letta Decree), providing that all contracts must be included in the tender by the end of the "transitional period", were amortised in a useful life of twelve years under the period established by the same Decree. During the fiscal year the item has registered some variations for the amortisation shares only

Other intangible fixed assets

The item "other tangible fixed assets", amounting to Euro 478 thousand, is related to the construction works of a co-generation plant near Venice. The goods acquired through financial lease are booked at fair value, net of contributions within the scope of the lessee or, if lower, at the actual value of the minimum payments due for the leasing, including any amount to pay to exercise the purchase option, among the intangible assets in consideration of financial debt towards the lessor. The change during the year is explained by the amortization, the useful life attributed to the tangible fixed assets is equal to the duration of the financial leasing.

Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of measurement and reduction groups. At the end of the financial year, the item shows a net book value of Euro 18,765 thousand mainly relate to the implementation of the distribution network of natural gas for Euro 2,200 thousand, distribution network for Euro 6,714 thousand and to the creation of connections for Euro 3,908 thousand. Investments for the installations of gas meters amount to Euro 5,874 thousand. The latter item is mainly related to the installation of electronic meters in compliance with resolution 155/07 of AEEGSI

Infrastructures located in Municipalities where no concession tender for distribution of natural gas was issued are amortized by applying the lesser value between the technical life of plants and useful life as indicated by AEEGSI regarding tariffs. Technical life of plants has been estimated by an external independent expert, who determined the technical obsolescence of the constructed assets.

It is noted that the analysis at the end of the year regarding distribution CGU, carried out to determine the recoverability of the entire invested capital, did not highlight loss of value indicators in the entered assets.

Leased intangible fixed assets in progress

The item includes the costs incurred into for the building of the natural gas distribution plants and systems constructed partially on a time and materials basis and not completed at the end of the financial year. The item involved investments amounting to Euro 370 thousand, mainly pertaining the accounting reclassification of fixed that at the end of 2014 were still under construction.

3. Tangible fixed assets

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

(Thousands of Euro)	31.12.2015			31.12.2014		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	36,091	(8,629)	27,462	36,091	(7,535)	28,556
Plant and machinery	4,567	(1,870)	2,697	4,567	(1,613)	2,954
Industrial and commercial equipment	2,828	(2,332)	496	2,712	(2,160)	552
Other tangible assets	13,421	(10,773)	2,648	12,960	(9,973)	2,988
Tangible assets in progress and advance payments	588		588	506		506
Other tangible assets	57,495	(23,604)	33,891	56,837	(21,281)	35,557

The following table highlights the variations in the tangible fixed assets item during the year under consideration.

	31.12.2014			31.12.2015			
	Net value	Change for the year	Decrease	Amortizations during the year	Revaluation	Depreciations	Net value
(Thousands of Euro)							
Lands and buildings	28,556	0		1,094			27,462
Plant and machinery	2,954	(0)		257			2,697
Industrial and commercial equipment	552	115		172			496
Other tangible assets	2,988	461		800			2,648
Tangible assets in progress and advance payments	506	82		0			588
Other tangible assets	35,557	658	0	2,323	0	0	33,891

Land and buildings

This item is mainly made up of the buildings owned in relation to company headquarters, offices and warehouses as well as masonry works for the natural gas decompression chambers. During the year, no significant investments were made and the item variation is due to the amortization of instalments due in the year under scrutiny.

Plants and machinery

The item "Plants and machinery" increased from Euro 2,954 thousand in the previous fiscal year, to Euro 2,697 thousand in the fiscal year of reference. The item variation is due to the amortization instalments for the year,

Industrial and commercial equipment

In the period considered, the item "Industrial and commercial equipment" registered investments equal to Euro 115 thousand. The item refers to the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during the first nine months of the year increased the voice "Other assets", for Euro 461 thousand, and they mainly relate to the costs incurred into for the purchase of hardware for Euro 126 thousand and for the purchase of company vehicles for Euro 328 thousand.

Tangible assets in progress and advance payments

This item includes costs for the construction of co-generation plants, partially made in economics, as well as the costs for extraordinary maintenance on company property. During the year, a total of Euro 82 thousand was invested in this item.

4. Shareholdings:

The following table shows the changes in the shareholdings interest in other companies by Ascopiave S.p.A. as of 31st December 2015:

Denominazione	Città	Capitale sociale	Patrimonio Netto totale	Risultato dell'esercizio	%	Valore di bilancio
Società controllate						
Ascotrade S.p.a.	Pieve di Soligo (TV)	1,000,000	30,912,643	17,041,633	89%	4,809,636
ASM DG S.R.L.	Rovigo (RO)	7,000,000	12,724,586	1,031,774	100%	14,964,474
Edigas Esercizio Distribuzione Gas S.p.A.	Cernusco sul Naviglio (MI)	1,000,000	9,184,938	633,057	100%	23,317,602
Pasubio Servizi S.r.l.	Schio (VI)	250,000	5,372,825	2,492,421	100%	23,053,908
Blue Meta S.p.a.	Orio Al Serio (BG)	606,123	9,202,763	4,361,124	100%	35,322,544
Veritas Energia S.r.l.	Venezia (VE)	1,000,000	3,496,731	1,575,087	100%	5,713,503
Amgas Blu S.r.l.	Foggia (FG)	10,000	2,010,838	1,745,515	80%	11,364,738
Etraenergia S.r.l.	Cittadella (PD)	100,000	422,139	236,846	51%	357,000
Totale partecipazioni in imprese controllate						118,903,405

Denominazione	Città	Capitale sociale	Patrimonio Netto totale	Risultato dell'esercizio	%	Valore di bilancio
Società a controllo congiunto						
Estenergy S.p.A.	Trieste (TS)	1,718,096	22,163,337	9,549,332	48.999%	39,838,121
ASM SET S.R.L.	Rovigo (RO)	200,000	2,067,474	1,798,281	49.00%	3,333,229
Unigas Distribuzione S.r.l.	Nembro (BG)	3,700,000	39,845,053	1,982,032	48.86%	20,652,416
Totale partecipazioni in imprese a controllo congiunto						63,823,767

Denominazione	Città	Capitale sociale	Patrimonio Netto totale	Risultato dell'esercizio	%	Valore di bilancio
Società collegate						
Sinergie Italiane S.r.l. - in liquidazione	Milano (MI)	1,000,000	(15,083,233)	8,146,548	30.94%	309,400

Denominazione	Città	Capitale sociale	Patrimonio Netto totale	Risultato dell'esercizio	%	Valore di bilancio
Partecipazioni in altre società						
B. Cred. Coop. Prealpi						528

It is to be pointed out that the net equity and results for the period of the controlled or jointly controlled companies reported in the tables above refer to financial statements for the periods ended 31st December 2015 and approved by the Boards of Directors of the associated companies.

The entry “shareholding in subsidiaries” did not register variations during year under examination.

The comparison between the value of the investments in subsidiaries and joint ventures and the share attributable to the Company highlights situations in which the value entered in the financial statement exceeds the total net assets of the subsidiary as of 31st December 2015.

At the end of the annual assessment of the eventual reduction of the values entered in the financial statements in Subsidiaries and joint ventures, we proceeded to determine the use value for each.

The use value was calculated by using the projected cash flows contained in the 2016-2018 business plans of the individual subsidiaries that have been approved by the Board of Directors on February 26th 2016. Following the results of the impairment tests on the single shareholdings, no depreciation was recognized.

The main criteria adopted in evaluating impairment, both in terms of growth rates for other periods than those illustrated on the plans and in terms of discount rate, are consistent with those considered in the impairment tests of the goodwill allocated to the CGU in the consolidated financial statements.

5. Other non-current assets

The following table shows the details of the items included under the "Other non-current assets" in the financial years considered:

(Thousands of Euro)	31.12.2015	31.12.2014
Security deposits	472	407
Other receivables	4,062	3,963
Other non-current assets	4,534	4,369

Other non-current assets increase by Euro 165 thousand, going from Euro 4,368 of 2014 to Euro 4,534 thousand of 2015.

The item "Other receivables" is composed by:

- Receivables from the local authority of Creazzo, for a value of Euro 2,141 thousand corresponding to the net book value of the distribution plants awarded in June 2005 for the natural expiry of the concession corresponding, pursuant to "Letta" Legislative decree, art. 15 subpar. 5, to the industrial value of the net according to evaluation reported in the experts' examination. During the year 2014, the litigation with the Municipality about the value of the delivered distribution plant ended with the judgment of the Court of Vicenza, which enshrined in Euro 1,678 thousand the value of the refund, leading to a devaluation credit for Euro 463 thousand. The Company maintains good reason to believe it can recover the least recognition of the credit in the following states of the dispute that however is not maintained in writing and has become, as a result of that judgment, a contingent asset.
- Receivables from the municipality of Santorso, for Euro 748 thousand. This amount corresponds to the net book value of the distribution plants awarded in August 2007 to the Municipality itself and the delivery of the infrastructures took place after the expiry of the concession on 31st December 2006. The value of the receivable from the municipality of Santorso corresponds to the 'Letta' law, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.
- Receivables from the municipality of Costabissara, for Euro 1,537 thousand. This amount corresponds to the net book value of the distribution systems delivered on 1st October 2011 to the Municipality; the delivery of infrastructures happened at the natural expiry date of the concession. The value of the credit is equal to the net book value of the divested asset, considered lower than the reconstruction value as per new request of the Local Body.

As of 31st December 2015 there is an ongoing litigation with the municipalities mentioned in order to define the value of compensation of distribution systems delivered. Please refer to paragraph "Litigations" herein for further details.

6. Non-current assets

The following table shows how the items of "Non-current financial assets" are broken down at the end of each period considered

(Thousands of Euro)	31.12.2015	31.12.2014
Security deposits after 12 months	0	2,838
Other financial receivables after 12 months	0	286
Non current financial assets	0	3,124

At year-end 2015, non-current financial assets amount to zero. Figures at the end of the previous year pertained the residual receivables from the Municipality of San Vito di Leguzzano. The reimbursement plan of the Municipality included payments up to 2016 and therefore on 31st December 2015 they have been reclassified as current financial assets.

The bonds and long-term financial deposits relate to the purchase of ready securities against to two years term made by cash paid by Veritas SpA by way of security deposit provided as collateral on trade receivables of Veritas Energia SpA at the time of acquisition by Ascopiave SpA of 49% of Veritas Energia S.p.A. for Euro 2,838 thousand.

This sum has been reclassified into “other current financial assets” as per agreement terms with Veritas S.p.A. during the purchase procedure of the remaining share interest.

7. Advance tax receivables

The advance tax receivable go from Euro 9,070 thousand to Euro 8,298 thousand with a decrease of Euro 772 thousand as reported in the following table.

(Thousands of Euro)	31.12.2015	31.12.2014
Advance tax receivables	8,298	9,070
Advance tax receivables	8,298	9,070

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

It should be noted that, following approval of Budget Law 2016 (Law no. 2008 dated 28th December 2015) decreasing IRES tax rate from 27.5% to 24% from 1st January 2017, the Company has adjusted the value of tax assets calculated, resulting in a negative effect in the tune of Euro 1080 thousand. The total value of the temporary differences and the amounts on which the deferred tax assets were calculated are as follows:

Description	31.12.2015			31.12.2014		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	1,303	24.0%	314	1,303	27.5%	358
Allocation of inventory write-down	33	28.2%	9	27	31.7%	8
Risks fund	550	24.0%	132	250	27.5%	69
Exceeding amortizations IRES	18,714	24.0%	4,510	14,997	27.5%	4,124
Exceeding amortizations previous 2007 within 2013	11,399	28.2%	3,217	13,495	31.7%	4,278
Other	408	28.2%	116	408	31.7%	129
Act of accession to the PVC	0	24.0%	0	373	27.5%	103
Total advance taxes			8,298			9,070

Current assets

8. Inventories:

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

(Thousands of Euro)	31.12.2015			31.12.2014		
	Gross value	Bad debt	Net value	Gross value	Bad debt	Net value
Fuels and warehouse materials	1,765	(33)	1,731	2,014	(27)	1,987
Total inventories	1,765	(33)	1,731	2,014	(27)	1,987

Inventories are mainly represented by materials used for maintenance or constructions works of the natural gas distribution plants and they are entered into the balance sheet under the Net Devaluation of Inventory fund in order to adapt their value to the opportunities for their clearance or use.

At the end of the fiscal year, the item marks a decrease of Euro 256, from Euro 1,987 thousand of the previous year to Euro 1,731 thousand in the year of reference. The analyses carried out on the codes rotation and on their residual usability, but especially the effects of the warehouses centralised management, did not require significant depreciations.

9. Trade receivables

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

(Thousands of Euro)	31.12.2015	31.12.2014
Receivables from customers	14,473	10,282
Receivables for invoices to be issued	14,246	13,595
Bad debt provisions	(280)	(696)
Trade receivables	28,439	23,181

Trade receivables are entered net of the advance payments in bills and net of provision for doubtful accounts accrued as of the closing date of the financial year. These receivables are due within the following financial year, and mainly relate to natural gas transportation service on the distribution network.

The item increases from Euro 23,181 thousand of the previous fiscal year, to Euro 28,439 thousand of the current financial year, with an increase of Euro 5,258 thousand. The increase is mainly due to increased volumes of natural gas transferred during the third quarter of the year.

All receivables from clients are entirely made up of Italian debtors.

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

(Thousands of Euro)	31.12.2015
Bad debt provisions	696
Utilizzo	(416)
Fondo svalutazione crediti finale	280

The decrease in the provision for doubtful account is due to the use of a said provision during the year for insolvency (Euro 416 thousand) and subsequent receivables with natural gas sale companies for the transportation service. At the end of the year, no doubtful accounts that would require further provisions have been identified.

Trade receivables will be due within the following year and no significant receivable amount has currently expired.

10. Other current assets

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2015	31.12.2014
Tax consolidation receivables	646	813
Annual pre-paid expenses	653	672
Advance payments to suppliers	5,435	4,532
annual accrued income	136	185
Receivables due from Conguaglio Settore Elettrico	28,168	23,445
VAT Receivables	3	654
UTF and Provincial/Regional Additional Tax receiv	85	82
Other receivables	83	51
Other current assets	35,209	30,432

Other current assets showed an increase of Euro 4,777 thousand, from Euro 30,432 thousand in 2014 to Euro 35,209 thousand in 2015. The increase is mainly explained by the increase in receivables in respect of the Equalisation Fund for the electricity sector for Euro 4,723 thousand, by the increase in advances to suppliers for Euro 903 thousand, by higher VAT credits for Euro 651 thousand and decrease in national fiscal consolidation credits by Euro 167 thousand. The increase in receivables from the Electric Sector Compensation Fund are mainly due to the increase in credit component of tariffs for Euro 8,890 thousand, as well as by the increased contribution to the achievement thereof, for Euro 596 thousand in total and by an increased equalization amount at the end of the year for Euro 5,043 thousand.

11. Current assets

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2015	31.12.2014
Associated companies	17,849	37,597
Jointly controlled companies		7,281
Other financial current assets	3,124	275
Current financial assets	20,973	45,153

Current financial assets are in the tune of Euro 20,973 thousand, marking a decrease of Euro 24,180 thousand compared to the previous year. The item includes balances of intercompany accounts through which the company managed the Group Treasury, granting the necessary funding to its subsidiaries and affiliates, in order to meet their financial requirements.

The item "Other current financial assets", equal to Euro 3,124 thousand, includes the credit liability to the town of San Vito di Leguzzano as well as the balance for the reclassified investments, as explained in paragraph "Other non-current assets".

Hereby the composition of financial assets from subsidiary and joint-control companies for the two years is highlighted.

(Thousands of Euro)	31.12.2015	31.12.2014
C/C intercompany Ascotrade	6,742	11,557
C/C intercompany ASM Distribuzione Gas Srl	335	1,645
C/C intercompany Etra Energie srl		1,623
C/C intercompany Edigas Es. Distribuzione Gas Spa	623	1,553
C/C intercompany Pasubio Servizi Srl		104
C/C intercompany Blue Meta S.p.A.		1,307
C/C intercompany AMGAS BLU Srl		1,970
C/C intercompany Veritas Energia Srl	10,149	17,839
Current financial assets from subsidiary companies	17,849	37,597
C/C intercompany Estenergy Spa		6,370
C/C intercompany ASM SET SRL		911
Current financial assets from jointly controlled companies	0	7,281

The variation, equal to Euro 27,029 thousand, is mainly explained by higher loans granted to subsidiaries and associated companies. Overall these requirements are lower this year for the entirety of the company structure.

12. Tax receivables

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

(Thousands of Euro)	31.12.2015	31.12.2014
Receivables related to IRAP	241	283
Receivables related to IRES		314
Other tax receivables	135	135
Tax receivables	376	732

Tax credits increased from Euro 732 thousand in 2014 to Euro 376 thousand in 2015 showing a decrease of Euro 356 thousand.

13. Cash and cash equivalents:

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

(Thousands of Euro)	31.12.2015	31.12.2014
Bank and post office deposits	9,380	71,827
Cash and cash equivalents on hand	10	11
Cash and cash equivalents	9,390	71,838

The figures reported refer to the balances of bank accounts and to the values of company fund. Cash allowance at the end of the fiscal year amount to Euro 9,390 thousand, with a decrease from the previous year of Euro 62,449 thousand. The significant decrease in bank and postal deposits mainly derives from arbitrage transactions on interest rates taken by the parent company, through which the excess of cash and of financial lines in the short term has been used in deposits at major banks with highly rated, benefiting from the interest rate differential. For a better understanding of changes in the cash flows occurred during the year, please refer to the cash flow statement.

Net shareholders' equity

14. Net shareholders' equity

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

(Thousands of Euro)	31.12.15	31.12.14
Share capital and reserves	359,407	348,831
Net result	33,547	43,628
Total net equity	392,954	392,459

The composition of the net shareholders' equity is reported below:

(Thousands of Euro)	31.12.2015	31.12.2014
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,521)	(17,660)
Reserves	95,696	85,326
Reserve for severance pay discount ias 19	(62)	(129)
Group's Net Result	33,547	43,628
Total Net equity	392,954	392,459

Stockholders' equity as of 31st December 2015 amounted to Euro 392,954 thousand, an increase of Euro 495 thousand compared to 31st December 2014. Please refer to the changes in equity for further details.

During the year 2015 the Shareholders' Meeting held on 23rd April approved the distribution of dividends equal to Euro 35,162 thousand, corresponding to 0.15 euros per share.

The share capital of Ascopiave S.p.A. as of 31st December 2015 consists of 234,411,575 shares with a nominal value of Euro 1.00 each.

It is noted that during 2015 no own shares have been purchased. The variation (amounting to Euro 138 thousand) is entirely due to the sale of shares in employee portfolios subsequent to the conclusion of the long-term incentive plan 2012-2104 which included allocation of a benefit composed by 50% of company shares.

The changes in the net shareholders' equity in FY 2015 are reported in the following tables:

Shares in circulation as of 31 December 2015 and 31 December 2014		
(Number of shares)	31.12.2015	31.12.2014
Number of shares from shareholders' capital	234,412	234,412
Number of shares in portfolio	12,101	12,209
Total number of shares in circulation	222,311	222,203
Value of the shares in circulation		
	31.12.2015	31.12.2014
Ordinary shares	234,412	234,412
Own shares in portfolio	17,521	17,660
Total value of shares in circulation	216,891	216,752

Revenues (losses) entered directly in the Shareholders' Equity

As of 31st December 2015, losses for Euro 62 thousand have been entered directly in the Shareholders' Equity, marking an increase of Euro 68 thousand from 31st December 2014.

This reserve gathers accounting gains and losses deriving from the assessment of current benefit plans that shall never be reclassified under profit and loss account.

Pursuant to article 2427-bis of the Italian Civil Code, the prospects indicating the origin, possibility of use and distribution of the net equity items are reported below:

Description	Amount	Possibility of use	Portion available	Usage in the previous three financial periods	
				For coverage of losses	For other reasons
Share capital	234,411,575	-			
CAPITAL RESERVES					
Share premium fund	50,171,613	A, B, C	50,171,613		
Own shares	(17,521,332)	-			
EARNINGS RESERVES					
Legal reserve	46,882,315	B			
Extraordinary reserve					
Free reserve					
Other reserve	45,462,436	A, B, C	45,462,436		
Total	124,995,031		95,634,048		
Portion non available					
Residual value of available portion			95,634,048		

Note: "A" = capital increase "B" = coverage of losses, "C" = distribution to shareholders

The share premium fund is available considering that the legal reserve reached a value equal to one fifth of the share capital, in accordance with civil law provisions.

Non-current liabilities

15. Reserves for risks and charges

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

(Thousands of Euro)	31.12.2015	31.12.2014
Provisions for risks and charges	550	250
Provisions for risks and charges	550	250

The fund movement in the year considered are shown in the following table:

(migliaia euro)	31.12.2015
Provisions for risks and charges as 1st January 2015	250
Provisions for risks and charges	300
Provisions for risks and charges as 31st December 2015	550

The increase in the provision for risks and charges is due provisions set aside for litigations with former employees.

16. Severance indemnity

The changes in severance indemnity in the year considered are shown in the following table:

(Thousands of Euro)	
Severance indemnity as of 1st January 2015	1,224
Retirement allowance	(834)
Payments for current services and work	729
Previous actuarial losses/(profits) recorded	2
Actuarial loss/(profits) recorded	50
Severance indemnity as of 31st December 2015	1,172

The liability of the severance indemnity is calculated with the actuarial method. Its value is therefore subjected to variation between the various hypotheses. The main hypothesis used for the measurement of the severance indemnity is the discount rate, the average yearly employee turnover and maximum retiring age of employees.

The discount rate used to measure the liability deriving from severance indemnity is determined from market trend of fixed-rate, high quality bonds with due date and amount corresponding to due date and amounts of expected future

payments. For this plan, the average discount rate reflecting the due dates and amounts of future payments for 2015 amounts to 1.49%.

The main hypotheses of the model are:

- Mortality rate: IPS55 survival table
- Inability rates: INPS tables year 2000
- Personnel rotation rate: 3.00%
- Annual probability rate of TFR down payment: 2.00%
- Increase in remuneration rate: 3.00%
- Inflation rate: 1.50%

The current cost related to work performance is included as personnel costs, while the interest cost, equal to Euro 18 thousand, is recorded under financial income and expense.

17. Medium- and long-term loans:

The following table shows how the item is broken down at the end of the periods considered:

	31.12.2015	31.12.2014
<i>(Thousands of Euro)</i>		
Loans from Prealpi	757	828
Loans from European Investment Bank	34,500	38,000
Loans from Cassa DD.PP. With direct guarantee		127
Loans from Cassa DD.PP. With guarantee from municipalities		215
Loans from Unicredit S.p.A.	8,571	14,286
Medium- and long-term bank loans	43,829	53,456

Medium and long term loans mark a decrease of Euro 9,628 thousand attributed to the reclassification of instalments that will be reimbursed during 2016.

Specifically the European Investment Bank financing, which was issued in two payments during 2013 for Euro 45,000 thousand in total as a residual debt of € 38,000 thousand as of 31st December 2015 with Euro 3,500 thousand being reclassified as short term payables to banks and financings.

The repayment of the first instalment of 35,000 thousand will be carried out in 16 residual six month instalments with a fixed amount, between 29th February 2016 and 28th August 2023, with the application of a Euribor 6 month interest rate increased with a 95.5 base point spread. The second instalment, amounting to Euro 10,000 thousand shall be repaid with 16 six-month instalments with a fixed amount from 27th February 2018 to 28th August 2025 with the application of a Euribor 6 month interest rate increased with a 71.5 base point spread as well as a 135 base point cost related to the guarantee issued by the "Cassa Depositi e Prestiti S.p.A." (Deposit and Loan Bank).

As guarantee of the obligations covered by the loan agreement, Ascopiave sold to the European Investment Bank a share of future claims arising from the repayment of the residual value of assets related to the Distribution Gas Concessions.

In particular, the Agreement envisages that the Company, for the entire duration of the Loan, undertakes to respect the following parameters:

- EBITDA/ Net financial costs > 5;

- Net consolidated financial indebtedness/ EBITDA < 3,5

Furthermore, in the following instances the bank institutions may request anticipated reimbursement of the loan:

- reduction of costs of the project below what was originally set forth in the agreement;
- anticipated reimbursement of non-EIB loans (excluding revolving credit facilities);
- change in control structure of Ascopiave S.p.A. or AscoHolding S.p.A.;
- change in law framework that might hinder Ascopiave S.p.A ability to perform its obligations;
- loss of concessions to an extent that would reduce consolidated RAB below 300 million Euro.

At the end of 2015, all envisaged covenants were respected because:

- EBITDA/ Net financial costs ratio was 156.36, calculated as the ratio between consolidated EBITDA to that date, i.e. Euro 80,983 thousand and consolidated net financial costs Euro 518 thousand.
- Net financial indebtedness/ EBITDA was 1.41, calculated as the ratio between consolidated net financial indebtedness to that date, Euro 114,037 thousand and consolidated EBITDA i.e. Euro 80,983 thousand.

The medium long term loan with Unicredit S.p.A. signed by the Parent Company in 2011 for Euro 40,000 thousand, used to finance crucial company operation for company aggregation purposes, has a seven year duration and a reimbursement plan of six-month instalments, postponed, from 31st December 2011 to 30th June 2018.

During the year, two instalments have been repaid for Euro 2,857 each. This led to the reduction of the loan for Euro 5,714 thousand in total and a residual debt at the end of the year of Euro 14,286 thousand.

