



**Consolidated and individual financial statements
as of 31 December 2008**

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Attachments:

Balance as of 2008 and comments on statement of assets and liabilities and revenue account of issuing company Ascopiave S.p.A as of 31 December 2008.

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

Statutory Auditors

Board of Auditors' Report on the Financial Statements for the period ended on 31 December 2008

Independent Auditors

Independent Auditors' Report on the consolidated financial statements for the period ended 31 December 2008
Independent Auditors' Report on the balance sheet for the period ended on 31 December 2008

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Statutory Auditors

| Individual | Office | Duration of office | From | To |
|----------------------|------------------------------------|--------------------|------------|------------|
| Salton Gildo | Chairman of the Board of Directors | 2005-2007 | | 28/04/2008 |
| Beninatto Alfonso | Director | 2005-2007 | | 28/04/2008 |
| Bortolin Gianantonio | Director | 2005-2007 | | 28/04/2008 |
| Tinca Flavio | Independent Director | 2005-2007 | | 28/04/2008 |
| Bresolin Ferruccio | Independent Director | 2005-2007 | | 28/04/2008 |
| Salton Gildo | Chairman of the Board of Directors | 2008-2010 | 28/04/2008 | |
| Beninatto Alfonso | Director | 2008-2010 | 28/04/2008 | |
| Bortolin Gianantonio | Director | 2008-2010 | 28/04/2008 | |
| Tinca Flavio | Independent Director | 2008-2010 | 28/04/2008 | |
| Fassina Alessandro | Independent Director | 2008-2010 | 28/04/2008 | |

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

| Individual | Office | Duration of office | From | To |
|-------------------|---|--------------------|------------|------------|
| De Luca Lino | Chairman of Board of the Statutory Auditors | 2005-2007 | | 28/04/2008 |
| Vicentin Graziano | Statutory Auditor | 2005-2007 | | 28/04/2008 |
| Sforza Fabio | Statutory Auditor | 2005-2007 | | 28/04/2008 |
| Sforza Fabio | Statutory Auditor | 2008-2010 | 28/04/2008 | 30/04/2010 |
| Terin Gaetano | Chairman of Board of the Statutory Auditors | 2008-2010 | 28/04/2008 | 13/11/2009 |
| Saccardi Giuliano | Statutory Auditor | 2008-2010 | 28/04/2008 | 30/04/2010 |
| Niccoli Paolo | Chairman of Board of the Statutory Auditors | 2008-2010 | 13/11/2009 | 30/04/2010 |

| Control Committee | | Remuneration Committee | |
|--------------------|-----------------|------------------------|-----------------|
| Flavio Tinca | | Alfonso Beninatto | |
| Alfonso Beninatto | | Flavio Tinca | |
| Ferruccio Bresolin | till 24/04/2008 | Ferruccio Bresolin | till 28/04/2008 |
| Alessandro Fassina | from 14/05/2008 | Alessandro Fassina | from 14/05/2008 |

Independent Auditors

Reconta Ernst & Young S.p.A.

Legal headquarters and Company data

Ascopiave S.p.A.

Via Verizzo, 1030

I-31053 Pieve di Soligo, TREVISO, Italy

Tel.: +39 0438 980098

Fax: +39 0438 82096

Share Capital: Euro 234,411,575 fully paid-in

VAT Reg. No. 03916270261

e-mail: info@ascopiave.it

Investor relations

Tel. +39 0438 980098

fax +39 0438 964779

e-mail : investor.relations@ascopiave.it

Main economic and financial data of the Ascopiave Group

Economic figures

| (In thousands of Euro) | 2008 | % net sales | 2007 | % net sales |
|----------------------------|---------|-------------|---------|-------------|
| Revenues | 824.672 | 100% | 451.871 | 100% |
| Gross operating margin (*) | 52.337 | 6,3% | 46.507 | 10,3% |
| Operating | 34.386 | 4,2% | 33.860 | 7,5% |
| Net income for the Group | 18.452 | 2,2% | 21.764 | 4,8% |

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

Assets figures

| (In thousands of Euro) | 31/12/2008 | 31/12/2007 |
|---|------------------|------------------|
| ALLOCATION | | |
| Net working capital * | 21.932 | 123.583 |
| Fixed assets and non other activities | 425.915 | 383.112 |
| Non-current liabilities (excluding loans) | (41.165) | (28.798) |
| Net invested capital ** | 406.682 | 477.897 |
| NET FINANCIAL POSITION | (45.249) | (106.830) |
| Net Shareholders' equity | (361.433) | (371.068) |
| Total Financing sources | (406.682) | (477.897) |

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

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

Monetary flow figures

| (In thousands of Euro) | 2008 | 2007 |
|---|----------------|-----------------|
| Net income for the Group | 18.452 | 21.764 |
| Net cash provided by operating activities | 133.440 | (84.882) |
| Net cash used in investing activities | (56.812) | (61.401) |
| Net cash used in financing activities | (80.353) | 76.982 |
| Period monetary flow | (3.726) | (69.300) |
| Cash and cash equivalents at beginning of the period | 31.291 | 100.591 |
| Cash and cash equivalents at end of the period | 27.565 | 31.291 |

ECONOMIC FIGURES

PREMISE

The Ascopiave Group closed 2008 with a net profit of Euro 18,5 million.

The consolidated net assets at year end amount to Euro 361,4 million and the net capital invested to Euro 406,7 million thousands.

In 2008 the Group accomplished investments for Euro 56,8 million, of which 39,1 million deriving from the acquisition of companies and 17,8 million from the development, maintenance and modernization of the networks and plant of gas distribution.

Activities

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

The activity of natural gas distribution is directly managed by Ascopiave S.p.A. and by the subsidiary ASM DG S.r.l. and Edigas Esercizio Distribuzione Gas S.r.l., that at the moment hold concessions and direct assurances for the supply of service in 182 municipalities. The Ascopiave Group is the owner of the managed distribution network, that is extended for 7.300 Km, supplying the service to more that one million inhabitants.

The activity of gas sale is historically carried out by Ascotrade S.p.A., company controlled by Ascopiave S.p.A., which supplies gas to more than 350.000 final customers. In the biennium 2007-2008 Ascopiave S.p.A. concluded relevant operations of companies acquisitions, significantly its customer base. In the last three months of 2007 the Group acquired 49% of Estenergy S.p.A., company of gas sale of the group Acegas-APS (about 240.000 customers), 49% of ASM Set S.r.l., sale company of the Group ASM Rovigo (about 24.000 customers) and 100% of Edigas Due S.r.l. (about 31.000 customers). Thanks to acquisition operations, the Ascopiave Group became one of the main gas operator at national level, both for the number of customers and for the quantity of gas sold.

From 2007, Ascopiave works as gas trader and wholesaler, arranging contracts for the current thermal year, which, for the year 2008 alone, led to the transfer of more than 823 million cubic metres of gas.

Strategic objectives

Ascopiave is proposing 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 respecting the environment and social groups, to increase the value of the field in which it operates.

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

In that sense, Ascopiave follows a development strategy the main guiding principles of which are dimensional growth,

by upstream integration in the sector, by diversification in other divisions of the energy sector synergic with the core business, such as cogeneration and sales of electrical energy, and by improving operative processes.

Management trend

2008 registered a significant growth both in the activity of natural gas sale and in the activity of distribution.

Volumes of gas sold by the 100% consolidated companies to final market in 2008 are equal to 859,2 million of mc, marking a growth of 5,7% compared to 2007 (which has been characterised by mild weather). To these volumes we have to sum the volumes sold by the 49% consolidated companies (Estenergy and ASM Set), that in 2008 altogether sold 472,5 million of mc of gas.

The sale activity of the Punto di Scambio Virtuale (Virtual Point of Exchange) and as wholesaler, managed by the subsidiary Ascotrade, has caused during the year the movement of 823,8 million of mc.

For what concerns 100% consolidated companies, the growth of sold volumes has been accompanied by an increase of served customers, that as of 31 December 2008 reached 390.572 units, with a growth of 37.949 customers compared with 2007 (+10,8%). 49% consolidated companies (Estenergy and ASM Set) as of 31 December 2008 managed 271.406 customers.

For what concerns the activity of gas distribution, volumes distributed through networks managed by the Group have been 851,6 million of mc (+13,8% compared to 2007) of which 71,7 million through more recently acquired companies ASM DG (52, 9 million of mc in 2008) and Edigas Esercizio Distribuzione Gas (18,8 million of mc in the second semester of 2008).

The dispensing network followed the trends of development historically consolidated, and as a consequence of new enlargements and consolidation of the activities of ASM DG and Edigas Esercizio Distribuzione Gas, as of 31 December 2008 has an extension of 7.376 Km.

Economic results and financial situation

Consolidated revenues of 2008 of the Ascopiave Group attest at Euro 824,7 million, compared to 451,9 million of 2007. The significant growth of sales revenues is due to the development of the activities of gas sale at Punto di Scambio Virtuale and as wholesaler and to the growth of revenues of gas sale to final market, ascribable both in 2007 period of activity and to the area of consolidation.

The enlargement of the area of consolidation, compared to 2007, comported extra revenues for Euro 145,3 million.

The Operative Result of the Group attests at Euro 34,4 million, an improve compared to 33,9 of 2007.

The increase of the Operative Result has been achieved thanks to the growth of sold gas volumes, to the improvement of specific marginality on the activity of retail sales, to the enlargement of the area of consolidation, besides the positive contribution of the new activity of gas seller as trader and wholesaler.

The consolidation of acquired companies during 2007 and 2008 had a significant impact on the operative Result of the Group for Euro 2,8 million.

The variation on the aforesaid Operative Result has to take into consideration the fact that the result of 2007 took advantage of an extraordinary income of Euro 3,9 million due to the resumption of the 2006 prudentially allocated fund for presumed costs deriving from gas sale company Ascotrade to the application of tariff-measures taken by the AEEG with the deliberation n. 248/04 and following.

Normalising 2007 results from this income, the Operative Result of 2008 would register a growth equal to Euro 4,5 million (+14,9%).

Net result, equal to Euro 18,5 million results to be decreasing compared to Euro 21,8 million of 2007 as a consequence of the increase of amortizations, of the allocations as credits depreciation fund and of net financial costs, partially counterbalanced by the diminution of taxes.

The growth of amortizations compared to 2007 (Euro 2,3 million) is mainly due to the consolidation of more recently consolidated companies, while we register a significant growth of allocation to credits depreciation funds (Euro 3,0 million, of which 1,2 million for the consolidation of the companies acquired during 2007 and 2008), and motivated by a worsening of terms of payment of customers and a consequent increase of unpaid.

The increase of financial costs (Euro 5,9 million) has been mainly determined by the increase of the expense for liabilities interests, linked to the trend of the debtor-exposition in the last fifteen months, partly influenced by dynamics of extraordinary and temporary nature to be re-conducted to the management of circulating capital, partially by the modifications of the type of provisions of raw materials and partly by structural variations due to investments in company acquisitions happened at the end of 2007 and in July 2008.

The diminution of taxes (Euro 2,1 million) has been determined by a diminution of taxable basis and by the lowering of IRES and IRAP tax-rate.

Net financial position of the Group as of 31 December 2008 is equal to Euro 45,2 million, with a considerable diminution as compared to Euro 106,8 million as of 31 December 2007, in particular for the contribute of the management of the circulating.

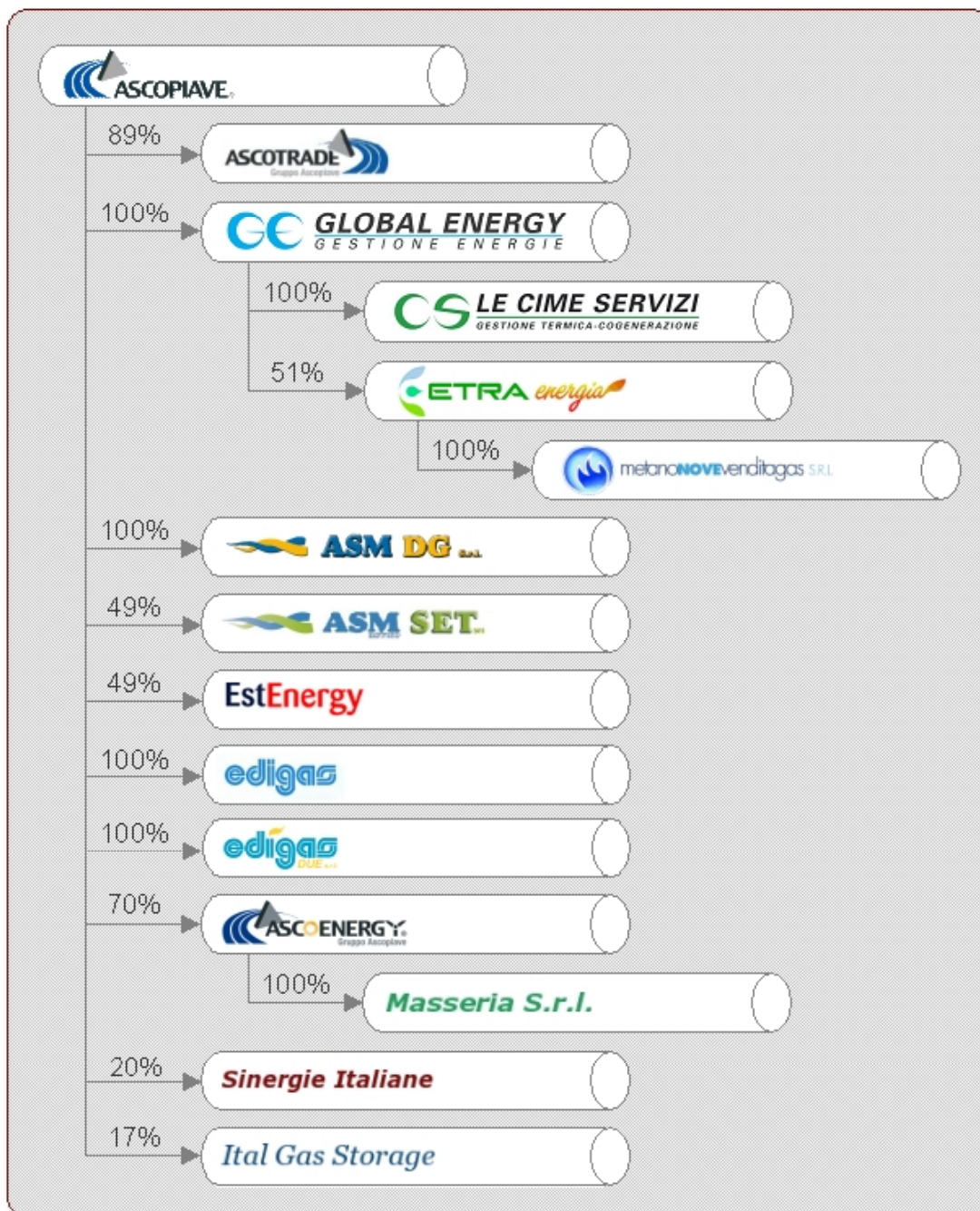
The end of the year saw, as previewed, the return to the course of the activity of billing which comported a significant re-absorption of the circulating capital, bringing it to a level that can be considered 'normal' for the company. The net financial position consequently, registered a significant improvement.

The relevant reduction of the level of indebtedness, even considering the investments made during 2008 by Ascopiave, is an important result if we consider the macroeconomic scenario of difficult access to credit, that further reinforces the economic and financial solidity of the Group and places it in the condition to pick possible occasions of extraordinary operations during 2009.

The relation payable/net equity as of 31 December 2008 results equal to 0,13, confirming Ascopiave between the best companies of the sector.

The structure of the Ascopiave Group

The table below shows the company structure of the Ascopiave group as on 31 December 2007; the group operates across 15 companies.



The natural gas market

The general economic context

General trend of the economy and evolution of international energy prices

During 2008 the world economy experienced a strong slowdown linked to the economic crisis started in the last quarter of 2007 with the American crisis of sub-prime mortgages and worsened by the failure and grave difficulties that affected some of the most important bank institutions, both European and American.

The growth that characterized last years has been substituted by a phase of regression that affected different countries in a non-homogeneous way. Countries characterized by accentuated estate bubble, by the biggest fossil combustible consumers and those that have a high level of family indebtedness.

The world economy experienced a curb going from +7,2% of 2007 to +5% of 2008. For what concerns American economy, a reduction from +2,2% of 2007 to +1,2 % of 2008 has been recorded, while for what concerns the gross Domestic Product of the Euro area the decrease was from +2,6% of 2007 to +1% of 2008. In the Italian area, the growth of the GDP that characterized 2007, equal to +1,5%, in 2008 became regression with a negative GDP equal to -1%; the datum is the worst ever registered since 1975, when the reduction of GDP achieved 2,1%.

In order to re-launch the American economy, the Federal Reserve (the central bank of United States) performed an important reduction of the cost of money, bringing it from 3,5% of January 2008 to 0,25 of December 2008. The rate of inflation was stable on 4%.

The cut of the cost of money made by the European Central Bank (BCE), on the other hand, was far more limited. The cost of money was in fact reduced from 4,25% of July 2008 to 2,5% of December 2008. The annual rate of inflation (of the Euro area) attested itself on 3,3%, equal to the Italian inflation rate.

During the first nine months of 2008 Euro continued its trend of reinforcement on Dollar, both for the slowdown of the American economy and for the persistent imbalance of American trade, keeping its quote around 1,5 dollars. Even though the decrease of Euro, happened in the last period of the year due to he worsening of the economic crisis, the exchange Euro/Dollar grew during 2008, recording an annual average of 1,47dollars per Euro, higher of 7,3% compared to 2007 average (1,37 dollars per Euro) and higher of 16,7% compared to 006 average (1,26 dollars per Euro).

During 2008 we assisted to the growth without precedent of the Brent quotations, with an average price that went from 93 dollars per barrel of January 2008 to 143 dollars per barrel of July 2008. From 11 July (date on which the historical price was recorded) the price of oil started a strong reduction, so much that on December 2008 the quote went under 40 dollars per barrel. Although the strong decrease happened in the second semester of 2008, the annual average has been

of 97,0 dollars per barrel, recording an increase of 33,8% compared to the annual average of 2007 (72,5 dollars per barrel) and of 49,0% compared to the average of 2006 (65,1 dollars per barrel).

Euro area countries, unlike other countries, suffered to a lesser extent the increase of Brent quotation, because when the price of oil was growing, Euro was strong and on the other hand, when the European currency started to depreciate the price of oil started to decrease rapidly.

| Quotations | 2008 | 2007 | 2006 | 2005 |
|--|------|------|------|------|
| Annual medium brent quotation (dollars per barrel) | 97 | 72,5 | 65,1 | 54,4 |
| Annual medum exchange Dollar/Euro | 1,47 | 1,37 | 1,26 | 1,24 |
| Annual medium brent quotation (Euro per barrel) | 66 | 52,9 | 51,9 | 43,7 |

The collapse of oil products that happened in the last period of the year can be connected both to the low potential demand in the industrialised countries and to the risk of sudden slowdown of the growth of emerging countries.

The weakness of the dollar also contributes to the worsening of the overall situation. Many manufacturing countries are, in fact, pressurising Opec to maintain a high price per barrel, in order to offset the growing devaluation of the American currency.

It is common knowledge that the evolution of crude oil prices affect the trend of other fuel products, and gas in particular. The international prices of gas on the basis of long term supply contracts are, in fact, to a large extent linked to the price of Brent, through the formula of predefined indexation.

The gas market: the European scenario

The demand of gas in Europe and its coverage funds

According to preliminary data released by Eurostat, 2008 gas consumption of the 27 European Union member states has been reported at 516,9 billion cubic metres, showing an increase of 2,1% as compared with the previous year. According to the European gas industry association, this increase is due to the more rigid temperatures as compared to 2007 and to the growth of the number of users connected t the network of pipelines.

2008 consumptions result substantially stable in the domestic sector, in decrease in the industrial sector as a consequence of the economic crisis that led to the reduction of the demand in the whole Europe, and in increase in the sector of electric generation.

Countries that registered the higher growth of usage are Litany (+10,2%) and Spain (+10,1%), followed by Portugal (+9,2%), Greece (+5,6%), Ireland (+5,1%), and Nederland (+4,1%). The worst data concern Slovenia (-14,3%), Rumania (-6,8%), Luxemburg (-5,4%) and Bulgaria (-2,0%). Negative sign also for Italy where usages show a decrease of 0,2%.

In 2008 the internal production of gas registered an increase of 1,8% as a consequence of the higher extractions of Nederland and Denmark that have strongly counterbalanced the contractions of other countries. Even though the considerable increase the internal production covered the 39% of demand, as in 2007. Europe strong dependence of import remains also in 2008, in particular import from Russia (25%), Norway (18%) and Algeria (10%).

The potential for the development of the European demand for natural gas

According to estimates made by Snam Gas Network by 2020, Europe will need to meet an additional import demand estimated at 150 billion cubic metres.

In order to meet these growing needs, Europe will need to quickly develop its infrastructures for the import of gas from abroad. To this end, the construction of new methane pipelines and the strengthening of some of those already existing, has been planned. An increase in supply should also be ensured by the start-up of new regasification terminals.

The development of import infrastructures: the methane pipelines

The main methane pipelines planned are the North Stream, Nabucco, South Stream, the White Stream, Medgaz, the Yamal-Europa II, the Galsi and IGI.

The strengthening projects involve, instead, the existing methane pipelines of Maghreb, TTPC, Green Stream (which connects Europe with North Africa), TAG and the system of pipelines that connects central Europe with Russia, via the Ukraine.

North Stream should connect Russia with Germany via the Baltic Sea.

The pipeline will have length of 1.200 Km and will be formed by two parallel lines, both characterized by a capacity of 27,5 billion of mc a year that will guarantee to Europe 55 billion cubic metres a year. The first line should be completed within 2011, the second in 2012.

The Nabucco will bring in Europe the gas coming from the basin of Caspian Sea, from Middle East regions and from Egypt, particularly rich in hydrocarbon. The pipeline, with a total length of 3.300 km, will pass through Turkey, Bulgaria, Rumania and Hungary till Austria, where it will be connected to TAG in correspondence with the branch point of Baumgarten. The Nabucco, bypassing Russia, will allow a geographical diversification of the sources of import, thereby reducing continental dependency on Russian supplies. The construction of the pipeline will probably start in 2011 and will become operating within 2014 with an initial capacity of 8 billion of mc a year. In full operation it will be able to guarantee a maximal capacity of 31 billion of mc a year.

Initially strongly supported by the organisms of European Union, the Nabucco project has been recently excluded from the list of the prior projects of EU. The exclusion would not be due to the absence of financing due to the current economic crisis but to technical difficulty to obtain gas supply.

The Nabucco is now experiencing the concurrence of new alternative projects, as the South Stream (that will have a course similar to that of Nabucco) and the White Stream.

The methane pipeline South Stream is the project (born from the partnership of the Italian Eni and the Russian Gazprom) that will bring in Europe gas coming from Russia, passing through the Black Sea and arriving in Bulgaria. Two branches will leave from Bulgaria: one will have a North-West direction, passing Serbia and Hungary till Austria, the other will have a South-West direction, passing Greece and arriving in Italy, at the altitude of Puglia.

The forecast capacity of the methane pipeline is 31 billion of mc a year, then enlargeable to 47 billion.

The feasibility studies, started at the end of 2008, will be completed within 2009. The conclusion of the construction works is previewed for 2015.

The White Stream methane pipeline, sponsored by the Ukraine government, should connect the Caucasus to Europe passing through the Black Sea and the area of former Soviet Republic.

The capacity previewed for the pipeline is 16 billion of mc a year, enlargeable to 32 billion in two subsequent phases.

The submarine methane pipeline Medgaz has been included in the international project that preview the direct supply of natural gas to the regions of south Europe. The pipeline, with a total length of 200 km, will connect Algeria to Spain, guaranteeing a capacity of 8 billion of mc a year. The construction, started at the beginning of 2008, should finish at the end of 2009, date of the previewed putting in gas.

Another project, that will be accomplished if the European demand of gas will ask for, is represented by the pipeline Yamal-Europa II. It would substantially constitute the second line, in parallel, of the pipeline Yamal-Europa I, already operating that at the moment guarantees a transport capacity of 32 billion of mc a year. The Yamal-Europa I connects West Siberia with Germany passing through Byelorussia and Poland. The particularity of this pipeline is that it doesn't pass through Ukraine. If the Yamal-Europa I would be integrated with Yamal-Europa II, the total quantity of gas imported in Europe would increase to 60 billion of mc a year.

The Maghreb is the pipeline with a total length of 1.450 km that connects Algeria with Spain through Morocco and the Strait of Gibraltar. The methane pipeline, operative since 1996, at the moment guarantees a capacity of 8,6 billion of mc a year. A project that want to bring the capacity to 11,7 billion of mc a year is studied at the moment.

Other important projects directly involving Italy include Galsi, which will connect Algeria with Italy (8 billion cubic metres capacity per year) and IGI (8 billion cubic metres capacity per year), which will connect Greece with Italy.

The development of import infrastructures: regasification terminals

The development of regasification infrastructures allows European countries to diversify their source of import loosening the dependence to the actual supplying countries (mainly Russia and Algeria) and diminishing the risks related to eventual geopolitics crisis that could involve them.

Qatar and Nigeria appear to be the main producers of liquefied natural gas (GNL) that have access to the European market with advantageous economic conditions.

The possibility of a significant development in the market of GNL on the other hand pays in Europe the opposition of local communities, that consider regasification plants dangerous and with a strong environmental impact.

Innumerable projects, with a significant number in Italy, are studied by national and local Authorities for their authorisation.

At the moment in Europe 16 regasification terminals are in function, and they guarantee total capacity of more than 120 billion of mc a year.

In the month of March 2009 the biggest regasification plant, the South Hook, in Great Britain, entered in function. It guarantees a capacity of 16,7 billion of mc a year, enlargeable to 21 mc a year in a successive phase.

Italy as a hub for Europe

Given the previously described scenario, our country aims to take on an important position in Europe, both in terms of gas consumer and for its geographic position between the Balkans and North Africa. With the progressive integration of the energy markets on European level, Italy may well become an international hub for gas.

The gas market: the Italian scenario

The demand for gas in Italy and its supply coverage

In the year 2008, the gross domestic consumption of gas in Italy equalled 84,88 billion cubic metres (source: Snam Gas Network), divided up according to use per segment as follows:

- residential and service industry: 30,05 billion cubic metres;

- industrial¹: 19,34 billion cubic metres;
- thermo-electrical: 33,89 billion cubic metres;
- other: 1,60 billion cubic metres.

The demand shows a substantial stability as compared to past year, with a reduction of 0,02 billion of cubic metres.

The effects of the economic crisis have been heard in particular in the industrial segment, that showed a decrease of the demand of 1,55 billion of mc (-7,4%). The demand, linked to the reduction of the electrical demand, in the thermo-electrical segment diminished as well (-0,40 billion of mc; -1,2%). The residential and service industry segment have been characterized by an increase of the demand, quantified in 1,87 billion of mc (+6,6%) mainly for the effect of the climatic factor, that helped bringing the demand on the levels of 2007 and counterbalanced the losses recorded in the industrial and thermo-electrical segment.

The coverage of gas demand was performed mainly through the recourse to import sources that achieved the level of 76,52 billion of mc, in increase of 3,02 billion of mc compared to 2007 (+4,1%). The quantitative imported from interconnection points increased with Algeria (+10,0%), with Libya (+6,8%) and with Russia (+2,2%).

The national production confirms the negative trend of past years also for 2008, with a reduction of 0,66 billion of mc compared to 2007 (-6,7%).

National production of natural gas

In 2008, Italian production of gas, equal to 9,12 billion cubic metres, reached minimum ever recorded levels, covering approximately 10,7% of national consumption.

According to Assomineraria, it is estimated that the remaining reserves of produced gas equal 734 billion cubic metres, those remaining recoverable equal 119 billion of mc and potential reserves are between 120 and 200 billion cubic metres.

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

Capacity for transport to entry points

The development and strengthening of transport infrastructures, and the available transport capacity that can be interrupted at entry points interconnected with abroad, increased, at the start of the thermal year 2008/2009, the transport capacity of the national network to 321,0 billion cubic metres a day, showing an increase of 1,9% as compared with the previous thermal year. The increases are mainly due to the entry points of Tarvisio and Mazara del Vallo

¹ It comprehends consumption of Industry, Agriculture and Fishing, Chemical Synthesis and Autotraction.

(+11,1 billion of mc; +12,2%), following the start-up of some stretches of current strengthening of import infrastructures from North Africa.

In addition, transport capacity at entry points interconnected with national production, are available for 37,4 million cubic metres per day.

Demand development prospects for Gas in Italy

According to forecasts made by Snam Gas Network, in 2009-2012, our country's demand for gas will grow at an annual rate of 2,6%. Gas consumptions will pass from 84,9 billion of mc in 2008 to 94,2 billion of mc in 2012, showing an absolute increase of 9,3 billion of mc in four years.

The growth of the demand will be dragged by the thermo-electrical sector, where an increase of more than 5 percentage points is previewed, thanks to the increase in the production of electricity in the plants supplied by natural gas². The prospected gas demand in 2012 will be of about 41 billion of mc, in strong increase as compared to 33,9 billion of mc in 2008 (+20,9%).

Consumptions both in the residential and service industry sector (dependent on climatic factors) and in the industrial sector (that negatively suffers for the effects of the economic crisis going on) are previewed in increase, even if to a lower extent.

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

The contribution offered by GNL regasification plants (at the moment the only plant working is that of Panigaglia) will be more and more growing even if at the moment is in practice negligible (in 2008 the re-gasified volumes covered only the 1,8% of the total demand in Italy).

The gas system in Italy

The situation of infrastructural inadequacy that characterized Italy in recent years is finding a solution thanks to the development of the following projects, some of them already completed:

- the start-up of the regasification terminal of Rovigo³, forecast for the spring of 2009 that would allow the import of 8 billion cubic metres / year from Qatar.
- the strengthening of the TTPC and TAG gas ducts, which should bring a further 13 billion cubic metres between October 2008 and October 2009.

² In 2008 more than 66% of the production of electric energy has been obtained through plants that use natural gas as combustible.

³ The regasification plant of Rovigo has been inaugurated on 20 September 2008.

- the strengthening of the Green Stream duct, that should guarantee an additional capacity of transport of 3 billion of mc a year from 2012.

Other important projects that directly interest Italy are the methane pipeline Galsi and IGI (both with 8 billion of mc of annual capacity) and the regasification terminals of Brindisi (8 billion of mc a year) and Livorno (3,75 billion of mc a year).

Methane pipelines connecting with overseas pipelines: strengthening of existing structures

The TTPC (Trans Tunisian Pipeline Company) is the pipeline that allows Italy to import Algerian gas through Tunisia . Contracts currently managed through the TTPC allow for a transport capacity of approximately 27 billion cubic metres of natural gas a year. For 2008-2009, an increase of total 6,5 billion of mc a year in the pipeline transport capacity is forecast, which will take place in two later phases: 3.2 billion cubic metres of natural gas a year as from 1 October 2008, and a further 3.3 billion cubic metres of natural gas a year as from 1 April 2009.

The TAG (Trans Austria Gas) is a pipeline that runs through Austria, connecting Baumgarten an der March at the border between Slovakia and Austria, with Arnoldstein, at the Italian border. TAG transports natural gas coming from Russia destined for the Austrian and Italian markets. TAG current transport capacity equates approximately 31 billion cubic metres of natural gas a year. In 2008-2009, the increase of total 6,5 billion of mc a year in the pipeline transport capacity is planned as follows: 3,2 billion cubic metres of natural gas a year as from 1 October 2008, and a further 3,3 billion cubic metres of natural gas a year as from 1 October 2009.

The Green Stream, which began operating in October 2004, is the longest pipeline running beneath the Mediterranean, and allows Italy to import gas from Libya. Current transport capacity equates approximately 8 billion cubic metres of natural gas a year.

Forecast investments to strengthen the pipeline in 2012 will bring the transport capacity of Green Stream to 11 billion cubic metres of gas a year.

Methane pipelines connecting with overseas pipelines: new projects

The IGI (Italy Greece Interconnector) is a pipeline that, through Greece and Turkey, will allow Italy to import quantities of natural gas from the Caspian Sea (specifically from Azerbaijan) and from the Middle East (above all Iran and Iraq), where the largest world gas reserves are located.

The construction of 200km of submarine pipeline that will link the Greek and Italian coasts has been assigned to IGI Poseidon SA, established in June 2008.

Guaranteed transport capacity will be of 8 billion cubic metres of natural gas a year from 2012, year in which the start-up is forecast.

The TAP (Trans Adriatic Pipeline) pipeline, which will connect Greece with Italy through Albania, will guarantee western Europe easy and safe access to the natural gas reserves of the Region of the Caspian Sea, in Russia and in the Middle East.

The laying of 513 km of pipeline, of which 117 km under the sea, should be completed in 2010, when the structure will become operative. Guaranteed transport capacity equates to approximately 10 billion cubic metres of natural gas a year.

The project has been developed and promoted by Gruppo EGL.

The TGL (Tauern Gas Leitung) is a pipeline for which a feasibility is currently being carried out, and which was proposed by an Austrian-German consortium led by E.On Ruhrgas (45%), and held by five Austrian companies for the residual 55%.

The start-up of the construction of the pipeline, with a length of 290 km, that will connect the branch point of Haiming in Bavaria with Malborghetto, in the province of Udine, is forecast for 2010. The TGL will pass through Austrian regions of Inn and Carinzia, where it will be interconnected with the storage system of Salzburg and with the gas pipeline TAG.

The TGL will thereby allow for the integration of the middle-northern European markets with those of Italy, Balkans and probably also Slovenia.

Guaranteed transport capacity equates to 11,4 billion cubic metres of natural gas a year as from 2015, the year for which the realisation works are expected to be completed.

The Galsi pipeline, the realisation of which includes laying approximately 840 km of pipeline, of which 600 under the sea, will connect Algeria with Italy through Sardinia. The project will be carried out by the Galsi consortium, which now comprises Sonatrach (41.6%), Edison (20.8%), Enel (15.6%), Sfors (11.6%), and Hera Trading (10.4%).

The transport capacity of the pipeline, equal to approximately 8 billion cubic metres of natural gas a year, will be partly intended for supplying methane to Sardinia and partly intended for the Italian (contributing to increasing safety of gas supplies to our country) and European markets, through the inclusion of gas in the transport network in Tuscany.

The construction of this gas pipeline should start in the first months of 2010 and the putting in gas is forecast for May 2012.

The development of the Galsi methane pipeline is of particular interest to the Ascopiave Group which, in November 2006, signed a preliminary agreement with Sonatrach (the national Algerian gas company) for the fifteen-year supply of 500 million cubic metres a year through this pipeline.

The new regasification terminals

In these years regasification has become a seriously competitive supply alternative to the methane pipelines.

Apart from cost competitiveness, many national and international operators of the sector see the recourse to the regasification infrastructure as the most efficient way to directly access the end user market, bypassing the obstacles presented by the limited transport capacity available on the import gas pipelines networks.

According to the current normative, the agreement of regional administration is an indispensable condition for the realization of regasification terminals. In fact, the authorization procedure has state competence, but for its conclusion is necessary to have the agreement with the interested region.

The Panigaglia is the only regasification plant currently operative in Italy, and is located in the province of La Spezia. Managed by GNL Italia, a company fully held by Snam Gas Network, it has a rather limited capacity equal to 3,7 billion cubic metres a year.

In June 2007 the company GNL Italia presented a project for the straightening of the plant in order to bring it to a capacity of 8 billion of mc a year. This proposal obtained strong adversity from local entities. Recently in March 2009, the Liguria region gave its agreement for the evaluation of environmental impact of the project of enlargement and adequacy of the plant.

Forty years later the construction of the regasification plant of Panigaglia, Italy experienced its second GNL infrastructure. It is the offshore terminal of Rovigo (situated outside Porto Viro) that, inaugurated on September 2008, will start to be operative in the spring of 2009. It will guarantee a capacity of 8 billion of mc a year.

Besides these plants, our country has at its disposal a dozen of projects regarding the realization of new GNL terminals. As a consequence of bureaucratic difficulties, of appeals to TAR by local entities and also for technical unexpected events, it is forecast that not all of them will be accomplished.

Anyway, the projects that already have the authorization of the Ministero dello Sviluppo Economico (Ministry of Economic Development) are those concerning:

- the on-shore terminal of Brindisi for 8 billion cubic metres a year; the authorization has been temporarily suspended and is waiting the evaluation of environmental impact. If the result will be positive, the start-up of the plant is forecast for 2011;
- the off-shore terminal of Livorno for 3.75 billion cubic metres a year.

The projects not yet authorized are:

- the on-shore terminal of Rosignano Marittimo (Livorno) for 8 billion cubic metres a year;
- the on-shore terminal of Gioia Tauro (Reggio Calabria) for 12 billion cubic metres a year;
- the on-shore terminal of Taranto for 8 billion cubic metres a year;
- the on-shore terminal of Zaule (Trieste) for 8 billion cubic metres a year;
- the off-shore terminal of Trieste for 8 billion cubic metres a year;

- the on-shore terminal of Porto Empedocle (Agrigento) for 8 billion cubic metres a year;
- the on-shore terminal of Melilli (Siracusa) for 8 (I phase) to 12 (II phase) billion cubic metres a year;
- the off-shore terminal of Ravenna for 8 billion cubic metres a year;
- the on-shore terminal of Civitavecchia (Rome) for 12 billion cubic metres a year;
- the off-shore terminal of Senigallia (Ancona) for 5 (I phase) to 10 (II phase) billion cubic metres a year;

Sale of gas

Sales represents the second most important 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 more fierce following further opening of the markets upstream of the chain (production and import).

Precisely because of its unique nature, the market of the sale of gas will undergo significant change over the next few years, creating opportunities for improvement of profitability margins for those operators who, thanks to their size and technical and relational capacities, will succeed in making the management of the supply phase independent, acquiring transport capacity on the international infrastructures, and concluding several-year 'take or pay' import contracts directly with manufacturers.

From a supply point of view, market shares will be redefined between the strongest subjects, and there will be an overall reduction in the number of operators.

Distribution of gas

Distribution represents the main 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 both to management methods and tariffs.

As it is known, Legislative Decree no. 164/00 introduced the obligatory allocation of the gas distribution service through a call for tenders, presuming that a competition mechanism involving the selection of the provider would be able to encourage a limitation of costs for the end consumer and an improvement in the quality of the service supplied.

As the regulation framework is at present incomplete, the aims of the general standards have, in any case, been widely disregarded.

Failure to issue a standard call for tenders and standard service contract, uncertainty as to the assets values and property regime of the networks, and a lack of rules governing the occupational effects brought about by a change of provider,

apart from leading to an intricate administrative dispute, have led local bodies to ban tenders in which the aims of limiting costs and improving service quality are sacrificed in favour of the request by the local bodies themselves for high concession charges.

The issue of a 'standard call for tenders' and a 'standard service contract' that take general principles aimed at safeguarding and improving the level of quality and efficiency of the services offered, guaranteeing the management balance of the operators and supporting modernisation and technical development programmes for the sector, are provisions that the more responsible operators - including Ascopiave - have been requesting for years.

The normative framework

National Legislation

Excise duty and VAT

With European Directive 2003/96/EC the community framework for taxation of energy products and electricity has been restructured.

For the gas sector, the new provisions concerning excise duty and Value Added Tax (VAT) rates on natural gas for combustion for civil uses introduced by art. 2 (with effect as from 1 January 2008) have particular importance.

From the former structure based on the intended use of the product and related tariff (T1, T2, etc.), we have now moved on to a new structure divided up into four types of consumption with different excise duty and VAT rates:

up to 120 m³/year-Excise: Euro 0,044 per mc; VAT 10%;

from 120 m³/year to 480 m³/year- Euro 0,175 per mc; VAT 10%;

from 480 m³/year up to 1,560 m³/year- Euro 0,170 per mc; VAT 20%;

more than 1,560 m³/year- Euro 0,186 per mc; VAT 20%.

This Decree modified and integrated the Legislative Decree n. 504/95 and its successive modifications and integrations.

With Law Decree no. 248 dated 31 December 2007, the benefits on excise duty for industrial users consuming more than 1,200,000 m³/year, were extended for the whole of 2008.

With the Decreee 13 February 2008 the Ministry of Economy and Finance reduced the quote of excise on natural gas destined to combustion for civil uses consumed in territories different from those of article 1 of the Testo Unico of laws on the intervention for the South of Italy. So, the new quotes applicable from January, 1st 2008 and till 31 December 2008 result equal to:

Euro 0,038 per mc till 120 mc/year

Euro 0,171 per mc from 120 to 480 mc/year

Euro 0,166 per mc from 480 to 1.560 mc/year

Euro 0,183 per mc over 1.560mc/year

With Law n. 203 of 22 December 2008 (Financial Law 2009) from 2009 the facility (the reduction of 40% of the quote of the excise, previewed for industrial consumers with consumption higher then 1.200.000 mc/year) have been made structural.

With Legislative Decree 27 February 2009 the Ministry of Economy and Finance confirmed for the first three months of 2009 (from January, 1st to 31 March 2009) the quotes of the excise reduced with the Decree 13 February 2008.

Considering the exiguity of the destined resources, for 2009 and from April 1st 2009 the quotes of excise established with the Legislative Decree n. 26 of 2 February 2007 will be applicable again.

Robin Hood tax

On the basis of the economy trend and of the social impact of the general increase of prices and tariffs of the energy sector, the article 81, paragraphs 16 and 17, of the Decree Law n. 112/08 provides that from the current tax period to the coming into force of the same Decree Law, the application of an additional ⁴ of 5,5 percentage points to the quote of the tax on the annual income of the companies of which to article 75 T.U. of taxes on incomes.

The Decree Law forbids to economic operators, interested by the additional, to move the cost of the extra charge tax on the consumption price and gives the Authority the task to supervise the observance of the prohibition to the charge of obliged subjects.

For the realization of this supervising task, with the Deliberation ARG/com 91/08 of 04.07.2008 the Authority fixed at 31 July 2008 the last term for the sending, by interested companies of the last financial statement available and, if possible, the quarterly and six-monthly reports of 2008, budget documents concerning 2008 and a declaration containing the unitary values of gross operative margins for 2007 and that for the first semester of 2008. With successive measures, the Authority will fix the organic discipline of information and the documents that the subjects will have to send regularly.

With Deliberation VIS 109/08 of 11.12.2008 the AEEG defined criteria and modification modalities for the respect of the forbid of translation of so-called "Robin Hood Tax" in order to avoid negative repercussions on consumers deriving

⁴ The additional is previewed for those subjects that, in the previous tax period, achieved incomes higher than Euro 25 billion and that operates in one of these sectors: research and cultivation of liquid and gas hydro-carbon , oil refining, production or trade of fuel, petrol, gas for different uses, lubricating and residual oils, gas from liquefied oil and natural gas, production and trade of electric energy.

from the application of the additional on the quote IRES established by article 81, *comma* 16 of the Decree Law 25 June 2008, n. 112.

Measures for the containment of gas usage

With the Decree 30 October 2008 the Ministry for the Economic Development defined, with reference with what disposed by the Decree 11 September 2007, the modalities for the containment of gas usage, if necessary, for winter 2008/2009.

With the further Decree 3 October 2008 the Ministry for the Economic Development updated the procedure of climatic emergency previously emanated with Decree 23 November 2007.

With Deliberation ARG/gas 160/08 of 12.1.2008 the AEEG updated and integrated the previous economic conditions of adhesion to the containment of gas usages for climatic year 2008/2009 in operation with what previewed by the Decrees of the Ministry for the Economic Development 11 September 2007 and 30 October 2008

The regulatory activities of the Authority for Electrical and Gas Energy (AEEG)

In the course of 2008, the AEEG issued a series of measures, exercising its functions in matters relating to pricing and normative laws.

Triennial strategic plan and operative plan of the Authority

The first resolution of the year, Decision GOP 1/08 dated 8 January 2008, identifies the general and strategic objectives of the AEEG for the three-year period 2008-2010.

The Plan has been divided in two parts: the first is general and explicative; the second is more detailed and operative. The action of the Authority will be structured according to:

- general objectives: basic objectives, with ample temporal and sectorial horizon, reductible to the mandate of the institutive law or dependant on the European and national normative;
- strategic objectives: objectives with which realize the general objectives; for each single strategic objective the consequent operative objectives have been defined and detailed through schedules of examination and achievement;

In the new Strategic Plan the AEEG gives notice of initiatives as the Analysis of the impact of the regulation (AIR) and the innovations for next three years and synthesizes the scenarios of gas and electric energy sectors after the events of 2007 that could have possible repercussions on the period 2008-2010.

In detail, the general objectives and related strategic objectives for 2008-2010 can be summarized as follows:

1. the promotion of the development of competition markets (develop and harmonise the markets of electricity and gas; limit the power of the dominant operator market; support the adequacy of the offer; promote the forming of efficient trans-national markets of electricity and gas; guarantee transparent, non-discriminatory access to regulated infrastructures);
2. support of the efficiency and economics of infrastructural services and the promotion of investments (promote suitability, efficiency and safety of infrastructures; guarantee economics of network services; promote efficiency of measurement activity);
3. protection of consumers / users of energy services (manage the complete opening of the demand markets; guarantee universal service; protect ex-captive customers and vulnerable customers; develop service quality levels);
4. promotion of a rational use of energy and environmental protection (support and spread energy efficiency in end uses; contribute to the choices for sustainable development);
5. guarantee of a correct application of sector regulations and standards (checking application of regulations and standards by regulated subjects; ensure implementation of regulations);
6. development of dialogue with system stakeholders (develop relations with institutions, strengthen consultation and discussion with operators and consumers; bring the Analysis of Impact of Regulation to standard; consolidate communication and relations with the media);
7. increase internal efficiency in order to reach objectives (support development of human resources; improve organisational and economic-financial efficiency).

With the Decision no. 15/08 of 27 February 2008 has been approved the Annual operative plan for 2008 and also an extract for a public use of it (integrating and substantial part of the Measure).

Distribution tariff

With Deliberation ARG/gas 128/08 of 2.09.2008 the validity of proposed tariffs for distribution for thermal year 2007/2008 has been extended for the period October 1st –31 December 2008.

The extension doesn't concern the counter-balancing unitary quote of tariff distribution β_i , of which at article 4 of Delibera n. 138703 and subsequent modifications and integrations, for which the term of 30.09.2008 is still valid.

The transformation of the corresponding unitary amount of the variable tariff-quote from Euro/GJ to Euro/mc, of which at paragraph 4.2 of the Delibera n. 174/04, must be executed using PCS values used for the thermal year 2007/2008.

The extra quote of which at *comma* 9.4 of Deliberation n. 170/04, destined to the coverage of contributes in favour of customers economically needy, old people and disabled persons, find application also in the in the last three months of 2008 in the measure determined for thermal year 2007/2008.

With the Deliberation ARG/gas 159/08 of 6.1.2008 the AEEG approved the new tariff-rules for distribution services and measure of gas that will have to be apply in the period 2009-2012 (the so-called third regulatory period).

The measure defines a regulatory framework with the aim of further regularize the system, to favour the development of concurrence between selling companies for the protection of final consumer, stimulating a reduction of total costs of distributors, higher investments for the network security and a strong reduction of the number of tariffs applied in the national territory.

The AEEG in this way completed the regulatory framework on gas distribution already defined for the next four years adding the recent measures in order to further improve the quality of the service.

In detail, from the point of view of the system regulation, the Measure defines new criteria for:

- the allocation of costs, in particular capital costs, in order to be lined up with the dynamics of new concessions and give definite indications on the recognized value of networks and on the level of their remuneration;
- identifying in an only way the subject nominated for the measurement service and the relevant values for the economic transactions of natural gas supply service;
- fixing precise responsibilities concerning networks parts, particularly critic from the point of view of security, that go from property limits to measure points.

