

**E.S.T.R.A. S.p.A.**

Consolidated financial statements as of and for the year  
ended December 31, 2013

Independent auditors' report  
pursuant to art. 14 of Legislative Decree n. 39 dated 27  
January 2010  
(Translation from the original Italian text)

**Independent auditors' report  
pursuant to art. 14 of Legislative Decree n. 39 dated 27 January 2010  
(Translation from the original Italian text)**

To the Shareholders of  
E.s.tr.a. S.p.A.

1. We have audited the consolidated financial statements of the E.s.tr.a. Group as of December 31, 2013 and for the year then ended. The preparation of these financial statements in compliance with the Italian regulations governing financial statements is the responsibility of E.s.tr.a. S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated April 26, 2013.

3. In our opinion, the consolidated financial statements of the E.s.tr.a. Group as of December 31, 2013 have been prepared in accordance with the Italian regulations governing financial statements; accordingly, they present clearly and give a true and fair view of the financial position and the results of operations of the E.s.tr.a. Group for the year then ended.
4. The Directors of E.s.tr.a. S.p.A. are responsible for the preparation of the Management Report in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Management Report with the financial statements, as required by the law. For this purpose, we have performed the procedures required under auditing standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Management Report is consistent with the consolidated financial statements of the E.s.tr.a. Group as of December 31, 2013.

Firenze, April 29, 2014

Reconta Ernst & Young S.p.A.

Signed by: Lorenzo Signorini  
Partner

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

E.S.TR.A. S.p.A.

Registered office in Via Ugo Panziera, 16 - 59100 PRATO (PO)  
Share capital € 205,500,000.00 fully paid-in  
Tax identification no. and Prato Register of Companies no. 02149060978,  
Economic Administrative Index no. 0505831

## CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

### OFFICERS

#### Board of Directors

*Chairman* Roberto Banchetti  
*C.E.O.* Alessandro Piazzi  
*General Manager* Paolo Abati

#### Board of Statutory Auditors

Athos Vestrini (*Chairman*)  
Saverio Carlesi  
Marco Tanini

#### Independent Auditors

Reconta Ernst&Young S.p.A.

## E.S.T.R.A. S.p.A.

Registered office in Via Ugo Panziera, 16 - 59100 PRATO (PO)

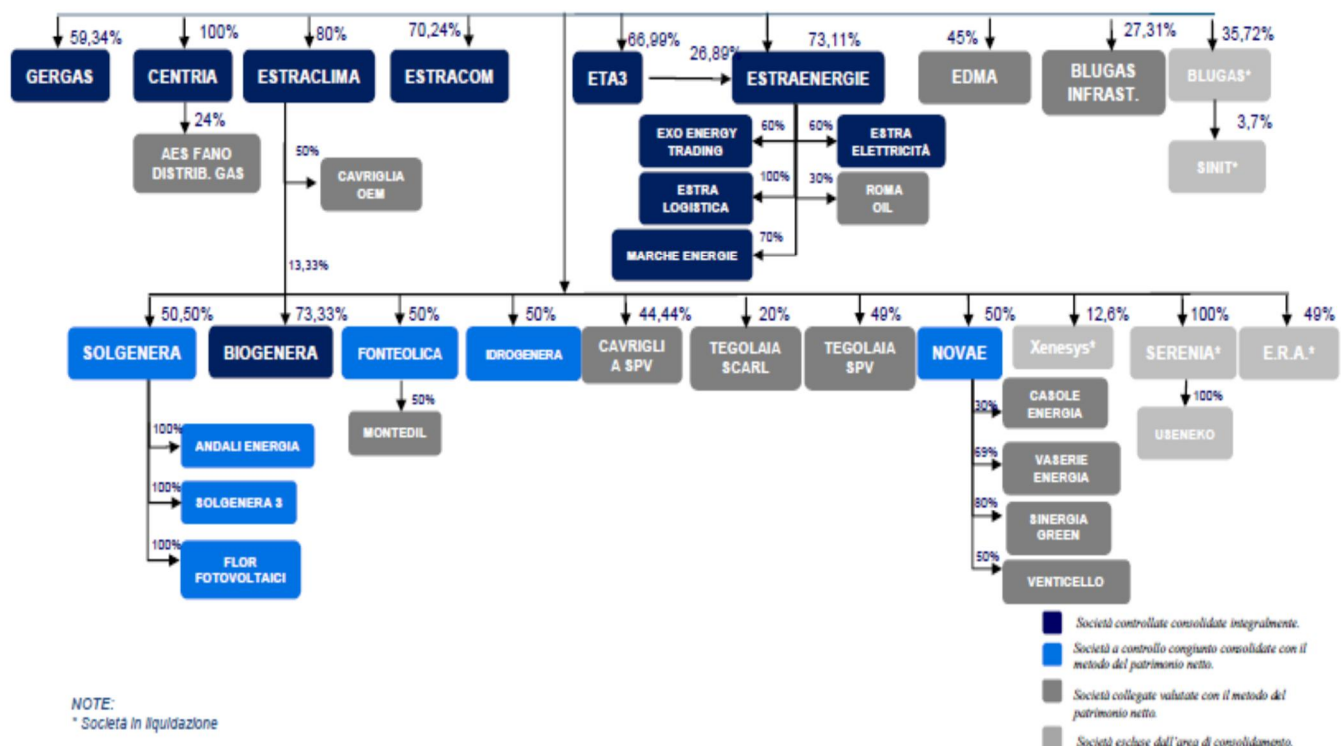
Share capital € 205,500,000.00 fully paid-in

Tax identification no. and Prato Register of Companies no. 02149060978, Economic Administrative Index no. 0505831

### Management Report on the Consolidated Financial Statements as of 31/12/2013

#### STRUCTURE OF THE GROUP AND SCOPE OF CONSOLIDATION

The Group, coordinated by the parent company E.S.T.R.A. S.p.A., can be represented by the following diagram which shows the companies included in the consolidation and indicates the consolidation method used. For an analysis of changes during the year in the scope of consolidation, please see the Explanatory Notes.



#### Scenario

Despite the slowing growth rate compared to 2012, in 2013 the global economy remained in positive territory. The latest estimates by Prometeia - the leading Italian forecasting agency - suggest a 2013 global GDP growth rate of 2.9% and a 2.1% growth rate for international trade.

As regards the emerging economies, the Asian markets decelerated in 2013 but showed signs of speeding up again in the second half of the year, especially in China and India. Also slowing were Latin America (particularly Mexico and Brazil) and the Middle East and North African countries, whilst sub-Saharan Africa accelerated. The overall trend of emerging countries, though lower than that seen in the first decade of the century until the crisis hit, remains higher than that of the advanced countries, acting as an important driver for the world economy.

Among the advanced countries, the United States recovery in 2013 remained solid, though lower than that of the previous year as a result of wage increases, the increase in household spending power originating from the lower inflation and of improvement in the employment rate. Production investments, however, seemed to be still below pre-crisis levels. According to forecasts, the US recovery will gain strength in 2014.

Though confirming the recovery triggered by expansive monetary policies, in the second half of the year Japan's growth slowed considerably due to the negative trend in net foreign demand, especially from the emerging Asian markets, which cancels out the positive contributions from public investments and stockpiling. Business investments seem to

have flattened and household consumption is slowing.

As regards Europe, the UK has consolidated its recovery despite the drop in exports resulting from limited domestic demand in the Euro Area.

For the latter, the major countries in the Euro Area have recorded different performances: Germany's performance remained positive, France's difficulties are increasing and Spain is showing a recovery. Portugal and Ireland's prospects, on the other hand, have improved despite these countries being still heavily affected by structural problems. On the whole, Euro Area GDP for 2013 closed in negative territory (-0.4% according to the latest estimates), which in addition to the problems of certain core countries (France and the Netherlands in particular): reflect the persisting restrictions on access to credit, especially in the peripheral countries; the strength of the Euro, which penalises exports; property market imbalances that inhibit economic recovery, both directly by holding back construction and property services, and indirectly by reducing the disposable income of households and consequently the trend for consumer spending; and especially the high level of unemployment.

With regard to Italy, 2013 closed with a decrease in GDP estimated at -1.8%. In the fourth quarter, however, Italy seemed to come out of the recession, recording a positive growth rate after nine consecutive months of declining economy. Towards the end of the year, in fact, there was an improvement in business and household confidence; the decline in household spending, particularly marked in the last 3 years, eased somewhat; industrial production started to increase again; exports prospects seem to be good, despite the rather dull performance of 2013, but also imports in volume terms are forecast to increase, reflecting an improvement in the domestic demand trend. Signs are still negative, however, on the credit market, where the credit crunch has continued with no sign of easing, and on the job market where there are no imminent signs of a recovery in employment levels.

The Euro/dollar rate in 2013 had an average annual value of 1.33 USD per Euro, up 3.3% compared to the yearly average in 2012 of 1.29 USD per Euro. The appreciation of the Euro, concentrated largely in the fourth quarter, was the result of the slight economic recovery in the Euro Area. Considering the close of business exchange rates in detail, we see a more limited fluctuation than the previous year, with values ranging from a minimum 1.28 USD per Euro (1.21 USD per Euro in 2012) achieved towards the end of March, and a peak value of 1.38 USD per Euro (1.35 USD per Euro in 2012) reached at the end of December.

### TRENDS IN THE ENERGY MARKET

As regards oil prices, in 2013 the market recorded an annual average of 108.7 USD per barrel, down 2.6% on the annual average for 2012 (111.7 USD per barrel). The first quarter of the year was characterised by relatively high prices, the annual peak of 118.9 USD per barrel being reached in February, followed by a collapse in prices in the second quarter with the minimum value of 97.7 USD per barrel seen in April. Then in the last two quarters of the year the official prices remained relatively stable with a monthly average of around 110 USD per barrel. For the fundamentals, global demand and supply conditions indicate that the oil market can rely upon a fairly extensive supply, though prices have remained quite high also because of serious interruptions to supply recorded in various OPEC countries, particularly Libya and Iraq. Again as regards the supply side, 2013 was also characterised by US market growth which, as has happened in the past for gas, amounts imported from other countries exceeded the national production (of shale oil) in June.

The oil price in Euro instead saw a stronger decline compared to 2012 due to the Euro's appreciation against the dollar.

	2013	2012	% change
Price of oil USD/bbl (1)	108.7	111.7	(2.6%)
USD/Euro exchange rate	1.33	1.29	3.3%
Price of oil Euro/bbl	81.9	86.9	(5.7%)

(1) Brent IPE

Price decreases were seen across the board in practically all the key energy raw materials. Gasoil depreciated by 3.6%, falling from an average 953 USD/MT to 920 USD/MT, and fuel oils saw an even stronger decline (-8.5% for low sulphur oil, -6.2% for high sulphur oil). Coal prices also saw a heavy decrease, particularly in the price of API2 coal which dropped by 11.8% compared to the previous year.

While at the Virtual Trading Point (PSV) in Italy the spot prices recorded a 2.8% decrease, at the TTF hub - in a similar manner to other continental gas prices - instead rose by around eight percentage points. Consequently the spread between the Italian and foreign gas prices has narrowed considerably, from 4 Eurocents/scm to 1.1 Eurocents/scm.

The demand for natural gas in Italy in 2013 dropped by 6.4% compared to the previous year to reach 69.5 billion cubic metres, a total reduction of approximately 4.8 billion cubic metres.

These dynamics are mainly attributable to the steep drop in the use of thermoelectric energy by approximately 4.1 billion cubic metres (-16.5% on 2012). Domestic consumption was also down slightly (-0.5 billion cubic metres; -1.4% on 2012), as was industrial consumption (-0.2 billion cubic metres; -0.9% on 2012).

The drop in the use of thermoelectric energy in 2013 is due not only to the decline in electricity demand, but also to the strong increase in the production of electricity from renewable sources, resulting from the higher rainfall in the first three months of the year and from the new wind and photovoltaic installations.

Billion/m <sup>3</sup>	2013	2012	% change
Services and private use	30.5	31	(1.4%)
Industrial use	16.9	17.1	(0.9%)
Thermoelectric use	20.6	24.7	(16.5%)
Consumption and system losses	1.5	1.6	(7.1%)
Total demand	69.5	74.3	(6.4%)

*Source: 2012 data and preliminary 2013 data from Snam Rete Gas and the Ministry of Economic Development and estimates by Edison.*

With regard to procurement sources, the following were recorded in 2013:

- national production down on 2012 (-0.7 billion cubic metres; -8.1%);
- gas imports lower than the previous year (-6.1 billion cubic metres; -9.0%);
- distribution from the balance of stocks for around 0.5 billion cubic metres.

As regards the monthly indexed gas price, the trend was affected by the drop in levels for the Brent, gasoil and fuel oils, which are all included in the basket used in the formula. Comparison with 2012 shows an annual decline in the Gas Release 2 formula of 7.5% compared to 2012. The monthly PSV price performance shows a trend strictly linked to climatic factors, with cold spells seen between the end of March and the first few days of April 2013, then between the end of November and the beginning of December. Following the launch of the new gas balancing segment, G-1, on 14 November 2013, very high balancing prices formed that have indirectly also driven PSV gas prices upwards. The new G-1 segment allows operators to make buy and sell bids on additional flexible resources (imports) compared to gas held in storage. In this segment, as the entity responsible for balancing, Snam Rete Gas can procure the flexible resources necessary to cover the overall estimated imbalance in the system.

On the residential market, in 2013 the CCI tariff component (wholesale marketing tariff) underwent a series of indexing changes, gradually transferring from total indexing to crude prices and derivatives towards gas spot indexing. Specifically, based on Resolution 124/2013/R/GAS, 20% indexing to the TTF gas spot prices was introduced from April 2013. Then from the 2013-2014 thermal year, based on Resolution 196/2013/R/GAS, it was increased to 100%. Comparison with the previous year, therefore, is not fully representative.

## REFERENCE REGULATORY FRAMEWORK

The following are the main points of the major areas involved in the regulatory changes during 2013 affecting the various business areas.

### Trading and sales

Protection review: on 5 July 2013 through Resolution 280/2013 the Authority issued provisions covering the recommendations of the "Del Fare" Decree, converted to Italian Law no. 98 of 9 August 2013, amending the scope of application of the gas protection service. Only domestic customers and apartment blocks with annual consumption up to 200,000 scm are now eligible for protection.

Reform of the natural gas CCI (wholesale marketing tariff): as envisaged in the Liberalisation Decree (Law Decree 24 January 2012), the Authority defined a gradual reform of the economic terms for the protection service in order to adjust natural gas reference prices for vulnerable customers to European values. In the first phase, April 2013-September 2013 (Resolution 124/2013/R/gas) the tariff structure already in force was maintained with an increase from 5% to 20% spot indexing for the raw material component (QE). In particular, the QE amount was calculated using a formula weighted as 80% of the PTOP pricing index (aligned to price levels for Take or Pay contracts) and 20% of the PMKT index (TTF market price). From 1 October 2013 (Resolution 196/2013/R/gas) calculation of the gas raw

material refers only to spot market prices. Pending completion of the operational start-up of the gas exchange, with definition of benchmark products and significant liquidity, prices on the Dutch TTF hub (Title Transfer Facility) will continue to be used as reference. The reform also introduced a mechanism for promoting the renegotiation of long-term gas contracts. With participation optional, the mechanism was designed to meet transitional costs deriving from the above reform as incurred by the sales company and depending on the composition of its procurement portfolio. This mechanism should act as a firm guarantee for protected customers if, in the next three years, market prices should prove higher on average than the average procurement costs for long-term contracts. Based on the difference between spot prices and long-term contract prices, the mechanism recognises an initial amount (the APR component) to operators, calculated on the difference between the aforementioned prices. In the event of a price inversion, or if the long-term prices should prove lower than spot prices, the initial amount could be reduced, cancelled out or even become negative.

Italy-Austria joint guidelines on day-ahead capacity allocation: The AEEGSI and E-Control (the Austrian regulator) approved the joint guidelines envisaging that from 1 April 2013 the allocation of continuous and discontinuous day-ahead capacity products, in both directions, through the Italy-Austria interconnector in Tarvisio. The guidelines aim to anticipate implementation of the ENTSOG (European Network of Transmission System Operators for Gas) Network Code, approved by Regulation (EC) 984/2013 of 14 October 2013, which introduces harmonised rules for capacity allocation at the interconnection points between EU countries. In accordance with the Network Code, capacity will be allocated through daily auctions to be held on the European PRISMA Platform. Users affected by capacity are called upon to offer a bonus compared to the basic auction price calculated as the sum of transport tariffs on both sides of the interconnector, and the allocation algorithm envisages that awarded users pay the marginal price.

Gas emergency plan and the preventive action plan: the Ministry for Economic Development decree of 19 April 2013 was published (in Italian Official Gazette no. 113 of 16 May 2013), approving the preventive action plan and the gas emergency plan pursuant to art. 8, paragraph 1 of Legislative Decree 93/2011, in compliance with the provisions of EU Regulation 994/2010 on gas supply security. The part of the plan referring to non-market measures was later integrated by the decree of 13 September 2013. To summarise, the Plan is based on three crisis levels - early warning (EWL), alert level and emergency level - established by EU Regulation 994/2010 and triggered, according to the terms and conditions indicated in the plan, every time the systematic control and comparison between availability forecasts, including that distributed from the national storage system and those relating to gas needs, performed daily by the primary carrier through gas balancing transactions, show a critical situation. In application terms, the relevant Authority and the Emergency Technical Committee liaise with the primary carrier. The relevant Authority is then responsible for arranging external disclosure of information regarding application of the Plan to ensure correct function of the system.

### Infrastructures

#### *Award and execution of the distribution service*

It should be remembered that as regards tenders for the award of gas distribution services, the regulatory process for the reorganization of the service concessions has, in the last few months, essentially reached its conclusion, twelve years after issue of the Letta Decree.

On 31 March and 21 April 2011, the geographical areas and the protection decrees were issued for occupational protection, while on 28 October 2011 the decree containing the list of Municipalities comprising each of the 177 minimum geographical areas [ambiti territoriali minimi (ATEM)] was issued. On 1 April 2011, the Decree issued by the Ministry of Economic Development "Defining geographical areas in the natural gas distribution sector," in implementation of art. 46-bis, par. 2 of Law 222/07 and article 30, par. 26 of Law 99/09 entered into effect.

Note that the Decree identifies 177 minimum geographical areas for which a single call for tenders will be held for awarding of the service. The Decree also defines the 11 areas for the Tuscany region as follows (also indicating areas covering municipalities in which Estra holds the concession on distribution services):

1. Massa-Carrara
2. Lucca \*
3. Pistoia \*
4. Florence 1 - City and suburbs of Florence
5. Florence 2 - Province \*
6. Livorno



7. Pisa
8. Arezzo \*
9. Siena \*
10. Grosseto \*
11. Prato \*

\* *minimum geographic areas (ATEMs) which include the Municipalities to which Estra currently provides distribution services*

Estra also holds the concession and/or contract for the distribution service in municipalities covered by the following areas: Teramo (Mosciano Sant'Angelo), Perugia 1 – City of Perugia and the North-West area (Magione and Citerna) and Rieti (Rieti).

On 12 November 2011, decree no. 226 was signed, which contains the "Regulation for the tender criteria and the assessment of the offer for the awarding of the natural gas distribution service, in implementation of article 46-bis of Legislative Decree no. 159 of 1 October 2007, converted into law with amendments from Law no. 222 of 29 November 2007," representing the last step in completing the reform.

The approval of this package of laws prepared by the Ministry of Economic Development together with the Ministry of Regional Affairs is an necessary step in view of future tenders in this area which, pursuant to the Letta Decree and in implementation of the community directives comprised the 3rd Energy Package, must take place through calls for tenders only, given the complete liberalization of the market, in order to ensure a higher level of competitiveness and efficiency among the operators.

Regarding the possibility of declaring new calls for tenders prior to the completion of the new laws, with the aforementioned Legislative Decree no. 93 of 1 June 2011 (3rd Energy Package) and in particular art. 24, par. 4, the legislator has specified that all the calls for tenders have been published (in the case of open procedures) or for which invitations to tenders have been sent (for closed procedures) can be carried out on the basis of the procedures that were applicable on the date they were announced, provided these documents include valuation criteria relative to the offer and the reimbursement value applicable to the exiting operator. Effective retroactively, the law removed the prohibition to announce municipal calls for tenders ratified by the Geographical Areas Decree.

The calls for tenders which are not included in the above from 29 June 2011, the effective date of the decree, must be carried out exclusively for Geographical Area pursuant to art. 46-bis of Law 222 of 2007 and the new criteria applicable, issued with Decree no. 226 of 12 November 2011.

Pursuant to Resolution 77/2012//R/gas of 8 March 2012, the AEEG initiated the procedure for implementation of the obligations attributable to AEEGSI which refer to the Regulation on tender criteria and assessment of bids for the natural gas distribution service. These duties refer to the drafting of the service contract, the definition of criteria for the determination of the consideration for the coverage of the tender expenses and the identification of standard formats and procedures, in addition to the definition of the price list for evaluation of the investments.

With art. 25, par. 9.2 of Law no. 27 of 24 March 2012 (the Liberalization Decree), the legislator amended par. 34 of art. 4 (Adjustment of the laws applying to local public services within the referendum and the EU regulations) of Legislative Decree no. 138 of 13 August 2011, converted with amendments into Law no. 148 of 16 September 2011. In order to eliminate any ambiguities and motivate operators to respond to the call for tenders, with art. 37, paragraphs 1 and 2 of the Legislative Decree no. 83 of 22 June 2012 (the Growth Decree) converted with amendments into Law of 7 August 2012, specified the conditions for participation in these award procedures, guaranteeing access to the calls for tenders announced beginning in 2013 (i.e. the transitional period) for all operators, while calls for tenders announced starting from 2025 (i.e. at full operation) access will be limited to operators that fulfil certain requirements.

With consultation document 433/2012/R/efr of 25 October 2012, the Authority presented its initial guidelines for the definition of the operating procedures for implementation of the Regulation for the call for tender criteria and the assessment of the offer for award of the natural gas distribution service, with reference to the investments for improvement of energy efficiency.

With its resolution 407/2012/R/gas of 13 December 2012, in implementation of the provisions of article 8, par. 1 of the Decree issued by the Ministry of Economic Development no. 226/2011, the Authority defined the criteria for a one time consideration payable for coverage of the expenses for the tender for award of the natural gas distribution service.