This loan has a variable interest rate, based on the Euribor three month index and a spread margin to be summed to the index. The exact amount of the margin is based on the variations of the value, at the end of each year, of the ratio between net consolidated financial position and gross consolidated operating margin, as shown in the following table:

PFN/M.O.L. Ratio Value	Value of spread
Index>2.5	125 basis points
2<Index<2.5	90 basis points
Index<2	75 basis points

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

- the value of the index described above may not exceed 3.5 (covenants amended by notary deed dated 22nd December 2014, the previous limit was equal to 2.75);
- R.A.B. value (Regulatory Asset Base, i.e. the value of the gas network) cannot be lower than Euro 270,000 thousand;
- the stake of ASCOHOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

As collateral for the execution of obligations related to the loan, the company relinquished to Unicredit an interest of future credit deriving from the reimbursement of the residual value of the assets related to Gas Distribution Concessions.

Following a negotiation with Unicredit S.p.A. on 20th November 2015, yearly assessment of respect of financial covenants and operating parameters stated in items a) and b) from 2015 shall no longer carried out on the IFRS compliant Group consolidated results, but on a pro-forma consolidated report based on the sum of data of consolidated statement and the pro-quota of joint controlled companies.

As of 31st December 2015, having respected the indicator a), amounting to 1.48, calculated as the pro-forma net

financial indebtedness to that date (114,037 thousand) and the pro-forma Ebitda (Euro 76,980 thousand) as well as letter b) for Euro 394,049, the applicable spread applicable from 1st January 2016 shall be 75 base points.

Medium and long term loans as of 31 December 2014 with Cassa Depositi e Prestiti S.p.A. loan company (euro 342 thousand) for investments in the enlargement of the natural gas distribution networks have been fully reclassified as current financial liabilities as the amortization plan shall expiry during 2016.

The following table highlights deadlines for the instalments of medium and long term loans according to their year:

(Thousands of Euro)	
Financial year 2016	9,628
Financial year 2017	9,287
Financial year 2018	7,681
Financial year 2019	4,826
After 31st December 2019	22,034
Total medium and long-term loans	53,456

18. *Other non-current liabilities*

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

(Thousands of Euro)	31.12.2015	31.12.2014
Security deposits	306	279
Multi-annual passive prepayments	5,228	3,395
Other non-current liabilities	5,534	3,674

Other non-current liabilities increased from Euro 3,674 thousand to Euro 5,534 thousand, marking an increase of Euro 1,869 thousand.

The change is mainly explained by the increase in long-term deferred detected liabilities in order to suspend the public and private contributions received for the construction of users derivations. The same are deferred and released to income over the useful life of the infrastructure built (45 years) and the carrying value of other non-current liabilities corresponds to the economic value of the same that will be released as from 2017.

19. *Non-current financial liabilities*

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

(Thousands of Euro)	31.12.2015	31.12.2014
Payables due to leasing companies (over 12 months)	422	489
Other's non-current financial liabilities		2,838
Non-current financial liabilities	422	3,327

Financial non-current liabilities detect a decrease of Euro 2,905 thousand compared to the previous year. This decrement is mainly due to the reclassification into current financial liabilities of the deposit received from Veritas SpA as collateral for trade receivables of Veritas Energia SpA following the acquisition of the remaining shares of the subsidiary Veritas Energia SpA.

The decrease in payables to leasing companies is due to the reclassification of other current financial liabilities instalments that pertain year 2016.

The table shows the deadlines for exercising the debt recorded against the leasing company for twelve months:

(Thousands of Euro)	
Financial year 2017	70
Financial year 2018	74
Financial year 2019	78
Financial year 2020	82
Financial year 2021	86
Financial year 2022	32
Total due payables to leasing companies over 12 months	422

20. Deferred tax payables

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

(Thousands of Euro)	31.12.2015	31.12.2014
Deferred tax payables	12,232	14,686
Deferred tax payables	12,232	14,686

Deferred taxes mark a variation from Euro 14,686 thousand, to Euro 12,232 thousand, a decrease of Euro 2,454 thousand.

The Company has provided a full accounting of deferred taxes on temporary differences between taxable values and book values. In determining the advanced taxes, we referred to IRES (taxes on the companies income) and, where applicable, to the current IRAP at the moment in which the temporary differences are supposed to be deposited again. In particular, a 27.5% IRES tax rate, and a 4.2% IRAP tax rate were applied in accordance with the changes introduced by Law 111 dated 15th July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6th July 2011.

It should be noted that, following approval of Budget Law 2016 (Law no. 2008 dated 28th December 2015) decreasing IRES tax rate from 27.5% to 24% from 1st January 2017, the Company has adjusted the value of tax assets calculated, resulting in a positive effect in the tune of Euro 1,747 thousand.

The total value of the temporary differences and the related amounts on which the liabilities for deferred taxes gave been detected are detailed below:

Description	31.12.2015			31.12.2014		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations	30,037	24.0%	7,209	32,858	27.5%	9,036
Severance indemnity	31	24.0%	7	31	27.5%	9
Goodwill deductibility for tax purposes within 2013	9,872	28.2%	2,802	9,872	31.7%	3,129
Exceeding amortizations	7,848	28.2%	2,213	7,848	31.7%	2,488
Gain on sale of properties over 2013	0	24.0%	0	87	27.5%	24
Total deferred tax payables			12,232			14,686

Current liabilities

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

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

(Thousands of Euro)	31.12.2015	31.12.2014
Payables due to banks	87,995	174,920
Current portion of medium-long-term loans	9,628	9,745
Payables due to banks and financing institutions	97,622	184,665

At the end of FY 2015, bank payables are broken down into negative bank account balances for Euro 87,995 thousand

and short-term loan instalments for Euro 9,628 thousand. The total decrease, amounting to Euro 87,043 thousand, is mainly explained by decreased use of the credit available and connected to arbitrage transactions on interest rates taken near the end of the financial statements as already mentioned in the section on cash which reference is made.

The following table shows the allocation of Ascopiave S.p.A. credit lines used and available and relative rates applied as of 31st December 2015.

Banks	Type	Credit lines 31 dec 2015	Interest rate 31 dec 2015	Debt 31 dec 2015
Banca Europea per gli Investimenti	Bank loan	10,000	0.99%	10,000
Banca Europea per gli Investimenti	Bank loan	28,000	1.23%	28,000
Banca Intesa	Bank credit for overdraft	40,000	n.d.	-
Banca Intesa	Bank credit for derivatives	7,000	n.d.	-
Banca Nazionale del Lavoro	Bank credit for overdraft	50,000	0.63%	5,000
Banca Nazionale del Lavoro	hedging on commodities	5,000	n.d.	-
Banca Popolare dell'Emilia Romagna	Bank credit for overdraft	10,000	0.55%	998
Banca Popolare di Vicenza	Short-term financing	52,000	n.d.	-
Banca Prealpi	Bank credit for overdraft	5,000	n.d.	-
Banca Prealpi	Unsecured loan	828	1.83%	828
Banca Sella	Bank credit for overdraft	5,000	n.d.	-
Banco di Desio e della Brianza	Bank credit for overdraft	5,000	0.40%	2,500
Banco Popolare	Short-term financing/guarantees	20,000	n.d.	-
Banco Popolare	Guarantees	10,000	0.40%	3,455
Cassa Depositi e Prestiti	Bank loan	127	7.50%	127
Cassa Depositi e Prestiti	Bank loan	215	7.50%	215
Cassa di Risparmio del Veneto	Bank credit for overdraft	13,000	0.50%	12,983
Creдем	Bank credit for overdraft	25,000	0.24%	25,000
Friuladria Crédit Agricole	Credit facility - short-term loans	13,000	0.45%	5,500
Monte dei Paschi di Siena	Bank credit for overdraft	7,100	0.30%	3,000
Monte dei Paschi di Siena	Guarantees	6,800	0.30%	6,790
UBI - Banco di Brescia	Bank credit for overdraft	30,000	0.30%	10,000
Unicredit	Short-term financing	48,700	0.20%	23,000
Unicredit	Bank loan	14,286	0.80%	14,286
Unicredit	Guarantees	12,400	0.30%	11,838
Unicredit	Credit cards	515	n.d.	-
Total		418,971		163,520

22. Trade payables

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

(Thousands of Euro)	31.12.2015	31.12.2014
Payables to suppliers	2,949	6,495
Payables to suppliers for invoices not yet received	12,567	12,913
Trade payables	15,516	19,407

The item increases from Euro 19,407 thousand of the previous fiscal year, to Euro 15,516 thousand of the current financial year, with a decrease of Euro 3,891 thousand. The decrease is mainly explained by the lower allocation of invoices to be received at the term of the year for Euro 3,546 thousand.

The item mainly refers to payables due to suppliers for construction works of the natural gas distribution infrastructures as well as to invoices issued for the purchase of energetic efficiency securities for the attainment of 2015 goal.

Trade receivables are due within the following year.

23. Other current liabilities

The following table shows how the items of "Other current liabilities" broken down for each period considered:

(Thousands of Euro)	31.12.2015	31.12.2014
Advance payments from customers	1,512	949
Amounts due to parent companies for tax consolidation	1,051	1,007
Amounts due to social security institutions	694	721
Amounts due to employees	2,707	2,241
VAT payables	1,054	87
Payables to revenue office for withholding tax	572	539
Annual passive prepayments	1,012	639
Annual passive accruals	652	737
Other payables	22,028	11,570
Other current liabilities	31,282	18,490

At the end of the fiscal year, other current liabilities amount to Euro 31,282 thousand, marking an increase of Euro 12,792 thousand compared to 2014. This increase is mainly due to the variation of the entry “other payables” and VAT payables.

“Advances from clients” represent the amounts paid by the customers as a contribution for works of allotments. The entry increases by Euro 563 thousand compared to the previous year, going from Euro 1,512 in 2015 to Euro 949 thousand of the previous year.

“Payables to welfare institutions” refers to payables of welfare contributions for the months of November and December that were paid during the first months of 2016. The “amounts due to employees” include holidays not taken, deferred remuneration and bonuses earned as of 31 December 2015 but not paid out on that date.

The VAT debt increased in the tune of Euro 967 thousand by virtue of the increased debts in December, net of advance payments. Accrued expenses are mainly related to the state fees, and royalties concessions, accrued in 2015 but not yet paid to the respective local authorities, while the deferred income are mainly related to the suspension of government grants and private contributions received for the construction of derivations of users whose recognition in the income statement in the year 2016 will take place. At the end of the fiscal year, the item "Other payables" amounts to Euro 22,028 thousand, recording an increase as compared to the previous financial year equal to Euro 10,458 thousand. The variation is mainly explained by the increase in payables towards the Electric Sector Compensation Fund (+10,738 thousand of Euro) concerning the tariff components charged to the sales companies operating on the territory where the natural gas distribution network of the Company rests and which are paid to the Fund itself every two months as established by the Authority for Electricity and Gas with resolution ARG/gas 159/08.

25. Current financial liabilities

The following table shows the breakdown of the item “Current financial liabilities” at the end of each period considered:

(Thousands of Euro)	31.12.2015	31.12.2014
Financial payables within 12 months	12,629	(0)
Payables to leasing companies within 12 month	67	64
Current financial liabilities	12,696	64

Current financial liabilities amount to Euro 12,696 thousand, up by Euro 12,632 thousand compared to the previous year mainly due to entering of balances of subsidiaries in intercompany current accounts through which the company manages the Group Treasury.

The variation is explained by the decrease in loans and borrowings against Pasubio Servizi S.r.l. to Euro 4,981 thousands, of Etra Energia S.r.l. for Euro 268 thousand, Blue Meta S.p.A. for Euro 3,713 thousand, Amgas Blu S.r.l. for Euro 580 thousand, as well as the payable to Asm Set S.r.l. for Euro 249 thousand.

It is noted that the entry “Financial liabilities due within 12 months” includes payables for Euro 2,838 thousand, as guarantee by Veritas S.p.A. Please refer to the paragraph on other non-current financial liabilities herein for additional details.

Net financial position

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

(Thousands of Euro)	31.12.2015	31.12.2014
Cash and cash equivalents	9,390	71,838
Current financial assets	20,973	45,153
Current financial liabilities	(12,629)	0
Payables due to banks and financing institutions	(97,622)	(184,665)
Debiti verso società di leasing entro 12 mesi	(67)	(64)
Net short-term financial position	(79,955)	(67,737)
Non current financial assets		3,124
Medium- and long-term bank loans	(43,829)	(53,456)
Non-current financial liabilities	(422)	(3,327)
Net medium and long-term financial position	(44,250)	(53,659)
Net financial position	(124,205)	(121,396)

Ascopiave Net Financial Position saw an increase of Euro 2,809 thousand compared to the previous year, for a total amount of Euro 124,205 thousand.

It is to be pointed out that no covenants or negative pledges are provided for in the short-term bank loans, while the loan granted by Unicredit Banca S.p.A. and by the European Bank for Investments undergo covenants – to be verified based on the results of the consolidated financial statements- described in the previous paragraph 17 “Medium-long term loans”

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS*Revenues**26. Revenues*

The following table shows the revenues in the periods considered:

(Thousands of Euro)	FY 2015	FY 2014
Revenues from gas transportation	53,784	54,425
Revenues from connections	94	47
Revenues from heat supply	13	18
Revenues from distribution services	2,515	2,647
Revenues from billing and taxes	0	426
Revenues from services supplied to Group com	8,769	7,594
Revenues from AEEG contributions	8,871	12,555
Other revenues	1,719	2,692
Revenues	75,766	80,404

At the end of the period, the item amounted to Euro 75,766 thousand, with a decrease of Euro 4,639 thousand compared to the previous year. The decrease is mainly explained by the lower AEEGSI contributions (Euro -3,684 thousand), lower "sundry income" (Euro -973 thousand) and lower income from invoices and payments (Euro -426 thousand). The decrease is partially offset by the revenues from general services performed by group companies (Euro +1,175 thousand).

The transport service of natural gas on the distribution network generated revenues of Euro 53,784 thousand, decreasing compared to 54,425 thousand in the previous year, mainly because of lower bond total revenue (the so-called VRT) recognized by AEEGSI to distribution companies working in the field. During the year, the distribution of natural gas has involved the transport of 682.1 million cubic meters, compared with 613.9 million of the previous year, recording an increase of 28.2 million mainly due to the particular climatic conditions with particularly mild winter and summer periods. It should be noted that the voice revenues from gas transportation includes a share of equalization equal to Euro 6,872 thousand, decreasing over the previous year by Euro 4,495 thousand due to the lower differential found at the end of the year between revenues charged to sellers for the service of natural gas distribution (contracts because of lower consumption) and the VRT recognized.

At year end, revenue from connection services amounts of Euro 97 thousand.

At the end of the financial year, revenue from general services to company subsidiaries increased by Euro 132 thousand, going from Euro 2,647 thousand of 2014 to Euro 2,515 thousand of the reference year. The item includes the income statement items arising out of activities on the meters installed at the end users on behalf of the selling companies.

At the end of the financial year, revenue from general services to company subsidiaries increased by Euro 1,175 thousand, going from Euro 7,594 thousand of the previous year to Euro 8,769 thousand of the reference year thanks to the increase in the type of services provided to controlled companies.

The item "revenues from AEEG contributions", and the water system are equal to 8,871 thousand Euro, with a decrease of 3,684 thousand Euro. These contributions are allocated for the attainment of the objectives set by the Authority in matters pertaining energy saving; they are published through a Deliberation, which also specifies the specific requirements of primary energy saving by main distributors.

Other revenues increased from Euro 2,692 thousand in 2014 to Euro 1,719 thousand in the reference fiscal year,

recording decreases of Euro 973 thousand mainly explained by lower income during the reference year (Euro -494 thousand).

Operating costs

27. *Cost of raw materials*

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

(Thousands of Euro)	FY 2015	FY 2014
Purchase of other raw material	1,519	1,299
Purchase costs for other raw materials	1,519	1,299

The costs for the purchase of other raw materials increase from Euro 1,299 thousand in 2014 to Euro 1,519 thousand in 2015, with a decrease equal to Euro 220 thousand.. The item mainly includes costs for the purchase of materials used for the construction of infrastructures for natural gas distribution, as well as costs for the purchase of natural gas and electric power required for the functioning of the co-generation plants.

It is noted that the increase in costs is mainly due to the transfer of warehouse material between Group companies, which also resulted in the inclusion of the costs of the sold material, offset by the inclusion of revenues from the same transaction.

28. *Costs for services*

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

(Thousands of Euro)	FY 2015	FY 2014
Costs for counting meters reading	498	774
Mailing and telegraph costs	1,354	1,341
Maintenance and repairs	2,152	2,016
Consulting services	2,677	3,304
Commercial services and advertisement	106	143
Sundry suppliers	1,236	1,714
Directors' and Statutory Auditors' fees	573	578
Insurances	679	608
Personnel costs	612	600
Other managing expenses	875	939
Costs for use of third-party assets	8,942	10,038
Costs for services	19,705	22,054

The costs for services amount to Euro 19,705 thousand at the end of the period considered, recording decrease as compared to the previous financial year equal to Euro 2,349 thousand. The decrease is mainly explained by lower costs for meter reading services, as well as received consultancies, in addition to a decrease in costs for the usage of third party assets.

Costs for the meter reading service mark a decrease of Euro 276, going from 774 of 2014 to Euro 498 of the reference year. The decrease is mainly due to an improvement of pricing for the supply of this service.

The decrease in consultancy fees, in the tune of Euro 627 thousand, is due to lower costs during the year for IT consultancy (Euro -388 thousand) as well as decreased legal and administrative fees (Euro -215 thousand).

Personnel costs include costs for the management of vehicles assigned to employees, expenses for the canteen service and costs for training and education, and record an increase of Euro 54 thousand compared to the previous year.

The increases recorded by the consulting services are mainly explained by higher costs incurred for the development of IT platforms of the Group and whose cost is passed to the beneficiaries. At the end of the previous year these costs were registered under "Other operating expenses" for total Euro 594 thousand.

The item "Costs for the use of third-party assets" includes costs for concession fees paid to Local Bodies due to economic compensation, suggested by Ascopiave S.p.A. in order to continue managing the service in the default of the completion of the re-award procedure, which envisages an annual consideration, starting from 2011, equal to an amount calculated on the basis of the formula illustrated in the Supplementary Deed of the Agreement submitted to the Local Bodies for examination and to be signed and recorded as an Administrative Public Deed. At the end of the reference period, the item has decreased by Euro 1,096 thousand, mainly due to decreased concession fees for Euro 276 and decreased costs for software licenses for Euro 687 thousand.

29. Personnel costs

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

(Thousands of Euro)	FY 2015	FY 2014
Wages and salaries	11,003	11,691
Social security contributions	3,479	3,606
Severance indemnity	746	797
Other costs	22	23
Totale costo del personale	15,251	16,117
Costo del personale capitalizzato	(3,981)	(3,406)
Costi del personale	11,270	12,711

Personnel costs are reported net of capitalised costs in relation to increases in intangible assets for works carried out partially on a time and material basis, which are directly attributed to the creation of facilities for the distribution of natural gas.

The item decreases from Euro 16,117 thousand of the previous year, to Euro 15,251 thousand of 2014, with a decrease of Euro 866 thousand. The decrease is mainly explained by accounting of value of phantom stock options allocated to company managers at the time the parent company was publicly traded that have not yet been used, as well as the debt related to the long term employee incentive plan that, at the end of the previous year, led to an increase in costs of Euro 663 thousand. Said decrease is partially offset by increase in salaries paid during the reference year, due to personal achievements and work agreements consequences.

Capitalized personnel costs increased by Euro 575 thousand, going from Euro 3,406 of the previous year to Euro 3,981 of 2015, decreasing the overall personnel cost by the same amount.

The table below shows the number of employees of the Group, divided by category, at the end of 2014 and at the end of 2015:

Type	FY 2015	FY 2014	Variation
Executives	13	14	(1)
Office workers	167	169	(2)
Manual workers	79	80	(1)
Total employees	259	263	(4)

It is to be noted that some employees of the company hold phantom stock option plans, which during the accounted year did not accrue any additional cost.

30. Other management costs

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

(Thousands of Euro)	FY 2015	FY 2014
Provision for risks on credits		832
Other provisions	300	250
Membership and AEEG fees	364	407
Capital losses	429	525
Extraordinary losses	1,039	224
Other taxes	627	652
Other costs	528	451
Costs of contracts	441	793
Energy efficiency certificates	8,766	10,034
Other management costs	12,494	14,169

Other operating costs register decreases of Euro 1,675 thousand compared to the previous year, mainly due to lower costs for the purchase of energy efficiency certificates (Euro -1,268 thousand) and lack of provisions of doubtful accounts (+ Euro 832 thousand).

The decrease of the purchase costs of the energy efficiency titles and the increase of specific liabilities are correlated events. During the year the Company carried out an assessment of the periods June 2012 – May 2013, June 2013 – May 2014, June 2014 – May 2015. Said assessment enabled the identification of a valuing criterion for stock transfer purchased by the Italian Electricity Authority, which requires the attribution in 2014 of increased costs for Euro 880 thousand, in addition to the original value of the asset, in the tune of Euro 2,520 thousand. As this assessment was performed in 2015, we attributed this effect to this year, with other management costs. The results of the two years represented are still positive for Euro 1,745 thousand.

Regarding the attainment of the energy saving objectives, it is noted that the company availed itself of the possibility of purchasing the missing titles in the first five months of 2016.

Other provisions, in the tune of Euro 300 thousand, have been carried out as a consequence of litigations with employees that have now left the company.

31. Other management costs

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

(Thousands of Euro)	FY 2015	FY 2014
Other income	458	27
Other income	458	27

At the end of FY, the item amounts to Euro 458 thousand, recording an increase as compared to the previous financial year equal to Euro 431 thousand. During the third quarter of 2015 the Company cashed in an insurance payment for Euro 305 thousand, related to damages of a reduction and measurement station in the area of Vicenza.

32. *Amortizations and depreciations*

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

(Thousands of Euro)	FY 2015	FY 2014
Intangible fixed assets	13,291	13,178
Tangible fixed assets	2,175	2,232
Amortization and depreciation	15,466	15,411

Then depreciations recognized at the end of the year amounted to Euro 15,466 thousand an increase over the previous year of Euro 55thousand

33. *Net financial income and expenses*

Financial income and expenses in the years considered are analysed in the following table:

(Thousands of Euro)	FY 2015	FY 2014
Interest income on bank and post office accounts	291	643
Other interest income	507	707
Distribution of dividends from controlled companies	23,842	35,019
Financial income	24,640	36,368
Interest expense on banks	516	1,299
Interest expense on loans	621	891
Other financial expenses	156	163
Financial charges	1,293	2,353
Total net financial expenses/(revenues)	23,347	34,016

The item financial income and costs is positive for Euro 23,347 thousand, decreasing from the 2014 by Euro 10,668, mainly caused by lower dividends distributed to joint companies (Euro -11,177 thousand). The entry "other financial liabilities" marked a decrease of Euro 449 thousand, due to the reduction of interest rates applied by bank institutions to credit lines and the overall improvement of the financial situation, which decreased reliance on said credit lines.

34. *Taxation for the period*

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

(Thousands of Euro)	FY 2015	FY 2014
IRES current taxes	6,192	6,109
IRAP current taxes	1,060	1,291
(Advance)/Deferred taxes	(1,682)	(2,225)
Taxes for the period	5,570	5,175

Taxation for the reference year increases from Euro 5,175 of 2014 to Euro 5,570 of 2015, with a Euro 395 thousand increase. The decrease is mainly explained by the recognition of deferred tax assets and liabilities that, following the recent declaration of unconstitutionality of the IRES called "Robin Hood Tax", sanctioned with sentence no. 10 for the

year 2015 by the Constitutional Court, saw the adjustment of the rates applied to them. It should be noted that, following approval of Budget Law 2016 (Law no. 2008 dated 28th December 2015) decreasing IRES tax rate from 27.5% to 24% from 1st January 2017, the Company has adjusted the value advance and deferred tax credits, resulting in a positive effect in the tune of Euro 648 thousand.

The following table highlights the impact of taxes on income:

(Thousands of Euro)	FY 2015	FY 2014
Earnings before tax	39,117	48,803
Taxes for the period	5,570	5,175
Percentage of income before taxes	14.2%	10.6%

The actual tax rate decreased from 10, 6% in 2013 to 14.2% of the period considered, recording an increase of 3.6%.

(Thousands of Euro)	31.12.2015		31.12.2014	
Ordinary tax rate applicable	27.5%		34.0%	
Pre-tax results	39,117		48,803	
Theoretical tax charges	10,757	27.5%	16,593	34.0%
Provision for impairment of investments				
Taxes on dividends	(6,229)	(17.4%)	(11,707)	(24.0%)
Costs/(income) not taxable (vehicles, phones)	1,674	4.3%	945	1.9%
Advance/Deferred taxes	(1,682)	(4.3%)	(1,986)	(4.1%)
Actual IRES charges	4,520	11.6%	3,845	7.9%
IRAP (current and deferred)	1,050	2.7%	1,330	2.7%
Total actual tax charges	5,570	14.2%	5,175	10.6%
Effective tax rate	14.2%		10.6%	

OTHER EXPLANATORY NOTES

Non-recurring components

In accordance with CONSOB communication no. 15519/2005, we report that there have been no non-recurring economic components reported in the annual financial statements as of 31st December 2015.

Information on related parties

The Company is controlled by Asco Holding S.p.A., which holds 61.562% of the shares.

All operations with the companies of the Group are part of the ordinary management of the enterprise and are regulated at market conditions. In 2015, there were no other operations carried out with companies, entities or administrators of the Company, of the parent companies and of the controlled companies.