From the tariff point of view, on the other hand, the measure defines new criteria to:

- drastically reduce the number of tariffs currently present on the national territory, identifying only six tariff-sphere in which the same tariff is applied (currently the different tariff applicable are 2.000);
- define a course of recovery of inefficiencies of managing costs (recently defined with higher adherence to real costs) both imposing a gradual reduction of those costs toward levels of higher efficiency collected at national level and defining mechanisms encouraging the aggregation of small and medium companies;
- evaluate a more exact incidence of public and private tributes to the detraction of the invested capital and the consequent remuneration recognized in tariff;
- encourage some investments connected to the safety of networks (for example the modernization of odourising systems, the substitution of cast iron conducts, ecc.)

The main points of new tariff regulatory framework are the following:

- a new methodology of calculation of the tariff invested capital has been introduced. It distinguishes between centralized invested capital and of locality that, for what concerns the last one, it makes reference to the data of historic costs of the assets or, under certain conditions, to the different values of inscription on the accounting books of the management company;
- the real remuneration rate pre-tax on the invested capital for the distribution activity is fixed at 7,6% (against 7,5% of previous regulatory period) and that of measurement activity at 8%;
- the component of the revenues bond for the coverage of management costs is differentiated for dimension class of the company and use density;
- the coefficient of productivity recover, applicable only for the coverage of management costs, is differentiated for dimension class;
- a mechanism of equalization of revenues and costs managed by the Cassa Conguaglio Elettrico, that will imply a line-up of the revenues of the company with the bond of revenues admitted, has been introduced.

With the Deliberation ARG/gas 197/08 dated 22.12.2008, the AEEG modified, integrated and corrected (some material mistakes) the Part II of the *Testo Unico* of the Regulation of the quality and of tariffs relating to gas distribution and measurement services for the regulation period 2009-2012.

With Deliberation ARG/gas 29/09 dated 16.0.2009 the AEEG prorogued to 30 April 2009 the term for the transmission of necessary data for the tariff determination for year 2009, of which article 2, of the Deliberation of the Authority ARG/gas 159/08 of 6 November 2008.

Updating of the component "consideration of wholesale marketing" (CCI) of the sale prices

With the Deliberation ARG/gas no. 39/08 dated 28 March 2008 the economic conditions of the supply of natural gas for the second semester of 2008 have been updated (from April 1st 2008 to 30 June 2008). The corresponding amount for the wholesale marketing (CCI), forecast by article 7, *comma* 1, of the Deliberation n. 138/03, increased of Eurocents/MJ 0,0632 (0,632 Euro/GJ).

With the same measure a new unitary variable corresponding amount (CFGUI) has been introduced according to article 2, paragraph 6, letter b), of the Decree MSE 29 September 2006 for the coverage of the burdens concerning to costs, eventually not covered, sustained by wholesale suppliers of final jurisdiction (FGUI). With this aim a dedicated fund, supplied by incomes deriving from the application of the new corresponding amount, has been established by the Cassa Conguaglio of the electric sector.

With the Deliberation ARG/gas 84/08 dated 27.06.2008 the economic conditions of natural gas supply for the period from July 1st 2008 to 30 September 2008 have been updated. The corresponding amount for the wholesale marketing (CCI) increased of Eurocents/MJ 0,0757 (0,757 Euro/GJ).

With the same measure the dispositions on the discipline of the fund for the coverage of the costs deriving from the activity of wholesale suppliers of final jurisdiction (FGUI) of which at Delibera ARG/gas 39/08.

With the Deliberation ARG/gas 89/08 dated 01.07.2008 the AEEG stated the conclusion of the process of renegotiation of natural gas wholesale buying and selling (on the basis of the criteria defined by the Delibera n. 79/07), subscribed in the period of validity of the Deliberation n. 248/04, then cancelled by the administrative justice.

With the Deliberation ARG/gas 100/08 dated 24.04.2008 the AEEG prorogued to 30 September 2009 the use of the methodology of updating of the 'raw material' component previewed by the Deliberation n. 79/07. With the same measure, the director of Markets direction is given the mandate to set up a group of work in order to carry on the necessary examinations for the evolution of the discipline concerning the reform of the mechanism of protection of final client and of the criteria of updating of the correspondent CCI.

With the Deliberation n. 141/08 dated 29.09.2007, the Authority updated the economic conditions of the supply of natural gas for the last three months of 2008 (from October 1st 2008 to 31 December 2008). The corresponding amount for the wholesale marketing (CCI) increased of Eurocents/MJ 0,0991 (Euro/GJ 0,991).

With the Deliberation ARG/gas 192/08 dated 19.12.2008, the AEEG, determining the updating of the economic conditions of natural gas supply for customers under protected conditions, adopted some urgent measures of modification of the criteria of indexation of the tariff .

The intervention, adopted to be in line with the Decree Law n. 185/08, consists in the removal of the non-variance breakeven of 2,5%, of which at article 1, paragraph 3, of the Deliberation n. 195/02 and successive modifications already with the updating concerning the three month period January-March 2009.

As an effect of the adopted intervention, from January 1st 2009 the corresponding amount for wholesale marketing (CCI) decrease of Eurocents/MJ 0,071 (Euro/GJ 0,171).

In order to contain the economic impact of what previewed by the Measure of the sale company, for which in most of cases the provision contracts contain a band of non-variance that could not allow the determining, towards the wholesaler, an analogous reduction of the purchase price, article 2 of the Deliberation contains a disposition that forecast that the companies of wholesale propose to their buyer counterparts the suppression of the eventual non-variance clauses from January 1st 2009. The afore-stated proposal can be limited only to quantities of gas destined, directly or indirectly, to the supply of protected final customers.

The Deliberation previews, between final disposition of which at article 4, that the AEEG with a successive measure defines an opportune compensation system of the costs supported by the Sale company and not differently recoverable.

Update of the 'transport fees' (QT) component of the sales tariff

With the Deliberation ARG/gas dated 12.02.2008 the AEEG provided to modify and integrate article 6 of the Deliberation n. 138/03 mainly to take into consideration the variable unitary corresponding amount (CV) as an additional charge of the transport fee (Deliberation n. 166/05), established from January 1st 2008 to contribute to the containment of natural gas consumption of which to Deliberation n. 277/07.

With the Deliberation ARG/gas dated 29.09.2008 the AEEG stated the value of the unitary average corresponding amount (CP) of the component transport of the economic condition of natural gas supply of which at article 6.2 of the Deliberation n. 138/03 for thermal year 2008/2009 equal to Euro/a/Smc/g 1,076905 .

The Measure introduced also a new formula for the calculation of the QTVK and the word CVOC, defined as the unitary variable corresponding amount, transitory for the thermal year 2008/2009, for the contribution to the reintegration of higher costs sustained for the safety of natural gas system in the thermal year 2005/2006.

Update of the 'storage fees' (OS) component of the sales tariff

With the Deliberation ARG/gas dated 28.03.2008 the AEEG provided to the updating of the value of the storage quote QS, of which at article 3 of the Deliberation n. 138/03 for the period from April 1st 2008 to 31 March 2009. The new value of the component is of Euro/GJ 0,256819.

Revision of the 'Retail Sales Fees' (QVD) of sales tariffs

With the Deliberation ARG/gas 50/08 of 30.07.2008 the mandate of the Director of Trades Direction has been prorogued, so that, through examinations and verifications, the possibility of modifying the component QVD will be evaluated after the start of the third regulatory period of gas distribution and the definition of the new arrangement of the measurement activity.

Resolutions pertaining gas transport activities

With the Deliberation ARG/gas 50/08 dated 28 April 2008 the AEEG started the procedure for the creation of measures concerning tariffs for natural gas transport activities for the third period of the regulation (2009-2013).

With the Deliberation ARG/gas 102/08 dated 30 July 2008 the AEEG approved the tariff proposals concerning the corresponding amounts of natural gas transport, in operation of the Deliberation of the AEEG n. 166/05 of 29 July 2005, presented by the biggest company for thermal year 2008/2009, with subject the point of entry and exit from national network of pipelines.

For thermal year 2008/2009:

- the value of the unitary variable corresponding amount CV^{FG} , of which at article 18.1 of the deliberation ARG/gas 92/0 has been adopted as 0;
- the creation of unitary tariff corresponding amount CV^{FL} , additional to the variable corresponding amount, has been transitorily previewed. Its value is established with a further measure.

Resolutions pertaining to gas storage activity

With Deliberation ARG/gas 35/08 of 6 March 2008 the AEEG approved the company corresponding amount presented by storage companies for the thermal year 2008/2009 and determined the unique corresponding amount for the storage activity, in relation to thermal year 2008/2009, in operation of the Deliberation of AEEG n. 50/06 dated 3 March 2008.

Decision concerning energetic efficiency

With the Deliberation EEN 1/08 dated 26 February 2008 the AEEG determined specific objectives of primary energy savings in the year 2008 on the responsibility of electric energy and natural gas distributors that are subjects of the obligations of the 20 July 2004 as modified and integrated by the ministerial decree 21 December 2007.

With the Deliberation EEN 3/08 dated 28 March 2008 the AEEG provided to the update of the conversion factor of kWh in equivalent tons of oil connected to the mechanism of energy efficiency certificates. The new value is equal to $0,187 \times 10^{-3}$ tep/kWh.

With the Deliberation EEN 5/08 dated 14 April 2008 the AEEG approved the Regulations for the registration of bilateral transactions of energetic efficiency certificates of which at article 4, *comma* 1 of the Deliberation of the Authority 28 December 2007, n. 345/07 and at article 4, *comma* 1, of the ministerial decree 21 December 2007.

With the Deliberation EEN 8/08 dated 07 July 2008 the AEEG re-determined the specific objectives for primary energy saving for 2008 on the responsibility of natural gas distributors, modifying the precedent Deliberation EEN 1/08 dated 26 February 2008.

With the Deliberation EEN 33/08 dated 15 December 2008 the AEEG determined the specific objectives of primary energy saving for 2009 on the responsibility of electric energy and natural gas distributors subjects to the obligations of which at ministerial decrees 20 July 2004 as modified and integrated by the ministerial decrees 21 December 2007.

With the Deliberation EEN 2/09 dated 02 March 2009 the AEEG re-determined the specific objectives of primary energy saving for 2009 on the responsibility of natural gas distributors, modifying the precedent Deliberation EEN 35/08 dated 15 February 2008.

Other decisions

With the Deliberation ARG/gas 6/08 dated 28.01.2008 the AEEG determined of safety recoveries for the natural gas distribution service for 2006, previewed by article 33 of the Deliberation n. 168/04. In this Deliberation economic incentives for the improvement of the safety of distribution networks calculated on the basis of safety recoveries related to odorising and gas dispersions.

With the Deliberation ARG/gas 9/08 dated 04.02.2008 the AEEG determined The start of procedures to formulate measures concerning proposals to identify minimum geographical areas for tenders for awarding gas distribution concessions.

With the Deliberation ARG/com 15/08 dated 14.02.2008 the AEEG provided to the completion of the disposition report concerning access to the database of final domestic customer for making commercial offers for the supply of electricity and/or natural gas.

The Authority added some modification to Resolution No. 157/07 in order to line it up with the dispositions previewed by Decree Law n.73/07 (then converted in Law 125/07) and by the Guarantor for the protection of personal data with the measure n. 39/07.

With the Deliberation ARG/gas 27/08 dated 10.03.2008 the AEEG determined the postponement of the time limits for the entrance into force of Title III of Resolution No. 40/04, concerning post gas meter safety. The Authority approves the proposal of gas distributors and sellers to postpone by one year the entrance into force of Title III of Resolution No. 40/04 in order to take in next ministerial dispositions regarding the regulation of the safety of user gas systems when these are modified or brought back into use, and also for the consolidation by all the operators of the dispositions (when they are applied) concerning new use plants.

With the Deliberation ARG/com 34/08 dated 18.03.2008 the AEEG made some amendments and additions to Annex A of Resolution No. 110/07, concerning corresponding amount previewed by commercial code of conduct for the sale of electric energy and by the commercial code of conduct for the sale of natural gas to end consumers pursuant to Annex A of Resolution No. 126/04. Contextually, a procedure for the revision of commercial code of conduct for the sale of electric energy and for the sale of natural gas started.

With the Deliberation ARG/gas 51/08 dated 29.04.2008 the AEEG introduced some guarantee measures for the inspection of gas metering units upon request by end consumers.

The measure previews the free substitution, in definite and briefer time, of the meter that doesn't works correctly and a strong reduction of the cost of the verification if the control ascertains the operation of the meter.

The measures of protection previewed change according to the results on meters (positive or negative) and on the basis of the age of the meter.

With the Deliberation ARG/gas 67/08 dated 26.05.2008 the AEEG starts a finding investigation for the adoption of measures by the concerning standard service contracts for the distribution of natural gas.

With the Deliberation ARG/com 79/08 dated 20.06.2008 the AEEG modified and integrated Annex A of the Resolution No. 144/07 concerning revocation of electricity and gas supply contracts. In particular, the measure introduces the definitions of “customer under protection” and “customer not under protection”.

With the Deliberation GOP 35/08 dated 23.06.2008 the AEEG activated the register of suppliers, a new system of communication, that will guarantee a higher simplicity, efficiency and rapidity in the procedures of the communication of data and information and will assure more safety and privacy of flows of information. The new instrument will allow also a progressive reduction of the costs, deriving from informative obligations, charges on operators.

With the Determination n. 40/8 dated 29.07.2008 the AEEG decided to start an investigation about the satisfaction of customers that address themselves to the call centres of the sellers of electric energy and gas, with the aim of a continued improvement in the sale services on the liberalised market. The customer satisfaction investigation, that will have semestral cadence, will concern the accessibility, the wait time, the service level and also the courtesy and disposability showed by the personnel of the call-centre.

With the Deliberation ARG/gas 114/08 dated 05.08.2008 the AEEG modified and integrated the tender procedures for selecting the natural gas supplier of last resort ⁵for the thermal year 2008-2009.

With the Deliberation ARG/gas 120/08 dated 07.08.2008 the AEEG approved Part I of the *Testo Unico* of quality and tariff code for the gas distribution and metering services for the regulatory period 2009-2012.

The *Testo Unico* introduces new rules for the further reduction of gas dispersions and for the improvement of the service of 24-hours repair-service, contributing to the reinforcement of safety and quality of measurement and distribution services.

The system based on penalties and incentives to distribution operators has been enlarged: those who will not achieve improvements higher of those established will receive incentives. In order to give to operators a sufficient time to line up with new rules, both from a organising and technologic point of views, this mechanism will be applied from 2010.

For what concern the trading quality, the new discipline about agreed appointment with customers and about automatic indemnities in case of non respect of quality standard is extended. A new standard, regarding the demands of verification of the pressure of gas supply to customers, subjected to automatic indemnity is introduced.

With the Deliberation ARG/gas 127/08 dated 22.09.2008 the AEEG informs and approves, the classification of the arrived applications regarding the individuation of suppliers of last resort for thermal year 2008/2009.

⁵ The suppliers of last resort assure a natural gas supply limitedly to final customers with consumptions not higher than 200.000 mc per year or to fix customers connected to distribution networks, with exception for those final customers with industrial or thermo electrical consumptions higher than 200.000 mc in the previous thermal year that, also temporarily, haven't got a supplier for reasons independent from their will.

With the Deliberation ARG/gas 130/08 dated 23.09.2008 the AEEG, according with Resolution n. 17/07, provided to update the standard withdrawal profiles associated to natural gas usage categories for thermal year 2008/2009.

With the Deliberation ARG/gas 131/08 dated 23.09.2008 the AEEG started a procedure for the identification of and evaluation of the components of balance-sheet equation of natural gas distribution plants, between those the quantities regarding the volumes introduced and taken from the distribution plants are included, and furthermore the definitions of the modalities, of criteria and of procedures for the identification of the component “non accounted gas” that belong to the aforesaid balance-sheet equation.

With the Deliberation ARG/gas 133/08 dated 23.09.2008 the AEEG has transitorily established for thermal year 2008/2009 a unitary variable corresponding amount (CVOC), additional to the unitary variable corresponding amount (CV), for the recovery of the higher costs sustained for the safety of natural gas system. This corresponding amount, that will be updated every three months, assumes, for the period October-December 2008 assumes a value equal to 0.

With the Deliberation ARG/com 134/08 dated 23.09.2008 the AEEG integrated and modified the dispositions concerning communication standard between gas sector operators.

With the Measure the Director of Markets Direction is given mandate to start a procedure for the definition of a centralised information system for the management of descriptive profiles of final customers (anagraphical data, measurement data of withdrawals, and also data concerning eventual situations of criticality linked to the contractual accomplishment) in the retail markets of electric energy and gas.

With the Deliberation ARG/com 148/08 dated 15.10.2008 the AEEG started procedures to increase the transparency and legibility of electric and gas bills. The aim of AEEG is to improve the quality of information included in the bill to allow an easier comparison of offers of different sellers to consumers, and to facilitate choices more and more conscious and convenient. The bill in fact is the fundamental channel of communication between customers and supplying companies. It also represent the main instrument to verify the right application of economic conditions subscribed with supply contracts.

The Deliberation ARG/gas 155/08 dated 22.10.2008 states the instructions for the obligatory commissioning of gas metering units meeting minimum functional requirements and having remote reading and remote management functions, for all redelivery points on natural gas distribution networks.

The Measure provides the installation of new electronic meters also for gas, as for electric energy, to guarantee a higher quality in the measurement and service. The introduction of “intelligent meters”, able to constantly correct the datum of the measurement, as effective values of temperature and local pressure require (parameters that allow a correct measurement of the energy actually consumed, now elaborated using numerical coefficients calculated as averages), will facilitate the direct control of customers’ consumption through periodical reading at distance, simplifying and defining the management of readings and the successive elaboration of the bills.

The first activation of innovative apparatus will have to be obligatorily made within 26 months for great gas users and within four years for families. The future substitution of current meters, often old and obsolete, will have to be pre-announced to customers with an opportune advance and will not imply a charge in the bill.

With the Deliberation ARG/com 164/08 dated 18.11.2008 the AEEG enacted the code for the quality of sales service (TIQV).

This document, pursuing the aim of protecting the consumer of electric energy and gas, defines narrower rules to assure the maximal timeliness in the management of claims and in the verifications of invoicing. It provides that some automatic indemnities for consumers in case of violation of norms by Sale companies.

The new measure, approved after a public consultation procedure that allowed to absorb also the indications of consumer associations and of Sector operators association, unifies in an organic way the precedent regulation on sale quality, and between those also that of seller call-centre (Deliberation n. 139/07).

With the Deliberation ARG/gas 185/08 dated 17.12.2008 the AEEG modified and integrated the dispositions regarding communication standards between operators in the natural gas sector set by Resolution No. 294/06.

The main news introduced concerns the postponement to July, 1st (the term was for April, 1st) of the obligation for distributors with at least 100.000 final customers to adopt an advanced⁶ communication instrument.

Furthermore the document approved the operative instructions that define the communication flow and the minimal contents of the supply of services estimation and execution of works, of desactivation of the supply when requested by final customers, of the reactivation after the suspension for delayed payments, of the activation of the supply and of verification of measure groups when requested by final customers.

With the Deliberation ARG/com 199/08 dated 23.12.2008 the AEEG, after the results of the consultation started 18 November 2008 (DCO 35/08), modified and integrated the Annex A of the *Testo Integrato* of the regulation of quality in sale services (TIQV).

Also after the criticalities reported by operators concerning the enforcement of new dispositions for the sale quality, the new Measure postpones to July 1st 2009 the entrance in force of the TIQV (with exception of the part concerning the call-centre). Therefore, till 30 June 2008 the disposition of Deliberations n. 168/04 (gas) ad 333/07 (electric energy) concerning claims, written requests of information and verification of the billing will continue to be valid.

With the Deliberation ARG/gas 200/08 dated 23.12.2008 the AEEG modified and integrated the Deliberation ARG/gas n. 120/08 after the update of the *Testo Integrato* on the regulation of the quality of electric energy and natural gas sale services (TIQV).

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.

⁶ An advanced communication instrument is the solution of the type “Application to Application” or an internet application for the exchange of information.

The definition of the national quantitative⁷ 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 20 July 2004.

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

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

The energy saving objectives set out by the Decree of 20 July 2004, integrated by the Decree of 21 December 2007, are:

- 0.10 Million TOE for the year 2005;
- 0.20 Million TOE for the year 2006;
- 0.40 Million TOE for the year 2007;
- 1.00 Million TOE for the year 2008;
- 1.40 Million TOE for the year 2009;
- 1.90 Million TOE for the year 2010;
- 2.20 Million TOE for the year 2011;
- 2.50 Million TOE for the year 2012.

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

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

There are three types of White Certificate: Type 1 certificates pertain to electrical energy savings, Type 2 certificates to gas savings and Type 3 to savings of other fuels.

⁷ The national quantitative objectives of energy savings are defined, on annual basis, in million of TOE (Tonnes Oil Equivalent) and are annually assigned to each distributor by the Authority on the basis of the quantity of gas distributed in the previous year of that of reference.

With the Decree 21 December 2007 the bond that demanded to natural gas distributors to consign for their annual objective at least 50% of Type 2 certificates, while for electric energy distributors to consign 50% of Type 1 certificate, has been surpassed. Without this bond, this two types of certificates (1 and 2) have been substantially equalized.

Apart from the distribution companies, Energy Saving Companies (ESCOs) and companies accredited by the AEEG can participate in the White Certificates market, and while they may not have any obligation to pursue energy saving objectives, they can achieve savings in primary energy through their own investments, with the intention of obtaining energy efficiency certificates to sell on the market.

Ascopiave S.p.A., as a natural gas distribution company that on 31 December 2001 had over 100,000 customers, is subject to the obligations set out in the Decrees of 20 July 2004 and 21 December 2007, and, therefore, is bound by the energy saving objectives established annually by the Authority.

The Authority has the task of checking that each distributor is in possession of energy efficiency certificates that comply with the annual objective assigned him (increased by any additional shares for compensation or updated following the introduction of new national quantity objectives) and of informing the Ministry for Economic Development, the Ministry for the Environment and the Protection of the Territory and the Electric Market Administrator, of all certificates received and the outcome of the inspections.

If a distributor does not meet the agreed objective, it could be subjected to an administrative aim imposed by the Authority, implementing Law no. 481 dated 14 November 1995.

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

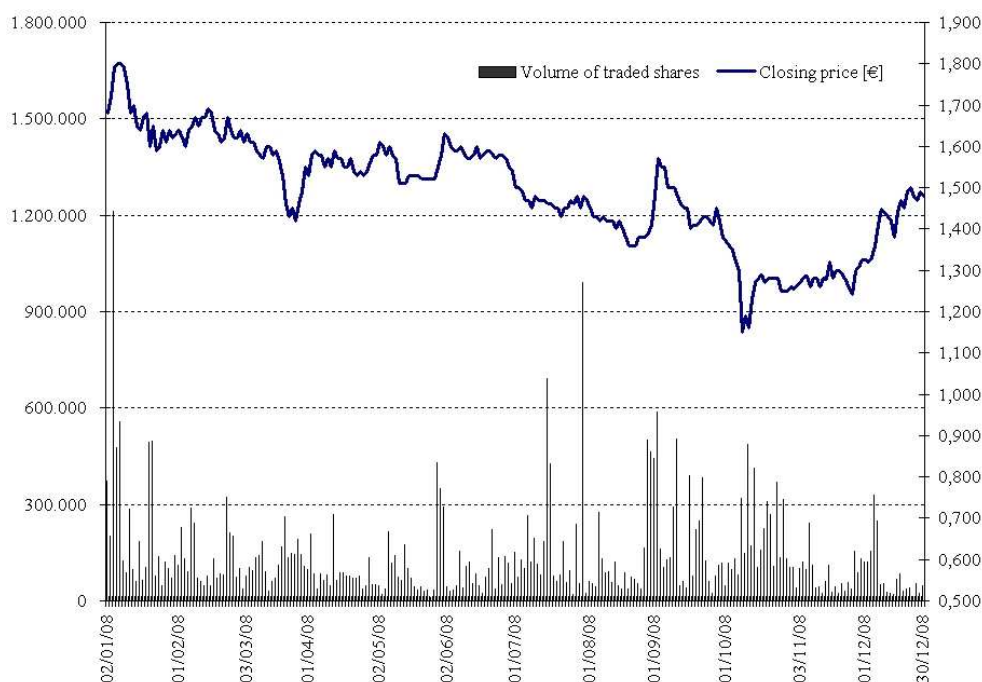
For distribution companies with between 50,000 and 100,000 end customers, the share of its objective to be consigned in order not to pay fines, is reduced to 25% limited to the year 2008.

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

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

Ascopiave shares closed 2008 at Euro 1,475 per share (30 December 2008), down by approximately 12,3 percentage points as compared with the listing at the beginning 2008 (Euro 1,682 per share, referred to the quotation of January the 2nd).

Capitalisation of the Stock Exchange as of 30 December 2008, was equal to Euro 345,0 million ⁸.



Anyway, the down of the quotation is lower as compared to similar companies and also to Mibtel index, that during 2008 showed a quite strong reduction equal to 48,0%.

In the following table we report the main shares and stock-exchanges data:

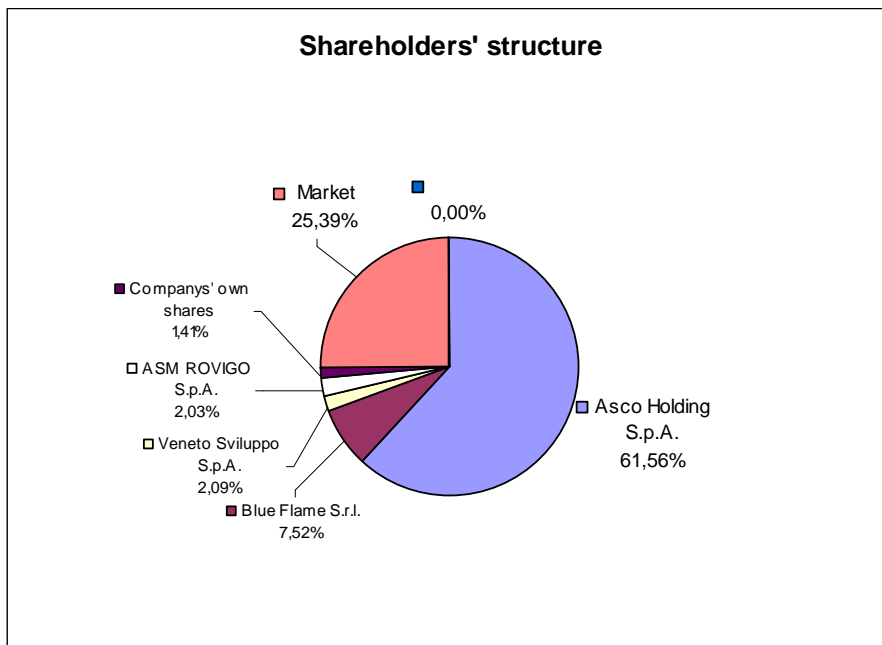
| | 30 December 2008 |
|---------------------------------------|-----------------------------|
| Share and stock-exchanges data | |
| Earnings per share | 0,08 |
| Net equity per share | 1,53 |
| Placing price | 1,80 |
| Closing price at 30 December 2008 | 1,48 |
| Top price of the year | 1,80 |
| Bottom price of the year | 1,15 |
| Capitalization on the stock exchange | 339.994.000 |
| Medial outstanding shares | 230.504.384 |
| Shares numbers of capital share | 234.411.575 |
| Ownership of Company's own shares | 3.907.191 |

⁸ Internal elaboration, obtained multiplying the number of shares in circulation with the closing price as of 30 December 2008.

Control of the Company

On 12 December 2008 (last available date) the Asco Holding S.p.A. owned 61,56% share capital of the Ascopiave S.p.A.

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



Shares held by Directors and Auditors

| Surname Name | Joint company | Type of share | Number of shares owned as of 2007 | Number of shares bought during 2008 (*) | Number of shares sold during 2008 | Number of shares owned (or at the end of the office) | Ownership title |
|--|------------------|---------------|-----------------------------------|---|-----------------------------------|--|-----------------|
| Salton Gildo (1) | Ascopiave S.p.A. | Ordinary | 113.600 | 240 | 110.000 | 3.840 | Property |
| Beninatto Alfonso | Ascopiave S.p.A. | Ordinary | 0 | 0 | 0 | 0 | Property |
| Bortolin Gianantonio | Ascopiave S.p.A. | Ordinary | 3.600 | 240 | 0 | 3.840 | Property |
| Bresolin Ferruccio | Ascopiave S.p.A. | Ordinary | 0 | 0 | 0 | 0 | Property |
| Trinca Fabio | Ascopiave S.p.A. | Ordinary | 0 | 0 | 0 | 0 | Property |
| Fassina Alessandro | Ascopiave S.p.A. | Ordinary | 0 (a) | 0 | 0 | 0 | Property |
| De Luca Lino (2) | Ascopiave S.p.A. | Ordinary | 5.400 | 360 | 0 | 5760 (b) | Property |
| Sforza Fabio | Ascopiave S.p.A. | Ordinary | 0 | 10.000 | 0 | 10.000 | Property |
| Terrin Gaetano | Ascopiave S.p.A. | Ordinary | 0 (a) | 0 | 0 | 0 (b) | Property |
| Saccardi Giuliano | Ascopiave S.p.A. | Ordinary | 0 (a) | 0 | 0 | 0 | Property |
| Visentin Graziano | Ascopiave S.p.A. | Ordinary | 0 | 0 | 0 | 0(b) | Property |
| Paolo Nicolai | Ascopiave S.p.A. | Ordinary | 0 (a) | 0 | 0 | 0 | Property |
| Managers with strategic responsibilities (3) | Ascopiave S.p.A. | Ordinary | 196 | 5.760 | 167.600 | 34.560 | Property |
| | | | 319.000 | 16.600 | 277.600 | 52.240 | |

(1) Of these 3.600 held by the partner and 110.000 by Società Mobiliare Valsana S.r.l.

(2) Of these 3.600 not personally held and 1.800 by the partner.

(3) During 2008 these figures acquired the quality of managers with strategic responsibilities: CFO, Ascotrade S.p.A Chief Executive, Administrator Manager, CTO, Investor Relator, for a sum of 5 managerial positions.

(*) These shares include the shares awarded as Bonus Share at 29 January 2008.

(a) As of the date of begin of office

(b) As of the end of office.

The company Blue Flame S.r.l., in which the counsellor Fassina Alessandro holds the office of CEO, as of 30 June 2008 held n. 17.966.792 of Ascopiave S.p.A.

Corporate Governance and Code of Conduct

During 2008 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

Internal audit activities became effective through the fulfilment of an audit plan that will involve all decisional processes, with a particular regard to more strategic business areas.

The committee of inspection is enforcing its own plan aimed at identifying the existence of possible risks ex D. Lsg. 231/2001, but also improving company's audit system.

Arranged manager

The arranged manager, with the help of internal audit function and a dedicated consultant, during internal audit activities, reviewed the conformity of procedures on the basis of what came out from the 2007 financial statement. The arranged manager also continued with the monitoring activity of relevant procedures with reference to intermediate situations.

Ethical code

The Company continued the promotion activity for the diffusion of the knowledge and awareness of the Ethical Code towards all its interlocutors, in particular in trading and institutional relations.

We would like to remember that corporate governance documents are available in the site www.ascopiave.it in the section "Investor relations".

Transactions with related parties

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

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

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

- ✓ Leasing of real properties owed to subsidiary ASCO TLC S.p.A.;
- ✓ Services of Ascotrade S.p.A. personnel to the joint company Sinergie Italiane S.r.l..

We would point out that these transactions are based on maximum transparency and on market conditions.

Directors' and Statutory Auditors' fees

Under the Consob Resolution No 15520 as of 27 July 2006, the remuneration and the emoluments in favour of Directors and Auditors of Ascopiave S.p.A. for their positions in the Parent company and in other entities of the Group included in the consolidation are the following: (amounts in Euros)

Board of Directors:

| Individual | Office | Duration of office | From | To | Annual remuneration | Annual Remuneration from subsidiary companies | Total |
|----------------------|------------------------------------|--------------------|------------|------------|---------------------|---|----------------|
| Salton Gildo | Chairman of the Board of Directors | 2005-2007 | | 28/04/2008 | | | - |
| Beninatto Alfonso | Director | 2005-2007 | | 28/04/2008 | | | - |
| Bortolin Gianantonio | Director | 2005-2007 | | 28/04/2008 | | | - |
| Trinca Flavio | Independent Director | 2005-2007 | | 28/04/2008 | | | - |
| Bresolin Ferruccio | Independent Director | 2005-2007 | | 28/04/2008 | 16.667 | | 16.667 |
| Salton Gildo | Chairman of the Board of Directors | 2008-2010 | 28/04/2008 | | 262.580 | 6.000 | 268.580 |
| Beninatto Alfonso | Director | 2008-2010 | 28/04/2008 | | 50.000 | | 50.000 |
| Bortolin Gianantonio | Director | 2008-2010 | 28/04/2008 | | 16.667 | | 16.667 |
| Trinca Flavio | Independent Director | 2008-2010 | 28/04/2008 | | 52.000 | | 52.000 |
| Fassina Alessandro | Independent Director | 2008-2010 | 28/04/2008 | | 33.333 | | 33.333 |
| Total | | | | | 431.247 | | 437.247 |

Statutory Auditors:

| Individual | Office | Duration of office | Annual remuneration from Ascopiave S.p.A. | Annual Remuneration from subsidiary companies | Total |
|-------------------|---|--------------------|---|---|----------------|
| De Luca Lino | Chairman of Board of the Statutory Auditors | 2005-2007 | 60.157 | | 60.157 |
| Visentin Graziano | Statutory Auditor | 2005-2007 | 40.803 | | 40.803 |
| Sforza Fabio | Statutory Auditor | 2005-2007 | 40.642 | | 40.642 |
| Terrin Gaetano | Chairman of Board of the Statutory Auditors | 2008-2010 | 24.267 | | 24.267 |
| Nicolai Paolo | Chairman of Board of the Statutory Auditors | 2008-2010 | 3.467 | | 3.467 |
| Sforza Fabio | Statutory Auditor | 2008-2010 | 18.720 | | 18.720 |
| Saccardi Giuliano | Statutory Auditor | 2008-2010 | 18.720 | | 18.720 |
| Total | | | 206.775 | - | 206.775 |

Top management:

We would point out that the aggregated remunerations for area managers with strategic responsibilities gross of taxes and welfare and social security contributions totals Euro 649 thousands compared with Euro 544 thousands of 2007.

| Appointment | First name and Surname |
|---|------------------------|
| Finance Director | Roberto Gumirato |
| Managing Director | Giovanni Favaro |
| Director of Administration | Cristiano Belliato |
| Management control director | Giacomo Bignuolo |
| Ascotrade CEO (Chief executive Officer) | Claudio Fabbi |

Significant events during 2008

Company operations that took place during the year

Increase of holdings in Ital gas Storage

On 17 April 2008 Ascopiave acquired a further quote of 2% of Ital Gas Storage, company working in the development of a natural gas storage site in Cornegliano, in the province of Lodi. The quote of Ascopiave has passed from 15% to 17%. The operation, particularly important for the Group, will allow the accomplishment of the EU directive according to which the 10% of imported non-European natural gas must have the possibility to be stored in dedicated deposits.

Acquisition of Edigas Esercizio Distribuzione Gas and Edigas Due

On the date of 15 July 2008 the acquisition agreement of 100% of the quotes of Edigas Esercizio Distribuzione Gas S.r.l. and Edigas Due S.r.l. by Ascopiave S.p.A. has been perfected.

Edigas Esercizio Distribuzione Gas is a concessionaire of gas distribution service in 27 municipalities in Lombardia, Piemonte and Liguria, while Edigas Due manages the gas sale service in the same municipalities for 31.000 final customers.

This operation allowed the consolidation of the Group in the down-stream of gas, the doubling of its customers outside Veneto and create the basis for the territory reinforcement of the Group in other regions of the North of Italy.

Constitution of Sinergie Italiane

On the date of 24 July 2008, Ascopiave participated to the constitution of Sinergie Italiane, a new company of gas provision. The company is held for 20% by Ascopiave and by other national operators as Enia (38%), Blugas (25%), Aemme Distribuzione (7%), Utilità progetti & sviluppo (3%), Brianza Energia Ambiente (7%). Sinergie Italiane manages from thermal year 2008/2009 the portfolio of gas and electric energy provision of sale companies joint to shareholders and can rely on a base of more than 1,5 million of customers highly retained and on gas volumes initially certified around 3 billion of mc. Sinergie Italiane candidates to be the pole of aggregation of other companies that present similar market characteristics and constitute a strategic alternative to the dependence to current incumbent, thanks to the development of industrial collaboration with leading national and foreign operators. The reinforcement of Sinergie Italiane shareholders in the energetic sector will take place through integrations in the chain of energy value that will allow the new rise up of the up-stream through industrial agreements with foreign operators and the consolidation of the presence in the down-stream, aggregating companies with common characteristics and strategic visions. A significant part of the annual provision is guaranteed by Gazprom.

Constitution of AscoEnergy

On 28 July 2008 Ascopiave established AscoEnergy S.r.l., a company working in the production of electric energy from solar energy with plants of big dimension. Ascopiave S.p.A. owns a majority quote of AscoEnergy S.r.l. equal to 70%, while the remaining 30% is owned by the company Bioenergy Italia S.r.l., already active in the solar energy field with a

set of plants in development.

Acquisition of 100% quotes of Global Energy and of Le Cime Servizi S.r.l.

On 16 September 2008 Ascopiave signed an increase of capital in Global Energy, the company of the Ascopiave Group that, together with Etra Energia, is focalised in the trading development of gas and electric energy sale activities in new areas of Veneto. Own capital contribution is oriented to give financial coverage to company's and subsidiaries' investments projects (Le Cime Servizi and Etra Energia).

Successively the capital increase, Ascopiave bought whole holdings of the company held by minority shareholders. Contextually, Global Energy bought the residual quote of 20% of Le Cime Servizi share capital, thus becoming the only shareholder of the company active in the field of co-generation and heat distribution controlled through telematics technologies.

Binding agreement for the acquisition of Veritas Energia

On December 2nd 2008 Ascopiave subscribed with Veritas S.p.A. a binding agreement for the acquisition of 51% of the company Veritas Energia S.r.l. company born from the incorporation of Spim Energia S.r.l.⁹ in Vesta3 S.r.l.¹⁰. The perfecting of the operation was in January 2009.

Acquisition of Metano Nove Vendita Gas

On 12 December 2008 EtraEnergia, an Ascopiave subsidiary company at 51% through the controlled Global Energy, and for 49% by Etra S.p.A., accomplished the acquisition of Metano Nove Vendita Gas S.r.l., company active in the gas sale in the municipality of Nove (in the province of Vicenza).

The company acquired manages a portfolio of 2.300 final customers.

⁹ Spim Energia S.r.l. is a company of the Group Veritas that works in the energetic sector in the territory of Mogliano Veneto in the province of Treviso.

¹⁰ Vesta3 S.r.l. is a company of the Group Veritas active in the trading of natural gas and electric energy and in the supply of services of energy management in the municipality of Venice and in the area of the province of Venice.

Sales of natural gas and electrical energy

Sale of natural gas

Ascopiave Group: management trend

In there was a significant growth in the activity of natural gas sale of the Ascopiave group.

The volumes of gas sold to final market in 2008 by 100% consolidated companies (Ascotrade, Global Energy and Edigas Due¹¹) are equal to 859,2 million of mc, showing an increase of 5,7% as compared to 2007. To these volumes we have to sum the volumes sold by 49% consolidated companies (Estenergy and ASM Set), that during 2008 totally sold 47,5 million of mc of gas.

The sale activity by the Virtual point of Exchange and as wholesaler, managed by the subsidiary Ascotrade, comported during the period the movement of 823,8 million of mc.

For what concerns 100% consolidated companies, the growth of sold volumes was accompanied by an increase of served client that, as of 31 December 2008, achieved 390.572 units, with a growth of 37.949 customers as compared to the end of 2007 (+10,8%). 49% consolidated companies (Estenergy and ASM Set) as of 31 December 2008 were managing 271.406 customers.

The sales to final customers are inferior to expectations. The reason is probably the mild winter weather, very similar to that of 2006, that was exceptional. Customers, on the other hand, had an increase higher than expectations.

Gas consumption of civil customers

In the segment of civil users we have to underline that the continual research for energetic saving is leading to a constant diminution of supply, even with same conditions.

Analysing the consumption data with the thermal requirement concerning current normative about the heat of houses (degree per day), it is clear that in the last 10 years there has been a very significant limitation in the consumptions: on average customers reduced their use of gas of 15-20%. The elements that contributed in a determinant way to this reduction are surely the incentives arranged by laws concerning energy saving and the always more expensive cost of combustible that lead citizens to substitute their old boiler with those of "high efficiency" of new generation and to contain the dispersions of through aimed interventions to the general improvement of buildings isolation. We don't have to forget that on average new houses are smaller than those of the past and are built with innovative technology aimed at the energetic auto-sufficiency.

Authority's interventions about tariff

¹¹ Volumes sold by Edigas Due concern the second semester of 2008.

The Authority seems to have finally understood that the gas sector is having a difficult phase and that it is necessary to proceed to a re-definition of the margins for the marketing of gas to the protected market and of the costs of raw material.

Adaptation of the QVD component

The decrease of consumptions had an important impact on the revenues of clients with consumption inferior to 200.000 mc/year. The tariff methodology for this segment of client has been stated by the AEEG in the “far” 2000. The unitary quote for cubic meter for detail marketing, the so-called QVD component, has been calculated as the relation between the average annual managing cost per client and the medium volumes per client distributed in 1999. Since 1999 this component has never been updated.

The action on the energy saving significantly re-dimensioned, with equal conditions, the consumptions and so the revenue for each single bond client is no more conformed to the value stated by the AEEG. Therefore there would be the necessity to re-proportion the managing cost per client, correspondent to the component QVD of the tariff, according to current volumes of consumption.

On the basis of the meeting with referents of the Authority about the necessity of adjusting the component QVD, it seems that in a short while there could be an intervention for the solution of the aforesaid problem.

Adaptation of the CCI component

The interventions on raw materials of past years (started with the Deliberation n. 248/08, absolutely not sustainable by the system, and proceeded, attenuating the impact, through the remedial Deliberations n.134/06 and n. 79/07) initially created big problems for the trading company with the birth of consequent extra costs. These costs were naturally transferred to final customers sale companies, that at the moment of annual contracts of supplying, had worsened conditions as compared to previous years. Furthermore, the payment times extremely reduced, joint with the increase of the cost of money happened during the year, made the financial costs grow in a considerable way.

The Authority, in the ambit of the revision of the CCI component of the sale tariff to protected market, is evaluating some proposals made by sale companies, where Ascotrade is taking an always more important role.

The requests are substantially based on two lines: obtaining a higher value compared to the current in correspondence of Brent elevated quotations, as the management costs and risks grow in a more than proportional way with the growth of the Brent, and reducing the perimeter of the protected market, including the domestic clients but excluding flat-owners.

Ascotrade

Ascotrade, with the semester of June 2008, activated a revision of the billing procedure, bringing the number of billing from 6 to 5 (the summer bimestrial billing, when consumptions are not important, has been eliminated) and elaborating the calculation of consumptions, in absence of reading, through the profiles determined by the Authority in order to obtain the emission of accounting note with the revenues of used gas in the immediately previous period. In this way the collection times of distributed energy sensitively got shorter.

This operation, that determined a quick recovery of the supplying costs, offers to customers the possibility to obtain a billing coherent with the measurements of their own meters. In fact, a problem that is often issued to us is that of the advanced bills on volumes often very different from those effective, that report some heavy adjustments and do not permit to evaluate with certainty the correctness of the consumption data indicated on the accounting notes.

In order to improve this service, the access channels to the green number dedicated to the acquisition of the meters data communicated directly from customers have been empowered.

The pressure of the market of passive “switch” up to now has been contained and the degree of transfer of Ascotrade customers to other Sale Companies has been inferior to the average value of the territory.

In fact, taking as reference the data as of 30 June 2008 published by the AEEG, we realize that in our area the change of supplier interested 4% of final clients, against a passive “switch” rate in our historic territory of 2,8%.

This datum is significant of the high customers retention of Ascotrade and marks the managing quality of the service, also in a moment of deep change of managing software for the adaptation of data production to the continual regulatory news of the Authority, and the opportunity given by the market in big evolution after the recent liberalization of the market itself.

In contrast to this positive datum there is the difficulty to acquire customers to the actions of active “switch”. For Ascotrade in fact the growth rate of customers on new distributions is at 0,3%.

The costs for the start of trading campaign are too elevated if compared to the economic return that possible acquisitions of client could have. Furthermore, we don't have to forget that the rules imposed by the Authority could create, towards distributors that have not yet developed an efficient system of communication with the sale company, costs higher than revenues.

Estenergy

In 2008 Estenergy started activities for the co-ordination of trading and functional management criteria of the new company reality that is progressively enlarging the perimeter of market.

During the year the positioning of the company in the Triveneto has been improved, making highly definite the objective aimed at the achievement of a strategic project in the North-East.

During the year particular attention has been given to the use of resources in order to put to common factor with the minority shareholder all the competences that allow the diffusion of the culture of standardized models of management and to achieve economies of scale with high service quality.

In the perspective of rationalization of the disposable know-how in the field of trading and achieving of significant economic results the company worked for the homogeneousness of managing criteria and of the trading and marketing logics.

In order to uniform the procedures, the company started a process of unification and renewal of informative systems for the management of the billing process. The management was in fact dispersing, because different managing instruments were used.

The program, started in the second half of 2008, regularly proceeds and should be completed within the first half of 2009. The project, still going on, is destined not only to the improvement of billing performances but also to make more simple and well-timed the control system.

In the last three months of 2008 the first marketing plan has started and aims at the reinforcement of the presence of Estenergy in the zones closed to territories already served, both with mono-service products and with “dual fuel” offers (gas and electric energy), for which promotional material, as brochures and dépliantes about the company and products, has been prepared.

Another important project took up during the year is the total re-proposal of the web site.

Furthermore, in 2008 Estenergy has been committed in the necessary activities of individuation and predisposition of new headquarters and commercial and administrative offices, both in Trieste and Padova.

In Trieste the removal to the historic Palazzo Marenzi was in November. The building fully satisfies the main requirements in terms of prestige for the company image and central position in the city, with a high value of commercial attraction .

The removal in Padova is forecast for 2009 as the building, placed in a central position of the city in order to strongly improve the current logistic dislocation, has been already identified.

During 2008 59.000 requests at trading desk and almost 400.000 telephone contacts of customers have been received and benefited both of operator and automatized services.

Because of particularly mild weather conditions, in the last three months of 2008 the company registered a total decrease in the distributed volumes of gas, compared to 2007, of about 5,8%.

Given the particular historical economic and financial moment that marks a period of recession at national level, the company remarks a diminution in volumes, especially in the industrial uses. The diminution regards also residential uses both for the attention given to the energetic saving and for the diminution of the average number of the components of a family, that today is around 2 components per family, against the historic average of 80's-90's in the regions of Veneto and Friuli Venezia Giulia of around 2,7 components per family.

The customers portfolio remained stable also considering that new clients have been acquired in territories different from those on which the supply points of the main distributor insist and considering that the company decided to disinvest on some cabins Re.Mi. after an analysis performed on the marginality of uses on third distributors networks.