By Resolution 532/2012/R/gas of 13 December 2012 the Authority implemented the provisions of art. 4, paragraph 7 of Ministry for Economic Development Decree 226/2011, preparing the technical templates for the transmission of



data on the consistency status of natural gas distribution plants in hard copy, establishing the digital format and the date from which its use becomes mandatory.

For completion of the regulatory process for the new calls for tenders referring to the award and execution of the distribution service, the Service Contract and Price List for assessment of the investments have still to be compiled.

Regarding the Service Contract, DCO 382/2012/R/gas of 27 September 2012 contained the Authority's guidelines for the formulation of a proposal to the Ministry of Economic Development regarding the standard service contract for the distribution of natural gas. The Decree approving this provision is awaited from the Ministry of Economic Development.

In Resolution 113/2013/R/gas the Authority identified the methods for implementing the provisions of paragraph 9.2, Decree no. 226 of 12 November 2011 on tender procedures, and through Decision no. 2/2013 of 7 June 2013 the Infrastructures, Unbundling and Certification Division Manager defined the format for the explanatory note pursuant to point 4 of Resolution 113/2013/R/gas.

With its resolution 230/2013/R/gas the Authority integrated the definition criteria of Resolution 407/2012/R/gas for a one time consideration payable for coverage of the expenses for the tender for award of the natural gas distribution service, in implementation of the provisions of art. 8, paragraph 1 of Ministry for Economic Development Decree 226/2011.

The "Del Fare Decree" defined peremptory terms for identifying the contracting authority and for the publication of invitations to tender, also introducing simplified criteria for selecting the contracting authority.

For cases of non-compliance with these terms, penalty mechanisms were also defined for entities failing to comply, along with substitution powers granted to the Regional Government and, failing which, to the Ministry for Economic Development. Lastly, the decree postponed the deadlines envisaged for the first two area groupings by four months.

At the end of 2013 operators were informed of imminent regulatory changes amending the calculation criteria for the indemnity due to the outgoing operator and tariff-related criteria, with a considerable drop in value of the indemnity and the profitability of gas distribution activities.

These changes were actually enforced by Decree Law 145/2013, published in Official Gazette no. 300 of 23 December 2013. The new criteria for calculating the outgoing operator indemnity, for the first concession period, are no longer those of art. 24, paragraphs a) and b) of Royal Decree no. 2578 of 15 October 1925 (the RIV - Residual Industrial Value), but rather those of art. 14, paragraph 8 of Legislative Decree no. 164 of 23 May 2000 (the RAB - Regulatory Asset Base)

In February 2014, on conversion of Decree Law 145/2013, amendments were introduced regarding the calculation criteria for the reimbursement value of the gas distribution network (paragraph 16), and regarding the advance payment by outgoing operators to the contracting authority of a one-off amount to cover tender procedure costs (paragraph 16-quater). The main aspects of the changes were:

- calculation of the reimbursement value of the network, for aspects not covered by other arrangements, will be made in accordance with future guidance that the Ministry for Economic Development has the power to issue pursuant to art. 4, paragraph 6, Decree Law 69/2013;
- in any event, private contributions must be deducted from the reimbursement value;
- if the reimbursement value is more than 10% higher than the net fixed assets calculated by the Authority for tariff purposes (net of public grants and private contributions), the contracting municipal authority, prior to publication of the invitation to tender, must submit its assessment of the reimbursement value to the Authority;
- if the Authority has comments regarding the reimbursement value to be included in the invitation to tender, the contracting authority must take these into account;
- the current deadlines for area-related tender procedures envisaged in Ministerial Decree 226/2011 (as deferred by Decree Law 69/2013) for the first three groups, are postponed by a further 4 months.

As regards financing of tender-related costs, paragraph 16-quater establishes that:

"outgoing operators shall make advance payment to the contracting authority of the one-off amount to cover tender-related costs (in the amount envisaged by the Authority in Resolutions 407/2012 and 230/2013);

if the area is covered by two or more operators, the amount payable shall be proportionate to the PODs served by each operator in the municipalities in that area;

the amount shall be paid to the contracting authority as an advance payment, and will later be reimbursed with interest by the incoming operator awarded the tender".

Lastly, Decree Law no. 145 of 23 December 2013 ("Destination Italy Decree") was permanently converted with amendments into Law no. 9 of 21 February 2014, published in Official Gazette no. 43.

As a result, the preparation and issue of the guidelines is now expected from the Ministry for Economic Development, together with amendments to the Criteria Regulation (Ministerial Decree 226/2011). By Resolution 93/2014/R/gas of 6 March 2014 the Authority began the process of compiling implementation rules and the addition of further tender-related obligations concerning the award of natural gas distribution services. These measures were defined in addition to those adopted as part of the procedure launched by Resolution 77/2012/R/gas, implementing provisions on the award of distribution service concessions pursuant to art. 4, paragraph 5, Decree Law 69/13).

### *Regulation of the Gas Distribution quality (RQDG)*

In terms of overall sales quality and security of the gas distribution service, it should be remembered that the Authority had initiated a regulatory updating process referring to the quality of the gas distribution and measurement services for the 4th regulatory period (2013-2016) which aimed to sterilize and reduce the economic penalties arising from the method.

An additional significant aspect for which an intervention that would significantly mitigate the effects of the application of the applicable regulations was required, are the incidents that occur on the gas distribution networks. In this case too, the Authority has acknowledged the lack of congruity of the regulation, which applies onerous penalties also for 2013.

To this end, with its resolution 436/2012/R/gas of 25 October 2012, it extended to 31 December 2013 the period for the application of the provisions of the Consolidated Law regulating the quality and tariffs for the gas distribution and measurement services for the regulation period 2009-2012 (TUDG) and issued the amendments ensuing from the provisions of the RQDG:

- reducing by 2/3, in lieu of cancelling, the incentives for 2012 and 2013 for a provincial area in the event of occurrence of a gas accident for which the company is liable in a facility belonging to the provincial area;
- regarding the incentives for the reduction of leaks called in by third parties, the resolution provided that one half of any penalties accumulated within a provincial area in 2012 be deferred to 2013 and in 2013 these deferred penalties can be cancelled if a tendential level for the provincial area is reached that is analogous to the level for the electricity sector;
- provided that the risk containment mechanisms adopted for the two year period from 2012 to 2013 be considered transitional and, in view of the 4th regulation period, must be re-examined, in particular regarding the regulation perimeters to which the incentive regulations will be applied.

It should also be remembered that with Resolution ARG/gas 120/08 "Regulation of the Gas Distribution Quality" (RQDG), the Authority defined the sales quality and security of the gas distribution and measurement services for the 3rd regulatory period (2009-2012).

In particular, it is reiterated that in 2009, after a period of experimentation with motivating enterprises that were more compliant in improving quality in terms of odorization and identification of leaks, a mechanism of bonuses/penalties was implemented that was similar to that already applied in the electricity sector, which in 2010 mandatorily and gradually covered all the distribution companies (the companies with at least 50,000 end customers had the option from 2009 of participating voluntarily in the new incentive schemes).

In 2013, for the sixth consecutive year, on completion of the Authority's controls of security and continuity data for the gas distribution service in reference to 2011, incentives were allocated to the Gas Networks division of Estra for over Euro 1,246,000. The following table shows the amounts paid in the period 2006-2011 for incentives to improve quality in terms of the odorization and detection of gas leaks:

Year	Reference AEEGSI Resolution	Incentive for odorization level controls	Incentive for reducing gas leaks	Total [euro]
2006	ARG/gas 6/08	47,584	346,486	394,070

2007	ARG/gas 16/09	47,635	174,806	222,441
2008	ARG/gas 14/10	57,592	265,387	322,979
2009	ARG/gas 215/10	61,927	409,399	471,326
2010	368/2012/R/GAS	138,331	767,112	905,443
2011	229/2013/R/GAS	140,407	1,106,463	1,246,870
Totals [euro]		493,477	493,477	3,069,652

For 2012 the incentives are expected to total Euro 1,529,830.61, of which Euro 142,341 as the odorization control incentive and Euro 1,387,489.61 for the incentive to reduce gas leaks. The 2012 incentives have not yet been paid to distributors by the Authority. The incentive total expected should therefore be considered an estimate and subject to final calculation on the outcome of investigations by the Authority, and therefore has not yet been recognised to accounts.

By Resolution 229/2013/R/GAS of 30 May 2013, for Estra - now Centria - the Authority recalculated the annual levels for 2011 and 2012. The annual levels were previously determined and allocated by the Authority, along with the initial levels, by Resolution 103/2012/R/Gas of 22 March 2012.

By Resolution 574/2013/R/gas of 12 December 2013 the Authority approved the Regulation of the quality of gas distribution and measurement services for the regulatory period 2014-2019 (RQDG). The consultation that led to issue of the provision was divided into three stages, corresponding to issue of three separate consultation papers:

- 341/2012/R/gas, containing specific objectives and the main lines of action;
- 501/2012/R/gas, containing initial guidance;
- 303/2013/R/gas, containing the final guidance.

The procedure for the quality of gas distribution services, launched with Resolution ARG/gas 64/11, was conducted in parallel with the similar procedure for gas distribution and measurement service tariffs for the same regulatory period, launched with Resolution 44/2012/R/gas. The specific objectives identified by the Authority on security and continuity of the gas distribution service are:

- a) to promote improved security;
- b) to guarantee stability and sustainability of regulatory action;
- c) to avoid deterioration in the levels of security already achieved in certain areas of the country;
- d) to limit the elements of risk for distribution companies;
- e) to increase the level of protection for end customers, also through the reinforcement of controls;
- f) to simplify regulation.

The specific objectives identified by the Authority on sales quality are:

- a) to align regulation with that of the electricity sector;
- b) to increase the level of protection of end customers;
- c) to simplify regulation.

### *Regulation of the tariffs for the gas distribution and measurement services (RTDG)*

As a result of the judicial proceedings that involved Resolution ARG/gas 159/08, and given the delicate phase of sector reorganisation, by Resolution 436/2012/R/gas the Authority extended the period for application of the RTDG provisions for the 3rd regulatory period to 31 December 2013, with certain amendments and additions. These changes, however, had direct implications for the 2013 reference tariffs approved by Resolution 553/2012/R/gas of 20 December 2012. These implications mainly concerned:

- The setting at 2.4% of the annual reduction rate pursuant to paragraph 41.1, (b) the of the RTDG, relative to operating costs for the distribution service, for distributing companies belonging to the class of over 300,000 PoDs (the dimensional class to which Estra belongs);

- 🌀 The setting at 2.8% of the annual reduction rate pursuant to paragraph 41.2 of the RTDG, relative to the operating costs for the sales and measurement services;
- 🌀 Setting at 7.7% of the rate of return on capital invested in the distribution service [WACC(dis)];
- 🌀 Setting at 8.0% of the rate of return on capital invested in the measurement service [WACC(meas)];
- 🌀 Starting from 2013 the setting of operating costs relative to the insulation and maintenance of meters which, as provided in paragraph 3.3 of resolution 28/2012/R/gas, must take into account the additional costs connected to the extension of the obligations for verification of the conversion equipment;
- 🌀 pursuant to the provisions under paragraph 3.7 of Resolution 28/2012/R/gas, the introduction of specific components into the reference tariff is provided, t(tel)t and t(con)t,d, covering the costs related to remote management systems.

In addition to approving the value of the reference tariffs for the natural gas distribution service and the distribution service for gases other than natural gas, with the aforementioned resolution 553/2012/R/gas of 20 December 2012 the Authority approved for 2013:

- 🌀 The value of the mandatory tariffs for the natural gas distribution, measurement and sales service for 2013;
- 🌀 the optional tariffs for gas distribution and measurement services other than natural gas provided through channel networks for 2013;
- 🌀 the bimonthly equalization amounts paid in advance for 2013 (for Estra these amount to Euro 1,022,204.90);
- 🌀 The updating of the values of the tariff component set forth in table 4 (the component covering the operating costs for the distribution service) and Table 5 (components covering the operating costs for the measurement service and for marketing of the distribution and measurement services) of the RTDG;
- 🌀 The value of components relating to the remote management service.

The tariff regulation for the 3rd regulatory period, established by Resolution 159/08 and so valid also for 2013, guaranteed that every operator would achieve the revenues allowed on the basis of recognised costs, expressed by the reference tariffs and the number of PODs served, in effect rendering company revenues independent from the quantity of volumes distributed. The tariff system is therefore characterized by the tariff decoupling which provides for a mandatory tariff differentiated into six tariff areas to be applied per calendar year to the end users of the service and a reference tariff to cover the costs of the distribution, measurement and sales service. This is achieved through an articulate tariff equalization mechanism which allows operators to regulate the differences between their own allowed revenues and the revenue earned by invoicing the sales companies, through the Electricity Equalization Fund (CCSE), resulting from the application of mandatory tariffs determined by the AEEGSI for areas of macro-regional dimensions. The equalization system relates the mandatory tariff to the reference tariff of each distribution company, representing the capital invested and the company's operating costs. The restriction on the revenues allowed, which represent the actual company revenues for the year from distribution and measurement activities, is calculated by multiplying the reference tariff (for each location) by the average number of end customers active during the year (NUA<sub>eff</sub>).

By Resolution 328/2013/R/gas, the Authority recalculated the reference tariffs and optional tariffs for gas distribution and measurement services for the years 2009-2013.

The 2013 tariffs were recalculated for all operators after the value was set for the variation rate associated with changes to recognised costs deriving from unforeseeable and exceptional events, from changes in the regulatory framework and in obligations relating to the global service (the "Y-Factor", applied by the Authority for the first time), to cover incremental costs arising in 2012 from the application of IMU tax (0.1% of costs recognised for that year, with reference to distribution-network management activities; 0.2% for marketing and measurement services).

With regard to the RTDG 2014-2019, it should be remembered that by Resolution 44/2012/R/gas the Authority began the procedure for calculating the new tariffs for the 2013-2016 regulatory period. For the new regulatory period, the Authority set significant general objectives regarding the adequacy, correct cost allocation, higher level of competition and freedom of access to the infrastructures and, above all, objectives that were in line with the deep transformation that the distribution gas sector is going through. In the light of the completion of the regulatory framework for the sector that applies to tenders, the objective of ensuring the existence of a motivating tariff system, with perspectives that supersede the time horizon of the regulatory period is something that operators have been requesting and which, just before the new tenders, is necessary and a deciding factor in order to allow for the assumption of significant strategic decisions on whether to participate and, if appropriate, the extent of the focus on

tenders. This connection with the tariff system is one of the central aspects of the reform, together with other aspects that concern the valuation of the plants and the requirements for participation in the tenders.

In consultation paper 56/2013/R/gas the Authority illustrated its initial guidance on measuring the recognised cost for the purpose of setting the gas distribution and measurement service tariffs for the fourth regulatory period. Consultation paper 257/2013/R/gas completed the framework of guidance on tariffs, with further details of the tariff structure, equalization mechanisms and the reform of connection contributions. In consultation paper 359/2013/R/gas the Authority instead illustrated its final guidance on measuring the recognised cost for the purpose of setting the gas distribution and measurement service tariffs for the fourth regulatory period. A seminar on tariffs and the quality of the gas distribution service in reference to the fourth regulatory period was arranged in October 2013, which illustrated the responses to the consultation paper 359/2013/R/gas. Then in November 2013 the Authority issued a disclosure on gas distribution and measurement tariffs for the fourth regulatory period. Lastly, Resolution 573/2013/R/gas of 12 December 2013 approved the regulation of gas distribution and measurement service tariffs for the regulatory period 2014-2019 in reference to standard or more wide-ranging municipal concessions.

In relation to the treatment of contributions for the purpose of determining capital invested for a given location, paragraph 2.1 of Resolution 573/2013 envisages that public and private funding received from 2012 onwards should be deducted from the value of fixed assets both for the calculation of the return on invested capital and of accrued amortisation/depreciation, and that the fixed assets are lowered by the amount deducted for amortisation/depreciation. Paragraph 2.2 of Resolution 573/2013 goes on to envisage that, with a view to gradual implementation, in relation to the stock of grants outstanding at 31 December 2011 companies can opt between the following two alternative treatments of contributions for the period 1 January 2014-31 December 2019:

1. continue the approach adopted in the third regulatory period whereby contributions not subject to reduction are fully deducted from invested capital, whilst amortisation is calculated gross of contributions;
2. gradual reduction, implemented using the methods indicated in art. 13 of Annex A to Resolution 573/2013.

Paragraph 2.3 of Resolution 573/2013 envisages that distribution companies exercise the option under paragraph 2.2 by 28 February 2014, in accordance with the methods defined by decision of the Manager of the Infrastructures, Unbundling and Certification Division. Then paragraph 2.4 states that if by 28 February 2014 the distribution company has not exercised the option referred to above, the Authority will automatically apply the option pursuant to paragraph 2.2b) of that resolution. By Decision no. 1/14 of 23 January 2014, the Manager of AEEGSI's Infrastructures, Unbundling and Certification Division defined the methods for exercise of the option in paragraph 2.2 on the treatment of public and private funding, which involve a specific online data capture application to be made available in a special section of the Authority's website with access reserved to gas distribution companies. The Authority has set the mandatory deadline for collecting the data as 28 February 2014.

Through consultation paper 53/2014/R/gas issued on 13 February 2014, the Authority issued guidance on tariff regulation for the area managers. This consultation paper states that the Authority considers it appropriate that, following the assignment of new concessions for area services, in reference to the stock of contributions outstanding at 31 December 2011, the option of reduction of contributions - as identified in art. 2, paragraph 2 of Resolution 573/2013, must in any event apply whether the incoming and outgoing operators are the same or whether they are different. This means that the Authority considers it necessary to envisage that the optional regime for the treatment of contributions is superseded, with the aim of gradually recognising tariffs for the distribution companies.

As you know, the gas carriage tariffs (which constitute the distribution company's main revenue item) are administered tariffs, determined by the AEEGSI on the basis of an algorithm that takes into account two main parameters: invested capital (RAB) and the return on this invested capital (WACC). Whilst the first of these is determined in reference to investments made in the gas distribution network by each operator (the value of net fixed assets per location), the second - with differentiation between distribution plants and measurement devices - is determined by the Authority and is equal for all operators.

The following table shows the development of the rate of return used by the Authority for carriage tariffs. The reduction applied for 2014 compared to 2013 is 0.80%:

Tariff year	2010	2011	2012	2013	2014
WACC dis	7.60%	7.60%	7.60%	7.70%	6.90%
WACC meas	8.00%	8.00%	8.00%	8.00%	7.20%

*Energy savings and energy efficiency - Energy savings targets*

In accordance with the Decree of 28 December 2012, by Resolution 11/2013/R/efr the Authority arranged for transmission to the Ministry for Economic Development and the GSE of all data needed to determine the specific primary energy savings targets for 2013 for electricity and natural gas distributors. From 3 February 2013, in fact, the management, assessment and certification of savings associated with energy efficiency projects presented as part of the energy efficiency certificates scheme (TEEs or white certificates) was transferred to the GSE (Italian Energy Services Operator), in implementation of the provisions of art. 5, paragraphs 1 and 2 of the Interministerial Decree issued 28 December 2012. This Decree defines the national energy savings targets in terms of quantities - gradually increasing - for electricity and gas distributors for the period 2013-2016, and introduces new entities eligible for presenting projects for the release of white certificates.

Electricity and gas distribution companies with more than 50,000 end customers ("obligated entities") can present projects for TEEs, along with subsidiaries of such companies, non-obligated distributors, companies operating in the energy services sector, companies and organisations with an appointed energy manager or an ISO 50001-compliant energy management system. By Decision no. 9/2013 of 27 December 2013, later corrected by Decision no. 2/2014 of 30 January 2014, the Manager of AEEGSI's Infrastructures, Unbundling and Certification Division identified the obligated electricity and natural gas distributors for 2014 and defined the quantities of electricity and natural gas distributed in total in 2012 (t-2) by the distributors obligated in 2014 (t). The quantities reported were 236,021.84 GWh and 1,140,149,131.51 GJ, respectively.

By Resolution 348/2013/R/efr, the Authority granted powers to the CCSE to pay the total annual tariff contribution due to each distributor. In particular, the Authority certified Estra for a tariff contribution of Euro 4,975,170. Note that until 2012 the unit value of the tariff contribution recognised for each year of obligation (t+1) after 2008 for achieving energy savings targets, was defined by the Authority by 30 November of the previous year (t). By Resolution 13/2014/R/efr of 23 January 2014 the Authority defined new criteria for quantifying the tariff contribution to cover costs incurred by the distributors subject to obligations concerning energy efficiency certificates, effective from the 2013 mandatory period. This was because the Interministerial Decree of 28 December 2012 had amended, integrated and in part superseded the previous provisions of the Interministerial Decree of 21 December 2007. Amongst other things, art. 4 of Resolution 13/2014/R/efr defined the preliminary unit tariff contribution only for the 2013 mandatory period as 96.43 €/TEE.

*Gas measurement service*

In 2013 the Regulator issued important provisions on natural gas measurement. Specifically:

Resolution 179/2013/R/gas of 2 May 2013

This provision covers the rationalisation and simplification of reporting obligations for natural gas distribution companies in relation to the measurement service, by integrating the required data via the collection of remote gas management data as part of the RAB gas collection process with effect from 2013 (for the regulatory period 2013-2016).

Resolution 393/2013/R/gas of 19 September 2013

The provision defines the presentation methods and selection criteria for pilot projects to test smart metering multi-services, i.e. to include remote management not only of the measurement points for the gas service but also other services of public importance, together with the treatment of incentives applying to the selected projects.


Resolution 574/2013/R/gas of 12 December 2013

This resolution approved the regulation of the quality of gas distribution and measurement services for the regulatory period 2014-2019 - in particular, the section of the resolution governing performance of the natural gas measurement service with monitoring by the AEEGSI and subsequent publication of compared results.




Resolution 631/2013/R/gas of 27 December 2013

This resolution approves the amendments and additions to obligations to put smart gas meters into service, particularly classes G4, G6 and G10.

With reference to existing PODs with a measurement group of G6 or lower in relation to gas distribution companies with more than 200,000 end customers as at 31 December 2013, the following targets are set:

-  3% installed by 31 December 2014;



-  3% in service by 31 December 2015;
-  10% installed by 31 December 2015;
-  60% in service by 31 December 2018.

### *Default service*

A Regional Administrative Court decision is still pending on the appeal against Resolution ARG/gas 99/11 by which the Authority introduced the default service.

Until the decision is pronounced, by monocratic decrees of 28 January 2013 the State Council therefore ordered cancellation of the suspension effects of the injunction order granted to plaintiffs by the Court, thereby making the Default Service rules effective from 1 February 2013.