Companies	31.12.2015										
	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues			
					Goods	Services	Other	Goods	Services	Other	
<i>Parent company</i>	65										
Parent company	65	0	0	0	0	0	6,183	0	68	0	
<i>Controlled companies</i>											
Ascotrade S.p.a.	15,938	6,742	119	0	79	905	41	0	47,836	115	
Blue Meta S.p.A.	756	0	6	3,713	0	14	23	0	927	33	
Edigas Esercizio Distribuzione Gas S.p.A.	408	623	47	0	0	54	1	0	467	12	
Ettraenergia S.r.l.	145	0	0	268	0		1	0	230	15	
Pasubio Servizi S.r.l.	421	0	9	4,981	0		32	0	529	8	
ASM DG S.R.L.	401	335	110	0	74	129	0	0	463	17	
Veritas Energia S.r.l.	660	10,149	104	0	315	69	0	0	798	245	
Amagas Blu S.r.l.	424	0	4	580	0		0	0	520	11	
Total controlled companies	19,152	17,849	397	9,542	469	1,172	96	0	51,770	456	
<i>Jointly company</i>											
ASM SET S.R.L.	221	0	2	249	0	0	67	0	278	22	
Estenergy S.p.A.	36	0	0	0	0		0	0	0	0	
Unigas Distribuzione Gas S.r.l.	47	0	2	0	0	14	0	0	43	0	
Total jointly company	305	0	0	249	0	15	67	0	321	22	
<i>Affiliated company</i>											
ASCO TLC S.P.A.	108	0	52	0	0	522	12	0	122	57	
SEVEN CENTER S.R.L.	51	0	65	0	8	237	11	0	45	0	
Total affiliated company	159	0	13	0	8	759	23	0	168	57	
<i>Subsidiary company</i>											
Sinerige Italiane S.r.l.	49	0	0	0	0	545	15	0	71	0	
Total subsidiary company	49	0	0	0	0	545	0	0	71	0	
Total	19,729	17,849	412	9,791	476	1,946	6,369	0	52,398	534	

The relationships that Ascopiave SpA engages with other group companies mainly deal with the following types:

- ✓ purchase of natural gas and electricity for the distribution plants by the subsidiary Ascotrade SpA and of the cogeneration plants controlled by Veritas Energia SpA;
- ✓ purchase of call centre services from the subsidiary Ascotrade SpA made at the market price by using as parameter the number of calls;
- ✓ debit of some insurance costs by the Asco Holding SpA;
- ✓ purchase of some administrative services, call centres, credit management;
- ✓ sales of transmission service, ancillary service, and readings to different companies selling natural gas;
- ✓ sales of printing and mailing of bills;
- ✓ sales of counter services, personnel management, IT service, real estate service management, optical storage, staff services such as quality, privacy and safety of workers;
- ✓ sales of accounting and management of regulatory compliance;
- ✓ sales of administration and finance services;
- ✓ sales of technical services on the management of measurement data to the company Asm Distribuzione Gas Srl, Edigas Exercise Distribution Gas SpA;
- ✓ debit to Group companies of accounting services and information technology, and of any external expenses incurred;
- ✓ Agreement for the regulation of treasury relations designed to offset cash surpluses and deficiencies among the group companies.
- ✓ Agreement to the participation to the group consolidated having Asco Holding SpA as parent company.

Capital Report Models pursuant to CONSOB decision dated 15519/2006

Hereby we present the Capital Report Models highlighting the effects of the relationship with related parties, pursuant to CONSOB decision dated 27th July 2006 no. 15519

Capital and Financial Outlook

(Thousands of Euro)	FY 2015							FY 2014						
		A	B	C	D	Total	%		A	B	C	D	Total	%
ASSETS														
Non-current assets														
Goodwill	(1)	20,433						20,433						
Other intangible assets	(2)	267,495						262,788						
Tangible assets	(3)	33,891						35,557						
Shareholdings	(4)	183,037			69,537	69,537	38.0%	183,037			69,537	69,537	38.0%	
Other non-current assets	(5)	4,534						4,369						
Non current financial assets	(6)							3,124						
Advance tax receivables	(7)	8,298						9,070						
Non-current assets		517,689			83,106	83,106	16.1%	518,379			64,018	64,018	12.3%	
Current assets														
Inventories	(8)	1,731						1,987						
Trade receivables	(9)	28,439	65	159	354	577	2.0%	23,181	10	69	237	315	1.4%	
Other current assets	(10)	35,209						30,432	813			813	2.7%	
Current financial assets	(11)	20,973						45,153			7,281	7,281	16.1%	
Tax receivables	(12)	376						732						
Cash and cash equivalents	(13)	9,390						71,838						
Current assets		96,119	65	159	354	577	0.6%	173,324	823	69	7,518	8,409	4.9%	
ASSETS		613,808	65	159	83,460	83,684	13.6%	691,703	823	69	71,535	72,427	10.5%	
Net equity and liabilities														
Total Net equity														
Share capital		234,412						234,412						
Own shares		(17,521)						(17,660)						
Reserves		176,063						175,707						
Total Net equity	(14)	392,954						392,459						
Non-current liabilities														
Provisions for risks and charges	(15)	550						250						
Severance indemnity	(16)	1,172						1,224						
Medium- and long-term bank loans	(17)	43,829						53,456						
Other non-current liabilities	(18)	5,534						3,674						
Non-current financial liabilities	(19)	422						3,327						
Deferred tax payables	(20)	12,232						14,686						
Non-current liabilities		63,737						76,617						
Current liabilities														
Payables due to banks and financing institutions	(21)	97,622						184,665						
Trade payables	(22)	15,516	13		0	13	0.1%	19,407		529	17	546	2.8%	
Other current liabilities	(24)	31,282						18,490	1,005			1,005	5.4%	
Current financial liabilities	(25)	12,696			249	249	2.0%	64						
Current liabilities		157,117	13		249	262	0.2%	222,626	1,005	529	17	1,551	0.7%	
Liabilities		220,854	13		249	262	0.1%	299,244	1,005	529	17	1,551	0.5%	
Net equity and liabilities		613,808	13	249		262	0.0%	691,703	1,005	529	17	1,551	0.2%	

Chart legend entry for related parties

A Parent Companies

B Associated Companies

C Affiliated companies and joint control companies

D Other associated parties

Total Profit and Loss statement

(Thousands of Euro)	Note	FY 2015							FY 2014						
		A	B	Of which related parties		Total	%	A	B	Of which related parties		Total	%		
Revenues	(26)	75,766	68	224	405	697	0.9%	80,404	26	200	1,146	1,372	1.7%		
Total operating costs		44,529		790	77	1,245	2,112	4.7%	50,206		560	15	1,384	1,959	3.9%
Purchase costs for raw material (gas)	(27)														
Purchase costs for other raw materials	(28)	1,519		8		8	0.5%	1,299							
Costs for services	(29)	19,705		759	15	563	1,337	6.8%	22,054		545	15	543	1,104	5.0%
Costs for personnel	(30)	11,270				682	682	6.1%	12,711				840	840	6.6%
Other management costs	(31)	12,494		23	62	85	0.7%	14,169		15			15	0.1%	
Other income	(32)	458						27							
Amortization and depreciation	(33)	15,466						15,411							
Operating result		15,770	68	(565)	328	(1,245)	(1,415)	-9.0%	14,787	26	360	1,131	1,384	587	-4.0%
Financial income	(34)	24,644		0	10	10	0.0%	36,368		0	188		188	0.5%	
Financial charges	(34)	1,293		0	5	5	0.4%	2,353			5		5	0.2%	
Evaluation of subsidiary companies with the net equity method	(34)														
Earnings before tax		39,117	68	(565)	332	(1,245)	(1,411)	-3.6%	48,803	26	360	1,314	1,384	404	-0.8%
Taxes for the period	(35)	5,571	6,183			6,183	111.0%	5,175	4,908				4,908	94.9%	
Net result for the period		33,547	(6,115)	(565)	332	(1,245)	(7,594)	-22.6%	43,628	4,882	360	1,314	1,384	5,312	-12.2%
Statement of comprehensive income															
2.Components that can not be reclassified to the income statement															
Actual (losses) / gains from remeasurement on defined-benefit obligation	(68)							(7)							
Total comprehensive income		33,479	(6,129)	(565)	332	(1,245)	(7,608)	-22.7%	43,557	4,882	360	1,314	1,384	5,312	-12.2%

Chart legend entry for related parties

A Parent Companies

B Associated Companies

C Affiliated companies and joint control companies

D Other associated parties

Net financial indebtedness

(Thousands of Euro)	31.12.2015							31.12.2014						
	A	B	Of which related parties		Total	%	A	B	Of which related parties		Total	%		
A Cash and cash equivalents on hand	10						11							
B Bank and post office deposits	9,380						71,827							
C Negotiable shares														
D Liquid assets (A) + (B) + (C)	9,390						71,838							
E Current financial assets	20,973						45,153		7,281		7,281	16.1%		
F Payables due to banks	(87,995)						(174,920)							
G Current portion of medium-long-term loans	(9,628)						(9,745)							
H Current financial liabilities	(12,696)			(249)	(249)	2.0%	(64)							
I Current financial indebtedness (F) + (G) + (H)	(110,318)			(249)	(249)	0.2%	(184,729)							
J Net current financial indebtedness (I) - (E) - (D)	(79,955)			(249)	(249)	0.3%	(67,737)		7,281		7,281	-10.7%		
K Medium- and long-term bank loans	(43,829)						(53,456)							
L Non current financial assets							3,124							
M Non-current financial liabilities	(422)						(3,327)							
N Non-current financial indebtedness (K) + (L) + (M)	(44,250)						(53,659)							
O Net financial indebtedness (J) + (N)	(124,205)			(249)	(249)	0.2%	(121,396)		7,281		7,281	-6.0%		

Chart legend entry for related parties

A Parent Companies

B Associated Companies

C Affiliated companies and joint control companies

D Other associated parties

Financial Report

	31.12.2015		Of which related parties					31.12.2014		Of which related parties					
			A	B	C	D	Total	%		A	B	C	D	Total	%
Net income of the year	33,547								43,628						
Cash flows generated (used) by operating activities															
Adjustments to reconcile net income to net cash	15,173						0	0%	14,949					0	0%
Amortization and depreciation	15,614						0	0%	15,411					0	0%
Bad debt provisions	0								832						
Variations in severance indemnity	(2)						0	0%	62					0	0%
Net variation of other funds	306						0	0%	(136)					0	0%
Losses/(gains) on disposal fixed assets	429						0	0%	666					0	0%
Interests paid	(1,338)						0	0%	(2,291)					0	0%
Interest expense for the year	1,293						0	0%	2,318					0	0%
Taxes paid	(6,699)						0	0%	(7,087)					0	0%
Taxes for the year	5,570						0	0%	5,175					0	0%
Variations in assets and liabilities	715	0	0	0	0	0	0	0%	(6,177)	0	0	0	0	0	0%
Inventories	249						0	0%	(22)					0	0%
Accounts payable	(5,258)	(55)	(90)	(117)	0	(262)	5%	2,296	5	(16)	12	0	1	0%	
Other current assets	(4,930)	813	0	0	0	813	-16%	(11,294)	478	0	0	0	478	-4%	
Trade payables	(3,919)	0	(516)	(17)	0	(533)	14%	(1,846)	(2)	401	4	0	403	-22%	
Other current liabilities	12,868	(1,005)	0	0	0	(1,005)	-8%	2,495	569	0	0	0	569	23%	
Other non-current assets	(55)						0	0%	33					0	0%
Other non-current liabilities	1,759						0	0%	2,161					0	0%
Total adjustments and variations	15,888	(247)	(607)	(134)	0	(987)	-6%	8,771	1,050	385	16	0	1,450	17%	
Cash flows generated (used) by operating activities	49,435	(247)	(607)	(134)	0	(987)	-2%	52,400	1,050	385	16	0	1,450	3%	
Cash flows generated (used) by investments															
Investments in intangible assets	(18,424)						0	0%	(18,011)					0	0%
Realisable value of intangible assets	0								3						
Investments in tangible assets	(700)						0	0%	(1,447)					0	0%
Realisable value of tangible assets	0								20						
Disposal/(acquisitions) in investments and avances	0	0	0	0	0	0	0%	(4,000)	0	0	(4,000)	0	(4,000)	100%	
Other net equity operations	74						0	0%	(71)					0	0%
Cash flows generated/(used) by investments	(23,506)	0	0	0	0	0	0%	(23,506)	0	0	(4,000)	0	(4,000)	17%	
Cash flows generated (used) by financial activities															
Net changes in non current financial liabilities	0								2,838						
Net changes in short-term bank borrowings	(96,737)						0	0%	85,549					0	0%
Net changes in loans to subsidiaries	37,098	0	0	7,281	0	7,281	20%	(21,300)	0	0	4,045	0	4,045	-19%	
Purchase of own shares	138						0	0%	0					0	
Dividends paid to Ascopiave S.p.A. shareholders'	(33,332)						0	0%	(26,666)					0	0%
Cash flows generated (used) by financial activities	(92,833)	0	0	7,281	0	7,281	-8%	40,421	0	0	4,045	0	4,045	10%	
Variations in cash	(62,449)						0	0%	69,315					0	0%
Cash and cash equivalents at the beginning of the year	71,838						0	0%	2,524					0	0%
Cash and cash equivalents at the end of the year	9,390						0	0%	(71,838)					0	0%

Chart legend entry for related parties

A Parent Companies

B Associated Companies

C Affiliated companies and joint control companies

D Other associated parties

Values herein reported pertain the tables regarding related parties:

Group A – Parent Company

- Asco Holding S.p.A.

Group B – Associated Companies:

- Asco TLC S.p.A.
- Seven Center S.r.l.

Group C – Associated companies and joint control companies:

- Joint control companies:
 - o Estenergy S.p.A.
 - o ASM Set S.r.l.
 - o Unigas Distribuzione S.r.l.
- Affiliated companies

- Sinergie Italiane S.r.l. in liquidation

Group D – other associated parties:

- Board of Directors
- Statutory Auditors
- Strategic Company Managers

Report of categories of financial assets and liabilities

The Report of categories of financial assets and liabilities and their related fair value (IFRS 13) at 31st December 2015 and 31st December 2014 is detailed as follows:

							31.12.2015	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				4,534			4,534	4,534
Non current financial assets							0	0
Trade receivables and Other current assets				57,560			57,560	57,560
Current financial assets				20,973			20,973	20,973
Cash and cash equivalents				9,390			9,390	9,390
Medium- and long-term bank loans						43,829	43,829	43,829
Other non-current liabilities						306	306	306
Non-current financial liabilities						422	422	422
Payables due to banks and financing institutions						97,622	97,622	97,622
Trade payables and Other current liabilities						44,233	44,233	44,233
Current financial liabilities						12,696	12,696	12,696
							31.12.2014	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				4,369			4,369	4,369
Non current financial assets				3,124			3,124	3,124
Trade receivables and Other current assets				48,409			48,409	48,409
Current financial assets				45,153			45,153	45,153
Cash and cash equivalents				71,838			71,838	71,838
Medium- and long-term bank loans						53,456	53,456	53,456
Other non-current liabilities						279	279	279
Non-current financial liabilities						3,327	3,327	3,327
Payables due to banks and financing institutions						184,665	184,665	184,665
Trade payables and Other current liabilities						36,309	36,309	36,309
Current financial liabilities						64	64	64

Legend

- A. Fair value asset and liability directly entered in the P&L account
- B. Fair value asset and liability directly entered EQUITY (including derivatives)
- C. Investments possessed to their expiry date
- D. Assets issued loans and receivables (including liquidity)
- E. Assets available for sale
- F. Financial liabilities entered at amortized cost

Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The earnings per share are calculated by dividing the net income for the period by the number of shares, net of own shares.

In order to calculate the base value of each share, it is specified that the numerator value has been calculated as the economic result of the year, minus the percentage due to third parties.

There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares.

There are no shares or warrants that could influence the calculation of the diluted earnings per share. Therefore, the calculation of earnings per share shows the same values as the diluted earnings per share.

The result and the number of ordinary shares used to calculate base earning per share are reported below, pursuant to accounting principles stated in IAS 33.

(Thousands of Euro)	Amount at 31 dicembre 2015	Amount at 31 dicembre 2014
Net profit attributable to parent company shareholders	33,547	43,628
Weighted average number of ordinary shares including own shares, for the purpose of earnings per share	234,411,575	234,411,575
Weighted average number of own shares	12,148,044	12,195,214
Weighted average number of ordinary shares, excluding own shares, for the purposes of net income per share	222,263,532	222,216,361
Earnings per share (in Euro)	0.15	0.20

Fees of the Auditing Company

Pursuant to Article 149-duodecies of the Issuer's Regulations, this item includes the fees received in 2014 for auditing services and for services other than auditing provided by the Auditing Company. No services were provided by entity belonging to its network.

Type of service	Entity providing the service	Recipient	Fees (Thousands of Euro)
Audit	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	80
Attestation services	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	8
Audit and other service	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	22
Other service	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	8
Total			118

Commitments and risks

Bank guarantees

As of 31st December 2015, the Group provided the following potential bank guarantees:

(Thousands of Euro)	31th Decembre 2015	31th Decembre 2014
On credit lines	40,733	47,383
On financial leasing agreements	956	956
Guarantees on credit lines (letter of comfort)	1,653	3,629
On execution of works (letter of comfort)	943	844
Agreements on incentives art. 4 of Law no. 92/2012	119	196
On UTF offices and regions for taxes on gas (letter of comfort)	2,715	2,715
On UTF offices and regions for taxes on electricity (letter of comfort)	104	104
On distribution concession (letter of comfort)	2,789	3,405
On agreements for transport of gas (letter of comfort)	3,427	6,817
On agreements for transport of electricity (letter of comfort)	11,790	0
On purchase of electricity agreements (letter of comfort)	2,000	6,790
Total	67,228	72,840

* Please note that the items "Patronage of credit lines", "Patronage on gas contracts" include patronage given by Ascopiave SpA against Sinergie Italiane S.r.l. for a total of Euro 34,333 thousand (EUR 34,333 thousand in 2014).

Risk coverage policies

Management of Capital Objectives and criteria

The main financial liabilities of Ascopiave S.p.A. include bank loans, financial leasing, lease contracts with the possibility of purchase and short-term and at-sight bank deposits. The main objective of these financial liabilities is to finance the company's operating activities. Ascopiave S.p.A. holds several financial assets such as trade receivables and short-term deposits and reserves that derive directly from the company's operating activity. Trade receivables, as well as financial receivables, are mainly due to the controlled company Ascotrade S.p.A...

The main risks generated by the financial instruments of Ascopiave S.p.A. are the interest rate risk and the liquidity risk. The Board of Directors re-examines and identifies the policies for risk management, described hereinafter.

Interest rate risk

The exposure of Ascopiave S.p.A. to the risk of interest rate fluctuation is mainly connected to the variable interest rate loans and financings subscribed with credit institutions, being the Company responsible for managing the financial requirements of the controlled companies.

Ascopiave S.p.A.'s policy, depending on the seasonality of the natural gas business cycle, aims to manage the need for cash by means of temporary loans at variable rates that, given their constant change, do not make it possible to suitably cover the interest rate risk, besides presenting medium-long term funding, always with variable rate, with repayment between 2015 and 2026, with an total outstanding debt of Euro 62,400 thousand (2013 Euro 72 985 thousand) as of 31st December 2014

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

Medium and long term loans are mainly related to the loan issued in 2011 by Unicredit S.p.A., with residual balance as of 31st December 2015 Euro 14,286 thousand, which has been subjected to securitization by the issuing bank, as well as the loan issued in August 2013 by the European Investment Bank, with residual balance of Euro 38,000 thousand. Both

loans are subjected to covenants that have been respected.

Please refer to Paragraph 17 “Medium and Long term Loans” for additional details.

Sensitivity analysis of the interest rate risk

The following table shows the sensitivity of the Company's earnings before tax, based on possible variations in interest rates, keeping all the other variables constant.

	January	February	March	April	May	June	July	August	September	October	November	December
Net Financial Position 2015	(117,572)	(110,052)	(109,709)	(85,192)	(104,165)	(120,579)	(118,868)	(108,234)	(125,122)	(127,864)	(132,141)	(124,205)
Positive average rate	0.97%	1.11%	1.12%	1.04%	0.09%	0.02%	0.02%	0.02%	0.01%	0.01%	0.01%	0.01%
Negative average rate	0.88%	0.87%	0.85%	0.82%	0.83%	0.83%	0.82%	0.80%	0.80%	0.78%	0.72%	0.66%
Positive average rate increased of 200 basis point	2.97%	3.11%	3.12%	3.04%	2.09%	2.02%	2.02%	2.02%	2.01%	2.01%	2.01%	2.01%
Negative average rate increased of 200 basis point	2.88%	2.87%	2.85%	2.82%	2.83%	2.83%	2.82%	2.80%	2.80%	2.78%	2.72%	2.66%
Positive average rate decreased of 50 basis point	0.47%	0.61%	0.62%	0.54%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Negative average rate decreased of 50 basis point	0.38%	0.37%	0.35%	0.32%	0.33%	0.33%	0.32%	0.30%	0.30%	0.28%	0.22%	0.16%
Net Financial Position recalculated with increase of 200 basis point	(117,772)	(110,221)	(109,895)	(85,332)	(104,342)	(120,777)	(119,070)	(108,418)	(125,328)	(128,081)	(132,358)	(124,416)
Net Financial Position recalculated with decrease of 50 basis point	(117,522)	(110,010)	(109,662)	(85,157)	(104,121)	(120,529)	(118,818)	(108,188)	(125,071)	(127,810)	(132,087)	(124,152)
Effect to income before taxes with increase of 200 basis point	(200)	(169)	(186)	(140)	(177)	(198)	(202)	(184)	(206)	(217)	(217)	(211)
Effect to income before taxes with decrease of 50 basis point	50	42	47	35	44	50	50	46	51	54	54	53
												577

The analysis of sensitivity is performed by simulating a variation of interest rates applied to the lines of credit of the Company, equal to 50 basis points lower (with a minimum of zero basis points) and 200 basis points higher, maintaining all other variables. This leads to the simulation of an income before taxation between the range of minus Euro 2,307 thousand (2014 Euro 2,135 thousand) and plus Euro 577 thousand (2014: Euro 534 thousand).

Receivable risk policy

Credit risk represents the company's exposure to potential losses arising from the counterparts' failure to meet their obligations. The failure or delay in the payment of fees owed may have a negative impact on the economic and financial stability of the Company.

Ascopiave S.p.A. provides its business services to a limited number of operators in the gas sector, the most significant in terms of turnover being Ascotrade S.p.A. The rules for the access of customers to the services offered are determined by the Authority for Electricity and Gas and are provided for in the network codes, i.e. documents that establish, for each type of service, the rules governing the rights and obligations of the parties involved in the delivery of services, and they provide for contract terms and conditions that reduce the risk of default by customers. In particular, the network codes provide for the issuance of adequate guarantees to cover part of the obligations undertaken if the customer does not hold a credit rating issued by major international bodies.

Liquidity risk

Ascopiave S.p.A. constantly pursues the aim of maintaining the stability and flexibility between financing sources and uses, in its capacity as treasury manager for the Group.

The two main factors influencing the liquidity of Ascopiave S.p.A. are, on the one hand, the resources generated or absorbed by the operating or investment assets, on the other hand, and the expiry and debt renewal characteristics.

Under note 17, financial payables are detailed according to their date of expiry, as of 31st December.

Liquidity requirements are constantly monitored by the Treasury Department of Ascopiave S.p.A., in order to ensure that financial resources are easily identifiable and collectible, or that appropriate investments are made in relation to cash or cash equivalents.

The Administrators believe that the reserves and credit lines currently available, as well as those that will be generated by the operating and financial activities, will allow meeting the requirements connected to investments, management of circulating capital and to the reimbursement of debt upon date of expiry.

Specific risks in the business sector in which the Company operates

Regulations

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

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

As of 31st December 2015, Ascopiave S.p.A. holds 148 concessions (148 in FY 2014) for the distribution of natural gas Nation-wide. In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19th January 2011 and 18th October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12th November 2011. With the progressive development of the tenders, the Company may not be awarded to one or more of the new concessions, or it could award them with less favourable terms than the current ones, with possible negative impacts on the operational business and on the economic and financial position, being understood, in case of non-award for those municipalities previously managed by the company, the proceeds of the redemption value estimated in favour of the outgoing operator.

Risks relating quantification of reimbursement by Municipalities

With regard to the concessions under which the Ascopiave Group also owns the gas distribution networks, Law no. 9/2014 states that the reimbursement paid by the new operator shall be calculated according to what is envisaged in conventions and contracts and, for those aspects that are not directly set forth by the parties or related to conditions that are not disciplined by the aforementioned contracts and conventions, guidelines on criteria and operating modalities for the evaluation of the reimbursement shall apply instead, including Article 4 paragraph 6 of Law Decree 21 June 2013 no. 69, converted into law and modified by Law 9 August 2013 no. 98. In any case, the redemption value is deducted from the private contributions relating to local assets, valued according to the tariff regulation methodology in force. Furthermore, should the value of the reimbursement exceed the net value of local fixed assets calculated with tariff regulations, net of public and private contributions by more than 10%, the local authority in charge of the concession shall forward the information in detail to the AEEG, pending verification, before the call for tender can be published.

The Ministry of Economic Development Decree dated 12 November 2011 no. 266 states that the new operator shall take over property of the plant through the payment of the reimbursement to the old operator, with the exception of the municipality-owned share if applicable.

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

On this point it should be noted that the Authority has recently intervened with Resolution 367/2014 / R / gas, providing that the redemption value, referred to in Article 14, paragraph 8, of the Legislative Decree n. 164/00, at the end of the first period of custody of field is determined as the sum of: a) the residual value of the existing stock at the beginning of the custody period, assessed for all assets subject to transfer for a consideration to the incoming operator in the second custody period depending on the value of reimbursement provided for in Article 5 of the Decree 226/11, recognized to the outgoing operator in during the first period of custody, taking into account the depreciation and disposals recognized for tariff purposes in the custody period; b) the residual value of the new investments made in the custody period and at period end, assessed on the historical cost revalued for the period in which the investments are recognized in the final balance, as provided by Article 56 of the Regulation of tariffs of distribution services and gas metering (RTDG), and by the average of the net value determined on the historical revalued cost basis and on the net value based on valuation methodologies with standard costs, in accordance with paragraph 3.1 of the resolution 573/2013 / R / GAS, for the next period.