Electric energy sale

Ascopiave Group: management trend

2008 registered a significant growth in the activity of electric energy sale of the Ascopiave Group.

The quantity of electric energy sold in 2008 by 100% consolidated companies (Ascotrade and Global Energy) is equal to 105 GWh, signing an increase of 3,9% compared to 2007. To this we have to add the quantitative sold by Estenergy (49% consolidated company) that in 2008 was 484 GWh.

Ascotrade

The electric market has been faced by big sellers as an opportunity to retain customers through the joint supply of gas and electric energy.

Some Companies decided to operate some discounts on the raw material in order to assure themselves a “dual fuel” supply contract. Proposing a discount on the component raw material of the electric energy, variable between 10 and 20%, the total value of the discount in one year maintains a revenue of around Euro ten, a sustainable number in particular if applied for the acquisition of new customers. If the same discount politics would be applied on gas, the total value of the discount would mean a lower average revenue of around a hundred Euro, in this case a number not sustainable.

For those companies as Ascotrade that are not present in the whole production system of electric energy and that, in particular, do not carry out production activity, it results very difficult to offer to the protected market better conditions that those proposed by the Only Acquirer.

The activity carried out so is finalized to guarantee to final customers belonging to the free market the possibility of having an only supplier of energy, both of gas and electric energy.

At the end of 2008 Ascotrade was serving 172 customers, made up of public bodies and VAT numbers. The energy distributed during the year was equal to 94 million of kWh.

In consideration of the current situation of the market, Ascotrade faced with particular attention the work of improvement of the service management. Interventions regarded the informative systems for the billing of consumptions, the CRM and the training of the employees for the call-centre and the web site with the creation of a modern interface for an easy and intuitive access to information and for the definition of a process that will allow the negotiation of the “on line” services.

Another area where it has been thought opportune to intervene to optimize the procedures, also through informatics automatism, was that of receivables collection, as the fragility of the world financial system brought some repercussions on many productive activities on our territory, with a consequent growth of the unsettled.

Estenergy

For big part of 2008 Estenergy, with the companies Enìa Energia, Ascotrade, Prometeo and Eta3, operated within the consortium Energicamente, in which Estenergy acquired electric energy for its requirements besides carrying out an active role both for the logistics activity and for that of real trading, managing all the necessary transactions in the Electric Stock-Exchange.

The supply of energy, the dispatch and the transport for the partners Sale companies in the consortium Energicamte, allowed the improvement of the synergies of the logistics activities and the exploiting of economies of scale in the phase of purveying.

The improvement of the programming of purchases, compared to 2007, as well as the attribution of the remainders on the basis of the consumptions of Energicamte, allowed a reduction of the transfers in the Electric Stock-Exchange with unfavourable tariffs for about 68 GWh.

In the last four months of 2008 a strategic agreement has been defined with the consortium CEV, characterized by a potential basin of uses for around 1 TWh and a presence in about 1.000 Italian municipalities.

In 2008 the purchases of electric energy for final customers decreased (-142 GWh) but the activity of dispatch increased (+105 GWh), done also for the consortium CEV (around 10 GWh), for a four month-period for Acegas-Aps Service in safeguard (around 15 GWh) and for Ascotrade (around 102 GWh).

Initiatives in storage

Natural gas storage in Italy

Storage plays a crucial role in the flexibility of the gas system. In addition to the cyclical seasonal flexibility, which is also modified due to the increasing importance of the use of gas in the production of electrical energy, the supplies compete to provide an instrument of flexibility necessary to create a true market, and not only nationally.

The current existing reserve capacity of our country is able to (with difficulty in critical years) satisfy only seasonal needs. The reserve regulations in Italy call for the express subtraction from the reserves of the liberalised activities, confirming the reserve regime (20 years), according to that established in Law no. 170/74 (as amended by the Letta Decree).

The storage in our country is considered as an “actual monopoly” because the biggest part of the capacity, precisely 98,5%, is in the availability of the company Stogit, subsidiary of Eni.

Although the tariff regulation of the sector is extremely boosting from the point of view of the remuneration of investments, the new projects are restrained by the extreme difficulty of obtaining the necessary authorizations, due to the long authorization process and to the presence of strong barriers to entry. These reasons explain the situation of stalemate of the market.

The development of the market of the storage has been undoubtedly influenced by the absence of a real concurrence between the operators, determining a situation of deficit both of the strategic storage¹² and of the storage of modulation¹³.

¹² The strategic storage is finalized to face situations of absence or reduction of gas purveying. It is on charge of the subjects that import natural gas from countries non belonging to the European Union.

¹³ The storage of modulation is finalized to the satisfaction the daily, seasonal and peak-value modulation of consumptions. It is on charge of gas sellers.

Currently in Italy there are not the conditions for the development of the so-called “storage to storage competition”. Anyway, we hope that the Government will soon intervene with a reformation of the system on the normative plan that agrees with the European directives.

Ital Gas Storage

On May 2006, Ascopiave acquired a share equal to 15% of Ital Gas Storage S.r.l., company committed to the development of a site for the storage of natural gas. In April 2008 Ascopiave increased its participation to 17% acquiring a quote of 2% from the shareholder Confservizi International.

The company was created in 2005, following the dissolution of ATI (Associazione Temporanea di Imprese), constituted by Ascopiave and another eleven companies active in the gas supply chain, which was created to participate to a tender for the obtainment of a gas reserve concession in the site of Cornegliano, in the province of Lodi.

Ital Gas Storage has as participants, in addition to Ascopiave S.p.A., Gestione Partecipazioni S.p.A., which holds the absolute majority of the capital, along with AIM Vendite S.r.l., Azienda Energetica Trading S.p.A., Petren S.r.l., and Speia S.p.A..

Through its participation in the Ital Gas Storage S.r.l. company, Ascopiave S.p.A. counts on having the availability of a significant amount of storage capacity on the developed site. In addition to the obvious ability to modulate consumptions during peak phases, the operation will allow Ascopiave to achieve to EU directive according to which the 10% of imported non-European natural gas must have the possibility to be stored in dedicated deposit.

In fact, according to the current norms, an importer must provide a provable declaration the effective guarantee that it has available the requested strategic reserve capacity, equal to 10% of the quantity of natural gas imported each year, and with a daily peak availability at the end of the peak season, equal to at least 50% of the medium daily importation predicted in the same peak period.

The project

The Ital Gas Storage project consists of the conversion to a ‘tank’ of the storage of natural gas of an existing methane reserve used by Eni S.p.A. as from the 1950s, and the commercial production of which was exhausted in 1997.

This type of intervention, as from the end of the 1990s, has been subjected to many provisions of law, the main aim of which is to guarantee an immediate spread of the interventions, whilst taking into account the ‘sustainability’ that must be guaranteed by authorised projects.

For our country, having natural gas reserves available for use, regardless of market trends and protected from the politics of foreign countries, is today of fundamental importance. This is precisely why the law states that the works

comprising these projects must be of public utility, unable to be deferred, and urgent (see art. 30 of Legislative Decree no. 164 dated 23 May 2000, and art. 21 of Ministerial Decree dated 26 August 2005).

The Project falls fully within the new Energy policies that attempt to face up to current problems. In fact, the Ministry for Economic Development issued missive no. 0021023 dated 20 December 2006 clarified its intention to acknowledge the public utility of the specific project (already specified more generally and in an abstract manner by the law), and also 'in relation to the emergency conditions declared in the previous winter seasons, determined by an insufficient supply of natural gas in the period February-March, due to insufficient infrastructures'. Furthermore, the Project is also mentioned in the Plan of Action for Energy, recently adopted by the Lombardy Region. The Plan in question also clarifies that the authorisation process of the Project is in an advanced phase.

The Project is particularly interesting from a point of view of 'sustainable development'. The type of intervention planned should use, as a sort of natural tank, the existing underground geological formation, which naturally held gas and, precisely for this reason, has been used as such by Eni. In practice, gas is re-injected where it was previously. As such, ample reserves are guaranteed, reducing environmental impact to a minimum.

The authorisation process

Following the coming into effect of Ministerial Decree dated 26 August 2005, on 31 May 2006 Ital Gas Storage presented the request necessary to start up so-called 'inspection procedure' to the Ministry for the Environment and the Protection of the Territory and the Sea (MATTM). This procedure has the sole aim of evaluating whether a given work, not already specifically subject to Environmental Impact Assessment (VIA) by law, should or should not be subject to VIA.

Under provision no. DSA 20070021157 dated 26 July 2007, the MATTM decided to exclude the part of the Project relating to the realisation of 3D seismic prospects from the VIA, and to subject the remaining part of the Project to VIA. The MATTM also clarified that on a regional level, a so-called 'incidence evaluation procedure' must be carried out, in order to evaluate all possible effects of the Project.

On 22 December 2008, with Deliberation VIII/008761, the Lombardy Regional County gave its favourable opinion for what concern the environmental compatibility of the project "Storage of natural gas in the municipality of Cornegliano Laudese (LO)". In the same date it has been transmitted to the Ministry of Environment and Territory and Sea Protection" for the profiles of competence.

With the Decree of MATTM of 22 January 2009, notified by the company on 4 February 2009 has been conferred the "favourable judgement of environmental compatibility concerning the project of creation of a site for the modulation storage of natural gas underground in the municipality of Cornegliano Laudese in the province of Lodi".

The negotiation concerning the corresponding amount that the company will have to give to ENI is currently in progress.

Meanwhile, the Conference of Services is going to start and will have to conclude in the ordinary term of 180 days from the convocation. Within 90 days from the determination of the Conference of Service, Ital Gas Storage will have to pay to Eni the corresponding amount agreed on the basis of the agreement. After the payment, the storage concession will be conferred, through a *Decreto* of the Ministry of Economic Development, in accordance with the Ministry for the Environment and the Protection of the Territory and the Sea, in accordance with the interested Region.

Initiatives in the photovoltaic

The photovoltaic market in Italy

After several years of stall, the Italian photovoltaic market is reviving and seems to be promising and strategic both for investors and for producers of the sector.

The installation by Enel of several photovoltaic plants (also of big dimension) in the first half of '90 produced a big excitement in the Italian photovoltaic market. But the absence of incentive forms for plants caused a slowdown in the market that started to accelerate after several years, with the introduction of "Conto Energia" in September 2005 by the Ministry of Economic Development.

"Conto Energia", with the objective of promoting the production of electric energy from photovoltaic plants, introduced a system of incentive of the plants connected to the electric network for the injection of produced energy. But the Decree was fixing a bond of maximal power allowable to the incentive, equal to 85MWp¹⁴ per year.

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

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

As said before, the growth of the photovoltaic market in the last years has been very strong. In 2008 the growth of 2007 was consolidated: the installed plants increased of 280%, going from 6.400 operating at the beginning of 2008 to current 24.400, while the installed power increased of more than 370%, going from 63MW of the beginning of 2008 to current 300MW.

The news introduced with the new "Conto Energia" favoured the development of small and very small size plants, the so-called photovoltaic roofs, in fact 97% of the installation refers to plant with power inferior to 20 kW.

2008 was characterized by an evolution in the sector that considerably surpassed the provisions of the Electric Services Manager, both in terms of the number of plants and of power.

¹⁴ KWp: peak kilowatt. The peak power of a photovoltaic plant is the maximal theoretic power that it can produce with standard conditions of insolation (1000 W/m²) and of temperature of the modules (25°C).

This development has been favoured also by the uncontrolled increase of the quotation of oil happened in the first part of the year, that pushed to the investment in the domestic photovoltaic with a long-term perspective. Furthermore, the cut of 2% of incentives on new plants previewed for 2009 by the new “Conto Energia” contributed in the last part of 2008 to give a further push to the development of the market.

Partnership with Mitsubishi Electric for the development of the photovoltaic market

During 2008 Ascopiave signed a partnership with Mitsubishi Electric for the development of the photovoltaic market in Veneto and Friuli Venezia Giulia. The objective is to install plants with a size included between 3 and 20 kW, for a total power of 1,2MW. Several important planning proposals on the industrial field have been formulated for several MW.

The strategic initiative is the first development action of the Group dedicated to new offer systems, efficient and competitive, projected on purpose to answer to the necessities of markets for what concerns “Efficiency and Energetic saving”. The 2 years agreement, renewable for further 2 years, is the token of months of planning work conducted with the perspective of guaranteeing the maximal quality, both of the product and of the service, with highly competitive prices, assuring “keys in hands” to the customer, from the planning to the financing, from the supply and installation to the management of the practice for the access to new “Conto Energia”.

Distribution of natural gas

Ascopiave Group: management trend

2008 registered the significant growth of the Ascopiave group both in the activities of gas sale and gas distribution.

Volumes distributed through the networks managed by the Group have been 851,6 billion of mc (+13, 8% compared to 2007), of which 71,1 billion through recently acquired companies ASM DG (52,9 billion of mc in 2008) and Edigas Esercizio Distribuzione Gas (18,8 billion of mc in the second semester of 2008).

The distribution network followed development trends historically consolidated, and as a consequence of new extensions and of the consolidation of the activities of ASM DG and of Edigas Esercizio Distribuzione Gas, as of 31 December 2008 has an extension of 7.376 km.

Activity of distribution of natural gas

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

- the protection of and use of the distribution system;
- ordinary and scheduled maintenance;
- extraordinary maintenance and replacement of the system;
- the expansion of and strengthening of the network;
- the acquisition and management of the concessions.

The activity is performed respecting the dispositions of the AEEG for what concerns safety and continuity of distribution service (Part II of the *Testo Integrato* on gas service quality of which at *Allegato A* of the Del. N. 168/04 and subsequent modifications) concerning the first aid, emergency management and gas accidents, dispersion research, odorising and cathodic protection.

Following the obligatory separation of the selling activities from the distribution activities, the administrative onuses have greatly increased for the distribution company, linked to the necessity of guaranteeing impartial management of the service in the face of selling companies that request access to the network.

These new duties bring with them the necessity to invest considerable sums in information technology.

The distributor's role is very important in guaranteeing an appropriate process of opening the market to competition, and in the experience of Ascopiave S.p.A., proper functioning of the system can only be guaranteed by companies that are technically qualified, capable in sufficiency for their dimensions, to face both in organizational and investment terms the complex administrative rules imposed for the transparent liberalization.

Among other things, distribution companies must be able to face switching requests (contractor change) from the selling companies in a quick and timely manner, they must guarantee a trustworthy billing service, and additionally, must provide for the correct allocation of the monthly costs between the numerous selling companies that use the network for the supply of gas to their personal end customers. Improper management of these processes contributes to making the system more complicated and the activities of the selling companies more risky, with the inevitable consequence of discouraging new entries into the market.

Ascopiave S.p.A. manages gas distribution activities through the companies Ascopiave, ASM DG and Edigas Esercizio Distribuzione Gas throughout a territory consisting of 182 municipalities, with a total basin of over 1 million inhabitants¹⁵.

Expansion and maintenance of the distribution network

Ascopiave

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

Activities of planning, prevention and employee management for the implementation of new distribution systems are carried out centrally on the request of private customers or by the public administration. The 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.

¹⁵ Data as of 31 December 2008; source: ISTAT.

In 2008 the investments for the extension, the empowering and maintenance of distribution network have been significant.

During the year 70 km of distributive network have been laid down, with intervention in 99 municipalities.

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

The 24 hours on 24 hours monitoring of the main parameters of operation of the plants is carried out through the telematics control on all the plants of decompression of first step and of some point of the network with signalling, in real time, of the operating status out of prefixed standards.

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 norms in effect are performed for the most part by personnel employed by Ascopiave S.p.A.

With the aim of controlling the correct operating of plants and to reduce the probability of damage or bad operation, the maintenance services perform an activity of ordinary maintenance concerning the operations of Manutenzione Preventiva Programmata (MPP) (Programmed preventive maintenance) – partial or total disassembly of the apparatus, cleaning, control of the component parts and substitution of particulars subjected to wear and tear- and of Verifica Funzionale (VF) (Functional verification). In 2008 31 MPP and 89VF on Re.Mi. plants and 288 MPP and 2044 VF on reduction groups have been made.

For what concerns the extraordinary maintenance, in order to line up the plant to the increase of the registered times and to the demands for the connection to the network, maintenance services intervened on Re.Mi. plants providing the empowering of 1 plant and to the extraordinary maintenance of other 12 plants. The construction and activation of the new Re.Mi. plant in the municipality of Cimadolmo (TV) has been completed.

During 2008 33 new plants of final reduction have been activated and there was extraordinary maintenance for other 27 (substitution of old apparatus, normative updating, increase of the carrying capacity after enlargement of the network, ecc.). Besides, 77 new groups of reduction and measurement for industrial, artisan and commercial use have been activated and 90 groups of reduction have been built by the workshop of Ascopiave.

During 2008, 3 interventions of conduct shift, 75 interventions of shift of the riser and underground connections, 25 socket cuts, 33 executions of U-bolt, 10 insertions of dielectric joints and valve on conducts and connections, 851 interventions on zinc-coated/existing uprights and 16 installations/reparations of blowhole.

The indicators of safety (time of arriving on the place of call for the first aid, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, with respect of the obligation of service prefixed by the Deliberation AEEG n. 168/04.

The company's emergency intervention service can be contacted by means of the specific free-phone number, that is operative 365 days a year, 24 hours a day. In 2008 has carried out 2.949 interventions, and in 97% of cases, arrival time was less than 60 minutes (average time 41 minutes).

Over the course of 2008, inspection of approximately 30% of the distribution network was carried out, with the aim of reducing risks coming from the uncontrolled loss of gas due to deterioration of or damage to the systems. The inspection program carried out is superior to the minimum standards required by the AEEG for distribution systems, and demonstrates the attention paid by Ascopiave S.p.A. to the safety of its services.

Proper odorization of the gas is periodically monitored, and some first stage gas pressure reduction stations use automatic injection systems that allow timely dosage of the odorization contents. In 2008 463 measurement of the level of odorizing have been made (with the gas chromatographic instrumental method) in the moment of maximal and minimal period of withdrawal; all measurements suited the current technical norms.

ASM DG

Activities of planning, prevention and employee management for the implementation of new distribution systems are carried out centrally on the request of private customers or by the public administration.

In 2008 the investments for the extension, the empowering and maintenance of distribution network have been significant. Those that affected the consistence of the managed network concern the laying of about 770 meters of distribution network in the municipality of Rovigo.

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

The 24 hours on 24 hours monitoring of the main parameters of operation of the plants is carried out through the telematics control on all the plants of decompression of first step and of some point of the network with signalling, in real time, of the operating status out of prefixed standards.

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 norms in effect are performed for the most part by personnel employed by ASM DG.

During 2008, in particular, periodical septennial maintenances (UNI CIG 10702) have been carried out on 21 groups of final reduction.

By the main Re.Mi. cabin an extraordinary maintenance of the plant of injection odorisation has been carried out.

During 2008 1 new plant of final reduction has been activated. Besides, 2 new groups of reduction and measurement for industrial use have been realised and installed and built by ASM DG personnel.

During 2008, 4 interventions of substitution of cast iron conduct, with the abandonment of 450 meters of piping, 59 interventions of shift of the riser and underground connections, 7 socket cuts, 3 insertion of valves on connections for delayed payments, 36 interventions on zinc-coated/existing uprights. Furthermore, 134 road intervention of reparation of gas dispersions have been made after signalling of third persons after requests to the 24-hours repair service and by the activity of Programmed Research. 2 new railway crossing with medium pressure piping have been realized.

The indicators of safety (time of arriving on the place of call for the first aid, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, with respect of the obligation of service prefixed by the Delibera AEEG n. 168/04.

The company's emergency intervention service can be contacted by means of the specific free-phone number, that is operative 365 days a year, 24 hours a day. In 2008 it has carried out 2.949 interventions, and in 97% of cases, the arrival time was less than 60 minutes (average time 41 minutes).

The indicators of safety (time of arriving on the place of call for the first aid, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, with respect of the obligation of service prefixed by the Deliberation AEEG n. 168/04.

The company's emergency intervention service can be contacted by means of the specific free-phone number, that is operative 365 days a year, 24 hours a day. In 2008 has carried out 351 interventions, and in 97% of cases, arrival time was less than 60 minutes (average time 24 minutes).

Over the course of 2008, inspection of approximately 57% of the distribution network was carried out, with the aim of reducing risks coming from the uncontrolled loss of gas due to deterioration of or damage to the systems. The inspection program carried out is superior to the minimum standards required by the AEEG for distribution systems, and demonstrates the attention paid by ASM DG to the safety of its services.

Proper odorization of the gas is periodically monitored, and some first stage gas pressure reduction stations use automatic injection systems that allow timely dosage of the odorization contents. In 2008 the number of measurements increased: 36 measurement of the level of odorizing have been made (with the gas chromatographic instrumental

method) in the moment of maximal and minimal period of withdrawal; all measurements suited the current technical norms.

During 2008 the monitoring system of cathodic protection became to be active. This system presents the distribution plant, medium and low pressure network with iron piping, divided in 13 electric systems. Each electric system is codified and contains the characteristic and optional measurement points codified in only one way. The monitoring of physical dimension of the cathodic protection is performed through 39 continual acquirers (GSM technologies) and visualized on a Tecnosystem server (CCOL System). The measurement with operator are taken in field with databox. In 2008 the measurement of electric systems (guidelines and APCE technical recommendations) surveyed 12 continual measured conformed systems and 1 non continual measured conformed system.

Edigas Esercizio Distribuzione Gas

In 2008 the investments for the extension, the empowering and maintenance of distribution network have been significant.

During the year 4 km of distribution network have been laid down, with intervention in 10 municipalities.

Edigas Esercizio Distribuzione Gas carries out the activity of maintenance of the distribution network and of the plants in order to maintain proper level of safety, quality and continuity in the service, partly through the intervention of internal personnel and partly using other companies.

On the first stage decompression systems (so-called Re.Mi.), on final reduction (GRF) and on reduction and measurement stations (GRM), preventive and corrective maintenance required under the norms in effect are performed for the most part by personnel employed or through interventions of third companies.

During 2008 1 new plant of final reduction and needed maintenance and 1 new group of reduction and measurement for industrial use has been activated.

The indicators of safety (time of arriving on the place of call for the first aid, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, with respect of the obligation of service prefixed by the Deliberation AEEG n. 168/04.

The company's emergency intervention service can be contacted by means of the specific free-phone number, that is operative 365 days a year, 24 hours a day. In 2008 has carried out 198 interventions, of which 5 forward the measurer and in 100% of cases, arrival time was less than 60 minutes (average time 40 minutes).

Over the course of 2008, inspection of approximately 55% of the distribution network was carried out, with the aim of reducing risks coming from the uncontrolled loss of gas due to deterioration of or damage to the systems. The inspection program carried out is superior to the minimum standards required by the AEEG for distribution systems, and demonstrates the attention paid by Edigas to the safety of its services.

In 2008 36 measurements of the level of odorizing have been made (with the gas chromatographic instrumental method) in the moment of maximal and minimal period of withdrawal; all measurements suited the current technical norms.

Estimates and new connections to methane-served areas

Ascopiave

The process of prevention and carrying out of new connections is carried out on a peripheral level by 10 territorial units, which, in this field, benefit of organisational autonomy, without prejudice to the meeting of quality standards and current price lists.

In 2008 5488 estimates were issued following 5.576 (+525 compared to 2007) requests for connection to the service within methane-served areas. Following estimates accepted by customers, 4.460 works (+226 compared to 2007) were carried out, almost exclusively subject to a specific standard (automatic indemnity in the event of failure to respect the maximum time specified by the Service Charter).

In 2008 the average effective time for the issue of simple jobs estimates was equal to 5,9 working days (in line with 2007, against a standard of 15 days), with only 21 outside the standards and 15 indemnities already distributed.

In 2008, the average effective time for the issue of complex jobs estimates was equal to 13 working days (in line with 2007, against a standard of 15 days), with only 21 outside the standards, as in 2007.

The average time for the performance of simple jobs was 6,7 working days (in comparison to a standard of 10 days), showing an improvement of 1 day with respect to 2007. the increase is also due to the increase of the number of work done (+186).

In 2008 3.065 derivations of use in methane-served areas have been executed, with 3.191 uprights (in line with 2007). As an effect of these works in 2008 8.200 measurement groups have been installed , a net decrease (-21,6%) compared to 10.457 of 2007.

Since some years Ascopiave has been adopting an encouraging system for contractor companies, that improve the corresponding amount to the same if the average time for a single work would be inferior to the standard specifications. This system encourages the companies to reinforce the presence of their team on the territory, also in presence of new contingent negative factors, as the dispersion of the main built-up area served.

ASMDG

The process of prevention and carrying out of new connections is carried out by ASM DG following its own standards and current price lists, decided by its Group of provenience (ASM S.p.A.)

In 2008 209 estimates were issued following 243 requests for connection to the service within methane-served areas. Following estimates accepted by customers, 181 works were carried out, almost exclusively subject to a specific standard.

In 2008 the average effective time for the issue of simple jobs estimates was equal to 8,9 working days (against a maximal standard of 15 days), with no out of standard.

In 2008, the average effective time for the issue of complex jobs estimates was equal to 13,7 working days (against a maximal standard of 15 days), with no out of standard.

The average time for the performance of simple jobs was 5,4 working days (in comparison to a maximal standard of 10 days), with no out of standard.

In 2008 84 derivations of use in methane-served areas have been executed.

As an effect of these works in 2008 623 measurement groups have been installed.

Edigas Esercizio Distribuzione Gas

The process of prevention and carrying out of new connections is carried out on a peripheral level by 3 territorial units, which, in this field, benefit of organisational autonomy, without prejudice to the meeting of quality standards and current price lists.

In 2008 465 estimates were issued. Following estimates accepted by customers, 460 works were carried out, almost exclusively subject to a specific standard (automatic indemnity in the event of failure to respect the maximum time specified by the Service Charter).

In 2008 the average effective time for the issue of simple jobs estimates was equal to 1 working day (in line with 2007, against a maximal standard of 15 days).

In 2008, the average effective time for the issue of complex jobs estimates was equal to 2 working days (against a maximal standard of 15 days).

The average time for the performance of simple jobs was 3,1 working days (in comparison to a maximal standard of 10 days).

As an effect of these works in 2008 1.185 measurement groups have been installed, also considering the substitutions.

Meter activities

Ascopiave

Interventions on meters, such as activations, transfers, cancellations, reactivations after delayed payment, to the service of the sales company, are reported as less than 8% as compared with the year 2007, also because of the physiologic decrease of the last three years and, marginally, for the cancellation of the municipality of Santorso. The total 25.713 were carried out in compliance with the standards specified by the company Service Charter.

The number of operations outside the standard during the year, which lead to the provision of automatic indemnities to end customers through sales companies is stable, both as compared with 2007 and 2006. In 2008 the number of operations outside the standard was 57, and reimbursements paid out equalled Euro 4.050, in increase from the previous year, as a consequence of the delay of the assignment of indemnities in the first semester of 2008 and for the implementation of the new informative service for the management of trading quality of sale and distribution.

The average time for activation of a new supply equals 8 working days (on a maximum standard of 10 days), in line with 2007. These services are subject to ascertainment of documents of the gas user systems relating to the new hook-ups (Del. no. 40/04 of the Authority and successive modifications and integrations).

As compared with the largest national distributors and Authority directives, in 2006, and confirmed for 2009, Ascopiave introduced an improvement standard for the take-over of supply (from cancelled ex-end customer) determining it as a measure of 50% of maximum time for a new activation (5 days). The requests, equal to 7.614, slightly decreased as compared to 2007, while the average time for the transfer is equal to 1,9 working days, stable as compared to 2007 and 2006.

In 2008 the parameters of the List of services result to have a net improvement: both the number of out of standard (7 in 2008) and the automatic indemnities reimbursed to final customers through the Sale company (Euro 210 in 2008) halved as compared to 2007.

In 2008 the parameters of the List of services concerning the performances of cancellations of supply and of re-activation for delayed payment: diminution in the number of out of standard (12 in 2008 against 31 in 2007) and of the automatic indemnities (Euro 780 in 2008 against 1.170 in 2007).

ASM DG

The reconignment points active as of 31 December 2008 are 24.719, showing an increase of 1,45 in line with the trend of last years, as compared to 2007.

Interventions on meters, such as activations, transfers, cancellations, reactivations after delayed payment, to the service of the sales company, are reported as less than 4,4% as compared with the year 2007, with a physiologic decrease as in the last three years. The total 2.492 were carried out in compliance with the standards specified by the company Service Charter.

The average time for activation of a new supply equals 2,6 working days (on a maximum standard of 10 days), with a net improvement as compared to 2007, in which the average was 4,1 working days.

The average time for the deactivation of supply and the reactivation in case of suspension for delayed payments were respectively of 2,2 and 0,5 working days.

For all the work supplied, in 2008 there weren't out of standards and consequently no indemnity was distributed.

Edigas Esercizio Distribuzione Gas

Interventions on meters, such as activations, transfers, cancellations, reactivations after delayed payment, to the service of the sales company were 2.129 and were carried out in compliance with the standards specified by the company Service Charter. There weren't out of standard.

The average time for activation of a new supply equals 2 working days (on a maximum standard of 10 days). These services are all subject to activities of documental ascertainment on gas use plants concerning new activations (Del. N. 40/04 of the Authority and successive modifications and integrations).

Personalized appointment for the activities for final customers

Ascopiave

During 2008 997 personalized appointments have been arranged with final customers (see Deliberation ARG/gas 120/08). These are postponed appointments compared to the date proposed by the distribution company and have the peculiarity of a reduced time band: from 3 hours to only 2 hours of start and end of the fixed appointment. The increase is equal to 128% and indicates that customers had no particular urgencies for these activities. For all arranged appointments Ascopiave always respected the time band of 2 hours, with no out of standard for this type of service.

The 60% of arranged appointments concerns the activity on meters, while the residual 40% concerns activities of connection estimation.

ASM DG

In 2008 22 personalized appointments have been arranged with final customers (see Deliberation ARG/gas 120/08). These re appointments postponed compared to the date proposed by the distribution company and have the peculiarity of a reduced time band: from 3 hours to only 2 hours of start and end of the fixed appointment.

The number of these appointments, in line with past, is symptomatic of the quality of the supply of services furnished by the company and of the subsequent absence of particular requests from final customers

For all arranged appointments ASM DG has always respected the time band of hours, with no out of standard.

Heat Management

The heat management service of Ascopiave is an energetic service anchored to clients mainly formed by local administrative organisations to which it distribute a quality service and a highly professional service that is able to:

- manage winter heating and summer cooling systems in buildings, in compliance with sector Laws and Norms;
- offer avant-garde solutions for the implementation and/or technological reworking of systems, introducing, when the technical/economical ratio has found its correct balance, technology that optimises the use of traditional energy (condensation, micro cogeneration) and the use of renewable energy sources and micro-cogeneration;
- pursue the objective of energy saving and reduction of atmospheric pollution, in compliance with the Kyoto protocol;
- improve, through the most modern system of tele-management (control at distance of the plants) the quality of the service distributed bringing down the answer time to the requests of customers;
- efficiently and rationally maintain the plants to valorise and preserve the plant patrimony.

In particular, the Heat Management division of Ascopiave reports the following main activities:

- Management, control, ordinary and extraordinary maintenance of winter heating systems, with the figure of the ‘third party manager’ and fuel supplier, according to D.P.R. 412/93 and following modifications and integrations;
- Supply of necessary fuel for the operation of plant;
- Management, ordinary and extraordinary maintenance of summer cooling systems;
- Design of thermal and/or air conditioning systems of all types, aimed at implementing and technological re-qualification, limiting consumption and fighting atmospheric pollution and exploiting renewable energies;
- Design and installation of thermo-regulation systems and tele-management for air conditioning systems;
- Telematics monitoring of systems, aimed at:
 - controlling and/or altering ‘real time’ comfort times and functioning parameters, in relation to the customer’s needs and without the need for local intervention;
 - receipt of block alarms in real time, for quick interventions to resolve breakdowns;
 - reduction of staff and vehicle movement, contributing to a reduction in traffic and atmospheric pollution.

As of 15 November 2008, the Heat Management Division of Ascopiave managed 414 thermal plants. As of 31 December 2008 managed plants decrease to 359 after the term of some contracts from 16 November 2008.

Efficiency and energy saving

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

- The installation of thermoregulation and tele-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.

In 2008 with these projects Ascopiave obtained about 10.000 White Certificates and is waiting as much for 2009.

In order to fill up its current and future requirement¹⁶, Ascopiave will have to carry out new projects of energetic saving and provide to the purchase of energetic efficiency certificates on the market.

With the Delibera no. 35/08 dated 15 December 2008, then modified by the Deliberation EEN 2/09 of 2 March 2009, the Authority for Electrical Energy and Gas defined the specific objectives of primary energy saving for 2009, for the distributors of electrical energy and natural gas, implementing Ministerial Decree dated 20 July 2004, as amended by Ministerial Decree dated 21 December 2007.

As obliged distributor, for 2009 Ascopiave has an objective of 36.224 TOE. The 2008 objective, equal to 27.909 TOE (defined by Delibera no. EEN 0/08 dated 7 July 2008) has already been met, and the bonds will be deposited in 2009 within the specified terms.

As pertains to 2007, Ascopiave met its objective for energy savings, obtaining through its own projects, 9.054 White Certificates, as requested for their 2007 objective. These certificates were deposited in May 2008. In addition, it obtained 10,600 Type I and II White Certificates to partially cover its requirements in the years to follow.

¹⁶ With Delibere n. 213/04 dated 13 December 004, n. 07/06 dated 17 January 2006, n. 293/06 dated 18 December 2006, EEN n. 8/08 dated 7 July 2008 and EEN n. 2/09 dated 2 March 2009, the Authority determined the specific objectives of saving of primary energy respectively for years 2005, 2006, 2007, 2008, 2009 for the singles natural gas distributors subject to the obligations of which at Decreto 20 July 2004 and subsequent modifications. For Ascopiave the objectives have been fixed equal to 2.266 TOE for 2005, 4.729 TOE for 2006, 9.054 TOE for 2007, 27.909 TOE for 2008 and 36.224 TOE for 2009.

Other significant events

Own shares purchase plan

On 22 December 2008 Ascopiave Shareholders' Meeting approved plan of purchase and disposition of own shares of the company.

The approval of the plan was after the conclusion of the previous plan¹⁷, that was authorized by the Shareholders' Meeting on 25 June 2007.

The operation deliberated by the Assembly has the aim of allow Ascopiave the acquisition of own shares to be used, coherently with the strategic lines of the company, for operation of alienation and/or permutation of own shares in consideration of and in the field of agreements with strategic partners or for the execution of investment operations finalized to the acquisition of holdings or shareholdings or for other operations of extraordinary finance that imply the assignment or disposition of own shares. The proposed plan is also finalized to allow the Company to intervene, with respect of current normative, in order to contain eventual irregular movements of quotations and to regularize the trend of negotiations and courses, against distorting phenomena linked to an excess in the volatility or to a limited liquidity in exchanges.

For the purchase of own shares, the Assembly authorized the Board to use the entire income of distributable profits and of available reserves resulting from the last balance regularly approved, standstill the obligation of the Administrators to verify that those reserves and profits are not touched by losses of period.

The authorization to the purchase has been agreed for a period of 18 months starting from the date of the Meeting, while the authorization to the disposition of purchased own shares has no temporal limits.

The new plan provides that the maximum breakeven that could be daily purchased is equal to 50% of average volumes of daily purchase identified in the twenty Stock Exchange sessions precedent to each purchase operation.

Nomination of the President of the Board of Statutory Auditors and of the Alternate Auditor

The Shareholders' Meeting on 22 December 2008, according to article 2401 of Civil Code, and conformingly to the provisions of the corporate by-laws, confirmed Dott. Paolo Nicolai in the charge of President of the Board of Statutory Auditors. Paolo Nicolai succeeds to Gaetano Terin, who resigned from his charge during the Board of Directors on 13 November 2008.

¹⁷ The conclusion of the previous purchase and disposition of own shares plan was on 19 December 2008.

The Assembly, according with article 2401 of the Civil Code, nominated Alternate Auditor Dott. Guido Zanin, whose candidature was presented by the minority shareholder Blue Flame S.r.l..

HUMAN RESOURCES, INFORMATIVE SYSTEMS, QUALITY

Human resources

As of 31 December 2008, Ascopiave Group had 442 employees¹⁸, divided between the various companies of the Group as outlined below:

| | 31 December 2007 | 31 December 2008 | Change |
|----------------------|------------------|------------------|------------|
| Ascopiave S.p.A. | 262 | 262 | 0 |
| Ascotrade S.p.A. | 45 | 48 | 3 |
| Global Energy S.r.l. | 5 | 5 | 0 |
| Estenergy | 0 | 65 | 65 |
| ASM Dg | 0 | 22 | 22 |
| ASM Set | 0 | 8 | 8 |
| Edigas | 0 | 23 | 23 |
| Edigas Due | 0 | 9 | 9 |
| Total | 312 | 442 | 130 |

With respect to 31 December 2007, the staffing level of the Group had increased by 130, following:

- (i) increase of 3 employees for Ascotrade S.p.A., by virtue of 7 hirings and 4 terminations. The increase in Ascotrade S.p.A. is due to the reinforcement of trading area (business customer and call-centre);
- (ii) the consolidation of acquired companies in the period 2007-2008: +127 employees.

The number of Ascopiave S.p.A. employees is stable because during 2008 there have been 12 hirings and 12 terminations.

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

| Type | 31 December 2007 | 31 December 2008 | Variation |
|------------------------------------|------------------|------------------|------------|
| Executives | 10 | 18 | 7 |
| Office workers | 207 | 303 | 97 |
| Workes | 95 | 121 | 26 |
| Average number of employees | 312 | 442 | 130 |

Research and development activities

Information systems

During 2008, the information systems service of the Group has been achieving the updating of the following projects:

- the start-up of production of the project “Geutweb”, sale part, for all Ascotrade customers, with the gathering of all customers managed by the company in one database. The project provided a phase of recovery and conversion of the data for which the service gave a fundamental contribution;
- the start-up of production of the project “Geutweb”, distribution part, for all the so-called PDR (punti di riconsegna, reconsignment points) in the municipalities managed by Ascopiave. Also for this part, the project provided a phase of recovery and conversion of the data for which the service gave a fundamental contribution;
- the practical realisation of the fundamental phase of the subdivision of archives, procedures, and of users of two information systems, Geutweb Sale and Geutweb Distribution, according to explicit requests of the Authority in terms of corporate “unbundling” process;
- the start-up of production of communication system “XML” between two information systems Geutweb Sale and Geutweb Distribution;
- the start-up of production of new functionalities concerning processes of allotment and addressing of distribution, with annexed implementations in accounting billing and integration;
- the realisation in ‘Geutweb’ of the module Resolution 40, complete with report and functional integrations;
- the adaptation of bills printing interfaced with new Geutweb system;
- the realisation of improvement and set-up of Geutweb project, called “open point”, from May 2008, for the progressive consolidation and set-up of the overall new information system;
- the realisation of an assessment activity of new Geutweb system with an external company;
- the complete report of the consolidated financial statement within the system SAP ECC 5.0;
- the management of all companies acquired during the year within SAP ECC 5.0 according to operative and computing standards of the Ascopiave Group (ASM SET, ASM DG, etc);
- the extension of the modality personnel administration (presence administration, payments, hours and activities administrations) to all the companies of the Group, and their up-dating according the normative of the Authority 11/2007;
- the completion of the various specialised vertical integration modules with the SAP accounting system;
- the realisation of a software module, integrated with SAP, specialized in the calculation of amortizations for the fiscal part;
- the start-up of the new project CPM (Corporate Performance Management) for the management of the data of the Group within SAP BPC, and the construction of the new data warehouse overall system;
- the completion of managing module, which comprehends the filing and the document optical memorisation parts for all operative sectors of the Group;
- the updating of ASCOMP procedure on planned maintenance;
- the updating of the Emergency Intervention management module, completing the aspects relating to interruptions, suspension of the service and cathodic protection;

¹⁸ The data concerning the 49% proportionally recently consolidated companies, Estenergy and ASM Set, are represented at 100%.

- the management activities and help desks on server systems, PCs and printers, with a gradual renewal process and updating of park installed per PC and printer;
- the updating of the territorial computer system, in relation to the new functional requests;
- the strengthening project of the tele-control system;
- the adoption of an evolved background for the management of the inside produced software life-cycle;

For all of 2008, supplying of information services and bill printing for various cities and aqueduct consortiums continued.

Quality

Adoption of the new managing for trading quality

From January 1st 2008 the Ascopiave Group adopted a new informative system for the management of all trading activity dedicated to final consumers. The new management, for the support of the entire trading quality process, allows the constant and continual monitoring of the List of Service and of the indicators of the process of the single activities managed in the territory.

The companies that in 2008 have been using the new management are the parent company Ascopiave for what concerns the distribution activity and the subsidiary Ascotrade for what concerns the sale activity.

In the first months of the year there are been delays in the registrations of the service supplied that implied a slight increase in the amount of the automatic indemnities for the activities on measures, in particular for start of new supplies.

Quality system and certification UNI EN ISO 9001:2000

The Ascopiave Group places management of the quality system among its primary strategic objectives for its company, in order to ensure continuous customer satisfaction while simultaneously guaranteeing constant quality levels in the services it offers.

In 2001, Ascopiave obtained quality certification for its integrated services of distribution and sales of gas. Following the division of the company in conformance with Legislative Decree 164/2000 and the recent new norms in the sector, Ascopiave and Ascotrade each developed a personalized Quality Management System, obtaining as of 30 April 2004, UNI EN ISO 9001:2000 certification from the body Kiwa Italia S.p.A.. This was confirmed once again in 2008.

With regards to Heat Management, in March 1996, Ascopiave obtained UNI EN ISO 9001 certification, which was then adapted to the associated norms in May, 2004, and reconfirmed in June 2005 by the Group certification body.

List of service

The service for distribution of gas is subject to regulation by the Authority for Electrical Energy and Gas, with which its regulations defines the tariffs, quality levels, and the technical-commercial modalities to be used for the disbursement of the service.

In accordance with the Integrated Text "disposition for quality of service, measurement and sales of gas," in Resolution n. 168/04 and the associated modifications and integrations (Resolutions no. 158/05, 243/05, 108/06, 74/07, 51/08, 90/08, 120/08), the Ascopiave Group adopted specific reference standards through the List of Services, which has been constantly updated.

The last update was carried out on 29 January 2009 as an effect of the emanation of the new *Testo Unico* for the quality by the AEEG with the Delibera ARG/gas n. 120/08 of 7 August 2008 and following modifications.

The List of Service represents for the company organisation an instrument in the process of improving the service supplied to end customers (users) and in addition to the certification of the same organisation.

Company's own shares

According to law 40 of D. Lgs 127 2 d), we would like to formally acknowledge that as 31 December 20078 the company owns own shares for an amount equal to Euro 5.301 thousands, which result to be accounted as a reduction of other reserves, as it is visible in the paragraph of net equity variation.

Comments on the economic and financial results of the year

General operational performance - The economic Group results

| (In thousands of Euro) | 2008 | % net sales | 2007 | % net sales |
|--|---------------|-------------|---------------|--------------|
| Revenues | 824.672 | 100% | 451.871 | 100% |
| Operating costs | 772.335 | 93,7% | 405.364 | 89,7% |
| Gross operative margin | 52.337 | 6,3% | 46.507 | 10,3% |
| Amortization | 14.071 | 1,7% | 11.816 | 2,6% |
| Receivables depreciation | 3.880 | 0,5% | 831 | 0,2% |
| Operating result | 34.386 | 4,2% | 33.860 | 7,5% |
| Financial income | 787 | 0,1% | 3.701 | 0,8% |
| Financial expenses | 5.468 | 0,7% | 2.763 | 0,6% |
| Evaluation of joint company with net assets method | 327 | 0,0% | 0 | 0,0% |
| Income before taxes | 29.378 | 3,6% | 34.798 | 7,7% |
| Taxation for the period | 10.588 | 1,3% | 12.673 | 2,8% |
| Net result | 18.789 | 2,3% | 22.125 | 4,9% |
| Net income for the Group | 18.452 | 2,2% | 21.764 | 4,8% |
| Net income for the others | 337 | 0,0% | 361 | 0,1% |

In accordance with the Consob Communication n. DEM/6064293 of 28 July 2006 we indicate here that the alternative Performance indicators are defined on page 7 of this report.

In 2008, income amounts to Euro 824.672 thousands as compared with Euro 451.871 thousands of the previous year, reporting an increase of 82,5%. The following table reports details of income:

| (In thousands of Euro) | 31 December 2008 | Value from company acquisitio n | Net value of company acquisition | 31 December 2007 |
|-------------------------------------|---------------------|--|--|------------------------|
| Revenues from gas sales | 705.070 | 114.337 | 590.733 | 397.226 |
| Revenues from conveyance services | 4.894 | 1.610 | 3.283 | 6.495 |
| Revenues from connection services | 7.498 | 443 | 7.054 | 8.055 |
| Revenues from electric energy sales | 40.365 | 26.951 | 13.414 | 13.683 |
| Revenues from heat supply service | 4.613 | 0 | 4.613 | 4.052 |
| Revenues from delivery services | 2.321 | 429 | 1.891 | 1.251 |
| Revenues from billing and taxes | 437 | 0 | 437 | 221 |
| Revenues from gas sales abroad | 50.363 | 0 | 50.363 | 12.788 |
| Other revenues | 9.113 | 1.560 | 7.553 | 8.100 |
| Total Revenues | 824.672 | 145.330 | 679.341 | 451.871 |

The increase of **revenues** is mainly due to gas sales which has provided a significant development (Euro 341.280 thousands, considering also foreign gas sales) due to:

- the first consolidation of the economic results of the companies acquires at the end of 2007 and during 2008 (Estenergy S.p.A., Asm Set S.r.l., Asm Dg S.r.l., Edigas Due S.p.A., Edigas S.p.A.) which contributed with Euro 145.330 thousands;

- the increase of the Group sales as trader and wholesaler that go from Euro 102.185 thousands to Euro 232.245 thousands (+ Euro 130.060 thousands, percentage change of +127%);
- the development of gas sales activity abroad that contributed to an increase of revenues equal to Euro 37.575 thousands;
- the growth of the turnover, net of the contribution of new acquired companies, towards the final market (+ Euro 63.447 thousands) that depends both on the increase of volumes sold /from 813 to 841 million of mc), and on the increase of the average rate of sale due to the unusual trend of oil products.

Also revenues from electric energy sale presents an increase (+153%), mainly for the effect of consolidation of Estenergy S.p.A.; compared with 2007 period, we do not record considerable changes.

Gross operating margin goes from Euro 46.507 thousands to Euro 52.337 thousands, up by Euro 5.830 thousands equal to 13%.

The increase of the gross operating margin compared with 2007 is due to a plurality of factors, as:

- the consolidation of the results of new acquired companies;
- the increase of sold gas volumes;
- the improvement of specific marginality on sale activity to final market;
- the positive contribute of trading activity, of gas sale as wholesaler n of gas sale to entry point.

The contribute of new acquired companies is equal to Euro 5.226 thousands; compared to the same period of 2007, the increase of gross operative margin has been equal to Euro 604 thousands; this last datum is influenced by some components of extraordinary nature that have been a negative burden on the gross operative income of 2008. In particular we would like to underline the reduction of extraordinary nature revenues recorded in 2007 equal to Euro 4.300 thousands, joint to the recovery of the allocated fund for the Del. n. 248/04, and the correction of goodwill value recorded after the allocation of company branch of Bimetano Servizi equal to Euro 1.324 thousands, for the assured fiscal deductibility of part of plus-values emerged during the allocation (anyway this cost is counterbalanced by the record of lower deferred taxes); therefore, not considering these negative changes in the income, the growth of the gross operative income in 2007 is equal to Euro 6.227 thousands (13%).