By Resolution 25/2013/R/gas the Authority then adopted urgent measures to guarantee immediate application of the service regulation.

Later, the Authority issued Resolution 241/2013/R/gas which also reviewed the rules and changed responsibilities regarding provision of this service by operators. Specifically, based on the new organisation, distribution companies retained responsibility for the provisions (with heavy penalties introduced should they violate them) on prompt cut-off at the POD and correct calculation of withdrawals, whereas sales operators were assigned the services associated with economic regulation of the gas lots. Note, however, that a number of operators filed an appeal with the Regional Administrative Court against this resolution also.

### *Natural gas balancing service (Settlement)*

With its resolution 229/2012/R/gas of 31 May 2012, the Authority issued the TISG: consolidated text on the provisions for the settlement of physical and economic lots deriving from natural gas balancing (Settlement gas). In 2013 the AEEGSI consolidated the regulated process through a series of provisions. The main provisions were:

Decision no. 5/2013 of 28 March 2013 - DMEG

Technical instructions for the correct performance of activities associated with defining the matrix of correspondence between users of the system governed by art. 21 of the TISG (Resolution 229/2012/R/gas).

Resolution 292/2013/R/gas of 4 July 2013

This provision approves certain parts of the updating proposal submitted by Snam Rete Gas for the implementation of Resolution 229/2012/R/gas and introduces additional provisions to complete the rules on settlement.

Resolution 382/2013/R/gas of 12 September 2013

This resolution approves the rules for economic regulation of the physical natural gas lots generated by failure to construct the matrix of correspondence between system users, pursuant to art. 21 of the TISG, and certain amendments and additions to the rules on provision of the transport default service.

Resolution 394/2013/R/gas of 19 September 2013

Approves the update on percentage values necessary to define standard withdrawal profiles for the 2013-2014 thermal year pursuant to paragraph 5.3 of the TISG.

Resolution 534/2013/R/gas of 21 November 2013

This resolution defines the recalculation methods and timing of balancing sessions performed in 2013, following up on the provisions of Resolution 241/2013/R/GAS and approving the rules for economic regulation of physical lots allocated to a user of false balancing pursuant to Resolution 292/2013/R/GAS. Start-up of the activities is planned for February 2014 with completion in time for the first adjustment session. It also defines reporting obligations for all parties involved in the process.

### *Renewable energy*

The Ministerial Decree of 28 December 2012 (the "Renewable Energy for Heating & Cooling Support Scheme"), "Incentives for the production of thermal energy from renewable sources and small-scale energy efficiency improvements" was published in Official Gazette no. 1 of 2 January 2013 (Ordinary Supplement no. 1) and governs incentives for small-scale energy efficiency improvements and for the production of thermal energy from renewable sources. Such works will be financed (maximum of 40% of expenditure) with a total annual expenditure of Euro 900 million (divided into Euro 200 million for Public Administration and Euro 700 million for private entities). 60 days after reaching this figure no further applications for access to the incentives will be accepted.



Renewable sources dispatch: 2013 was characterised by a legal dispute regarding the calculation of imbalance payments for plants powered from renewable sources. The new regime, introduced from January, was suspended by the Lombardy Regional Administrative Court until the end of June (after being considered discriminating) and later restored by the Authority in October (with appropriate deductibles) by order of the State Council. The final pronouncement on this case is expected in February 2014.

Again on the question of renewable sources, the Authority has implemented a downward review of the minimum guaranteed prices for plants up to 1 MW, promoting the GSE's transfer of such plants to the free market.

### Transversal issues

National Energy Strategy (NES): the Interministerial Decree of 8 March 2013 (Official Gazette no. 73 of 27 March 2013), which approved the national energy strategy, was published. The aim of the document is to reduce energy costs, fully achieve and exceed European environmental targets, provide greater procurement security and, lastly, industrial development in the energy sector. To achieve these targets the strategy is divided into seven priorities with specific firm support measures that are either already launched or pending definition:

- the promotion of energy efficiency as the ideal means of pursuing all the aforementioned objectives in which the potential for improvement is still significant;
- the promotion of a competitive gas market, integrated (and prices aligned) with Europe, and with the opportunity of becoming the main South-European Hub;
- the sustainable development of renewable energies, for which we intend to exceed European '20-'20-'20 targets), at the same time limiting the onus on energy bills;
- the development of an electricity market fully integrated with the European market, efficient (with prices competitive with those of Europe) and gradual integration of renewable production;
- the restructuring of the refining sector and the fuel distribution network with a view to a more sustainable organisation in line with European competitiveness and service quality levels;
- the sustainable development of national hydrocarbon production, with major benefits in economic and employment terms and compliant with the highest international standards in terms of safety and environmental protection;
- the modernisation of the sector's governance system, with the aim of ensuring that our decision-making processes are more effective and efficient.

In addition to these priorities, in a longer-term view the document also focuses on the importance of technological research and development and proposes related intervention, particularly as regards the development of energy efficiency, renewable sources and the sustainable use of fossil fuels.

Additional IRES (Robin Hood Tax): for the application of this tax surcharge art. 5 of Decree Law no. 69 of 21 June 2013 (the "Del Fare" Decree), published in Official Gazette no. 144 of 21 June 2013), envisages:

- reduction of the minimum revenue limit from Euro 10 million to Euro 3 million;
- reduction of the minimum taxable limit from Euro 1 million to Euro 300 thousand.

The extended scope of application will become effective from 2014.

Law 147/2013 (the "Stability Law"): the 2014 Stability Law was published in Official Gazette no. 302 of 27 December 2013. The law contains a provision (art. 1, paragraph 153) that requires the Ministry for Economic Development to define the terms and conditions for finalising a production capacity remuneration system able to provide adequate flexibility services to the extent strictly necessary for ensuring electricity system security and coverage of needs stated by network managers, without increasing electricity prices and tariffs for end customers. This action has to be taken within ninety days of entry into force of the law, based on an AEEGSI proposal and after consulting the Ministry for the Environment and Land and Sea Protection. The current mechanism remains valid pending implementation.

Decree Law 145/2013 ("Destination Italy"): this Decree Law was published in Official Gazette no. 300 of 23 December 2013 and, amongst other things, contains urgent measures for the containment of electricity and gas tariffs. The most important provisions include:

- two-rate time-of-day tariff: the AEEGSI is assigned the task, within 90 days, of updating the current definition criteria on the reference price for customers not supplied on the free market, taking into account changes in the actual time-of-day performance of electricity prices on the market;
- dedicated withdrawal: from 1 January 2014 renewable source energy plants already receiving incentives the withdrawal price will be equal to the time-of-day price for the area;
- remodelling of the RES incentive: this provision envisages that the option offers the right to 7-year increase in the incentive period provided an immediate decrease in the incentive is accepted. The extent of the reduction will be

established in a later decree, in relation to the remaining period due, the type of renewable source and the type of incentive (green certificates, all-inclusive tariffs or feed-in premium). If not adopted, the incentive scheme already in force will continue to apply for the remaining period. For ten years after termination, however, that plant will not be able to access other incentive schemes with an impact on utility bills.

## Significant Events for the Group during the Fiscal Year

### Share capital increase

Aware of the need to improve the asset structure of E.S.T.R.A. and in agreement with this objective, on 9 May the Shareholders approved a share capital increase for the company, against payment. The increase from Euro 196,500,000 to Euro 205,500,000 was subscribed by shareholders proportionate to their investments in the company, with the following conditions: increase against payment by 9,000,000 shares with a unit value of Euro 1.07, of which Euro 1.00 as share capital and Euro 0.07 to the share premium reserve.

### Incorporation of the subsidiary Centria S.r.l. and transfer to the newco of assets relating to natural gas distribution and to the liquid propane gas distribution and sales

By resolution of 18 October, the Estra Board of Directors approved the incorporation of a new company - Centria S.r.l. - to conduct natural gas distribution activities, LPG distribution and marketing and other minor activities, appointed an independent expert to provide a valuation report on the business unit to be transferred to Centria S.r.l. and, lastly, appointed a specialist company to produce a technical report on the gas networks and connections for this business unit. The same meeting also roughly defined the assets and liabilities that will make up the business unit. On 22 October 2013 Centria S.r.l. was incorporated with an initial share capital of Euro 10,000.00, temporarily administered by a Sole Director. The articles of association of the company were prepared to comply with regulatory provisions on unbundling as dictated by the AEEG and ready to cover all the activities as planned for transfer to the business unit.

Then on 18 December the extraordinary shareholders meeting approved the business unit transfer and resolved to increase the share capital of Centria to Euro 180,000,000.00. The business unit transfer became effective from 1 January 2014.

The new company will cover all the distribution activities of the Group in the natural gas distribution and LPG distribution and marketing sectors. The transfer involves two existing company divisions operating as part of E.S.T.R.A. that are able to achieve significant business synergies. The scope of the business unit transferred by E.S.T.R.A. S.p.A. to Centria S.r.l. can be summarised as follows:

Fixed assets: the transfer will mainly involve the proprietary gas and LPG networks and related plants, together with land, properties and vehicles publicly registered as pertinent to the activities conducted;

Customer portfolio: all active contracts and all resources necessary to manage the contracts;

Payables: these mainly refer to short and medium-term bank borrowings (loans) and trade payables;

Staffing: employees, employee leaving indemnity and related accruals are transferred for around 250 staff;

Contracts: all other service or supply contracts currently in place for the Networks and LPG business unit, to equip Centria with an organisational structure offering independence in terms of operations and profit generation capacity.

The activities will be managed through three local offices (Arezzo, Prato and Siena) to guarantee closer monitoring of the area in which most of the networks are located. The registered office and headquarters will be based in Arezzo. Company management will be entrusted to a Board of Directors with 3 to 5 members. The LPG branch and any activities other than natural gas distribution will be exercised with specific assignment of powers to a director, meeting AEEGSI regulatory requirements on unbundling.



This transaction forms part of the structural and strategic reorganisation of the ESTRAS Group and its main purpose is to create a single entity owner of the gas networks and operator of the natural gas distribution activities, which will become the leading operator in Tuscany and, unlike other operators, the company will be the only one in Tuscany under 100% indirect public control, exercised by around a hundred municipal authorities mainly in the provinces of Arezzo, Siena, Prato and Florence.

### Partnership agreement with Multiservizi S.p.A.: incorporation of a newco (EDMA) in the Mid-Adriatic area

Following the signing on 25 February of the “Exclusive and confidentiality agreement” relating to negotiation of a potential partnership, based on which the two companies are mutually committed to abstaining from negotiations with third parties, for the same purposes covered by the agreement, until 31 December 2013, Estra and the Ancona-based Multiservizi S.p.A. stated their common interest in creating a new business entity with the aim of consolidating and developing gas and electricity sales and gas distribution in the Adriatic area.

On 13 August the Estra Board of Directors approved the “Project Agreement” outlining the most significant positions in the overall framework of agreements reached to transfer respective business units and investments to the NewCo, the point of reference for continuation of the transaction fairly and in good faith, and to reach a definition of the final terms to be adopted in the specific final Framework Agreement.

In summary, the transaction involves the incorporation of a Newco and a contribution to share capital, in multiple stages, of the following business units and investments:

-  from Estra S.p.A. or its subsidiaries: Natural gas distribution BU, represented by the gas distribution service in the municipalities of Rieti, Magione (PG), Citeria (PG) and Mosciano S. Angelo (TE), and the investment in the distribution company AES Fano held by Centria S.r.l. and shareholder financing; gas and electricity sales BU, representing natural gas and electricity contracts for supply to customers in the Marche, Abruzzo, Umbria, Molise and Lazio regions (limited to the provinces of Rieti and Frosinone), by Estra Energie S.r.l.; cash contribution of up to Euro 10 million.
-  from Multiservizi S.p.A.: Natural gas distribution BU, represented by the gas distribution service in the currently managed municipalities of Agugliano, Ancona, Belvedere Ostrense, Camerano, Camerata Picena, Castelfidardo, Chiaravalle, Falconara Marittima, Offagna, Monsano, Monte San Vito, Montemarciano, Morro d'Alba, San Marcello, Senigallia - Ancona province; the 38.7% investment in the distribution company SIG (Municipalities of Collecervino, Loreto Aprutino and Penne - Pescara province) and the 50.525% investment in the natural gas sales company Prometeo S.p.A.

The business combination process will also envisage a share capital increase for Prometeo, reserved for EDMA and then released through transfer of the gas and electricity sales business unit from Estra Energie and the incorporation of a newco by EDMA of a 100% subsidiary, transferring to this the gas distribution businesses of Estra and Multiservizi. On conclusion of the business combination, EDMA will hold investments (in Prometeo and in a new distribution company to be incorporated), with Estra and Multiservizi as shareholders on the basis of independent expert valuations of the assets transferred.

The Estra Board of Directors approved the incorporation of the EDMA newco in limited partnership format (an s.r.l.), with registered office in the province of Ancona, through the subscription of share capital of Euro 10,000, divided as 45% from Estra and 55% from Multiservizi. The company was incorporated on 30 December 2013.

#### Incorporation of Roma Oil Company S.r.l.

During the year Estra Energie concluded an initiative to achieve a stronger market positioning in Rome, always considered a major catchment area of potential customers.

This initiative involved the incorporation of a newco “Roma Oil Company S.r.l.”, the shares of which are 30% held by Estra Energie and 70% by Fiorentina OIL, a gas and oil product sales company based in Scandicci with operations covering the Tuscany region.

#### Development and rationalisation of gas trading activities

The year saw a further boost to transactions promoted to develop trading through Exo Energy Trading, set up with Openlogs S.r.l., which limits its activities to the upstream market only. In order to further develop its business, with the full involvement of both partners, the Board of Directors of Estra Energie considered it appropriate to sell 7% of this company to Openlogs. Estra Energie considered it necessary to continue the development of wholesale business through an ad hoc vehicle rather than as a company division or department.

The newco “Estra Logistica” was therefore incorporated, as a 100% subsidiary of Estra Energie, which from 1 October 2013 started up logistics activities in favour of Estra Energie and Exo, for this purpose buying the transport and storage rights and capacities formerly held by Openlogs.

#### Credit rating obtained

In 2013 Estra signed the proposed contract for the valuation, classification and monitoring of the company's credit rating by Cerved Group S.p.A.

On 24 December 2013, Cerved Group S.p.A. assigned a Baa.7 rating to Estra.

Launch of procedures for the issue of financial instruments on the professional segment of the ExtraMOT PRO market.

As part of the corporate business development plan it was deemed necessary to provide Estra with new funds through the launch of procedures aimed at issuing a bond loan.

At present the activities involved in the issue procedure are still in progress and the terms and conditions of the transaction have not yet been defined.

#### Adoption of the tax consolidation

The Estra Group contains companies with taxable income and others with tax losses, a phenomenon that proved margin while the Group was being set up but which, in 2012, indicated the potential for improving the tax outflows from the Group by adoption of the national tax consolidation. For this purpose the Boards of Directors of Estra and a number of Group companies in which Estra has a direct or indirect interest of more than 50% of the share capital and profits, approved joint exercise of the national tax consolidation option for 2013-14-15, as envisaged and governed by articles 117 to 129 of the Consolidated Income Tax Act and the Ministry for the Economy and Finance Decree of 9 June 2004.

The definition of the tax consolidation scope of the Estra Group companies and drafting of the updated regulation to comply with the most recent laws was completed, including the following group companies that satisfy the aforementioned requirements: ETA3 S.p.A.; Biogenera S.r.l.; Solgenera S.r.l.; Estra Clima S.r.l.; ESTRA Elettricità S.p.A.

#### Performance of Sinergie Italiane S.r.l. and placing in liquidation of Blugas S.p.A.

As of 31 December 2013, indirectly through the associated company Blugas S.p.A., E.S.T.R.A. holds 11.05% of Sinergie Italiane S.r.l., a company acting as gas market shipper in Italy and Europe.

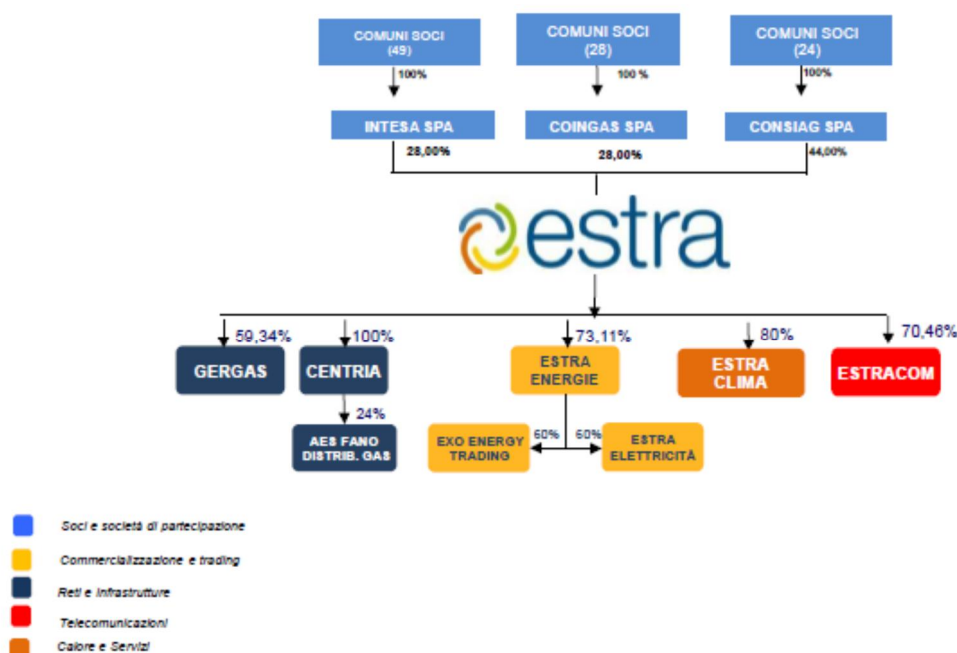
It should be remembered that this company was placed in liquidation last year and a panel of liquidators was appointed at that time. It should also be remembered that for the purpose of valuating the investment in Blugas S.p.A., the Directors of E.S.T.R.A. examined and used as reference the multi-year plan of Sinergie Italiane for the thermal years 2012/2013, 2013/2014 and 2014/2015, and in particular the higher balance sheet consistency expected on completion of the liquidation process. The company continued to operate in 2013, largely limiting activities to the purchase of gas from the Russian supplier Gazprom Export LLC and retailing this to sales companies controlled by the shareholders, obtaining a purchase contract renegotiation that envisages a lower purchase price for the next few years and a decrease in the minimum quantities to be withdrawn for the thermal years 13/14 and 14/15. The company closed at 30 September 2013 with a profit for the period of Euro 7.7 million, essentially in line with forecasts in the multi-year plan used as reference at the end of 2012 to assess the investment in Blugas. After verifying that the objectives set in the liquidation plan had essentially been achieved, these financial statements confirm the assessments made and the provisions allocated in the previous year.

#### Performance of the subsidiary Serenia S.r.l. (in liquidation)

It should be remembered that Serenia S.r.l. was placed in liquidation in 2012. This company holds 100% of the shares of Useneko, a company constructing a methane gas network with distribution in the municipality of Brodnica, Poland, which is no longer considered strategic. Negotiations are still in progress with Italian and foreign interested parties for the disposal of all or part of the share capital or a business unit in order to realise assets under the best possible conditions and the most opportune forms. Based on the best estimate of the realisable value from disposal of the asset, E.S.T.R.A. S.p.A. performed a prudential write-down in previous years of loans disbursed to the subsidiary for Euro 5,208 thousand. The provision for doubtful debts allocated is considered suitable to cover any loss from disposal.

## Performance analysis of the main Group companies

Important information is provided below on the performance of the main Group companies. The values indicated are gross of eliminations of intercompany transactions.

*Estra*

In 2013 Estra activities included the technical and operational management of natural gas and liquid propane gas distribution networks, for which it also arranged the marketing, operating directly through its gas networks and LPG divisions.

Estra also performed activities relating to the design and development of facilities and management of vehicle fleets for the entire Group.

The Gas Network division carries out its operations as part of the domestic framework of energy companies, regulated markets and networks, in 2013 managing the distribution of natural gas in 88 municipalities in 10 provinces (Arezzo, Firenze, Grosseto, Lucca, Perugia, Pistoia, Prato, Siena, Teramo and Rieti) and distributed over 4 regions (Abruzzo, Tuscany, Lazio and Umbria). The Gas Network division has operated in particular in the Shareholder Municipalities of Intesa SpA (cities of the Siena area, in the provinces of Arezzo, Grosseto, Perugia and Siena), the Shareholder Municipalities of Consiag SpA (cities of the Prato the area, in the provinces of Florence, Pistoia and Prato) and the Shareholder Municipalities of Coingas SpA, in the province of Arezzo. The main event of 2013 was the incorporation of a newco - Centria S.r.l. - to conduct natural gas distribution activities, LPG distribution and marketing and other minor activities, with subsequent transfer and followed by a share capital increase to Euro 180,000,000.00. After Estra's transfer with effect from 1 January 2014, the new company will cover all the Group's distribution activities in the natural gas distribution and LPG distribution and marketing sectors. This event was the final step in the supply chain reorganisation that was justified by the need to fully implement the rationalisation of business activities and aimed to create the best conditions possible for participation in the imminent tender procedures for the award of gas distribution service contracts. In 2013, approximately 753.4 million cubic metres of natural gas were carried and distributed on behalf of the companies authorised to sell gas to end customers (+15.1 million m<sup>3</sup> compared to 2012). At the end of the year the total number of end customers connected through the local gas pipeline network was 466,836. As of 31 December 2012 the number of end customers connected had been 465,176. The increase recorded at 31 December 2013 compared to the previous year was therefore 1,660.

The LPG division, also involved in the aforementioned business transfer to Centria, distributes and sells LPG gas to end customers in the municipalities located in the provinces of Siena, Arezzo, Grosseto, Livorno, Prato and Rieti.

Estra spa, with staff of 404 persons reached, through its own operations and the contribution of the divisions, a production value equal to Euro 126.3 million and a profit for the year equal to Euro 3,155,120, including the amount due as Estra Energie srl dividend.

The following tables summarize the most significant quantitative data that contributed to forming revenue from sales and services.

Distributed natural gas and propane (cubic metres), PODs and active Estra division customers:

	2013	2012
Natural gas distributed (mln m <sup>3</sup> )	753.4	738.3
No. of ACTIVE PODs	466,836	465,176
Liquid propane gas sold (thousand cubic metres)	1.11	1.21
No. of liquid propane gas customers served as of 31 December	5,939	5,896

Estra also has an equity investment in the share capital of GERGAS (formerly GEA), the company that holds the concession for the natural gas distribution and measurement service for the municipality of Grosseto. The company achieved a production value of Euro 5.4 million, compared to Euro 4.9 million the previous year.