The Company is protecting its case sheet and income compared to the adverse regulatory changes described as per the terms reported in the paragraph "Territorial areas" of this report.

Territorial areas

During 2011/2012, the regulatory framework of the sector was further defined, in particular with reference to territorial calls for tenders, through the issue of some ministerial decrees, which implemented several authorisations and directions envisaged by legislation.

In particular:

- i) the Decree dated 19th January 2011 issued by the Ministry for economic Development in agreement with the Ministry for the Relationship with Regions and Territorial Cohesion, the territorial areas for issuing calls for tenders to entrust the gas distribution service were identified; with subsequent Decree dated 18th December 2011, the municipalities belonging to each territorial area were also identified (the so-called Territorial Areas Decree);
- ii) the Decree issued by the Ministry for Economic Development and the Ministry of Employment and Social Policies on 21st April 2011 contained provisions ruling the social effects connected to the assignment of the new gas distribution concessions, thus implementing paragraph 6 of art. 28 of Legislative Decree no. 164 issued on 23rd May 2000 (the so-called Workforce Protection Decree);
- iii) by Decree of the Ministry of Economic Development n. 226 of 12 November 2011 was approved the rules for the tender criteria and for the evaluation of the tender for the concession of the service of gas distribution (so-called Decree criteria)

The enactment of the Ministerial Decrees helped give certainty to the competitive environment within which operators will move in the next few years, laying the foundations for the process of market opening started with the transposition of European directives, can actually produce the desired benefits.

The Ascopiave Group – like many other operators- has favourably welcomed this new regulation framework, deeming

it may create new opportunities for investments and development for average-sized operators, rationalizing the offer on the market.

At the end of 2013, the Government issued Law Decree no. 145 dated 23.12.2013, by making changes to the regulatory framework with regard to the determination of the redemption value of the plants due to the outgoing operator at the end of the "Transitional Period". The Decree has been modified and transposed in to Law 9/2014, which changed substantially the original provisions of the Decree in this regard.

The Law Decree –modifying the contents of Article 15 of Legislative Decree no. 164/2000, set for that the value of the reimbursement due to previous operators formerly in charge of the concessions during the transitional period should be recalculated according to conventions and contracts and, for those aspects that are not directly set forth by the parties or related to conditions that are not disciplined by the aforementioned contracts and conventions, guidelines on criteria and operating modalities for the evaluation of the reimbursement shall apply instead, following modalities set forth in Article 14, paragraph 8 of Legislative Decree no. 164/2000 and following modifications. In any instance, from value of the reimbursement the private contributions related to assets are subtracted, measured according to the current tariff regulation methodology.

In any case, the redemption value is deducted from the private contributions relating to local assets, valued according to the methodology of tariff regulation in force. Furthermore, should the value of the reimbursement exceed the net value of local fixed assets calculated with tariff regulations, net of public and private contributions by more than 10%, the local authority in charge of the concession shall forward the information in detail to the AEEG, pending verification, before the call for tender can be published.

Law no. 9/2014 has set forth that the expiry terms stated in paragraph 3 of Article 4 of the Law Decree 21 June 2013 no. 69, converted into law and modified by Law 9 August 2013 no. 98 shall be extended for four additional months, and that the deadlines set out in Annex 1 to the Regulation of the Decree of the Minister of Economic Development dated 12th November 2011, n. 226 (so-called Decree criteria), concerning the areas falling in the third group of Annex 1 and the relevant terms of Article 3 of that regulation, shall be extended by four months.

Law no. 9/2014 has set forth that the expiry terms stated in paragraph 3 of Article 4 of the Law Decree 21 June 2013 no. 69, converted into law and modified by Law 9 August 2013 no. 98 shall be extended for four additional months, and that the deadlines set out in Annex 1 to the Regulation of the Decree of the Minister of Economic Development dated 12th November 2011, n. 226 (so-called Decree criteria), concerning the areas falling in the third group of Annex 1 and the relevant terms of Article 3 of that regulation, shall be extended by four months.

On 6th June 2014 the Decree of the Minister of Economic Development dated 22nd May 2014 was published on the Official Gazette, which approved the "Guidelines on criteria and application procedures for the evaluation of the redemption value of natural gas distribution systems" under Article 4, paragraph 6, of the Legislative Decree no. 69/2013, converted with amendments by Law no. 98/2013 and Article 1, paragraph 16 of the Legislative Decree no. 145/2013, converted with amendments into Law no. 9 / 2014. According to Law no. 9/2014 the "Guidelines on criteria and application procedures for the evaluation of the redemption value of the natural gas distribution plants" define the criteria for the valuation of repayments of plants to integrate those aspects that are not already provided for in the agreements or contracts, and although it is not deducible from the will of the parties.

The "Guidelines" have several critical points, not only on the merits of the resulting valuations, but also in terms of scope, that the Ministry has extremely extended, to the point of considering as ineffective all the valuation agreements of the plants concluded between the plant operators and the municipalities after 12th February 2012 (date of entry into force of Decree 226/2011).

Furthermore, the same guidelines are in contrast with the provisions of art. 5 of the Ministerial Decree 226/2011. This discrepancy refers to art. 4, paragraph 6 of the Legislative Decree 69/2013, which makes explicit reference to Article. 5 of the Ministerial Decree 226/2011.

In view of these illegalities, Ascopiave SpA challenged the MD on 21st May 2014 (so the Guidelines) before the administrative court (Regional Administrative Court of Lazio). As part of that judgment, the issue of the constitutionality relating to the (basically retroactive) interpretation of the new rules on the deduction of private contributions set by Law 9/2014 was raised.

Lastly, with Resolution 310/2014 / R / gas - "Provisions for determining the redemption value of the distribution networks of natural gas", published on 27th June 2014, the Authority for Electricity, Gas and Water System approved the provisions for determining the redemption value of the gas distribution networks, as implementation of the provisions of Article 1, paragraph 16 of LD dated 23rd December 2013, n. 145, converted, with amendments, by Law dated 21st February 2014, no. 9.

This provision requires the grantor local authority to send to the Authority for verification all the documents containing the detailed calculation of the redemption value (VIR), if this value is higher by more than 10% to RAB.

The Authority performs the procedures provided for by Article 1, paragraph 16 of the LD no. 145/13 within the time-limit of 90 days from the date of receipt of the documents by the contracting stations, ensuring priority according to the deadlines for the call of tender publication.

By Law no. 116/2014 dated 11th August 2014 (converted by amendments to Law Decree 24th June 2014 n. 91); the legislature has provided a further extension of the time limits for the calls for tender publications. Specifically for the areas belonging to the first group as per Annex 1 to the MD 226/2011, the deadline was postponed by eight months, for the areas belonging to the second, third and fourth groups, the term was postponed by six months and finally for the belonging to the fifth and sixth groups the extension is of four months.

Such extensions do not apply to areas which, although falling in the first six groups, are among the areas considered as "earth quake" because more than 15% of the delivery points falls under the municipalities affected by the earthquakes of 20th and 29th May 2012 in accordance with the Annex to the Decree of the Minister of Economy and Finance dated 1st June 2012.

The same law, making a further amendment to Article 15, Section 5 of the Legislative Decree 2000, has finally determined that the redemption value is to be calculated in compliance with the provisions of the agreements or contracts, provided that they have been concluded before the date of entry into force of the Ministerial Decree of 12th November 2011 n. 226, that is, before 12th February 2012, thus affirming the principle of retroactive application of the Guidelines, which has already been the subject of an appeal of the judicial review filed against the Guidelines.

On 14th July 2015, the Decree of the Minister of Economic Development and the Minister of Regional Affairs and Autonomies no. 106 dated 20th May 2015 was published in the Official Gazette, amending the decree dated 12th November 2011 no. 226 regarding the tender criteria for awarding the gas distribution service.

The most significant changes include:

1. the provisions concerning the value of the reimbursement of the plants to be applied in case of absence of specific agreements between the parties occurred before the entry into force of Decree no. 226/2011, which include to a large extent the provisions of the "Guidelines";
2. a higher maximum threshold for the amount of the annual payments that may be offered in tenders to local authorities. This threshold, previously equal to 5% of the portion of the restriction on tariff revenues to cover the local capital costs, has been brought to 10%;

3. the treatment of a number of important technical and economic aspects related to the tendered energy efficiency investments, concerning the value of the amounts to be paid to local authorities and the payments to cover the costs of the operator which implements the interventions and gains the related energy efficiency certificates.

During 2015, a number of service tenders were issued, with the territorial area procedure. Many of them did not follow the envisaged lawful procedure, which among other things includes a preliminary analysis by the Authority concerning the value of reimbursement of previous plant operators. This failure to follow the envisaged procedures also pertained the general outlook of the tender and the attachments thereof before its publishing. Furthermore, the majority of tenders also differ, sometimes radically, with Ministry regulations, including as far as the offer evaluation procedures are concerned. Following current regulations, said discrepancies should be justified by the Contracting Authority.

In the current outlook, the tender standardization process, which was envisaged by regulations, is severely hindered. There is a definite risk that a number of procedures will be halted due to numerous litigations concerning the current situation.

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

The regulatory amendments which replaced each other over the past years and in particular the legislation which provided for the selection of the operator of the distribution service through the so-called “territorial calls for tenders” tool, have led to, among other things, the need to determine the Residual Industrial Value (RIV) of the plants owned by the Operators.

Normally, in relation to this aspect, the concession agreements governed two “paradigmatic” situations, namely:

- The early redemption (normally governed with reference to Royal Decree no. 2578/1925) and
- The reimbursement from the (natural) expiration of the concession.

The eventuality of a “force of law” expiration, preceding the effective date of the “contractual” expiration, (as a rule) was not envisaged (and therefore governed) in the concession deeds.

Substantially, the case in question (earlier termination imposed by law) represents a “third category”, in some ways similar to the exercise of early redemption (from which, however, it differs significantly for the lack of a will independently formed to that effect by the Body) and in other ways similar to the expiration of the concession term (which however has not expired).

At least until Ministerial Decree 226/2011, there were no legislative and/or regulatory norms which precisely defined the methods and criteria to determine the R.I.V. of the plants and which could therefore complement the contractual clauses, often deficient.

Legislative Decree no. 164/2000 as well, until the recent amendment introduced in the first place with Law Decree 145/2013, and then Law 9/2014, merely referred to Royal Decree 2578/1925, which, however, ratified the method of the industrial estimate without setting precise assessment parameters.

The situation illustrated above entailed the necessity to define specific agreements with the Municipalities aimed at reaching a shared estimate of the R.I.V.. Just consider that the lack of such agreements in the past has often led to administrative and civil/arbitral litigations.

The situation of the Municipalities partners of Asco Holding S.p.A. was even more peculiar in the sense that, with the latter, there is not a real concession deed in "canonical" form, but various deeds of assignment to Companies (“Azienda

Speciale”, at the time). These deeds have ratified, at the same time, the continuation of the award of the service previously provided by the Bim Piave Consortium.

It is evident that, as deeds of assignment, a real regulation concerning the purchase and/or the termination of the management was not and could not be envisaged.

With the above-mentioned partner Municipalities, Ascopiave has signed a convention which implied hiring a renowned independent competent professional in order for him to determine the fundamental criteria to apply to calculate the RIV of the gas distribution plants.

The related negotiated procedure performed adopting the criterion of the most economically advantageous tender ended on 29th August 2011.

The expert has written a report on the “Fundamental criteria to calculate the RIV of the natural gas distribution plants located in the Municipalities currently serviced by Ascopiave S.p.A.” which was approved on 2nd December 2011 by the Ascopiave Board of Directors and then by all 92 Local Bodies by City Council Resolution.

In 2013 Ascopiave submitted the state of consistency and the appreciation of the plants determined applying the criteria set in the Report, offering at the same time its willingness to perform the cross-examination with the Municipalities, aimed at analysing the documents.

To date, following the outcome of the technical cross-examination, 87 Municipalities (unchanged figure from 31st December) have approved the residual value. Later, it will be formalized by Administrative Public Act pursuant to art. 11 of Presidential Decree 902/1986.

As part of the above process, the reciprocal relations mostly connected to the management of the service were governed as well, since both the payment of “one-off” amounts (2010 – signature of supplementary deeds) for Euro 3,869 thousand, and (since 2011) real fees for variable amounts and equal to the difference, if positive, between 30% of the “restriction on revenues” recognized by the tariff regulation and the amount already received by the Municipality itself as a dividend in 2009 (financial statements 2008) are envisaged.

In particular:

- Euro 3,869 thousand in 2010;
- Euro 4,993 thousand in 2011;
- Euro 5,253 thousand in 2012;
- Euro 5,585 thousand in 2013;
- Euro 5,268 thousand in 2014 were paid for a total amount of Euro 24,968 thousand.

During 2015 Ascopiave S.p.A. made available to a number of Municipalities in the Treviso 2 – North and Venezia 2 – Inland and Eastern Veneto Territorial Areas (69 municipalities out of 92) an update on the estimate for plants as of 31st December 2014. In this update, the company applied established evaluation criteria and provided a quantification of value of private contributions that should be detracted from the remaining industrial value of the plants, pursuant to Law 9/2014.

Management of Capital

The main purpose of capital management in Ascopiave is to ensure a steady credit rating and adequate levels of capital indicators. Ascopiave S.p.A. may adjust dividends paid to shareholders, reimburse capital or issue new shares.

Ascopiave verifies its capital through the debt to capital ratio, which is the ratio between equity and the grand total of share capital and equity. Ascopiave includes its equity ongoing financing, trade payables and other payables, net of cash and similar means.

(Thousands of Euro)	31.12.2015	31.12.2014
Financial position in the short term	44,250	56,783
financial position in the medium-long term	88,233	112,827
Financial gross debit	132,483	169,610
Share capital	234,412	234,412
Reserves	124,995	114,419
Undistributed net profit	33,547	43,628
Total Net equity	392,954	392,459
Total capital and gross debit	525,436	562,069
Debit/Net assets ratio	0.34	0.43

Coverage policies for risks deriving from fluctuations of interest rates

The Company is exposed to risks deriving from fluctuations of interest rates mainly in relation with short-term payables to banks.

Relevant events following the end of FY 2015

On 18th January 2016 Ascopiave and other operators have presented an appeal to the State Council against Lombardy Regional Court Sentence no. 2221/2015.

On February 2016 the Law 21/2016 passed. This law contained certain provisions regarding gas distribution.

Specifically, Art. 3 defines deadlines for the tenders envisaged by previous regulations from a maximum of 14 months to a minimum of 5 months, depending on the Minimum Territorial Area.

At the end of the deadline for issuing tenders for the contracting authorities designated by Municipalities, the new norm envisages that the Region may grant additional 6 months to issue the tender. At the end of this period, the Region may issue a tender with a specifically appointed commissioner.

Should the commissioner not be appointed in two months, the Ministry of Economic Development might opt to appoint a commissioner, with the agreement of the Region.

The Law also overturned economic penalties that were previously inflicted to Municipalities in case of delayed issuing of tenders.

Relevant events following the Statement approval

On 18 March 2016 a 100% Ascopiave S.p.A. owned company was created, AP Reti Gas S.p.A., with share capital Euro 200 thousand, fully paid in.

Litigations

CATEGORY I – ADMINISTRATIVE LITIGATIONS

As of 31st December 2015, as far as concessions are concerned, no administrative litigations are pending.

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

As of 31st December 2015 the following are pending:

MUNICIPALITY OF CREAZZO:

An Arbitration is pending before the Civil Court of Vicenza between Ascopiave and the Municipality of Creazzo for the establishment of the industrial residual value of the distribution plants (delivered in 2005 to the new operator). The Appeal Court of Venice, with Sentence no. 2178/15, accepted the appeal of the Municipality, confirming the validity and applicability of the arbitration clause set forth in the convention and thus overruling the first-degree sentence dated 25th August 2014, with which the Judge had condemned the Municipality to the payment of Euro 1,678 thousand. While a monetary settlement is likely and advisable, we prudentially filed a claim to initiate the arbitration procedure, to avoid possible closure of the ligation consequently to the 2178/15 Sentence on 11 December 2015.

CATEGORY III – LITIGATIONS ON THE VALUE OF PLANTS – ARBITRATIONS

As of 31st December 2015 the following are pending:

MUNICIPALITY OF COSTABISSARA:

An arbitration is pending between Ascopiave and the Municipality of Costabissara for the establishment of the industrial residual value of the distribution plants (delivered in to the new operator during FY 2011). The Arbitration Commission held its first meeting on 16th January 2012.

Given the disagreement on this point between the parties, with a partial arbitral award, the Commission has confirmed the enforcement of the same clause. With a final Arbitration award on 25th-26th May 2015, the Commission ordered the Municipality to pay the sum of Euro

3,473 thousand, in addition to the interests at the date of filing the Award. In the same Measure the costs of the procedure were quantified in Euro 210 thousand (plus VAT, Lawyers' social security fund and overheads), two-thirds of which under the scope of the Municipality and one third under the scope of Ascopiave S.p.A.. The Award was declared enforceable by the Court of Vicenza on 7th July 2015.

The Municipality, with deed notified on 12th December 2015, contested said resolution at the Appeal Court of Venice.

MUNICIPALITY OF SANTORSO:

An arbitration is pending between Ascopiave S.p.A. and the Municipality of Santorso for the establishment of the residual industrial value of the distribution plants (delivered in 2007 to the new operator). The start of the procedure

was necessary as a result of the Judgment dated 4th September 2013 by which the Judge declared that the Court of Vicenza has no jurisdiction for the validity of the arbitral clause set forth in the original Agreement. Noting the failure of attempts to amicable settlement, on 12th November 2013, Ascopiave S.p.A. served the litigation notice with the appointment of the party Arbitrator. The Municipality, by resolution dated 26th November 2013, appointed its Arbitrator. By decision of the President of the Court of Vicenza dated 31st January 2014 (taken upon request by Ascopiave) the third Arbitrator and the Chairman of the Panel were appointed. The Municipality has contested this procedure (also set forth in the concession agreement) supporting the applicability of the new law dated 2012 which, amending the Public Contracts Code, introduced a peculiar regulation with respect to the arbitration proceedings with the Public Bodies which envisages, among other things, the appointment of the third Arbitrator by the Court of Arbitration of AVCP (Authority for the Supervision of Public Contracts for works, services and supplies). The Authority has adhered to the request, envisaging a retroactive application of the new rule and introducing a sort of supervening invalidity of the arbitral clauses. In this perspective it has scheduled the draw of the third Arbitrator on 17th

April 2014. Ascopiave S.p.A. has always expressed its opposition to this formulation (most recently with the note to the AVCP dated 15th April 2014) and therefore considers the Panel perfectly formed, which, moreover, at its meeting held on 14th April 2014, confirmed its legitimacy. AVCP's Chamber of Arbitration has submitted the extract of the minutes of the meeting held on 17th April 2014 which ratified the acknowledgement of Ascopiave S.p.A.'s communication. Therefore, the proceeding was declared extinguished. The Municipality's defence has renewed its application to AVCP, while Ascopiave S.p.A.'s lawyer has reaffirmed the position of the Parent Company in another letter dated 12th June 2014. The Panel, in hearings held on 26th June 2014 and 7th July 2014 dealt with the issue envisaging a partial award on the matter and establishing the deadlines for the Parties' briefs on 30th September 2014 and 15th October 2014. The recent Law Decree 90/2014, whose article 19 has abolished AVCP, could have a significant impact on the matter. The Parties have submitted their respective briefs (and replies) within the specified time limits. With a partial award dated 10th January 2015, the Panel confirmed the legitimacy of its constitution and therefore the full legitimacy to proceed. With order dated 27th February 2015, the Panel set an investigation by a court-appointed expert to determine the value of the plants. The investigations are currently in progress, regarding which, following the request of the court-appointed expert witness, the Chairman of the Panel has extended the original deadline by 45 days. The activities should therefore be completed by 30th November 2015.

At the hearing dated 21st December 2015 the Council set forth the deadlines for the presentation of the defence (1st February 2016) in response to the Expert Witness reports.

CATEGORY IV – PENDING ADMINISTRATIVE LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31st December 2015 the following are pending:

ASCOPIAVE S.p.A. – HEADQUARTERS EXTENSION:

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

In order to obtain the review of the First Instance Sentence, Ascopiave S.p.A. has filed an incidental appeal. Currently

the only important proceeding concerns the request for an appeal on 10th May, 2011. Should none of the parties take any other action, the non-suit is scheduled in 2016.

By a communication dated 29th September 2015, however, the Lawyer of the company reported that the Council of State, Section V, scheduled the public Hearing for the discussion of the appeal on 24th November 2015. The main issue will be focused on the claim for damages pursuant to the Criminal Code (Euro 1,300 thousand), in relation to which the same arguments that led to the non-acceptance in the first instance will be proposed again. Although the company hopes for a similar outcome, the risk of a partial acceptance and therefore a sentence, at least on a lump-sum basis, cannot be neglected.

With Sentence no. 275/2016 dated 27th January 2016 the Council of State accepted the partial appeal of Ascopiave and consequently rejected the main appeal and the request for indemnification (Euro 1,300,000) by Setten Genesio, excluding litigation fees. Consequently Ascopiave owes nothing to said company nor will it ever owe to it in the future.

AEEGSI – RESOLUTIONS ARG/GAS 241/2013 – 533/2013:

An appeal to the Regional Administrative Court of Latium, which overrules Ministerial Decree dated 5th February 2013 approving the agreement template for managing the service subsequent to the following calls, limiting to the last part of art. 21.3 where the manager “supplies the default service according to the methods defined by the Authority.” This is a merely precautionary measure aiming at avoiding the risk of lack of interest in the aforesaid main judgement. Given the merely instrumental nature and Sentence no 12.06.2014, which sustained AEEGSI appeal and therefore overturned Regional Lombardy Sentence no. 3272 December 2012, Proceedings will not be carried on.

With appeal to the Regional Administrative Court of Lombardy Milan (filed before the above-mentioned Judgement of the Italian Council of State), Resolution 241/2013 was contested as well. The main reasons are: failure to envisage a compensation for the default service interventions in progress; the provisions concerning delay penalties or failure to implement power failure to be paid by the distributor even if the delay or the failure to implement depend on causes not attributable to the distributor. Finally, in connection with previous appeals, the “motivation” given to the provision was contested: according to the AEEGSI, this motivation only derives from the need to obviate a sort of “incompetence” of the distributors.

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

In early-March 2015, it was disclosed that, with judgements no. 593 and 594/2015, the Regional Administrative Court rejected the appeals of 2i Rete Gas S.p.A. and Italgas against the same resolutions 241/2013 and 533/2013. We are therefore awaiting the opinions of the Lawyers as concerns the convenience of continuing the legal actions considered that the interest in the judgement has somewhat diminished because the regulatory environment has been profoundly changed by the subsequent numerous legislative measures and there is therefore a need to evaluate other judgements with respect to the proceeding brought by other companies in the sector.

AEEGSI – RESOLUTIONS ARG/GAS 28/12 – 193/12 – 246/12 – 631/2013:

An appeal before the Regional Administrative Court of Lombardy – Milan, against the Authority for Electricity and Gas for cancelling Resolution ARG/gas 28/12, relating to the change from traditional meters to electronic meters, remotely read and managed; in particular: for the failure to recognize the residual value of the replaced meters still having a valid

seal; for the wrong (underestimated) indication/recognition of standard costs for the new appliances; for the obligation to use electronic meters only as from 1st March 2012 in spite of the fact that the technology needed is not yet available at an industrial level.

Subsequently, as partial modifications to Resolution 28, the AEEGSI issued Resolutions 193/2012 and 246/2012, which, however, were not sufficient to withdraw the company's complaint. The deadline set on 1st March 2012 was cancelled and postponed to 31st December 2012. The company has filed an appeal against both resolutions with additional grounds. Similarly, Resolution 316/2012 through which the AEEGSI further intervened on the matter, has also been contested.

With Resolution 631/2013 the AEEGSI further intervened on the matter, amending Resolution 28/2012. Therefore, the new stay request, submitted with reference to the previous rules, (also contested) was withdrawn. The proceedings are formally still in progress; however, by virtue of Resolution 631, they should/could be considered without further legal interest.

GUIDELINES – MINISTERIAL DECREE 22ND MAY 2014

An appeal to the Regional Administrative Court of Latium – Rome against the Minister of Economic Development for the cancellation of Ministerial Decree dated 22nd May 2014 concerning the introduction of Guidelines for the determination of the residual industrial value. As part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9 and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (retrospective deduction of private contributions and time limit of agreements' validity) were raised. The Regional Administrative Court, with reference to the appeals filed by other Distributors including an application for suspension, has scheduled the hearing on 27th June 2015. Ascopiave S.p.A.'s lawyers will request that the proceedings are discussed during the same hearing, or another one to be scheduled.

The Court has ordered the postponement of the discussion to another Hearing to be scheduled approximately in October-December, also considering the forthcoming entry into force (29th July 2015) of Ministerial Decree no. 106 dated 20th May 2015, amending Decree 226/2011. This, at least as far as art. 5 is concerned, essentially introduces the regulation of the Guidelines into Ministerial Decree 226/2011. As a result, on 1st October 2015, this latest Measure was also contested on additional grounds.

The next hearing has been scheduled for 28th April.

AEEGSI Resolutions ARG/gas 310/2014 and ARG/gas 414/2014

An appeal to the Regional Administrative Court of Lombardy – Milan against the AEEGSI, for the cancellation of the Resolutions ARG/gas 310 and 414/2014 related to the methods for assessing the RAB RIV delta, pursuant to art. 15, paragraph 5 of Legislative Decree 164/2000 (current text) when the difference is higher than 10%. To date, there are no further procedural steps

AEEGSI Resolution ARG/gas 367/2014

An appeal to the Regional Administrative Court of Lombardy – Milan against the AEEGSI, for the cancellation of Resolution ARG/gas 367/2014 related to the methods for recognizing the value of the RAB RIV delta in the section which envisages different regulations for incumbent (no reimbursement) and non-incumbent (full reimbursement) winners of the Territorial tender. With Judgement no. 2221/2015 filed on 19th October 2015, the Regional Administrative Court, confirming the previous (already reported) Judgment 1396/2015, rejected the appeal. Ascopiave

is currently assessing if an Appeal is appropriate.