The **operative result** increases by Euro 527 thousands, going from Euro 33.860 thousands to Euro 34.386 thousands. The operative income is negatively influenced by the increase both of amortizations, equal to Euro 2.254 thousands (mainly for the effect of the consolidation of new companies acquisitions), and for the allocation on a receivables depreciation fund, equal to Euro 3.049 thousands of which 1.225 thousands due to the change of period of consolidation. The significant change compared to 2007 derives from evidences emerged by the analysis of the credit, also considering the present economic situation.

Financial management negatively contributes to the year result for Euro 5.009 thousands, and as such the **pre-tax result** amounts to Euro 29.387 thousands, down from 2007 by Euro 5.420 thousands.

The year's taxes amount to Euro 10.585 thousands, bringing the period **net result** to Euro 18.789 thousands.

General operational performance – Financial situation

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

| (In thousands of Euro) | 31/12/08 | Value from company acquisitions | Net value of company acquisition | 31/12/07 |
|---|-----------------|---------------------------------------|--|------------------|
| A Cash | 32 | | 32 | 28 |
| B Other liquid assets | 27.533 | 8.118 | 19.415 | 31.262 |
| C Shares for | 0 | | | 0 |
| D Liquid assets (A) + (B) + (C) | 27.565 | 8.118 | 19.447 | 31.290 |
| E Current financial assets | - | | - | 2.533 |
| F Current financial debts | (59.568) | (125) | (59.444) | (113.363) |
| G current part of non-current debt | (1.135) | | (1.135) | (1.790) |
| H Other current financial debts | (7.348) | | (7.348) | (16.147) |
| I Current financial debt (F) + (G) + (H) | (68.051) | (125) | (67.927) | (131.300) |
| J Net current financial debt (I) - (E) - (D) | (40.486) | 7.994 | (48.480) | (97.476) |
| K Non-current banking debts | (3.969) | | (3.969) | (5.165) |
| L Floated bonds | 0 | | 0 | 0 |
| M Other non-current debts | (794) | | (794) | (4.189) |
| N Non-current financial debt (K) + (L) + (M) | (4.763) | 0 | (4.763) | (9.353) |
| O Net financial debt (J) + (N) | (45.249) | 7.994 | (53.243) | (106.830) |

The financial position goes from Euro 106.830 thousands Euro 45.249 thousands, reporting a reduction of Euro 61.580 thousands. If we consider the contribution to the financial debt during the first consolidation of the companies acquired, it amounts to positive Euro 7.994 thousands. The cash requirements generated by the management during 2008 amounts to Euro 53.587 thousands.

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

| (In thousands of Euro) | 2008 | 2007 |
|---|-----------------|------------------|
| Net income of the Group | 18.452 | 21.764 |
| Depreciation | 14.071 | 11.816 |
| Doubtful debts | 3.880 | 831 |
| Internal financing | 36.402 | 34.412 |
| Rectifications to conform net income with variation of financial standing generated by operating management | 97.031 | (116.883) |
| Variation of financial standing generated by operating activity | 133.433 | (82.471) |
| Variation of financial standing generated by investment activity | (47.055) | (85.582) |
| Purchase of own shares | (4.670) | (637) |
| Dividends paid out to Ascopiave S.p.A. shareholders | (14.057) | (19.833) |
| Dividends paid out to other shareholders | (525) | 0 |
| Payment in advance on dividends | (5.780) | (5.736) |
| Other's net capital inflow | 235 | (112) |
| Other variations in the financial standing | (24.797) | (26.318) |
| Variation of net financial standing | 61.581 | (194.371) |

The cash flow generated by operative management equals Euro 133.433 thousands, and is mainly due to dynamics of an extraordinary nature that have greatly influenced the working capital.

In particular the generation of cash due to changes in the current activity mainly derives from:

- self-financing equal to Euro 36.402 thousands;
- managing of payments/revenues of use taxes that determined the passage from a position of a credit to UTF and Region equal to Euro 33.669 thousands to a position of debt equal to Euro 24.998 thousands causing a change in the working capital equal to Euro 57.594 thousands;
- an open credit at the end of the year equal to Euro 30.743 thousands for the sale of a lot of stocked gas cashed in February 2008.

The investments have generated a cash requirement of Euro 47.055 thousands, mainly linked to the acquirement of the shares in Edigas Distribuzione S.r.l. and Ediags Due S.r.l., for a total amount of Euro 28.416 thousands, net of acquired financial position.

Investments in intangible and tangible assets engaged financial resources for an amount of Euro 19.143 thousands; for what concerns the detail of tangible and intangible investments we send to next paragraph.

Other changes in the net financial position are mainly connected to net assets variations due to the distribution of 2007 dividends, to advanced payments on 2008 dividends and to the purchase of own shares, equal to Euro 24.507 thousands.

General operational performance - Investments

Investments for 2008, net of values deriving from the first consolidation of the companies acquired during 2008 (Edigas S.p.A. and Edigas Due S.p.A.), are equal to Euro 19.151 thousands.

| (In thousands of Euro) | 2008 | Value of company acquisitions | 31 december 2008 value from company acquisitions |
|--|---------------|----------------------------------|--|
| Goodwills | | | |
| Goodwill | 10.988 | 10.988 | |
| Intangible assets | | | |
| Industrial patents and intellectual property rights | 132 | 36 | 96 |
| Concessions, licences, trademarks and similar rights | 843 | - | 843 |
| Other intangible fixed assets | 3.263 | 2.516 | 747 |
| Construction in progress and advance payments | 714 | - | 714 |
| Total intangible assets | 4.951 | 2.552 | 2.400 |
| Tangible assets | | | |
| Land and buildings | 2.145 | 676 | 1.469 |
| Plant and machinery | 37.096 | 25.059 | 11.437 |
| Industrial and commercial equipment | 131 | 46 | 85 |
| Other assets | 843 | 94 | 749 |
| Construction in progress and advance payments | 3.233 | 222 | 3.011 |
| Total tangible assets | 43.447 | 26.696 | 16.751 |
| Total investments | 59.387 | 40.236 | 19.151 |

The new intangible investments, net of values deriving from new companies acquisitions, equal to Euro 2.400 thousands mainly concern a contract of multi annual licence for the transport of natural gas through foreign gas

pipeline, the development of the company's information system and the purchase of new energy efficiency certificates in Ascopiave S.p.A..

New tangible investments in lands and buildings ,equal to Euro 1.469 thousands are mainly related to the enlargement of the warehouse in the head office and to the purchase of a new building to be used as office in the municipality of Milan.

The increase of the voice plants and machineries, equal to Euro 11.437 thousands, is mainly due to constructions and modernisation of plants and the distribution network, as well as the increase of current assets equal to Euro 3.011 thousands.

Statement linking shareholders' equity and net profit of ASCOPIAVE S.p.A. and the corresponding consolidated values at 31 December 2008

The following is the statement linking shareholders' equity and net profit of Ascopiave S.p.A. and the corresponding consolidated values at 31 December 2008, as requested by the Consob communication No. DEM/6064293 of 28 July 2006.

| (In thousands of Euro) | Net income as of 31/12/2008 | Net shareholders' equity as of 31/12/2008 | Net income as of 31/12/2007 | Net shareholders' equity as of 31/12/2007 |
|---|--------------------------------|--|--------------------------------|--|
| Net income and results for the period as recorded in the statutory financial statements of the parent company. | 20.306 | 353.061 | 17.457 | 357.263 |
| Elimination of the book value of the consolidated equity investments: | - | (65.304) | - | (36.782) |
| Results obtained by subsidiary companies | 4.942 | 4.942 | 4.668 | 4.668 |
| Variations | | | | |
| 1) <i>Goodwill</i> | 23 | 49.975 | - | 39.197 |
| 2) <i>Trade relation value less tax effects</i> | (712) | 7.383 | - | 6.269 |
| 3) <i>Appreciation of gas distribution network less tax effects</i> | (370) | 15.283 | - | 390 |
| 4) <i>Differences in the translation of IFRS of balance sheets with different accounting methods</i> | (46) | 39 | - | 60 |
| 5) <i>Elimination of the effects of operations that took place between consolidated company</i> | (5.026) | (0) | - | - |
| 6) <i>Effects of the evaluation of Sinergie Italiane with net assets method</i> | (327) | (3.947) | - | - |
| Difference between book value and shareholders' equity, net of tax effects | (6.459) | 68.734 | - | 45.916 |
| Net Shareholders' equity and result for the period as recorded in the consolidated financial statement | 18.789 | 361.433 | 22.125 | 371.064 |
| Minority interests | 337 | 2.325 | 361 | 2.285 |
| Shareholders' equity and result for the period as recorded in the consolidated financial statement | 18.452 | 359.108 | 21.764 | 368.779 |

Group objectives and policies and description of risks

With reference to new no. 6 bis of paragraph 2 of article 2428 cc, we would like to note that the main financial instruments used by our group are represented by commercial debt and credits, by liquidity, bank debt and other forms of financing. It is held that the Group is not exposed to credit risks greater than the product sector average, considering the numerous customers and the low physical risk in the service of gas delivery. To control for residual risks that are possible with credit, there is in any case a fund for the devaluation of credit equal to approximately 3,2% 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 as appropriate the generating of cash suitable at covering its needs. The main payment obligations opened as of 31 December 2008 are associated to contracts for natural gas supply.

Other information

List of companies' registered offices

In accordance with Article 2429 Civil Code, the secondary offices of the company, divided between owned offices and leased offices, are listed:

Owned offices

| Owner | Location | Intended use |
|------------------|--|--|
| Ascopiave S.p.A. | Villorba - Via Felissent n°20/C | Building hosting company offices and customer service center |
| Ascopiave S.p.A. | Treviso - Viale della Repubblica | Building hosting company offices and customer service center |
| Ascopiave S.p.A. | Pieve di Soligo - Via Verizzo 1030 | Building hosting company offices and customer service center |
| Ascopiave S.p.A. | Pieve di Soligo - Via Verizzo 940 | Building hosting warehouse and workshop |
| Ascopiave S.p.A. | Pieve di Soligo - Via Verizzo 1030 | Building to park and store company vehicles |
| Ascopiave S.p.A. | San Vendemiano - Complesso "Quaternario" | Building hosting company offices and customer service center |
| Ascopiave S.p.A. | Sandrigio - Via G.Galilei n°25 | Building hosting company offices and customer service center |
| Ascopiave S.p.A. | Sandrigio - Via G.Galilei n°27 | Building hosting warehouse and workshop |
| Ascopiave S.p.A. | Castelsangiovanni - Via Borgonovo | Building hosting company offices and customer service center |
| Ascopiave S.p.A. | Castelsangiovanni - Via Borgonovo | Building hosting warehouse and workshop |

Leased offices

| Managing company | Location | Intended use |
|------------------|--|------------------------------------|
| Ascopiave S.p.A. | Lentate sul Seveso - Via Padova n° 35 | Building hosting company offices |
| Ascopiave S.p.A. | Castelfranco - Piazza Serenissima n° 40 | Building hosting company offices |
| Ascopiave S.p.A. | Castelfranco - Piazza Serenissima n° 60 | Building hosting company garage |
| Ascopiave S.p.A. | Castelfranco - Via della Cooperazione n° 8 | Building hosting company warehouse |
| Ascopiave S.p.A. | Novedrate (Co) - Via Papa Giovanni XXIII | Building hosting company offices |
| Ascopiave S.p.A. | Portogruaro - Via Giotto | Building hosting company offices |
| Ascopiave S.p.A. | Marchirolo - Via Cavalier Busetti n° 7/h | Building hosting company offices |
| Ascopiave S.p.A. | Ormelle - Via Roma n° 42 | Building hosting company offices |
| Ascopiave S.p.A. | Casteggio - Via Risorgimento n° 29 | Building hosting company offices |
| Ascopiave S.p.A. | Porto Viro - Via dell'Artigianato n° 9/A | Building hosting company offices |
| Ascopiave S.p.A. | Conegliano - Via C.Battisti n° 5C | Building hosting company offices |

Safety and protection of personal data

Declaration in accordance with Legislative Decree 196 of 30 June 2003.

The President of the Boards of Directors, as the person responsible for the treatment of the personal data of the Company, declares the Programme Document on security of Legislative Decree 30 June 2003 n.196 has been prepared for 2008, with term 31 March 2008, and the new version is in process, with term 31 March 2009.

Performance indicators

According to Consob communication DEM 6064293 on 28 July 2006 and by recommendation CESR/05-178b on alternative performance indicators, we give the following information:

- besides normal performance indicators fixed by International Accounting Principles IAS/IFRS, the Company considers useful for the business monitoring also others performance indicators, that, even if they do not appear yet in the afore-stated principles, they present a considerable importance.

In particular we introduced the following indicators:

- **Gross operative margin (Ebitda)**: defined by the company as the result of amortizations, credit depreciation, financial managing and taxes;
- **Operative income**: this indicator is forecast by accounting principles we refer to, and it is defined as operative margin (Ebit) less the balance of costs and non recurrent revenues. We would like to underline that this last voice includes extraordinary incomes and losses, appreciations and capital losses for alienation of assets, insurance reimbursements, taxes and others positive and negative components with less relevance. In particular, between non recurrent costs we included unexpected occurrence concerning the diminution of the goodwill concerning the gas sale branch of Bimetano servizi S.r.l. equal to Euro 1.324 thousands as of 31 December 2008.

CONSOLIDATED BALANCE SHEET

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2008

Consolidated balance sheet

| (In thousands of Euro) | | 31/12/2008 | 31/12/2007 |
|---|------|----------------|----------------|
| Non-current assets | | | |
| Goodwill | (1) | 74.603 | 65.120 |
| Other intangible assets | (2) | 18.172 | 16.044 |
| Tangible fixed assets | (3) | 319.279 | 288.471 |
| Investments | (4) | 374 | 151 |
| Other non-current assets | (5) | 3.579 | 3.816 |
| Deferred tax assets | (6) | 9.907 | 9.510 |
| Total non-current assets | | 425.915 | 383.112 |
| Current assets | | | |
| Inventories | (7) | 3.186 | 3.298 |
| Trade receivables | (8) | 266.231 | 264.276 |
| Other current assets | (9) | 12.140 | 39.765 |
| Current financial instruments | (10) | 0 | 2.533 |
| Tax receivables | (11) | 17 | 215 |
| Cash and cash equivalents | (12) | 27.565 | 31.290 |
| Total current assets | | 309.138 | 341.377 |
| Total assets | | 735.053 | 724.489 |
| Shareholders' equity | | | |
| Share capital and reserves | | | |
| Share capital | | 234.412 | 233.334 |
| Reserves | | 106.245 | 113.684 |
| Net result of the group | | 18.452 | 21.764 |
| Total shareholders' equity | (13) | 359.108 | 368.782 |
| Share capital of others | | 1.987 | 1.925 |
| Income (losses) attributable to minority shareholders | | 337 | 361 |
| Total shareholders' equity of others | (14) | 2.325 | 2.285 |
| Total shareholders' equity | | 361.433 | 371.068 |
| Non-current liabilities | | | |
| Provisions for risks and changes | (15) | 3.778 | 215 |
| Severance indemnities | (16) | 3.099 | 2.305 |
| Medium/long-term debt | (17) | 3.969 | 5.165 |
| Other non-current liabilities | (18) | 8.744 | 6.670 |
| Other non-current financial liabilities | (19) | 794 | 4.189 |
| Deferred tax liabilities | (20) | 25.544 | 19.607 |
| Total non-current liabilities | | 45.928 | 38.151 |
| Current liabilities | | | |
| Short-term borrowings | (21) | 60.704 | 115.153 |
| Trade payables | (22) | 219.922 | 167.864 |
| Tax liabilities | (23) | 715 | 439 |
| Other current liabilities | (24) | 39.004 | 25.880 |
| Current financial instruments | (25) | 7.348 | 5.935 |
| Total current liabilities | | 327.692 | 315.270 |
| Total liabilities | | 373.620 | 353.421 |
| Total shareholders' equity and liabilities | | 735.053 | 724.489 |

Consolidated income statement

| (thousands of Euro) | 2008 | 2007 |
|--|----------------|----------------|
| Revenues | 824.672 | 451.871 |
| Operating costs | 776.215 | 406.195 |
| Costs of gas purchases | 668.191 | 351.254 |
| Costs of other material and consumables | 35.681 | 16.798 |
| Cost for services | 43.377 | 22.984 |
| Personnel costs | 15.494 | 12.091 |
| Other operating expenses | 13.753 | 7.384 |
| Other operating income | (280) | (4.315) |
| Depreciation and amortization | 14.071 | 11.816 |
| Operating income | 34.386 | 33.860 |
| Financial income | 787 | 3.701 |
| Financial expenses | 5.468 | 2.763 |
| Evaluation of subsidiary companies with the net assets method | (327) | 0 |
| Income before taxes | 29.378 | 34.798 |
| Income taxes | 10.588 | 12.673 |
| Net result | 18.789 | 22.125 |
| Risultato netto derivante da attività destinate alla dismissione | 0 | 0 |
| Net result of the period | 18.789 | 22.125 |
| Income(losses) of the group | 18.452 | 21.764 |
| Income(losses) of others | 337 | 361 |
| Basic earnings per share | 0,08 | 0,09 |
| Diluted earnings per share | 0,08 | 0,09 |

Consolidated cash flow statement

| (In thousands of Euro) | 2008 | 2007 |
|---|-----------------|------------------|
| CASH FLOWS GENERATED BY OPERATING ACTIVITIES | | |
| Net income for the Group | 18.452 | 21.764 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Net income of the other | 337 | 361 |
| Depreciation and amortisation | 14.071 | 11.816 |
| Provision for doubtful accounts | 3.880 | 831 |
| Net change in deferred tax assets and liabilities | (592) | 902 |
| Provision for termination indemnities | 11 | 15 |
| Net change in other provisions | (224) | (4.423) |
| Evaluation of joint companies with net assets method | 327 | |
| Changes in operating assets and liabilities | | |
| Inventories | 113 | (268) |
| Trade receivables | 1.268 | (110.657) |
| Other current assets | 28.138 | (28.186) |
| Current financial assets | 7 | (0) |
| Tax receivables and payables | 533 | 675 |
| Trade payables | 46.477 | 38.433 |
| Other current liabilities | 20.094 | (15.247) |
| Other non-current assets | (178) | (863) |
| Other non-current liabilities | 725 | (37) |
| Total adjustments | 114.989 | (106.646) |
| Cash Flow from investing activities | 133.440 | (84.882) |
| Additions to intangible assets | (2.400) | (2.757) |
| Disposals of intangible assets | 1.194 | 339 |
| Additions to property, plant and equipment | (16.751) | (14.764) |
| Disposals of property, plant and equipment | 198 | 1.191 |
| Change in investment | (39.528) | (45.297) |
| Acquisition of subsidiary, net of acquired cash | 235 | (112) |
| Payment of non-current debt used to purchase property, plant and equipment | 240 | |
| Net cash used in investing activities | (56.812) | (61.401) |
| Cash flow from financing activities | | |
| Clear variation debits towards other backers | (3.857) | 1.415 |
| Net proceed from capital increase | (54.658) | 103.789 |
| Net changes in short-term bank-borrowings | 4.389 | (143) |
| Financial payables to Asco Hlding | (4.670) | (637) |
| Share buyback | (1.195) | (1.872) |
| Long-term debt repayments | (14.057) | (19.833) |
| Dividends paid | (525) | 0 |
| Interim dividend | (5.780) | (5.736) |
| Net cash provided in financing activities | (80.353) | 76.982 |
| Increase in cash and cash equivalents | (3.726) | (69.300) |
| Cash and cash equivalents at beginning of the year after contribution | 31.291 | 100.591 |
| Cash and cash equivalents at end of the year | 27.565 | 31.291 |
| Additional information | 2008 | 2007 |
| Interest expense paid | 4.974 | 3.934 |
| Taxes paid | 3.028 | 11.105 |

Statement of changes in the consolidated shareholders' equity items of the financial years closed on 31 December 2008 and 31 December 2007

| (In thousands of Euro) | Share capital | Legal reserve | Company's own shares | Other reserves | Net result for the period | Group shareholders' equity | Net result of minority Interests | Minority Interests | Total shareholders' equity |
|---|----------------|---------------|----------------------|----------------|---------------------------|----------------------------|----------------------------------|--------------------|----------------------------|
| Balance at 01 January 2008 | 233.334 | 46.667 | (637) | 67.653 | 21.764 | 368.781 | 361 | 1.926 | 371.068 |
| Allocation of 2007 result | | 216 | | 21.548 | (21.764) | - | (361) | 361 | - |
| 29 January 2008 Bonus Share | 1.078 | | | (1.078) | | - | | | - |
| Dividends paid to Ascopiave S.p.A. shareholders | | | | (14.057) | | (14.057) | | | (14.057) |
| Dividends paid to other shareholders | | | | | | - | | (525) | (525) |
| Company's own shares adjustment | | | (4.662) | (8) | | (4.670) | | | (4.670) |
| Other operations | | | | 3 | | 3 | | (196) | (193) |
| Advanced payments on dividends | | | | (5.780) | | (5.780) | | | (5.780) |
| Consolidation area change | - | | | | | | - | 420 | 420 |
| Evaluation reserve net assets joint companies | | | | (3.620) | | (3.620) | | | (3.620) |
| Net income for period | | | | | 18.452 | 18.452 | 337 | | 18.789 |
| Balance at 31 December 2007 | 234.412 | 46.883 | (5.299) | 64.661 | 18.452 | 359.109 | 337 | 1.987 | 361.433 |

| (In thousands of Euro) | Share capital | Legal reserve | Company's own shares | Other reserves | Net result for the period | Group shareholder s' equity | Net result of minority Interests | Minority Interests | Total shareholder s' equity |
|------------------------------------|----------------|---------------|----------------------|----------------|---------------------------|-----------------------------|----------------------------------|--------------------|-----------------------------|
| Balance at 01 January 2007 | 140.000 | 29.171 | - | 182.959 | 16.381 | 368.511 | (143) | 534 | 368.902 |
| Allocation of 2006 result | - | 766 | - | 15.615 | (16.381) | - | 143 | (143) | - |
| 02 January 2007 capital increase | 93.334 | - | - | (93.334) | - | - | - | - | - |
| Contribution sales branch | - | - | - | 4.699 | - | 4.699 | - | 1.501 | 6.200 |
| Foundation Coge Calore S.r.l. | - | - | - | - | - | - | - | 23 | 23 |
| Attribution legal reserve | - | 16.730 | - | (16.730) | - | - | - | - | - |
| Dividends paid | - | - | - | (19.833) | - | (19.833) | - | - | (19.833) |
| Foundation Etra Energia S.r.l. | - | - | - | - | - | - | - | 12 | 12 |
| Share buyback | - | - | (637) | - | - | (637) | - | - | (637) |
| Dividend payable | - | - | - | (5.736) | - | (5.736) | - | - | (5.736) |
| Company's own shares adjustment | - | - | - | 13 | - | 13 | - | - | 13 |
| Net income for period | - | - | - | - | 21.764 | 21.764 | 361 | - | 22.125 |
| Balance at 31 December 2007 | 233.334 | 46.667 | (637) | 67.653 | 21.764 | 368.781 | 361 | 1.926 | 371.068 |

EXPLANATORY NOTES

Company information

Publication of the Ascopiave S.p.A. consolidated balance sheet as of 31 December 2008 has been authorised by resolution of the Board of Directors on 16 March 2009. Ascopiave S.p.A. is a joint-stock company established and domiciled in Italy.

The activities of the Ascopiave Group

The Ascopiave Group operates essentially in the distribution and sale of natural gas and is also involved in other sectors of the public services.

The Group operates the gas distribution service in 182 municipalities in Veneto, Friuli Venezia Giulia, Lombardy and Emilia Romagna regions of Italy, and, with 2.155,5 million cubic meters of gas sold during the period, 851,6 million cubic meters distributed throughout its own network and over 662.090 clients supplied, represents one of the leading national operators in the sector.

The Group aims at consolidating its leadership position within the gas distribution sector at a regional level and, at the same time, is looking to reach an extremely prominent position at a national level.

Drafting standards

This consolidated balance sheet of the Ascopiave Group refers to the year ended on 31 December 2008.

This consolidated balance sheet has been prepared by the Board of Directors on the basis of the accounting record as of 31 December 2008 and is provided with the report of Ascopiave S.p.A trend. The Consolidated Financial Statements of the company Ascopiave S.p.A. have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and in force as of the balance sheet date. These standards are homogeneous with 2007 economic consolidated data.

Consolidated balance sheets present the comparison with the balance sheet as of 31 December 2007 and with 2007 economic data .

The consolidated financial statements are expressed in thousand of Euro, rounded off to the thousands unless otherwise stated.

Accordance with IFRS standards

The Consolidated Financial Statements of the company Ascopiave S.p.A. have been prepared in accordance with International Financial Reporting Standards (IFRS) and all provisions issued implementing art. 9 of Legislative Decree no. 38/2005.

Consolidation principles

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

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

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

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

Minority interests represent part of the profits or losses and of the net assets not held by the group, and are indicated in a separate list on the income statement, and in the authorized patrimony among the net patrimony components, separate from the net group patrimony. The acquisitions of minority interests are reported using the 'parent entity extension method' on the basis of which the difference between the price paid and the accounting value of the share part of the net assets acquired, is reported as goodwill.

The joint control companies are consolidated with the proportional method, summing up line by line their share in each asset, liability, income and cost of the joint control company, with the relevant items of the consolidated financial statements. The joint control companies prepare the statements for the same financial year of the group parent company, and apply similar accounting principles. Any lack of homogeneity in the accounting principles applied, are corrected by adjustment.

Subsidiary companies are evaluated with net assets method with separate indication, in the consolidated balance sheet, of the share of result relevant for the Group.

Change of accounting standards

The Consolidated Financial Statements of Ascopiave S.p.A. as of 31 December 2008 and 2007 has been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and in force as of the balance sheet date.

The explanatory notes include information normally requested by the regulations in force and by accounting standards, properly given with reference to the balance sheet structure used.

Future changes to accounting policies

Accounting standards, amendments and non relevant interpretations, not yet enforceable and not adopted in advance by the Group.

- Amendment to IAS 39- Financial Instruments: Recording and Evaluation- Financial Instruments: integrative information.
- Interpretation of IFRIC 12- Concession agreements (that has to be applied from 1 January 2008, but not yet homologated by EU)
- Reviewed version of IAS 23- Financial Costs
- Reviewed version of IAS- Presentation of the financial statements
- Updated version of IFRS 3- Company mergers

- Amendment to IAS 27
- Amendment to IFRS 2 - Conditions for maturing and cancellation
- Interpretation of IFRIC 16- Coverage of participation in a foreign company

Furthermore, the IASB emitted a collection of changes to IFRS (“improvements”). Here follow those changes that according IASB, will involve a modification in the presentation, recognition and evaluation of balance sheet items, omitting on the other hand only terminology changes and those that refer to a set of problems not present in the Group.

- IAS 1- Presentation of the balance sheet (reviewed in 2007)
- IAS 16- Land, industrial equipment and machinery
- IAS 19- Benefits for employees
- IAS 20- Accountancy and public taxes informative report
- IAS 23- Financial costs
- IAS 28- Shareholding in subsidiary companies
- IAS 36- Losses of value of activities
- IAS 38- Intangible activities
- IAS 39- Financial Instruments: Recording and Evaluation

Consolidated area as of 31.12.2008

The companies included in the consolidation area as of 31 December 2008 and consolidated through the line-by-line, the proportional method or through net assets method are the following:

| Company name | Registered Offices | Subscribed capital | Paid-up capital | Group interest | direct controlling interest | indirect controlling interest |
|---|----------------------------|--------------------|-----------------|----------------|-----------------------------|-------------------------------|
| Parent company | | | | | | |
| Ascopiave S.p.A. | Pieve di Soligo (TV) | 234.411.575 | 234.411.575 | | | |
| Companies consolidated line-by-line | | | | | | |
| Ascotrade S.p.A. | Pieve di Soligo (TV) | 1.000.000 | 1.000.000 | 89% | 89% | |
| Global Energy S.r.l. | Mirano (VE) | 529.000 | 230.000 | 100% | 100% | |
| Le Cime Servizi S.r.l. (a) | Mirano (VE) | 20.000 | 20.000 | 100% | | 100% |
| Coge Calore S.r.l. in liquidazione (a) | Madignano (CR) | 50.000 | 50.000 | 55% | | 55% |
| Etra Energia S.r.l. (a) | Cittadella (PD) | 100.000 | 100.000 | 51% | | 51% |
| ASM DG S.r.l. | Rovigo | 7.000.000 | 7.000.000 | 100% | 100% | |
| Edigas Due S.r.l. | Cernusco sul Naviglio (MI) | 100.000 | 100.000 | 100% | 100% | |
| Edigas Servizio di Distribuzione Gas S.r.l. | Cernusco sul Naviglio (MI) | 1.000.000 | 1.000.000 | 100% | 100% | |
| AscoEnergy S.r.l. | Pieve di Soligo (TV) | 300.000 | 240.000 | 70% | 70% | |
| Masseria S.r.l. (b) | Pieve di Soligo (TV) | 10.000 | 10.000 | 70% | | 70% |
| Metanonove S.r.l. (c) | Nove (VI) | 30.000 | 30.000 | 100% | | 70% |
| Under common control companies proportional consolidated | | | | | | |
| ASM SET S.r.l. (d) | Rovigo | 200.000 | 200.000 | 49% | 49% | |
| ESTENERGY S.p.A. (e) | Trieste | 1.718.096 | 1.718.096 | 48,999% | 48,999% | |
| Under common control companies shareholders' equity consolidated | | | | | | |
| Sinergie Italiane S.r.l. | Reggio Emilia | 2.000.000 | 2.000.000 | 20,01% | 20,01% | |

- (a) Controlled by Global Energy S.r.l.
 (b) Controlled by AscoEnergy S.r.l.
 (c) Controlled by Etra Energia S.r.l.
 (d) Joint control with ASM Rovigo S.p.A.
 (e) Joint control with Acegas-APS S.p.A.

The changes that took place in the consolidation area compared with 31 December 2007, are given below:

- Acquisition of minority quotes of Global Energy S.r.l. equal to 49%;
- Acquisition of minority quotes of Le Cime Servizi S.r.l. equal to 20%, executed by the controlled company Global Energy S.r.l.;
- Acquisition of 100% of Edigas Due S.r.l.;
- Acquisition of 100% of Edigas Esercizio Distribuzione Gas S.r.l.;
- Capital subscription of AscoEnergy S.r.l. with a percentage equal to 70%;
- Capital subscription of Sinergie Italiane S.r.l. with a percentage equal to 20,01% consolidated through net assets method;
- Acquisition of 100% of Metanonove S.r.l. executed by the controlled Etra Energia S.r.l.;
- Acquisition of 100% of Masseria S.r.l. executed by the controlled AscoEnergy S.r.l..

During the year, the Group acquired the control of the companies Edigas Due S.r.l. and Edigas Esercizio Distribuzione Gas S.r.l., Metanonove S.r.l., AscoEnergy S.r.l. Masseria S.r.l. (fully consolidated), and part of the quotes of the joint

company Sinergie Italiane S.r.l. capitalized with the net assets method. Considering that the afore-stated acquisitions were partly defined during the second semester and partly towards 31 December 2008, the consolidated financial statements of the Ascopiave Group adopts for the companies Edigas Due S.r.l., Edigas Esercizio Distribuzione Gas S.r.l., AscoEnergy S.r.l. the net values concerning the afore-stated participation and the economic values from the acquisition (second semester 2008) while for the companies Metanonove S.r.l. and Masseria S,r.l. only net values as the acquisition occurred at the end of the year 2008.

The effect of the first consolidation of the asset values of the new companies acquired during the year makes it more difficult to compare with the comparative data included for the previous year. In order to better read the changes during the year, the explanatory notes to the items of the balance sheet show, as a further detail as compared with the balance as of 31 December 2007, the effect of the values relating to the new acquisitions and, for difference, the value that the year end balance shows net of such acquisitions (with equal Group perimeter).

The explanatory notes therefore include, in addition to the year end data and the comparative data of the previous year, a column entitled ‘values of new acquisitions’ and ‘values net of new acquisitions’, whilst the notes illustrate the changes between the latter data and that of the previous year.

Synthesis data of proportionally consolidated companies and of consolidated companies

We furnish the summary sheet of the essential data of the last balance of subsidiary companies included in the consolidation (art.2429) for 2008 and 2007.

| 2008 (thousands of Euro) | Sales and suppliesof services revenues | Net result | Net assets | Net financial position (availability) | Reference accounting principles |
|---|--|------------|------------|--|---------------------------------------|
| Ascotrade S.p.A. | 649.578 | 3.123 | 17.020 | (8.869) | IFRS |
| Le Cime Servizi S.r.l. | 371 | (267) | 642 | 537 | Ita Gaap |
| Coge Calore S.r.l. in liquidazione | 0 | (19) | 19 | (16) | Ita Gaap |
| Estenergy S.r.l. | 257.934 | 1.438 | 3.531 | (25.521) | IFRS |
| Etra Energia S.r.l. | 243 | 3 | 702 | (76) | Ita Gaap |
| Global Ennergy S.r.l. | 12.630 | (258) | 2.382 | (960) | Ita Gaap |
| ASM DG SRL | 3.451 | 794 | 11.347 | 710 | Ita Gaap |
| ASM SET SRL | 27.300 | 395 | 944 | (816) | Ita Gaap |
| Edigas Due S.r.l. | 9.750 | 91 | 2.119 | (6.177) | Ita Gaap |
| Edigas Esercizio Distribuzione Gas S.r.l. | 1.814 | 614 | 8.690 | (1.636) | Ita Gaap |
| Masseria srl | 0 | 0 | 15 | (14) | Ita Gaap |
| Metano Nove Vendita Gas S.r.l. | 2.547 | (22) | 29 | (246) | Ita Gaap |
| AscoEnergy S.r.l. | 12 | (37) | 203 | (152) | Ita Gaap |

| 2008 (thousands of Euro) | Sales and suppliesof services revenues | Net result | Net assets | Net financial position (availability) | Reference accounting principles |
|------------------------------------|--|------------|------------|--|---------------------------------------|
| Ascotrade S.p.A. | 417.038 | 5.023 | 18.670 | 91.017 | IFRS |
| Le Cime Servizi S.r.l. | 295 | (156) | 98 | 975 | Ita Gaap |
| Coge Calore S.r.l. in liquidazione | 0 | 0 | 0 | 0 | Ita Gaap |
| Estenergy S.r.l. | 207.233 | 1.974 | 3.606 | (22.437) | IFRS |
| Etra Energia S.r.l. | 0 | (4) | 46 | (50) | Ita Gaap |
| Global Ennergy S.r.l. | 6.071 | (193) | 688 | (621) | Ita Gaap |
| ASM DG SRL | 2.954 | 414 | 9.528 | 10.994 | Ita Gaap |
| ASM SET SRL | 19.977 | 77 | 626 | 281 | Ita Gaap |

Evaluation principles

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 IAS 14 "Product sector information."

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

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

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

Intangible fixed assets with an undefined life are verified annually in order to find any losses in their value when events or changes of situation indicate that the book value cannot be realized. No amortisation is reported for these assets.

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

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

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

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

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

The main economical-technical rates used are as follows:

| Category | Depreciation rates |
|-------------------------------------|--------------------|
| Buildings | 2% |
| Reduction appliances | 4% - 5% |
| Networks and connections | 2,2% - 4% |
| Meters | 5% |
| Equipment | 8,5% - 8,3% |
| Furniture and furnishing | 8,80% |
| Electronic machines | 16,20% |
| Basic hardware and software | 20% |
| Motorcars, motorvehides and similar | 20% |

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

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

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

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

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

Not existing a reasonable certainty for the acquisition of the asset at the end of the leasing, the asset in financial leasing are depreciated on a period equal to the lesser between the leasing contract and the useful life of the asset itself.

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

Holdings in joint companies: the holding in joint companies, in which the Ascopiave Group has a significant influence, are evaluated with net assets method. The income statement reflects the Group's quote of pertinence of the result of the year of the joint company. On the basis of net asset method, the holding in a joint company is inscribed in the balance sheet at the cost increased by the changes successive to the acquisition in the quote of pertinence of the Group to the net active of the joint. The goodwill concerning the joint company is included in the accounting value of the holding and it is not subjected to amortisation. After the application of the method of net asset, if necessary, the Group determines to identify eventual extra-losses of value to the net holding of the joint company Group.

In the case in which the loss of pertinence of the Group exceeds the charge value of the holding, this one is cancelled and eventual surplus is identified in an appropriate fund in the measure in which the Group has legal or implicit obligations towards the company participated to cover its losses, or, anyway, to perform payments for itself.

In the case in which joint companies identified changes with direct imputation to the net equity, the Group indicate its quote of pertinence and gives representation of it, where applicable, in the statement of the changes of the net equity. Incomes and losses deriving from transactions between the Group and the joint company are cancelled proportionally to the holding of the joint companies.

The accounting closure date of the joint companies is lend up to that of the Group; the used accounting principles if different from those used by the Group are changed in order to line them up with those of the Group for transactions and events of the same nature and in similar circumstances.

Holdings in other companies: the financial activities made of holdings in other companies, if the relative equal value at the date of closure of the balance is not quantifiable, being the relative shares not quoted, are evaluated according to the criteria of the purchase or subscription price, from which are taken off the eventual payback of capital, and that his eventually changed for value losses determined with the same modalities previously indicated for tangible assets.

When the reasons for the performed depreciations disappear, the holdings are re-evaluated within the limits of the performed depreciations, with imputation of economic effect. The risk deriving from eventual losses, exceeding the net equity is identified in a special fund in the measure in which the participating in engaged to fulfil legal or implicit obligations towards the participated company or anyway to cover its losses.

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

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

Trade receivables: trade receivables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value) net of the relevant value losses. These are suited to their presumed

realisation value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Group will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement.

Own shares: Re-acquired own shares are taken as a decrease of the assets. No profit or loss is reported on the income statement upon purchase, sale or cancellation of own shares.

Cash and cash equivalents: include the ready cash values, i.e. values with the following requirements: availability at sight or in a very short term, good outcome, and no collection expenses.

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

The liabilities relative to the program of defined benefits, net of eventual assets of the service plan, is determined on the basis of actuarial assumptions and indicated for fees coherently for the work that is necessarily performed in order to obtain the benefits. The liability was determined by independent actuaries using the projected unit credit method. Any profits or losses deriving from the actuarial calculation are reported on the income statement as a cost or income, regardless of the value of such, without using the so-called 'corridor method'.

The amount reflects not only the debts accrued at the financial statements closing date, but also future salary rises and the related statistical dynamics.

Reserves for risks and charges: The reserves for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the reference period are undetermined in terms of amount or due date. Provisions are reported when there is a current obligation (legal or implicit) that derives from a past event, when an outlay of resources is probable in order to meet the obligation, and a reasonable estimate can be made as to the amount of the obligation.

On the other hand, where it is not possible to carry out a probable estimate as to the obligation, or alternatively, it is deemed that the outlay of

financial resources is only possible and not probably, the relevant potential liability is not marked in the financial statements, but rather mentioned appropriately in the explanatory notes.

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

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

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

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

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

Reserves for risks and charges: The reserves for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the reference period are undetermined in terms of amount or due date. Provisions are reported when there is a current obligation (legal or implicit) that derives from a past event, when an outlay of resources is probable in order to meet the obligation, and a reasonable estimate can be made as to the amount of the obligation.

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

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

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

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

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

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

Share-based payments: Group employees (and in particular certain Directors) receive part of their salaries in the form of options that can only be sold for cash. The cost of cash operations is evaluated initially at the fair value as of the date

of allocation, using an evaluation formula better explained under note 24. This fair value is spent in the period until maturation with reporting of a corresponding payable. The liability is re-calculated upon each closure of the period, until the date of regulation, with all changes made to the fair value reported on the income statement.

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

Revenues: 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.

The revenues for gas sales are recognized at the moment of disbursement and also depend on the type of customer.

In particular, the product sector norms hold that, in relation to customers that have not chosen to utilize the right to directly negotiate the conditions for supplies with the company that sells the gas, mainly consisting of domestic users, the tariffs for natural gas sales are regulated and updated quarterly on the basis of deliberations made by the Authority for Electrical Energy and Gas (AEEG).

The revenues for service performance are recognized on the basis of the service having occurred and in accordance with the relative contract. The revenues relative to works performed on the basis of orders are recognized in proportion to the stage of work of the relative project.

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 cost 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. Should the contribution be connected to another asset, the asset and contribution are reported at face value, and the release to the income statement takes place progressively throughout the expected useful life of the asset of reference, in constant instalments.

Interest: 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 effective interest rate.

Income taxes: current active and passive taxes for the current and previous years are valued at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxation relating to elements reported directly under assets are reported directly as assets and not on the income statement.

Deferred taxes are calculated using the so-called liability method on the temporary differences resulting from the date of the statements between the tax values taken as reference for the assets and liabilities and the values reported on the statements. Deferred tax liabilities are reported against all taxable temporary differences:

- when deferred payable taxes derive from the initial reporting of goodwill or an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;

- with reference to temporary taxable differences associated with holdings in subsidiaries, associated companies and joint ventures, should the reversal of the temporary differences be able to be controlled, and it is probable that this does not take place in a foreseeable future.

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

- when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;

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

Company aggregations: Company mergers are posted according to the purchase method. This requires posting at equal value the identifiable assets (including intangible assets previously not recognised) and identifiable liabilities (including potential liabilities and excluding future restructuring) of the acquired company

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

Use of estimates: The preparation of the financial statements and related explanatory notes in application of the IFRS requires that management provide estimates and assumptions that affect the values of the assets and liabilities reported on the

consolidated financial statements and information relating to potential assets and liabilities as of that date.

Estimates are used to report:

- Reductions in value of non-financial assets (including goodwill),
- Valuation of revenues for consumption of gas supplied for which an effective reading is not yet available,
- Provisions for risks on credits,
- The effects of disputes on the application of distribution and/or sales tariffs and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon expiry of such,

- Obsolete inventories,
- The useful lives of intangible and tangible fixed assets and related amortisation,
- Employee benefits and payment plans based on stock options (so-called phantom stock option)
- Taxes and
- allocations 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.

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEM

Non-current assets

1. Goodwill

Goodwill, equal to Euro 74.603 thousands as of 31 December 2008, refers in part to the surplus value created by the contribution of the gas distribution networks by members of local authorities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some branches of the company related to the distribution and sale of natural gas, as well as the acquisition of certain holdings.

Specifically, during the course of 2008, the following changes were recorded:

Bimetano Servizi S.r.l.

The subsidiary company Ascotrade obtained favourable result from the interpellation request to the Agenzia delle Entrate for the achievement of tax benefits forecasted by the Financial law 2007 for company aggregations.

As consequence, the higher values registered in the company aggregation with Bimetano Servizi S.r.l. had a fiscal recognition equal to Euro 5 millions, the maximum forecast by the law.

The accountancy of company aggregation has been reviewed, with re-endorsement of deferred tax fund initially accounted on the so-called list of acquired contracts, with balancing entry the voice revenue account, coherently, goodwill has been reduced for Euro 1.324 thousands, originally registered for Euro 4.021 thousands, with balancing entry the voice other operating costs of the revenue account.

Edigas Due S.r.l.

As consequence of the purchase of 100% of participation shares of Edigas Due S.r.l., the Group registered a goodwill equal to Euro 9.536 thousands, as it is better explained in the section “Company aggregations”.

The registration of goodwill is due to the value of the synergies deriving from the integration of the business of natural gas sale.

Global Energy S.r.l.

As consequence of the purchase of 49% of participation shares of Global Energy S.r.l. the Group registered a goodwill equal to Euro 445 thousands, as it is better explained in the section “Company aggregations”.

The registration of goodwill is due to the value of the synergies deriving from the integration of the business of natural gas sale.

Le Cime servizi S.r.l.

As consequence of the purchase of residual 20% of participation shares of Le Cime S.r.l. by Global Energy S.r.l. the Group registered a goodwill equal to Euro 513 thousands, as it is better explained in the section “Company aggregations”. The registration of goodwill is due to the value of the synergies deriving from the integration of the business of heat and electric energy production through the use of natural gas.

Asm Set S.r.l. and Asm Dg S.r.l.

As a consequence of price regulation forecast by the purchase contract of companies ASM Set S.r.l. and Asm Dg S.r.l. to the company Asm S.p.A., the Group proceeded in the decrease of goodwill originally registered respectively for Euro 173 thousands and Euro 7 thousands.

Metanonove S.r.l.

As consequence of the purchase of 100% of participation shares of Metanonove S.r.l. by Etra Energia S.r.l., company participated by Ascopiave S.p.A. through Global Energy S.r.l., the Group registered a goodwill equal to Euro 495 thousands, as it is better explained in the section "Company aggregations".

The registration of goodwill is due to the value of the synergies deriving from the integration of the business of natural gas sale.

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

| (thousands of Euro) | 31 December 2007 | increase | decrease | 31 December 2008 |
|-----------------------------|------------------|---------------|--------------|------------------|
| Distribution of natural gas | 24.569 | 513 | 174 | 24.908 |
| Selling of natural gas | 40.550 | 10.476 | 1.331 | 49.695 |
| Total | 65.120 | 10.989 | 1.505 | 74.603 |

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

The financial flows used to calculate value recoverable are those of the Multi-annual Plan for the financial flow-generating gas distribution and sales units, which cover the forecasts formulated by management for the period 2009-2011.

Referring to the activity of gas distribution, considering that according to the current law in this field most concessions and credit worthiness will expire on 31/12/2010, it has been suggested that in 2009/2010 management generate financial flow in line with those forecasted by the Multi-annual plan.. Furthermore, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the financial flow-generating gas distribution unit by supposing two alternative scenarios, *id est* that (i) In 2011 Ascopiave ends the activity of gas distribution and (ii) the company obtains in 2010 the renewal of all the concessions and credits in effect on 31 December 2008. With reference to this second scenario, the terminal has been estimated as an estimate of a perpetuity as from the last year specified in the financial forecasts.

The growth factor used for the purpose of calculating final value, estimated at 1,5% takes into account inflation, growth of the client base and increased efficiency.

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

(a) that coefficient b (beta levered) equal to that assumed in the definition of income rate on invested capital established for tariff purposes by the AEEG with deliberation n. 159/08;

(b) a level of financial leverage (relation between financial debt and own means) line up with the financial structure of reference presumed by the AEEG to the end of tariff regulation;

(c) the market risk taken from the average over a long period for an international sample group of countries;

(d) the Risk Free Rate assumed equal to the return of bonds of status at 10 years, reported at the end of the financial year.

On the basis of these elements, the average weighted cost of the post-tax capital is equal to 5,87%, and considering the other described hypotheses, the recoverable value of financial flow-generating units for gas sales and distribution is higher than the accounting values and therefore the conditions are not met to proceed to devaluing the goodwill for depreciation.

With reference to gas sale, cash flows, used for the calculation of the recoverable value, are influenced by provisions formulated by the management concerning the period 2009-2011.

The final value has been determined as an estimate of a perpetuity as from the last year specified in the financial forecasts.

The growth factor used for the purpose of calculating final value, estimated at 1,5% takes into account inflation, growth of the client base and increased efficiency.

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

(a) that coefficient b (beta levered) was defined based on the beta unlevered compared to a sample of comparable companies (local units quotation) and considering the specific target financial structure of the business;

(b) the market risk taken from the average over a long period for an international sample group of countries;

(c) the Risk Free Rate assumed equal to the return of bonds of status at 10 years, reported at the end of the financial year.