The most significant quantitative figures of the subsidiary Gergas are provided below.

Natural gas distributed (m<sup>3</sup>), Gergas PODs

	2013
Allocated natural gas (thousand cubic metres)	27.5
No. of ACTIVE PODs	30,346

The Group also distributes gas through AES Fano Distribuzione, 24% owned and incorporated with other sector partners to manage the natural gas distribution service in the municipality of Fano.

### *Estra Energie*

Estra Energie, with registered offices at viale Toselli 9/a, Siena (SI) and share capital of Euro 13,750,000.00 fully paid-in, sells natural gas and electricity as retailer, and also carries out operations that are instrumental and complementary to these activities, to the extent allowed by applicable sector legislation.

Estra Energie is present in Italy in 478 gas pressure reduction stations managed by 73 distribution companies. The company has sold most of its natural gas on a distribution network belonging to the Estra Gas Network division.

Estra Energie's reference market consists mainly of the regions of central Italy (Tuscany, Umbria, Abruzzo, Marche, Lazio and Molise). In 2013, the company sold approximately 917 million cubic metres of gas (an increase of 1.79% compared to the previous year) and as of 31 December 2013 it had 406,491 active gas customers (down by 3.2%). 2013 also recorded a further increase in sales to wholesale customers and at the PSV, the values of which totalled around 185.5 million cubic metres, up 31.77% on 2012 sales which amounted to 104.7 million cubic metres. In particular, the sales of the subsidiary Exo Energy Trading in 2013 were around 46.5 million cubic metres (53 million cubic metres in 2012). Estra Energie, which has always been interested in expanding its sale business not only in its traditional areas of operation but also in new areas, acquired the business unit from ESEGAS S.r.l. comprising customers in the municipalities of Casalbordino, Gissi, Scerni, San Buono and Atesa (Abruzzo) and in the municipalities of Assisi and Bastia Umbra (Umbria), and with its partner Fiorentina Oil incorporated the newco "Roma Oil Company s.r.l." in order to achieve a stronger market positioning in Rome, always considered a major catchment area of potential customers. During 2013, Estra Energie also continued to strengthen and consolidate its commercial operations within its territory and acquired new customers with the dual fuel campaign while also recovering lost customers that had

moved to other sales companies. Personnel as of 31 December 2013 amounted to 125 persons. During the year the production value amounted to Euro 478.7 million compared to Euro 475.9 million the previous year. Profit for the year was Euro 6,429,306.

Estra Elettricità, with registered office at via Ugo Panziera 16, Prato (PO) and share capital of Euro 200,000.00 fully paid-in, sells electricity as retailer in addition to other instrumental and complementary operations, and also carries out operations that are instrumental and complementary to these activities, to the extent allowed by applicable sector legislation. During 2013 the company sold over 465 GWH net of the electricity losses to customers throughout Italy. The purchase of electricity takes place mainly through HB Trading. In regard to the development of its own operations on the electricity market chain, after acquiring its own position on the dispatching market, Estra Elettricità began to directly supply a portion of the domestic portfolio by optimizing the company's controlling and back office operations. The year therefore saw stronger implementation of the new commercial policies agreed with the new shareholder, Canarbino Invest S.r.l. and in sales targets set with the parent company Estra Energie. Given the know-how acquired from Estra Elettricità in trading, logistics and dispatching business, with effect from 31 December 2013 the company acquired the business unit relating to electricity supply contracts from the subsidiary Estra Energie. During the year the company had an average workforce of 7, including employees and staff seconded from the parent companies. The production value for the year was Euro 83.7 million, compared to Euro 98 million the previous year; profit for the year was Euro 34,853.

Exo Energy Trading, with registered office at viale Toselli 9/a, Siena (SI), share capital of Euro 100,000.00, fully paid-in, and established on 3 February 2011, sells natural gas in Italy and abroad on a wholesale basis. This activity consists mainly in extracting the maximum value from the asset portfolio (e.g., stocking rights, the domestic and international transport capacities, procurement contracts) developed by the shareholder Estra Energie S.r.l. as part of its own wholesale procurement of natural gas and shareholder Openlogs S.r.l., as part of its own activities and providing a transport, stocking and balancing of both for the Estra Group and third parties. EXO Energy Trading is the vehicle used preferentially by Estra Energie for its own activities on foreign markets. For EXO Energy Trading, 2013 was a year marked on the one hand by the consolidation of trading activities planned in 2011 and begun in 2012 in a complex European gas market characterised by a strong drop in consumption; and on the other hand by major efforts to increase the company's trading and risk-management systems and procedures more mature and generally competitive. Operations focused on the systematic optimisation of the international gas hubs (from summer 2013, EXO Energy Trading was directly active on the Dutch TTF market), and in particular of the flexibility intrinsic in its portfolio. In this respect, the company made full use again in 2013 of the multi-year storage rights (five years plus renewal option for a further five years) obtained through the ministerial procedure launched by Legislative Decree 130/2010. The portfolio was managed in an increasingly integrated, standardised manner as regards the physical and financial contracts for the various gas markets, and in terms of the duration of positions starting from the day ahead and up to 12-18 months in the future (maximum). Lastly, Exo continued to pursue its intense accreditation with various leading trading counterparties, both in Italy and abroad, that had already begun in 2011 and 2012. On 31 December 2013 the company had no employees. EXO Energy Trading benefited from the contributions of the employees of shareholders Estra Energie and Openlogs in particular in relation to the administration/finance areas on the one hand and logistics/trading on the other. The production value for the year was Euro 148.5 million, (Euro 93.2 million in 2012); profit for the year was Euro 369,537 (Euro 959,509 in 2012).

The following tables summarize the most significant quantitative data that contributed to forming revenue from the sales and services described above.

Estra Energie Natural gas sold (m<sup>3</sup>)

SALES	Volumes	
	2013	2012
Wholesalers and PSV	185,501,379	140,777,880
End customers	731,206,776	759,803,783
Total	916,708,155	900,581,662



## Estra Elettricità electricity sold (MW/h)

TARGET	Consumption MW/h	
	2013	2012
Total	465,175	576,038

## Portfolio of natural gas and electricity customers

	No. of PODs	
	2013	2012
NATURAL GAS (POD)	406,491	419,575
ELECTRICITY (POD)	31,509	29,286

*Estracom*

Estra Com srl, with registered offices at via Ugo Panziera 16, Prato (PO) and share capital of Euro 7,011,159.00 fully paid-in, which is active in the telecommunications and video surveillance sector.

In 2013 as well, continuing from the previous year, the company's operations were concentrated on the objective of developing sales in the fibre optics segment in order to exploit the investments made in the previous years, thus concentrating resources on increasing sales with higher added value which are characterized by lower volatility. Progressively, the aim is to create an organization that is more adept at handling the continuous evolution of the business and the reference markets; another area is the improvement of the quality of the services provided and the initiation of continuous improvement on the technological front, through targeted investments. During the year the production value amounted to Euro 5 million compared to Euro 4.5 million the previous year. Profit for the year was Euro 391,753. These results can be considered significant not only because they were achieved during a strong economic recession, but also due to the fact that the sector has seen a growing level of competition in terms of differentiation of marketing and services offered.

*Estraclima*

Estra Clima, with registered offices on via Ugo Panziera 16 in Prato (PO) and share capital of Euro 153,750.00 fully paid-in, operates in energy, technological renovation of energy plants, design, realisation and operation of various types of energy plants, including gas plants using boilers, solar and photovoltaic panels, biomass plants, co-generation and district heating plants, a global real estate service which manages and maintains buildings and assets belonging to third parties. During the year the production value amounted to Euro 7.5 million compared to Euro 6.7 million the previous year. Profit for the year was Euro 266,840.

## Operating Performance

In summary, the significant data may be represented as follows:

## Economic Data and Descriptive Summary

(Euro/thousand)	2013	2012
Revenues from sales	695,779	647,775
Other revenues	7,071	9,262
Production value	702,849	657,037
Cost of labour	(27,470)	(25,799)
Operating costs	(615,940)	(567,463)
<b>GROSS OPERATING MARGIN (EBITDA)</b>	<b>59,439</b>	<b>63,775</b>
Write-down of outstanding loans	(9,521)	(10,441)
Depreciation and amortisation, net of contributions	(21,539)	(19,740)
Provisions	(2,363)	(1,950)
<b>OPERATING RESULT (EBIT)</b>	<b>26,015</b>	<b>31,643</b>
Net financial charges	(2,760)	(4,340)
Write-down of equity investments	(3,266)	(2,661)
Net extraordinary income and charges	1,042	(388)
<b>RESULT BEFORE TAXES (EBT)</b>	<b>21,031</b>	<b>24,254</b>
Taxes	(16,016)	(14,272)
<b>PROFIT FOR THE YEAR</b>	<b>5,015</b>	<b>9,982</b>
<b>PROFIT PERTAINING TO MINORITY INTERESTS</b>	<b>(1,151)</b>	<b>(1,352)</b>
<b>GROUP RESULT</b>	<b>3,864</b>	<b>8,629</b>

Group revenues are related to revenues from sales and services which all companies contributed to, with particular reference to the marketing of natural gas and electricity. In the table, revenues from sales are recognised net of amounts associated with distribution tariff equalization, which correspond to matching costs amounting to Euro 14,957 thousand recorded under "Other operating expenses".

The following breakdown of revenues from sales does not take into account the above reclassification criterion and shows the increases/decreases recorded compared to the previous year for each of the Group's operating segments:

(Euro/thousand)	2013	2012	change
Revenues from natural gas carriage	20,123	15,030	25.31%
Revenues from sales of natural gas	579,932	525,036	9.47%
Revenues from sales of electric power	82,135	95,901	-16.76%
Revenues from sales of LPG	4,962	4,938	0.48%
Revenues from heat management and maintenance	5,369	4,632	13.73%
Revenues from telecommunications services	3,652	3,218	11.88%
Revenues from gas transport and balancing	11,177	0	100.00%

Revenues from other Group operations	3,385	3,946	-16.57%
Total	710,735	652,701	8.17%

“Revenues from gas transport and balancing”, not recorded as of 31 December 2012, are revenues characteristic of activities performed by the newco Estra Logistica srl.

The “revenues from other group activities” mainly refer to revenues of the parent company for service contracts in place with shareholders and the typical revenues of the subsidiary Biogenera S.r.l.

For remarks on other items, reference should be made to the section on “Performance analysis of the main Group companies” earlier in this report.

Other revenues, which when added to the revenues from sales result in the total production value of the Group and amount to Euro 702,849 thousand, refer to revenues for work and services provided at the delivery points, plus other revenues and income which are not classifiable among revenues from sales and/or services.

The Group's operating costs were 86.4% attributable to the purchase of natural gas, electricity and liquid propane gas; 7.4% for services; 3.0% for the use of third party assets, particularly rents paid by Estra gas networks and rental costs for the various company offices. Of the remaining 3.2% of other operating costs, the more significant amounts refer to natural gas storage costs and the related change in inventories.

The gross operating margin shown in the table, after costs relating to employees, represents 8.54% of total revenues. It was 9.85% in the previous year. The factors contributing to this reduction were:

- the growing impact on revenues of trading activities, the revenue from which rose from Euro 93 million in 2012 to a total Euro 149 million in 2013;
- the increase in gas sales to wholesale customers, characterised by lower percentage margins on sales to end customers;
- the decrease in sales to end customers, mainly due to the particularly mild weather conditions seen in the last quarter of 2013.

The net operating profit (EBIT), given the high amount of depreciation, amortisation and allocations accrued for the year (Euro 33,423 thousand), at year end stood at Euro 26,015 thousand compared to Euro 31,643 thousand in 2012. EBIT explicitly reflects the nature of the Group and the particular characteristics of its business activities.

Costs deriving from financing activities amounted to Euro 2,760 thousand compared to Euro 4,340 thousand the previous year and were largely generated from the use of advances, loans and credit facilities and from interest on trade payables associated with normal company needs not offset by interest on delayed payments from customers and/or income associated with cash and cash equivalents.

Investment revaluations and write-downs, deriving from application of the equity method for the consolidation of subsidiaries and associated companies under joint control and from impairment of deconsolidated companies, resulted in a negative balance of Euro 3,266 thousand. The write-downs refer to smaller companies operating mainly in the renewable energies chain.

The income tax charges amount to Euro 16,016 thousand, absorbing over 76% of the result before taxes pertaining to the Group (59% last year). The main reason for the significantly higher tax rate is the increase in the IRAP rate from 3.9% the previous year to 4.8% (5.2% for Estra S.p.A.) in 2013, and the higher allocation of non-deductibles recognised for write-downs and risks. In addition to the legislative changes (Decree Law no. 69 of 21 June 2013) which reduced the application limits for the Robin Hood Tax, resulting in Gergas S.p.A. being subject to this tax from 2014, the deferred taxes resulting from allocation of tangible assets at the price paid for the acquisition of Grosseto Energia Ambiente S.p.A. were recalculated at the IRES rate increased by an additional 6.5%. Thus, the net income for the year, after deduction of the profit attributable to minority interests amounts to Euro 3,864 thousand, as compared to Euro 8,629 thousand in 2012.

The Group portion of equity was Euro 21,031 thousand, equal to 3.02% of total revenues (3.74% in the previous year).

	31/12/2013	31/12/2012
Net intangible fixed assets	40,572	42,240
Net tangible fixed assets	279,164	280,101
Shareholdings and other long-term investments	45,611	37,671
Fixed assets	365,347	360,012
Inventories	14,855	15,862
Accounts receivable	208,167	241,407
Amounts due from subsidiaries and associates	2,707	4,035
Tax credits	17,745	13,104
Deferred tax assets	18,491	16,966
Amounts due from AEEG	11,268	16,772
The other amounts due and assets	16,355	9,173
Current assets	289,588	317,319
Payables to suppliers	177,538	164,578
Tax and social security liabilities	4,368	23,322
Amounts payable for the purchase of equity investments and/or networks	-	12,060
Amounts due to CCSE [Electricity Equalization Fund]	12,364	23,364
Other payables e liabilities	11,372	11,886
Amounts due to subsidiaries and associates	110	2,673
Amounts due to shareholders	22,447	34,886
Short-term liabilities	228,199	272,769
Net working capital	61,389	44,549
Employees' leaving indemnity	7,623	7,576
Provisions for Liabilities and Charges	12,066	8,614
Advances/deposits	12,549	12,349
Medium/long-term liabilities	32,239	28,540
Invested capital	394,498	376,022
Shareholders' equity	241,170	229,414
Medium to long term borrowings	74,623	66,402
Short-term borrowings	78,704	80,206

The consolidated "invested capital" as of 31 December 2013 amounts to Euro 394 million of which Euro 241 million is covered by shareholders equity and Euro 153 million by bank borrowings.

## Financial Data

	31/12/2013	31/12/2012
Bank deposits	41,222	48,965
Cash on hand	14	13
Cash and cash equivalents	41,236	48,978
Other amounts owed to banks (within 12 months)	105,615	120,896
Short-term portion of loans	14,325	9,730
Short-term borrowings	119,940	130,626
Receivables from banks		1,442
Short-term net financial position	78,704	80,206
Amounts owed to banks (within 12 months)	74,623	66,402
Net financial position	153,327	146,608

The following financial ratios shown in the table below better describe the company's financial position.

Indicator	31/12/2013	31/12/2012
1. Current liquidity	0.94	0.90
2. Leverage	3.03	3.31
3. Capitalization level	1.57	1.56
4. Percentage of financial debt	0.21	0.19
5. Hedging of fixed assets	0.86	0.82
6. ROE	2.1%	4.4%
7. ROI	6.6%	8.4%
8. EBITDA/Revenues from sales and services	8.5%	9.8%

1. *Current assets/short-term liabilities-borrowings ratio*
2. *Total funding sources/own funds ratio*
3. *Debt/Equity ratio*
4. *Net financial position/total assets ratio*
5. *Equity/LT investments-borrowings ratio*
6. *Net income/equity ratio*
7. *EBIT/capital invested ratio*
8. *EBITDA/Revenue from sales and services ratio*

## Investments

The main investments made by the Group during 2013 are distributed in a balanced way among various areas of activity and referred to:

- investments in software (Euro 2,614 thousand);
- new investments of Euro 16,797 thousand, mainly relating to the networks and connections categories for Euro 9,862 thousand and to metering equipment for Euro 2,191 for gas and LPG distribution activities. In particular, note the purchase at the end of the year for the natural gas distribution networks and plants in the Municipality of Terranuova Bracciolini for Euro 2,299 thousand from the shareholder Intesa S.p.A.

Also under way at the end of the year were further investments amounting to Euro 4,748 thousand, mainly relating to

the work orders for the creation of the natural gas distribution network which had not been completed at the end of the year, Euro 2,263 thousand for work in progress at year end for implementation of the voice and data network backbone by subsidiary Estracom S.p.A. (Euro 1,663 thousand) plus a Euro 750 thousand advance payment for the purchase of 19 photovoltaic plants and related GSE contracts based on a preliminary agreement signed at the end of the year with the shareholder Coingas.

## Environment, Safety, Health

During the fiscal year, in order to achieve the defined goals of quality, environment and safety, ESTRA conducted its operations through concrete actions for the reorganization of its control system.

Pursuant to the requirements of Legislative Decree no. 81/08, the company initiated and carried out the training dedicated to safety, quality and the environment.

With regard to the other information relating to the environment and personnel provided by Legislative Decree no. 32/2007, please note the following.

### Mandatory information on personnel

There were no:

- fatal accidents at work of personnel enrolled in the employee register for which corporate responsibility was positively established;
- serious accidents at work which resulted in serious or very serious injury to personnel enrolled in the employee register for which corporate responsibility was positively established;
- charges in respect of occupational diseases of employees or former employees and anti-mobbing actions for which the company was declared ultimately responsible.

### Mandatory information on environment

There were no:

- environmental damages for which the company was found guilty in the final judgment;
- final sanctions or penalties imposed on the company for offenses or environmental damage.

### Information on the preparation and/or updating of the program document on security

Though the maintenance of the program document on security (PDS) and its periodic revision was abrogated by last year's "Development Decree" (converted into law on 4 April 2012), the PDS - now officially known as the "Document Analysing and Defining Privacy-related Activities" continues to be revised periodically and following extraordinary events as required. This took place during 2013 and continues in 2014. The document is considered to be the point of reference which provides a coherent logic for the preservation of the data within articulated structures (in order to ensure orderly management of privacy) and the tool designed to promptly reconstruct criteria on which decisions were made in relation to the adoption methods of the regulations. The contents of the documents essentially summarize the provisions set forth by the AEEG.

## Risk management

In accordance with art. 2428, paragraph 2, section 6-bis) of the Italian Civil Code, as amended by Legislative Decree no. 394/03, the required information is disclosed hereunder.






Risk factors relating to Estra and the Group

### *Risk related to legislation and regulations*

The Estra Group operates in a strongly regulated sector. Among the risk factors in its operations is therefore the not always foreseeable constant evolution of the laws and regulations applying to the electricity in natural gas sectors as well as the sectors involved in operating environmental services and the production of energy from renewable sources. The effects of changes in the regulatory framework, for example, can involve market operating methods, tariff plans, the quality of service levels required and obligations of a technical-operational nature. Regulatory changes resulting in

conditions that are unfavourable for sector operators can have negative effects on the Group's financial position in terms of lower revenues, reduced margins and/or the abandonment of initiatives already in progress. Given these risk factors, the Group adopts a policy of monitoring and managing legislative risk, in order to mitigate as much as possible its effects, through an articulated monitoring on several levels which provides for collaborative dialogue with the institutions and the government and regulatory organizations of the sector, the active participation in associations and work groups established within these entities, and examination of legislative changes and the provisions issued by the sector Authority.

Moreover, constant dialogue is held with business units interested in the legislative changes, in order to appropriately assess potential impacts. Some of the main areas on which legislative changes focus are listed below:

-  the laws regarding assignment of concessions for the gas and electricity distribution service;
-  the regulation of economically significant local public services;
-  changes in the market regulations regarding Green Certificates'
-  the issues set forth in the European Union's Third Energy Package.
-  Risks relating to the approval of new tariff systems

#### *Risk related to competition*

Estra operates in a competitive scenario that places Italian and multinational entities in competition, some of which with much greater financial resources. Despite the Group considering it has a competitive edge deriving from its strong local roots if - following expansion of the number of direct competitors - it is unable to retain its competitive strength on the market, it could record a drop in customers and/or see its margins decline, with subsequent negative effects on its activities and growth prospects, as well as on its financial position.

#### *Risks associated with future consumer trends*

With regard to gas and electricity sales, a negative trend or slow growth in the demand for gas and electricity could have an impact in terms of lower sales volumes of gas and electricity for the Group, subsequently reflected in a decrease in the Group's overall sales margins. Among the activities implemented in this respect, the Group monitors both the electricity load profile and gas consumption trends, at Italian and international macroeconomic scenario levels, based on updates published by the leading economic and financial forecast agencies. The analysis of such data aims to give an indication as far in advance as possible of potential electricity and gas demand trends, and consequently optimise sales accordingly. In addition, the adoption of a marketing diversification strategy counteracts, up to a point, any adverse market situation.

#### *Environmental risks associated with Group activities*

The activities of Estra and other Group companies are subject to Italian and EU regulations on environmental protection and on health and safety, and every activity is performed in compliance with these regulations and with any authorisations requested and obtained. Though Estra's business activities are conducted in compliance with environmental and safety laws, it cannot be excluded however that this and other Group companies might incur costs or be held liable for environmental protection-related situations.

#### *Risks associated with malfunction and/or stoppages of the network and plant infrastructures*

In the operating sectors of Group companies the normal provision of services depends on properly functioning infrastructures (such as electricity and natural gas transport/distribution networks) and plants (storage, thermoelectric plants, waste-to-energy plants, etc.). Any suspension or restrictions in the operation of these infrastructures (for example, caused by human error, natural disaster, terrorist act, sabotage, judicial/administrative orders) could lead to total or partial stoppage of activities performed by Estra and the other Group companies, or could increase the costs of conducting such activities.