As far as the most impactful aspects are concerned, the Judgement has recognised the legitimacy of the asymmetric regulatory solution adopted by AEEGSI, according to which for each municipal installation, the local net invested capital (RAB), recognised to the winner of the territorial tender, will be equal to:

- The reimbursement value of the above-mentioned installation, when the new operator differs from the outgoing operator;
- The amount currently recognised by virtue of the current municipal concession, if the new operator coincides with the outgoing operator.

The asymmetric regulatory solution shall only apply for the duration of the first territorial concession.

On 18th January 2016 Ascopiave appealed to this Sentence.

CATEGORY V – CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 31st December 2015 the following are pending:

ASCOPIAVE – UNIT B:

A civil judgment before the Court of Treviso (RG 6941/2013) following the pre-trial technical investigation, which ended with the report of the Expert witness (appointed by the Court), and started by Ascopiave S.p.A. (writ of summons dated 22nd August 2013) in order to obtain compensation for damages to the entrance floor of the "Unit B", against: Bandiera Architetti S.r.l. (Designers), Mr. Mario Bertazzon (Contract Manager) and Mr. R. Paccagnella Lavori Speciali S.r.l. (Contractor). The compensation request refers to an assessment of damage between approximately Euro 127 thousand (Expert witness estimate for full restoration) and Euro 208 thousand (estimate of a Third party firm for full makeover). All the Parties regularly appeared before the Court. Following the third-party notice (Insurance Company and Site engineer) the first hearing is scheduled on 17th April 2014. Upon its completion, the Judge granted the ordinary investigatory period and scheduled the next hearing on 15th July 2014. The Court, by Order dated 22nd December 2014, decided the complete renewal of the expert witness board, appointing an assessor. The appointment was confirmed in the hearing held on 13th March 2015. Ascopiave S.p.A. has appointed its own expert. The experts' investigations are currently in progress and we are awaiting the Final report of the expert witness. Meanwhile, since the "field" operations are basically completed, in order to remedy a situation of degradation and potential danger for Visitors and prior notice to the expert witness, the works to reconstruct the flooring have started.

Relations with the Agenzia delle Entrate (Inland Revenue Agency)

During 2008, the company Ascopiave S.p.A. was subject to tax audit by the Inland Revenue Office Regional Office. Following the audit, a report on findings with observations on the indirect and direct taxes was issued. During the month of July 2008, the local Internal Revenue Office issued a notice of assessment regarding the contents of the report on findings.

The company, on 5th February 2010, filed an appeal in the Provincial Tax Commission in addition pay the sum of Euro 243 thousand following application to its pending judgment.

On 30th September 2010 the Provincial Tax Commission of Treviso delivered judgment 131/03/10 filed on 14th December 2010 upheld the action and recognizing the proper conduct tax adopted by the company.

Subsequently, the Inland Revenue Office has appealed against the first instance judgment issued by the Provincial Commission of Treviso.

On 24th September 2012, the Regional Tax Commission issued the ruling no. 109/30/12, filed on 20th December 2012 which dismissed the appeal filed by the Revenue upholding the judgment of first instance.

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

Proposal of the Board of Directors to the Shareholders' Meeting

The Board of Directors of Ascopiave S.p.A., considering the results of the period and solidity of the capital, shall propose to the Shareholders' Meeting the distribution of a dividend of 0.15 Euro per share, for a total of 35.162 million Euros

Ascopiave S.p.A. announces that, if approved, the dividend will be paid on 11th May 2016, with ex-dividend date of 9th May 2015 (record date 10th May 2016).

The Board of Directors will not propose to any amount to legal reserve, as it is already equal to one fifth of the share capital

Pieve di Soligo, 14th March 2015

Chair of the Board of Directors
Fulvio Zugno

DECLARATION

regarding the Consolidated Financial Statements for the accounting period 2015 pursuant to Article 81-ter, Consob Regulation N. 11971 dated 14th May 1999, subsequent amendments and additions.

1) The undersigned dr. Fulvio Zugno in his capacity as Chairman of the Board of Directors, and dr. Cristiano Belliato, Officer Responsible for preparing the Corporate Financial Reports of Ascopiave S.p.A. hereby certify, pursuant to the guidelines of Article 154-bis, paragraphs 3 and 4, Legislative Decree n. 58, dated 24 February 1998:

- the appropriateness of the Financial Statements with respect to the characteristics of the company, and
- the actual adoption of administrative and accounting procedures in preparing the Consolidated Financial Statements for the period 1st January 2015 –31st December 2015

2) We also declare that:

2.1 the financial statements

- (a) have been written in accordance with IFRS International Accounting Principles adopted by the European Union as well as with the provisions of regulations based on Article 9, Legislative Decree n. 38/2005;
- (b) correspond to the information in the books and other accounting records;
- (c) to our best knowledge, provide a true and fair representation of the performance and financial position of the Issuer and the companies included in the scope of consolidation.

2.2 the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the Issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 14th March 2016

Chairman of the Board of Directors	Officer Responsible for the preparation of Corporate Financial Reports
dr. Fulvio Zugno <i>signature</i>	dr. Cristiano Belliato <i>signature</i>

REPORT ON CORPORATE GOVERNANCE AND COMPANY STRUCTURE

in accordance with Art.123 bis TUF

Issuer: Ascopiave S.p.A.

Website: www.gruppoascopiave.it

Financial Year of Reference: 2015

Date of approval of the Report: 14th March 2016

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Tab. 1: Information on ownership structure

Tab. 2: Structure of the Board of Directors and Committees

Tab. 3: Structure of the Board of Auditors

GLOSSARY

Code/Self-discipline code: the Self-Discipline Code of listed companies approved in July 2014 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Cod. civ./ c.c.: the civil code.

Board: The Issuer's Board of Directors.

Issuer: The Issuer of listed shares to which the Report refers.

Year: The Corporate year to which Report refers.

Consob Issuer Regulations: The Regulations issued by Consob under the resolution no. 11971 of 1999 (as subsequently amended) relating to issuers.

Consob Market Regulations. The Regulations issued by Consob under the resolution no. 16191 of 2007 (as subsequently amended) relating to issuers.

Consob Related Parties Regulations: The Regulations issued by Consob under the resolution no. 17221 dated 12th March 2010 (as subsequently amended) relating to operations with related parties.

Stock Exchange Regulations: The Regulations of the markets organized and managed by Borsa Italiana S.p.A. under the resolution of the Italian Stock Exchange Board of 26th June 2012 and approved by Consob under resolution no. 18299 dated 1st August 2012.

Stock Exchange Regulations Instructions: Instructions to the Regulations with regards to markets organized and managed by Borsa Italiana S.p.A.

Report: Report on the corporate governance and structures that the companies have to draw up as per art. 123-bis Consolidated Financial Law.

Consolidated Financial Law: The Legislative Decree dated 24th February 1998, no. 58.

ISSUER PROFILE

The Ascopiave Group works in the field of natural gas, and mainly in its distribution and sale to final consumers.

For the area of its client basin and for the quantities of gas sold, Ascopiave is currently one of the main operators of the sector at national level.

The Group owns the distribution network managed, which extends for more than 8,600 kilometres, supplying the service to a customer base of more than one million inhabitants to over 200 municipalities.

The sales of natural gases are performed by many companies, some of which are at joint control. Totally considered, the controlled companies of the Group sell to the final customers more than 1 billion of cubic metres of gas.

Since 12th December 2006, Ascopiave has been listed in the Star segment of the Italian Stock Exchange.

The Issuer is organised according to the traditional management and control model, as per articles 2380 bis and following of the civil code, with the Shareholders' Meeting, the Board of Directors and the Board of Auditors as well as a separate Auditing Company (external firm).

The Report on Corporate Governance and company structure, which is also published in a separate folder, and the Company Charter, can all be viewed on the Company's website (www.gruppoascopiave.it).

1. INFORMATION on OWNERSHIP STRUCTURES (Art. 123bis, first paragraph Consolidated Finance Law) as of 31 December 2015

a) Structure of Share Capital

Amount in Euros of the subscribed and paid in Share Capital (S.C.): 234,411,575.00

Types of shares making up the Share Capital:

	N° Shares	% against S. C.	Listed/Not Listed	Rights and Obligations
Ordinary Shares	234,411,575	100%	STAR	Each share represents one vote. The shareholders' rights and obligations are provided by articles 2346 and following of the Civil Code and by the

On 5th July 2006, the Meeting resolved to increase in the Share Capital by payment in the form of subscription under public offer for subscription, offering, as an incentive, the assignment of a bonus share.

This incentive specified that those adhering to the Public Subscription Offer and who retained ownership of their shares for at least 12 months, would then have the right to be assigned 'additional shares' without further outlay. The Meeting specified that "The funds necessary to pay for the Additional Shares will derive from a special fixed reserve fund set up specifically for this purpose and as such unavailable for any other use than that specified hereafter, by means of the provision of a part of the total price paid by the subscribers to the Public Offer".

On 17th January 2008, Mediobanca S.p.A. declared that the number of free shares to be assigned to those with such rights equalled Euro 1,078 thousands. The increase of the Share Capital in relation to the bonus shares has been reported to the Treviso Company Registry, on 29th January 2008.

On the date of approval of this Report, no rights were assigned to subscribe new issue shares.

b) Restrictions concerning the of equities

There are no restrictions concerning the transfer of equities.

c) Significant share-holdings

As of 31st December 2015, own shares held in the Issuer's portfolio are equal to 12,100,873 ¹. As of that date, the significant shares in the Issuer's capital, according to that resulting from the communications made in accordance with Article 120 Consolidated Finance Law, are as follows:

Declarant	Direct Shareholder	% ordinary capital	% on voting capital
Asco Holding S.p.A.	Asco Holding S.p.A.	61.562%	61.562%
Ascopiave S.p.A.	Ascopiave S.p.A.	5.162%(i)	5.162%(i)
Comune di Rovigo	ASM Rovigo S.p.A.	4.419%	4.419%

¹ Including no. 1.975 bonus shares, with a value of Euro 1.00

d) Equities granting special rights

No equities have been issued that grant special control rights.

e) Employees share participation: Exercise of voting rights

There is no system of employee share holding.

f) Restrictions to the voting right

There are no restrictions concerning voting rights.

g) Agreements between Shareholders

There are not agreements between the Shareholders known to the Issuer pursuant to art. 122 of Consolidated Financial Law.

h) Change of control clauses and statute regarding takeover bid

The Issuer and its subsidiaries have not drawn up any significant agreements that become effective, are changed or cancelled in the event of a change of control of the contracting company.

With regards to takeover bid, the Issuer has not provided in the Statute for any derogation to the provisions of the Consolidated Financial Law. The Issuer's Statute does not furthermore provide for the application of the neutralization rules as per art. 104-bis, subpar 2 and 3 of the Consolidated Financial Law.

i) Power to increase Share Capital and for purchase of treasury stock

The Board of Directors has obtained no powers from Shareholders' Meeting pertinent to the increase of Share Capital.

On 23rd April 2015 the Shareholders' Assembly deliberated the adoption of a new Plan for the purchase of own shares (hereinafter referred to as the "2015 Plan").

The 2015 Plan authorises the Board of Directors to purchase and transact, in one or more times, on a rotating base, a maximum of 46,882,315 ordinary shares, i.e. the different number that will represent a portion not higher than the maximum limit of 20% of the share capital, also considering the shares already owned by the Company and those that will be owned each time by the controlled companies and, in any case, respecting the limits set by law. The shares could be acquired for a length of 18 months from the date of the resolution of the Assembly dated 23rd April 2015.

In accordance with Article 2357, paragraph 1 of the Italian Civil Code, the purchase of own shares is subject to the limits of the distributable earnings and of the available reserves resulting in the financial statement as of 31st December 2013, equal to € 76,226,558.

The purchase operations shall start and end in accordance with the timings established by the Board of Directors or the President and CEO. The purchase operations shall take place, in one or more times

and on a rotating basis, in accordance with the methods established by the Regulations of the Organised Markets and managed by Borsa Italiana S.p.A. The transactions may also be performed prior to having completed all purchases, and may take place on one or more occasions and adopting any method appropriate to the goals to be achieved.

The implementation of the plan for the purchase and transaction of own shares will basically allow to perform investment operations consistent with the strategic objectives of the Company, also in the form of exchange, loan, transfer, sale or other Act concerning own shares performed with the aim of acquiring shares or share holdings or for any other operation on the capital that may involve the assignment or transaction of own shares.

Moreover, the plan will allow to:

1. intervene, in accordance with the current regulations, directly or through authorised intermediaries, on the share tendencies in relation to contingent market conditions, thus facilitating exchanges when there is little liquidity on the market, and encouraging regular negotiations;
2. offer the shareholders an additional tool useful for monetising their investment;
3. acquire own shares to be used, if deemed appropriate, in incentive plans based on shares and reserved to directors and/or employees and/or collaborators of the Company or of companies controlled by the parent Company.

The number of own shares as of 31st December 2015 amounts to 12,100,873², equal to 5.162% of the share capital, for a counter value equal to Euro 17,521,331.95.

1) Management and Co-ordination Activity

Despite the Issuer participates in the consolidated taxation in the hands of the consolidating Asco Holding S.p.A. and there are some relationships of economic nature with the parent company Asco Holding S.p.A., the Issuer believes not being subject to any management and coordination activity pursuant to Articles 2497 et following of the Civil Code, as Asco Holding S.p.A. does not issue directives to its subsidiary and there is no connection between the two organizational-functional companies. As a consequence, Ascopiave S.p.A. considers it has always operated in conditions of corporate and business autonomy with regard to its parent company Asco Holding S.p.A.

We specify that:

- The information requested by art. 123 bis, first par., lett. i) ("the agreements between the company and the directors... that provide for compensations in case of resignations or dismissal without a just cause or if their business relationship ends after a public offer of purchase") are illustrated in the section of the Report dedicated to the Compensation of the Directors (Section 9);
- The information requested by Article 123-bis, first paragraph, letter l) ("the norms applicable to the appointment and substitution of the directors...and also changes to the Charter, if different from those legislative and of the regulations applicable in supplementary way") are illustrated in the section of the Report dedicated to the Board of Directors (Sec. 4.1).

² Including no. 1.975 bonus shares, with a value of Euro 1.00

3. COMPLIANCE

The Issuer has complied with the Code of Self-Conduct, adopting the principles and the application criteria it envisages, any failure to comply will be motivated in this Report.

The Code of Self-Conduct is publicly available on the website of the Italian Stock Exchange (www.borsaitaliana.it).

The Issuer is not subject to non-Italian provisions of law that influence the Issuer's own corporate governance structure.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND SUBSTITUTION

The dispositions of the Issuer's Charter that regulate the composition and nomination of the Board (Articles 14 and 15) are qualified to guarantee the respect of the dispositions introduced by Law 262/2005 (Article 147-ter of the Consolidated Financial Law) and by Legislative Decree no. 303 dated 29th December 2006, and Law dated 11th July 2011 no. 120.

According to Article 15 of the Company Charter, the members of the Board of Directors are appointed through the so-called list vote on the basis of the lists presented by the shareholders that, alone or with other shareholders, own shares for at least 2.5% of the share capital, i.e., when different, the maximum portion of participation in the share capital required by the law and current regulations to present the lists ("shares in the capital"). The shares in the capital shall be indicated in the summons notice of the Assembly, which shall take a decision on the appointment of the board of Directors.

Article 15 of the Company Charter also states that the lists presented by the shareholders be deposited at the Company Headquarters within the deadline provided for, every time, by the current and relevant regulations.

Together with each list, within the afore-stated deadlines, the declarations, with which the single candidates accept the candidature and certify under their responsibility, the non existence of ineligibility and incompatibility causes, and also the possession of the requested data previewed by the Normative applicable each time must be published. The first candidate of each list must own the requirements of independence previewed by Article 148, subpar 3 of Legislative Decree dated 24th February 1998, no. 58 (and subsequent amendments) and by the codes of behaviour drawn up by management companies of the market which the Company accepted.

The lists having at least 3 candidates cannot be exclusively composed of candidates of the same gender (male or female). The candidates of the least represented gender cannot be less than one third (rounded up) of all the candidates in the list.

After the vote of the assembly, if two or more lists have been presented, the first four candidates of the list that will obtain the higher number of votes and the first candidate of the list that will result second for number of votes will be elected.

The appointment mechanism through the so-called list vote guarantees transparency, as well as rapid and adequate information on the personal and professional characteristics of the candidates.

As of the date of the report, the Board still hadn't set up an internal committee for the proposals of appointment, because it did not judge it necessary. This choice is dictated by the fact that the current and applicable regulatory dispositions and the provisions of the company Charter – such as, in particular, the appointment mechanism through the list vote- attribute adequate transparency to the procedure of selection and indication of the candidates.

If during the financial year, for whatsoever reason, one or more directors taken from the list that obtained the highest number of votes (“Majority Directors”) is out, and despite this the majority still holds, the Board will substitute the missing Majority Directors through co-optation, in accordance with Article 2386 C.C., it being understood that if one or more missing majority Directors are Independent directors, other independent directors must be co-opted, respecting applicable regulations governing gender balance. The directors thus remain in charge until the following Meeting, that will confirm their appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system previously indicated.

If during the year, for whatsoever reason, one or more directors taken from the first list that obtained the second highest number of votes (“Minority Director”) is out and, despite this the majority still holds, the Board will substitute the missing Minority Directors with the first non-elected candidates part of the same list, only if they are still eligible and willing to accept the post, or, if defecting, to the first list following for number of votes between those that achieved a number of votes equal to at least the minimum threshold envisaged in paragraph 15.10 of the Charter, without prejudice, in both cases, to the applicable regulations governing gender balance. The terms of the substitutes elapse along with the directors in charge at the moment of their joining the Board, as an exception to the provisions set forth in Article 2386.1, Civil Code; in the event one or more missing Minority Directors are independent directors, they have to be substituted with other independent directors; if it is not possible to proceed with the afore-stated terms, for insufficient choice on the lists or for the non-availability of the candidates, the Board shall proceed with co-optation, in accordance with Article 2386 of C.C., of a director chosen by the Board, pursuant to law, in order to respect the legal and regulatory prescriptions related to the presence of the minimum number of independent directors, respecting applicable regulations governing gender balance and also, if possible, the principle of minority representation. The director thus co-opted will remain in charge till the following Meeting that will confirm their appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system.

Succession plans

In view of the structure of governance, of the decision-making system and of the powers, as well as the organizational structure adopted by the Issuer and the Group Ascopiave, aimed at ensuring an adequate separation between the direction, management and control functions and to promote the effective implementation of power balance between the top management, the Board of Directors has decided not to adopt a plan for the succession of executive directors, according to the guidelines 5.C.2 of the Code of Self-Conduct.

4.2. STRUCTURE

In accordance with Article 14 of the Company Charter, the Board of Directors comprises five (5) members, who need not necessarily be Shareholders, appointed by the Meeting.

The members of the Board of Directors remain in charge for three financial years, and their term expires at the date of the Meeting called to approve the Financial Statement relating to the last year of their office; no different expires are established for the members of the Board. The members of the Board of Directors may be re-elected.

The Ascopiave Board of Directors, appointed during the Meeting of 24th April 2014, currently comprises 5 (five) members who will remain in charge until the date of the Meeting summoned to approve the Financial Statement relating to the year ended 31st December 2016.

In this Meeting 2 lists with no correlation have been submitted.

The Directors, except Bruno Piva, have been taken from the list presented by the majority shareholder Asco Holding S.p.A. The Director Bruno Piva has been taken from the minority list no. 2 presented by the shareholder Asm Rovigo S.p.A

The summary of the presented lists and the voting results is reported below:

PRESENTING PARTY	LIST OF CANDIDATES	LIST OF ELECTED CANDIDATES	% VOTES OBTAINED IN RELATION TO VOTING EQUITY OWNERSHIP INTEREST
Lista n. 1 Asco Holding S.p.A.	1. Dimitri Coin 2. Fulvio Zugno 3. Enrico Quarello 4. Greta Pietrobon	1. Dimitri Coin 2. Fulvio Zugno 3. Enrico Quarello 4. Greta Pietrobon	88.255%
Lista n. 2 ASM Rovigo S.p.A.	1. Bruno Piva 2. Claudio Paron	1. Bruno Piva	7.846%

As of 21st May 2014, the Director Bruno Piva, elected from list 2 submitted by the Shareholder ASM Rovigo S.p.A, presented his resignation from this office and, on 19th June 2014, in compliance with art. 15.15 of the Company Charter in force, the Board of Directors appointed through co-optation Mr. Claudio Paron, first not appointed of the same list.

For the detailed composition of the Board of Auditors, please refer to Table 2 attached to the Report. In accordance with the Application Guideline 1.C.1 lett i). of the Code, the main professional skills of the executive director in charge and the seniority from the first appointment are presented:

-
- Mr. Fulvio Zugno, President and CEO, beginning of term 28th April 2011, at his second mandate: Mr. Zugno is a professional in the economic field, registered to the Association of Business Consultants and of Professional Accountants and to the Legal Auditors Registry. He practices in his studio, he still holds appointments in economic subjects in public bodies and business companies.
 - Mr. Dimitri Coin, independent Director, already in office since 28th April 2011, at his second mandate: he is an entrepreneur in the agro-nursery sector and in the real estate-commercial sector.
 - Mr. Enrico Quarello, Director, already in office since 14th February 2012: he carries out management activities in companies of organized distribution, he has been director of national companies.
 - Mrs. Greta Pietrobon, independent Administrator, in office since 24th April 2014: She is a freelancer in the areas of private law and criminal law
 - Mr. Claudio Paron, independent Director, already in office since 19th June 2014: experience in the direction of international companies, he is currently participating in the management Rovigo Municipality.

The Directors' professional curricula are filed at the company's headquarters and available on the Issuer's institutional website www.gruppoascopiave.it under the Investor Relations section.

Maximum accumulation of offices held in other companies

The Board has not deemed it necessary to define any general guideline regarding the maximum number of administrative and control functions held in other companies that can be deemed compatible with an efficient implementation of the role of director of the Issuer, keeping into account the member's participation in the Committees constituted inside the Board, without prejudice to the requirement of each Director to evaluate the compatibility of the position of director and auditor held in other companies listed in regulatory markets, financial companies, banks, insurance brokers, or companies of significant size, with the diligent fulfilment of the tasks accepted as Director of the Issuer.

During the meeting held on 16th March 2015, the Board evaluated the offices currently held by its Directors in other companies, and deemed that the number and type of office held does not interfere and is, as such, compatible with an efficient fulfilment of the office of Director in the Issuer.

A list of the companies in which each Director holds administrative or control offices is attached to this report (Table 2), highlighting whether or not the company in which the office is held belongs to the group to which the Issuer belongs.

Induction Programme

During the year, in line with the Application Guideline 2.C.2 of the Self-Discipline Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments affecting the industry in which the Issuer operates, as well as about the performance of

the corporate bodies functions, through the divulgation of information during meetings and in the pre-board report.

4.3. 4.3. ROLE OF THE BOARD OF DIRECTORS

In accordance with the provisions set forth in Principle 1.P.1 and with the recommendations set forth in the Application Guideline 1.C.1 of the Self-Discipline Code, on 24th July 2006, the Company's Board of Directors resolved to meet at least once a quarter, failing any further need or urgent situation.

During the year 2015, 16 (sixteen) Board of Directors meetings were held in the following dates: 9th January 2014; 16th January 2015; 24th February 2015; 9th March 2015; 16th March 2015, 23rd April 2015, 11th May 2015, 23rd June 2015, 29th June 2015; 5th August 2015, 29th September 2015, 27th October 2015, 4th November 2015, 9th November 2015, 19th November 2015, 22nd December 2015. The meetings' average length was about 2 hours.

As of today, since the beginning of 2016, 4 (four) Board Meetings have already been held on the dates: 18th January 2016, 26th February 2016, 7th March 2016 and 16th March 2016.

The 2016 calendar of the main company events (already sent to the market and to Borsa Italiana S.p.A. in accordance with regulatory provisions) includes 3 (three) further meetings on the following dates:

- 12th May 2016 – approval of the Quarterly Report as of 31st March 2016;
- 3rd August 2016 – approval of the Half year Report as of 30th June 2016;
- 10th November 2016 – approval of the Quarterly Report as of 30th September 2016;

During the financial year 2015, in line with the Application Guideline 1.C.5. of the Financial Law, the Chairman of the Board of Directors and CEO has, with the support of the Corporate Affairs Department, compatibly with the organisation needs and the content of the discussed topics, and in order to guarantee thorough and timely pre-meeting information, transmitted the support documents for the meeting of the Board at least two working days before the scheduled dated the Directors and Auditors, failing any further need or urgent situation.

In addition, with the support of the Corporate Affairs Department, the Chairman of the Board of Directors has made sure that the topics on the agenda may be devoted the necessary time to allow a constructive debate, by encouraging, during the meetings, contributions from the Directors.

In line with the Application Guideline 1.C.6, during 2015, the General Manager of the Company has participated in all the meetings of the Board of Directors. Furthermore, with regard to the topics discussed, the Issuer's Managers in charge for the departments concerned, according to the subject, or external consultants, were invited to attend the Board of Directors meetings, upon request of the President or other administrators, in order to provide additional information on the topics on the agenda.

The Board of Directors plays a primary role in the Ascopiave system of Corporate Governance, in that it determines the company's strategic goals and those of the subsidiaries belonging to the Group it

heads, ensuring that they are achieved. Furthermore, the Board of Directors is also significantly involved in the correct management of company information and relations with shareholders.

To this end, Article 19 of the Company Charter invests the Board of Directors with broad powers for administration of the Company, with no exceptions, and grants it the faculty to perform all the actions which it deems appropriate or useful to reach the Company objectives, excluding only those actions that the law reserves to the Shareholders' Meeting.