On the basis of these elements, the average weighted cost of the post-tax capital is equal to 6,26%, and considering the other described hypotheses, the recoverable value of financial flow-generating units for gas sales and distribution is higher than the accounting values and therefore the conditions are not met to proceed to devaluing the goodwill for depreciation.

Both for the financial flow distribution generating unit and for the sale of natural gas, a sensitivity analysis has been carried out on the results: in all cases the values of use remain greater than the book values, even taking on an increase of the average weighted cost of the capital of 50 basis points.

2. Other intangible assets

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

| (thousands of Euro) | 31 December 2008 | | | 31 December 2007 | | |
|--|------------------|--------------------------|---------------|------------------|--------------------------|---------------|
| | Historic cost | Accumulated depreciation | Net balance | Historic cost | Accumulated depreciation | Net balance |
| Plant and enlargement costs | 92 | (92) | 0 | 0 | 0 | 0 |
| Industrial patents and intellectual property rights | 2.517 | (2.314) | 204 | 2.353 | (2.158) | 196 |
| Concessions, licences, trademarks and similar rights | 3.660 | (983) | 2.678 | 2.819 | (855) | 1.964 |
| Other intangible assets | 16.092 | (2.031) | 14.060 | 14.041 | (649) | 13.392 |
| Construction in progress and advanced payments | 1.230 | 0 | 1.230 | 492 | 0 | 492 |
| Total intangible fixed assets | 23.591 | (5.419) | 18.172 | 19.705 | 3.662 | 16.044 |

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

| (thousands of Euro) | 31 December 2007 | | | | | | 31 December 2008 | |
|--|------------------|---------------------------------|--------------|--------------|-------------------|--------------|------------------|---------------|
| | Historic cost | Value from company acquisitions | Investments | Disposals | Reclassifications | Depreciation | Found decrease | Net balance |
| Plant and enlargement costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Industrial patents and intellectual property rights | 196 | 36 | 96 | 44 | 0 | 124 | 44 | 204 |
| Concessions, licences, trademarks and similar rights | 1.964 | 0 | 843 | 1 | 0 | 105 | 1 | 2.678 |
| Other intangible assets | 13.392 | 2.516 | 747 | 1.194 | 0 | 1.400 | 0 | 14.060 |
| Construction in progress and advanced payments | 492 | 0 | 714 | 0 | 0 | 0 | 0 | 1.230 |
| Total intangible fixed assets | 16.044 | 2.552 | 2.400 | 1.239 | 0 | 1.629 | 45 | 18.172 |

The investments reported as of 31 December 2008, which include the values relating to the new acquisitions mainly refer to the recording of the value assigned to the so-called ‘lists of contracts with customers and relations with clients set out by these contracts’ relating to the company mergers carried out with Edigas Due S.r.l., (Euro 2.496 thousands) and Metano Nove Vendita Gas S.r.l. (Euro 166 thousands).

The assigned value has been confirmed by the evaluation carried out by an independent expert subject, who considered the economic capital and informative and relational assets represented by the customers involved in the acquisition by Ascopiave S.p.A.. The thus reported figures are subject to amortisation on the basis of a useful life cautiously considered as equal to ten years.

The increase of the voice “Concessions, licences, trademarks and similar rights” is mainly concerned to the acquisition of transport capacity of the Austrian territory TAG carried out by the controlled Ascotrade S.p.A. equal to Euro 830 thousands.

Among the ‘Other Intangible Assets’, an amount of Euro 450 thousands has been posted with reference to energy efficiency shares. The decrease of these equal to Euro 594 thousands compared to past year, is due to their use, partly

counterbalanced by purchases performed to comply with the obligations for energy savings under Decree 20 July 2004 of the Ministry for Productive Activities.

3. Tangible fixed assets

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

| (thousands of Euro) | 31 December 2008 | | | 31 December 2007 | | |
|--|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| | Historic cost | Accumulated depreciation | Net balance | Historic cost | Accumulated depreciation | Net balance |
| Lands and buildings | 16.121 | (3.037) | 13.084 | 15.830 | (3.549) | 12.281 |
| Plant and machinery | 451.917 | (153.992) | 297.924 | 403.945 | (134.754) | 269.191 |
| Industrial and commercial equipment | 2.546 | (1.109) | 1.436 | 2.326 | (791) | 1.535 |
| Other assets | 9.902 | (7.130) | 2.772 | 9.291 | (6.663) | 2.628 |
| Construction in progress and advance payment | 4.062 | 0 | 4.062 | 2.836 | 0 | 2.836 |
| Total tangible fixed assets | 484.548 | (165.269) | 319.279 | 434.228 | (145.757) | 288.471 |

The changes in the tangible fixed assets in the year under examination are shown in the following table:

| (thousands of Euro) | 31 December 2007 | | | | | 31 December 2008 | | |
|--|------------------|---------------------------------|---------------|------------|-------------------|------------------|----------------|----------------|
| | Historic cost | Value from company acquisitions | Investments | Disposals | Reclassifications | Depreciation | Found decrease | Net balance |
| Lands and buildings | 12.281 | 676 | 1.469 | 17 | 0 | 1.327 | 2 | 13.084 |
| Plant and machinery | 269.191 | 25.659 | 11.437 | 93 | 1.875 | 10.192 | 48 | 297.924 |
| Industrial and commercial equipment | 1.535 | 46 | 85 | 13 | 0 | 225 | 8 | 1.436 |
| Other assets | 2.628 | 94 | 749 | 496 | 0 | 698 | 495 | 2.772 |
| Construction in progress and advance payment | 2.836 | 222 | 3.011 | 132 | (1.875) | 0 | 0 | 4.062 |
| Total tangible fixed assets | 288.471 | 26.696 | 16.751 | 751 | 0 | 12.442 | 553 | 319.279 |

During 2008, the Group has made investments for Euro 16.751 thousands. The increase recorded in the year refers mainly to extraordinary maintenance costs and the extension of the gas distribution systems and network.

Lands and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses, as well as the building works related to the transformer rooms. The increases recorded in the year mainly relate to the realisation of the enlargement of the warehouse of the headquarters in Pieve di Soligo equal to Euro 925 thousands, to the purchase of a building in the town of Milan for an amount of Euro 1.021 thousands in order to be used as Office and to the purchase of a site in the municipality of Rovigo for the new building of the controlled ASM DG S.r.l. for an amount of Euro 469 thousands.

Plants and machinery

Under this heading can be included the costs relating to the distribution network and distribution systems, such as the transformer room systems, connections, reduction groups and meters. The increase recorded in the year 2008 includes the reclassification of assets under construction, and is posted for Euro 5.773 thousands from connections of new end customers, for Euro 519 thousands from the installation of new gas meters, for Euro 3.954 thousands by the construction of 69.931 metres of new network, for Euro 630 thousands for construction/modernisation of pressure

reduction plants.

Industrial and commercial equipment

This heading includes costs for the purchase of equipment for the maintenance service (pipe detectors and leak detectors) and for measurement activity.

Other assets

The increase posted under this heading is mainly due for Euro 197 thousands for the purchase of hardware and software, for Euro 167 thousands for the purchase of furniture and for Euro 181 thousands for the purchase of new motorised vehicles.

Assets under construction and advances

This heading primarily covers costs relating to work to extend the network and the construction of distribution plants, carried out partially with savings.

The increase is mainly represented by construction processes of new networks and co-generation plant not completed at the end of 2008.

4. Holdings

The increase of this item as compared with 31 December 2008 refers to:

| (In thousands of Euro) | 31 December 2007 | Changes for the period | | | 31 December 2008 |
|--|-------------------------|-------------------------------|-----------------|-------------------|-------------------------|
| | Historic cost | Investments | Disposal | Writedowns | Net balance |
| Joint companies | 0 | 402 | 0 | (402) | 0 |
| Other companies | 151 | 223 | 0 | 0 | 374 |
| Total equity investments in other companies | 151 | 625 | 0 | (402) | 374 |

Holdings in joint companies

The increase of the voice, as compared to 2007 is referred to the subscription for an amount of Euro 402 equals to 20,01% of the share capital of Sinergie Italiane S.r.l. on the date of 31 July 2008, even if the company will close the first company year on 30 September 2009, the equity and economic situation as of 31 December 2008 according international accounting standards has been planned that underlines an equity deficit for Euro 17.724 thousands and a loss for the period August 2008- December 2008 of Euro 1.635 thousands; this influenced the income statement at the voice "Evaluation of joint companies with net equity method" the holding of pertinence quote of the Group of Euro 327 thousands of the result of the financial year of the joint company.

Considering that the net active of the joint company as of 31 December 2008 presents a negative value to affect the pertinence quote of the Group, it was decided to proceed with the cancellation of the first inscription value of the holding and with the survey of the residual excess equal to Euro 3.545 thousands, in a special fund for passive. The results of the joint company are influenced by seasonal trends that allow to believe that in the three successive trimesters the equity loss and deficit will be fully recovered.

Here follow the essential data of the holdings in joint companies for 2008:

| 2008 | Sales and supply revenues | Net result | Net equity | Net financial position | Accounting principle of reference |
|------------------------------|---------------------------|------------|------------|------------------------|-----------------------------------|
| Sinergie Italiane S.r.l. (*) | 380.076 | (1.635) | (17.724) | (229.872) | IFRS |

Holdings in other companies

The payment for Euro 233 thousands for a further acquisition of the share capital of Ital Gas Storage S.r.l. equal to 2% . The share held by Ascopiave S.p.A. now equals 17%.

5. Other non-current assets

The captions comprising 'Other non-current assets' are analysed in the following table:

| (in thousands of Euro) | 31/12/2008 | 31 december 2008 value from company acquisitions | Net value of company acquisitions | 31/12/2007 |
|---------------------------------|--------------|--|---|--------------|
| Deposits and guarantees | 440 | 254 | 186 | 436 |
| Receivables for contributions | 0 | 0 | 0 | 114 |
| Other receivables | 3.140 | 30 | 3.110 | 3.266 |
| Other non-current assets | 3.579 | 284 | 3.296 | 3.816 |

The 'Other non-current assets' equal to Euro 3.579 thousands, relate to receivables for caution money for Euro 440 thousands, and other receivables for Euro 3.140 thousands.

The change in the item 'Other receivables' is mainly explained by the reporting of a receivable against the municipality of Santorso for Euro 748 thousands, corresponding to the net book value of the distribution plants consigned in 2007 to the same municipality following natural expiry of the distribution concession on 31 December and a receivable from the local authority of Creazzo, to the value of Euro 2,141 thousands unchanged since 31 December 2005, corresponding to the net book value of the distribution plants awarded in June 2005 to the above-mentioned local authority following the natural expiry, on 31 December 2004, of the concession awarded by the above-mentioned local authority.

The value of the receivable from the municipality corresponds to the 'Letta' law, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.

At year end, legal procedures are in progress with both local authorities, with the aim of establishing the value of the indemnity of the awarded distribution plants. The Group, on the basis of their legal advisors, judges that the outcome of the legal proceedings will be favourable.

At this voice it is no more registered a receivable from the AEEG for Euro 485 thousands, claimed on the basis of the greater contribution paid by Ascopiave S.p.A. during the period 1998-2000, because it has been re-classified between current activities as a consequence of the plan of multi-annual refunds.

6. Prepaid taxes

The following table details the prepaid taxes as of 31 December 2008 and 31 December 2007:

| (thousands of Euro) | 31 December 2008 | | | 31 December 2007 | | |
|---|-----------------------|----------|--------------|-----------------------|----------|--------------|
| | Temporary differences | Tax rate | Total effect | Temporary differences | Tax rate | Total effect |
| Allocation for writedown of receivables | 6.123 | 33,00% | 2.021 | 2.872 | 27,5% | 790 |
| Allocation for risk fund | 204 | 31,40% | 64 | 386 | 31,4% | 121 |
| Allocation for inventory writedown | 462 | 31,40% | 145 | 462 | 31,4% | 145 |
| Gas revenues fund amortization surpluses | - | 31,40% | - | 1.464 | 31,4% | 460 |
| Listing expenses | 18.078 | 31,40% | 5.677 | 19.252 | 31,4% | 6.045 |
| other | 3.804 | 31,40% | 1.194 | 5.706 | 31,4% | 1.792 |
| Other selling gas | 361 | 31,40% | 113 | 410 | 31,4% | 129 |
| Phantom stock option | 216 | 36,90% | 80 | - | 0,0% | - |
| Customer list - goodwill | 112 | 33,00% | 37 | 106 | 27,5% | 29 |
| Other selling gas | 411 | 36,90% | 152 | - | 0,0% | - |
| Other | 249 | 33,00% | 82 | - | 0,0% | - |
| Other | 1.246 | 27,50% | 343 | - | 0,0% | - |
| Amounts due for advance taxes paid | 31.226 | | 9.907 | 30.658 | | 9.510 |

The Group has been performing a full accounting of prepaid taxes concerning temporary differences between tax-imposition and balance sheet value, as the Group suppose that future tax-imposition could take up all differences that generated them. Determining the prepaid taxes we referred to IRES and, where suitable, to the IRAP current at the moment in which the temporary differences are supposed to deposit again.

The prepaid taxes equal to Euro 9.907 thousands (of which Euro 364 thousands derive from new acquisitions) increase, of equal perimeter, by Euro 761 thousands as compared with 31 December 2007.

The increase is mainly due to the increase of the allocation for credit risk fund by Ascotrade S.p.A. equal to Euro 682 thousands.

Current assets

7. Inventories

The following table shows the make-up of the inventories as of 31 December 2008 and as of 31 December 2007

| (in thousands of Euro) | 31 December 2008 | | | 31 December 2007 | | |
|-------------------------------|------------------|------------------------------------|--------------|------------------|------------------------------------|--------------|
| | Gross balance | Allowance for doubtful receivables | Net balance | Gross balance | Allowance for doubtful receivables | Net balance |
| Fuels and warehouse materials | 3.648 | (462) | 3.186 | 3.559 | (462) | 3.097 |
| Contract work in progress | - | - | - | 201 | - | 201 |
| Total inventories | | | 3.186 | | | 3.298 |

As of 31 December 2008, the inventories are equal to Euro 3.298 thousands and show an overall increase equal to Euro 112 thousands as compared to 31 December 2007.

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

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

Inventories are entered on the balance sheet under the Net Devaluation of Inventory fund in order to adapt their value to the opportunities for their clearance or use.

8. Trade receivables

The following table indicates the amount of trade receivables, all accorded to Italian clients, and the relevant adjustment funds as of 31 December 2008 and 31 December 2007:

| (in thousands of Euro) | 31/12/2008 | Value from company acquisitions | Net value of company acquisitions | 31/12/2007 |
|---|----------------|---------------------------------|-----------------------------------|----------------|
| Trade receivables | 86.710 | 744 | 85.965 | 124.499 |
| Receivables for invoices to be issued | 188.288 | 6.168 | 182.120 | 147.010 |
| Trade receivables from subsidiary companies | 0 | 0 | 0 | 0 |
| Trade receivables from parent companies | 0 | 0 | 0 | 27 |
| Allowance for doubtful receivables | (8.767) | (395) | (8.372) | (5.795) |
| Provision of gas revenues | 0 | 0 | 0 | (1.464) |
| Trade receivables | 266.231 | 6.518 | 259.713 | 264.276 |

Trade receivables in 2008 have gone from Euro 264.276 thousands to Euro 259.713 thousands with a decrease equal to Euro 4.563 thousands.

The decrease of Euro 4.563 is mainly due to the collection of conveyance of stocked gas equal to Euro 30.744 thousands, performed in the last four months of 2007, partly counterbalanced by the increase of trade receivables due to the favourable weather of the first four months of 2008 compared to the same period of 2007, and it is also due to the increase of natural gas trading operations.

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

| (in thousands of Euro) | 31/12/2008 | 31/12/2007 |
|--|--------------|--------------|
| Opening allowance for doubtful receivables | 5.795 | 3.097 |
| Allowance for doubtful receivables from equities acquisition | 395 | 2.385 |
| Provisions | 3.880 | 831 |
| Utilisations | (1.303) | (518) |
| Closing allowance for doubtful receivables | 8.767 | 5.795 |

On 31 December 2007 the value of receivables decreased in the gas proceeds fund made up of the appropriated surplus occurring due to the tariffs system introduced by resolution no. 237/00 by the AEEG, starting from 1 July 2001, for gas distribution activities and supply to clients in the fixed market. The above-mentioned tariff system provides for a downwards trend in tariffs by increasing consumption brackets, applicable over the thermal year, which for 2007 runs for the period between 1 October 2007 and 30 September 2008.

During the drawing up of the balance sheet as of 31 December 2007 the Group decided to proceed with an allocation to the revenues fund equal to Euro 1.464 thousands in order to uniform the margin deriving from the distribution of gas in the municipalities.

During the drawing up of the balance sheet as of 31 December 2008 the Group proceeded with the complete release of the afore-stated allocation.

The changes in the provision for gas revenues are analysed below:

| (in thousands of Euro) | 31/12/2008 | 31/12/2007 |
|--|------------|--------------|
| Opening provision of gas revenues | 1.464 | 1.505 |
| Allowance for doubtful receivables from equities acquisition | 0 | 0 |
| Provisions | 0 | 1.464 |
| Utilisations | (1.464) | (1.505) |
| Closing provision of gas revenues | 0 | 1.464 |

During 2008, the regular change made by the authority concerning the thermal year to obtain the coincidence with solar year made the necessity of a gas revenues fund fall.

9. Other current assets

The value of other current assets as of 31 December 2008 and 31 December 2007, are analysed below:

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value of company acquisitions | 31 December 2007 |
|---|---------------------|---------------------------------------|---|---------------------|
| Receivables due from parent company | 2.093 | - | 2.093 | 398 |
| Tax credit | 3.830 | - | 3.830 | 35.384 |
| Receivables due from Cassa Conguaglio Settore Elettrico | 3.293 | - | 3.293 | 1.482 |
| Annual prepaid expenses | 338 | 36 | 303 | 130 |
| Advances to suppliers | 498 | - | 498 | 381 |
| Deposit for buildings | - | - | - | 620 |
| Annual accrued income | 77 | - | 77 | 9 |
| Savings account for Edigas acquisition | 700 | - | 700 | - |
| Other receivables | 1.311 | 205 | 1.105 | 1.361 |
| Other currents assets | 12.140 | 241 | 11.899 | 39.765 |

The item has decreased as compared with 31 December 2007 by Euro 27.866 thousands, and also includes receivables due from indirect VAT taxation and gas taxation. Receivables from Asco Holding S.p.A. relate to deposits on taxes paid by Ascopiave S.p.A. to Asco Holding S.p.A. in relation to the tax consolidation contract.

Tax receivables go from Euro 35.384 thousands of the year 2007, to Euro 3.830 thousands of the year 2008, due to the decrease of the credit from the Technical Financial Office for excise duty and from regions/provinces for additional taxes on natural gas consumption matured by effect of the payment of instalments smaller than the actual invoicing.

The increase of receivables, due to the equalization fund, by the part of electric branch, is mainly explained with the increase of the receivables concerning the recognition of white certificates of Ascopiave S.p.A. equal to Euro 1.855 thousands partly counterbalanced by the return of part of bigger taxes previously paid by Ascopiave S.p.A..

Fixed-term deposits for the acquisition of Edigas concern the credit to former shareholders of Edigas Due S.r.l. and Edigas Distribuzione Gas S.r.l., equal to Euro 700 thousands, and it is result of agreements for the acquisition of the same companies and it finds correspondence in the first registration of a debt of the same amount of current liabilities.

Other receivables primarily concern receivables for amounts due to Estenergy S.p.A. by GMA GSE as surety for the agreement engagements for the supply of electric energy for an amount of Euro 704 thousands, that will be returned during 2009, and by Acegas APS S.p.A. for an amount of Euro 106 thousands.

10. Current financial assets

The value of tax receivables at the end of each related period is analysed below:

| (in thousands of Euro) | 31 December 2008 | 31 December 2007 |
|---|---------------------|------------------|
| Current financial instruments derivatives | 0 | 2.533 |
| Total current financial assets | 0 | 2.533 |

11. Tax receivables

The value of tax receivables at the end of each related period is analysed below:

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value of company acquisitions | 31 December 2007 |
|-----------------------------|------------------------|---------------------------------------|---|---------------------|
| Receivables related to IRAP | 0 | 0 | 0 | 126 |
| Other receivables | 17 | 13 | 3 | 89 |
| Tax receivables | 17 | 13 | 4 | 215 |

The item includes residual receivables from accounts IRAP paid, less taxes attributable to fiscal year 2008.

12. Cash and cash equivalents

The value of cash as of 31 December 2008 and 31 December 2007, are analysed below:

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value of company acquisitions | 31 December 2007 |
|-------------------------------|------------------|------------------------------------|---|---------------------|
| Bank and post office deposits | 27.533 | 8.347 | 19.186 | 31.262 |
| Cash and equivalents on hand | 32 | 3 | 29 | 28 |
| Liquid funds | 27.565 | 8.350 | 19.215 | 31.290 |

This refers primarily to the available liquid assets in mutual funds and banks.

The bank deposits are at sight and accrue interest based on Euribor rates at 1 month or at 3 months, inclusive of spreads arranged with the above-mentioned credit deposit institutions.

Net financial position

At the end of the years in question, the net financial position of the Group is as follows:

| (In thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value of company acquisitions | 31 December 2007 |
|--|---------------------|---------------------------------------|---|---------------------|
| Cash and cash equivalents | 27.565 | 8.118 | 19.447 | 31.290 |
| Current financial assets | 0 | 0 | 0 | 2.533 |
| Current financial liabilities | (7.267) | 0 | (7.267) | (5.854) |
| Short-term borrowings | (60.704) | (125) | (60.579) | (115.153) |
| Payables due to the City Council of Castelfranco | 0 | 0 | 0 | 0 |
| Settlement of companies acquisitions | 0 | 0 | 0 | (10.212) |
| Short-term borrowings Leasing | (81) | 0 | (81) | (81) |
| Financial amounts due to parent company | 0 | 0 | 0 | 0 |
| Net short-term financial position | (40.486) | 7.994 | (48.480) | (97.476) |
| Medium/Long-term loans | (3.969) | 0 | (3.969) | (5.165) |
| Outstanding bonds | 0 | 0 | 0 | 0 |
| Non-current financial liabilities | (794) | 0 | (794) | (4.189) |
| Financial amounts due to shareholders | 0 | 0 | 0 | 0 |
| Payables due to the City Council of Castelfranco | 0 | 0 | 0 | 0 |
| Net Medium/Long-term financial position | (4.763) | 0 | (4.763) | (9.353) |
| Net financial position | (45.249) | 7.994 | (53.243) | (106.830) |

For comments regarding the main dynamics that caused relevant changes in the net financial position, we refer to the analysis of the Group financial data recorded in the first part of this document.

Consolidated shareholders' equity

13. Net Shareholders' equity

Ascopiave S.p.a.'s share capital as of 31 December 2008 is made up of 234.411.575 common shares, fully subscribed and paid, with a par value of Euro 1 each.

Shareholders' equity is analysed in the following table:

| (thousands of Euro) | 31 December 2008 | 31 December 2007 |
|---|------------------|------------------|
| Share capital | 234.412 | 233.334 |
| Legal reserve | 46.882 | 46.667 |
| Retained earnings | 59.025 | 67.017 |
| Net income (loss) for the year | 18.789 | 21.764 |
| Group shareholders' equity | 359.108 | 368.782 |
| Capital of minority interests | 1.987 | 1.925 |
| Income of minority interests | 337 | 361 |
| Total net equity of minority interests | 2.325 | 2.285 |
| Total net equity | 361.433 | 371.068 |

Here follows the reasoning behind the changes to the shareholders' equity that have taken place during the year.

The company, at the moment of its quotation in Stock Exchange, forecast a free assignment of shares (so-called bonus shares) to investors that maintained for at least one year the shares property at the moment of IPO.

On the date of 17 January 2008 the specialist communicated the number of free shares to be assigned to those who have the right. The company has consequently deliberated the increase of share capital equal to Euro 1.078 thousands.

The increase of share capital has been recorded on the register of enterprises of Treviso on 29 January 2008.

During 2008, with the shareholders' approval 2007 balance sheet, the company provided the increase of legal reserve for an amount of Euro 216 thousands, and to increase the other reserves for an amount of Euro 6.563 thousands using the income of 2007 not distributed to shareholders.

During 2008, the acquisition of own shares involved a number of ordinary shares equal to 9.097.500 for a value of Euro 13.564 thousands. In the same period, the agreements made for the payment of the acquisition of the shares of Asm Distribuzione Gas S.r.l. and Asm Servizi Energetici e Tecnologici S.r.l. led to the sale of 5.571.284 ordinary shares for a value of Euro 8.887 thousands to the company Asm Rovigo S.p.A.. We would point out that the conditions of sale of the ordinary shares of Asm Rovigo S.p.A. have generated in 2008 a capital loss compared to purchase values of own shares equal to Euro 13 thousands, net asset accounted.

Therefore, the own shares total movement during 2008 has been increasing for an amount equal to Euro 4.664 thousands.

We would like to point out that the shareholders' meeting on 22 December 2008 deliberated the new plan of own shares purchase, with a duration of 18 months, and the possibility of the purchase of own shares with a maximum of 10% of share capital, in accordance with law 2357 of C.C..

On 19 September 2008, the Board of Directors approved the distribution of the deposit on dividends, in accordance with article 2433-*bis*, paragraph 5 of the Civil Code, of Euro 0,025 per share. Dividend warrants were realised on 10 November 2008, bringing about the payment of dividends for Euro 5.780 thousands.

14. Net equity of minority interests

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

Non-current liabilities

15. Reserves for risks and charges

The provisions for risk and charges as of 31 December 2008 and 31 December 2007 are shown in the following table:

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value of company acquisitions | 31 December 2007 |
|---|------------------------|---------------------------------------|---|---------------------|
| Provisions fro pensions and similar commitments | 0 | 0 | 0 | 0 |
| Other reserves for risks and charges | 3.778 | 10 | 3.769 | 215 |
| Reserves for risks and charges | 3.778 | 10 | 3.769 | 215 |

Reserves for risks and charges have gone from Euro 215 thousands to Euro 3.769 thousands with a variation equal to Euro 3.554 thousands.

The change is mainly due to the evaluation of the shareholders' equity of the joint company Sinergie Italiane S.r.l. that produced an allocation of a fund for the coverage of losses performed on shareholders' equity of the joint company in 2008, equal to Euro 3.545 thousands, as explained in the paragraph participation of this note.

The changes for 2008 are analysed in the following table:

| (in thousands of Euro) | |
|---|--------------|
| Other reserves for future risks and charges as of 31 December 2007 | 215 |
| Net value of company acquisitions | 10 |
| Allocations to hedge fund for joint companies consolidated with net assets method | 3.545 |
| Allocations to other reserves for risks and charges | 68 |
| Utilization other reserves for risks and charges | (59) |
| Other reserves for future risks and charges as of 31 december 2008 | 3.778 |

The use is mainly due to the fund established by ASM DG S.r.l. for the accelerated premium 2007 paid in 2008 equal to Euro 40 thousands.

16. Severance indemnity

The changes in severance indemnity for IFRS (International Financial Reporting Standards) purposes of the Group are analysed in the following table:

| (In thousands of Euro) | |
|---|--------------|
| Severance indemnity as of 31 December 2007 | |
| | 2.305 |
| Value from company acquisition | 826 |
| Payments | (554) |
| Cost of current services and work | 821 |
| Previous actuarial losses / (Profits) recorded | (356) |
| Actuarial loss / (Profit) recorded | 56 |
| Severance indemnity as of 31 December 2008 | 3.099 |

The actuarial evaluation of severance indemnity is accomplished on the basis of method “matured benefits”, through the Projected Unit Credit Method as forecast by IAS 19. This method consists in evaluation that express the average current value of pension bond matured according to the service that the employee gave as of the date of the evaluation, non projecting employee’s retribution according to normative of recent social security reform. The method of calculation can be summarised with these phases:

- Projection for each employee at the date of evaluation of the severance indemnity matured till the probable date of payment.
- Determination for each employee of probable severance indemnity payments, that should be done by the company in case of employee’s leaving for firing, dismissal, inability, death and retirement and also in case of anticipated payments requests.
- Discounting, at the date of evaluation, of each probable payment.

The actuarial model for the evaluation of severance indemnity is based on different hypotheses, both of demographic and economic-financial type. The main hypotheses of the model are:

- mortality rate: survival table ANIA IPS55
- invalidity rate: INPS tables year 2000
- personnel rotation rate: 3,00%
- discounting rate: 4, 5%
- increase in remuneration rate: 3%

- inflation rate: 2%
- anticipation rate: 2%

The use of actuarial techniques for the individuation of severance indemnity in accordance with IFRS, at the end of 2008 implied the record of a cost equal to Euro 56 thousands.

In accordance with IAS19 we point out the cost for plan at definite contribution that is equal to Euro 594 thousands.

17. Medium/Long-term loans

The following table shows the make-up of medium/long term loans as of 31 December 2008 and 31 December 2007:

| (in thousands of Euro) | 31 December 2008 | 31 December 2007 |
|--|-----------------------------|-----------------------------|
| Loans from Cassa Depositi e Prestiti repayable between 2008 and 2016 at a fixed interest rate periodically renegotiated. | 4.957 | 6.648 |
| Loans from Cassa Depositi e Prestiti repayable within 2009 at a fixed interest rate of 6% (ASMDG S.r.l.) | 96 | 143 |
| Loans from Banca Regionale Europea repayable within 2011 at a euribor interest rate of 3/6 months plus 2 percentage points (Le Cime Servizi) | 52 | 164 |
| Total Medium/Long-term loan | 5.105 | 6.955 |
| Less: current portion of medium/ long-term loans | (1.135) | (1.790) |
| Total Medium/Long-term loan | 3.969 | 5.165 |

Medium/Long-term maturity loans for the year are analysed in the following table:

Long-term Bank Loans received by Ascopiave S.p.A.

| (in thousands of Euro) | 31/12/2008 |
|------------------------------------|-------------------|
| Financial year 2009 | 1.058 |
| Financial year 2010 | 851 |
| Financial year 2011 | 663 |
| Financial year 2012 | 571 |
| Beyond financial year 2012 | 1.815 |
| Total Medium/Long-term debt | 4.957 |

The following table shows the loan liabilities of the company Le Cime Servizi S.r.l.:

| (in thousands of Euro) | 31/12/2008 |
|------------------------------------|-------------------|
| Financial year 2009 | 23 |
| Financial year 2010 | 54 |
| Financial year 2011 | 9 |
| Total Medium/Long-term debt | 86 |

The following table shows the mortgage relations with Cassa depositi e Prestiti and the company ASM D.G. S.r.l.

| (in thousands of Euro) | 31/12/2008 |
|------------------------------------|-------------------|
| Financial year 2009 | 9 |
| Financial year 2010 | 10 |
| Financial year 2011 | 11 |
| Financial year 2012 | 11 |
| Beyond financial year 2012 | 56 |
| Total Medium/Long-term debt | 97 |

Medium/Long-term loans refer to:

- residual liabilities to the Cassa Depositi e Prestiti S.p.a. equalling Euro 4.957 thousands, of which Euro 3.899 thousands non-current share, against investments in extension works to the gas distribution networks. This overall payable is made up of various payables positions towards the above mentioned institution, with due dates falling between 2006 and 2016 and with fixed rates between 6% and 7.5%;
- funding from the European Regional Bank equalling Euro 52 thousands, of which Euro 52 thousands is a current share, to the charge of the subsidiary Le Cime Servizi S.r.l, due in 2011 with Euribor 3/6 month rate increased by 2 percentage points.
- the mortgages agreed by ASM DG S.r.l. with Cassa Depositi e Prestiti S.p.A. for the construction of the methane gas distribution network of Rovigo.

The reductions in funding result in the regular payment of instalments due in the financial year.

18. Other non-current liabilities

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

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value of company acquisitions | 31 December 2007 |
|--|---------------------------------|--|--|---------------------------------|
| Long-term deferred income | 735 | 0 | 735 | 739 |
| Caution money | 8.008 | 1.612 | 6.396 | 5.845 |
| Other payables | 0 | 0 | 0 | 86 |
| Total other non current liabilities | 8.744 | 1.612 | 7.132 | 6.670 |

'Other non-current liabilities' include primarily caution money paid by users according to their gas supply contracts.

19. Non-current financial liabilities

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

| (in thousands of Euro) | 31 December 2008 | 31 December 2007 |
|--|-------------------------|-------------------------|
| Leasing financing | 794 | 839 |
| Acegas-APS S.p.A. financial liabilities | 0 | 3350 |
| Total non current financial liabilities | 794 | 4.189 |

Non-current financial liabilities equal to Euro 749 thousands are represented by liabilities contracted by the company Le Cime Servizi S.r.l. in relation to the subscription of a financial leasing contract with the company Locafit S.p.A., for the co-generation plant located in Mirano (Veneto).

The following table shows the due dates per period of financing:

| (in thousands of Euro) | 31/12/2008 |
|------------------------------------|-------------------|
| Financial year 2009 | 47 |
| Financial year 2010 | 50 |
| Financial year 2011 | 52 |
| Financial year 2012 | 55 |
| Beyond financial year 2012 | 670 |
| Total Medium/Long-term debt | 874 |

Moreover, the following table shows the information demanded by the IAS 17 in relation to financial leasing agreement:

| (thousands of Euro) | 31/12/2008 |
|--|-------------------|
| Value of future rental | 1201 |
| Interest share | 327 |
| Total annual value for leasing rental | 874 |
| Non current assets for financial locations | 794 |
| Current assets for financial locations | 81 |
| Total financial liabilities for financial locations | 874 |
| Other information | |
| Total financial costs settled during 2007 | 54 |
| Totale higher costs for taxes indexation | 9 |

The financing agreement provides the index-linking rate on the basis of the Euribor quarterly trend.

The following table shows the due dates per period of financing:

| (thousands of Euro) | 31/12/2008 | 31/12/2008 |
|---|--|---|
| | Lowest payments for leasing rentals | Current value of lowest payments |
| Within the next financial year | 81 | 47 |
| Since the 2nd to the 5th financial year | 360 | 214 |
| In the future | 760 | 613 |
| Total | 1.201 | 874 |

20. Deferred tax liabilities

| (thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value of company acquisitions | 31 December 2007 |
|----------------------------|-------------------------|--|--|-------------------------|
| Deferred tax liabilities | 25.544 | 7.325 | 18.218 | 19.607 |
| Total deferred tax | 25.544 | 7.325 | 18.218 | 19.607 |

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

| (in thousands of Euro) Descrizione | 31 December 2008 | | | 31 December 2007 | | |
|--|-----------------------|----------|---------------|-----------------------|----------|---------------|
| | Temporary differences | Tax rate | Total Effect | Temporary differences | Tax rate | Total Effect |
| Amortization surpluses | 56.345 | 31,40% | 17.692 | 41478 | 31,40% | 13.024 |
| Severance indemnities | 217 | 27,50% | 60 | 377 | 27,50% | 104 |
| Goodwill deductibility for tax purposes | 11.867 | 31,40% | 3.726 | 7765 | 31,40% | 2.438 |
| Goodwill deductibility for tax purposes gas purchase | 721 | 36,90% | 266 | 0 | 31,40% | 0 |
| Tax fund on client list | 10.452 | 31,40% | 3.282 | 12793 | 31,40% | 4.017 |
| Other | 71 | 31,40% | 22 | 78 | 31,40% | 24 |
| Other gas purchase | 400 | 33,00% | 132 | 0 | 0,00% | 0 |
| Amortization surpluses IRAP | 1.321 | 27,50% | 363 | 0 | 0,00% | 0 |
| Deferred tax liabilities | | | 25.544 | | | 19.607 |

The heading 'deferred tax liabilities' contains primarily the deferred tax liabilities allocated to temporary differences in the tax base between tax laws and balance sheet values, relative to the amortisation surpluses of tangible fixed assets and of the goodwill for tax purposes. The calculation of deferred taxation made reference to the IRES (company earnings tax) rate and, where applicable, to the IRAP (regional business tax) rate applicable at the time when the temporary differences are expected to be reversed. Specifically, the rate of 27,5% was used for IRES and 3,9% for IRAP, and for some selling companies the additional tax, in consideration of law no. 112 of 25 June 2008 has been recorded as equal to 5,5%.

The change is mainly explained by the effect of deductibility of customer list amortizations registered on the occasion of the contribution of the selling branch of Bimetano servizi S.r.l in Ascotrade S.p.A. for an amount of Euro 1.004 thousands.

Current liabilities

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

Amounts due to banks and current portion of medium/long-term loans as of 31 December 2008 and 31 December 2007, are analysed in the following table:

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value of company acquisitions | 31 December 2007 |
|---|------------------|---------------------------------|-----------------------------------|------------------|
| Amounts due to banks | 59.568 | 125 | 59.444 | 113.363 |
| Current portion of medium/long-term loans | 1.135 | | | 1.790 |
| Total amounts due to banks and current portion of medium/long-term loans | 60.704 | 125 | 59.444 | 115.153 |

The short term bank payables is made up by payable accounting balances to credit institutions and short term loan portions.

The following schedule shows the allocation of Ascopiave S.p.A. credit lines used and available and relative rates applied as of 31 December 2008:

| Lender | Type of line of credit | Max credit | Inter. rate as of 31.12.2008 | Utilization as of 31.12.2008 |
|--|---------------------------------|----------------|------------------------------|------------------------------|
| Banca Antonveneta | Bank credit | 5.000 | 4,13% | |
| Banca di Credito Cooperativo delle Prealpi | Bank credit | 5.000 | 5,89% | |
| Banca Popolare di Verona | Bank credit | 9.950 | | |
| Banca di Trento e Bolzano | Bank credit | 10.000 | | |
| Banca di Trento e Bolzano | Bank credit | 3.000 | | |
| Banca Popolare di Vicenza | Bank credit | 35.000 | 4,98% | 21.641 |
| Banca Popolare Friuladra | Bank credit | 17.000 | 3,63% | 5.122 |
| Unicredit Cooperate Banking | Financing 18/12/2008-23/01/2009 | 46.680 | 3,48% | 25.000 |
| Total | | 131.630 | | 51.763 |

22. Accounts Payable

The value of accounts payable as of 31 December 2008 and 31 December 2007 is analysed below:

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value of company acquisitions | 31 December 2007 |
|--|------------------|---------------------------------|-----------------------------------|------------------|
| Due to suppliers of goods and services | 94.791 | 4.164 | 90.627 | 65.196 |
| Commercial due for invoices to be | 125.131 | 4.593 | 120.539 | 102.668 |
| Total trade payables | 219.922 | 8.757 | 211.166 | 167.864 |

Accounts payable due to national creditors, at year end amount to Euro 211.166 thousands, as compared with the Euro 167.864 thousands of the previous year, showing an increase of Euro 43.302 thousands.

The change is mainly explained by the increase of natural gas commercial trading activities, that caused to an increase in natural gas sold volumes determining the increase of the falling due stock.

23. Payables to tax authorities

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

| (in thousands of Euro) | 31 December 2008 | 31 december 2007 value from company acquisitions | Net value of company acquisitions | 31 December 2007 |
|--|------------------|--|-----------------------------------|------------------|
| IRES payables | 493 | 7 | 486 | 225 |
| IRAP payables | 222 | 24 | 198 | 214 |
| Total payables to tax authorities | 715 | 31 | 684 | 439 |

Tax payables include the tax debt for IRAP and IRES debt of competence of the year relative to those companies that didn't joined the fiscal consolidation in charge to Asco Holding S.p.A..

24. Other current liabilities

The value of other current liabilities as of 31 December 2008 and 31 December 2007 is analysed below:

| (in thousands of Euro) | 31 December 2008 | Value from company acquisition s | Net value of company acquisitions | 31 December 2007 |
|---|---------------------------------|---|--|---------------------------------|
| Customer advances | 3.721 | 0 | 3.721 | 6.880 |
| Payables due to revenue for gas and EE taxes | 24.998 | 729 | 24.269 | 275 |
| Amounts due to parent company for tax consolidation system | 1.033 | 0 | 1.033 | 2.911 |
| Due to social security institutions | 1.044 | 81 | 963 | 794 |
| Due to employees | 2.361 | 7 | 2.354 | 2.127 |
| Annual deferred income | 2.269 | 112 | 2.158 | 212 |
| Payables amount payable to ASM Rovigo S.p.A. of company acquisition | 0 | 0 | 0 | 8.887 |
| Payables for Edigas acquisitions full payment | 700 | 0 | 700 | 1.325 |
| Other tax payables for withholding tax and other | 612 | 112 | 501 | 646 |
| Annual payable accruals | 1.666 | 43 | 1.623 | 1.694 |
| Other payables | 600 | 2 | 599 | 129 |
| Total other current liabilities | 39.004 | 1.084 | 37.920 | 25.880 |

Customer advances

Clients payments on account represent the amounts paid by the clients as contribution to works of allotments and connection, current as of the balance sheet date.

Payables to UTF and Regional/Provincial additional tax

Payables due to UTF (Technical Office of Finance) for use taxes and due to regions/provinces for regional/province additional on gas usage increase during 2008 for an amount equal to Euro 23.994 thousands

Payables due to Technical Office of Finance for excises and due to regions/provinces for additional amounts on natural gas usage matures because of advanced payments sensitively lower than effective billing.

The debt matured during 2008 will be paid to competent bodies not later than April 2009.

The total amount of excises and additional amounts in 2008 has been higher than that of 2007, in consideration of favourable weather trend and of the recovered delay in billing cycles that characterised 2007.

Amounts due to parent company for tax consolidation system

The item includes payables matured to the parent company Asco Holding S.p.A. for the contract of the national consolidation tax law signed by the Ascopiave S.p.A. and Ascotrade S.p.A. with Asco Holding S.p.A.. The balance corresponds to the IRES debt matured for taxes relating to the year 2008 for Euro 1.033 thousands by Ascotrade S.p.A..

Amounts due to social security bodies

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

Amounts due to employees

The amounts due to employees include amounts for untaken vacation, deferred remuneration and bonuses earned relate to the vacation accumulated by 31 December 2008 but not yet taken at the reference date. The increase, equal to Euro 227 thousands in the year of reference, is mainly explained by increases in salaries and by the increase in staffing by a total of 3 employees.

Payables to Edigas Due S.r.l and Edigas Distribuzione Gas S.r.l.

The first registration of the debt due to former shareholders Edigas Due S.r.l and Edigas Distribuzione Gas S.r.l., equal to Euro 700 Thousands, is the result of agreements for the acquisition of the companies themselves, which find correspondence in the first registration of a credit of the same amount between Current activities.

Accrued expenses and deferred income

Accrued liabilities are mainly referred to fees matured on state owned property concessions.

Other payables

Other payables include primarily payables to social security institutions for contributions on staff accruals, as estimated on 31.12.07 and payables for family allowance contributions.

Benefits based on financial instruments

The group acknowledges additional benefits to the President of Ascopiave S.p.A., to the President and vice president of Ascotrade S.p.A. and to some employees holding important positions within the Group, through payment plans based on financial instruments.

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-fixed objectives, whose financial regulation is based on the trend of the share title (so-called phantom stock option).

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

| | 2008 | 2007 |
|---|------|------|
| Costs deriving from transactions with payments based on shares paid with cash | 67 | 106 |
| Total costs | 67 | 106 |

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

The adoption of the Plan is aimed at providing incentive to loyalty of Group directors and employees holding more important positions, and who are therefore more directly responsible for company results.

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

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

The Options are allocated in two tranches, respectively the 'Options of the First Tranche' for a maximum number of 2,333,340 Options, and the 'Options of the Second Tranche' for a maximum number of 2,333,340 Options. The Options of the First Tranche serve mainly as incentives, in that the exercise of these options by the Beneficiary is subject to the reaching of certain results in terms of EBITDA 2007 and 2008 targets of Ascopiave and Ascotrade (respectively for the Ascopiave Beneficiaries and Ascotrade Beneficiaries). With regards to the Options of the First Tranche, the performance objectives have been pre-set separately for Ascopiave and Ascotrade. As such, the Ascopiave Beneficiaries may exercise their options following the reaching by Ascopiave of the performance objectives assigned it, and Ascotrade Beneficiaries may exercise their options following the reaching by Ascotrade of the performance objectives assigned it. These options will become Exercisable Options as from 30 June 2009. The Options of the Second Tranche have, instead, a loyalty function, as their exercise is marked by the simple completion of terms specified in the Regulations and maintenance of the Working Relationship or Administrative Relationship. The Options of the Second Tranche allocated to each Beneficiary will mature, by effect of the expiry of the terms and maintenance of the Working or Administrative Relationship, thereby becoming Exercisable Options:

- 10% of the Options of the Second Tranche, as of 30 June 2009;
- 15% of the Options of the Second Tranche, as of 30 June 2010;
- 20% of the Options of the Second Tranche, as of 30 June 2011;
- 25% of the Options of the Second Tranche, as of 30 June 2012;
- 30% of the Options of the Second Tranche, as of 30 June 2013.

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

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

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

First Tranche Options

| | 2008 | 2008 |
|--|----------------|--------------|
| | (n.) | (PMPE) |
| In circulation as of January, the 1st | 2.180.000 | 1,909 |
| Assigned during the year | = | = |
| Cancelled (1) | | |
| No more available (2) | | |
| Exercised during the year | 1.660.000 | 1,908 |
| Overdue during the year | = | = |
| In circulation as of 31 December 2008 | 520.000 | 1.911 |
| No more allotable as of 31 December 2008-First Tranche Options (3) | 18.340 | |

Second Tranche Options

| | 2008 | 2008 |
|---|------------------|--------------|
| | (n.) | (PMPE) |
| In circulation as of January, the 1st | | = |
| Assigned during the year | 2.333.000 | 1,315 |
| Cancelled | = | = |
| Exercised during the year | = | = |
| Overdue during the year | = | = |
| In circulation as of 31 December 2008 | 2.333.000 | 1,315 |
| no more allotable as of 31 December 2008-Second Tranche Options (4) | 340 | |

- (1) These options have been extinguished, in that they can no longer be exercised following termination of the working relationship and/or other reasons (e.g. renunciation by the relevant party).
- (2) These are options no more allotable, because EBTDA 2007 objectives were not achieved by Ascopiave S.p.A..
- (3) These are options of the First Tranche not allocated as of 31 December 2007, and therefore can no longer be allocated, in accordance with the Regulations.
- (4) These are options of the Second Tranche not allocated as of 31 December 2008, and therefore can no longer be allocated, in accordance with the Regulations.

As of 31 December 2008 the so-called *First Tranche Options* assigned to Ascopiave S.p.A. Beneficiaries result not allotable because EBTDA 2007 objectives were not achieved.

During 2008 the Boards of Directors, following the suggestion of the Committee for remuneration, proceeded with the assignment of total 2.333.000 Second Tranche Options to Chairmen of the Boards of Directors of Ascopiave S.p.A. and Ascotrade S.p.A., and also to Ascopiave and Ascotrade executives.

25. Current financial liabilities

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

| (in thousands of Euro) | 31 December 2008 | 31 December 2007 |
|---|---------------------|---------------------|
| Financial liabilities on derivative contracts | 0 | 2.995 |
| Current leasing financing | 81 | 82 |
| Other liabilities due to Acegas-APS S.p.A. | 7.266 | 2.858 |
| Other liabilities | 0 | 0 |
| Total current financial liabilities | 7.348 | 5.935 |

Current financial liabilities at year end amount to Euro 7.348 thousands, with an increase equal to Euro 1.953 thousands as compared with the previous year, due to the reclassification as current of Estenergy S.p.A. financial debt due to the parent company Acegas-APS S.p.A..