#### *Risks associated with the expiry of gas distribution concessions/contracts held by Estra and other Group companies*

- *Risks relating to tenders for the award of new gas distribution concessions*

Current sector regulations state that the natural gas distribution service is awarded through tender procedures conducted for each minimum geographic area and according to pre-established times. With specific reference to the



paragraph below for the Municipality of Prato, Estra and the Group mainly manage the gas distribution service in areas that are expected to launch tenders in accordance with these regulations. Though Estra is strongly rooted in its area of operations and benefits from the regime legally awarded during tender procedures to any outgoing service operator (typically the right to an indemnity/reimbursement related to the networks), following tenders that have to be launched for award of the concessions, Estra might not be able to retain one or more of its concessions, or could be awarded the concessions at conditions less favourable than now, with possible negative effects on the financial position of the Group. The Group owns most of the gas distribution networks in the municipalities in which this service is provided. Even now there are still interpretational uncertainties regarding the application methods for the quantification criteria for reimbursement due to an outgoing operator that owns its networks. Disputes could arise, therefore, concerning quantification of the reimbursement due to Estra in the event it should not be awarded tender contracts.

- *Uncertainties regarding the residual life of the gas distribution concessions/contracts held by Estra and other Group companies*

With specific reference to the paragraph below for the Municipality of Prato, the tender procedures for award of services in the geographic areas covering concessions currently held by Estra - and which will comply with the maximum deadlines indicated in the "Criteria Decree" (Decree of the Ministry for Economic Development no. 226/2011), as amended - will mainly be launched during the next two years. Invitations for the tenders in question have not yet been issued, nor - according to available information - have the preliminary procedures prior to invitation been completed. For this reason it is not possible to make a reliable forecast of the expiry date of the tender procedures and related judicial action, or whether they will be launched and whether such tenders would result in suspended award of the tender. However, it appears that assignment of the award is not imminent. Uncertainty regarding the exact timing of tender awards could nevertheless result in misalignment of the Group economic and financial flows compared to those forecast.

- *Uncertainties regarding the residual life of the gas distribution contract in the Municipality of Prato*

The tender procedure was conducted in 2012 for award of the public gas distribution service in the Municipality of Prato, launched in accordance with regulations in force at that time which did not envisage tender procedures for each minimum geographic area. On 20 August 2012 the Municipality of Prato formally notified Estra Reti Gas S.r.l., later merged into Estra, that the tender in question had been awarded to Toscana Energia S.p.A. As the service operator and participant in the procedure, the merged company filed an appeal against this award with the Tuscany Regional Administrative Court requesting cancellation, pending suspension, of the tender award in addition to the exclusion of Toscana Energia S.p.A. The Tuscany Regional Administrative Court accepted the incidental claim for suspended enforcement of the decisions challenged and, as a result, suspended the decisions in question. The suspension was confirmed by the State Council following an injunction appeal filed by the Municipality of Prato. The hearing to discuss the appeal has been set for 16 April 2014. Pending conclusion of the proceedings, Estra continues to manage the natural gas distribution service. The outcome for the Group of the Regional Administrative Court proceedings (and any subsequent appeal to the State Council) could be: assuming the appeal challenging the conduct of the tender procedure is accepted, continued management until a new tender procedure is launched; assuming the reasons for appeal challenging the failure to exclude Toscana Energia S.p.A. are accepted, the right to be awarded the tender and therefore continued management; if the appeal is rejected, loss of the current management of the gas distribution service and the right to collect from Toscana Energia S.p.A. the amount of reimbursement on the price determined during the tender procedure. Pending conclusion of the proceedings, therefore, uncertainty remains regarding the duration of the assigned gas distribution activities in the Municipality of Prato, which could terminate early compared to the remaining tender procedures, even though this would be against collection of a price reimbursement which, unlike that referred to in the previous point, has already been determined.

*Liquidity risk and refinancing risk*

Estra obtains its financial resources mainly through traditional banking channels and using traditional instruments such as medium/long-term borrowings, mortgages, short-term bank loans and credit facilities, and cash inflows from operations as part of trade relations with borrowers for services provided and with lenders for the purchase of goods and services.

Debt refinancing risks are managed by monitoring loan maturities and coordinating borrowings with types of investments, in terms of the liquidity of assets in which the Group companies invest. Estra and the Group enjoy a high standing with the banking system, as confirmed by the Baa.7 credit rating assigned by Cerved Group S.p.A. on 24 December 2013 after an assessment of the company's creditworthiness.

It remains implicit, however, that there is no guarantee that in future Estra and the Group will be able to obtain funding with the same methods, terms and conditions granted thus far. This situation could arise due to circumstances beyond Estra's control, such as general disruption of the reference market.

#### *Interest rate risk*

Estra and the Group are exposed to fluctuations in interest rates, especially as regards the extent of financial charges associated with borrowings. They mitigate the risk deriving from floating-rate loans through investments and the use of funds essentially indexed to short-term rates. In addition, the interest rate risk management policy pursues the aim of limiting such volatility by identifying a mix of fixed rate and floating rate medium/long-term loans and the use of IRS contracts signed with financial counterparties of primary standing and which limit interest rate fluctuations. Taking into account the active interest rate risk monitoring policies, any future rise in interest rates should not have particularly negative effects on the financial position of Estra and the Group.

#### *Foreign exchange rate risk*

At present there is no exposure to risks associated with changes in foreign exchange rates that could have a significant impact on the financial position of Estra and the Group, except as regards the amount reported under commodity price risk.

#### *Commodity price risk*

In reference to the characteristics of its operating sector, the Group is exposed to commodity price risk, i.e. the market risk associated with changes in energy raw materials prices (electricity and natural gas) and the related exchange rate, given that its purchases and sales are affected by price fluctuations in energy commodities, either directly or through indexing formulas. Group policy is designed to minimise the risk associated with fluctuating commodity prices by aligning the indexing of commodity purchases with commodity sales, the vertical exploitation of the various business chains and recourse to financial markets for hedging purposes.

#### *Risks deriving from current judicial proceedings*

Estra and the Group are involved in a number of civil, administrative (mainly related to AEEGSI resolutions/decisions or to public service concessions), tax and labour law proceedings (both as plaintiff and as defendant), relating to ordinary operations in the natural gas distribution sector and the sale of natural gas and electricity, and which are immaterial to the value of Estra and/or the Group. In the presence of current commitments resulting from past events, that could be of a legal or contractual nature or are the result of conduct that could lead to an obligation, Estra and the Group have made reasonable allocations to specific provisions for risks and charges over the years that are indicated among liabilities in the financial statements.

As indicated by the directors of the subsidiary in the explanatory notes and in the "risks and uncertainties" section of the management report to the 2013 financial statements of Gergas srl, the shareholder Saira srl has filed arbitration proceedings to ascertain its claim for withdrawal based on art. 2497-quater, paragraph 1c) of the Italian Civil Code and to order the company to begin the procedure for liquidation of the investment in question. The directors indicate that, though the development of these proceedings cannot be predicted, they do not believe there are grounds for assuming a situation of risk that would call for allocation to a provision of this nature. Based on available information and in view of the provisions for risk allocated, it is considered that the outcome of such proceedings and legal actions will not have a significant negative impact on the financial statements of Estra and the Group.

#### *Operational risk*

Operational risk is the risk of losses caused by errors, infringements, interruptions, damages caused by internal processes, employees or systems or caused by external events. Estra and the Group are therefore exposed to many kinds of operational risk, including the risk of fraud by employees and external parties, the risk of unauthorised transactions by employees or the risk of operating errors, including those resulting from faults or malfunction of the IT or telecommunications systems. The systems and methods for managing operational risk are designed to guarantee that such risks associated with corporate activities are appropriately kept under control. Any disruption or fault on these systems could have a negative impact on the financial position and operating results of Estra and the Group. These factors, especially during economic and financial crises, could result in the company or Group suffering losses, increased borrowing costs, impairment of assets held, with a potential negative impact on the liquidity of Estra and the Group and on its financial soundness. Legislative Decree 231/2001 introduced the regime of corporate administrative liability of entities to Italian law for certain offences committed in their interest or to their benefit by persons holding senior office positions or persons under their direction and supervision. In order to prevent commission of the offences contemplated in the Decree, Estra has adopted its own organisational, management and control model. The

Model forms part of a more wide-ranging policy pursued by Estra and the Group to promote fairness and transparency in conducting its business activities and in its relations with third parties, which includes the Code of Ethics already adopted. Estra has also established a Supervisory Board, with independent powers of initiative and control, assigned to supervision of the functions of and compliance with the Model and to promote its constant updating.

#### *Credit risk*

Group credit risk is mainly attributable to the total trade receivables deriving from gas and electricity sales, which are not particularly concentrated as they are spread across a vast number of counterparties such as retail, business and public entities. In conducting its business activities the Group is exposed to the risk that, as a result of the financial position of the obligated party in relation to the current overall economic-financial crisis, the receivables may not be paid when due. Consequently the risks are attributable to the increase in the seniority of receivables, insolvency risk and the risk of an increase in receivables subject to bankruptcy proceedings with subsequent impairment that could result in the cancellation, wholly or in part, from the financial statements. As a consequence of the persisting economic crisis, the Group has improved its control over credit risk by strengthening its monitoring and reporting procedures, in order to implement countermeasures to be adopted for cases identified as soon as possible. To control credit risk, methodologies have been defined to monitor and manage receivables as well as defining strategies to limit credit exposure, such as customer credit checks at the time of acquisition through credit rating analysis to limit insolvency risk, the assignment of receivables of terminated customers to external credit collection services and the management of legal action on receivables associated with services provided. Allocations to provisions for doubtful debts accurately reflect the actual credit risk by itemised quantification of the allocation.

#### *Information technology risks*

Estra and Group activities are managed through complex IT systems that support the main corporate processes, whether operational, administrative or commercial. The inadequacy or failure to update these information systems according to the requirements of the business, their potential unavailability, the inappropriate handling of aspects relating to confidentiality and integrity of the information, represent potential risk factors that the Group mitigates through appropriate measures taken by the Information Systems Department. During 2013, the information systems within the Group were integrated and consolidated. To reinforce this action, which involved the integration onto a unique platform of the sales support systems, a program has been planned for the evolution of the main information system supporting the functional separation process and all the administrative and commercial operations, as is the continuing updating of the platform in order to further increase its reliability and integration. In order to mitigate the potential risks of interruption of the business operations on processes which are considered to be strategic, Estra has secured technological infrastructures that are highly reliable. These infrastructures are guaranteed by maintenance contracts concluded directly with the manufacturers. A back-up policy was also implemented for data protection in compliance with the provisions of regulations on privacy. The confidentiality and security of the information is specifically safeguarded by the Group, both through internal policy as well as through instruments which segregate access to the information.

### Significant Events After 31 December 2013

#### *Partnership agreement with Multiservizi S.p.A.: further developments*

The first few months of the year saw a significant boost to the project launched at the end of 2013 in partnership with Ancona-based Multiservizi S.p.A. On 24 January important commercial addenda were signed to govern operations of the new holding EDMA, which were followed by signing of the Framework Agreement and the Extraordinary Shareholders' Meeting of EDMA being held on 29 January. That shareholders' meeting approved implementation with effect from 1 February 2014 of the planned share capital increase by up to a maximum Euro 35,000,000.00, for subscription and contribution in kind by the shareholder Multiservizi S.p.A. through transfer of its investment in Prometeo S.p.A. with registered office in Osimo, and by Estra Energie S.r.l. through transfer of the gas and electricity sales business unit as planned. To facilitate management of the customer contracts transferred by our subsidiary, at the same time as the business transfer by Estra Energie, a business unit rental contract was signed for management of the gas and electricity sales segment pending subsequent transfer to Prometeo. In the meantime, negotiations have been finalised for purchase of Sienergia S.p.A. in Perugia for a further investment of 25% in AES Fano Distribuzione Gas S.r.l. in addition to the 24.00% of its share capital already held by the subsidiary Centria. In agreement with Multiservizi this acquisition will be included in the business transfer contributed by our holding to the Ancona company.

### Research and Development

The research, development and advertising costs refer to the costs incurred by the company for the communication involving projects of an extraordinary and nonrecurring nature aimed at promoting the "E.S.T.R.A." brand on the market. The item also includes costs incurred by the merged company Estra Reti Gas S.r.l. for initiatives developed from 2006 onwards to achieve specific energy savings objectives and to develop renewable sources, pursuant to Ministerial Decree of 20 July 2004, expressed in Energy Efficiency Certificates (TEEs).

#### Code of Ethics and Organisational, Management and Control Model, Italian Legislative Decree 231/01

The Group has implemented specific control procedures for compliance with its Code of Ethics.

It has also adopted an Organisation and Management Model as envisaged in Legislative Decree 231/2001 to create rules suited to preventing unlawful conduct by senior officers, managers or other officers with decision-making powers and has appointed a supervisory board to monitor the function, compliance and constant updating of the organisational model.

The Code of Ethics and the Organisational, Management and Control Model of Estra and the main Group companies are published on their respective websites.

#### Treasury shares and shares of parent companies

The company does not own any treasury shares directly or indirectly, or through a trustee.

#### Relations with subsidiaries, associated companies, affiliates and related parties

Estra S.p.A. has the role of holding company, with the task of directing and supporting the activities of the investee companies. It also owns the methane gas distribution networks.

The services carried out by the parent company include the activities of strategic planning, coordination and management control of the investee companies and administrative, financial, legal services, procurement, organization and personnel management, management of information systems, marketing, management of real estate.

The centralized management carried out by Estra for the operating companies through a cash-pooling system designed to maximize performance in their financial management allows the Group to better achieve control of external cash flows and to achieve more favourable economic conditions with credit institutions, which translates into lower borrowing costs for companies that use cash-pooling funds and higher interest income on cash surpluses.

On the basis of the Estra group's future functions and development, Group VAT mechanisms and further expansion of the scope of companies included in the tax consolidation will be assessed as part of the new Estra S.p.A. ownership structure.

#### Business Outlook

Last year was your company's third full year of operations, characterised by an extraordinary commitment to integrating the business of its three founding Groups. This commitment has not undermined the constant and continuous development of our activities in the energy field which has made Estra the regional leader. Once the combination of Consiag, Intesa and Coingas was completed and consolidated, 2013 was characterized by major extraordinary transactions aimed at rendering the structure comprised of all the Group's economically and functionally valid activities through the corporate and technical reorganization of the various subsidiaries.

In particular, note the strategic transaction regarding geographic diversification of Central Italy business which, through the planned incorporation by EDMA of a 100% newco for distribution and subsequent capital transfer of the gas distribution business units, will have further effects in the current year.

This process will continue and develop with the objective of further improving the economic performances and presenting the activities of the Estra group to third parties in a rational manner, in view of the initial capitalisation transactions via stock exchange listing, which are now at an advance stage or study.

#### Branches

The registered, administrative and operating offices of the Group companies are mainly located at the registered offices of the shareholders Consiag of Prato, Intesa of Siena and Coingas of Arezzo.

For the Board of Directors

Prato, 28 March 2014

The Chairman  
Roberto Banchetti

## ANNEX 1

Below is the cash flow statement of the E.S.T.R.A. Group as of 31 December 2013.

CASH FLOW STATEMENT	2013	2012
A) Liquidity generated (absorbed) by operations during the year		
Result for the year	5,014,941	9,981,561
Depreciation of tangible fixed assets	15,408,205	14,212,768
Amortization of intangible fixed assets	6,850,549	5,888,908
Portion of financing for investments	-824,537	-713,314
Write downs/other changes in intangible fixed assets	115,923	7,890
Value adjustments to equity investments	3,266,275	1,665,325
Write downs of other financial assets	0	995,291
Allocation to employee leaving indemnity (TFR)	1,397,394	1,458,126
Allocations/(reversals) to the risk provisions and other allocations	2,658,427	2,637,046
Changes in deferred tax assets and receivables from prepaid taxes	-587,058	-3,265,410
<i>Operating profit before working capital changes</i>	<i>33,300,120</i>	<i>32,868,191</i>
Changes in working capital		
- receivables from customers, subsidiaries, associates, shareholders	35,797,915	-15,982,467
- net inventories	1,007,331	-9,837,245
- payables to suppliers, subsidiaries, associated companies, shareholders and advances	669,380	604,807
- other receivables and payables	-27,601,912	9,006,466
- tax credits, tax liabilities	-23,220,471	18,965,448
- accruals and deferrals	3,249,724	7,366,087
- use of the liability provisions	-1,170,590	-530,210
- change in the TFR (net of the allocation)	-1,350,618	-1,936,272
	-12,619,241	7,656,613
B) Liquidity generated/(absorbed) by investment activities		
Investments in intangible fixed assets	-5,297,584	-5,460,531
Investments in tangible fixed assets	-16,796,743	-13,031,655
Net disinvestments of intangible and intangible fixed assets	218,318	83,619
Investments/(disinvestments) of equity investments	-562,500	-1,455,131
Hedging of losses in investees	0	-8,985,900
Gea S.p.A. Assets/liabilities acquired (net of cash)	0	-17,931,082
Int Service S.r.l. assets/liabilities disposed of (net of cash)	0	58,230
Other changes in investment activity	-289,196	-192,529
	-22,727,705	-46,914,979
C) Liquidity generated/(absorbed) by financing activities		
Investments/(disinvestments) in long-term loans	-10,261,593	-4,517,731
Mortgages	24,000,000	12,500,000
Repayment of medium and long-term debts	-11,183,370	-10,443,833
Share capital increase	9,630,000	
Payment of dividends	-2,600,000	-2,599,313
	9,585,037	-5,060,877
D) Other changes in liquidity		
Effects on the liquidity of the changes in the consolidation area and the consolidation method	0	50,434
	0	50,434
E) Net changes in liquidity	7,538,210	-11,400,619
F) Opening cash and bank balances	-71,917,777	-60,517,158
G) Closing cash and bank balances	-64,379,567	-71,917,777

Registered office VIA UGO PANZIERA 16- 59100 Prato (PO) Share capital Euro 205,500,000.00 fully paid-in

**Consolidated financial statements as of 31/12/2013**

Balance Sheet Assets		31/12/2013	31/12/2012
A) Called up share capital not paid (of which already called )			
B) Fixed Assets			
<i>I. Intangible fixed assets</i>			
	1) Start-up and expansion costs	298,655	444,684
	2) Research, development and advertising	147,441	295,432
	3) Patents rights and intellectual property	677	2,299
	4) Concessions, licences, trademarks and	2,529,394	2,627,857
similar rights			
	5) Goodwill	18,198,438	18,605,146
	5 bis) Consolidation differences	2,053,071	2,737,428
	6) Payments on account and assets under		24,061
construction			
	7) Other	17,344,438	17,503,195
		40,572,114	42,240,103
<i>II. Tangible fixed assets</i>			
	1) Land and buildings	5,598,257	5,819,014
	2) Plants and machinery	256,903,387	256,023,156
	3) Industrial and commercial equipment	11,687,296	10,542,877
	4) Other assets	25,635,427	26,641,457
	5) Payments on account and assets under	4,748,724	4,377,267
construction			
		304,573,091	303,403,771
<i>III. Long-term Investments</i>			
	1) Investments in:		
	a) subsidiaries	1,428,143	3,498,411
	b) associated companies	7,041,307	7,284,811
	c) holding companies		
	d) other companies		191,872
		8,469,450	10,975,094
	2) Receivables		
	a) from subsidiaries		
	- due within 12 months	25,768,371	18,770,130
	- due after 12 months		
		25,768,371	18,770,130
	b) from associated companies		
	- due within 12 months	6,631,738	3,728,572
	- due after 12 months		
		6,631,738	3,728,572
	c) from holding companies		
	- due within 12 months		
	- due after 12 months		
	d) from others		
	- due within 12 months	6,338,398	6,228,212
	- due after 12 months		
		6,338,398	6,228,112
		38,738,507	28,726,914
	3) Other securities	250,000	
	4) Treasury shares		



<i>Total fixed assets</i>	47,457,957 392,603,162	39,702,252 385,345,881
<b>C) Current assets</b>		
<i>I. Inventories</i>		
1) Raw materials, supplies and consumables	14,854,534	15,861,865
2) Work-in-progress and semi-finished goods		
3) Work-in-progress on order		
4) Finished products and goods for resale		
5) Advances		
	14,854,534	15,861,865
<i>II. Receivables</i>		
1) From customers		
- due within 12 months	208,166,754	241,406,962
- due after 12 months		
	208,166,754	241,406,962
2) From subsidiaries		
- due within 12 months	1,987,235	817,285
- due after 12 months		
	1,987,235	817,285
3) From associated companies		
- due within 12 months	720,200	3,217,732
- due after 12 months		
	720,200	3,217,732
4) From holding companies		
- due within 12 months	3,962,331	5,192,455
- due after 12 months		
	3,962,331	5,192,455
4-bis) Tax credits	17,744,783	13,103,595
	17,744,783	13,103,595
4-ter) Deferred tax assets	18,491,308	16,965,896
	18,491,308	16,965,896
5) From others		
- due within 12 months	29,427,548	25,830,915
- due after 12 months		
	29,427,549	25,830,915
	280,500,159	306,534,840
<i>III. Short-term investments</i>		
1) Investments in subsidiaries		
2) Investments in associated companies		
3) Investments in holding companies		
4) Other investments		
5) Treasury shares		
6) Other securities		
<i>IV. Cash and cash equivalents</i>		
1) Bank and postal deposits	41,221,526	48,965,223
2) Cheques		
3) Cash and cash equivalents	14,275	13,121
	41,235,801	48,978,344
<i>Total current assets</i>	336,590,494	371,375,049
<b>D) Accruals and deferrals</b>		
- discounts on loans		
- sundry	1,937,177	1,556,050
	1,937,177	1,556,050
<b>Total assets</b>	731,130,833	758,276,980

Balance Sheet Liabilities		31/12/2013	31/12/2012
A) Shareholders' equity			
I.	Capital	205,500,000	196,500,000
II.	Share premium reserve	6,510,000	5,880,000
III.	Legal reserve	717,579	391,872
VII.	Other reserves		
	Merger surplus reserve	4,407	4,407
	Statutory reserve	3,588,429	
	Currency conversion reserve		
	Rounding reserve		
	Consolidation reserve	1,229,271	1,287,128
		4,822,107	1,291,535
VIII.	Retained earnings	6,445,835	4,280,563
IX.	Profit (loss) for the year	3,863,722	8,629,077
Total group shareholders' equity		227,859,243	216,973,048
	-) Capital and reserves attributable to minority interests	12,159,676	11,088,860
	-) Profit (loss) for the year attributable to minority interests	1,151,219	1,352,485
Total shareholders' equity attributable to minority interests		13,310,894	12,441,344
Total consolidated shareholders' equity		241,170,137	229,414,392
B) Provisions for liabilities and charges			
1)	Provisions for retirement allowance and similar obligations	120,148	84,927
2)	Provisions for taxation, including deferred taxation	5,306,863	4,368,509
3)	Other provisions	7,182,809	5,501,927
Total provisions for liabilities and charges		12,609,820	9,955,363
C) Employee leaving indemnity (TFR)		7,623,011	7,576,235
D) Payables			
1)	Bonds		
	- due within 12 months		
	- due after 12 months		
2)	Convertible bonds		
	- due within 12 months		
	- due after 12 months		
3)	Shareholder loans		
	- due within 12 months		
	- due after 12 months		
4)	Amounts owed to banks		
	- due within 12 months	119,940,238	130,625,677
	- due after 12 months	74,622,929	66,401,612
		194,563,167	197,027,289
5)	Amounts owed to other lenders		
	- due within 12 months		
	- due after 12 months		
6)	Advances		