Moreover, and again in accordance with Article 19 of the Company Charter, the Board of Directors shall be exclusively responsible for all resolutions to be taken in compliance with Article 2436 Civil Code, concerning:

- mergers or spin-offs in accordance with articles 2505, 2505-bis, 2506-ter, civil code;
- creation and closing of secondary branches;
- transferral of company headquarters within Italy;
- specification of which Directors shall act as legal representatives;
- decrease of company capital in case of recession of partners;
- amendments to the company charter to comply with the law,

without prejudice to the fact that such resolutions can, in any case, also be made by the Shareholders' extraordinary meeting.

In applying Guideline 1.C.1 of the Self-discipline Code, on 24th July 2006 the Board of Directors resolved that are included among its exclusive functions, in line with the Application Criterion 1.C.1., lett. A:

- the examination and approval of the strategic, industrial and financial plans of the Issuer and of the Group it heads, the periodic monitoring of the related implementation;
- and the definition of the corporate governance system of the Issuer and of the Group structure.

In line with the Application Guideline 1.C.1. let. c), the Board has evaluated, on a three month basis, the suitability of the organisational, administrative and general accounting structure of the Issuer, with specific reference to the Internal Control system and management of conflicts of interest, in accordance with the procedures adopted by the Issuer for that purpose. With regard to this activity, as need may dictate, the Board has made use of the support offered by the Internal Control Committee, by the Internal Control Supervisor, the auditing company and the Director Responsible for preparing company accounts, as well as the procedures and checks implemented in accordance with Law no. 262/2005.

In 2012, the Ascopiave Board of Directors S.p.A. adopted the document "Guidelines relating to the management and coordination", which regulates the implementing mechanisms of management and coordination, the information and control flows between the Issuer and its subsidiaries. The document, approved by the general meetings of subsidiaries in 2012, is an integral part of the Group's governance system.

In 2013, the adoption of the organizational, management and control models in compliance with the requirements of the Legislative Decree 231 has also been completed in all the subsidiaries of the Issuer. Each of these companies has adopted its own "model 231", it has set up a body in charge of

supervising the implementation and effectiveness of Model 231, and adhered to the Code of Ethics of the Ascopiave Group.

In line with the Application Guideline 1.C.1. letter e), the Board has evaluated, on a quarterly basis, the general trend of management verifying the economic, property and financial results of the Company and consolidated results. The results, and the performance indicators, were compared to the planning data.

In accordance with the guideline 1.C.1 lett. f) of the Self-Discipline Code, it is up to the Board of Directors of Ascopiave, given the system of delegated powers in force and in accordance with the resolution of the Council of 24th July 2006, the resolution on the transactions of significant strategic, economic, or financial importance for the Issuer.

If these operations are carried out by the participated companies, in the document "Guidelines on management and coordination" it is expected that, in compliance with industry regulations relating to administrative and accounting separation, the administrative bodies of the subsidiaries submit the same to the prior exam of the Board of Directors of Ascopiave.

The following operations are considered, but not limited to, having a strategic, economic, or financial, relevance:

- agreements with competitors and partners of the Group which, for the object, commitments, constraints, limits which may directly or indirectly arise, may for long-term affect strategic decisions on the freedom of business strategic choices (e.g. partnership, joint venture, etc.) ;
- acts and operations involving the entrance in (or the exit from) geographic and/or products markets;
- investment in tangible and intangible assets;
- purchase and arrangement of companies or business units;
- purchase and arrangement of subsidiaries of controlling interests and connections and share in profits in other companies, as well as the conclusion of agreements on the exercise of rights related to those shares;
- undertaking of loans of significant amount, as well as provision of loans and issuing of guarantees for the interest of Group companies;
- purchase of assets and services binding the company for a multi-year period;
- decision of merger in the cases provided for by arts 2505 and 2505-bis of the civil code;
- creation and closing of secondary branches;
- amendments to the company charter to comply with the law.

In line with the Application Guideline 1.C.1., let. g) on 16th March 2015 the Board of Directors has completed the self-assessment on the functioning of the Board itself and of its internal Committees, as well as their size and their composition, stating that it involves professional and managerial skills in the economic/financial , managerial, entrepreneurial fields, consistent with the activities of the Issuer. It is furthermore considered as adequate the presence of 3 (three) Independent Directors, out of a total of no. 5 (five) Directors.

The assessment process was carried out on the basis of qualitative criteria, by comparing the composition and functioning of the Board of Directors and of the internal committees to the best practices of reference. For the assessment, the Board has not made use of external consultants, but of professionals internal to the Company.

The Shareholders' Meeting did not authorise any exceptions to the prohibition of competition as specified by Article 2390 of the Civil Code.

4.4. DELEGATED PARTIES

Managing Directors

By resolution dated 29th April 2014, the Company's Board of Directors, appointed during the meeting held on 24th April 2014, resolved to grant the Chairman of the Board of Directors, Fulvio Zugno, as CEO; Mr. Fulvio Zugno, in line with the structure of powers in force since 2012, was assigned with the following main powers:

- Coordinating the activity of the Board of Directors and implementing the related resolutions;
- Taking care of the relationships with the shareholders;
- Managing the institutional relationships and promoting the Company image;
- Elaborating medium-long term strategies;
- Contracts for the purchase and sale of goods, raw materials, movable properties, services with economic content not higher than Euros 1,500,000 for each operation;
- Purchasing, selling or exchanging installations, machines, equipment, trademarks, patents with value not higher than Euros 500,000 for each operation;

The division of powers is completed by the General Manager , appointed by the Board of Directors on 15th March 2012, in the person of Mr . Roberto Gumirato . The General Manager directly reports to the Chairman and Chief Executive Officer, in compliance with the new arrangement of powers set by the current Board of Directors.

In accordance with the allocation of powers, it is believed that the Chairman and Chief Executive Officer, Dr. Fulvio Zugno, cannot be regarded as primarily responsible for the company management (*chief executive officer*).

Chairman of the Board of Directors

See above par. "Chief Executive Officer"

Information to the Board

In accordance with what specified by Article 19.5 of the Company Charter, the delegated parties report on at least a quarterly basis to the Board of Directors and Board of Auditors as to their work, general management trends, foreseeable evolution and the most economically, financially and equity important operations performed by the Company and its subsidiaries; specifically, the Chairman provides information as to the operations in which he has an interest on his own behalf or that of third parties.

With regards to the statutory provisions, it should be noted that the delegated parties report and involve the board on the activity performed at each meeting of the Board of Directors. On a quarterly basis, upon approval of the annual and half-yearly financial statements and of the intermediate management reports are instead communicated the management results and related performance indicators.

4.5. 4.5. OTHER EXECUTIVE DIRECTORS

There are no other executive directors further than the Chairman and Chief Executive Officer, Mr. Fulvio Zugno.

4.6. 4.6. INDEPENDENT DIRECTORS

In the present composition of the Board of Directors of the Issuer there are three independent directors, in line with the Application Guideline 3.C.3 of the Self- Discipline Code. The non-executive Directors and Independent Directors are, in terms of number and authority, such as to guarantee that their judgement can have significant influence on the Issuer's board resolutions. The non-executive Directors and Independent Directors shall bring their specific competencies to board discussions, contributing to the decision-making process in accordance with the Company interests.

The number of independent directors (3 on a board of 5) is adequate both on the basis of the provisions of art . IA.2.10.6 Instruction Stock Exchange, and in relation to the size of the Board and to the Issuer's activity; furthermore, this is sufficient to the constitution of the committees within the board that the Company has deemed appropriate to adopt.

In the meeting held on 23rd June 2015, the Board of Directors evaluated the existence of the requirements of independence of the Directors Mr. Dimitri Coin, Mr. Claudio Paron, Mrs. Greta Pietrobon, as specified by Principle 3.P.2., where it is recommended to assess the independency of Directors on a yearly basis, and in line with the Application Guideline 3.C.4.

In performing such evaluations, the Board of Directors adopted the Application Guidelines 3.C.1. and 3.C.2. as specified by the Code. The Independent Directors are, as such, in possession of the independence requirements listed in Article 148, 3rd paragraph, letters b) and c) of the Consolidated Finance Law, since everyone of them:

- (i) Does not control the Issuer, directly or indirectly, even through subsidiaries, fiduciary companies or on behalf of third parties, nor are able to exercise undue influence;
- (ii) Does not participate, directly or indirectly, in any company agreement where one or more subjects may exercise control or significant influence on the Issuer;

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- (iii) Was or was not in the previous 3 fiscal years, an important party (by such, meaning Chairman, legal representative, Chairman of the Board of Directors, and executive Director or Manager with strategic responsibility) of the Issuer or of a holding with strategic relevance or of a company under common management with the Issuer or of a company or body which, even with others, through a representational company agreement, controls the Issuer or is able to exercise significant influence;
 - (iv) Does not have, or did not have, during the previous year, directly or indirectly (e.g. through subsidiaries or companies of significance in the sense specified by the previous point (iii), or as partner of a professional studio or consultancy company) significant commercial, financial or professional relations, or subordinate working relations: (a) with the Issuer, with its subsidiary, or with one of relevant its partners, in the sense specified by the previous point (iii), (b) with a subject that, even jointly with others, through a representational company agreement, controls the Issuer or – given that it is a body or company -with the partners, in the sense specified by the previous point (iii);
 - (v) Without prejudice to what specified under the previous point (iv), holds any independent or subordinate working relations, or other relations of an economic or professional nature such as to compromise independence: (a) with the Issuer, with one of its holdings or parent companies, or with the companies subject to common management; (b) with the Issuer Directors; (c) with subjects that are married or related up to the fourth level with the Company's Directors as under the previous point (a);
 - (vi) Does not receive or did not receive in the previous three fiscal years from the Issuer or from a holding or subsidiary a significant additional fee in addition to the “fixed” fee as non-executive Company Director including participation in incentives linked to company performance even based on shares;
 - (vii) Has not been a Director of the Issuer for more than nine years during the last twelve years;
 - (viii) holds the office of Executive Director in another company in which an Executive Director of the Issuer holds an office of Director;
 - (ix) is not a member or director of a company or of one belonging to the network of companies tasked with the auditing of the Issuer's accounting;
 - (x) is not a close family member of a person who finds himself in any of the situations as specified under the previous points and, in any case, is a husband, wife, relative or similar within the fourth grade of the Issuer Directors of the subsidiaries, of the companies controlling it and those subject to common management.

The Board of Auditors verified, in line with the Application Guideline 3.C.5, during the meeting held on 23rd June 2015, the correct application of the guideline and procedures adopted by the Board to evaluate the independence of its members, and the results of this control will be explained in the Auditors' report at the meeting in accordance with Article 2429 Civil Code.

The independent administrators never met during the year in the absence of the other administrators as no other circumstance demanding the necessity of these reunions occurred. There are various reasons that contributed to the non-convocation of special reunions of the independent administrators. For example, the fact that the administrators have always received with large advance all the necessary information for their effective, deep and not formal participation to the reunions of the Board of

Directors was determining. This permitted the timely formulation of eventual remarks on the opportunity and correctness of each single proposed decision. Furthermore, the adoption of the Code on Related Parties Transactions, its punctual application, the previous declaration, during the opening of the Board's works, of any conflicts of interests according to article 2391 of Civil Code and the subsequent abstention of the administrators in conflict, are symptomatic elements of a correct *modus operandi* that guarantees the absence of conflicts of interest and explains the reason why the necessity of facing these problems without the presence of the so-called not-independent administrators never appeared during the financial year.

4.7. LEAD INDEPENDENT DIRECTOR

The Board of Directors did not consider necessary to identify an internal independent Director as a Lead Independent Director, not occurring the circumstances provided for in the Application Guideline 2.C.3. of the Code. This figure, in fact, is expressly provided for by the Application Guideline 2.C.3. of the Self-Discipline Code in the event that the Chairman of the Board is primarily responsible for managing the Issuer - *chief executive officer* – i.e. the Chairman or the controlling shareholder of the Issuer, or if the Issuer belongs to the FTSE-Mib, for which the appointment of the *Lead Independent Director* may be required by the majority of independent directors.

5. PROCESSING OF COMPANY INFORMATION

5.1. CODE FOR THE TREATMENT OF CONFIDENTIAL INFORMATION AND REGISTER OF INFORMED PERSON

In compliance with the provisions of Article 114, first and twelfth paragraphs, and 115 bis of the Consolidated Finance Law, and arts. 66 et seq. and 152-bis et seq. of the Issuer Regulations and with the Application Guideline 1.C.1. let. J) of the Self-Discipline code, on 11th September 2006 the Board of Directors approved the adoption of a behaviour code concerning confidential information (the **'Code for the treatment of confidential information'**), and the institution of a specific register of persons who, due to the working or professional activities performed, or offices held, have access to confidential information (the **'Register of Informed Persons'**). On 14th October 2013, Ascopiave S.p.A. Board of Directors approved a new version of the Code for the treatment of confidential information.

The code text approved by the Company first includes the obligation for the Company Directors and all those who, due to their working or professional activities, have access to confidential information concerning the Issuer or companies controlled by such (the **'Informed Persons'**) to keep such information confidential. The code sets out a specific procedure aimed at governing the ways and terms in which the confidential information concerning the Company is to be communicated to the market, in compliance with applicable regulations and provisions of law.

The procedure also states that Ascopiave Chairman of the Board of Directors shall take responsibility for the management of Confidential Information concerning the Company or Subsidiaries, as well as relations between the Company and institutional investors. Specifically, Ascopiave Chairman of the Board of Directors approves the communication sent to his attention by the Contact person and, generally speaking, the management of relations with the press and institutional investors.

The Contact person, appointed by the Board of Directors, shall deal with relations with information bodies and prepare the drafts of communications about Confidential Information concerning the Company or Subsidiaries, ensure correct fulfilment of obligations to inform the market, and, in accordance with the methods set out by the Issuer Regulations and the Stock Exchange Regulations, as well as by the 'Code of conduct for corporate information to the market', release any communications relating to the Confidential Information, approved by Ascopiave Chairman of the Board of Directors.

The communication obligations outside the Confidential Information must be met by means of press releases to the market, and, where deemed appropriate or fitting, making reports and documents available. Communication to the public of Confidential Information takes place by means of press releases to be prepared and transmitted in accordance with the methods specified by the Stock Exchange Regulations (see article 2.7.1 of the Stock Exchange Regulations).

In compliance with what specified under principle no. 7 of the Guide for Information to the Market and the recommendations formulated on this point by Consob, the Company shall publish, through the Contact person, on its website and preferably in the English language (i) the Charter, (ii) the financial statement and consolidated financial statement of the year, (iii) the half-year and quarterly reports, (iv) the information released to the market and all documentation distributed during meetings with market operators, (v) the Behaviour Code governing internal dealing.

The Code also sets out the institution of the Register of Informed Persons and governs the ways by which it should be filled in and updated, in compliance with that specified by Article 115 bis of the Consolidated Finance Law. Data concerning those recorded in the Register of Informed Persons will be kept for a period of 5 years as from the date on which the circumstances arose that meant said person was to be recorded in the Register of Informed Persons, or the updating of his related data.

5.2. INTERNAL DEALING

In compliance with the provisions of Article 114, seventh paragraph of the Consolidated Finance Law, and arts. 152-sexies et seq. of the Issuer Regulations, the Board of Directors resolved to adopt a behaviour code with regards to *internal dealing* (the '**Code for Internal Dealing**'), which identifies the so-called 'Significant Parties', and governs the way by which communication of operations made by such concerning shares issued by the listed company or other related financial instruments, must be communicated to Consob and the public. The text of the Code for Internal Dealing (<http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Codice-di-comportamento-internal-dealing-GruppoAscopiave-20131014.pdf>) approved on 11th September 2006 and updated on 23rd June 2015, specifies the ways by which the Significant Parties (i.e. those parties required to communicate any operations on Company shares or financial instruments) must make such communications to the Company itself and/or Consob. In compliance with what set out by Article 2.2.3 paragraph 3, letter (o), the Code also prohibits the significant parties from performing operations on Company shares and/or financial instruments during the so-called blackout periods, i.e. during the 15 calendar days prior to communication to the public of approval of the draft financial statement, half-year report, and the quarterly reports.

In implementing the provisions of the Code for Internal Dealing and the Code of behaviour for corporate information to the market, and in accordance with Article 2.6.1, chapter 2.6 of the Stock Exchange Regulations, the Board of Directors Meeting held on 24th January 2012 appointed Mr. Cristiano Ceresatto as Information Officer and Mr. Edo Cecchinell as his alternate, assigning them the

task of complying with all provisions of law and regulations as expected of the afore-specified Information Officer, with specific reference to the matters of internal dealing and communication of confidential information, as well as the provisions relating to the communications to the market as per Chapter 2.6 of the Stock Exchange Regulations and, more generally, the provisions of the Code for Internal Dealing and the Code for the Treatment of Confidential Information.

6. INTERNAL BOARD COMMITTEES

Within the Issuer's Board of Directors, the Compensation Committee and the Risks and Control Committee have been established.

7. APPOINTMENTS COMMITTEE

Given the size of the Company and the limited number of members of the control and administration bodies, the Board of Directors has not deemed it necessary to set up an appointments committee, pursuant to the Guideline 5.P.1, leaving the task of identifying the most suitable persons for the execution of varying tasks within the Company's corporate governance bodies, to the Board of Directors as a whole.

8. COMPENSATION COMMITTEE

In accordance with Principle 6.P.3 of the Code, the Company's Board of Directors has set up an internal Compensation Committee.

Composition and functionality of the compensation committee

The Compensation Committee of the Issuer is composed by three independent Directors. During 2015, the Committee has been composed by the independent Director Dimitri Coin, as Chairman, and by the non-executive Director Enrico Quarello, by the independent Director Claudio Paron. (see Table 2).

In accordance with the Principle 6.P.3 of the Code of Self-Conduct, the Director Dimitri Coin has acquired an adequate experience regarding remuneration policies, both as an entrepreneur, and as a member of the Board of Directors and of the Remuneration Committee of Ascopiave from 2011 to today .

During the year, 2 Compensation Committee meetings were held on 9th March 2015 and 23rd June 2015. The meetings duration was of about 1 hour.

The Committee furthermore met after the end of the fiscal year, on 7th March 2016.No other meetings of the Committee were scheduled for the year 2016.

The Chairman and one member of the Board of Auditors, invited by the Committee itself, participated in the meeting and, for in-depth examinations of the agenda, some employees of the Company were also in attendance.

In accordance with Application Guideline 6.C.6, the Regulations of the Compensation Committee provides that no director takes part in the meetings of the Committee where proposals to the Board of Directors regarding his Compensation are formulated.

Functions of the Compensation Committee

For the details of the functions and functioning of the Compensation Committee, see Section I, chapter 2.4 of the Report on Compensation, prepared in compliance with Article 123-ter of the Consolidated Finance Law. It should be noted that the Rules of the Compensation Committee, which was adopted in its original form on 12th September 2006, was amended on 19th December 2011.

On 9th March 2015, the Committee met to discuss the following issue, among others:

- Compensation policy adopted by the Company and elaboration of the Report on Compensation pursuant to art. 123-ter Consolidated Financial Law
- Outcomes of the “2014 *management by objectives*” plan
- Medium and long term share-based incentive plans 2015-2017

On 23rd June 2015, the Committee met to discuss the following issue, among others:

- Individuation of the beneficiaries of the medium-long term incentive plan PILT 2015-2017

After the end of the fiscal year, on 7th March 2016, the Committee met to discuss, among the subjects, the adequacy, consistency and application of the Compensation Policy and the drafting of the 2016 Report on Compensation, to monitor the actual achievement of the performance targets set in “2015 *Management by objectives*” plan.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4.C.1., let. D).

The Committee, while performing its tasks, has accessed the necessary information and the corporate functions pertinent to its assignment, in line with the Application Guideline 4.c.1, lett. e).

No financial resources have been granted to the Internal Control Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

9.COMPENSATION OF DIRECTORS

General compensation policy

The Board of Directors adopted, in the meeting dated 19th December 2011, the “Compensation Policy of the Ascopiave Group” (hereinafter “Compensation Policy”), then amended on 15th March 2012 and 14th March 2013, in compliance with the recommendations of Article 6 of the Self-Discipline Code of listed Companies of Borsa Italiana S.p.A. (the “Self-Discipline Code”), to which the Company conforms, and also in compliance with Article 3.2 letter (b) of the Procedure for Related Parties Transactions approved by Ascopiave on 24th November 2010.

The Compensation Policy shall be presented to the Board on the occasion of the 2014 financial statement approval, and subject to the advisory vote of shareholders in compliance with Article 123-ter of the Legislative Decree no. 58 of 24th February 1998.

For the contents of the Compensation Policy see Section I of the Report on Compensation, prepared in compliance with Article 123-ter. of the Consolidated Finance Law.

Share-based compensation plans

At the Annual Meeting held on 26th April 2012, which approved the 2011 financial statements, a new share-based incentive plan was approved, the so-called "Long-term share-based incentive plan 2012-2014" or "2012-2014 plan"), elaborated upon the proposal of the Remuneration Committee and previously approved by the Board of Directors on 15th March 2012. The 2012-2014 plan, in compliance with the recommendations of Article 6 of the Self-Discipline Code, envisages, in order to grant the bonus, a vesting period of 3 years, and the achievement of pre-fixed performance and return targets of the Company's shares, also in relation to a basket of stocks of comparable companies. The bonus grant for 2015, of which 50% in cash and 50% in Ascopiave shares, provides for a 2 year retention period of those shares is envisaged; in case the Beneficiary, at the end of the two-year period, has a management relationship with Ascopiave or with the Companies of the Group, the retention period is extended until the term of his office.

The informative document is available on the Issuer's institutional website, under the section 'Investor Relations' (<http://www.gruppoascopiave.it/wp-content/uploads/2015/02/Pianodiincentivazionealungotermin2012-2014.pdf>)

The ordinary meeting of 23rd April 2015, which approved the financial statement for the year 2014, has approved a long-term share based incentive plan, the so-called "Long-term share-based incentive plan 2015-2017" or "2015-2017 plan"), elaborated upon the proposal of the Remuneration Committee and previously approved by the Board of Directors on 16th March 2015. The 2015-2017 plan, in compliance with the recommendations of Article 6 of the Self-Discipline Code, envisages, in order to grant the bonus, a vesting period of 3 years, and the achievement of pre-fixed performance and return targets of the Company's shares, also in relation to a basket of stocks of comparable companies. In case the bonus is granted, of which 50% will be assigned in cash and 50% in Ascopiave shares, a 2 year retention period of those shares is envisaged; in case the Beneficiary, at the end of the two-year period, has a management relationship with Ascopiave or with the Companies of the Group, the retention period is extended until the term of his office.

The Board of Directors has taken steps to implement the Plan, identifying beneficiaries, among the potential beneficiaries under the Regulations.

The informative document is available on the Issuer's institutional website, under the section 'Investor Relations' (http://www.gruppoascopiave.it/wp-content/uploads/2015/03/Ascopiave_Documentoinformativo-PILT-2015.pdf)

Compensation of executive directors

For the breakdown of the compensation of directors who exercise management proxies, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

Compensation of executive director and of managers with strategic responsibilities

For the breakdown of the compensation of the executive director and of managers with strategic responsibilities, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

Incentive mechanisms for the In-Company Control Supervisor and the Manager in charge of preparing the company accounting documents

The Manager in charge of preparing the company accounting documents and the internal audit manager, during 2015, received the "Incentive long-term share-based program 2012-2014", which was approved by the Board of Directors of Ascopiave S.p.A., upon proposal of the Compensation Committee, on 15th March 2012 and after approved by the Shareholder's Meeting on 26th April 2012. The Manager in charge, as manager with strategic responsibilities, was also the recipient of the incentive plan "management by objectives 2015", the outcomes of which can be found in Section II of the Report on Compensation, prepared pursuant to art. 123-ter of the Consolidated Financial Law.

Compensation of non-executive directors

For the breakdown of the compensation of non-executive directors, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

In line with Application Guideline 6.C.4. of the Code, the compensation of non-executive Directors is not connected to the Issuer's economic results.

Non-executive Directors are not recipients of share-based incentive plans.

Management severance pay in case of resignation, dismissal or business termination following a takeover bid

For details on the benefits, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

10. RISKS AND CONTROL COMMITTEE

In line with the provisions of Principle 7.P.3., Letter. a), n. (ii) and 7.P.4. the Board has constituted an internal control and risk Committee.

The Board of Directors of the Issuer, on 11th September 2006, simultaneously approved the Control and risks Committee Regulations, in compliance with the new Code of Self-Discipline, with following modifications dated 23rd February 2011 and 24th January 2013.

Composition and functioning of the control and risks committee

The Issuer's Internal Control Committee is composed of non-executive Directors, most of which are independent. The Committee is composed of three members. In 2015, the Committee comprised the non-executive Director Dimitri Coin, as Chairman, and the independent Director Claudio Paron³, by the non-executive Director Enrico Quarello.

In accordance with Principle 7.P.4 of the Self-Conduct Code, the Director Dimitri Coin has expertise in risk management, acquired in business and in his experience as member of the Risk and Control committee in Ascopiave SpA from 2011.

During the fiscal year 5 (five) meetings of the Risks and Control Committee were held on 24th February 2015, 9th March 2015, 11th May 2015, 5th August 2015 and 9th November 2015. The average length of the meetings was about 1 hour. For details on the participation of members, see Table 2 attached to this report. For the year 2016, the meetings of the Committee are fixed on the occasion of the 4 (four) meetings of the Board of Directors, scheduled for the approval of the annual, half-year and quarterly results of the Company. After the end of the fiscal year, 2 (two) meetings of the Committee were held on 26th February 2016 and 7th March 2016.

The Committee meetings were attended, upon invitation, by the members of the Board, in line with the Application Guideline 7.C.3 of the Code, the Manager responsible for preparing corporate accounting documents and the head of the Internal Audit department.