COMMENTS ON THE MAIN CONSOLIDATED INCOME STATEMENT ITEMS

Revenues*26. Revenues*

The following table shows the breakdown of revenues by activity sector during the years:

| (In thousands of Euro) | 31 December 2008 | Value from company acquisitio n | Net value of company acquisition | 31 December 2007 |
|-------------------------------------|---------------------|--|--|------------------------|
| Revenues from gas sales | 705.070 | 114.337 | 590.733 | 397.226 |
| Revenues from conveyance services | 4.894 | 1.610 | 3.283 | 6.495 |
| Revenues from connection services | 7.498 | 443 | 7.054 | 8.055 |
| Revenues from electric energy sales | 40.365 | 26.951 | 13.414 | 13.683 |
| Revenues from heat supply service | 4.613 | 0 | 4.613 | 4.052 |
| Revenues from delivery services | 2.321 | 429 | 1.891 | 1.251 |
| Revenues from billing and taxes | 437 | 0 | 437 | 221 |
| Revenues from gas sales abroad | 50.363 | 0 | 50.363 | 12.788 |
| Other revenues | 9.113 | 1.560 | 7.553 | 8.100 |
| Total Revenues | 824.672 | 145.330 | 679.341 | 451.871 |

Over the course of 2008, the Ascopiave Group revenues equal Euro 824.672, an increase with respect to the corresponding period in 2007 of Euro 227.470 thousands, or 50,3%.

The increase of revenues in the period of reference is mainly due to the change in gas revenues for Euro 193.507 thousands, equal to 48,7% of the increase of revenues, by the increase in revenues from the selling of foreign gas equal to Euro 37.575 thousands, equal to 293%, by the increase of gas distribution services for Euro 640 thousand, partly counterbalanced by smaller revenues in gas transport equal to Euro 3.212 thousands and by smaller revenues for connection at distribution network equal to Euro 1.001 thousands.

Revenues from the sale of gas in 2008 go from Euro 397.226 thousands in 2007 to Euro 590.733 thousands, up by Euro 193.507 thousands. The change is due to the new commercial trading operations on natural gas equal to Euro 179.450 thousands, and to the significant increase in final users for the favourable weather conditions during the last six months of 2008.

Revenues from gas transport and transfer capacity in 2008 go from Euro 6.495 thousands of 2007 to Euro 3.283 thousands. We would like to point out that the decrease in revenues concerning the transfer of transport capacity is due to the non-repetitive nature of the operation considering that revenues for gas transport of Ascopiave S.p.A. increased from Euro 40.057 thousands in 2007 to Euro 43.164 thousands in 2008 with an increase of Euro 3.097 thousands.

Revenues from electrical energy increase, going from Euro 13.683 thousands of 2007 to Euro 13.414 thousands of

2008, with a very small change equal to Euro 269 thousands that keep data in parallel with past year.

Revenues for heat supply services go from Euro 4.052 thousands for 2007 to Euro 4.613 thousands for 2008. The increase is partly due to higher revenues made by the company Global Energy S.r.l..

Revenues for connection services go from Euro 8.055 thousands for 2007 to Euro 7.054 thousands for 2008. The decrease is due to the decrease in the number of new customers requiring connection to the distribution network, which go from 10.500 to 8.200.

Other revenues go from Euro 8.100 thousands for 2007 to Euro 7.533 thousands for 2008. The decrease is mainly due to the smaller request of services on payment by users on distribution system and by lower extraordinary income.

Costs

27. Cost of gas purchase

| (In thousands of Euro) | Value from company acquisitions | | Net value of company acquisitions | |
|-----------------------------------|---------------------------------|---------------|-----------------------------------|----------------|
| | 31 December 2008 | | 31 December 2007 | |
| Cost of gas purchase | 668.191 | 91.962 | 576.229 | 351.254 |
| Total cost of gas purchase | 668.191 | 91.962 | 576.229 | 351.254 |

The purchase price of gas has gone from Euro 351.254 thousands of 2007 to Euro 576.229 thousands for 2008, with an increase of Euro 224.975 thousands or 64%. The increase in the cost of natural gas is mainly due to the commercial trading operations on natural gas for Euro 179.266 thousands, to the remarkable increase in users, to the increased cost of raw materials during the first nine months of the year in accordance with the trend of oil prices and to favourable weather conditions of 2008 compared to 2007.

We would point out that the increased cost of raw materials is mainly due to the increase of the basket of prices of hydrocarbons to which the cost of natural gas is indexed.

Cubic metres of gas purchased go from 1.248 million cubic metres of 2007 to 1.665 million cubic metres of 2008, with an increase of 417 million cubic metres or 33,3%.

28. Cost of other raw materials

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

| (in thousands of Euro) | Financial year 2008 | Value from company acquisitions | | Net value from company acquisitions | |
|------------------------------------|---------------------|---------------------------------|---------------|-------------------------------------|---------------------|
| | | | | | Financial year 2007 |
| Purchase of electric energy | 31.764 | 17.825 | 13.939 | 13.702 | |
| Materials for ordinary maintenance | 3.917 | 219 | 3.698 | 3.096 | |
| Total cost of raw materials | 35.681 | 18.044 | 17.636 | 16.798 | |

Costs for purchase of electrical energy amount to Euro 13.939 thousands with an increase of Euro 3.321 thousands caused by an increase in the kW that go from 101 to 105.

Costs for materials and contracts amount to Euro 3.698 thousands in 2008, with an increase of 602 thousands as compared with the previous year. They mainly contain costs for fuel used by gas distribution boxes and by heat supply service besides tangible costs used for the upkeep in the distribution network.

29. Costs for services

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

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value from company acquisitions | 31 December 2007 |
|---|------------------|---------------------------------------|---|------------------|
| Costs of conveyance on secondary networks | 26.378 | 20.344 | 6.034 | 5.461 |
| Costs for meters reading | 1.077 | 22 | 1.055 | 934 |
| Costs for mailing bills | 389 | 48 | 340 | 734 |
| Postage and telegraphic costs | 1.195 | 109 | 1.086 | 1.175 |
| Maintenance and repairing | 2.327 | 506 | 1.822 | 1.598 |
| Consulting services | 2.569 | 553 | 2.016 | 2.260 |
| Commercial services and advertisements | 653 | 116 | 537 | 284 |
| Sundry consumers | 2.078 | 84 | 1.995 | 1.336 |
| Directors' and Statutory Auditors' fees | 1.008 | 179 | 829 | 962 |
| Insurance | 481 | 145 | 336 | 226 |
| Personnel costs | 522 | 33 | 490 | 572 |
| Other managing expenses | 1.976 | 891 | 1.084 | 5.574 |
| Costs for use of third party assets | 2.725 | 374 | 2.351 | 1.867 |
| Total services costs | 43.377 | 23.401 | 19.975 | 22.984 |

Costs for services in 2008 amount to Euro 19.975 thousands, compared to Euro 22.984 thousands in 2007, with a decrease equal to Euro 3.009 thousands. The change is mainly due to the diminution of "Expenses for capacities transfer" equal to Euro 4.451 thousands, concerning costs supported during 2007 for the participation in the "Gas Release" Assignment Procedure during the period October 2007-September 2009 in Ascotrade S.p.A., partially counterbalanced by the increase of delivery costs equal to Euro 573 thousands, by the increase of costs for various uses equal to Euro 659 thousands and by the increase of costs for goods benefit of others equal to Euro 484 thousands.

The main cost for services are represented by cost for maintenance and repairs, consulting services which include technical, administrative and legal services, cost for mailing bills to customers and cost for leased assets which included mainly fees for renting warehouses and offices and crossing fees for works of connections and network laying.

Costs for business services and advertisement include charges for activities of market surveys and advertisement campaigns.

Labour costs include costs for automobiles assigned to employees, cost for cafeteria service and costs for personnel training and development.

Costs for use of third party assets are up by Euro 484 thousands or 25,9%, going from Euro 1.867 thousands in 2007 to Euro 2.351 thousands in 2008. The change is mainly due to concession charges paid to local authorities. The increase of concession charges is due to the subscription with concessionaires local authorities of agreements that aim at increasing

the duration of concessions.

Other managing expenses include various day-to-day operating expenses (costs for business trips, cleaning, security, etc.).

30. Personnel costs

The cost of services is analysed in the following table:

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value from company acquisitions | 31 December 2007 |
|--|-------------------------|--|--|-------------------------|
| Wages and salaries | 12.270 | 2.280 | 9.990 | 9.172 |
| Social security contributions | 4.028 | 844 | 3.184 | 3.638 |
| Severance indemnities | 878 | 184 | 693 | 753 |
| Other costs | 234 | 97 | 137 | 117 |
| Payroll and related costs: | 17.409 | 3.405 | 14.005 | 13.681 |
| Capitalised payroll and related costs: | (1.915) | (234) | (1.681) | (1.590) |
| Net payroll and related costs | 15.494 | 3.171 | 12.323 | 12.091 |

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

Personnel costs are up by Euro 232 thousands or 1,9%, going from Euro 12,091 thousands to Euro 12.323 thousands. The increase is mainly due to the increase accorded with the renewal of labour contract and by the growth of personnel equal to 3 units in Ascotrade S.p.A. compared to 2007.

Capitalised personnel costs refer to the share of costs directly charged to the realisation of new extensions of network by the mother company.

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

| Type | 31 December 2008 | 31 December 2007 | Variation |
|------------------------------------|-------------------------|-------------------------|------------------|
| Executives | 15 | 10 | 5 |
| Office workers | 226 | 203 | 23 |
| Workers | 108 | 95 | 13 |
| Average number of employees | 349 | 308 | 41 |

We would point out that some Group employees own phantom stock option plans, as explained in the paragraph 24 of these explanatory notes.

31. Other operating costs

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

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value from company acquisitions | 31 December 2007 |
|------------------------------------|-------------------------|--|--|-------------------------|
| Provision for risks on credits | 3.880 | 1.225 | 2.655 | 831 |
| Other provisions | 68 | 68 | 0 | 0 |
| Membership fees and AEEG | 2.169 | 206 | 1.962 | 1.626 |
| Capital losses | 1.509 | 4 | 1.505 | 787 |
| Extraordinary losses | 793 | 109 | 684 | 0 |
| Other taxes | 1.326 | 48 | 1.278 | 1.288 |
| Costs of contracts | 1.585 | 137 | 1.447 | 1.001 |
| Energetic efficiency shares | 1.068 | 0 | 1.068 | 446 |
| Other costs | 1.355 | 168 | 1.188 | 1.405 |
| Total other operating costs | 13.753 | 1.965 | 11.788 | 7.384 |

Other costs amount to Euro 11.788 thousands, up by Euro 4.404 thousands compared to the previous financial year.

The increase is mainly due to the capital loss equal to Euro 1.324 thousands concerning the decrease of Ascotrade S.p.A. goodwill, better explained in the paragraph “Company aggregations”, and to the allocation for the receivables risks coverage equal to Euro 1.824 thousands, to higher taxes to due to AEEG for an amount of Euro 336 thousands, to higher costs for the purchase of energy efficiency shares equal to Euro 622 thousands and to extraordinary expenses equal to Euro 684 thousands mainly concerning inventory differences in Ascopiave S.p.A. equal to Euro 341 thousands and in ASM DG S.r.l. equal to Euro 45 thousands.

Other costs mainly include fuel, miscellaneous materials, consumables and stationery.

32. Other operating costs

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

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value from compant acquisitions | 31 December 2007 |
|-------------------------------------|-------------------------|--|--|-------------------------|
| Out-of-period income | 219 | 216 | 3 | 0 |
| Other income | 61 | 0 | 61 | 4.315 |
| Total other operating income | 280 | 216 | 64 | 4.315 |

The decrease in the “Other operating costs” equal to Euro 4.251 thousands is explained with the use during 2007 of the risks fund for the coverage of costs concerning the contentious procedure generated by AEEG resolution 248/2004 equal to Euro 4.300 thousands by Ascotrade S.p.A..

33. Amortization and depreciation

Depreciation and amortisation for the related period are analysed in the following table:

| (in thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value from company acquisitions | 31 December 2007 |
|--|-------------------------|--|--|-------------------------|
| Intangible fixed assets | 1.629 | 1.080 | 549 | 533 |
| Property, plant and equipment. | 12.441 | 914 | 11.528 | 11.283 |
| Total depreciation and amortization | 14.071 | 1.994 | 12.076 | 11.816 |

Amortisation of intangible assets mainly refer to the amortisation of the sales branch customer list relating to the merger with Bimetano Servizi Srl. Equal to Euro 356 thousands.

Amortisation of tangible fixed assets comprise primarily amortizations on methane gas distribution plants.

We would like to underline that between the intangible assets of this year there are the amortizations of Estenergy S.p.A. customer list sale branch equal to Euro 817 thousands, of AMS SET S.r.l. sale branch equal to Euro 96 thousands, of Edigas Due S.r.l. sale branch equal to Euro 125 thousands (2008 second semester quote).

Financial income and expenses

34. Financial income and expense

Net financial expense for the related period is analysed in the following table:

| | 31 December 2008 | Value from company acquisitions | Net value from company acquisitions | 31 December 2007 |
|--|---------------------|------------------------------------|--|---------------------|
| (in thousands of Euro) | | | | |
| Interest income on bank and post office accounts | 337 | 166 | 171 | 2.035 |
| Swap financial income | 0 | 0 | 0 | 1.482 |
| Other financial income | 450 | 356 | 93 | 184 |
| Financial income | 787 | 522 | 265 | 3.701 |
| Interest expense on banks | 4.490 | 491 | 3.999 | 180 |
| Interest expense on mortgage loans | 485 | 8 | 477 | 627 |
| Swap financial expense | 0 | 0 | 0 | 1.713 |
| Other financial expense | 494 | 62 | 432 | 243 |
| Financial charges | 5.468 | 560 | 4.908 | 2.763 |
| Total net financial expenses | 4.682 | 38 | 4.643 | (938) |

The change in the financial position, due to remarkable investments made for the acquisition of participations in companies related to natural gas market and the increase of interest rates applied to payable by banks, implied a relevant increase of financial costs during 2008. The differential between financial costs and revenues goes from a positive amount equal to Euro 938 thousands in 2007 to a negative amount equal to Euro 4.643 thousands in 2008.

Taxes

35. Income taxes

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

| (In thousands of Euro) | 31 December 2008 | Value from company acquisitions | Net value from company acquisitions | 31 December 2007 |
|--|------------------|------------------------------------|--|------------------|
| IRES current taxation: | 10.064 | 1.389 | 8.675 | 9.942 |
| Current taxes – IRAP (regional business tax) | 2.295 | 306 | 1.989 | 1.832 |
| (Advance) / deferred taxes | (1.771) | (1.032) | (738) | 899 |
| Total Income Taxes | 10.588 | 663 | 9.926 | 12.673 |

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

| (In thousands of Euro) | 31 December 2008 | 31 December 2007 |
|--|-------------------------|-------------------------|
| Income before taxes | 29.378 | 34.798 |
| Income taxes | 10.588 | 12.673 |
| Percentage of income before taxes | 36,0% | 36,4% |

The effective tax rate went from 36,45% in the 2007 financial year to 36,0% in the 2008 financial year.

The decrease of the effective tax rate of the year is mainly due to the lower result of Ascotrade S.p.A., that from 2007 is subject to the additional on IRES equal to 5,5%, called “Robin Hood Tax”, partly counterbalanced by the effect of negative results by Group Global Energy. This company is not part of the consolidated financial statement and so it does not allow the inscription of lower recorded taxes.

The reconciliation of the theoretical tax charges and the actual charges is offered to a certain extent by IRES, whose structure bears the typical characteristics of a corporation tax, considering the tax rate applicable to the Company. For the regional business tax, no reconciliation between the theoretical tax charges and the actual charges was arranged, in light of the different basis used to calculate the tax.

| Data stated in thousands of Euro | 31 December 2008 | | 31 December 2007 | |
|---|-------------------------|--------------|-------------------------|--------------|
| Ordinary tax rate applicable | 33% | | 33% | |
| PRE-TAX RESULTS | 29.378 | | 34.798 | |
| Theoretical tax charges | 9.695 | 33,0% | 11.483 | 33,0% |
| Non-deductible costs | (1.401) | -4,8% | (642) | -1,8% |
| Effective tax charges IRES | 8.294 | 28,2% | 10.841 | 31,2% |
| IRAP (current and deferred) | 2.295 | 7,8% | 1.832 | 5,3% |
| Total effective tax charges | 10.588 | 36,0% | 12.673 | 36,4% |
| Effective rate | 36,0% | | 36,4% | |

Non-recurring components

In accordance with CONSOB communication 15519/2005, we would report the non-recurring economic components reported in the consolidated financial statements as of 31 December 2008.

In terms of the item 'Other operating costs' we remark some extraordinary costs concerning the reduction of the goodwill recorded in the occasion of the contribution of gas sale branch of Bimetano Servizi S.r.l. in Ascotrade S.p.A. in virtue of the partial deductible character of the “customer list”, admitted by the Agenzia delle Entrate, that allowed the reduction of the tax fund previously established. Revenues for deferred taxes amount to the same amount (see the paragraph “Taxes”).

Transactions deriving from unusual and/or atypical operations

In accordance with CONSOB communication N. DEM/6064296 of 28 July 2006, we would report that during 2008 any unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2008

Company aggregations

Definitive accountancy of company aggregation of ASM DG S.r.l.

On 14 December 2007, Ascopiave S.p.A. acquired 100% of the shares of ASM DG S.r.l. with headquarters in Rovigo, and which operates in the distribution of natural gas in the area of Rovigo at the agreed price of Euro 15.025 thousands, whilst the total cost of the merger, inclusive of all accessory charges equals Euro 15.138 thousands.

Payment of the ASM DG S.r.l. shares has been agreed by means of transfer of shares in Ascopiave S.p.A., which the parent company had obtained in compliance with the purchase plan of own shares approved by the shareholders' assembly on the date 25 June 2007.

The first instalment of the price was paid on 14 December 2007 by means of transfer of 4.300 thousands shares, for a total value of Euro 7.782 thousands, whilst the remaining instalments have been paid as follow:

- 31 March 2008: through an endorsement of 2.700 thousands shares equal to Euro 4.482 thousands;
- 6 May 2008: through an endorsement of 400 thousands shares equal to Euro 620 thousands;
- 12 June 2008: through an endorsement of 500 thousands shares equal to Euro 781 thousands;
- 20 October 2008: through an endorsement of 913 thousands shares equal to Euro 1.359 thousands.

The company aggregation in 2008 has been definitively accounted following accounting principle IFRS 3.62. In compliance with contract clauses, that regulated the participation purchase, Ascopiave S.p.A. received the refund by ASM S.p.A. equal to Euro 173 thousands, thus lowering the purchase cost to Euro 14.965 thousands.

As a consequence of price regulation, the value of goodwill recorded at the of previous financial period for Euro 4.137 thousands has been reduced to Euro 3.963 .

Acquisition of residual 49% holdings in Global Energy S.r.l.

On 16 September 2008 the Group acquired an additional quote, equal to residual 49% of voting rights of Global Energy S.r.l., bringing its participation to 100%. Upon the acquisition, a cash money amount equal to Euro 737 thousands has been paid.

The accounting value of net activities of Global Energy S.r.l. on that date was equal to Euro 644 thousands, and the accounting value of additional quote acquired was equal to Euro 338 thousands. The difference between the price paid and the accounting value of the quotes acquired net of the result of the period, equal to Euro 445 thousands, which indicates a loss of Euro 46 thousands, has been considered as goodwill.

Acquisition of residual 20% holdings in Le Cime Servizi S.r.l. by Global Energy S.r.l.

On 16 September 2008 the Group acquired through the subsidiary company Global Energy S.r.l. an additional quote, equal to residual 20% of the capital share of Le Cime Servizi S.r.l., bringing its participation to 100%. Upon the acquisition, a cash money amount equal to Euro 613 thousands has been paid, subdivided in amount paid to others equal to Euro 413 thousands (16 September 2008) and allotment equal to Euro 200 thousands.

The accounting value of net activities of Le Cime Servizi S.r.l. on that date (30 June 2008) was equal to Euro 147 thousands, and the accounting value of additional quote acquired was equal to Euro 62 thousands. The difference between the price paid and the accounting value of the quotes acquired net of the result of the period, equal to Euro 513 thousands (loss equal to Euro 162 thousands) has been considered as goodwill.

Acquisition of holdings in Edigas Due S.r.l.

On 15 July 2008, Ascopiave S.p.A. acquired 100% of the shares of Edigas Due S.r.l., with headquarters in Biella, active in the distribution of natural gas in the regions of Lombardia, Piemonte and Liguria at the agreed price of Euro 13.050 thousands, with a total cost inclusive of all costs supported for the acquisition equal to Euro 13.214 thousands.

The acquired holding has been externally evaluated by an independent expert, in order to determine the allocation of the greater value paid with respect to the book values as of 31 December 2008. The expert's evaluation marked the existence of an intangible asset with a defined useful life representative of the value of the purchase contracts with customers and relations with customers set out under these contracts, equal to Euro 2.496 thousands (hereinafter 'customer list sales branch), on which the corresponding deferred tax effect has also been reported. The directors have cautiously considered a useful life for this type of intangible asset of 10 years.

The company aggregation has been temporarily accounted as of 31 December 2008 according with the international accounting principle IFRS 3.62.. In particular the fair value temporarily assigned to activities and identifiable liabilities of Edigas Due S.r.l. as of 31 December 2008 is the following:

| Assets/liabilities acquired with the purchase of 100% holdings in Edigas Due S.r.l. | Book value | Fair value recorded on acquisition |
|--|---------------|---------------------------------------|
| Non-current assets | | |
| Goodwill | 53 | 0 |
| Other intangible assets | 1 | 2.497 |
| Tangible assets | 9 | 9 |
| Non-current financial assets | 250 | 250 |
| Total non-current assets | 314 | 2.756 |
| Current assets: | | |
| Trade receivables | 2.822 | 2.822 |
| Other current activities | 59 | 59 |
| Fiscal receivables | 70 | 70 |
| Liquid availability and cash equivalents | 7.444 | 7.444 |
| Total current assets | 10.395 | 10.395 |
| Total assets | 10.709 | 13.151 |
| Non-current liabilities | | |
| Risks and costs fund | 242 | 242 |
| Severance indemnity | 118 | 118 |
| Other non-current liabilities | 1.340 | 1.340 |
| Deferred tax liabilities | 0 | 792 |
| Total non-current liabilities | 1.700 | 2.492 |
| Current liabilities | | |
| Trade payables | 4.264 | 4.264 |
| Other current liabilities | 2.717 | 2.717 |
| Total current liabilities | 6.981 | 6.981 |
| Total liabilities | 8.681 | 9.473 |
| Total assets/liabilities gas sales branch | 2.028 | 3.679 |
| Goodwill from the acquisition | | 9.535 |
| Total cost of the acquisition | | 13.214 |
| Net liquidity of branch company | | 7.444 |
| Payments | | 13.214 |
| Net liquidity used | | 5.770 |

The residual surplus value has been reported under goodwill in relation to the acquisition of the gas sales activity of the company Edigas Due S.r.l. for an amount equal to Euro 9.535 thousands.

According to IFRS 3.70 we point out that, assuming that the acquisition date coincides with January, the 1st 2008, revenues in 2008 of Ascopiave Group consolidated income statement as of 31 December 2008; revenues would have increased for an amount equal to Euro 11.308 thousands, while the result would have increased for Euro 414 thousands.

Acquisition of 100% holdings in Edigas Esercizio Distribuzione Gas S.r.l.

On 15 July 2008, Ascopiave S.p.A. acquired 100% of the shares of Edigas Esercizio Distribuzione Gas S.r.l., with headquarters in Biella, active in the distribution of natural gas in the regions of Lombardia, Piemonte and Liguria at the

agreed price of Euro 23.078 thousands, with a total cost inclusive of all costs supported for the acquisition equal to Euro 23.318 thousands.

The fair value temporarily assigned to activities and identifiable liabilities of Edigas Due S.r.l. as of 31 December 2008 is the following:

| Assets/liabilities acquired with the purchase of 100% holdings in Edigas Esercizio Distribuzione Gas S.r.l. | Book value | Fair value recorded on acquisition |
|---|--------------|------------------------------------|
| Non-current assets | | |
| Other intangible assets | 29 | 10 |
| Tangible assets | 4.678 | 26.973 |
| Other non-current assets | 31 | 31 |
| Deferred taxes | 562 | 73 |
| Total non-current assets | 5.300 | 27.086 |
| Current assets: | | |
| Trade receivables | 3.718 | 3.718 |
| Other current assets | 87 | 87 |
| Current financial assets | 7 | 7 |
| Fiscal receivables | 1 | 1 |
| Liquid availability and cash equivalents | 857 | 857 |
| Total current assets | 4.670 | 4.670 |
| Total assets | 9.970 | 31.756 |
| Non-current liabilities | | |
| Severance indemnity | 665 | 665 |
| Other non-current liabilities | 9 | 9 |
| Deferred tax liabilities | 0 | 6.545 |
| Total non-current liabilities | 674 | 7.218 |
| Current liabilities | | |
| Banks and loans payables | 209 | 209 |
| Trade payables | 550 | 550 |
| Fiscal payables | 127 | 127 |
| Other current liabilities | 333 | 333 |
| Total current liabilities | 1.220 | 1.220 |
| Total liabilities | 1.894 | 8.438 |
| Total assets/liabilities gas sales branch | 8.076 | 23.318 |
| Goodwill from the acquisition | | 0 |
| Total cost of the acquisition | | 23.318 |
| Net liquidity of branch company | | 857 |
| Payments | | 23.318 |
| Net liquidity used | | 22.461 |

The company aggregation has been temporarily accounted in 2008 according with the international accounting principle IFRS 3.62.. In particular the company allocated a part of the biggest value admitted to the natural gas distribution network according to a technical examination, that forecasted an increase of value for some goods and a reduction for others. The technical examination allowed the increase the accounting value of natural gas distribution network as of the date of the acquisition for a fair value equal to Euro 15.261.

Because of fiscal non-deductibility of part of higher values assigned, the company recorded a liability for deferred taxes equal to Euro 6.545 thousands, while because of the fiscal deductibility of higher values recorded to distribution network the company proceeded with the diminution of activities for anticipated taxes recorded for Euro 489 thousands.

According to IFRS 3.70 we point out that assuming that the acquisition date coincide with January, the 1st 2008, revenues of 2008 consolidated income statement of Ascopiave Group would have increased for an amount equal to Euro 2.666 thousands, while the result would have increased for Euro 849 thousands.

Acquisition of 100% holdings in Metanonove S.r.l. by Etra Energia S.r.l.

On 10 December 2008, through the company subsidiary Etra Energia S.r.l. controlled at 51% by subsidiary company Global Energy S.r.l. the Group acquired 100% of holding shares of Metanonove S.r.l., with headquarters in Nove and active in the sale of natural gas in the province of Vicenza, at the price of Euro 600 thousands, with a total cost inclusive of all costs supported for the acquisition equal to Euro 616 thousands.

The acquired holding has been externally evaluated by an independent expert, in order to determine the allocation of the greater value paid with respect to the book values as of 31 December 2008. The expert's evaluation marked the existence of an intangible asset with a defined useful life representative of the value of the purchase contracts with customers and relations with customers set out under these contracts, equal to Euro 166 thousands (hereinafter 'customer list sales branch'), on which the corresponding deferred tax effect has also been reported. The directors have cautiously considered a useful life for this type of intangible asset of 10 years.

The company aggregation has been temporarily accounted as of 31 December 2008 according with the international accounting principle IFRS 3.62.. In particular the fair value temporarily assigned to activities and identifiable liabilities of Edigas Due S.r.l. as of 31 December 2008 is the following:

| Assets/liabilities acquired with the acquisition of 100% holdings in Metanonove S.r.l. by Etra Energia S.r.l. | Book value | Fair value recorded on acquisition |
|---|------------|------------------------------------|
| Non-current assets | | |
| Other intangible sets | - | 166 |
| Other non-current assets | 5 | 5 |
| Deferred tax assets | 1 | 1 |
| Total non-current assets | 6 | 172 |
| Current assets: | | |
| Trade receivables | 548 | 548 |
| Other current assets | 24 | 24 |
| Fiscal receivables | 3 | 3 |
| Liquid availability and cash equivalents | 246 | 246 |
| Total current assets | 820 | 820 |
| Total assets | 826 | 992 |
| Non-current liabilities | | |
| Deferred tax liabilities | - | 52 |
| Total non-current liabilities | - | 52 |
| Current liabilities | | |
| Trade payables | 682 | 682 |
| Other current liabilities | 137 | 137 |
| Total current liabilities | 819 | 819 |
| Total liabilities | 819 | 871 |
| | | |
| Total assets/liabilities gas sales branch | <u>7</u> | <u>121</u> |
| Goodwill from the acquisition | | <u>495</u> |
| Total cost of the acquisition | | <u>616</u> |
| Net liquidity of company branch | | 246 |
| Payments | | 616 |
| Net liquidity used | | 370 |

The residual surplus value has been reported under goodwill in relation to the acquisition of the gas sales activity of the company Metanonove S.r.l. for an amount equal to Euro 495 thousands.

According to IFRS 3.70 we point out that assuming that the acquisition date coincide with January, the 1st 2008, revenues in 2008 of Ascopiave Group consolidated income statement would have increased for an amount equal to Euro 2.547 thousands, while the result would be lower for Euro 23 thousands.

Acquisition 100% holdings in Masseria S.r.l. by AscoEnergy S.r.l.

On 22 December 2008, through the company AscoEnergy controlled company at 70% by Ascopiave S.p.A.. the Group acquired 100% of holding shares of Masseria S.r.l., with headquarters in Pieve di Soligo and active in the production of electric energy through dedicated plants, at the price of Euro 15 thousands, with a total cost inclusive of all costs supported for the acquisition equal to Euro 15 thousands.

The company aggregation has been temporarily accounted as of 31 December 2008 according with the international accounting principle IFRS 3.62.. In particular the fair value temporarily assigned to activities and identifiable liabilities of Edigas Due S.r.l. as of 31 December 2008 is the following:

| Assets/liabilities acquired with the purchase of 100% holdings of Masseria S.r.l. by Ascoenergy S.r.l. | Book value | Fair value recorded on acquisition |
|--|------------|------------------------------------|
| Non-current assets | | |
| Intangible assets | 15 | 15 |
| Total non-current assets | 15 | 15 |
| Current assets: | | |
| Other current assets | 31 | 31 |
| Liquid availability and cash equivalents | 14 | 14 |
| Total current assets | 45 | 45 |
| Total assets | 60 | 60 |
| Current liabilities | | |
| Trade payables | 5 | 5 |
| Other current liabilities | 40 | 40 |
| Total current liabilities | 45 | 45 |
| Liabilities directly associated to non-current activities destined to sale | - | - |
| Total liabilities | 45 | 45 |
| Total assets/liabilities gas sales branch | 15 | 15 |
| Goodwill from acquisition | | - |
| Total cost of the acquisition | | 15 |
| Net liquidity of company branch | | 14 |
| Payments | | 15 |
| Net liquidity used | | 1 |

No plus values result from the acquisition; besides, considering that the company has been established on 12 December 2008 by former shareholders and that its first corporate year will close on 31 December 2009, there are no significant effects to be reported on revenues and result value of the Group, as requested by IFRS 3.70.

Commitments and risks

Sureties given

The Group has provided the following potential sureties as of 31 December 2008:

| (thousands of Euro) | 31/12/2008 |
|---|-------------------|
| On surities on credit lines | 154.616 |
| On works esecutions | 9.849 |
| To UTF offices and regions for gas taxes | 14.431 |
| For partecipation to tender for methan supply | 70 |
| On contracts of trading ranting | 17 |
| On supply contracts | 43 |
| On gas purchase contracts | 55.239 |
| On gas supply contracts | 1.195 |
| On financial renting contracts | 875 |

Legal proceedings

As of 31.12.2008, three claims are pending before the Veneto TAR, presented by Ascopiave S.p.a in regards to resolutions implemented by the licensing municipalities (the municipalities of Galliera Veneta, Tezze sul Brenta, and Tombolo) in reference to the duration of concessions, and four claims against calls for tenders published by the municipalities (those of Costabissara, Santorso, Marano Vicentino and Isola Vicentina), for the choice of the new public gas distribution operator service.

On the date 5 November 2008 the Veneto TAR with 2008 order no. 860 sustained the application for suspension formulated by Ascopiave S.p.A. regarding the determination of definitive judgement to another operator for the gas distribution service in the municipal area of Isola Vicentina.

On the date of 9 December 2008 the definitive judgement to Ascopiave S.p.A. regarding the bid for the gas distribution in the municipality of Casteggio for a period of 12 years has been published on the G.U.C.E..

Management of financial risk: objectives and criteria

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

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

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

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

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

Interest rate risk

Group exposure to the risk of changes in market rates is mainly linked to the loans taken out with credit institutes, with variable interest rates.

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

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

The coverage of interest tax rate could be possible choosing the right balance between fixed interest tax rate loans and variable interest tax rate loans.

Sensitivity analysis to the interest rate risk

The following table shows the sensitivity of the Group's pre-tax result, following reasonably possible variations in interest rates, keeping all other variables constant.

| | january | february | march | april | may | june | july | august | september | october | november | december |
|---|----------|-----------|-----------|----------|-----------|----------|----------|----------|-----------|----------|----------|----------------|
| Net Financial position of financial year 2008 | (64.281) | (107.610) | (117.012) | (82.251) | (101.374) | (91.620) | (79.976) | (74.503) | (68.999) | (48.939) | (86.668) | (45.249) |
| Lending/borrowing average rate | 4,87% | 4,75% | 4,99% | 5,12% | 5,09% | 5,19% | 5,16% | 5,39% | 5,22% | 5,76% | 5,15% | 4,44% |
| Average rate increased of 1,5 | 6% | 6% | 6% | 7% | 7% | 7% | 7% | 7% | 7% | 7% | 7% | 6% |
| Average rate decreased of 1,5 | 3% | 3% | 3% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 3% |
| Net Financial position recalculated with increased of 1,5 | (64.361) | (107.745) | (117.158) | (82.354) | (101.501) | (91.734) | (80.076) | (74.596) | (69.085) | (49.000) | (86.776) | (45.306) |
| Net Financial position recalculated with decreased of 1,5 | (64.201) | (107.476) | (116.866) | (82.148) | (101.247) | (91.505) | (79.876) | (74.410) | (68.913) | (48.878) | (86.559) | (45.193) |
| Negative effect to income before taxes | 80 | 135 | 146 | 103 | 127 | 115 | 100 | 93 | 86 | 61 | 108 | 57 |
| Positive effect to income before taxes | (80) | (135) | (146) | (103) | (127) | (115) | (100) | (93) | (86) | (61) | (108) | (57) |
| | | | | | | | | | | | | (1.211) |

The sensitivity analysis, obtained simulating a variation on interest tax rates applied on the credit lines of the Group equal to 150 basis points in increase and decrease, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes respectively negative or positive for Euro 1.211 thousands.

Receivables risk

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

The Group constantly monitors this type of risk through an appropriate credit management procedure, helped in that sense, also by the division of a significant component of accounts receivable. The Group policy is that of fully writing down the receivables that show an older expiry date than the year, and to apply write-down percentages determined by historical series on the remaining part of the credit. Consequently, representation of the customer types is not deemed significant, as they do not have significant credits that have not been written down.

Liquidity risk

The liquidity risk concern the risk of the Group not to dispose of available and sufficient financial resources in order to meet with own financial obligations, in the forecasted terms and dead-lines.

The Group constantly pursues a maintenance of the balance and flexibility of financing sources and uses.

The two main factors influencing Group liquidity are on the one hand the resources generated or absorbed by the operative or investment assets, on the other hand the expiry characteristics and debt renewal.

Division according to expiry, as of 31 December, of financial debts is reported at note 21.

The liquidity of the companies of the Group is managed in a centralised way. Liquidity requirements are monitored by the treasury function of the parent company with a view to guaranteeing an efficient recovery of financial resources, or a suitable investment of any available funds.

The directors believe that the funds and loans currently available, apart from those generated by operative or financing assets will allow the Group to meet requirements deriving from investment, management of circulating capital and reimbursement of debts at natural expiry.

Risk of prices of raw materials and of Euro/Dollar change

The Ascopiave Group manages the risk generated by the fluctuation of treated commodities prices, in this specific case natural gas price and oil products, through the recourse to operations on derivatives.

Because of the fact that raw material prices are indicated in Dollars, the Group is also subject to the consequent Euro/Dollar change risk.

The parent company apply the employment of the most used derivative instruments on the market in order to contain the exposition to risks within fixed limits.

At the moment the Group is not exposed to any change risk not connected to derivative operations.

Management of Capital

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

new shares.

The Group checks its capital by means of a debt/capital ratio, i.e. comparing the net debt to the total of the capital plus the net debt. Group policy aims at keeping this ratio between 20% and 35%.

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

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|--|----------------|----------------|
| Medium/long-term debt | 3.969 | 5.165 |
| Loans from banks at net of equivalents on hand | 33.139 | 83.863 |
| Financial gross debt | 37.108 | 89.027 |
| Share capital | 234.412 | 233.334 |
| Reserves | 108.569 | 115.970 |
| Net result | 18.452 | 21.764 |
| Net assets | 361.433 | 371.068 |
| Total capital and gross debt | 398.541 | 460.095 |
| Relation between debt/Net assets | 0,10 | 0,24 |

Business segment reporting

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

Based on the information required by the IAS 14 'Segment Reporting', 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 ended respectively as of 31 December 2008 and 2007.

| (thousands of Euro) 2008 | Distribution | Gas sale | Trading | Electric energy sale | Other | 31/12/2008 value from new acquisitions | Elisions |
|--|---------------|----------------|----------------|-------------------------|--------------|---|-----------------|
| Net revenues from thirs parties | 17.233 | 359.349 | 283.917 | 13.693 | 5.373 | 145.106 | |
| Infra-group revenues among business sector | 44.850 | 3.683 | 0 | 1.450 | 187 | 9.606 | (59.776) |
| Revenues from business sector | 62.083 | 363.032 | 283.917 | 15.143 | 5.560 | 154.711 | (59.776) |
| Operation result before amortisations | 34.825 | 7.694 | 1.307 | (246) | 876 | 4.000 | |
| Amortisations | 11.511 | 441 | 0 | 0 | 125 | 1.994 | |
| Operating result | 23.314 | 7.253 | 1.307 | (246) | 751 | 2.006 | |
| Income before taxes | 22.322 | 3.349 | 1.307 | (246) | 713 | 1.931 | |
| Assets | 436.013 | 223.398 | 64.033 | 8.477 | 3.852 | 24.171 | (24.892) |
| Liabilities | (109.507) | (211.459) | (58.358) | (3.794) | (2.257) | (13.136) | 24.892 |

| (In thousands of Euro) | Distribution | Sale | Other | Trading | 31/12/2008 value from new acquisitions | Elisions | Total |
|---|---------------|----------------|---------------|---------------|--|-----------------|----------------|
| Financial year 2007 | | | | | | | |
| Net revenues from third parties | 15.711 | 302.916 | 18.270 | 114973 | | | 451.870 |
| Infra-group revenues among business sectors | 44.473 | 1.600 | 417 | | | (46.489) | 1 |
| Revenues from business sector | 60.184 | 304.516 | 18.687 | 114973 | | (46.489) | 451.871 |
| Operation results before amortization | 34.611 | 9.121 | 870 | 1074 | | | 45.676 |
| Amortization and depreciation | 11.317 | 408 | 91 | 0 | | | 11.816 |
| Operating result | 23.294 | 8.713 | 779 | 1074 | | | 33.860 |
| Income before taxes | 26.015 | 6.975 | 735 | 1074 | | | 34.799 |
| Assets | 509.469 | 268.737 | 11.440 | | | 62.156 | 724.489 |
| Liabilities | (157.922) | (253.375) | (7.281) | | | (127.313) | (353.420) |

Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The basic earning per share is calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares.

For the purposes of calculating the profit per base share, the numbering used the financial result of the period less the

share attributable to third parties.

There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company.

Diluted profits for shares result as equal to those for shares in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

Here follows the result and the number of ordinary shares used to calculate base earning per share, identified according to the method forecasted by IAS 33:

| | 2008 | 2007 |
|---|-------------|-------------|
| Weighted average number of shares in the year | 232.896.588 | 233.144.500 |
| Net result of the Group (thousands of Euro) | 18.452 | 21.746 |
| Net result <i>per share</i> (Euro) | 0,08 | 0,09 |

Dividends

On 16 May 2008, Ascopiave S.p.A. shareholders' ordinary meeting deliberated the distribution of dividends for an amount totalling Euro 14.560 thousands, net of dividends advanced payments equal to Euro 5.736 thousands, paid in December 2007 using the available reserves.

On 19 September 2008, the Board of Directors approved the distribution of the deposit on dividends, in accordance with article 2433-*bis*, paragraph 5 of the Civil Code, of Euro 0,025 per share. Dividend warrants were realised on 10 November 2008, bringing about the payment of dividends for Euro 5.780 thousands.

The dividends proposed for approval by the Shareholders' Meeting (not reported as liabilities as of 31 December 2008) equal Euro 0,085 per share, for a total of Euro 19.9 million, from which the above-specified deposits on dividends already paid during 2008, will be detracted.

Seasonability of the business

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

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

Transactions with related parties

The details on transactions with related parties over period in question is summarised in the following tables:

| Company | Trade receivables | Other receivables | Accounts Payable | Other payables | Expense | | | Revenues | | |
|---------------------------------|-------------------|-------------------|------------------|----------------|----------|------------|----------|----------|------------|----------|
| | | | | | Assets | Services | other | Assets | Services | other |
| <i>Parent companies</i> | | | | | | | | | | |
| Asco Holding S.p.A. | 37 | 2094 | 0 | 1033 | - | - | - | - | 33 | - |
| Total parent company | 37 | 2094 | 0 | 1033 | - | - | - | - | 33 | - |
| <i>Associated Companies</i> | | | | | | | | | | |
| Asco Tlc S.p.A. | 127 | - | 118 | - | - | 395 | - | - | 268 | - |
| Seven Center S.r.l. | - | - | 203 | - | - | 320 | - | - | 1 | - |
| Mirant Italia S.r.l. | - | - | - | - | - | - | - | - | - | - |
| Total associated company | - | - | 321 | - | - | 715 | - | - | 269 | - |
| Total | 37 | 2.094 | 321 | 1.033 | - | 715 | - | - | 302 | - |

Furthermore, for the 2008 financial year, Ascopiave S.p.A and Ascotrade S.p.A agreed to consolidating tax relations in the head of the group, Asco Holding S.p.A, entered among the other current liabilities and other activities.

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

The costs for services for the subsidiary Seven Centre S.r.l refer mainly to maintenance services for the natural gas distribution network.

Furthermore:

- the economic relations between the companies of the Group and the subsidiary companies occur at market prices and are eliminated in the process of consolidation;
- the operations set up by the companies of the Group with correlated parties are part of normal management activity and are regulated at market prices;
- referring to the provisions of art. 150, paragraph 1 of Legislative Decree no. 58 of 24 February 1998, no operations have been carried out that could potentially be conflicts of interest with companies of the Group, by members of the Board of Directors.

Significant events after the end of the year and management outlook

Constitution of Asco Suisse

On 27 February 2009, Ascopiave constituted Asco Suisse S.A., company of Swiss law with headquarter in Lugano. The aim of the company is that of carrying out an activity of distribution and sale of gas within the Swiss territory. Ascopiave owns 100% of Asco Suisse as only holder.

Acquisition of Veritas Energia

On 29 January 2009 Ascopiave perfected the acquisition of 51% of the company Veritas Energia S.r.l., active in gas and electric energy sale in the province of Venice. The operation allows the Group to further reinforce its leadership in the natural gas sector in Veneto and accomplishing another important step in the aggregation process, in force in the North-East of Italy.

The agreement was announced on December 2nd 2008.

Concessions

On 21 January 2008 the appeal against the municipality of San Vito di Leguzzano has been deposited by the TAR of Veneto, appeal regarding the cancellation of the council resolution of 30 September 2008 n. 45 with object: “term of actual concession and directions for the commitment through tender in the form of contracted procedure of natural gas distribution service in the municipal area”.

On 28 January 2008 the Tar of Veneto, with ordinance n. 143 of 2009, accepted Ascopiave request for the suspension concerning the determination of definite assignment of gas distribution service in the municipal area of Marano Vicentino to another operator and the determination of the Tender Commission. The Administrative Judge fixed the treatment of the cause on the merits on 21 May 2009.

On 6 March 2008 the appeal against the municipality of Arosio for the cancellation of the deliberation of the town executive board (5 December 2008) with object “gas concession to Ascopiave extension ope legis” has been notified.

On 13 March 2008 the assignment of gas distribution service in the municipality of Trebaseleghe with a duration of 12 years to Ascopiave has been published on the Official Gazette.

Reclassification of CGD component of distribution Income Constraint

The AEEG (successively also Authority) notified to the company Ascopiave S.p.A. its Deliberation VIS 62/08 dated July 2008 with which it deliberated the determination, in accordance to judgement of the TAR of Lombardia dated 6 May 2008, n. 1319, new distribution tariffs for thermal year 2003-2004 referred to the only ambit of Conegliano (TV), recognizing to Ascopiave S.p.A. the right to apply them with adjustment.

The same Deliberation VIS 62/08 also forecasts that the information given to the Authority by Ascopiave S.p.A during the investigation preliminary to the determination of tariffs were not sufficient and specified what were the further information requested, linked to presumed “obligations” susceptible of money penalty. Ascopiave S.p.A has preliminarily deemed to transmit to the Authority some observations about the merit of the requested information and successively, considering the absence of any following by the Authority, presented a recourse to the TAR of Lombardy against this measure.

In the meantime, the Authority started against the company, a sanction measure with the Deliberation VIS 108/08 dated December 1st, concerning the hypothesis of application of new tariffs in the absence of quoted informative requisites. The eventual sanction that could derive from the sanction procedure is not quantifiable in any way, because at the moment it's not possible to forecast the result of this further litigation with the Authority.

In consideration of the damage that could imply for the Company, the Board of Directors deliberated not to proceed in this scenario and in this moment of uncertainty to the application of new gas distribution tariffs for thermal year 2003-2004 in the tariff ambit of Conegliano (TV).

Relations with Control Authorities

On 26 February 2009 the CONSOB notified to Ascopiave S.p.A. a sanction measure equal to Euro 10 thousands.

Relations with Agenzia delle entrate

During 2008 the company has been the subject to fiscal examination by the Agenzia delle Entrate. After the result of this examination, an official records of ascertainment has been emitted with relief about direct and indirect taxes. We believe that these claims are totally unfounded.

Management Outlook

2009 seems to be a very difficult year for international economy and for sure there will be repercussions on the activities and results of the group.

The enlargement of the perimeter of consolidation, due to company acquisitions concluded at the end of 2008 and in 2009, will determine an increase in the volumes of gas sold in the segment of residential customers, while revenues could not follow the same trend as an effect of the reduction of sale prices determined by the decrease of Brent quotations.

Sales vice versa could be penalized on the industrial section and micro-business as a consequence of the slowdown of economic activity. The industrial section is the client segment on which currently it is exercised the higher competitive pressure and that nowadays has the more limited margins.

We consider that, with normal climatic conditions and without experiencing strong volumes losses on the industrial and micro-business segment, in 2009 sold gas volumes can achieve the values of 2008, and consequently the Group could confirm the results of 2008.

The Group is placed in a sectorial context of offer concentration that could allow growth opportunities through external lines through the conclusions of company acquisitions and/or aggregations. In this case 2009 results both in terms of activity and profitability, could change in a significant way.