	- due within 12 months		
	- due after 12 months	12,549,199	12,349,199
		<u>12,549,199</u>	<u>12,349,199</u>
7)	Payables to suppliers		
	- due within 12 months	181,279,826	164,578,015
	- due after 12 months		
		<u>181,279,826</u>	<u>164,578,015</u>
8)	Bills of exchange payable		
	- due within 12 months		
	- due after 12 months		
9)	Amounts owed to subsidiaries		
	- due within 12 months	96	414,045
	- due after 12 months		
		<u>96</u>	<u>414,045</u>
10)	Amounts owed to associated companies		
	- due within 12 months	110,037	2,259,033
	- due after 12 months		
		<u>110,037</u>	<u>2,259,033</u>
11)	Amounts owed to holding companies		
	- due within 12 months	26,409,373	40,078,860
	- due after 12 months		
		<u>26,409,373</u>	<u>40,078,860</u>
12)	Tax liabilities		
	- due within 12 months	3,494,947	22,074,230
	- due after 12 months		
		<u>3,494,947</u>	<u>22,074,230</u>
13)	Amounts owed to social security institutions		
	- due within 12 months	872,949	1,247,910
	- due after 12 months		
		<u>872,949</u>	<u>1,247,910</u>
14)	Other payables		
	- due within 12 months	18,367,270	42,027,722
	- due after 12 months		
		<u>18,367,270</u>	<u>42,027,722</u>
<i>Total payables</i>		437,646,864	482,056,304
E)	Accruals and deferrals		
	- gains on loans		
	- sundry	32,081,001	29,274,686
		<u>32,081,001</u>	<u>29,274,686</u>
<b>Total liabilities</b>		<b>731,130,833</b>	<b>758,276,980</b>
<b>Memorandum Accounts</b>			
		31/12/2013	31/12/2012
1)	Risks borne by the company	28,042,432	48,145,963
2)	Commitments made by the company	83,523,380	63,919,586
3)	Third-party assets held by the company		
4)	Other memorandum accounts		
<b>Total memorandum accounts</b>		<b>111,565,812</b>	<b>112,065,549</b>

Income statement		31/12/2013	31/12/2012
A)	Production value		
1)	Revenues from sales and services	710,735,167	652,700,782
2)	Change in stock of work-in-progress, semi-finished and finished goods	(37,086)	(48,113)
3)	Change in stock of work-in-progress to order		
4)	Increases in non-current assets from in-house production	11,911,623	10,075,639
5)	Other revenues:		
	- sundry	15,463,126	18,148,664
	- operating contributions		
	- capital contributions (payments for the year)		
		15,463,127	18,148,664
Total production value		738,072,830	680,876,973
B)	Production cost		
6)	For raw and ancillary materials, consumables and goods for sale	547,819,103	515,370,651
7)	For services	53,382,459	49,108,587
8)	For rentals and leases	18,973,498	17,905,288
9)	Personnel		
a)	Wages and salaries	21,988,777	20,924,494
b)	Social security contributions	7,038,060	6,359,352
c)	Employee leaving indemnity (TFR)	1,397,394	1,458,126
d)	Retirement allowance and similar		
e)	Other costs	570,278	79,758
		30,994,509	28,821,730
10)	Depreciation, amortization and write-downs		
a)	Amortization of intangible fixed assets	6,777,299	5,888,908
b)	Depreciation of tangible fixed assets	15,375,205	14,212,767
c)	Other write-downs of fixed assets	115,923	255,984
d)	Write-down of receivables included in working capital and cash and cash equivalents	9,521,174	10,441,420
		31,789,601	30,799,080
11)	Changes in the inventories of raw and ancillary materials, consumables and goods for resale	1,162,657	(9,885,358)
12)	Provisions for risks	2,328,206	1,950,000
13)	Other provisions	35,220	335
14)	Other operating expenses	25,572,576	15,163,883
Total production cost		712,057,829	649,234,196
Difference between production value and production cost (A-B)		26,015,001	31,642,776
C)	Financial income and charges		
15)	Income from investments in subsidiaries	265,927	
16)	Other financial income:		
a)	receivables from		
	- subsidiaries	790,524	36,524
	- associated companies	363,683	565,213
	- holding companies		
	- other		
c)	short-term investments		
d)	income other than the above:		

- subsidiaries		
- associated companies		
- holding companies		
- other	2,548,294	2,449,789
	<u>3,968,428</u>	<u>3,051,526</u>
17) Interest and other financial charges:		
- to subsidiaries		2,406
- to associated companies		
- to holding companies	292,933	462,716
- other	<u>6,275,232</u>	<u>7,071,709</u>
	6,568,165	7,536,831
17-bis) Gains and losses on currency conversions	(159,863)	145,531
Total financial income and charges	(2,759,600)	(4,339,775)
D) Value adjustments to financial assets		
18) Revaluation of:		
a) equity investments	83,229	171,420
b) long-term investments		
c) short-term investments		
	<u>83,229</u>	<u>171,420</u>
19) Write-downs of:		
a) equity investments	3,349,504	1,836,745
b) long-term investments		995,291
c) short-term investments		
	<u>3,349,504</u>	<u>2,832,036</u>
Total value adjustments t financial assets	(3,266,275)	(2,660,616)
E) Extraordinary income and charges		
20) Income:		
- gains on disposals	1	151,351
- sundry	<u>1,826,525</u>	<u>2,011,733</u>
	1,826,526	2,163,084
21) Charges:		
- losses on disposals	241,374	52,216
- taxation of previous fiscal years		
- sundry	<u>542,965</u>	<u>2,499,334</u>
	784,339	2,551,550
Total extraordinary items	1,042,187	(388,466)
Earnings before income taxes (A-B±C±D±E)	21,031,313	24,253,920
22) Current, deferred and advanced income taxes		
a) Current taxes	16,625,586	17,537,768
b) Deferred taxes	959,943	86,479
c) Prepaid taxes	<u>(1,569,157)</u>	<u>(3,351,889)</u>
	16,016,372	14,272,358
23) Profit (Loss) for the year	5,014,941	9,981,562
-) Profit (loss) for the year attributable to minority interests	1,151,219	1,352,485
-) Group profit (loss) for the year	3,863,722	8,629,077

For the Board of Directors

*The Chairman*  
*Roberto Banchetti*

## E.S.TR.A GROUP

Registered office at Via Ugo Panziera, 16 - 59100 PRATO (PO) Share capital € 205,500,000.00 fully paid-in.  
Tax identification no. and Prato Register of Companies no. 02149060978, Economic Administrative index no. 0505831

# Explanatory notes to the Consolidated Financial Statements as of 31/12/2013

## Preamble

The holding company E.S.TR.A. was established as a limited liability company on 17 November 2009 based on the deed drawn up by notary Renato D'Ambra which was registered in Prato on 23 November 2009 under number 5544.

The extraordinary shareholders' meeting held on 7 July 2011 resolved to transform the company into a joint stock company named "E.S.TR.A. S.p.A. Energia Servizi Territorio Ambiente" and "E.S.TR.A. S.p.A." for short. New articles of association were adopted as a consequence of this transformation.

The consolidated financial statements of E.S.TR.A. S.p.A. and its subsidiaries for the year ended 31 December 2013 incorporates the laws regarding consolidated financial statements introduced by Legislative Decree no. 127/1991, in implementation of EEC Directive VII as currently applicable. This law was integrated and interpreted, where necessary, by the accounting standards issued by the Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri [Italian Councils of Accountants].

## Areas of operations

The E.S.TR.A. Group mainly operates in the energy, telecommunications, environmental and service industries. These sectors are in turn related to the following "supply chains" (please see the management report for a complete list of the companies belonging to individual supply chains):

### Energy Supply Chain – distribution and infrastructures

This supply chain's activity includes the technical and operational management of natural gas and liquid propane gas distribution networks, the sales of which are also carried out.

The activities related to the design and development of facilities and management of vehicle fleets for the entire Group are also included.

### Energy Supply Chain – trading

The supply chain's activity focuses on the sale of methane gas and electricity on the wholesale and retail markets. Support to the sales and marketing areas is ensured by fuel supply operations, portfolio optimization and trading on domestic and foreign markets.

### Telecommunications Supply Chain

This supply chain's activity includes the technical and operational management of telecommunications networks and their marketing. Activities related to video surveillance services, data transmission, telephony and Internet access are also included.

### Renewable Energy Supply Chain

This supply chain's activities are aimed at the provision and exploitation of plants producing energy from renewable sources with particular reference to solar, wind and biomass sources.

### Heat Management and Services Supply Chain

The supply chain's activity is mainly aimed at the management of heating systems owned by third parties (heat management services) and facility management.

### Significant Events of the Year

#### 1) Incorporation of Centria S.r.l.

An extensive ownership and corporate reorganisation project was launched in 2012, driven by the need to allow E.S.T.R.A. S.p.A. and the entire group to employ their maximum capacities to participate in tenders for the award of gas distribution services and to render the structure of all Group activities economically and functionally valid. The first stage of the corporate and technical reorganisation of assets involved, amongst others, the distribution companies Estra Reti Gas S.r.l. and Estra GPL S.r.l., for which the merger plan had been approved by the shareholders' meetings to merge the subsidiaries into the holding E.S.T.R.A. S.p.A. with effect from 14 November 2012, with backdated effects for accounting purpose to 1 January 2012.

As the incorporated companies were already consolidated in previous years, the merger transactions did not produce any accounting effects on the consolidated financial statements as of 31 December 2012.

This reorganisation was completed during 2013 on incorporation on 22 October 2013 of Centria S.r.l., with initial share capital of Euro 10,000, fully subscribed by E.S.T.R.A. S.p.A. and subsequent transfer to the subsidiary as part of the share capital increase, approved by the extraordinary shareholders' meeting of 18 December 2013 and with effect from 1 January 2014, of the business unit representing all activities and services provided in the natural gas distribution and LPG marketing and distribution sectors, including ownership of the plants involved.

The business unit was subject to an independent expert's valuation pursuant to art. 2465 of the Italian Civil Code with reference to its accounting position as of 30 September 2013. The assets involved in the transfer were mainly the following:

- intangible fixed assets for the costs relating to award of distribution tenders in the municipalities of Rieti, Magione and Follonica and the user licences and software applications under licence relating to the gas and LPG distribution activities;
- industrial buildings used in the gas sector (stations);
- the urban gas networks net of investment financing;
- other structural assets relating to gas distribution, such as land, compressor and pumping stations, office equipment, vehicles, meters and connections net of user contributions received;
- financial assets represented by the 24% investment in the gas distribution company AES Fano S.r.l. (and relating to shareholder loans) and by the Euro 5,000 thousand receivable due from the Municipal Authority of Rieti as the amount due at the time of award of the distribution tender and reimbursed at the time of termination of the concession and handover to the incoming operator of all the plants, networks and other assets relating to the distribution service;
- employee leaving indemnity and other payables accrued to employees transferred;
- borrowings represented by advances from banks and mortgages;
- trade payables relating to gas distribution and LPG marketing and distribution activities;
- deferred tax assets on differences between the book values and tax values of assets and liabilities of the business unit transferred.

The valuation resulted in shareholders' equity of the business unit of Euro 190,500 thousand, broken down as follows:

Business unit (€000)			
Assets		Liabilities	
Intangible Fixed Assets	14,211	Other risk provisions	1,520
Tangible Fixed Assets	415,760	TFR (Employee leaving indemnity)	3,702
Long-term investments	5,416	Borrowings	120,031
Receivables	8,145	Other payables and accrued charges	56,436
Cash and cash equivalents	657	Deferred tax liabilities	72,000
Accruals and deferrals	0	BU net	190,500



<b>Total Assets</b>	<b>444,189</b>	<b>Total Shareholders' Equity and Liabilities</b>	<b>444,189</b>
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Based on this transfer value, the share capital of Centria was increased from Euro 10,000 to Euro 180,000,000 and a transfer reserve was set up for Euro 10,510,000.

As the transfer was effective from 1 January 2014, the transaction had no effect on the income statement and balance sheet in the financial statements as of 31 December 2013.

## 2) Incorporation of EDMA S.r.l.

2013 saw definition of the project for the creation, in partnership with Ancona-based Multiservizi S.p.A., of a new business entity with a view to consolidating and developing gas and electricity sales and gas distribution activities in the Adriatic area.

The business combination involves the incorporation of a newco and a contribution to share capital, in multiple stages, of the following business units and investments:

- from Estra S.p.A. or its subsidiaries:
  - a) the natural gas distribution BU, currently owned by Estra's Gas Network Division but included in the transfer to the newco Centria S.r.l. and represented by the gas distribution service in the municipalities of Rieti, Magione, Citerna and Mosciano S. Angelo, with all related assets, and the investment held in the distribution company AES Fano;
  - b) the gas and electricity sales BU, currently owned by Estra Energie S.r.l. and represented by natural gas and electricity supply contracts to customers in the Marche, Abruzzo, Umbria, Molise and Lazio regions (excluding Rome and Viterbo).
  - c) Cash contribution
- from Multiservizi S.p.A.:
  - a) the natural gas distribution BU, represented by the gas distribution service in the municipalities currently managed and all related assets, and the 38.7% investment held in the distribution company SIG;
  - b) the 50.525% investment in the natural gas sales company Prometeo S.p.A.

The transaction was launched in 2013 on incorporation of the newco EDMA S.r.l., with initial share capital of Euro 10,000, 45% held by Estra S.p.A. and 55% by Multiservizi S.p.A., and the transfer as share capital increase with effect from 1 February 2014 of the aforementioned gas and electricity sales BU from Estra Energie S.r.l. and the investment in Prometeo S.p.A. from Multiservizi.

The business unit was subject to an independent expert's valuation pursuant to art. 2465 of the Italian Civil Code with reference to its accounting position as of 1 November 2013. The valuation resulted in shareholders' equity of the business unit of Euro 9,148 thousand, broken down as follows:

<b>Business unit (€'000)</b>			
<b>Assets</b>		<b>Liabilities</b>	
<b>Customer goodwill</b>	<b>9,944</b>	<b>TFR (Employee leaving indemnity)</b>	<b>91</b>
		<b>Other personnel-related payables</b>	<b>61</b>
		<b>Borrowings</b>	<b>643</b>
		<b>BU net</b>	<b>9,148</b>
<b>Total Assets</b>	<b>9,944</b>	<b>Total Shareholders' Equity and Liabilities</b>	<b>9,944</b>

As the transfer was effective from 1 February 2014, the transaction had no effect on the income statement and balance sheet in the financial statements as of 31 December 2013.

## 3) Performance of Sinergie Italiane S.r.l. and placing in liquidation of Blugas S.p.A.

As of 31 December 2013, indirectly through the associated company Blugas S.p.A., E.S.T.R.A. holds 11.05% of Sinergie Italiane S.r.l., a company acting as gas market shipper in Italy and Europe.

It should be remembered that this company was placed in liquidation by shareholders' meeting resolution of 13 April 2012 and a panel of liquidators appointed at that time set up with effect from 26 April 2012. Previously, on 29 March 2012, the shareholders meeting had balanced the deficit of Euro 88.7 million and reconstructed the share capital to Euro 1 million, through a cash contribution of Euro 89.7 million.

The first interim liquidation financial statements of Sinergie Italiane S.r.l. as of 30 September 2012, prepared in compliance with art. 2490 of the Italian Civil Code, closed with negative equity of Euro 32.6 million after liquidation adjustments of Euro 32.8 million and a loss for the period of Euro 0.8 million.

As it was placed in liquidation during the year, the equity investment was assessed in the consolidated financial statements as of 31 December 2012 at its estimated realizable value. For this purpose, the Directors examined and used as reference the multi-year plan of Sinergie Italiane for the thermal years 2012/2013, 2013/2014 and 2014/2015, and in particular the higher balance sheet consistency expected on completion of the liquidation process. Based in this examination, the investment in Blugas was fully written down (Euro 357 thousand), as were the sums paid as future loss coverage (Euro 414 thousand) and the loan granted (Euro 159 thousand), together with the allocation to provisions for risk of Euro 196 thousand.

The company continued to operate in 2013, largely limiting activities to the purchase of gas from the Russian supplier Gazprom Export LLC and retailing this to sales companies controlled by the shareholders, also obtaining a purchase contract renegotiation that envisages a lower purchase price for the next few years and a decrease in the minimum quantities to be withdrawn for the thermal years 13/14 and 14/14.

The company closed at 30 September 2013 with a profit for the period of Euro 7.7 million, essentially in line with forecasts in the multi-year plan used as reference at the end of 2012 to assess the investment in Blugas.

After verifying that the objectives set in the liquidation plan had essentially been achieved, these financial statements confirmed the assessments made and considered fair, and the provisions allocated in the previous year.

Note also that on 28 January 2014 the shareholders' meeting approved transformation of the associated company Blugas S.p.A. into an S.r.l. and its placing in liquidation. On that same date the company transferred its 30.94% investment in Sinergie Italiane S.r.l. (in liquidation) to its shareholders, and in particular a nominal quota for Euro 110,517.68 to E.S.T.R.A. S.p.A., which consequently became a direct shareholder of Sinergie Italiane S.r.l. with 11.05% of the share capital. Following disposal of the investment, the guarantee given by Blugas S.p.A. to Unicredit Banca in favour of Sinergie Italiane S.r.l. was also settled, with direct replacement by the shareholders, for E.S.T.R.A. equal to Euro 10,714,721.

In these financial statements the sum of Euro 202 thousand has been allocated for expected costs associated with the company's liquidation.

#### 4) Share capital increase

Aware of the need to improve the asset structure of E.S.T.R.A. and the Group, and in agreement with this objective, on 9 May 2013 the Shareholders approved a share capital increase against payment for the company. The increase from Euro 196,500,000 to Euro 205,500,000 was subscribed by shareholders proportionate to their investments in the company, with the following conditions: increase against payment by 9,000,000 shares with a unit value of Euro 1.07, of which Euro 1.00 as share capital and Euro 0.07 to the share premium reserve.

#### 5) Incorporation of Estra Logistica S.r.l.

In 2013 Estra Energie S.r.l. incorporated the newco Estra Logistica S.r.l. as a 100% subsidiary. From 1 October 2013 the newco started up logistics activities in favour of Estra Energie S.r.l. and Exo Energy Trading S.r.l., for this purpose buying the transport and storage rights and capacities formerly held by Openlogs, a third-party shareholder of Exo Energy Trading S.r.l.

The effects on the consolidated financial statements as of 31 December 2013 from the company's inclusion in the scope of consolidation are mainly represented by revenues and corresponding costs for balancing activities generated by the subsidiary in the period 1/10/2013-31/12/2013, commented in the notes to the income statement.

#### 6) Performance of the subsidiary Serenia S.r.l. (in liquidation)

It should be remembered that Serenia S.r.l. was placed in liquidation in 2012. This company holds 100% of the shares of Useneko, a company constructing a methane gas network with distribution in the Municipality of Brodnica, Poland, which is no longer considered strategic.

Following its placement in liquidation, beginning from the consolidated financial statements for the year ended 31 December 2011, the company was no longer included in the consolidation and was valued at its estimated realisable value at the end of the liquidation process.

Negotiations began in 2012 with various entities, both Italian and foreign, for the sale of all or part of the share capital or a business unit in order to dispose of the assets under the best possible conditions that could be obtained and in the most opportune forms.

During the current year and as at the date of this document, these negotiations had not yet been finalised. In the meantime E.S.T.R.A. provided financial support to the subsidiaries through loans granted in 2013 for Euro 641 thousand.

Based on the best estimate of the realisable value from disposal of the asset, E.S.T.R.A. S.p.A. performed a prudential write-down in previous years of loans disbursed to the subsidiary for Euro 5,208 thousand. The provision for doubtful debts allocated is considered suitable to cover any loss from disposal.

#### 7) Adoption of the tax consolidation

In 2013 the Parent Company chose to adopt the national tax consolidation, the rules for which are contained in articles 117 to 129 of Presidential Decree 917/1986. This optional tax regime envisages that the holding company is responsible for calculating a single taxable income for the entire Group, corresponding to the algebraic sum of net incomes of the companies covered, and consequently a single income tax payable for the Group companies.

Further details can be found in the section of the notes on "Income tax for the year".

### Consolidation Principles and Methodology

Subsidiaries were fully consolidated starting from the date of acquisition, i.e. the date on which the Group obtained control, and ceased to be consolidated as of the date on which control was transferred outside the Group. The subsidiaries' financial statements were prepared, for each item, in accordance with the same accounting principles as the ones adopted for the parent company.

The subsidiaries' financial statements in the consolidation were prepared using the line-by-line method. The book value of investments in consolidated companies was eliminated against the corresponding portion of shareholders' equity, regardless of the number of shares held and giving to minority shareholders the portion of shareholders' equity and net income attributable to them. The amount of capital and reserves of subsidiaries referring to minority interests was posted to an item of shareholders' equity called "capital and reserves attributable to minority interests". The portion of consolidated income referring to minority interests was posted to the item "profit (loss) attributable to minority interests".

The losses were attributed to minorities even if this implies that the minority shares have a negative balance.

The differences arising in the first elimination in the consolidated financial statements as of 31 December 2010 between the cost of purchase and the corresponding portion of shareholders' equity, were used to adjust the consolidated shareholders' equity. In the case of acquisitions, the above mentioned difference was attributed to asset and liabilities items of the companies included in the consolidation. Any residual amount, if negative, was recorded in an entry called consolidation reserve, or, when it could be referred to a forecast of unfavourable economic results, in an entry called "consolidation reserve for contingent risks and charges"; if positive, it is recorded in an asset item called "consolidation difference".

The financial and economic relationships between the Companies included in the consolidation using the line-by-line method were completely eliminated. Gains and losses arising from transactions between consolidated Companies, which were not made in transactions with third parties, were eliminated. Intercompany dividends recorded on an accrual basis were eliminated.