Functions attributed to the risks and control committee

In line with the Application Guideline 7.C.1, the Control and Risks Committee, in its role of supporting the Board of Directors, expresses its opinion with regard to:

- (i) definition of guidelines for the Internal Control and Risks Management system, so that the main risks concerning the Company and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining compatibility criteria of those risks with a healthy and consistent business management;
- (ii) the assessment, with at least yearly frequency, of the adequacy of the internal control and risks management system in comparison with the corporate characteristics and with the profile of the risks taken, as well as with its effectiveness;
- (iii) the work plan scheduled with at least annually by the Head of the Internal Audit Department;
- (iv) the description, in the report on corporate governance, of the main features of the system of internal control and risk management;
- (v) the results presented by the statutory auditor in the eventual letter of recommendations and in the report on key matters arisen during the statutory audit.

The Control and Risks Committee, furthermore, in supporting the Board of Directors:

- (i) Assesses, together with the manager in charge of preparing the corporate accounting documents, heard the statutory auditor and the Board of Auditors, the correct application of accounting principles and their uniformity for the purposes of preparing the consolidated financial statements;

³ Appointed on 19th June, cooptation date of the Director Claudio Paron, replacing the Director Bruno Piva, who resigned on 21st May 2014.

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- (ii) expresses opinions on specific issues regarding the identification of key business risks;
 - (iii) reviews the periodic reports related to the evaluation of the system of internal control and risk management, and those prepared by the Internal Auditing Department;
 - (iv) monitors the independence, adequacy, effectiveness and efficiency of the Internal Auditing department;
 - (v) may ask the Internal Auditing Department to perform audits on specific operational areas, by simultaneously communicating it to the Chairman of the Board;
 - (vi) reports to the Board of Directors at least once every six months, in occasion of the approval of the annual financial report and statements, on its activity and the adequacy of the system of internal control and risk management;
 - (vii) delivers a preventive motivated opinion on the Company interest to the completion of transactions with related parties, as well as on the convenience and accuracy of the related conditions, pursuant to the Procedure for transactions with related parties approved by the Board of Directors of the company on 24th November 2010;
 - (viii) delivers a preventive motivated opinion on the proposals made by the Director in charge of the internal control system and risk management to the Board of Directors regarding the functions of appointment and dismissal of the Head of Internal Auditing, the allocation to the same of adequate resources for the fulfilment of his responsibilities, as well as the determination of his Compensation in line with the company policy;
 - (ix) performs the other duties which, from time to time, will be assigned to him by the Board of Directors

During the fiscal year the Control and Risk Committee has delivered its opinion in favour of the Board of Directors on the adequacy of the internal control and risk management system. The Committee has examined the periodic reports prepared by the internal audit department on the progress of the work in the field of internal auditing, with particular regard to the activities of risk analysis and to the implementation of the necessary measures to provide reasonable assurance regarding the true and fair representation of the economic, patrimonial and financial information according to the provisions of Law 262/2005.

During the meetings, the Committee also discussed the most suitable initiatives with regards the auditing activities for 2015, with a view to progressively improving the Internal Control and Risk Management system.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4.C.1., let. D).

In performing its functions, the Committee has had the right to access all information and company functions necessary for the execution of its tasks, and avail of external consultants, within the terms set out by the Board, in line with the Application Guideline 4.C.1., lett. e).

No financial resources have been granted to the Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Ascopiave has adopted a system of internal control and risk management in accordance with the Code of Self-Discipline for listed companies and in line with the best practices of reference.

The Board of Directors, under the definition of the strategic, industrial and financial plans, defined the nature and level of risk consistent with the strategic objectives of the Issuer, in line with the Application Guideline 1.C.1. lett. b).

The Board of Directors defined the guidelines for the Internal Control and Risks Management system, so that the main risks concerning the Issuer and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining the compatibility of these criteria with a healthy and consistent business management in line with the Application Guideline 7.C.1., lett. a).

Please be advised that, in 2014, the Group started a project for the implementation and development of the Enterprise Risk Management model (hereinafter “ERM”), through the adoption of methods and operations aimed at improving risk assessment and at implementing checks to monitor the control system related to the risks identified, according to a specific plan. In particular, the project identifies the risk events which, at a strategic, financial, operational and compliance level, may jeopardize the achievement of performance targets. The risk assessment model that was adopted will enable the evaluation of the protection tools adopted and the scheduling of the most adequate hedging actions in line with the issuer's risk preference. Furthermore, the model envisages the implementation of a risk analysis dashboard (so-called Tableau De Bord) through the identification of risks indicators to be continuously monitored.

As part of the implementation of the said risk management model, the Company has adopted policies - including those for the management of financial risks and the energy risk management-, methodological and operational instruments to better assess the risks and to carry out monitoring checks on its control system of the risks identified.

Existing management of risk and internal control system in relation to the financial information procedure

The system of internal control and risk management is embodied in the set of rules, procedures and organizational structures designed to permit the identification, measurement, management and monitoring of the main risks. In line with the guideline 7.P.1. of the Code, this system is integrated into the broader organizational and corporate governance adopted by the Issuer and shall take in due account the reference models and best practices existing at national and international level.

The system is aimed at ensuring the trustworthiness, accuracy, reliability and timeliness of financial reporting.

a) Phases of the existing management of risk and internal control system in relation to the financial information procedure

The internal control and risk management system is aimed at providing the reasonable certainty that the diffused accounting information supplies to the users a true and correct representation of the management facts, allowing the release of the certifications and declarations requested by law on the correspondence of the document results, of the books and accounting writings of the acts and communications of the company diffused to the market and related to the accounting information also

within the year, and also the appropriateness and effective application of the administrative and accounting procedures during the period interested by the accounting documents (year balance, half year balance and intermediate management report) and on the drawing-up of the same according to the international accounting standards.

In relation to this, we must remember that, as specified in the previous Reports, Ascopiave, as an Italian company with shares negotiated in an Italian regulated market, must appoint a Manager in charge of preparing the company accounting documents (Manager in charge), to whom the law attributes specific duties, responsibilities and certification and declarations obligations.

As a consequence, on 19th July 2007 the Board appointed a Manager in charge, to whom it entrusted the task to prepare proper administrative and accounting procedures for the creation of the accounting informative diffused to the market, and also to supervise the effective respect of these procedures, attributing him proper powers and instruments for implementing related functions.

The Board entrusted this charge to Mr. Cristiano Belliato, Chief Financial Officer of the Issuer, to whom the Board attributed due powers and instruments for the realisation of the tasks according to the provisions of Article 154-bis of Legislative Decree 24th February 1998, no. 58.

The Manager in charge started the “262 Project”, with the aim of ascertaining the consistency of the Internal Control System to supply a reasonable certainty about the true and proper representation of the economic, equity and financial information.

The risk management and internal control system is based on the following characterising elements:

- a set of company procedures relevant for the preparation and circulation of financial information, comprising, among others, operating instructions, reporting and accounting calendar;
- an identification process of the main risks connected to the financial information and of the main controls for the acknowledged risks (financial risk assessment) that brought to the recognition, for each relevant accounting area, of the financial processes/flows considered critical and the activities of control supervising these financial processes/flows and also the elaboration of appropriate control matrixes that describe for each process considered critical and/or sensitive for the 262, the control standard activities (key controls) and the concerning process owners. The company processes and related matrixes are the subject of a periodical evaluation and if necessary to an update.
- process owners to whom the update of the matrixes of the controls is entrusted; the Chief Financial Officer is responsible for the verification and the periodical update of the administrative-accounting procedures of the Group;
- a process of periodical evaluation of the appropriateness and of the effective application of the identified key controls. The evaluation is performed every 6 months with the preparation of the balance and of the half-year report and is performed by the internal audit department, on the basis of the indication of the Manager in charge. The tests on semi-annual controls are performed on the basis of the priorities identified during the risk assessment;
- a process of certification toward the outward based on the reports and declarations given by the manager in charge according to Article 154-bis of Legislative Decree 58/1998, in the framework of the general process of preparation for the annual balance or the half year financial report or the intermediate management report, also on the basis of the controls performed and object of the accounting control model, which content is shared with the President and Chief Executive Officer, who presents the report or the declaration of the Board, together with the accounting document, for the relating approval by this last one. For the purposes of internal reporting, the Manager in

charge periodically refers to the Control and Risks Committee, to the Board of Auditors and to the Supervisory Committee about the development procedures of the evaluation process of the control system and also about the results of the evaluations performed to support the released certifications or declarations.

b) Roles and functions

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

- Board of Directors;
- Director in charge for the internal control and risks management system;
- Committee for control and risks;
- Supervisory Committee pursuant to Legislative Decree 231/2001;
- Manager in charge of preparing the company accounting documents;
- Head of the Internal Audit Department;
- Board of Statutory Auditors
- Auditing company.

The Board of Directors is the body called upon to define the nature and level of risk consistent with the strategic objectives of the Issuer . It is up to the Board of Directors , after consulting the Control and Risks Committee, to set the guidelines of the internal control and risk management system and to assess its adequacy, at least every year . To this aim, the Board of Directors relies on the work of the control and risks Committee and of the Director in charge for the system of internal control and risk management. The control and risks Committee supports, with appropriate preliminary assessments, the evaluations and decisions of the Board of Directors relating to the system of internal control and risk management, as well as those for the approval of financial reports.

The Head of the Internal Audit Department is assigned with the task of verifying that the system of internal control and risk management is adequate and works properly.

Furthermore, each business unit and company manager of the Company is responsible, under the guidelines of the internal control and risk management system set out by the Board of Directors and by the directives received, for implementing these guidelines, defining, managing and monitoring the efficient functioning of the In-company Control system, with reference to their own area of responsibility.

All employees, each according to his role, contribute to ensuring an efficient functioning of Ascopiave's In-company Control system.

In accordance with what specified by arts. 2.2.3, paragraph 3, letter (j) and 2.2.3 bis of the Stock Exchange Regulations, on 27th March 2008, Ascopiave set up the organisation, management and control model as per Article 6 of Legislative Decree no. 231 dated 8th June 2001, by also appointing a

Body in charge for supervising the adequacy and effective application of the Model; for the related details see paragraph 11.3 of this document.

The Board of Directors has assessed, during the fiscal year, the adequacy of the internal control and risk management system with respect to the Company characteristics and the risk profile, as well as its effectiveness, in accordance with the provisions of Application Guideline 7.C.1 letter b).

The evaluation was conducted on the occasion of the presentation of financial results for the period, as well as during the regular meetings of the Board, through the constant flow of information guaranteed by the players of the internal control and risk management system.

11.1. EXECUTIVE DIRECTOR IN CHARGE OF INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM

The Board of Directors appointed Mr. Fulvio Zugno (Chairman of the Board of Directors and Chief Executive Officer) as executive director in charge of supervising the functioning of the internal control and risk management system, in charge for the implementation and preservation of an effective internal control and risks management system, in line with the Guideline 7.P.3, let a), n. (i).

This choice has been made on the basis of the importance that Mr. Zugno holds within the Ascopiave company structure.

In accordance with the Application Guideline 7.C.4. of the Code, the executive director in charge of supervising the functioning of the internal control system:

- has identified the main company risks taking into account the characteristics of the Issuer's activities and those of its subsidiaries, and has submitted them to a periodical Board's examination;
- has implemented, within the scope of the powers appointed to him, the guidelines defined by the Board, designing, realising and managing the in company control system, constantly checking the overall suitability and efficiency;
- has adapted this system to the dynamics of the operative conditions and legislative and regulatory situation;
- has asked the internal audit department, which depends under the organizational point of view from the same Chairman and Chief Executive Officer, to perform verifications on specific areas of operation and on the compliance with the rules and the procedures in the execution of business operations;
- has set up a constant flow of information with the control and risks Committee and with the Board of Directors on issues and concerns raised, so that the Committee (or the Board) has been able to take appropriate action.

11.2. PARTY RESPONSIBLE FOR INTERNAL AUDIT

The responsible for internal audit is, since June 2015, Mr. Sandro Piazza, advisor with proper professional qualifications and independence, who has gained extensive experience in the field of internal audit and compliance activities. Previously, up to May 2015, the Department was headed by Mr. Christian Ceresatto.

The appointment of Mr. Sandro Piazza took place following the favourable opinion of the Director in charge for the Internal Control and risks Committee, on the basis of the technical knowledge and skills of the professional experience to perform the task.

Pursuant to the Guideline 7.C.3., lett. b) The Head of the Internal Audit Department is assigned with the task of verifying that the system of internal control and risk management is adequate and works properly.

For the execution of the tasks assigned , the Internal Audit function comprises , in addition to the Manager , two additional resources with specific expertise in economics and finance .

The internal audit function is not responsible for any operational area and reports to the Chairman of the Board of Directors of Ascopiave, in line with the Application Guideline 7.C.5, letter. b.

The Party responsible for Internal Control, pursuant to the Application Guideline 7.C.5. of the Code:

- verifies, either continuously or in relation to specific needs and in compliance with international standards, the operation and the suitability of the internal control and risk management system; the activity is regulated by an audit plan, approved annually by the Board of Directors, based on a structured analysis and prioritization of key risks;
- has direct access to all information useful to perform his tasks;
- prepares periodic reports containing adequate information about his work, the way in which the risk management is carried out, as well as on the compliance with the plans for their reduction, further to an assessment on the suitability of the internal control and risk management system and he transmits them to the Chairmen of the Board of Auditors and of the control and risk Committee, to the Chairman of the Board of Directors and to the Director responsible for the system of internal control and risk management;
- prepares timely reports on major events and transmits them to the Chairmen of the Board of Auditors, of the Control and Risk Committee and of the Board of Directors as well as to the Director in charge of the internal control system and risk management;
- verifies, as part of the audit plan, the reliability of information systems including systems of accounting.

For carrying out the activities, if deemed appropriate and if authorized by the Board of Directors or by its representatives, the Head of Internal Audit may request the support of external professionals expert in this field or of tools that support the activity.

During the financial year, the Head of Internal Audit performed a verification of the internal control system and risk management of the Issuer on the basis of international best practices.

Specifically, such verification concerned the Issuer's corporate governance system, the implementation of the regulations and provisions of law as specified by Legislative Decree 231/2001 and Law 262/2005, supply management procedures, company risk management and the implementation of administrative control procedures.

The Head of the Internal Audit Department has actively participated, only as advisor, in the process of revising the structure of corporate governance of the Group Ascopiave, both at Ascopiave and at the subsidiaries, also for the effective implementation of the management and coordination activity.

The Head of Internal Audit department, during the financial year, has guaranteed systematic and periodical information about the outcomes of activity performed, addressed to the Chairmen of the control and risks Committee and of the Board of Auditors, as well as to the administrator in charge of supervising the internal control and risk management system, in order to enable them to fulfil the tasks assigned in the field of supervision and evaluation of the system of internal control and risk management.

11.3. ORGANISATION MODEL ex Legislative Decree 231/2001

On 27th March 2008, the Issuer adopted the organisation, management and control model for the prevention of crime with the aims specified by Legislative Decree 231/2001 and subsequent amendments.

Along with the adoption of the model, the Company appointed a Supervisory Committee that will have to supervise on the operation and compliance with the model itself.

Considering the requested requirements of the reference regulations and the indications deriving from the guidelines of relevant category associations as well as the sector best practices, the Board of Directors met on 29th April 2014 appointed as components of the Supervisory Committee: Law. Elisa Pollesel (Chairman) Mr. Cristiano Ceresatto- until 31st May 2015 responsible for internal auditing of the Issuer and subsequently external member, professional in the field of internal auditing - and Mr. Ruggero Paolo Ortica – an expert in the economic-financial field.

The abstract of the above model consists of a general part showing the normative system of reference, the process of definition of the model and the constituent elements of the model itself; it also includes various special parts dealing with the special cases of crime that the model is intended to prevent, among which:

- crimes against the public administration
- corporate crimes
- *market abuse*
- safety at work
- environmental crimes
- computer crimes

-
- receiving of stolen goods and money laundering
 - corruption between private parties

The Supervisory Board has set up, during 2015, a structured collection of information flows by the business parties so called Apical, designed to obtain information about significant events that occurred during the operations, that may be attributable to the risk areas identified in Model 231.

The Ascopiave SpA Board of Directors, during its meeting on September 29th 2015, upon proposal of the Supervisory Board, approved an update of the general part of the Model in relation to the discipline of these information flows, and the updating of some special parts of the Model, as a result of the changes introduced by the legislator in legislative decree no. 231/2001.

For the dissemination of the model, the general part of the same is available on the Issuer's website (<http://www.gruppoascopiave.it/wp-content/uploads/2015/10/Ascopiave-Modello-231-Parte-Generale-CdA-2015-09-29.pdf>).

In addition, the Ascopiave Group Code of Ethics, approved by resolution of the Board of Directors of Ascopiave S.p.A. of 14th May 2013, is available on the Issuer's website (<http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Codice-etico-GruppoAscopiave-201305141.pdf>).

11.4. AUDITING COMPANIES

Auditing is entrusted to the company PriceWaterhouseCoopers S.p.A.

The appointment was made by the Shareholders' Meeting on 23rd April 2015. The appointment will expire upon approval of the financial statement as of 31st December 2023.

11.5. MANAGER RESPONSIBLE FOR PREPARING COMPANY ACCOUNTING DOCUMENTS

Mr. Cristiano Belliato, the Issuer's Chief Financial Officer since 19th July 2012, formerly Administrative Director of the Company, is the Manager responsible for preparing the company's accounting documents.

In accordance with Article 25 of the Issuer's Charter, the manager responsible for preparing company accounting documents must be in possession, not only of the honourable requirements described by current legislation for all those performing functions of administration and management, but also the professional requirements as follows (i) having graduated in economics, finance or a subject related to company management and organisation, (ii) having matured a total experience of at least three years in administration or control activities, or having performed managerial tasks with capital companies, or administrative or managerial tasks, or held offices of auditor or consultant as chartered accountant with businesses in the fields of credit, finance or insurance, or in any case in fields that are closely related or inherent to the activity performed by the Company, involving the management of economic and financial resources.

Furthermore, any person not in possession of the requirements of honour as under article 147quinquies of Legislative Decree no. 58 dated 24th February 1998.

Following the obligatory but not binding opinion of the Board of Auditors, the Board of Directors shall appoint the Manager responsible, setting out his compensation.

The Board of Directors will grant the appointed Manager suitable powers and means by which performing his tasks, in accordance with the provisions of article 154 bis of Legislative Decree no. 58 dated 24th February 1998.

11.6. COORDINATION BETWEEN THE PARTIES INVOLVED IN THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

The Issuer has implemented mechanisms of interaction between the parties involved in the system of internal control and risk management aimed to ensure the coordination and the effective performance of specific tasks. Among these, it is to be noticed the performance of regular meetings between the bodies and the departments responsible for internal control and risk management, the participation of the Board of Statutory Auditors and of the Internal Audit Manager to the meetings of the Control and Risks Committee.

12. INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES

On 24th November 2010, the Board approved the text of the Code on Related Parties Transactions (hereinafter referred to as the "Code"). The Code governs the operations with related parties performed by the Company, either directly or through subsidiaries, in accordance with the provisions set forth in the Regulatory Norms adopted pursuant to art. 2391-bis of the civil code by the National Committee for the Companies and the Stock Market, (CONSOB) with resolution no. 17221 dated 12th March 2010 and further amendments ("Regulatory Norms").

The Code came into force as of 1st January 2011 and it has replaced the previous regulation governing Related Parties Transactions approved by the Board of Directors of the Company on 11th September 2006 (subsequently modified).

For the contents of the Code, see the document available on the Issuer's website at the following address: <http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf>.

In order to implement the procedure, a mapping of the so-called Related Parties is periodically performed, to which the contents and the controls provided for by the document are applied. The Directors are also required to declare, if existent, any interests in conflict with the performing of the transactions in question.

13. APPOINTMENT OF AUDITORS

The appointment and replacement of auditors is governed by the laws and regulations of Article 22 of the Issuer's Charter.

The Board of Auditors is composed of three statutory auditors and two alternate auditors, whose office lasts three years and which can be re-elected. At least one of the statutory auditors should be: (i) a woman, if the majority of the statutory auditors are men; (ii) a man, if the majority of the statutory auditors are women.

In accordance with Article 22 of the Issuer's Charter, the whole Board of Auditors is appointed on the basis of lists presented by Shareholders. Shareholders who alone, or together with other Shareholders, at the time of presentation hold a share of at least 2.5% of the share capital, or, where otherwise, the maximum share of the share capital required for the presentation of lists as specified by applicable provisions of law and regulations, may present lists. The interest share will be specified in the summons notice to the Meeting called to deliberate the appointment of the Board of Auditors.

The lists must specify at least one candidate for the office of Statutory Auditor, and one for the office of Alternate Auditor. No candidate may appear in more than one list, at risk of being deemed incompatible. In the lists composed of three or more candidates, the gender of at least one third (rounded up) of the candidates for the role of statutory auditor and the candidates for the office of alternate auditor must be different from the gender of the other candidates.

The lists, signed by the Shareholders presenting them, or by the Shareholder who has been delegated to present them and provided with the documentation specified by this Charter and by current provisions of law and regulations, must be filed at the company headquarters within the terms of the applicable provisions of law and regulations. If, upon expiry of the terms set out by the applicable provisions of law and regulations, only one list of candidates have been presented, or indeed none, the meeting shall deliberate by relative majority of shareholders. In case of a tie between candidates, there will be a second ballot between these, with a further voting by the meeting.

Where two or more lists are presented, election of the Board of Auditors shall take place as follows:

- (i) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes: (a) two statutory auditors and (b) one alternate auditor;
- (ii) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes, and which is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes: (a) one statutory auditor, who will also hold the office of Chairman of the Board of Auditors, and (b) one alternate auditor and, where available, further alternate auditors ready to replace the minority member, up to a maximum of three. Where this is not possible, the first candidate of the list having obtained the next greatest number of votes, and which is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes, will be appointed alternate auditor;
- (iii) should votes for two or more lists be equal, the candidates of the list presented by shareholders holding the greatest share, will be appointed, or, subordinate to this, that presented by the greatest number of shareholders, without prejudice to applicable regulations governing gender balance.

Should one or more standing auditors taken from the list that had obtained the greatest number of votes (the 'Majority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him, without prejudice to applicable regulations governing gender balance. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Civil

Code, as an exception to the list voting system previously specified, respecting applicable regulations governing gender balance. Should one or more standing auditors taken from the list that had obtained the second greatest number of votes (the 'Minority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him, always in compliance with applicable regulations governing gender balance. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Civil Code, as an exception to the list voting system previously specified, and in order to respect, where possible, the principle of minority representation.

The Meeting held to deliberate on the integration of the Board of Auditors shall proceed in any case with the appointment or replacement of the members of said Board, without prejudice to the need to ensure that the structure of the Board of Auditors complies with the provisions of law and current regulations, and with the Issuer's Charter.

Without prejudice to that set out by the previous paragraph, should the Meeting integrate the Board of Auditors, it shall resolve with ordinary majorities and methods, as an exception to the list voting system, which will only apply in the event of replacement of the Board of Auditors as a whole.

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF AUDITORS

The Board of Auditors appointed by the Ordinary Meeting held on 24th April 2014 and in office until approval of the financial statement as of 31st December 2016, is structured as follows:

Name	Position
Marcellino Bortolomiol	Chairman of the Board of Auditors
Elvira Alberti	Statutory auditor
Luca Biancolin	Statutory auditor
Dario Stella	Alternate auditor
Achille Venturato	Alternate auditor

The Standing Auditors Elvira Alberti and Luca Biancolin and the Alternate Auditor Achille Venturato have been taken from the list presented by the majority shareholder Asco Holding S.p.A.. The Chairman of the Board of Statutory Auditors Marcellino Bortolomiol and the Alternate Auditor Dazio Stella have been chosen from the no. 2 minority list presented by the shareholder Asm Rovigo S.p.A. The two lists presented have no connection whatsoever with one another.

For the detailed composition of the Board of Auditors for the year 2014, please refer to Table 3 attached to the Report.

Below, the 2 lists that were presented:

ISSUER PARTY	LIST OF CANDIDATES	LIST OF APPOINTED SUBJECTS	% VOTES OBTAINED IN RELATIONSHIP WITH THE VOTING CAPITAL

List n. 1 Asco Holding S.p.A.	Statutory auditors 1. Elvira Alberti 2. Luca Biancolin Alternate auditor 1. Achille Venturato	Statutory auditors 1. Elvira Alberti 2. Luca Biancolin Alternate auditor 1. Achille Venturato	88.251%
List n. 2 ASM Rovigo S.p.A.	Statutory auditor 1. Marcellino Bortolomiol Alternate auditor 1. Dario Stella	Statutory auditor 1. Marcellino Bortolomiol Alternate auditor 1. Dario Stella	11.748%

Please refer to Table 4 for the list of the bank institutions and of listed companies different from the Issuer in which the same Auditors have responsibilities of administration or control.

Here below is the personal and professional history of each Auditor:

- Chairman, Marcellino Bortolomiol: Registered in the Association of Business Consultants and Professional Accountants of Treviso . He practices in his office of Treviso. He worked as bankruptcy trustee, of liquidator, of expert and consultant in various companies and enterprises. He was Chairman and member of the Board of Auditors as well as Director of several companies and corporate groups.
- Statutory Auditor, Elvira Alberti Registered in the Association of Business Consultants and Professional Accountants and in the Legal Auditors Registry, she practices in her office of Treviso. She is member of the Board of Directors of Ascopiave since 2011, she is currently auditor of public entities and auditor for various companies of public and private law.
- Statutory Auditor, Luca Biancolin: Registered in the Association of Business Consultants and Professional Accountants of Treviso and in the Legal Auditors Registry, he practices in her office in Conegliano (TV). He is currently director and auditor in various public and private law companies.
- Alternate Auditor, Dario Stella: Registered in the Association of Business Consultants and Professional Accountants and in the Legal Auditors Registry . He practices in his office in Pieve di Soligo (TV). He is currently director and auditor in various private law companies.
- Alternate Auditor, Achille Venturato: Registered in the Association of Business Consultants and Professional Accountants and in the Legal Auditors Registry, he practices in her office of Treviso. He is currently director and auditor in various private law companies.