Objectives and policies of the Group

As the market conditions progressively change, for the most part for the decreasing protection of tariffs against a growing number of customers, in 2009, the Group will continue its commercial policy of retention and acquisition of new clients, concentrating its commercial strengths on small/medium commercial and industrial companies, characterized by median annual consumption of less than 200.000 cubic metres. This client group allows higher sales margins, both with respect to large industrial clients, where the commercial competition is notably high, and to residential customers, who have contact and management costs that are very high, and for which the Authority for Electrical Energy and Gas's tariff regulations have imposed selling prices that are not appropriate to be applied to the destination for which the gas would have.

Due to this viewpoint, the subsidiary the Group is reinforcing its structure for the procurement of gas, in order to take advantage of all the opportunities that the market offers, in addition to spot supplies, and intensifying its selling strength. In this sphere the Group will continue its politics of alliance with other company realities.

Proposals by the Board of Directors to the Shareholders' Meeting

Allocation of net income for the year

Considering that for the 2008 fiscal year the Ascopiave S.p.A. company ends with profits equal to Euro 20.305.936,14, the board of directors proposes to the meeting of members:

- to distribute dividends to the amount of Euro 14.064.694,50, equating to Euro 0,085 per share, net of the deposit of Euro 0,025 per share paid to the shareholders in November;
- to allocate the remainder, equal to Euro 6.241.241,64 to other reserves.

Pieve di Soligo, 16 March 2009

The Chairman of the Board of Directors
Gildo Salton

INDIVIDUAL BALANCE SHEET AS OF 31 DECEMBER 2008

Ascopiave S.p.A.

Individual financial statement as of
31 december 2008

Introduction

In accordance with D. Lgs. 2 February 2007, n. 32, with which it was provided the reception in our legal system of the Community Directive 2003/51/CE, the company takes advantage of the possibility of writing the Relation on Parent Company Ascopiave S.p.A. Management and the Relation on consolidated Management in one document, enclosed in the dossier of Consolidated Financial Statement.

Consequently, this relation on Consolidated Management also contains all information forecasted by article 2428 of Civil Code, with reference to Ascopiave S.p.A. Financial Statement.

ASCOPIAVE S.p.A.

Registered office in VIA VERIZZO 1030 - 31053 PIEVE DI SOLIGO (TV) - Share capital Euro 234.411.575 fully paid-in

Balance sheet as of 31 December 2008

Balance sheet as of 31 December 2008 and 31 December 2007

| (In thousands of Euro) | Financial year 2008 | Financial year 2007 |
|---|---------------------|---------------------|
| ASSETS | | |
| Non-current assets | | |
| Goodwill | 20.433.126 | 20.433.126 |
| Other intangible assets | 1.863.026 | 1.823.433 |
| Other tangible assets | 277.061.988 | 274.507.402 |
| Equity investments | 103.850.306 | 63.976.011 |
| Other non-current assets | 3.229.676 | 3.663.560 |
| Deferred tax assets | 7.259.952 | 8.117.443 |
| Total non-current assets | 413.698.074 | 372.520.975 |
| Current assets | | |
| Inventories | 2.910.560 | 3.048.676 |
| Trade receivables | 5.093.326 | 4.938.445 |
| Trade receivables to controlled companies | 8.687.431 | 14.339.000 |
| Other current assets | 7.099.701 | 3.642.962 |
| Current financial instruments | 7.625.201 | 111.097.210 |
| Tax receivables | 11.318 | 121.221 |
| Cash and cash equivalents | 502.282 | 7.142.099 |
| Total current assets | 31.929.818 | 144.329.613 |
| Total assets | 445.627.893 | 516.850.588 |
| SHAREHOLDERS EQUITY AND LIABILITIES | | |
| Shareholders' equity | | |
| Share capital | 234.411.575 | 233.334.000 |
| Reserves | 98.343.393 | 106.471.336 |
| Net result | 20.305.936 | 17.457.424 |
| Total shareholders' equity | 353.060.904 | 357.262.760 |
| Non-current liabilities | | |
| Provisions for risks and changes | 6.608 | 18.073 |
| Termination indemnities | 1.396.930 | 1.443.131 |
| Long-term debt | 3.882.787 | 4.954.000 |
| Other non-current liabilities | 0 | 295 |
| Deferred tax liabilities | 14.998.261 | 15.045.745 |
| Total non-current liabilities | 20.284.587 | 21.461.244 |
| Current liabilities | | |
| Amount due to banks and current portion of medium/long term loans | 53.134.129 | 107.326.680 |
| Trade payables | 8.601.649 | 9.744.804 |
| Other current liabilities | 10.546.624 | 21.055.101 |
| Current financial instruments derivatives | 0 | 0 |
| Total current liabilities | 72.282.402 | 138.126.585 |
| Total liabilities | 92.566.989 | 159.587.829 |
| Total shareholders' equity and liabilities | 445.627.893 | 516.850.588 |

Income statement of the financial years closed on the 31 December 2008 and on 31 December 2007

| (In thousands of Euro) | Financial year 2008 | Financial year 2007 |
|---|---------------------|---------------------|
| Revenues | 66.913.792 | 74.920.268 |
| Revenues from others | 22.367.836 | 30.775.853 |
| Revenues from controlled companies | 44.545.957 | 44.144.415 |
| Operating costs | 31.311.726 | 39.385.912 |
| Cost of gas purchases | 0 | 10.363.904 |
| Cost of other materials and consumables | 3.330.193 | 2.910.379 |
| Cost of services | 10.555.323 | 9.992.374 |
| Personnel costs | 10.212.136 | 10.037.130 |
| Other operating expenses | 7.274.311 | 6.097.291 |
| Other operating income | (60.238) | (15.165) |
| Depreciation and ammortisation | 11.559.728 | 11.346.047 |
| Operating income | 24.042.338 | 24.188.308 |
| Finacial income | (8.825.900) | (3.647.852) |
| Finacial expenses | 4.406.789 | 922.365 |
| Income before taxes | 28.461.449 | 26.913.796 |
| Income taxes | 8.155.513 | 9.456.372 |
| Net result | 20.305.936 | 17.457.424 |

Cash flow statement of the financial years closed on 31 December 2008 ed on 31 December 2007

| (In thousands of Euro) | Financial year 2008 | Financial year 2007 |
|---|---------------------|---------------------|
| Net income for the Group | 20.305.936 | 17.457.424 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortisation | 11.559.728 | 11.346.047 |
| Provision for doubtful accounts | 143.645 | 0 |
| Net change in deferred tax assets and liabilities | 810.007 | (507.357) |
| Provision for termination indemnities | (46.201) | (19.494) |
| Net change in other provisions | (11.465) | (119.422) |
| Changes in operating assets and liabilities | | |
| Inventories | 138.116 | (282.850) |
| Trade receivables | 5.353.043 | 5.274.248 |
| Other currents assets | (3.456.739) | (2.382.278) |
| Currents financial assets | 0 | (210) |
| Tax receivables and payables | 109.903 | 301.883 |
| Trade payables | (1.143.155) | (436.410) |
| Other current liabilities | (996.675) | (12.286.087) |
| Other non-current assets | 1.133.884 | (836.412) |
| Other non-current liabilities | (295) | (31.103) |
| Total adjustments | 13.593.797 | 20.556 |
| Net cash provided/(used) by operating activities | 33.899.733 | 17.436.868 |
| Cash Flow from investing activities | | |
| Additions to intangible assets | 0 | 0 |
| Disposals of intangible assets | (1.129.978) | (1.076.121) |
| Additions to property, plant and equipment | 932.000 | 482.000 |
| Disposals of property, plant and equipment | (14.117.930) | (14.189.891) |
| Acquisition of subsidiary, net of acquired cash | 162.000 | 1.194.000 |
| Payment of non-current debt used to purchase property, plant and equipm | (50.086.097) | (47.649.386) |
| Net cash used in investing activities | (64.240.004) | (61.239.398) |
| Cash flow from financing activities | | |
| Clean variation debits towards controlled companies | 103.472.009 | (122.774.529) |
| Net changes in short-term bank-borrowings | (54.192.551) | 103.813.202 |
| Clean variation debits towards parent companies | 0 | (128.690) |
| Medium/Long terms debt repayments | (4.670.741) | (625.000) |
| Share buyback | (1.071.213) | (1.721.384) |
| Dividends paid | (14.057.016) | (19.833.000) |
| Interim dividend | (5.780.035) | (5.736.100) |
| Net cash provided in financing activities | 23.700.454 | (47.005.501) |
| Increase in cash and cash equivalents | (6.639.818) | 90.766.959 |
| Cash and cash equivalents at beginning of the year | 7.142.099 | 97.909.058 |
| Cash and cash equivalents at end of the year | 502.282 | 7.142.099 |
| Additional information | | |
| Interest paid | 4.402.881 | 888.563 |
| Tax paid | 1.344.331 | 9.941.599 |

Statement of changes in the shareholders' equity items of the financial years closed on the 31 December 2008 and on 31 December 2007

| (In thousands of Euro) | Share capital | Legal reserve | Company's own shares | Other reserves | Net result for the period | Totale net assets |
|------------------------------------|--------------------|-------------------|----------------------|--------------------|---------------------------|--------------------|
| Balance at 31 December 2006 | 140.000.000 | 29.170.824 | - | 181.501.427 | 15.326.843 | 365.999.094 |
| Allocation of 2006 result | | 766.342 | | 14.560.501 | (15.326.843) | |
| 02 January 2007 capital increase | 93.334.000 | | | (93.334.000) | | |
| Attribution legal reserve | | 16.729.634 | | (16.729.634) | | |
| Dividends paid | | | | (19.833.390) | | (19.833.390) |
| Share buyback | | | (637.032) | | | (637.032) |
| Company's own shares adjustment | | | | 12.764 | | 12.764 |
| Dividend payable | | | | (5.736.100) | | (5.736.100) |
| Net income of the period | | | | | 17.457.424 | 17.457.424 |
| Balance at 31 December 2007 | 233.334.000 | 46.666.800 | - 637.032 | 60.441.568 | 17.457.424 | 357.262.760 |
| Allocation of 2007 result | | 215.515 | | 17.241.909 | (17.457.424) | |
| Bonus share | 1.077.575 | | (1.975) | (1.075.600) | | |
| Dividends paid | | | | (14.057.016) | | (14.057.016) |
| Share buyback | | | (4.662.368) | | | (4.662.368) |
| Company's own shares adjustment | | | | (8.374) | | (8.374) |
| Net income of the period | | | | | 20.305.936 | 20.305.936 |
| Dividend payable | | | | (5.780.035) | | (5.780.035) |
| Balance at 31 December 2008 | 234.411.575 | 46.882.315 | - 5.301.375 | 56.762.452 | 20.305.936 | 353.060.904 |

IFRS accounting principles adopted in the preparation of the financial statements as of 31 December 2008

Drafting standards

The consolidated financial statements were prepared on the basis of the historic cost principle. The accounting principles, criteria and estimates adopted are comparable with those used in the preparation of the financial statements as of 31 December 2007. These statements comprise the Balance Sheet and Income Statement, both prepared in euros, as required by art. 2423 Civil Code, the Cash Flow Statement, the Statement of Changes to the Shareholders' Equity and the Explanatory Notes, in which, instead, information is provided in thousands of euros.

Accordance with IFRS standards

The financial statements closed on 31 December 2008 have been prepared in accordance with IFRS adopted by the European Union (IFRS) and provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005.

Accounting principles, amendments and interpretations applied during 2008

The IASB emitted the accounting principle IFRS 8- Operative segments that has to be applied from January, 1st 2009 to substitute IAS 14- Business segment reporting. This accounting principle demands the company to base the information reported in the business segment reporting on the elements that the managements uses to take its operative decisions, therefore asks the identification of operative segments on the base of internal reporting, which is regularly reviewed by the management at the end of the allotment of resources on the different segments of performance analysis.

Future changes to accounting policies

Issued principles but not yet in force:

- Amendment to IAS 39- Financial Instruments: Recording and Evaluation- Financial Instruments: integrative information.
- Interpretation of IFRIC 12- Concession agreements (that has to be applied from 1 January 2008, but not yet homologated by EU)
- Reviewed version of IAS 23- Financial Costs
- Reviewed version of IAS- Presentation of the financial statements
- Updated version of IFRS 3- Company mergers
- Amendment to IAS 27
- Amendment to IFRS 2 - Conditions for maturing and cancellation
- Interpretation of IFRIC 16- Coverage of participation in a foreign company

Furthermore, the IASB emitted a collection of changes to IFRS (“improvements”). Here follow those changes that according IASB, will involve a modification in the presentation, recognition and evaluation of balance sheet items, omitting on the other hand only terminology changes and those that refer to a set of problems not present in the Group.

- IAS 5- Non-current activities destined to sale and ceased operative activities;
- IAS 1- Presentation of the balance sheet (reviewed in 2007)
- IAS 16- Land, industrial equipment and machinery
- IAS 19- Benefits for employees

- IAS 20- Accountancy and public taxes informative report
- IAS 23- Financial costs
- IAS 28- Shareholding in subsidiary companies
- IAS 36- Losses of value of activities
- IAS 38- Intangible activities
- IAS 39- Financial Instruments: Recording and Evaluation

Relatively to IAS 38 – Intangible activities: the change must be applied from January, 1st 2009 retroactively and states the recognition as revenues account of promotional and advertisement costs. At the moment the company is analyzing indicated principles and interpretation and evaluating the possible impact of their adoption on the balance.

Use of estimates

To draft the financial statements and the relevant notes in the application of the IFRS, management must make estimates and assumptions which influence the values of the assets and liabilities of the consolidated financial statements and the information regarding potential assets and liabilities at the date of the financial statements. The final results could differ from such estimates. Estimates are used to report:

- Reductions in value of non-financial assets (including goodwill),
- Valuation of revenues for volumes of gas distributed for which an effective reading is not yet available,
- Provisions for risks on credits,
- The effects of disputes on the application of distribution and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon expiry of such,
- Obsolete inventories,
- The useful lives of intangible and tangible fixed assets and related amortisation,
- Employee benefits and payment plans based on stock options (so-called phantom stock option)
- Taxes and
- allocations 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.

Implementing new accounting standards

We present the accounting standards adopted by Ascopiave S.p.A.:

Non-current assets

Goodwill: the goodwill transferred on January 1st, 2005 is attributable to surplus values paid for the acquisition of some Companies operating in the business of distribution besides the surplus values paid during

transfer of the distribution network. Such goodwill has been posted at cost values. After the transition date to IFRS (1 January 2005), goodwill can no longer be amortised and is reduced by any long-term 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 analyzing said 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 Company that it is held would benefit from the synergy effects of the acquisition, without regard to the allocation of other assets or liabilities of said units (or groups of units).

Said units which generate financial flows:

represent the lowest level, within the Company, to which the goodwill is monitored for internal management purposes are not greater in a sector, as defined in the primary or secondary indication scheme of the Company in accordance with IAS 14 "Product sector information."

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

Other intangible fixed assets: other intangible assets are recorded at cost, determined by the same methods indicated for tangible assets. As they have a defined useful life, intangible assets are booked net of the accumulated relevant amortisation operations and net of any losses in value, determined with the same basis indicated below for tangible assets.

The useful life is then re-examined on an annual basis, and any changes, if necessary, made prospectively.

Intangible assets with a defined life are verified in order to find any losses in their value when events or changes of situation indicate that the book value cannot be realized.

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

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

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

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

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

The main economical-technical rates used are as follows:

| Category | Depreciation rates |
|--------------------------------------|--------------------|
| Buildings | 2% |
| Reduction appliances | 4%-5% |
| Networks and connections | 2,2%-4% |
| Meters | 5% |
| Equipment | 8,5%-8,3% |
| Furniture and furnishing | 8,8% |
| Electronic machines | 16,2% |
| Basic hardware and software | 20% |
| Motorcars, motorvehicles 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 written down until they 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.

Amortisation of such assets are calculated on the basis of the useful economic life, in the same way as is the case for other tangible fixed assets.

Equity investments: The equity investments in subsidiaries, associated companies and joint control companies are valued at cost method. Equity investments are carried at cost; the book value is determined on the basis of the purchase or subscription prices, possibly adjusted for any losses in value. If in future fiscal years the presupposition about devaluation is not held to be true, the original value is reset.

The equity investments in other companies are reported, at the time of acquisition, under financial assets 'available for sale' under non-current assets, and are valued at costs as unlisted shares, or for which the fair value is not believable or determinable. The changes in value of the shares classed as available for sale, because they are valued at cost, are reported directly on the income statement.

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 method, or the estimated realizable net value. The net realisation value is determined on the basis of the estimated sales price in normal market conditions, net of direct sales costs.

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

Trade receivables and other current assets: trade receivables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value) net of the relevant value losses. These are suited to their presumed realisation value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Company will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement.

Cash and cash equivalents: include the ready cash values, i.e. values with the following requirements: availability at sight or in a very short term, good outcome, and no collection expenses.

Own shares: Re-acquired own shares are taken as a decrease of the assets. No profit or loss is reported on the income statement upon purchase, sale or cancellation of own shares.

Non-current liabilities

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

Liabilities relating to defined benefits programs, net of any assets supporting the plan, are determined according to actuarial hypotheses, and are competence-booked in line with the work performance required to obtain benefits; the valuation of the liabilities is carried out by independent actuaries, using the credit unitary projection method. Any profits or losses deriving from the actuarial calculation are reported on the income statement as a cost or income, regardless of the value of such, without using the so-called 'corridor method'.

The amount reflects not only the debts accrued at the financial statements closing date, but also future salary rises and the related statistical dynamics.

Reserves for risks and charges: The reserves for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the reference period are undetermined in terms of amount or due date. Provisions are reported when there is a current obligation (legal or implicit) that derives from a past event, when an outlay of resources is probable in order to meet the obligation, and a reasonable estimate can be made as to the amount of the obligation.

On the other hand, when it is not possible to create a reliable estimate for the bond, or if it is held that the expenditure of financial resources is merely possible and not probable, the relative potential liabilities are not included on the balance sheet, but adequate information regarding it is noted in the comments.

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

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

Current liabilities

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

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

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

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

Share-based payments: Group employees (and in particular certain Directors) receive part of their salaries in the form of options that can only be sold for cash. The cost of cash operations is evaluated initially at the fair value as of the date of allocation, using an evaluation formula better explained under note 24. This fair value is spent in the period until maturation with reporting of a corresponding payable. The liability is re-calculated upon each closure of the period, until the date of regulation, with all changes made to the fair value reported on the income statement.

Revenues and costs

Revenues: revenues and costs are indicated according to the principle of economic competence. Revenues and income are booked at fair value, net of returns, discounts, allowances, and bonuses.

Revenues for conveying services are recognised on the basis of service actually supplied. Revenues from customers for connections or based on allotting works are considered revenues for services supplied during the fiscal year and therefore are accounted for according to the standard of accrual basis.

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 cost 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. Should the contribution be connected to another asset, the asset and contribution are reported at face value, and the release to the income statement takes place progressively throughout the expected useful life of the asset of reference, in constant instalments.

Interests: revenues and costs are booked by competence according to the interest accrued on the net value of the relevant financial assets and liabilities, using the effective interest rate.

Income taxes: current active and passive taxes for the current and previous years are valued at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxation relating to elements reported directly under assets are reported directly as assets and not on the income statement.

Deferred taxes are calculated using the so-called liability method on the temporary differences resulting from the date of the statements between the tax values taken as reference for the assets and liabilities and the values reported on the statements. Deferred tax liabilities are reported against all taxable temporary differences:

- when deferred payable taxes derive from the initial reporting of goodwill or an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- with reference to temporary taxable differences associated with holdings in subsidiaries, associated companies and joint ventures, should the reversal of the temporary differences be able to be controlled, and it is probable that this does not take place in a foreseeable future.

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

- when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;

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

COMMENTS ON THE MAIN ITEMS OF THE BALANCE SHEET AS OF 31 DECEMBER 2008

Non-current assets

1. Goodwill

Goodwill, equal to Euro 20.433 thousands on 31 December 2008, refers in part to the surplus value created by the contribution of the gas distribution networks by member local authorities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some branches of the company related to the distribution and sale of natural gas.

To the end of the verification of value reduction, the acquired goodwill in a company aggregation has to be allocated to every unit that generate financial flow of the buyer, that probably will benefit of aggregation's synergies.

This unit must represent the lower level monitored for the internal control of the management of the entity, and anyway it can't be higher than a sector based on the primary or secondary representation scheme of the entity, determined according to IAS 14- Sector informative report.

Goodwill, as it is understood by International Accounting Standard 36, is not subject to amortisation, but to depreciation audits at a rate of at least once a year. The aim of this is to define the principles that the company applies to guarantee that its assets are not recorded at a higher value than that which is recoverable.

The depreciation audit on goodwill has been carried out by checking the depreciation in the activities of gas distribution and natural gas sales, comparing the recoverable value of the relevant assets with their accounting value, including the goodwill allocated to them.

As no reliable criteria exist to evaluate the sales value between the aware and available parties in the activities of the sales and distribution of gas, other than the criteria put forward in literature to evaluate the branches of a company, the recoverable value of the audited activity is defined by its use value.

The value recoverable from the financial flow-generating unit in the sales and distribution of natural gas has been estimated using the Discounted Cash Flow methodology, discounting back the operating financial flows generated by the activity itself at a discount rate representative of the cost of capital.

The financial flows used to calculate value recoverable for the financial flow-generating gas distribution units, which cover the forecasts formulated by management for the period 2008/2010.

Under current sector regulation, according to which most concessions and assignments will expire on 31/12/2010, and in consideration of the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the financial flow-generating gas distribution unit by supposing two alternative scenarios, *id est* that (i) In 2010 Ascopiave ends the activity of gas distribution and (ii) the company obtains in 2010 the renewal of all the concessions and credits in effect on 31/12/2008.

The growth factor used for the purpose of calculating final value, estimated at 2% for both the financial flow-generating units, gas distribution and sales, takes into account inflation, growth of the client base and increased efficiency.

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

- (a) that coefficient b (beta levered) equal to that assumed in the definition of income rate on invested capital established for tariff purposes by the AEEG with deliberation n. 159/08;
- (b) a level of financial leverage (relation between financial debt and own means) line up with the financial structure of reference presumed by the AEEG to the end of tariff regulation;
- (c) the market risk taken from the average over a long period for an international sample group of countries;
- (d) the Risk Free Rate assumed equal to the return of bonds of status at 10 years, reported at the end of the financial year.

On the basis of these elements, the average weighted cost of the post-tax capital equals 5,87% and, considering the hypotheses described, the recoverable value of the financial flow generating unit for gas distribution is greater than the book values, and as such the conditions do not exist by which to write down the goodwill for loss of value. Finally, sensitivity analyses have been carried out on the results: in all cases the value of use remains greater than the book values, even taking on an increase of the average weighted cost of the capital of 50 basis points.

2. Other intangible assets

The changes in the historical cost and accumulated amortisation of intangible assets during the periods under examination are shown in the following table:

| (thousands of Euro) | 31 December 2008 | | | 31 December 2007 | | |
|---|------------------|--------------------------|--------------|------------------|--------------------------|--------------|
| | Historic cost | Accumulated depreciation | Net balance | Historic cost | Accumulated depreciation | Net balance |
| Goodwill | 87 | (87) | 0 | 0 | 0 | 0 |
| Industrial patents and intellectual property rights | 2.262 | (2.154) | 108 | 2.255 | (2.111) | 144 |
| Concessions, licenses, trademarks | 996 | (922) | 73 | 997 | (853) | 144 |
| Other intangible assets | 725 | (273) | 451 | 1.044 | 0 | 1.044 |
| Constructions in progress and advance payments | 1.230 | 0 | 1.230 | 492 | 0 | 492 |
| Total intangible assets | 5.300 | (3.437) | 1.863 | 4.788 | (2.964) | 1.823 |

The changes in other intangible asset for the period 2008 are shown in the following table:

| (thousands of Euro) | 31 December 2007 | | | | | 31 December 2008 | |
|--|------------------|--------------|--------------|--------------|---------------|------------------|--|
| | Historic cost | Investments | Disposals | Depreciation | Fund decrease | Net balance | |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | |
| Industrial patents and intellectual property rights | 144 | 52 | 44 | 87 | 44 | 108 | |
| Concessions, licenses, trademarks and similar rights | 144 | 0 | 1 | 71 | 1 | 73 | |
| Other intangible assets | 1.044 | 602 | 1.194 | 0 | 0 | 451 | |
| Constructions in progress and advance payments | 492 | 738 | 0 | 0 | 0 | 1.230 | |
| Total intangible assets | 1.823 | 1.392 | 1.239 | 158 | 46 | 1.863 | |

Industrial patents and intellectual property rights

The main reference is to the costs of purchasing and updating software.

Concessions, licenses, trademarks and similar rights

These represent costs for the purchase of user licenses and property rights connected to the gas distribution network

Other intangible assets

To comply with the obligations for energy savings under Decree 20 July 2004 of the Ministry for Productive Activities, Ascopiave S.p.A., over the course of 2006, took actions to implement two projects:

- The installation of thermoregulation and tele-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 for saving hot water too all of its domestic clients.

For such measures the Company has been awarded with energy efficiency certificates (so-called 'white certificates') that attest the achievements in energy saving, and can be traded on the energy efficiency bond market. The projects carried out over the year 2006 will lead to the Company receiving further blank certificates in coming financial years.

In 2007 and 2008, the company acquired on the market all bonds necessary to reach the energy saving objectives set by the Authority for Electrical Energy and Gas (AEEG) for the period under consideration. Charges relating to the purchase cost of energy efficiency certificates on the market, together with those relating to the projects that have made it possible to obtain such, have been capitalised in other intangible assets and are not subject to amortisation, but rather debited on the income statement, on the basis of the effective use of said certificates.

3. Tangible fixed assets

The changes in the historical cost, accumulated depreciation and net book value of property, plant and equipment in the years under examination are shown in the following table:

| (thousands of Euro) | 31 December 2008 | | | 31 December 2007 | | |
|--------------------------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| | Historic cost | Accumulated depreciation | Net balance | Historic cost | Accumulated depreciation | Net balance |
| Lands and buildings | 17.272 | (4.014) | 13.257 | 15.303 | (3.479) | 11.824 |
| Plant and machinery | 396.905 | (139.616) | 257.289 | 386.049 | (129.610) | 256.438 |
| Industrial and commercial equipment | 2.267 | (956) | 1.310 | 2.209 | (744) | 1.465 |
| Other assets | 8.804 | (6.497) | 2.307 | 8.756 | (6.401) | 2.354 |
| Construction in progress and advance | 2.899 | 0 | 2.899 | 2.426 | 0 | 2.426 |
| Total tangible fixed assets | 428.146 | (151.084) | 277.062 | 414.742 | (140.235) | 274.507 |

The changes in other tangible assets for the period 2007 are shown in the following table:

| (thousands of Euro) | 31 December 2007 | | | | | 31 December 2008 | |
|--------------------------------------|------------------|---------------|------------|-------------------|---------------|------------------|----------------|
| | Historic cost | Investments | Disposals | Reclassifications | Depreciation | Fund decrease | Net balance |
| Lands and buildings | 11.824 | 1.985 | 17 | 0 | 537 | 2 | 13.257 |
| Plant and machinery | 256.438 | 9.074 | 93 | 1.875 | 10.054 | 48 | 257.289 |
| Industrial and commercial equipment | 1.465 | 71 | 13 | 0 | 220 | 8 | 1.310 |
| Other assets | 2.354 | 544 | 496 | 0 | 591 | 495 | 2.307 |
| Construction in progress and advance | 2.426 | 2.480 | 132 | (1.875) | 0 | 0 | 2.899 |
| Total tangible fixed assets | 274.507 | 14.154 | 750 | 0 | 11.401 | 552 | 277.062 |

Lands and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses, as well as the building works related to the transformer rooms. The increases recorded in the period mainly relate to the enlargement of the warehouse by the headquarter in via Verizzo 1030 in the municipality of Pieve di Soligo equal to Euro 925 thousands, and to the purchase of a building in via Turatti in the municipality of Milan equal to Euro 1.021 thousands.

Plants and machinery

Under this heading can be included the costs relating to the distribution network and distribution systems, such as the transformer room systems, connections, reduction groups and meters. The increase recorded in the year 2008 includes the reclassification of assets under construction, and is posted for Euro 6.223 thousands from connections of new end customers, for Euro 519 thousands from the installation of new gas meters, for Euro 3.504 thousands by the construction of 69.931 metres of new network, for Euro 630 thousands for construction/modernisation of pressure reduction plants, for 16 thousands by works on electrical and conditioning plants, for Euro 57 thousands by work on cathodic protection plants.

Industrial and commercial equipment

This heading includes costs for the purchase of equipment for the maintenance of distribution service, such as pipe detectors and leak detectors.

Other assets

The increase recorded in the item 'Other assets' is mainly due for Euro 197 thousands to the purchase of hardware and software, Euro 181 thousands to the purchase of vehicles, and for Euro 167 thousands to the purchase of assets.

The transfers from the item are mainly related to the transfer of vehicles and the elimination of hardware.

Assets under construction and advances

This heading primarily covers costs relating to work to extend the network and the construction of distribution plants, carried out partially with savings.

The increase is mainly represented by construction processes of new networks not completed at end 2008.

4. Equity investments

In the following schedule are summarised the list of holdings held by Ascopiave S.p.A. as of 31 December 2008:

(in thousands of Euro)

| Company name | Registered offices | Share capital | Net assets | Net result | % | Balance sheet-value |
|---|----------------------------|---------------|------------|------------|------|---------------------|
| Controlled companies | | | | | | |
| Ascotrade S.p.A. | Pieve di Soligo (TV) | 1.000.000 | 17.020.278 | 3.122.814 | 89% | 4.809.636 |
| Global Energy S.r.l. | Mirano (VE) | 529.000 | 2.382.368 | (257.727) | 100% | 3.387.071 |
| ASM Distribuzione Gas S.r.l. | Rovigo (RO) | 7.000.000 | 11.346.905 | 793.592 | 100% | 14.964.474 |
| Edigas Due S.r.l. | Cernusco sul Naviglio (MI) | 100.000 | 2.118.973 | 500.775 | 100% | 23.317.602 |
| Edigas Servizio di Distribuzione Gas S.r.l. | Cernusco sul Naviglio (MI) | 1.000.000 | 8.690.232 | 1.182.720 | 100% | 13.214.349 |
| AscoEnergy S.r.l. | Pieve di Soligo (TV) | 300.000 | 263.205 | (36.795) | 70% | 210.000 |

| Company name | Registered offices | Share capital | Net assets | Net result | % | Balance sheet-value |
|---|--------------------|---------------|------------|------------|--------|---------------------|
| Joint-control companies | | | | | | |
| Estenergy S.p.A. | Trieste (TS) | 1.718.096 | 3.531.204 | 1.437.548 | 48,99% | 39.838.121 |
| Asm Servizi Energetici e Tecnologici S.r.l. | Rovigo (RO) | 200.000 | 944.309 | 395.435 | 49% | 3.333.229 |

| Company name | Registered offices | Share capital | Net assets | Net result | % | Balance sheet-value |
|-----------------------------|--------------------|---------------|--------------|-------------|--------|---------------------|
| Subsidiary companies | | | | | | |
| Sinergie Italiane S.r.l. | Reggio Emilia (RE) | 2.000.000 | (17.723.919) | (1.634.919) | 20,09% | 401.961 |

| Company name | Registered offices | Share capital | Net assets | Net result | % | Balance sheet-value |
|---------------------------------------|--------------------|---------------|------------|------------|-------|---------------------|
| Investments in other companies | | | | | | |
| ITAL GAS Storage S.r.l. | Roma (RM) | 2.000.000 | 707.804 | (134.928) | 17% | 373.335 |
| B.Cred. Coop. Prealpi | Tarzo (TV) | 77 | | | 0,33% | 528 |

The Company holds shares in subsidiary companies represented by 89% interest in the capital share of Ascotrade S.p.A., for Euro 4.810 thousands and shares for 100% interest in the capital share of Global Energy S.r.l. company for Euro 3.387 thousands, and shares for 100% interest in the capital share of Asm Distribuzione Gas S.r.l equal to Euro 14.964 thousands.

The Company holds shares in joint control companies represented by the holding in 49% of the capital share of Estenergy S.p.A. equal to Euro 39.838 thousands and by the holding in 49% in the capital share of A.S.M. Servizi Energetici e Tecnologici S.r.l., equal to Euro 3.333 thousands.

On 15 July 2008 the Company, with a notarial deed of notary Favarato in Follina (TV), purchased a holding equal to 100% of share capital of Edigas Servizio Distribuzione Gas S.r.l., with headquarters in Cernusco sul Naviglio (MI). The purchase of the holding implied a financial cost equal to Euro 23.318 thousands, of which Euro 23.078 thousands for the purchase of quotes and the residual for consultancy costs necessary for the accomplishment of the acquisition.

On 15 July 2008 the Company, with a notarial deed of notary Favarato in Follina (TV), purchased a holding equal to 100% of share capital of Edigas Due S.r.l., with headquarters in Cernusco sul Naviglio (MI).

The purchase of the holding implied a financial cost equal to Euro 13.214 thousands, of which Euro 13.050 thousands for the purchase of quotes and the residual for consultancy costs necessary for the accomplishment of the acquisition.

On 31 July 2008 the company Sinergie Italiane S.r.l. has been established with a capital share of Euro 2.000.000, of which the Company subscribed the 20,10% for an amount equal to Euro 402 thousands.

On August, 1st 2008 the company Ascoenergy S.r.l. has been established with a capital share equal to Euro 300.000. the Company subscribed a quote equal to 70%.

On 16 September 2008 the company, with a notarial deed of notary Favarato in Follina (TV), purchased the residual holding in Global Energy S.r.l. equal to 48,913%. On the same date the company Global Energy S.r.l. increased its capital share from Euro 230.000 to Euro 529.000 with an overprice payment of Euro 1.651.000, entirely subscribed by the Company.

The Company indirectly controls, through the company Global Energy S.r.l., the company Le Cime Servizi S.r.l. and Metanonove Vendita Gas S.r.l., this last company held for 100% of the capital share, and the company Etra Energie S.r.l. joint by the company Global Energy S.r.l. with 51%.

Furthermore the Company indirectly controls, through the company Ascoenergy S.r.l., the company Masseria S.r.l., this last company joint for 100%.

Further we summarise the movements occurred in the holdings during the period being reviewed in the following

| (thousands of Euro) | 31/12/2007 | Changes for the period | | 31/12/2008 |
|---------------------------------|---------------|------------------------|------------|----------------|
| | Net balance | Increases | Decreases | Net balance |
| Equity investments | | | | |
| Controlled companies | 20.647 | 39.429 | 173 | 59.903 |
| Joint-control companies | 43.178 | 0 | 7 | 43.171 |
| Subsidiary companies | 0 | 402 | 0 | 402 |
| Other companies | 151 | 223 | | 374 |
| Total equity investments | 63.976 | 40.054 | 180 | 103.850 |

schedule:

The increase in the item 'holdings in controlled and joint control companies' as compared with 31 December 2007, refers to the acquisition of the holding in Edigas Esercizio Distribuzione S.r.l., and to the interest in Edigas Due S.r.l., to the acquisition of minority quotes of Global Energy S.r.l. and to the subscription of the share capital of Ascoenergy S.r.l.

The increase in the item 'holdings in joint companies' as compared with 31 December 2007 refers to the subscription of 20,10% of the share capital of Sinergie Italiane S.r.l..

The increase in the item 'holdings in other companies' as compared with 31 December 2007 refers to the subscription of a further quote equal to 2% of the share capital of Ital Gas Storage S.r.l..

5. Other non current assets

The captions comprising "Other non-current assets" at the end of the related periods are analysed in the following table:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|---------------------------------|--------------|--------------|
| Deposits and guarantees | 340 | 288 |
| Other receivables | 2.890 | 3.375 |
| Other non-current assets | 3.230 | 3.664 |

‘Other non-current assets’ comprise receivables for caution money paid for Euro 340 thousands, and other receivables for Euro 2.890 thousands.

‘Other receivables’ include:

- a receivable from the local authority of Creazzo, to the value of Euro 2,141 thousands unchanged since 31 December 2007, corresponding to the net book value of the distribution plants awarded in June 2005 to the above-mentioned local authority following the natural expiry, on 31 December 2004, of the concession awarded by the above-mentioned local authority. The amount requested of the local authority of Creazzo, in accordance with the ‘Letta’ legislative decree, article 15, paragraph 5, as indemnity of the industrial value of the network, is greater than that amount and has been determined on the basis of the valuations specified in an appropriate expert opinion. It is to be noted that legal procedures are in progress with the above-mentioned local authority, with the aim of establishing the value of the indemnity of the awarded distribution plants. The company, based on the views of their own legal advisors, are of the opinion that the outcome of the legal proceedings will be favourable.
- the receivable from the local authority of Santorso, equal to Euro 748 thousands, equal to the net book value of the plants returned following expiry of concession. In this situation too, the value of the receivable is lower than the amount requested to be remitted to the local authority of Creazzo, according to the ‘Letta’ law, article 15, paragraph 5, as indemnification of the industrial value of the network, determined on the basis of valuations outlined in a suitable appraisal.

The diminution of the voice “Other receivables” is due to the revenue of the first two receivable rates by the AEEG, equal to Euro 485 thousands recorded in 2007 because of the complete recognition by the AEEG of the higher taxes paid by Ascopiave S.p.A. as contribution in the period 1998-2000, equal to Euro 970 thousands. We point out that according to the agreement of restitution of sums, that imply the multi annual refund of the due, the residual part of the receivable, equal to Euro 485, has been reclassified between “Other current activities”.

6. Prepaid taxes

The captions comprising other non-current assets at the end of each period under consideration, are analysed in the following table:

| Type | 31 December 2008 | | | 31 December 2007 | | |
|---|-----------------------|----------|--------------|-----------------------|----------|--------------|
| | Temporary differences | Tax rate | Total effect | Temporary differences | Tax rate | Total effect |
| Allocation for writedown of receivables | 74 | 27,5% | 20 | 0 | 27,5% | 0 |
| Allocation for writedown of warehouse | | | | | | |
| Provision of gas revenues | 413 | 31,4% | 130 | 413 | 31,4% | 130 |
| Amortisation surpluses | 0 | 31,4% | 0 | 1.464 | 31,4% | 460 |
| Amortisation surpluses | 1.288 | 27,5% | 354 | 0 | 31,4% | 0 |
| Other | 17.299 | 31,4% | 5.432 | 17.896 | 31,4% | 5.619 |
| Phantom stock option | 360 | 31,4% | 113 | 372 | 31,4% | 117 |
| Quotation costs | 62 | 27,5% | 17 | 0 | 27,5% | 0 |
| Quotation costs | 3.804 | 31,4% | 1.194 | 5.706 | 31,4% | 1.792 |
| Amounts due for advance taxes paid | | | 7.260 | | | 8.117 |

The company proceeded to a full accounting of anticipated taxes concerning temporary differences between taxable and balance values because the company believes that future taxable could absorb all temporary differences generated.

The calculation of deferred tax assets made reference to the IRES (company earnings tax) rate and, where applicable, to the IRAP (regional business tax) rate applicable at the time when the temporary differences are expected to be reversed. Specifically, the rate of 27,5% was used for IRES and 3,9% for IRAP.

Prepaid taxes in the period of reference are down by Euro 857 thousands, going from Euro 8.117 thousands for 2007 to Euro 7.260 thousands. The change is mainly due to tax allowed amortisation of listing costs for Euro 597 thousands and to allocation of gas revenues fund for Euro 460 thousands, partially offset by the dynamics of the tax amortisation of tangible and intangible assets.

Current assets

7. Inventories

The value of inventories at the end of each period is analysed in the following table:

| (in thousands of Euro) | 31 December 2008 | | | 31 December 2007 | | |
|-------------------------------|------------------|-------------------|--------------|------------------|-------------------|--------------|
| | Gross balance | Depreciation fund | Net balance | Gross balance | Depreciation fund | Net balance |
| Inventories | | | | | | |
| Fuels and warehouse materials | 3.324 | (413) | 2.911 | 3.261 | (413) | 2.848 |
| Contract work in progress | 0 | | 0 | 201 | | 201 |
| Total inventories | 3.324 | (413) | 2.911 | 3.462 | (413) | 3.049 |

The inventories generally consist of material used for maintenance work or the creation of distribution plants. In the latter case the material is reclassified as Tangible Fixed Assets once construction work is completed.

Inventories are entered on the balance sheet under the net devaluation of inventory fund set up in order to adapt their value to the opportunities for their clearance or use.

8. Trade receivables

The following table indicates the amount of account receivables and the relevant adjustment funds at the end of every financial year:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|--|---------------|---------------|
| <i>Trade receivables</i> | | |
| Trade receivables | 1.412 | 1.681 |
| Receivables for invoices to be issued | 3.878 | 4.779 |
| Trade receivables from parent companies | 37 | 33 |
| (Allowance for doubtful receivables) | (234) | (90) |
| (Provision of gas revenues) | 0 | (1.464) |
| | 5.093 | 4.939 |
| <i>Trade receivables from controlled companies</i> | | |
| Trade receivables from controlled companies | 8.687 | 14.339 |
| Trade receivables | 13.781 | 19.277 |

The changes in the provision for doubtful accounts in the periods under consideration are analysed below:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|---|------------|------------|
| Opening allowance for doubtful receivables | 90 | 90 |
| Provisions | 144 | 0 |
| Utilisations | 0 | 0 |
| Closing allowance for doubtful receivables | 234 | 90 |

The changes in the provision for gas revenues for each related period are analysed below:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|---|-------------------|-------------------|
| Opening provisions of gas revenues | 1.464 | 1.505 |
| Provisions | 0 | 1.464 |
| Utilisations | (1.464) | (1.505) |
| Closing provisions of gas revenues | 0 | 1.464 |

Account receivables are fully represented by receivables from Italian customers. These are reported net of deposits of invoicing received on all those due within the next year, and include receivables relating to heat division assets, gas transport service on secondary networks for sellers external to the Group.

The receivables from subsidiaries equal to Euro 8.687 thousands, are mainly represented by invoices to be issued to Ascotrade S.p.A. for conveyance and service contracts for a total of Euro 8.663 thousands. The decrease of Euro 5.652 thousands of receivables from subsidiaries, is mainly due to the different invoice timing of conveyance in the year 2008, as compared with 2007.

On the 31 December 2007 the value of receivables decreased, also in the gas proceeds fund made up of the appropriated surplus occurring due to the tariffs system introduced by resolution no. 237/00 by the Authority for Electrical Energy and Gas, starting from July 1st, 2001, for gas distribution activities and supply to clients in the fixed market. The above-mentioned tariffs system provides for a downwards trend in tariffs by increasing consumption brackets, applicable over the thermal year, which for 2007 runs for the period between 1 October 2007 and 30 September 2008. During the preparation of the consolidated balance sheet for 31 December 2007 it was deemed necessary to earmark Euro 1,464 thousands of the gas proceeds fund in order to standardize the profit margin from gas distribution over administrative financial periods including over the thermal year.

During the writing of accounting sheets as of 31 December 2008, the company proceeded with the complete release of this allocation.

During the year, there have been provisions to the reserve for doubtful accounts equal to Euro 144 thousands to adjust receivables to their presumed value of realisation. The allocation results to be necessary because during the year the number of natural gas seller that works on the distribution network has been growing considerably.

9. Other current assets

The value of other current assets at the end of each related period are analysed below:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|---|-------------------|-------------------|
| Receivables due from Asco Holding S.p.A. | 2.094 | 394 |
| Annual prepaid expenses | 97 | 66 |
| Advances to suppliers | 374 | 207 |
| Annual accrued income | 8 | 5 |
| Receivables due from Cassa Conguaglio Settore Elettrico | 2.791 | 946 |
| VAT receivables | 242 | 726 |
| Other receivables | 1.494 | 1.299 |
| Other current assets | 7.100 | 3.643 |

The ‘Other current assets’ refers primarily to annual prepaid expenses and credits claimed on the Electrical Sector Adjustment Fund, relating to the energy saving initiatives put in place.

‘Other current assets’ at year end amount to Euro 7.100 thousands, with an increase equal to Euro 3.457 thousands as compared with the previous year. The change is mainly due to the increase of “Receivables to Equalization Fund of the Electric Sector” for Euro 1.855 thousands, to the increase of the receivable matured by the parent company Asco Holding S.p.A. within the framework of the national fiscal consolidated subscribed by the companies of the Group with Asco Holding S.p.A. equal to Euro 2.094, partially counterbalanced by the use of VAT receivable for Euro 484 thousands.

During the year the company re-classified the advanced payment for the preliminary agreement to sell for the purchase of offices in Treviso in the “area Appiani” between tangible assets, for which a total financial cost of Euro 3.070 thousands is forecasted, net of transfer expenses.

In the voice “Other receivables” the first inscription of receivable to former shareholders of the companies Edigas Due S.r.l. and Edigas Distribuzione Gas S.r.l. is present and equals Euro 700 thousands. It is the result of contractual agreements for the acquisition of the same companies and it find correspondence in the first inscription of a payable of an equal amount between current liabilities.

10. Current financial assets

The value of other current financial assets at the end of each related period are analysed below:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|---|--------------|----------------|
| Receivables | | |
| <i>- Controlled companies</i> | | |
| Ascotrade S.p.A. intercompany account | 6.240 | 110.957 |
| Estenergy S.p.A. intercompany account | 0 | 0 |
| ASM Distribuzione Gas S.r.l. intercompany account | 678 | 0 |
| Global Energy S.r.l. intercompany account | 16 | 140 |
| Ascenergy S.r.l. intercompany account | 19 | |
| Dividends | 0 | 0 |
| <i>- Subsidiary companies</i> | | |
| Le Cime Servizi S.r.l. intercompany account | 673 | 0 |
| Total current financial assets | 7.625 | 111.097 |

Receivables for current financial activities mainly refer to the solid of the inter-company current account to the subsidiary company Ascotrade S.p.A..

The change equal to Euro 103.472 as compared with 2007 is mainly due to the restitution of funds borrowed to the subsidiary company Ascotrade S.p.A. equal to Euro 104.717 thousands and to the joint control company Estenergy S.p.A for Euro 140 thousands, partially counterbalanced by the registering of loans to other subsidiary companies for Euro 1.336 thousands.

11. Tax receivables

The value of tax receivables at the end of each related period is analysed below:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|------------------------|------------|------------|
| IRAP receivables | 11 | 121 |
| Tax receivables | 11 | 121 |

The item includes residual receivables from accounts IRAP paid, less taxes attributable to fiscal year 2008.

12. Cash and cash equivalents

Cash and cash equivalents at the end of each related period are analysed below:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|--|-------------------|-------------------|
| Bank and post office deposits | 495 | 7.138 |
| Cash and cash equivalents on hand | 7 | 4 |
| Total cash and cash equivalents | 502 | 7.142 |

The change as compared with the previous year is equal to Euro 6.640 thousands, the detailed analysis of the change is reproduced in the scheme of financial statement.

Bank deposits are on call.

Shareholders' equity

13. Shareholders' equity

The composition of net equity at the end of each related period is analysed below:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|----------------------------|-------------------|-------------------|
| Capital and reserves | 332.755 | 339.805 |
| Net income for the year | 20.306 | 17.457 |
| Total net assets | 353.061 | 357.262 |

Ascopiave S.p.A.'s share capital as of 31 December 2008 comprises 234.411.575 shares of a face value of Euro 1.00. The previous year's profit was allocated for Euro 216 thousands to the Legal Reserve, to an Extraordinary Reserve for Euro 3.053 thousands and for the remaining Euro 14.189 thousands distributed to shareholders.