The associated companies which are subject to joint control are consolidated using the equity method. The original cost of the investment was adjusted to take account of the investee's portion of profits and losses made with third parties in the periods following the acquisition of the investment, in order to reflect, in the financial statements of the company holding such interests, both the portion of profits or losses it was entitled to, and other changes in the subsidiary's shareholders' equity in the periods following the acquisition date. The change in the portion of the associated company's equity was entered into class D of the income statement (the adjustment to the value of financial assets).

Companies of which the shares are held for sale are excluded from the consolidation area, pursuant to Legislative Decree no. 127/91, article 28. If the subsidiary is considered to be strategic and is classified in the holding company's financial statements among long term investments, this classification is maintained.

The date of the consolidated financial statements coincides with the closing date of the balance sheet of the holding company, pursuant to Legislative Decree no. 127/91, article 30. The financial statements for the year ended 31 December 2013 of the individual companies were used for the consolidation, already approved, reclassified and adjusted, where necessary, to ensure compliance with accounting principles and valuation criteria adopted by E.S.T.R.A. S.p.A. which prepared the consolidated financial statements; the principles that are in line with the provisions of Articles 2423 et seq. of the Italian Civil Code.

There were no exclusions due to heterogeneity.

## Scope of Consolidation

The companies included in the scope of consolidation as of 31 December 2013 are shown below. All the amounts are expressed in Euro, unless otherwise specified.

		31/12/2013				
Business name	Registered office	Share capital	Portion attributable to the Group	Share of direct control	Share of indirect control	Notes
Parent company						
E.S.T.R.A. S.r.l.		205,500,000				
Fully consolidated subsidiaries						
ESTRACOM S.p.A.	Prato (PO)	7,011,559	70.24%	70.24%		
Estra Clima S.r.l.	Prato (PO)	153,750	80.00%	80.00%		
E.S.T.R.A. Energie S.r.l.	Siena (SI)	13,750,000	91.12%	73.11%	26.89%	(9)
ETA3 S.p.A.	Arezzo (AR)	2,000,000	66.99%	66.99%		
Biogenera S.r.l.	Prato (PO)	102,350	83.99%	73.33%	13.33%	(10)
EXO Energy Trading S.r.l.	Siena (SI)	100,000	54.67%		60.00%	(1)
ESTRA Elettricità S.p.A.	Prato (PO)	200,000	54.67%		60.00%	(1)
Gergas S.p.A. <sup>1</sup>	Grosseto (GR)	1,381,500	59.34%	59.34%		
Estra Logistica S.r.l.	Prato (PO)	10,000	91.12%		100.00%	(1)
Centria S.r.l.	Arezzo (AR)	10,000	100.00%	100.00%		
Marche Energie S.r.l.	Siena (SI)	50,000	63.79%		70.00%	(1)
Proportionally consolidated joint ventures						
SOLGENERATA S.r.l.	Prato (PO)	4,069,000	50.50%	50.50%		
SOLGENERATRE S.r.l.	Floridia (SR)	10,000	50.50%		100.00%	(2)
Flor Fotovoltaici S.r.l.	Floridia (SR)	108,000	50.50%		100.00%	(2)
ANDALI ENERGIA S.r.l.	Pizzo Calabro (VV)	100,000	50.50%		100.00%	(2)
Fontelica S.r.l.	Prato (PO)	119,000	50.00%	50.00%		
Idrogena S.r.l.	Prato (PO)	10,000	50.00%	50.00%		
Nova E S.r.l.	Siena (SI)	3,400,000	50.00%	50.00%		

<sup>1</sup> New name of GEA S.p.A.

		31/12/2013				
Business name	Registered office	Share capital	Portion attributable to the Group	Share of direct control	Share of indirect control	Notes
Companies held for sale/disposal						
Serenia S.r.l. (in liquidation)	Arezzo (AR)	10,926	100.00%	100.00%		
USENEKO	(POLAND)	21,231,000 Zloty	100.00%		100.00%	(3)
Blugas S.r.l. (in liquidation)	Mantua	2,000,000	35.72%	35.72%		
Sin.It. S.r.l. (in liquidation)	Milan (MI)	3,000,000	11.05%		30.94%	(5)
Era S.p.A. (in liquidation)	Piancastagnaio (SI)	500,000	49.00%	49.00%		
Equity consolidated associated companies						
Montedil S.r.l.	Montefalcone (BN)	10,000	25.00%		50.00%	(4)
Blugas Infrastrutture S.r.l.	Cremona	8,600,000	28.63%	27.31%	3.70%	(5)
Sinergia Green Tech S.p.A.	Siena (SI)	200,000	40.00%		80.00%	(7)
Casole Energia S.r.l.	Florence (FI)	775,000	15.00%		30.00%	(7)
Cavriglia SPV S.P.A.	Prato (PO)	2,357,500	44.44%	44.44%		
Cavriglia OEM	Prato (PO)	10,000	40.00%		50.00%	(10)
Venticello S.r.l.	Siena (SI)	10,000	25.00%		50.00%	(7)
Vaserie Energie S.r.l.	Siena (SI)	10,000	34.50%		69.00%	(7)
A.E.S. Fano Distribuzione Gas S.r.l.	Fano (PU)	100,000	24.00%	24.00%		
Tegolaia SPV S.p.A.	Prato (PO)	1,090,434	49.00%	49.00%		
Tegolaia Consortile S.r.l.	Prato (PO)	10,000	20.00%	20.00%		
EDMA S.r.l.	Ancona (AN)	10,000	45.00%	45.00%		
Roma Oil Company S.r.l.	Scandicci (FI)	200,000	27.34%		30.00%	(1)
Non-consolidated companies recognized as equity investments						
Xenesys S.r.l.	Siena (SI)	286,000	12.64%	12.64%		
Notes						
(1) through Estra Energie S.r.l.						
(1bis) through Estra Energie S.r.l. 20%						
(2) through Solgenera S.r.l.						
(3) through Serenia S.r.l. (in liquidation)						
(4) through Fonteolica S.r.l.						
(5) through Blugas S.p.A.						
(6) through Estra Nova S.r.l.						
(7) through Nova E S.r.l.						
(8) through Xenesys S.r.l. 50%						
(9) through Eta3						
(10) through EstraClima S.r.l.						

The changes that took place in the scope of consolidation compared to 31 December 2012 are the following:

#### Subsidiaries

- Increase of the Group's controlling interest in Estracom from 68.03% to 70.24% following a Euro 500,000 share capital increase fully subscribed and paid in by the shareholder E.S.T.R.A. S.p.A.;
- Increase of the Group's controlling interest in Biogenera from 63.00% to 83.99% following the decrease in the share capital of the subsidiary to cover losses and its restoration to Euro 116,792, of which Euro 85,648 by E.S.T.R.A. S.p.A. and Euro 15,572 by Estra Clima;
- Decrease of the Group's controlling interest in Exo Energy Trading S.r.l. from 61.05% to 54.67% following the disposal by Estra Energie S.r.l. of 7% of the subsidiary's share capital to Openlogs, a third-party shareholder of Exo Energy Trading S.r.l.;
- Inclusion of Estra Logistica S.r.l., incorporated during the year by Estra Energie S.r.l. as reported in the section of the notes referring to significant events during the year;

- Inclusion of Centria S.r.l., not yet operative at 31 December 2013, following its incorporation by E.S.T.R.A. S.p.A. as reported in the section of the notes referring to significant events during the year;
- Inclusion of Marche Energie S.r.l., not yet operative at 31 December 2013, following its incorporation by Estra Energie S.r.l. with a 70% interest. With effect from 1 January 2014 the company acquired ownership of a business unit instrumental to electricity sales activities in the Municipality of Offida (AP) and involving around 3,000 supply contracts.

#### Joint ventures

- Exit from the scope of consolidation of Solgenera 2 S.r.l., incorporated through a reverse merger by its subsidiary Andali Energia S.r.l.

#### Companies held for sale/disposal

- The classification among companies held for sale/disposal of Blugas S.r.l. after it was placed in liquidation, as described in the section of the explanatory notes on significant events during the year.
- Exit from the scope of consolidation of Origina S.r.l. (in liquidation) after it was placed in liquidation in 2013.
- Classification among companies held for sale/disposal of Era S.p.A., after it was placed in liquidation at the beginning of 2014. The investment was assessed in the consolidated financial statements as of 31 December 2013 at its estimated recoverable amount, based on the preliminary asset distribution assumptions.

#### Associated companies

- Exit from the scope of consolidation of Picchianti Società Consortile A.r.l. and X21 S.r.l. after they were placed in liquidation in 2013;
- Inclusion in the scope of consolidation of EDMA S.r.l., not yet operative at 31 December 2013, following its incorporation by E.S.T.R.A. S.p.A. with a 45% interest, as reported in the section of the notes on significant events during the year;
- Inclusion in the scope of consolidation of Roma Oil S.r.l., following its incorporation during the year by Estra Energie S.r.l. with a 30% interest, in partnership with Fiorentina Oil.

In reference to Gergas S.p.A., it should be remembered that as control was acquired at the end of 2012, the income statement of the subsidiary was not yet included in the consolidated financial statements as of 31 December 2012.

The inclusion of this company's income statement in the consolidated financial statements for 2013, gross of immaterial intercompany netting, resulted in line-by-line consolidation of a production value of Euro 5,181 thousand, production costs of Euro 3,336 thousand, net financial charges of Euro 8 thousand, net extraordinary charges of Euro 7 thousand and income taxes of Euro 584 thousand, giving a net income of Euro 1,246 thousand (of which Euro 739 thousand pertaining to the Group).

The consolidation also resulted in amortisation in the 2013 consolidated income statement of allocation of the difference compared to the initial consolidation of Euro 956 thousand (with related tax effect of Euro 85 thousand), in addition to an adjustment in the income statement of the provision for deferred taxes recognised at 31 December 2012 of Euro 922, described in the section of the explanatory notes on provisions for risks and charges.

#### Valuation Criteria

The financial statements for the period ended 31 December 2013 have been compiled on a going concern basis. The criteria used are the same as those used for the preparation of the financial statements in the previous year, particularly insofar as the valuations and the continuity of the same principles.

The valuation of balance sheet items was based on general criteria of prudence and on an accrual basis, in the perspective of the company continuing its business, and taking into account the economic function of the assets and liabilities in question.

The application of the principle of prudence led to the assessment of elements making up the individual postings or items of assets or liabilities to avoid offsetting losses that should be recognized and income that should not be recognized, since it was not realized.

In accordance with the accrual method, the effect of transactions and other events was accounted for in the books and recorded in the fiscal year which such transactions and events referred to and not to the fiscal year in which the corresponding cash movement (receipts and payments) took place.

The continuity of application of valuation criteria over time is a necessary element for the comparability of the Company's financial statements over several fiscal years.

The valuation, taking into account the economic function of the assets or liabilities under consideration, which expresses the principle of prevalence of substance over form - mandatory when not expressly inconsistent with other specific rules on financial statements - allows the representation of the transactions according to the economic situation underlying the formal aspects.

More specifically, the valuation criteria adopted in the preparation of the consolidated financial statements were as follows:

## Fixed Assets

### *Intangible fixed assets*

These are recognized at their acquisition costs or the transfer cost at which they were conferred by shareholders, including ancillary expenses, and they are systematically depreciated for the period of their estimated future use, as analysed in detail below.

The start-up and expansion costs and goodwill, the latter acquired against consideration and recognized as an effect of the allocation of the merger deficits, are recognized under assets with consent from the Board of Statutory Auditors.

The cost of research, development and advertising are generally recognized in the income statement of the year in which they are incurred.

The item "Other" includes the improvements made to third party assets. The amortization of these costs takes place in the shorter of the period of future use of the expenses incurred and the residual useful life.

If impairment exists regardless of the amortization already recognized, the fixed asset is written down accordingly. If in future years the reasons for the write-down cease to exist the original value is restored with only the amortization adjusted.

Goodwill was recorded under assets, with consent from the Boards of Statutory Auditors of the investee companies, for an amount equal to the cost incurred and is amortized over 20 years, a period longer than required by art. 2426 of the Italian Civil Code, equal to 5 years, given its insensitivity to rapid technological and market changes and continuing the criteria adopted in the previous year.

### *Tangible fixed assets*

These are recognized at their cost of acquisition, production or transfer by shareholders and adjusted by the corresponding amortization provisions.

Fixed assets are depreciated on a straight-line basis annually, using economic and technical rates determined according to their residual useful lives. The rates applied are set out in the notes to assets.

For investments made under concession regimes, the amortization takes place in the shorter period between the future use of the expenses incurred and the period remaining on the concession.

For assets which were deployed during the year, the depreciation rates have been reduced by 50% given that the application of the rates on an accruals basis would not have resulted in significantly different depreciations during the year. For the assets sold during the year, depreciation is calculated up to the date that the asset remains under the ownership of the company.

Due to their low value, some fixed assets are not depreciated but directly recognized as an expense during the year.

If impairment exists regardless of the amortization already recognized, the fixed asset is written down accordingly. If in future years the reasons for the write-down cease to exist the original value is restored with only the amortization adjusted.

Ordinary maintenance costs are recognized in the income statement in their entirety. Maintenance costs that increase the useful life, the productivity or safety of the asset are added to its book value and amortized in relation to its residual possibility of use.

#### *Long-term Investments*

Equity investments in associated companies which are subject to joint control are consolidated using the equity method. Investments in other companies were recorded under long-term investments if they were long-term and strategic investments made by the Company and were valued at their purchase or subscription price, including any additional charges. The book value of shares recorded under long-term investments was in line with the lowest possible value obtainable from reasonable expectations of utilization and recoverability in future fiscal years. In the presence of permanent impairment, the book value of such investments was adjusted by means of specific write-downs. In the presence of permanent loss of value in excess of the book value of the investment, the latter was reset to zero and integrated by recording the remaining amount under Provisions for liabilities and charges up to the amount of the deficit. This lower value cannot be maintained in subsequent financial statements if the reasons for its inclusion have become void.

Receivables were recorded as fixed assets if they had a financial nature and were intended to last as assets for a medium-long term. They were stated at their nominal value.

Capitalised investments, due to be held in the company's portfolio until maturity, are recognised at purchase cost including any accessory charges and are written down if there is proof of impairment. This lower value cannot be maintained in subsequent financial statements if the reasons for its inclusion have become void.

#### *Inventories*

Inventories were recorded at the lower of the acquisition cost or production cost, including any ancillary costs, and the estimated realizable value based on market prices.

The cost configuration adopted is that of the weighted average cost. Any obsolete or slow-moving inventories were written down on the basis of their possible use or implementation.

#### *Receivables*

They were shown at their estimated realizable value. They include both invoices previously issued, and amounts paid for services performed before 31 December, obtained on a permanent basis, but not yet billed.

The adjustment of the nominal value of receivables to their estimated realizable value was obtained by appropriate provisions for doubtful debts.

The medium to long term receivables for which interest is not set, are discounted at the market lending rate for the period remaining until receipt of the receivable. The implicit interests are recognized against the income that originated the receivable and, as an offsetting entry, among accrued charges. The deferral will therefore contribute to the formation of the results based on the interest income matured.

#### *Cash and cash equivalents*

They consisted of bank deposits, cash and cash equivalents and were stated at their nominal value.

#### *Accruals and deferrals*

These were determined according to the accrual principle.

They measure income and expenses whose accrual was either anticipated or deferred with respect to the cash event and/or documentation. They were recorded regardless of the date of payment or collection of related income and charges, common to two or more years and distributable over time.

#### *Provisions for Liabilities and Charges*



These funds were recorded to cover possible liabilities of a determined nature, whose existence was certain or probable, but whose amount or date, however, could not be determined at year end. The provisions reflect the best possible estimate based on the commitments made and the information available.

The general criteria of prudence and accruals have been respected in the valuation of these amounts and no generic risk provisions were made without an economic justification.

The contingent liabilities were recognized in the balance sheet and recorded under provisions if considered probable and the relative expense could be estimated with reasonable certainty.

The risks for which a liability is merely possible are indicated in the explanatory notes, while no provision is made in the provision for liabilities and charges.

#### Employee leaving indemnity

It is the actual accumulated liability towards employees in accordance with the law and collective bargaining agreements, considering all forms of remuneration having a continuous basis.

The fund is the total of the individual benefits accrued in favour of employees as of the financial statements' closing date, net of advances paid, and is equal to what would have been payable to employees in the event of termination of the employment relationship on that date. Following the entry into effect of Law 296 of 27 December 2006, the TFR accrued from 1 January 2007 by the contributing companies was used as complementary social security or transferred to the treasury fund established with the INPS according to the options exercised by the employee.

#### Payables

These are recognized at their nominal value which is amended in the event of returns or invoicing adjustments.

#### Costs and Revenues

They were recorded according to the principle of prudence and on an accrual basis through the establishment of the corresponding accruals and deferrals. They are net of returns, prizes, discounts and rebates and taxes directly related to the sale of products and the provision of services.

The feeding volumes of natural gas not resulting from meter readings coinciding with the year-end data were reasonably and prudently estimated - net of the amount charged on account - on the basis of the raw material fed into the network reduced of the amounts that based on historical series were considered non-chargeable to clients, and were thus valued among revenues by applying the rates in force.

#### Financing for Investments

Financing for investments was accounted for on an accrual basis. Investment financings received were allocated to the income statement depending on the duration of the depreciation of the tangible assets which the same referred to, recording as deferred income the portion attributable to future fiscal years and as receivables the portion already decided but not yet delivered.

#### Customer contributions for connection

The contributions received from customers against the costs for connections to the distribution network are recognized in the income statement for the year in which the revenue and the amount thereof is certain, provided the connection does takes place during the year. Otherwise, the contributions are deferred and recognized in the income statement of the year in which the relative connections do take place.

In particular, these contributions are correlated with the costs incurred for the realization of these connections and recognized in the income statement through the accrued charges instrument, in relation to the useful life of the assets they refer to.

#### Operating contributions

The contributions for the year are attributed to the income statement of the year in which the existence of the revenue and its amount are certain.

## Income tax

Current taxes were calculated based on a conservative interpretation of current tax laws, and were shown under the liability item called Tax Liabilities, net of advances paid. The deferred tax liabilities and deferred tax assets, calculated on temporary differences between the income for the year and taxable income, were posted, respectively, to a special provision, entered under liabilities among the Provisions for liabilities and charges, and to Deferred tax assets under item 4-ter) of current assets. The former were only recognized to the extent that it was not possible to demonstrate that their payment was unlikely, the latter were recorded only when there was a reasonable certainty, in the fiscal years in which the corresponding temporary differences will be charged, of a taxable income in excess of the amount of differences that will become void. Deferred tax assets and deferred tax liabilities were offset if offsetting was legally permissible and were recognized in the financial statements net of offsetting. The tax benefit relating to carrying forward tax losses was recognized when there was a reasonable expectation of offsetting future taxable income, even if the losses had arisen in previous fiscal years.

Deferred taxes were accounted for using the tax rates in effect at the time when the temporary differences have been charged, making appropriate adjustments in the event of changes in rates compared to previous fiscal years, provided that the rule of law changing the rate had already been issued as of the date of preparation of the financial statements.

## Derivative Contracts

The Group has derivative contracts hedging risk of interest rate fluctuations for medium to long term loans and the risk of fluctuations in the price of gas. The relative information is provided in the section of the explanatory notes with the title "Information on derivative contracts."

The outstanding transactions as of the reporting date, if speculative, were valued at market value as if the transaction had been renegotiated at the end of the fiscal year. Any losses were indicated in the explanatory notes and posted to the income statement through the Provision for risks, while any gains, in adherence to the principle of prudence, were deferred until the time of actual realization.

## Guarantees, Commitments, Third-Party Assets and Risks

Risks related to real or personal guarantees granted for third-party debts were listed in the memorandum accounts for an amount equal to the amount of the guarantee provided. The amount of the third-party debt secured as of the date of the financial statements was shown in these explanatory notes, if lower than the amount of the guarantee.

The commitments were listed in the memorandum accounts at their nominal value, derived from the corresponding documentation.

As of 31 December 2013, the Group had entered into no agreements or undersigned deeds whose effects are not shown in the Balance Sheet, but which could expose the Group to risks or generate significant benefits a knowledge of which would be useful in assessing its financial and economic situation and its consolidated earnings (as per art. 2427 no. 22-ter of the Italian Civil Code).

## Derogations to paragraph 4 of article 2423 of the Italian Civil Code

It is hereby specified that there were no derogations pursuant to article 2423 of the Italian Civil Code, paragraph 4.

## Significant events after the balance sheet date.

Events subsequent to 31 December 2013 are described in the management report, to which reference should be made.

## Presentation of the values

The explanatory notes are presented in Euro, unless otherwise specified.

## Financial Instruments and dedicated assets

The Company did not issue its own financial instruments; furthermore it did not dedicate any assets to a specific area, pursuant to article 2447-bis of the Italian civil code.

## Comparison with data of the previous year

For better representation purposes, the following were reclassified in the financial statements as of 31 December 2013:

- adjustment to gas distribution revenues of the restriction guaranteed by other operating costs as a direct decrease in revenues from sales for Euro 6,367 thousand (Euro 5,496 thousand at 31 December 2012);
- allocation to provisions for risk of the difference between the TEE purchase price on the market and the revenues realisable on disposal to the Authority from allocation to provisions for risk to other operating costs for Euro 295 thousand (Euro 935 thousand at 31 December 2012);
- concession and through-pipeline instalments from other operating costs to costs for the use of third-party assets for Euro 283 thousand (Euro 342 thousand at 31 December 2012).

The comparative values as of 31 December 2012 were similarly reclassified.

## Commentary on Balance Sheet Items

### Assets

#### Intangible Fixed Assets

Balance as of 31/12/2013	Balance as of 31/12/2012
40,572,114	42,240,103

The item is broken down as follows:

INTANGIBLE FIXED ASSETS	Net value 31/12/2013	Net value 31/12/2012
Start-up and expansion costs	298,655	444,684
Research, development and advertising costs	147,441	295,432
Patent rights	677	2,299
Concessions, licences, trademarks	2,529,393	2,627,859
Intangible assets under construction	0	24,061
Goodwill	18,198,438	18,605,146
Consolidation differences	2,053,071	2,737,428
Expenses for concessions	13,785,578	15,241,707
Improvements to third party assets	121,531	103,634
Other	3,437,329	2,157,854
Other fixed assets	17,344,438	17,503,195
Total	40,572,114	42,240,103

The start-up and expansion costs mainly refer to expenses related to the establishment and start-up phase of the Group and subsequent extraordinary transactions.