The professional curricula of the auditors pursuant to articles 144-octies e 144-decies of the Consob Issuers Regulation are available on the Issuer's website in the section "investor relations".

During the year, after the appointment of the new Board of Directors, 11 (eleven) Board of Directors meetings were held in the following dates: 27th January 2015, 9th March 2015 (2 meeting on the same date), 31st March 2015, 19th May 2015, 23rd June 2015, 8th July 2015, 5th August 2015, 14th October 2015

(2 meetings on the same date, and 17th November 2015. The average length of the meetings was equal to 2 hours.

For details on the participation of the Auditors to the meetings, see Table 3 attached to this report.

During 2016, the Board of Auditors will meet for at least at a 90-day interval, pursuant to Article 2404 of the Civil Code. After the end of the fiscal year, a meeting of the Board of Directors was held on 15th February 2016. The meetings scheduled for 2016 are about 10 (ten).

There have been no changes to the composition of the Board subsequent to balance sheet date.

The delegated bodies have reported in a suitable and timely manner to the Board of Auditors concerning all activities performed, the general management trends and predictable evolution, as well as on the most important operations in terms of size and characteristics performed by the Issuer and its subsidiaries, specified by the Law and the Charter, and therefore at least once a quarter.

The Board of Auditors, at its meeting on 15th February 2016, with reference to the fiscal year 2015, verified the existence of the requirements of independence of its members, in accordance with the provisions in the Guideline 8.C.1. The verification did not reveal any element that lead to the disappearance of this need for independence.

During the year, in line with the Application Guideline 2.C.2 of the Self-Discipline Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments affecting the industry in which the Issuer operates, as well as about the performance of the corporate bodies functions, through the divulgation of information during meetings and in the pre-board report.

The Issuer specifies that any Auditor who, on his own behalf or that of third parties, holds an interest in a given Issuer operation, must inform the other auditors and the Chairman of the Board as to the nature, terms, origin and extent of such interest, in a timely and full manner.

The Board of Auditors in the conduct of its business, is regularly coordinates with the Head of Internal Audit and with the control and risks Committee, in line with the Application Guidelines 8.C.4 and 8.C.5. of the Code.

15. RELATIONSHIP WITH SHAREHOLDERS

The Issuer has judged that it be in his interests as well as a duty to the market to set up a continuous dialogue from the time of listing, founded on reciprocal understanding of roles, with the general information of the shareholders. This dialogue will, in any case, take place in compliance with the

procedure for the external communication of company documents and information. The article 2.2.3 lett. i) of the Stock Exchange Regulations also states, with specific reference to companies intending to obtain listing of own shares with the 'STAR' qualification, the compulsory appointment of a professionally qualified person from within their organisational structure (Investor Relator) in charge of specifically managing relationships with investors.

With regard to the above, and in accordance with the recommendations of Principle 9 of the Self-discipline Code, the Company's Board of Directors appointed during the meeting held on 24th July 2006 Mr. Giacomo Bignucolo as Investor Relator and responsible for relationship with investors.

Finally, Ascopiave has set up a specific 'investor relations' section within its website (www.gruppoascopiave.it), in which information concerning the company and important for its shareholders is available.

16. MEETINGS

In accordance with Article 11.1 of the Issuer's Charter, the subjects legitimated by the authorised intermediary may participate in the Meetings, in accordance with the current and relevant regulations.

Any legitimated subject may be represented by another person, not necessarily a shareholder, upon presentation of a written proxy, in accordance with the current and relevant regulations. The proxy can also be assigned electronically, through the procedures envisaged by regulations currently in force. Moreover, in accordance with the provisions set forth in the summons notice, the electronic notification of the proxy can be sent by accessing the dedicated section of the Company's website, i.e. by sending the document to the certified email address of the Company (Article 11, paragraph 2 of the Company Charter).

The regulations concerning Board activities, applicable to listed companies, have been considerably overhauled, following the coming into effect of Legislative Decree no. 27 dated 27th January 2010, the adoption of Directive 2007/36/EC of the European Parliament and of the Council of 11th July 2007, on the exercise of certain shareholders' rights in listed companies (the so-called "Shareholders' Rights Directive" or "SHRD").

Now, therefore, the Shareholders' Extraordinary Meeting dated 28th April 2011 has resolved to integrate Article 11 of the Company Charter by adding the paragraph 11.3 which envisages that the Company can appoint for each meeting an individual that may receive a proxy from those who have the right to vote with instructions on how to vote on each or some of the proposals on the agenda.

In order to facilitate Shareholder participation in the Meetings, the Charter also specifies that the Meeting may take place with interventions in different, separate and distant places that are audio/video connected, as long as formal meeting procedures and the principle of good faith and equal treatment of shareholders, are respected (Article 12, paragraph 1 of the Charter).

With reference to Guideline 9.C.3 of the Self-discipline Code, the Company's Ordinary Meeting held on 5th July 2006 resolved to adopt Meeting Regulations (subsequently amended by the Meeting held on 28th April 2008 and by the Meeting held on 28th April 2011), which came into effect as from the date of the Start of Negotiations(<http://www.gruppoascopiave.it/investor-relations/assemblee.pdf>). These Regulations are specifically aimed at governing the Shareholders' Meetings, guaranteeing a correct and orderly holding of such, and, in particular, the right of each shareholder to intervene on the

matters under discussion. It constitutes a valid instrument by which to guarantee protection of all Shareholders' rights and the correct formation of the Meeting's will.

The Regulations include that the Chairman shall lead the discussion, giving the floor to those who may legitimately intervene (i.e. those who have the right to participate in the meeting on the basis of the law and Charter), who may have requested it.

Those with a right to intervene who wish to speak, must request to do so of the Chairman, after his having read the item on the meeting agenda to which the request refers, and after discussion has been opened up, before the Chairman declares discussion of the item over.

Said request must be made by the raising of the hand, should the Chairman not have arranged for a written request procedure. Where procedure involves the raising of the hand, the Chairman will allow the person who has raised his hand first to speak. Should it be impossible to establish who raised his hand first, the Chairman will allow participants to speak in accordance with the order established by himself, in his own judgement. Where a written request procedure is implemented, the Chairman shall allow participants to speak on the basis of the order of entry.

The Chairman and/or on his invitation, the Directors and Auditors, with regard to their respective functions or as the Chairman deems fit in relation to the meeting agenda, shall answer those legitimately able to participate, after each intervention, or rather after having completed all interventions on each item on the agenda, in accordance with what specified by the Chairman.

Those who have the right to intervene, the Directors and Auditors, have the right to speak on each of the items on the agenda, and to formulate proposals to their regard.

Those with a right to intervene can ask questions related to the matters in the agenda even before the meeting, through the procedures specified in the summon notice.

The questions submitted prior to the Meeting by those with a right to intervene, are answered during the Meeting itself, provided that the requested information has been accessible according to the applicable regulations and as long as the Chairman is able to give a single answer to the questions concerning the same topic.

In light of the amendments to regulations concerning related parties transactions pursuant to the Regulatory Norms adopted by Consob with resolution no. 17221 on 12th March 2010 (and further amendments) and taken into consideration the new regulations introduced by Legislative Decree no.27/2010 implementing the Directive 2007/36/EC (the so-called "Shareholders' Rights Directive", the Shareholders' Meeting held on 28th April 2011 has resolved to integrate the Company Charter by adding a new article recorded as "Related parties transactions". This regulation gives the Board of Directors the possibility to approve the transactions of greater relevance within the scope of the Board of Directors as well as to implement the transactions of greater relevance within the scope of the Shareholders' Meeting, despite a contrary opinion of the Independent Directors, provided that the shareholders meeting authorizes and approves the transaction's execution; it being understood that the transaction cannot be implemented if, in the presence of not related shareholders representing at least 10% of the share capital, the majority of these shareholders express a vote contrary to the transaction. Regarding the related transactions, see point 4.3 of this Report.

The Board has reported back to the Meeting on the activity performed and planned, and has acted to ensure that Shareholders are suitably informed as to all elements necessary in order to taking a knowledgeable decision, where such is the task of the Meeting. 5 (five) Directors have attended the meeting held on 23rd April 2015.

The method of exercise of the Compensation Committee functions were presented to the shareholders, during the meeting, on 23rd April 2015, by the publication of the Report on Compensation and the discussion about the contents of the same.

In 2015, some communications have been sent, pursuant to Art. 120 of the Financial Law, namely related to the reduction in the share of Amber Capital UK LLP above the limit of 2%, equal to 1.99% of the corporate capital. The Issuer believed there have been no significant changes to the capitalisation of the Issuer market or to the structure of its subsidiaries that would require changes to be made by the Shareholders' Meeting to the Charter, in relation to the percentages specified for the year of the prerogatives protecting minorities. To this regard, we would specify that in applying Article 144 quarter of the Consob Issuer Regulations 11971/1999 for the presentation of lists for the appointment of members of the Board of Directors and the Board of Auditors, arts. 15.2 and 22.2 of the Issuer's Charter require a percentage threshold of 2.5% of the share capital with voting rights, or other percentage that may be specified or stated by provisions of law or regulations.

17. FURTHER OPERATIONS OF CORPORATE GOVERNANCE

In 2012, the Board of Directors of the Issuer approved the "Guidelines on the exercise of management and coordination powers of the parent company" in order to seize the opportunity to strengthen the functions of direction, management and control, through the introduction of new organizational structures and regulations, both at the parent company in the subsidiaries Ascopiave that, even for the effective implementation of the management and coordination. The Guidelines have been adopted by the boards of the subsidiary companies and approved by the respective shareholders.

18. CHANGES SINCE THE END OF THE YEAR IN QUESTION

No changes in the corporate governance system adopted by the Issuer since the end of the fiscal year.

TABLES

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

	N° Shares	% vs. Share Capital	Listed/Non Listed	Rights and Obligations
Ordinary Shares	234,411,575	100%	STAR	Each shares is equivalent to one vote. Shareholders' rights and obligations are those stated in Arts. 2346 et seq civil code and company charter

MAIN SHAREHOLDINGS AS AT 31 DECEMBER 2014 (PURSUANT TO ART. 120 TUF)

Declarant	Direct Shareholder	Ownership % of ordinary capital	Ownership % of voting capital
Asco Holding S.p.A.	Asco Holding S.p.A.	61.562%	61.562%
Ascopiave S.p.A.	Ascopiave S.p.A.	5.162%(i)	5.162%(i)
Comune di Rovigo	ASM Rovigo S.p.A.	4.419%	4.419%

Figures refer to shares actually owned by Ascopiave S.p.A. as at 31st December 2014, including n. 1,975 bonus shares, carrying value € 1.0

TABLE 2: STRUCTURE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors													Control and Risk Committee		Remuneration Committee	
Position	Components	Date of Birth	Date first apptment *	Start of Term	End of Term	List **	Exec.	Non-exec.	Indip. da Codice	Indip. TUF	N. other offices ***	(*)	(*)	(**)	(*)	(**)
Chairman CEO •	Fulvio Zugno	1952	28/04/2011	24/04/2014	Fin Stats 2016	M	X	-	-	-	0	16/16				
Director	Dimitri Coin	1970	28/04/2011	24/04/2014	Fin Stats 2016	M	-	X	X	X	0	16/16	P	5/5	P	2/2
Director	Quarello Enrico	1974	14/02/2012	24/04/2014	Fin Stats 2016	M	-	X	-	-	0	16/16	M	5/5	M	2/2
Director	Pietrobon Greta	1983	24/04/2014	24/04/2014	Fin Stats 2016	M	-	X	X	X	0	16/16				
Director	Paron Claudio	1951	19/06/2014	19/06/2014	Fin Stats 2016	m	-	X	X	X	0	15/16	M	4/5	M	2/2
N. of meetings held during financial year: 16							Control and Risk Committee: 5				Remuneration Committee: 2					
State quorum requested for the election of one or more minority directors (Art. 147-ter TUF): 2.5%																

OBSERVATIONS

The symbols listed below should be entered in the "Office" column:

• This symbol indicates the director in charge of the internal control and risk management system.

◊ This symbol specifies the person responsible for the issuer's management (Chief Executive Officer or CEO).

○ This symbol indicates the Lead Independent Director (LID).

* The date of first appointment of each director is the date on which the director was appointed for the first time (ever) in the issuer's Board of Directors.

** This column shows the list from which each director has been appointed ("M": majority list; "m": minority list; "BoD": the list submitted by the Board).

*** This column specifies the number of offices held as a director or auditor by the person in question in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies. The Report on corporate governance exhaustively lists the offices.

(*) This column indicates the attendance of directors at the meetings of the BoD and the Committees, respectively (number of meetings attended compared to the total number of meetings at which attendance was possible).

(**). This column specifies the role of the director within the Committee: "P": Chairman; "M": member.

TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS

Board of Statutory Auditors									
<i>Office</i>	Members	Date of Birth	Date first apptment *	Start of Term	End of Term	List (M/m)**	Auditor Independence	Attendance in meetings ***	Other offices held ****
President	Marcellino Bortolomiol	1945	24/04/2014	24/04/2014	Fin Stats 2016	m	X	11/11	5
<i>Standing Auditor</i>	Elvira Alberti	1954	28/04/2011	24/04/2014	Fin Stats 2016	M	X	8/11	0
<i>Standing Auditor</i>	Luca Biancolin	1952	24/04/2014	24/04/2014	Fin Stats 2016	M	X	11/11	0
<i>Alternate Auditor</i>	Dario Stella	1968	24/04/2014	24/04/2014	Fin Stats 2016	m	X	-	-
<i>Alternate Auditor</i>	Achille Venturato	1966	24/04/2014	24/04/2014	Fin Stats 2016	M	X	-	-
Number of meetings held during financial year: 11									
State quorum requested for the election of one or more minority directors (Art. 148 TUF): 2.5%									

OBSERVATIONS

* The date of first appointment of each auditor is the date on which the auditor was appointed for the first time (ever) in the Issuer's Board of Auditors.

** This column shows the list from which each auditor has been appointed ("M": majority list; "m": minority list).

*** This column indicates the attendance of auditors at the meetings of the Board of Auditors (number of meetings attended/number of meetings held during the actual term of office of the person in question).

**** This column shows the number of offices held as a director or auditor by the person under consideration pursuant to art. 148 bis of the Unified Finance Law (TUF) and its implementing provisions contained in Consob Issuer Regulations. The complete list of offices is published by Consob on its website in accordance with art. 144- quinquiesdecies of Consob Issuer Regulations.

TABLE 3: OFFICES OF THE DIRECTORS IN OTHER COMPANIES

Marcellino Bortolomiol	Office	Company
<i>President Board Statutory Auditors (starting 24/04/2014)</i>		
	<i>President Board Stat Auditors</i>	Beni Stabili SIIQ S.p.A.
	<i>President Board Stat Auditors</i>	Beni Stabili Development S.p.A.
	<i>President Board Stat Auditors</i>	Sipa S.p.A.
	<i>President Board Stat Auditors</i>	Zoppas Industries S.p.A.
	<i>Member Board of Directors</i>	Banca Apulia S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO MEETING OF ASCOPIAVE
S.P.A. SHAREHOLDERS PURSUANT TO ART. 153, LEG D. 58/98, LEG
D.39/2010 AND ART. 2429.3 CIVIL CODE

Dear Shareholders,

In the accounting period ended 31st December, 2015, we performed the supervisory activities envisaged by law, pursuant to the principles of the Code of Behaviour for the Board of Statutory Auditors recommended by the National Board of Certified Public Accountants and Chartered Accountants.

With regard to the activities performed also in compliance with the Consob Communication no.1025564 dated 6th April, 2001, subsequent amendments and additions, we report the following:

- 1) We have kept watch on compliance with the law and the company charter at intervals envisaged in Article 21.11. of the bylaws. We obtained, from the Directors, all information relevant to transactions of economic, financial and equity importance performed by the Company and its subsidiaries. With regard to this, we can reasonably affirm that such operations are in compliance with the law and with the company charter, and have not been deemed as overtly imprudent or hazardous, in potential conflict of interest or such as to compromise the integrity of corporate assets. Moreover, in the memo submitted by the Directors to the Board of Statutory Auditors as stated by law, no operations are under way that may be deemed in contrast with the Company's interests.
- 2) We have judged as complete the information submitted by the Board in its Report on Operations with regard to atypical and/or unusual transactions, including those with subsidiaries, and or related parties. In their report on operations and explanatory notes to the financial statements, the Directors list and describe ordinary with associated companies and intra-group. We believe such operations are congruent and in the company's best interests.

- 3) The External Auditors have issued their reports in accordance with Articles 14 and 16, Legislative Decree n. 39 of 27th January, 2010, with regard to the statutory as well as the consolidated financial statements of the Group as of 31st December, 2015, prepared under the International Financial Reporting Standards – IFRS adopted by the European Union. Said papers reflect that “the statutory financials represent, properly and truthfully, the equity and financial situation of the company Ascopiave SpA as of 31st December, 2015, its economic results, and cash flow for the period” and that “the report on operations and the information in the corporate governance report and the assets listed within are consistent with the financial statements of Ascopiave SpA as of 31st December, 2015”
- 4) No claims pursuant to Art. 2408 of the Civil Code were submitted during the course of the year.
- 5) No other complaints pursuant to Art. 2409 of the Civil Code were received during the course of the year.
- 6) In conjunction with the approval of the statutory financial statement at 31st December, 2014 of Ascopiave SpA , the mandate of external auditor conferred on the auditor Reconta Ernst & Young S.p.A. for the years 2006 - 2012 by the Shareholders Meeting held on 5th July, 2006, and subsequently extended to the 2012 - 2014 period by the Shareholders Meeting held on 5th May, 2007, compliant with the recommendations issued by the Statutory Auditors, expired.

The Shareholders Meeting held on 23rd April, 2015, which approved the financial statement of Ascopiave SpA, (at 31st December, 2014) on the basis of the justified proposal of the Statutory Auditors in compliance with Art. 13.1, of the Legislative Decree dated 27th January, 2010, number 39, conferred the role of legal audit of the accounts of Ascopiave SpA for the period 2015 - 2023 to the auditors PricewaterhouseCoopers SpA (PWC).

For the year 2015, the external auditor Reconta Ernst & Young S.p.A. received for attestation services, a compensation of Euro 6,000 (six thousand) from Ascopiave S.p.A. and Euro 21,000 (twenty-one thousand) from subsidiaries.

The new external auditors, PricewaterhouseCoopers (PWC), appointed for the audit of the statutory financials and the consolidated financials by the Shareholders Meeting of 23rd April, 2015, for the audit of the statutory financials and the consolidated financials and for the related activities of the quarterly controls, received from Ascopiave S.p.A., compensation of Euro 109,000 (one hundred and nine thousand) and from subsidiaries of Ascopiave S.p.A., total compensation of Euro 161,000 (one hundred and sixty-one thousand).

The fees paid for services in total conducted by external auditors Reconta Ernst & Young S.p.A. and by the external auditors PricewaterhouseCoopers (PWC) for the financial year 2015 were, therefore, equal to Euro 297,000 (two hundred and ninety-seven thousand).

We have also verified that in 2015 the external auditors Reconta Ernst & Young S.p.A. received for Other services, a compensation of Euro 13,000 (thirteen thousand) from Ascopiave S.p.A. and Euro 43,000 (forty-three thousand) from subsidiaries.

No functions forbidden under Article 160.1-ter of TUF and Consob norms were assigned to Reconta Ernst & Young and PricewaterhouseCoopers (PWC).

- 7) In view of the declaration of independence issued by Reconta Ernst & Young and PricewaterhouseCoopers (PWC) in accordance with Art. 17.9 a) of the Legislative Decree 39/2010 and with regard to the functions conferred upon it by Ascopiave S.p.A. and subsidiaries as detailed above, the Board of Statutory Auditors deems there are no grounds to doubt the independence of the external auditing company during the course of 2015.

- 8) The Board of Statutory Auditors held 11 meetings regarding its own role, attended 16 meetings held by the Board of Directors, 5 sessions held by the Internal Control and Risk Committee and 2 meetings of the Remuneration Committee.
- 9) We collected information and invigilated, under our scope of work, on compliance with the principles of fair administration, through the acquisition of data from Managers of the Group and meetings with external auditors, to the end of mutually exchanging relevant facts and figures.
- 10) We collected information and invigilated, under our scope of work, on the adequacy of the Company's organizational structure, through the acquisition of data from Managers of the Group, to the end of mutually exchanging relevant facts and figures.
- 11) We assessed and invigilated on the consistency of the internal control system and met, in each of our meetings, the Internal Auditing Manager of the Company, making an in-depth analysis of the corrective measures proposed and receiving continuous updates, on at least a quarterly basis, of the related status; in particular, examining observations referred to 'compliance' issues. We herein confirm that our inspections have revealed nothing untoward to deserve a mention of inadequacy or criticality with reference to the internal control system.
- 12) We supervised and evaluated the adequacy of the administrative-accounting system as a reliable tool for representing operations correctly, through:
 - (i) examination of the report issued by the Officer responsible for the preparation of Corporate Financial Statements with regard to Administration and Accounting as well as Internal Controls and Corporate Reports.
 - (ii) receipt of information on a full and regular basis from the Managers of the Group
 - (iii) relations with the Control Bodies of subsidiaries in compliance with Art. 151.1 and 151.2, Legislative Decree 58/98;

(iv) attending the works of the Internal Control and Risk Committee and the Remuneration Committee;

(v) receipt of regular updates regarding the work performed by the Supervisory Committee appointed by the Company pursuant to the provisions stated in the Legislative Decree 231/2001.

We herein confirm that our inspections have revealed nothing untoward to deserve a mention of criticality with reference to the Administration and Accounting system.

13) We collected information and invigilated, under our scope of work, on the adequacy of the instructions given by the Company to its subsidiaries in compliance with Art. 114.2, Legislative Decree 58/98, via the acquisition of information from the Managers of the Group, meetings with external auditors, exchange of information from the Statutory Auditors of the Subsidiaries, to the end of mutually exchanging relevant facts and figures.

14) Consequent to meetings with the External Auditors, in accordance with Article 150.2 Legislative Decree 58/1998, no facts or situations that should be highlighted in the present report, have emerged.

15) We have focused our attention on the compliance with the Code of Self-Discipline and the implementation of the Code of Ethics of Ascopiave S.p.A.; as duly stated the “Report on Corporate Governance and Corporate Structure of Ascopiave S.p.A.” where the Board of Directors provides an update on the corporate governance and the management of the Company and the Group, in coherence with the principles stated in the Code of Self-Discipline issued by Borsa Italiana S.p.A., and also with the ownership structure envisaged by Article 123 bis T.U.F.

A favourable opinion has been expressed on the check done by the Board of Directors, with respect to their independence, taking into account the

possession of the requisites on the subject required by the Code of Self-Discipline.

- 16) We examined and obtained information about activities of an organizational and procedural nature, following Legislative Decree 231/01 and 61/02, governing the administrative liability of Public Bodies regarding violations under the scope of said law. The Supervisory Committee appointed by the Board of Directors illustrated to the Board of Statutory Auditors, the activities performed during 2015 and has found nothing worthy of mention.
- 17) With regard to the provisions of “International Accounting Standards – IAS 24” governing the definition of related parties, we herein state that the Directors and Managers bearing strategic responsibilities, have declared that they have conducted no transactions, either directly, indirectly, through intermediaries or parties acting on their behalf, with Ascopiave S.p.A. and its subsidiaries, pursuant to Art. 93, Legislative Decree 58/98.

The “Procedure for operations with Related Parties”, approved by the Board of Directors on 24th November 2010, came into force commencing 1st January, 2011. During the 2015 fiscal period, there was just 1 (one) operation “with a related party” falling under such scope, the renewal of ‘asco@asco’ contract with the sister company Asco TLC S.p.A. The operation was examined by the Internal Control and Risk Committee in its session held on 24th February, 2015, prior to the approval by the meeting of the Board of Directors, held on the same day.

- 18) The Officer responsible for the preparation of Corporate Financial Statements has issued the declaration pursuant to the guidelines of Article 154-bis, Legislative Decree n. 58/1998, referring to the statutory and consolidated financial statements of Ascopiave S.p.A., closing on 31st December, 2015.

19) We are not aware of any other relevant facts or elements worthy of bringing to the attention of the Shareholders.

In virtue of the above, on the basis of the activities of checks and controls done during the course of the year, we envision no hurdles to the approval of the Financial Statements as at 31st December, 2015, along with the proposal of the Board of Directors' related to the distribution of dividends to the Shareholders.

Marcellino Bortolomiol, Chairman of the Board of Statutory Auditors

Elvira Alberti, Standing Auditor

Luca Biancolin, Standing Auditor

Pieve di Soligo – 30th March, 2016



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Ascopiave SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Ascopiave SpA and its subsidiaries ("Ascopiave Group"), which comprise the consolidated statement of financial position as of 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Ascopiave SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers SpA

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Ascopiave Group as of 31 December 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Ascopiave SpA, with the consolidated financial statements of the Ascopiave Group as of 31 December 2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Ascopiave Group as of 31 December 2015.

Treviso, 30 March 2016

PricewaterhouseCoopers S.p.A.

Signed by

Alessandro Mazzetti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Ascopiave SpA

Report on the financial statements

We have audited the accompanying financial statements of Ascopiave SpA, which comprise the statement of financial position as of 31 December 2015, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of Ascopiave SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ascopiave SpA as of 31 December 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Ascopiave SpA, with the financial statements of Ascopiave SpA as of 31 December 2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Ascopiave SpA as of 31 December 2015.

Treviso, 30 March 2016

PricewaterhouseCoopers S.p.A.

Signed by

Alessandro Mazzetti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.