Composition of shareholders equity:

| Structure of the net assets (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|--|-------------------|-------------------|
| Share capital | 234.412 | 233.334 |
| Company's own shares | (5.301) | (637) |
| Legal reserve | 46.882 | 46.667 |
| Retained earnings | 50.172 | 51.247 |
| Other reserves | 12.371 | 14.930 |
| Interim dividend | (5.780) | (5.736) |
| Net income(loss) for the year | 20.306 | 17.457 |
| Total net assets | 353.061 | 357.263 |

Here follows the reasoning behind the changes to the shareholders' equity that have taken place during the year.

The company, at the moment of its quotation in Stock Exchange, forecast a free assignment of shares (so-called bonus shares) to investors that maintained for at least one year the shares property at the moment of IPO.

On the date of 17 January 2008 the specialist communicated the number of free shares to be assigned to those who have the right. The company has consequently deliberated the increase of share capital equal to Euro 1.078 thousands.

The increase of share capital has been recorded on the register of enterprises of Treviso on 29 January 2008.

During 2008, with the shareholders' approval 2007 balance sheet, the company provided the increase of legal reserve for an amount of Euro 216 thousands, and to increase the other reserves for an amount of Euro 6.563 thousands using the income of 2007 not distributed to shareholders.

During 2008, the acquisition of own shares involved a number of ordinary shares equal to 9.097.500 for a value of Euro 13.564 thousands. In the same period, the agreements made for the payment of the acquisition of the shares of Asm Distribuzione Gas S.r.l. and Asm Servizi Energetici e Tecnologici S.r.l. led to the sale of 5.571.284 ordinary shares for a value of Euro 8.887 thousands to the company Asm Rovigo S.p.A.. We would point out that the conditions of sale of the ordinary shares of Asm Rovigo S.p.A. have generated in 2008 a capital loss compared to purchase values of own shares equal to Euro 13 thousands, net asset accounted.

Therefore, the own shares total movement during 2008 has been increasing for an amount equal to Euro 4.664 thousands.

We would like to point out that the shareholders' meeting on 22 December 2008 deliberated the new plan of own shares purchase, with a duration of 18 months, and the possibility of the purchase of own shares with a maximum of 10% of share capital, in accordance with law 2357 of C.C..

On 19 September 2008, the Board of Directors approved the distribution of the deposit on dividends, in accordance with article 2433-*bis*, paragraph 5 of the Civil Code, of Euro 0.025 per share. Dividend warrants were realised on 10 November 2008, bringing about the payment of dividends for Euro 5,780 thousands.

Changes in capital in 2008 are shown in the following schedules:

Reconciliation between number of shares in circulation as of 31/12/2007 and 31/12/2008

| (Number of shares) | 31/12/2008 | 31/12/2007 |
|---------------------------------|-------------------|-------------------|
| Common shares | 234.412 | 233.334 |
| Company's own shares | (3.907) | (379) |
| Total circulating shares | 230.504 | 232.955 |

(thousands of Euro)

| Value of circulating shares | 31/12/2008 | 31/12/2007 |
|------------------------------------|-------------------|-------------------|
| Common shares | 234.412 | 233.334 |
| Company's own shares | (5.301) | (637) |
| Total circulating shares | 229.110 | 232.697 |

We would point out that the overall value of the own ordinary shares, Euro 5.301 thousands, has been reported for the share part related to the face value (Euro 3.907 thousands) reducing the face value of the capital issued, and for the remainder reducing the other reserves.

We point out that as of 16 March 2009 the company owns in its portfolio n. 5.316.191 own shares.

With reference to that stated by art. 2427-*bis* of the Civil Code, here follow schedules showing the origin, possible use and distributable nature of the items comprising the shareholders' equity:

| | Amount | Possibility of utilization | Retention quotas | Three previous years | |
|---|---------|----------------------------|------------------|----------------------|--------------|
| | | | | Losses coverage | Other |
| Share capital | 234.412 | - | - | | |
| CAPITAL RESERVES | | | | | |
| Bonus share reserve | | A | - | | |
| Share premium reserve | 50.172 | A, B, C | 50.172 | | |
| Revaluation reserve | | A, B | - | | |
| INCOME RESERVES | | | | | |
| Legal reserve | 46.882 | B | | | |
| Surplus reserve | | A, B, C | - | | |
| Free reserve | | A, B, C | - | | |
| Other reserves | 12.371 | A, B, C | 12.371 | | 6.348 |
| Income (losses) brought forward from previous years | | | | | |
| Total | | | 62.543 | | 6.348 |
| Not retention quotas | | | | | |
| Retention quotas | | | 62.543 | | |

Legend: "A" increase of capital, "B" losses coverage "C" distribution to partners

BONUS SHARE

On 5 July 2006, the Meeting resolved to increase the Share Capital by payment in the form of subscription under public offer for subscription, offering, as incentive, the assignment of a bonus share.

This incentive specified that those adhering to the Public Purchase 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 increase in capital aimed at the issue of the additional shares must take place by 31 December 2008.

The Meeting specifies that "The funds necessary to pay for the Additional Shares will derive from a special fixed reserve fund set up specifically for this purpose and as such unavailable for any other use than that specified hereafter, by means of the provision of a part of the total price paid by the subscribers to the Public Offer".

On 17 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 Treviso Companies' Register on 29 January 2008.

Non current liabilities

14. Reserves for risks and charges

The provisions for risk and charges for each related period are shown in the following table:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|---------------------------------------|------------|------------|
| Other reserves for risks and charges | 7 | 18 |
| Reserves for risks and charges | 7 | 18 |

The changes in the provision for the related period are analysed in the following table:

| (thousands of Euro) | |
|--|-----------|
| Other provisions for risks and charges as of 31 December 2007 | 18 |
| Provisions for risks and charges | 0 |
| Utilization of other provisions for risks and charges | 11 |
| Provisions for risks and charges as of 31 December 2008 | 7 |

The heading 'reserves risks and charges' includes primarily budgeted amounts for liabilities considered probable that could emerge from the judicial proceedings in progress. The allocation was estimated with the support of company's legal advisors.

15. Provisions for pensions and similar commitments

The changes in the severance indemnities for the related period are analysed in the following table

| (thousands of Euro) | | |
|---|-------------------|--------------|
| Severance indemnity as of | 31/12/2007 | 1.443 |
| Payments | | (629) |
| Cost of current services and work | | 545 |
| Previous actuarial losses(profits) recorded | | (13) |
| Actuarial losses(profits) recorded | | 51 |
| Severance indemnity as of | 31/12/2008 | 1.397 |

The actuarial evaluation of severance indemnity is accomplished on the basis of method “matured benefits”, through the Projected Unit Credit Method as forecast by IAS 19. This method consists in evaluation that express the average current value of pension bond matured according to the service that the employee gave as of the date of the evaluation, non projecting employee’s retribution according to normative of recent social security reform. The method of calculation can be summarized with these phases:

- Projection for each employee at the date of evaluation of the severance indemnity matured till the aleatory date of payment.
- Determination for each employee of probable severance indemnity payments, that should be done by the company in case of employee’s leaving for firing, dismissal, inability, death and retirement and also in case of anticipated payments requests.
- Discounting, at the date of evaluation, of each probable payment.

The actuarial model for the evaluation of severance indemnity is based on different hypothesis, both of demographic and economic-financial type. The main hypothesis of the model are:

- mortality rate: survival table ANIA IPS55
- invalidity rate: INPS tables year 2000
- personnel rotation rate: 3,00%
- discounting rate: 4, 5%
- increase in remuneration rate: 3%
- inflation rate: 2%
- anticipation rate: 2%

The use actuarial techniques for the individuation of severance indemnity in accordance with IFRS, at the end of 2008

implied the record of a cost equal to Euro 51 thousands.

In accordance with IAS19 we point out the cost for plan at definite contribution that is equal to Euro 533 thousands.

The use of actuarial techniques for the individuation of severance indemnity in accordance with IFRS, at the end of 2008 implied the record of a cost equal to Euro 51 thousands.

In accordance with IAS19 we point out the cost for plan at definite contribution that is equal to Euro 533 thousands.

16. Medium/long-term loans

Medium/Long-term loans at the end of each related period are analysed in the following table:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|---|--------------|--------------|
| Medium/long-term loans | | |
| Loans from Cassa Depositi e Prestiti repayable between 2008 and 2016 at a fixed interest rate periodically renegotiated | 4.957 | 6.648 |
| Loans from Cassa Depositi e prestiti repayable within 2009, at a fixed interest rate of 6% | 0 | 39 |
| Total medium/long-term loans | 4.957 | 6.687 |
| Less: current portion of medium/long-term loans | (1.074) | (1.732) |
| Total medium/long-term loans | 3.883 | 4.954 |

Medium/long-term loans refer to residual liabilities to the Cassa Depositi e Prestiti S.p.a. equalling Euro 4.957 thousands, of which Euro 3.883 thousands non-current share, subscribed against investments in extension works to the gas distribution networks. This overall payable is made up of various payables positions towards the above mentioned institution, with due dates falling between 2009 and 2016 and with fixed rates between 6% and 7,5%;

Medium/Long-term maturity loans for the year are analysed in the following table:

| (thousands of Euro) | 31/12/2008 |
|-------------------------------------|--------------|
| Financial year 2009 | 1.058 |
| Financial year 2010 | 851 |
| Financial year 2011 | 663 |
| Financial year 2012 | 571 |
| Beyond financial year 2012 | 1.815 |
| Total medium/long-term loans | 4.957 |

The reductions in funding result in the regular payment of instalments for the financial year.

18. Deferred tax liabilities

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

| Type | 31 December 2008 | | | 31 December 2007 | | |
|---|-----------------------|----------|---------------|-----------------------|----------|---------------|
| | Temporary differences | Tax rate | Total effect | Temporary differences | Tax rate | Total effect |
| -IRES amortisation surpluces | 38.303 | 27,5% | 10.533 | 39.899 | 27,5% | 10.972 |
| -severance indemnities | 217 | 27,5% | 60 | 268 | 27,5% | 74 |
| -goodwill deducibility for tax purposes | 9.433 | 31,4% | 2.962 | 7.765 | 31,4% | 2.438 |
| -other | 0 | 31,4% | 0 | 18 | 31,4% | 6 |
| -IRAP amortisation surpluces | 36.982 | 3,9% | 1.442 | 39.899 | 3,9% | 1.556 |
| Deferred tax liabilities | | | 14.998 | | | 15.046 |

The heading 'deferred tax liabilities' contains primarily the deferred tax liabilities allocated to temporary differences in the tax base between tax laws and balance sheet values, relative to the amortisation surpluses of tangible fixed assets and of the goodwill for tax purposes. The calculation of deferred taxation made reference to the IRES (company earnings tax) rate and, where applicable, to the IRAP (regional business tax) rate applicable at the time when the temporary differences are expected to be reversed. Specifically, the rate of 27,5% was used for IRES and 3,9% for IRAP.

Deferred taxation for the year equal to Euro 14.998 thousands are down by Euro 48 thousands.

Current liabilities

19. Amounts due to the bank and current portion of medium/long-term loans

Short-term borrowings from banks are analysed in the following table:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|--|---------------|----------------|
| Amounts due to banks | 52.059 | 105.594 |
| Current portion of medium/long-term loans | 1.074 | 1.732 |
| Total amount due to banks and current portion of medium/long-term loans | 53.134 | 107.327 |

Short-term payables to banks is made of accounting balance debtor to credit institution and the short-term quote of loans.

The decrease in bank exposure for Euro 54.193 thousands as compared with 31 December 2007, has been mainly obtained by the diminution of debtor balances towards credit institutes.

The following schedule shows the allocation of Ascopiave S.p.A. credit lines utilised and available and relative rates applied as of 31 December 2008:

| (thousands of Euro) | | Max credit | Interest rate as of 31/12/2008 | Utilization as of 31/12/2008 |
|--|-----------------------------|----------------|--------------------------------|------------------------------|
| Lender | Type of line of credit | | | |
| Banca Antonveneta | Bank credit | 5.000 | 4,13% | - |
| Banca di Credito Cooperativo delle Prealpi | Bank credit | 5.000 | 5,89% | - |
| Banca Popolare di Verona | Financing loan | 9.950 | | - |
| Banca di Trento e Bolzano | Financing loan | 10.000 | | - |
| Banca di Trento e Bolzano | Bank credit | 3.000 | | - |
| Banca Popolare di Vicenza | Bank credit | 35.000 | 4,89% | 21.641 |
| Banca Popolare Friuladria | Bank credit | 17.000 | 3,63% | 5.122 |
| Unicredit Corporate Banking | Loans 18/12/2008-23/01/2009 | 46.680 | 3,48% | 25.000 |
| Total | | 131.630 | | 51.763 |

20. Accounts payable

Accounts payable at year end amount to Euro 8.602 thousands, as compared with the Euro 9.745 thousands of the

previous year, showing a decrease of Euro 1.143 thousands.

21. Other current liabilities

The "Other current liabilities" item at the end of each related period is analysed in the following table:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|--|---------------|---------------|
| Customer advances | 5.373 | 6.880 |
| Amounts due to parent company for tax consolidation system | 0 | 0 |
| Amounts due to social security institutions | 574 | 566 |
| Amounts due to employees | 1.433 | 1.600 |
| VAT payables | 0 | 0 |
| Amounts due to revenues for withholding tax at source | 364 | 430 |
| Annual deferred income | 97 | 31 |
| Annual accrued expenses | 1.526 | 1.089 |
| Amounts due to A.S.M. S.p.A. | 0 | 8.887 |
| Amounts due to Acegas-APS S.p.A. | 0 | 1.325 |
| Amounts due to Edigas Due srl e Edigas Distribuzione partners' | 700 | 0 |
| Other payables | 479 | 247 |
| Total other current liabilities | 10.547 | 21.055 |

Customer advances

Clients payments on account represent the amounts paid by the clients as contribution to works of allotments and connection, current as of the year end.

Amounts due to parent company for tax consolidation system

In the year ended on 31 December 2008, payment of tax deposits for Euro 7.967 thousands as compared with the payables for direct taxes matured during the year equal to Euro 5.975 thousands, has led to the total extinction of the item.

Amounts due to social security bodies

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

Amounts due to employees

The amounts due to employees for untaken vacation, deferred remuneration and bonuses earned relate to the vacation accumulated by 31 December 2008 but not yet taken at the reference date.

Accrued expenses and deferred income

Accrued liabilities are mainly referred to fees matured on state owned property concessions.

Amounts due to A.S.M. S.p.A.

The change of the debt to Asm Rovigo S.p.A. is due to the payment of the payable for the purchase of the quotes of the companies Asm Distribuzione Gas S.r.l. and Asm Servizi Energetici e Tecnologici S.r.l.. In 2008, therefore, Euro 8.887 thousands have been paid for the transfer of own shares.

Amounts due to Acegas-APS S.p.A.

The change of the debt, for Euro 1.325 thousands, is due to the complete fulfilment of the residual payable to Acegas-APS S.p.A., for the regulation of the price for the purchase of shares of company Estenergy S.p.A., because of conditional contract clause subscribed by Ascopiave S.p.A..

Amounts due to members of Edigas Due S.r.l. ed Edigas Distribuzione Gas S.r.l.

The first registration of the debt due to former shareholders Edigas Due S.r.l and Edigas Distribuzione Gas S.r.l., equal to Euro 700 Thousands, is the result of agreements for the acquisition of the companies themselves, which find correspondence in the first registration of a credit of the same amount between Current activities.

Other payables

The residual value of other payables equal to Euro 479 thousands is due to payables to welfare institutes for personnel contributions estimated as of 31 December 2008.

Benefits based on financial instruments

The group acknowledges additional benefits to the President of Ascopiave S.p.A., to the President and vice president of Ascotrade S.p.A. and to some employees holding important positions within the Group, through payment plans based on financial instruments.

In particular, the plans adopted by the Group include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the reaching of pre-set objectives, and the financial regulation of which is based on the trend of the share title (so-called phantom stock option).

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

| (in thousands of Euro) | 2008 | 2007 |
|---|------|------|
| Costs deriving from transactions with payments based on shares, regulated with cash on hand | 62 | 0 |
| Total costs | 62 | 0 |

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

The adoption of the Plan is aimed at providing incentive to loyalty of Group directors and employees holding more important positions, and who are therefore more directly responsible for company results.

The Presidents of the Board of Directors of Ascopiave S.p.A. and Ascotrade S.p.A., the Vice President of Ascotrade S.p.A. and the chosen employees of Ascopiave S.p.A. and Ascotrade have been selected as beneficiaries of the incentive Plan - at the sole judgement of the Board of Directors of Ascopiave, on proposal by the Emoluments Committee - amongst the subjects charged with the strategically relevant roles within, respectively, Ascopiave and Ascotrade, with a view to creating value. All managers and directors are included in the list of employees to benefit from the plan.

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

for the specific purpose of the Plan.

The Options are allocated in two tranches, respectively the 'Options of the First Tranche' for a maximum number of 2,333,340 Options, and the 'Options of the Second Tranche' for a maximum number of 2,333,340 Options. The Options of the First Tranche serve mainly as incentives, in that the exercise of these options by the Beneficiary is subject to the reaching of certain results in terms of EBITDA 2007 and 2008 targets of Ascopiave and Ascotrade (respectively for the Ascopiave Beneficiaries and Ascotrade Beneficiaries). With regards to the Options of the First Tranche, the performance objectives have been pre-set separately for Ascopiave and Ascotrade. As such, the Ascopiave Beneficiaries may exercise their options following the reaching by Ascopiave of the performance objectives assigned it, and Ascotrade Beneficiaries may exercise their options following the reaching by Ascotrade of the performance objectives assigned it. These options will become Exercisable Options as from 30 June 2009. The Options of the Second Tranche have, instead, a loyalty function, as their exercise is marked by the simple completion of terms specified in the Regulations and maintenance of the Working Relationship or Administrative Relationship. The Options of the Second Tranche allocated to each Beneficiary will mature, by effect of the expiry of the terms and maintenance of the Working or Administrative Relationship, thereby becoming Exercisable Options:

- 10% of the Options of the Second Tranche, as of 30 June 2009;
- 15% of the Options of the Second Tranche, as of 30 June 2010;
- 20% of the Options of the Second Tranche, as of 30 June 2011;
- 25% of the Options of the Second Tranche, as of 30 June 2012;
- 30% of the Options of the Second Tranche, as of 30 June 2013.

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

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

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

First tranche options

| | 2008 | 2008 (PMPE) |
|--|----------------|--------------------|
| | (n.) | |
| Circulating as of 01/01/2008 | 2.180.000 | 1,909 |
| Alloted during the year | - | - |
| Cancelled ¹ | | |
| Unusable ² | | |
| Exertised during the year | 1.660.000 | 1,908 |
| Overdue during the year | - | - |
| In circulation as of 31 December 2008 | 520.000 | 1,911 |

Not assignable as of 31 december 2008 - *First tranche options* ³ 18.340

Second tranche options

| | 2008 | 2008 (PMPE) |
|--|------------------|--------------------|
| | (n.) | |
| Circulating as of 01/01/2008 | | - |
| Alloted during the year | 2.333.000 | 1,315 |
| Cancelled ¹ | - | - |
| Exertised during the year | - | - |
| Overdue during the year | - | - |
| In circulation as of 31 December 2008 | 2.333.000 | 1,315 |

Not assignable as of 31 december 2008 - *Second Tranche options* ⁴ 340

- (1) These options have been extinguished, in that they can no longer be exercised following termination of the working relationship and/or other reasons (e.g. renunciation by the relevant party).
- (2) These are options no more allotable, because EBTDA 2007 objectives were not achieved by Ascopiave S.p.A..
- (3) These are options of the First Tranche not allocated as of 31 December 2007, and therefore can no longer be allocated, in accordance with the Regulations.
- (4) These are options of the Second Tranche not allocated as of 31 December 2008, and therefore can no longer be allocated, in accordance with the Regulations.

As of 31 December 2008 the so-called *First Tranche Options* assigned to Ascopiave S.p.A. Beneficiaries result not allotable because EBTDA 2007 objectives were not achieved.

During 2008 the Boards of Directors, following the suggestion of the Committee for remuneration, proceeded with the assignment of total 2.333.000 Second Tranche Options to Chairmen of the Boards of Directors of Ascopiave S.p.A. and Ascotrade S.p.A., and also to Ascopiave and Ascotrade executives.

Net financial position

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

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|---|-----------------|------------------|
| A Cash and cash equivalents | 7 | 4 |
| B Other liquidities | 495 | 7.138 |
| C Shares owned for the negotiation | 0 | 0 |
| D Liquidity (A) + (B) + (C) | 502 | 7.142 |
| E Current financial credits | 7.625 | 111.097 |
| F Current bank borrowings | (52.060) | (105.594) |
| G Current portion of non-current borrowings | (1.074) | (1.732) |
| H Other financial current liabilities | 0 | (10.212) |
| I Current financial borrowings (F) + (G) + (H) | (53.134) | (117.539) |
| J Current financial net borrowings (I) - (E) - (D) | (45.007) | 701 |
| K Non-current loans | (3.883) | (4.954) |
| L Bonds issued | 0 | 0 |
| M Other non-current liabilities | 0 | 0 |
| N Non-current financial borrowings (K) + (L) + (M) | (3.883) | (4.954) |
| O Net financial borrowings (J) + (N) | (48.889) | (4.253) |

Ascopiave S.p.A.'s net financial position as of 31 December 2008 is equal to Euro 48.889 thousands.

We point out that short and long term bank loans do not provide for covenants or negative pledges.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS**Revenues***22. Revenues*

The following table shows the increase in revenues in the years under consideration:

| (thousands of Euro) | 31 December 2008 | 31 December 2007 |
|--|-------------------------|-------------------------|
| Revenues from gas conveyance | 43.164 | 40.067 |
| Revenues from gas sales | 0 | 10.504 |
| Revenues from connection services | 6.937 | 8.055 |
| Revenues from heat supply services | 4.241 | 3.778 |
| Revenues from distribution services | 5.038 | 6.431 |
| Revenues from billing and tax services | 437 | 224 |
| Revenues from joint venture services | 3.466 | 3.576 |
| Revenues from AEEG contributions | 2.751 | 945 |
| Other revenues | 880 | 1.341 |
| Total revenues | 66.914 | 74.920 |

Revenues in 2008 are equal to Euro 66.914 thousands and compared to 2007 revenues, equal to Euro 74.920 thousands, they decrease of Euro 8.006 thousands reporting a percentage change of 10%.

Revenues from gas conveyance have increased by Euro 3.097 compared to 2007. The increase is mainly due to the increase of volumes which go from 762,2 million cubic metres of fiscal year 2007 to 789,5 million cubic metres of 2008 or a increase of 27,2 million cubic metres representing a percentage variation of 3,6 % and by the increase of the average natural gas distribution tariff, which goes from Euro cents 52,5 of 2007 to Euro cents 54,67 of 2008, with a percentage variation of 4%.

Revenues from gas sale in 2008 increased of Euro 10.504 thousands as a consequence of the passage of this activity to the subsidiary Ascotrade S.p.A..

Income for connections to the gas distribution network undergo a change of 14% in the year, going from Euro 8.055 thousands for 2007 to Euro 6.937 thousands for 2008, due to the decrease in the number of new users connected to the network, going from 10,500 to 8,200.

Revenues for heat supply show an increase of 12% going from Euro 3.778 thousands to Euro 4.241 thousands.

Revenues from distribution services sustained a decrease of 22% going from Euro 6.431 thousands for 2007 to Euro 5.038 thousands in 2008. This is due to the diminution of payments for network development and tangible transfers.

Contributions for AEEG taxes concern contributions distributed by the AEEG for the recognition of energetic savings objectives. These contributions increased of Euro 1.806 thousands compared to 2007, as a consequence of the increase of the objectives stated by the AEEG in 2008.

Other revenues of Euro 880 thousands refer mainly to extraordinary incomes that go from Euro 1.133 thousands of

2007 to Euro 539 thousands of 2008 and for other residual revenues and proceeds.

Operating expenses

23. Costs for gas purchases

Costs for gas purchases for resale abroad

The following schedule shows the costs referred to the purchase of raw materials during the fiscal years being reviewed:

| (thousands of Euro) | 31 December 2008 | 31 December 2007 |
|------------------------------------|------------------|------------------|
| Purchase of natural gas for resale | 0 | 10.364 |
| Total cost of gas purchases | 0 | 10.364 |

24. Costs of raw material

The following schedule shows the costs referred to the purchase of raw materials during the fiscal years being reviewed:

| (thousands of Euro) | 31 December 2008 | 31 December 2007 |
|-----------------------------------|------------------|------------------|
| Purchase of natural gas | 1.391 | 1.275 |
| Purchase of GPL and gasoil | 28 | 115 |
| Purchase of other material | 1.912 | 1.520 |
| Total cost of raw material | 3.330 | 2.910 |

The cost for raw materials include mainly the cost for fuels used in the gas distribution stations and heat supply service beside costs of materials used in maintenances of the distribution network.

25. Costs for services

Cost of services is analysed in the following table:

| (thousands of Euro) | 31 December 2008 | 31 December 2007 |
|---|------------------|------------------|
| Costs for meter reading | 801 | 734 |
| Postage and telegraph costs | 458 | 331 |
| Maintenance and repairing | 1.848 | 1.520 |
| Consulting services | 1.533 | 1.772 |
| Commercial services and advertisements | 150 | 178 |
| Different consumers | 1.424 | 1.250 |
| Directors' and Statutory Auditors' fees | 649 | 725 |
| Insurances | 261 | 220 |
| Payroll and related costs | 470 | 549 |
| Other managing expenses | 691 | 923 |
| Costs for use of third part assets | 2.271 | 1.790 |
| Total services costs | 10.555 | 9.992 |

2008 costs for services amount to Euro 10.555 thousands, as compared with Euro 9.992 thousands for 2007, showing an increase of 6%. The increase, equal to Euro 563 thousands, is mainly due to the increase in costs of use of third part assets for Euro 481 thousands, and to maintenance and repair costs for Euro 328 thousands, partially counterbalanced by the diminution of Directors' and Statuary Auditors' fees. The change in costs for the use of third party assets is

mainly due to the increase for Euro 420 thousands of concession charges paid to local bodies. The increase in concession charges is due to the signing with local concession bodies of agreements aiming to increase the duration of the concessions.

Cost for business services and advertisement include charges for activities of market surveys and advertisement campaigns.

Labour costs include costs for automobiles assigned to employees, cost for cafeteria service and costs for personnel training and development. .

Other operating costs include various day-to-day operating expenses (costs for business trips, cleaning, security, etc.).

26. Personnel costs

The cost of services is analysed in the following table:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|--|-------------------|-------------------|
| Wages and salaries | 8.577 | 8.224 |
| Social security contributions | 2.699 | 2.773 |
| Severance indemnities | 596 | 570 |
| Other costs | 21 | 21 |
| Payroll and related costs | 11.893 | 11.588 |
| Capitalized payroll and related costs | (1.681) | (1.551) |
| Total payroll and related costs | 10.212 | 10.037 |

Labour cost is shown less the capitalised costs based on increases of internal works. The increase equal to Euro 175 thousands compared to 2007 is due to the increase recognised with the renewal of labour contracts.

| Type | 31/12/2008 | 31/12/2007 |
|------------------------------------|-------------------|-------------------|
| Executives | 11 | 8 |
| Office workers | 158 | 159 |
| Blue collar workers | 93 | 95 |
| Average number of employees | 262 | 262 |

27. Other operating costs

Other operating expenses are analysed in the following table:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|------------------------------------|-------------------|-------------------|
| Provision for risks on credits | 144 | 0 |
| Membership fees and AEEG | 1.792 | 1.527 |
| Capital losses | 613 | 611 |
| Out-of-period expenses | 0 | 0 |
| Other taxes | 1.188 | 1.171 |
| Other costs | 2.013 | 935 |
| Cost of contracts | 1.525 | 1.853 |
| Total other operating costs | 7.274 | 6.097 |

Other operating costs go from Euro 6.097 thousands for 2007 to Euro 7.274 thousands for 2008, with an increase of 19%. They relate to associative contributions paid to the AEEG, to other taxation and to costs for contracts.

Other costs mainly comprise cost for vehicle fuel, for energy efficiency certificates linked to the contribution recognised by the Electrical Sector Adjustment Fund with reference to the energy saving objective for 2008, for the purchase of

various materials, consumable materials and stationery. The increase of other costs for Euro 1.078 thousands is mainly due to the increase of energetic savings objectives established by the Electrical Sector Adjustment Fund for 2008 for Euro 622 thousands and to the prize of energetic efficiency recognised to A.S.M. Servizi Energetici e Tecnologici S.r.l. for Euro 423 thousands.

28. Other operating income

Other operating expenses are analysed in the following table:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|-------------------------------------|------------|------------|
| Out-of-period incomes | 0 | 0 |
| Other incomes | 60 | 15 |
| Total other operating income | 60 | 15 |

29. Amortizations

Depreciation and amortisation for the related period are analysed in the following table:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|---|---------------|---------------|
| Intangible fixed assets | 158 | 178 |
| Tangible fixed assets | 11.401 | 11.169 |
| Total depreciation and amortizations | 11.560 | 11.346 |

2008 amortizations amounts to Euro 11.560 thousands, showing an increase of Euro 214 thousands as compared with the previous year.

Financial income and expenses

30. Net financial income and expenses

Net financial expense for the related period is analysed in the following table:

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|--|----------------|----------------|
| Interest income on bank and post office accounts | (48) | (1.985) |
| Other interest income | (28) | (20) |
| Dividends distributed by joint companies | (5.026) | 0 |
| Interest income from joint companies | (3.704) | (1.643) |
| Other financial income | 21 | 0 |
| Financial income | (8.826) | (3.648) |
| Interest expense on banks | 3.933 | 180 |
| Interest expense on mortgage loans | 468 | 612 |
| Other financial expense | 6 | 130 |
| Financial expense | 4.407 | 922 |
| Total net financial expenses | (4.419) | (2.725) |

The modification of the financial position, due to significant investments performed for the acquisition of holdings in companies operating in the natural gas field and the increase of rates of interest applied to payables to banking institution, implied a considerable increase of financial costs.

Financial incomes include Euro 3.602 thousands interest receivables concerning the current account of correspondence

with the subsidiary Ascotrade S.p.A., and Euro 5.026 thousands for dividends from companies of the Group:

Ascotrade S.p.A. for Euro 4.247 thousands;

Estenergy S.p.A. for Euro 741 thousands;

ASM Servizi Energetici e Tecnologici S.r.l. for Euro 38 thousands.

Taxes

31. Income taxes of the period

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

| (thousands of Euro) | 31/12/2008 | 31/12/2007 |
|---------------------------|--------------|--------------|
| IRES current taxation | 5.886 | 8.503 |
| IRAP current taxation | 1.454 | 1.466 |
| (Advance)/Deferred taxes | 815 | (512) |
| Total income taxes | 8.156 | 9.456 |

While the following schedule shows the effect of taxes on income:

| (thousands of Euro) | 2008 | 2007 |
|--|--------------|--------------|
| Income before taxes | 28.461 | 26.914 |
| Income taxes | 8.156 | 9.456 |
| Percentage of income before taxes | 28,7% | 35,1% |

The incidence of taxes on the pre-tax income goes from 35.1% for 2007 to 28.7% for 2008.

| (thousands of Euro) | 2008 | | 2007 | |
|-----------------------------------|---------------|--------------|---------------|--------------|
| Ordinary tax rate applicable | 27,5% | | 33% | |
| PRE-TAX RESULTS | 28.461 | | 26.914 | |
| Theoretical IRES tax charge | 7.827 | 27,5% | 8.882 | 33,0% |
| Non-deductible costs effect | (1.057) | -3,7% | (891) | -3,3% |
| Effective IRES tax charge | 6.770 | 23,8% | 7.991 | 29,7% |
| IRAP (current and deferred) | 1.386 | 4,9% | 1.466 | 5,4% |
| Total effective tax charge | 8.156 | 28,7% | 9.457 | 35,1% |
| Effective rate | 28,7% | | 35,1% | |

The change in the tax rate is mainly due to the effect of the decrease in tax rates under law n. 244/2007

Non-recurring components

In accordance with CONSOB communication 15519/2005, we would report that there are no non-recurring economic components reported in the financial statements as of 31 December 2008.

Other information about the individual financial statement

Information on related parties

In compliance with art 2497-*bis* of the Italian Civil Code, we notify that the Company is a subsidiary of Asco Holding S.p.A.

Operations with the Group companies are carried out at fair market values. There aren't any other operations carried out during fiscal year with companies and entities referable to Shareholders or administrators or holding or subsidiary companies.

| Company | 31/12/2008 | | | | 2008 | | | | | |
|---|-------------------|-------------------|------------------|----------------|--------------|--------------|------------|----------|---------------|--------------|
| | Trade receivables | Other receivables | Accounts Payable | Other payables | Expense | | | Revenues | | |
| | | | | | Assets | Services | other | Assets | Services | other |
| Controlling companies | | | | | | | | | | |
| Asco Holding S.p.A. | 37 | 2.094 | - | - | - | - | - | - | 33 | - |
| Total controlling | 37 | 2.094 | - | - | - | - | - | - | 33 | - |
| Subsidiary companies | | | | | | | | | | |
| Ascotrade S.p.A. | 8.663 | 6.240 | 1.232 | - | 1.391 | 1.193 | - | - | 44.512 | 3.602 |
| Global Energy S.r.l. | 17 | 19 | - | - | - | - | - | - | 19 | 12 |
| Le Cime Servizi S.r.l. | 4 | 673 | - | - | - | - | - | - | 5 | 23 |
| Etra Energia S.r.l. | 3 | - | - | - | - | - | - | - | 4 | 1 |
| ASM DG S.r.l.Unipersonale | - | 678 | - | - | - | - | - | - | - | 10 |
| Edigas Esercizio Distribuzione Gas S.r.l. | - | - | - | - | - | - | - | - | - | - |
| Edigas Due S.r.l. | - | - | - | - | - | - | - | - | - | - |
| AscoEnergy S.r.l. | - | 19 | - | - | - | - | - | - | - | - |
| Companies under joint control | | | | | | | | | | |
| ASM SET S.r.l. | - | - | 152 | - | - | - | 423 | - | 5 | - |
| Estenergy S.p.A. | - | - | - | - | - | - | - | - | 2 | 57 |
| Total controlling | 8.687 | 7.629 | 1.384 | - | 1.391 | 1.193 | 423 | - | 44.547 | 3.705 |
| Associate companies | | | | | | | | | | |
| Asco Tlc S.p.A. | 20 | - | 118 | - | - | 395 | - | - | 71 | - |
| Seven Center S.r.l. | - | - | 203 | - | - | 300 | - | - | 1 | - |
| Mirant Italia S.r.l. | - | - | - | - | - | - | - | - | - | - |
| Total associate companies | 20 | - | 321 | - | - | 694 | - | - | 72 | - |
| Total | 8743 | 9723 | 1704 | - | 1391 | 1887 | 423 | - | 44652 | 3705 |

Revenues from the subsidiary Ascotrade S.p.A. and residual credits at end 2008, refer mainly to conveying service supplied by Ascopiave S.p.A..

Receivables from Asco Holding S.p.A. for Euro 394 thousands include receivables deriving from the adhesion to the contract of national tax consolidation relating to the debt matured for taxes relating to the year ended on 31 December 2008. Costs for services to the associated company Asco TLC S.p.A. refer to the hire charges of the servers. The revenues from the same are generated by a gas supply contract and from service contracts stipulated between the parties.

Earnings per share

As requested by accounting principle IAS 33, we furnish the information on the data used for the calculation of the earning per share and diluted.

The earning per share is calculated as net profit of the period divided the number of shares. We point out that no preferred dividends, preferred shares conversion and other similar effects exist, that should rectify the economic result assignable to owners of ordinary capital tools.

Earning diluted per share is equal to that per share because no ordinary shares exist that could have a diluting effect, and no shares or warrant exist that could have the same effect.

Here follows the results and number of ordinary shares used for the calculation of earnings per share in the periods considered.

| | 2008 | 2007 |
|---|-------------|-------------|
| Average number of shares | 234.411.575 | 233.334.000 |
| Net result of the Group (thousands of Euro) | 20.305.936 | 17.457.424 |
| Net result per share (Euro value) | 0,09 | 0,07 |

Remunerations paid to administrators for fiscal year 2008

Following are reported the salaries matured for the Administrators and Auditors for the offices fulfilled by the same in Ascopiave S.p.A..

| Individual | Charge | Duration of office | From | To | Annual remuneration | Annual remuneration from controlled companies | Total |
|----------------------|--------------------------------|--------------------|------------|------------|---------------------|---|----------------|
| Salton Gildo | Chairman of Board of Directors | 2005-2007 | | 28/04/2008 | | | |
| Beninatto Alfonso | Independent adviser | 2005-2007 | | 28/04/2008 | | | |
| Bortolin Gianantonio | Adviser | 2005-2007 | | 28/04/2008 | 16.667 | | 16.667 |
| Trinca Flavio | Independent adviser | 2005-2007 | | 28/04/2008 | | | |
| Bresolin Ferruccio | Independent adviser | 2005-2007 | | 28/04/2008 | 16.667 | | 16.667 |
| Salton Gildo | Chairman of Board of Directors | 2008-2010 | 28/04/2008 | | 262.580 | 6.000 | 262.580 |
| Beninatto Alfonso | Adviser | 2008-2010 | 28/04/2008 | | 50.000 | | 50.000 |
| Bortolin Gianantonio | Adviser | 2008-2010 | 28/04/2008 | | | | |
| Trinca Flavio | Independent adviser | 2008-2010 | 28/04/2008 | | 52.000 | | 52.000 |
| Fassina Alessandro | Independent adviser | 2008-2010 | 28/04/2008 | | 33.333 | | 33.333 |
| Total | | | | | 431.247 | - | 431.247 |

Remunerations paid for the Board of Directors

| Individual | Charge | Duration of office | From | To | Annual remuneration | Annual remuneration from controlled companies | Total |
|-------------------|-------------------------------|--------------------|------------|------------|---------------------|---|----------------|
| De Luca Lino | Chairman of Board of Auditors | 2005-2007 | | 28/04/2008 | 60.157 | | 60.157 |
| Visentin Graziano | Statutory auditor | 2005-2007 | | 28/04/2008 | 40.803 | | 40.803 |
| Sforza Fabio | Statutory auditor | 2005-2007 | | 28/04/2008 | 40.642 | | 40.642 |
| Terin Gaetano | Chairman of Board of Auditors | 2008-2010 | 28/04/2008 | 13/11/2009 | 24.267 | | 24.267 |
| Nicolai Paolo | Chairman of Board of Auditors | 2008-2010 | 13/11/2009 | | 3.467 | | 3.467 |
| Sforza Fabio | Statutory auditor | 2008-2010 | 28/04/2008 | | 18.720 | | 18.720 |
| Saccardi Giuliano | Statutory auditor | 2008-2010 | 28/04/2008 | | 18.720 | | 18.720 |
| Total | | | | | 206.775 | - | 206.775 |

Remunerations for strategic Directors

| Individual | Charge | Duration of office | Total |
|--------------------|-----------------------------|---------------------|----------------|
| Gumirato Roberto | Chief financial Officer | Open-ended contract | |
| Favaro Giovanni | Chief Technology Officer | Open-ended contract | |
| Belliato Cristiano | Managing Director | Open-ended contract | |
| Bignucolo Giacomo | Management Control Director | Open-ended contract | |
| Total | | | 564.270 |

Fees for the Auditing Company

In accordance with art. 149-*duodecies* of the Consob Issuer Regulations, we have shown the amounts due for 2008 for auditing, and for those other than the auditing carried out by the auditing company. No services have been provided by entities belonging to its network.

(thousands of Euro)

| Type of service | Supplier | Receiver | Wages |
|-----------------------|------------------------------|--------------------|------------|
| Accountant Auditor | Reconta Ernst & Young S.p.A. | Ascopiave S.p.A. | 189 |
| | | controlled company | 38 |
| Certification service | Reconta Ernst & Young S.p.A. | Ascopiave S.p.A. | 32 |
| | | controlled company | 1 |
| Advisory service | Reconta Ernst & Young S.p.A. | Ascopiave S.p.A. | 126 |
| | | controlled company | |
| Total | | | 387 |

Commitments and risks

Surities given

The company has provided the following potential sureties as of 31 December 2008:

- Euro 9.730 thousands on the carrying out of works;
- Euro 70 thousands to participate in calls for tenders to supply methane;
- Euro 17 thousands for commercial lease contracts;
- Euro 154.616 thousands for sureties on credit lines.

Legal proceedings

As of 31.12.2008, three claims are pending before the Veneto TAR, presented by Ascopiave S.p.a in regards to resolutions implemented by the licensing municipalities (the municipalities of Galliera Veneta, Tezze sul Brenta, and Tombolo) in reference to the duration of concessions, and five claims against calls for tenders published by the municipalities (those of Costabissara, Santorso, Marano Vicentino, Isola Vicentina and Castello di Godego), for the choice of the new public gas distribution operator service.

On 5 November 2008 the TAR of Veneto with ordinance n. 860 of 2008 accepted Ascopiave S.p.A.'s demand of suspension with object the determination of definite adjudication to another operator of gas distribution service in the municipal area of Isola Vicentina.

On 9 December 2008 the definite adjudication of the tender for gas distribution in the municipality of Casteggio for 12 years to Ascopiave S.p.A. has been published on the G.U.C.E..

Risks coverage politics

Management of financial risks: objectives and criteria

The main financial liabilities of Ascopiave S.p.A. include bank loans, hire contracts with purchase options, and short-term at sight bank deposits. The main aim of these liabilities is to finance operative activities. Ascopiave S.p.A. has

various financial assets, such as accounts receivable and cash and short-term deposits, that derive directly from the operative activities. We would point out that accounts receivable such as financial receivables, are mainly due from the subsidiary Ascotrade S.p.A..

The main risks generated by Ascopiave S.p.A. financial instruments are the interest rate risk, the liquidity risk and the credit risk. The Board of Directors re-examines and agrees policies for managing said risks, as summarised hereto.

Interest rate risk

Ascopiave S.p.A.'s exposure to the risk of change in market interest rates is mainly connected to the loans taken out with credit institutes with variable interest rates, as the Company is charged with managing financial requirements of the subsidiaries.

Ascopiave S.p.A.'s policy, depending on the seasonality of the natural gas business cycle, aims to manage the need for cash by means of temporary loans at variable rates, that given their constant change, do not make it possible to suitably cover the interest rate risk.

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

We would point out that as Ascopiave S.p.A.'s exposure to the bank system is generated by financial receivables from the subsidiary Ascotrade S.p.A., regulated by conditions on rates in line with the market of reference, the interest rate risk is transferred to the subsidiary.

Receivables risks

The activity of natural gas distribution does not lead to significant receivables risks, in that the main creditor is the subsidiary Ascotrade S.p.A., and the supply of services relating to the construction of networks or management of such are all subject to advance payment.

Liquidity risks

Ascopiave S.p.A. constantly pursues maintenance of balance and flexibility of financing sources and uses, acting as Group treasury manager.

The two main factors influencing liquidity of Ascopiave S.p.A. are on one hand the resources generated or absorbed by the operative or investment assets, on the other hand the expiry characteristics and debt renewal.

Division according to expiry, as of 31 December, of financial debts is reported at note 19.

Liquidity requirements are monitored by the treasury function of Ascopiave S.p.A. with a view to guaranteeing an efficient recovery of financial resources, or a suitable investment of any available funds.

The directors believe that the funds and loans currently available, apart from those generated by operative or financing assets will allow them to meet requirements deriving from investment, management of circulating capital and reimbursement of debts at natural expiry.

Management of capital

The primary objective of the management of Ascopiave S.p.A. capital, is to guarantee that a solid credit rating is maintained, and suitable levels of capital indicator. Ascopiave S.p.A. can adapt the dividends paid to shareholders, reimburse capital or issue new shares.

Ascopiave S.p.A. checks its capital by means of a debt/capital ratio, i.e. comparing the net debt to the total of the capital plus the net debt. Group policy aims at keeping this ratio between 20% and 35%.

Ascopiave S.p.A. includes financial charges, accounts payable and other liabilities in the net liabilities, net of liquid funds and equivalent.

| (thousands of Euro) | | |
|--|-------------------|-------------------|
| | 31/12/2008 | 31/12/2007 |
| Medium/long-term loans | (3.883) | (4.954) |
| Loans from banks at net of equivalents on hand | (52.632) | (114.469) |
| Financial gross debit | (56.515) | (119.423) |
| Share capital | (234.412) | (233.334) |
| Reserves | (98.343) | (106.471) |
| Net result not distributed | (20.306) | (17.457) |
| Net assets | (353.061) | (357.262) |
| Total capital and gross debit | (409.576) | (476.685) |
| Relation between debt/net assets | 0,16 | 0,33 |

Credit risks politics

The company exclusively works with notorious and reliable clients. The company always submits clients who ask for post-ponable payments condition to procedures of verification of the relative credit class. Besides, the balance of receivables is monitored during the year in a way that the amount of the expositions at loss is not significant. Finally, in case of new clients and operant in countries outside European Union, the company usually demands and obtains letters of credits or anticipated payments.

Coverage politics concerning risks linked to fluctuations of interest rates

The company is exposed to the risk of interest rate fluctuation mainly in relation to short-term payables.

Subsequent events

Constitution of Asco Suisse

On 27 February 2009, Ascopiave constituted Asco Suisse S.A., company of Swiss law with headquarter in Lugano. The aim of the company is that of carrying out an activity of distribution and sale of gas within the Swiss territory. Ascopiave owns 100% of Asco Suisse as only holder.

Acquisition of Veritas Energia

On 29 January 2009 Ascopiave perfected the acquisition of 51% of the company Veritas Energia S.r.l., active in gas and electric energy sale in the province of Venice. The operation allows the Group to further reinforce its leadership in the natural gas sector in Veneto and accomplishing another important step in the aggregation process, in force in the North-East of Italy.

The agreement was announced on December 2nd 2008.

Concessions

On 21 January 2008 the appeal against the municipality of San Vito di Leguzzano has been deposited by the TAR of Veneto, appeal regarding the cancellation of the council resolution of 30 September 2008 n. 45 with object: “ term of actual concession and directions for the commitment through tender in the form of contracted procedure of natural gas distribution service in the municipal area”.

On 28 January 2008 the Tar of Veneto, with ordinance n. 143 of 2009, accepted Ascopiave request for the suspension concerning the determination of definite assignment of gas distribution service in the municipal area of Marano Vicentino to another operator and the determination of the Tender Commission. The Administrative Judge fixed the treatment of the cause on the merits on 21 May 2009.

On 6 March 2008 the appeal against the municipality of Arosio for the cancellation of the deliberation of the town executive board (5 December 2008) with object “gas concession to Ascopiave extension ope legis” has been notified.

On 13 March 2008 the assignment of gas distribution service in the municipality of Trebaseleghe with a duration of 12 years to Ascopiave has been published on the Official Gazette.

Synthesis of the financial year 2008 of the companies proportionally consolidated

(Amounts referred to participation pro-quotas)

| (millions of Euro) | Estenergy S.p.A. 48,999% | A.S.M. set S.p.A. 49% |
|---|-----------------------------|--------------------------|
| INCOME STATEMENT | | |
| Revenues from sellings | 126,3 | 13,3 |
| Gross operative margin | 1,4 | 0,3 |
| % on net revenues | 1,1% | 2,5% |
| Amortizations and depreciations (-) | 0,0 | 0,1 |
| Operative result | 1,4 | 0,3 |
| Net result of the period | 0,7 | 0,2 |
| BALANCE SHEET | | |
| Total activities | 61,2 | 5,7 |
| Net assets | 1,7 | 0,5 |
| Net financial liabilities/(liquidities) | 7,2 | 0,9 |

Pieve di Soligo, 16 March 2009

The Chairman of the Board of Directors
Dott. Gildo Salton