The research, development and advertising costs refer mainly to costs incurred by the company for the specific communications projects of an extraordinary and non-recurring nature aimed at promoting the "E.S.T.R.A." brand on the market. As these are projects with a useful life spanning several years, the costs were not expensed in the year they were incurred, as are most advertising and communications costs, but capitalized and amortized over five years. The item also includes costs incurred for initiatives that began in 2006 which aimed at distributing high efficiency light bulbs and aerators for shower heads to users connected to the network. In carrying out its gas distribution activity, the Group is required to achieve certain specific energy savings and renewable source development targets pursuant to the Ministerial Decree of 20 July 2004, expressed through Energy Efficiency Certificates (TEEs). These costs are amortized over five years, which is also the period of recognition of the activity by the Authority.

The costs for concessions, licenses and trademarks refer to third-party software licences, amortized over three years.

Intangible assets under construction referred to panning costs incurred for initiatives related to the production of energy from renewable sources. The item is presented net of a write-down of Euro 399,651 at 31 December 2013 (Euro 283,728 at 31 December 2012), reducing the value of the costs incurred for the initiative, the realization of which though not definitively abandoned appears to be uncertain at year end.

Goodwill refers to:

- gas business units transferred from Consiag S.p.A., Intesacom S.p.A. and Coingas S.p.A.;
- the purchase against payment of business units from Amag S.r.l. and Valdarnotiberinagas S.r.l. with accounting effects from 2008, Baiengas Commerciale S.r.l. and Offidagas S.r.l. with accounting effects from 2010 and Esegas with accounting effects from 2013;
- the merger deficit from the merger of Energeia S.r.l. into Estra Energie S.r.l. with accounting effects from 1 January 2009.

Goodwill is recorded under assets in an amount equal to the cost incurred and is amortized over a period of 20 years, more than the 5 years required by art. 2426 of the Italian Civil Code given its insensitivity to rapid technological and market changes. Based on testing of the value of goodwill recognised in the financial statements, no signs of impairment were found at the reporting date.

The consolidation differences refer entirely to the acquisition of Gergas and the allocation to goodwill of the difference between the price paid and the book value of shareholders' equity justified by expected profit in future years. The difference is amortized on a straight line basis for the remaining period of the gas distribution concession in the areas managed by the Company.

Expenses for concessions refer to costs incurred by Estra Reti Gas S.r.l., merged into the parent company Estra S.p.A. in 2012, for award of the distribution tender in the municipalities of Rieti, Magione and Follonica for net book values at year end of Euro 9,167 thousand, Euro 2,020 thousand and Euro 2,599 thousand, respectively. These costs are amortized for the duration of the concession period.

With regard to award of the distribution contract for the municipality of Rieti, the Company also paid Euro 5,000 thousand which will be returned by the municipality when the concession ends and on handover of all the plants, networks and other distribution service facilities to the incoming operator. The amount was classified under other receivables from long term investments.

The effects of 5% discounting of the receivable, amounting to Euro 1,847 thousand at 31 December 2013 (Euro 2,031 thousand at 31 December 2012), were recorded as an increase in the investment under "Other" intangible assets and, by the same amount, under deferred income in the income statement for the entire duration of the concession.

The improvements to third party assets referred to extraordinary maintenance work carried out on properties that house the company's registered office, leased from shareholders. These costs are amortized over the shorter of the economic-technical duration of the work and the residual duration of the lease.

Other fixed assets, in addition to those indicated above concerning the Rieti concession, mainly refer to:

- costs for services not yet paid for Euro 1,000 thousand in activities associated with the procedure currently in progress for the issue of a bond loan, for which reference should be made to the section in the Management Report on significant events during the year. This amount, not amortised at 31 December 2013, will be amortised over future years based on the duration of the bond loan;
- costs incurred for the market promotion and development of the Group's commercial companies, Estra Energie S.r.l. and Estra Elettricità S.p.A., for Euro 531 thousand. These costs are amortised over 5 years.

The following table shows the opening balances, changes during the year and closing balances at 31 December 2013 for each class of intangible fixed assets:

INTANGIBLE FIXED ASSETS	Net value 31/12/2012	Eliminations	Increases	Reclassification s	Amortization / depreciation	Write-downs	Net value 31/12/2013
Start-up and expansion costs	444,684	-23,012	12,782	0	-135,799	0	298,655
Research, development and advertising costs	295,432	-49,117	26,519	0	-125,393	0	147,441
Patent rights	2,299	0	143	153	-1,918	0	677
Concessions, licences, trademarks	2,627,859	-1,121	2,613,386	0	-2,710,730	0	2,529,393
Intangible assets under construction	24,061	0	90,962	900	0	-115,923	0
Goodwill	18,605,146	0	842,740	0	-1,249,448	0	18,198,438
Consolidation differences	2,737,428	0	0	0	-684,357	0	2,053,071
Expenses for concessions	15,241,707	0	0	0	-1,456,129	0	13,785,578
Improvements to third party assets	103,634	0	46,799	0	-28,902	0	121,531
Other	2,157,854	0	1,664,253	-153	-384,625	0	3,437,329
Other fixed assets	17,503,195	0	1,711,052	-153	-1,869,656	0	17,344,438

Total	42,240,103	-73,250	5,297,584	900	-6,777,301	115,923	40,572,114
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The main changes during the year were related to:

- In addition to the costs mentioned in relation to the planned bond loan, the increases for the year of Euro 5,298 thousand mainly refer to investments in software (Euro 2,614 thousand) and goodwill from the purchase by Estra Energie S.r.l. of a gas sales business unit from Esegas (Euro 843 thousand);
- Amortization for the period of Euro 6,777 thousand;
- Write-down of planning costs incurred for initiatives associated with the production of energy from renewable sources, for which realisation at year end seemed uncertain, for Euro 116 thousand.

The eliminations refer to intangible assets of "E.S.T.R.A." brand gas distribution activities, eliminated following transfer of the related business unit to the newco Centria S.r.l. operating under its own brand name.

### Tangible Fixed Assets

Balance as of 31/12/2013	Balance as of 31/12/2012
304,573,091	303,403,772

The item is broken down as follows:

TANGIBLE FIXED ASSETS	Historical cost 31/12/2013	Accumulated depreciation 31/12/2013	Net value 31/12/2013	Historical cost 31/12/2012	Accumulated depreciation 31/12/2012	Net value 31/12/2012
Land and buildings	8,821,672	-3,224,352	5,597,319	8,805,463	-2,987,954	5,817,509
Lightweight constructions	58,967	-58,029	937	58,967	-57,461	1,506
Land and buildings	8,880,638	-3,282,382	5,598,257	8,864,429	-3,045,414	5,819,015
Networks and connections	319,266,528	-88,118,372	231,148,156	307,388,175	-77,702,615	229,685,560
Decompression and pumping facilities	14,159,871	-9,371,713	4,788,158	13,773,026	-8,969,015	4,804,011
Storage facilities	2,207,006	-1,109,509	1,097,497	2,184,823	-1,020,249	1,164,575
Remote control and metering facilities	2,922,794	-1,244,088	1,678,706	2,603,225	-1,135,258	1,467,967
Cables, station and electronic systems for telephony	11,080,251	-4,120,645	6,959,606	10,830,387	-3,730,312	7,100,075
Other facilities	13,520,714	-2,289,450	11,231,264	13,511,299	-1,710,330	11,800,968
Plants and machinery	363,157,163	-106,253,776	256,903,387	350,290,934	-94,267,778	256,023,156
Metering equipment	27,260,592	-16,157,658	11,102,934	25,285,742	-15,359,327	9,926,416
Other equipment	2,426,894	-1,842,533	584,361	2,294,946	-1,678,486	616,460
Industrial and commercial equipment	29,687,487	-18,000,191	11,687,296	27,580,689	-17,037,813	10,542,876
Public lighting facilities under concession	3,257,224	-2,268,535	988,689	3,249,253	-2,030,584	1,218,669
Heat management facilities under concession	2,624,768	-2,365,352	259,416	2,624,768	-2,275,050	349,718
Investments for the distribution of gas under concession	25,140,920	-2,873,373	22,267,547	24,896,658	-2,197,753	22,698,905
Electronic machines	8,112,845	-6,491,910	1,620,935	7,670,276	-5,844,262	1,826,015
Furniture, office machines	1,595,250	-1,232,643	362,607	1,458,569	-1,141,078	317,491
Vehicles	1,747,472	-1,618,811	128,661	1,820,122	-1,600,479	219,643
Other	32,202	-24,630	7,572	32,202	-21,183	11,019
Other assets	42,510,682	-16,875,254	25,635,428	41,751,849	-15,110,390	26,641,459
Fixed assets under construction and payments on account	4,748,724	0	4,748,724	4,377,266	0	4,377,266
Total	448,984,694	-144,411,603	304,573,091	432,865,167	-129,461,395	303,403,772

Tangible fixed assets mainly refer to assets associated with gas and LPG distribution and measurement. The investments made in areas managed under concession are classified under a specific item of "Other assets" and mainly refer to investments made by Gergas S.p.A. in the municipalities of Grosseto and Campagnatico. The network extension work not been completed at the reporting date is recognized under tangible fixed assets under construction.

In addition to the gas and LPG distribution infrastructures, the following fixed assets are particularly significant:

- a wood biomass co-generation plant and the relative district heating network in the Municipality of Calenzano, acquired by the subsidiary Biogenera S.r.l. at the end of 2011. The investment refers to land and buildings with a net book value as of 31 December 2013 of Euro 1,678 thousand and plant and machinery of a net book value as of 31 December 2013 of Euro 7,889 thousand;
- plant and machinery referring to the electronic and telecommunications systems installed by Estracom S.p.A. for a

net value at 31 December 2013 of Euro 6,960 thousand;

- the trigeneration plant in Sesto Fiorentino constructed by Estraclima S.r.l. The plant consists of one building, completed during 2011, the net value of which is Euro 1,219 thousand, networks and connections of a net value of Euro 1,230 thousand and plants, completed during 2012, the net value of which is 3,621 thousand.
- public lighting and heat management plants under concession transferred from the shareholder Intesa S.p.A. for net book values at 31 December 2013 of Euro 989 thousand and Euro 259 thousand respectively, amortised over the duration of the plant management contracts which is in any case shorter than the economic and technical life of the assets. The commercial activities connected to these plants continue to be carried out by the shareholder Intesa S.p.A., to whom the owner of the assets, E.S.T.R.A. S.p.A. charges back the relative depreciation and management costs incurred;
- advances paid on fixed assets for Euro 750 thousand referring to the purchase of 19 photovoltaic plants and related contractual arrangements with the GSE.

"Buildings" and "Other facilities" include allocation of the difference from initial elimination between the purchase cost and corresponding portion of Gergas S.p.A. shareholders' equity which increased the value of tangible fixed assets by a net book value at 31 December 2013 of Euro 339 thousand and Euro 11,608 thousand, respectively.

The following table show the historical costs, previous depreciation, changes during the year and the closing balances for each class of tangible fixed assets:

#### HISTORICAL COST

TANGIBLE FIXED ASSETS	Historical cost 31/12/2012	Other changes	Increases	Reclassifications	Eliminations	Historical cost 31/12/2013
Land and buildings	8,805,463	0	16,209	0	0	8,821,672
Lightweight constructions	58,967	0	0	0	0	58,967
Land and buildings	8,864,429	0	16,209	0	0	8,880,638
Networks and connections	307,388,175	0	9,862,413	2,291,249	-275,309	319,266,528
Decompression and pumping facilities	13,773,026	0	170,502	216,343	0	14,159,871
Storage facilities	2,184,823	0	306	21,876	0	2,207,006
Remote control and metering facilities	2,603,225	0	187,197	132,372	0	2,922,794
Cables, station and electronic systems for telephony	10,830,387	0	249,864	0	0	11,080,251
Other facilities	13,511,299	-33,000	42,415	0	0	13,520,714
Plants and machinery	350,290,934	-33,000	10,512,697	2,661,841	-275,309	363,157,163
Metering equipment	25,285,742	0	2,191,114	27,109	-243,373	27,260,592
Other equipment	2,294,946	0	129,133	2,815	0	2,426,894
Industrial and commercial equipment	27,580,689	0	2,320,247	29,924	-243,373	29,687,487
Public lighting facilities under concession	3,249,253	0	7,971	0	0	3,257,224
Heat management facilities under concession	2,624,768	0	0	0	0	2,624,768
Investments for the distribution of gas under concession	24,896,658	0	247,965	0	-3,703	25,140,920
Electronic machines	7,670,276	0	445,493	0	-2,925	8,112,845
Furniture, office machines	1,458,569	0	136,681	0	0	1,595,250
Vehicles	1,820,122	0	36,896	0	-109,546	1,747,472
Other	32,202	0	0	0	0	32,202
Other assets	41,751,849	0	875,006	0	-116,174	42,510,682
Fixed assets under construction and payments on account	4,377,266	0	3,072,583	-2,692,664	-8,461	4,748,724
Total	432,865,167	-33,000	16,796,743	-900	-643,316	448,984,694

#### ACCUMULATED DEPRECIATION

TANGIBLE FIXED ASSETS	Accumulated Depreciation 31/12/2012	Other changes	Amortization/ depreciation	Reclassifications	Eliminations	Accumulated Depreciation 31/12/2013
Land and buildings	-2,987,954	0	-236,399	0	0	-3,224,352
Lightweight constructions	-57,461	0	-569	0	0	-58,029

TANGIBLE FIXED ASSETS	Accumulated Depreciation 31/12/2012	Other changes	Amortization/ depreciation	Reclassifications	Eliminations	Accumulated Depreciation 31/12/2013
Land and buildings	-3,045,414	0	-236,967	0	0	-3,282,382
Networks and connections	-77,702,615	0	-10,566,092	0	150,335	-88,118,372
Decompression and pumping facilities	-8,969,015	0	-402,698	0	0	-9,371,713
Storage facilities	-1,020,249	0	-89,260	0	0	-1,109,509
Remote control and metering facilities	-1,135,258	0	-108,830	0	0	-1,244,088
Cables, station and electronic systems for telephony	-3,730,312	0	-390,333	0	0	-4,120,645
Other facilities	-1,710,330	0	-579,119	0	0	-2,289,450
Plants and machinery	-94,267,778	0	-12,136,333	0	150,335	-106,253,776
Metering equipment	-15,359,327	0	-973,864	141	175,391	-16,157,658
Other equipment	-1,678,486	0	-163,906	-141	0	-1,842,533
Industrial and commercial equipment	-17,037,813	0	-1,137,769	0	175,391	-18,000,191
Public lighting facilities under concession	-2,030,584	0	-237,951	0	0	-2,268,535
Heat management facilities under concession	-2,275,050	0	-90,301	0	0	-2,365,352
Investments for the distribution of gas under concession	-2,197,753	0	-676,501	0	881	-2,873,373
Electronic machines	-5,844,262	0	-650,390	0	2,742	-6,491,910
Furniture, office machines	-1,141,078	0	-91,566	0	0	-1,232,643
Vehicles	-1,600,479	0	-113,981	0	95,650	-1,618,811
Other	-21,183	0	-3,446	0	0	-24,630
Other assets	-15,110,390	0	-1,864,137	0	99,273	-16,875,254
Fixed assets under construction and payments on account	0	0	0	0	0	0
Total	-129,461,395	0	-15,375,206	0	424,999	-144,411,603

## NET VALUE

TANGIBLE FIXED ASSETS	Net value 31/12/2012	Other changes	Increases	Reclassifications	Depreciation	Eliminations	Net value 31/12/2013
Land and buildings	5,817,509	0	16,209	0	-236,399	0	5,597,319
Lightweight constructions	1,506	0	0	0	-569	0	937
Land and buildings	5,819,015	0	16,209	0	-236,967	0	5,598,257
Networks and connections	229,685,560	0	9,862,413	2,291,249	-10,566,092	-124,974	231,148,156
Decompression and pumping facilities	4,804,011	0	170,502	216,343	-402,698	0	4,788,158
Storage facilities	1,164,575	0	306	21,876	-89,260	0	1,097,497
Remote control and metering facilities	1,467,967	0	187,197	132,372	-108,830	0	1,678,706
Cables, station and electronic systems for telephony	7,100,075	0	249,864	0	-390,333	0	6,959,606
Other facilities	11,800,968	-33,000	42,415	0	-579,119	0	11,231,264
Plants and machinery	256,023,156	-33,000	10,512,697	2,661,841	-12,136,333	-124,974	256,903,387
Metering equipment	9,926,416	0	2,191,114	27,249	-973,864	-67,982	11,102,934
Other equipment	616,460	0	129,133	2,674	-163,906	0	584,361
Industrial and commercial equipment	10,542,876	0	2,320,247	29,924	-1,137,769	-67,982	11,687,296
Public lighting facilities under concession	1,218,669	0	7,971	0	-237,951	0	988,689
Heat management facilities under concession	349,718	0	0	0	-90,301	0	259,416
Investments for the distribution of gas under concession	22,698,905	0	247,965	0	-676,501	-2,822	22,267,547
Electronic machines	1,826,015	0	445,493	0	-650,390	-183	1,620,935
Furniture, office machines	317,491	0	136,681	0	-91,566	0	362,607
Vehicles	219,643	0	36,896	0	-113,981	-13,896	128,661
Other	11,019	0	0	0	-3,446	0	7,572
Other assets	26,641,459	0	875,006	0	-1,864,137	-16,901	25,635,428
Fixed assets under construction and payments on account	4,377,266	0	3,072,583	-2,692,664	0	-8,461	4,748,724
Total	303,403,7	-33,000	16,796,7	-900	-15,375,206	-218,318	304,573,0

TANGIBLE FIXED ASSETS	Net value 31/12/2012	Other changes	Increases	Reclassifications	Depreciation	Eliminations	Net value 31/12/2013
	72		43				91

The main changes during the year were represented by:

- new investments of Euro 16,797 thousand, mainly relating to the networks and connections categories for Euro 9,862 thousand and to metering equipment for Euro 2,191 for gas and LPG distribution activities. In particular, note the purchase at the end of the year for the natural gas distribution networks and plants in the Municipality of Terranuova Bracciolini for Euro 2,299 thousand from the shareholder Intesa S.p.A.
- Amortization for the period of Euro 15,375 thousand.

The fixed assets under construction of Euro 4,748 thousand, mainly refer to:

- commissions for work to construct natural gas distribution networks not finished at year end, for Euro 2,263 thousand;
- work in progress at year end on construction of the voice and data network backbone by the subsidiary Estracom S.p.A. for Euro 1,663 thousand;
- the advance of Euro 750 thousand paid for the purchase of 19 photovoltaic plants and related contractual arrangements with the GSE, based on a preliminary purchase agreement signed at year end with the shareholder Coingas.

The amortization rates used are calculated on the basis of percentages considered representative of the residual useful lives of the tangible assets. The following table shows the rates applied by the Group in 2013 for each category of assets in the gas distribution sector:

Category	Rate
Land	0.00%
Industrial buildings	2.00%
Urban networks and connections	2.50%
Stations	5.00%
Tanks and storage facilities	5.00%
Facilities for remote operations	5.00%
Metering equipment	5.00%

With regard to other specific operating segments of the Group, the amortization rates applied are the following:

Category	Rate
Heat - District heating network	3.33%
Heat - Thermoelectric Plants	5.00%
Heat - Heat management facilities under concession	7-9 years (duration of the contract)
Telephony - Conduits	2.50%
Telephony - Optical and copper cables	5.00%
Telephony – SDH node, networking, access and video surveillance equipment	12.00%
Telephony – Hardware and mobile phones	20.00%

With regard to the remaining asset categories, the amortization rates applied are the following:

Category	Rate
Lightweight constructions	10.00%
Electronic machines	20.00%
Furniture	12.00%
Equipment	10.00%
Industrial vehicles	20.00%
Other vehicles	25.00%



## Long-term investments

Balance as of 31/12/2013	Balance as of 31/12/2012
47,457,957	39,702,007

### Equity investments

The item is broken down as follows:

Equity investments in:	31/12/2013	31/12/2012
a) subsidiaries	1,428,143	3,498,411
b) associated companies	7,041,307	7,284,811
d) other companies		191,872
Total	8,469,450	10,975,094

Equity investments in subsidiaries refer to Serenia S.r.l. (in liquidation) and Origina, placed in liquidation and measured at their estimated recoverable value at 31 December 2013, and to Solgenera S.r.l., Fonteolica S.r.l., Nova E. S.r.l. and Idrogena S.r.l. which are subject to joint control.

b) Equity investments in subsidiaries	31/12/2013	31/12/2012
Serenia S.r.l. (in liquidation)	0	0
Origina S.r.l. (in liquidation)	0	75,836
Solgenera S.r.l.	0	1,893,932
Fonteolica S.r.l.	240,724	281,714
Nova E. S.r.l.	1,185,260	1,241,930
Idrogena S.r.l.	2,160	5,000
Total	1,428,144	3,498,412

The following table illustrates all the changes compared to the previous year:

b) Equity investments in subsidiaries	31/12/2012	Increases/(decreases)	Revaluation/(write-down)	Reclassifications	31/12/2013	Notes
Serenia S.r.l. (in liquidation)					0	
Origina S.r.l. (in liquidation)	75,836		-45,700	-30,136	0	1
Solgenera S.r.l.	1,893,932		-2,123,643	229,711	0	2
Fonteolica S.r.l.	281,714	500,000	-540,990		240,724	3
Nova E. S.r.l.	1,241,930		-56,670		1,185,260	4
Idrogena S.r.l.	5,000		-2,840		2,160	5
Total	3,498,412	500,000	-2,769,843	199,575	1,428,144	

- 1) The investee, placed in liquidation at the beginning of 2013 and already deconsolidated in the consolidated financial statements as of 31 December 2012, approved its final liquidation financial statements at the Shareholders' Meeting of 23 December 2013. The equity investment was written-down by Euro 45,700 on the basis of the approved distribution plan and the recoverable value of Euro 30,136 was reclassified to "other receivables".
- 2) As of the date of this report, the investee has not yet approved the 2013 financial statements due to the need to obtain figures for its subsidiaries, and is completing analysis of the recoverable value of tangible and intangible fixed assets relating to certain investments made in previous years. A negative adjustment of Euro 2,123,643 was recorded for the equity investment, given the forecast of a significant decrease in the balance of assets at year end, though this has not yet been confirmed, and on the basis of the forecast results for the year of its direct subsidiaries (SolgeneraTre S.r.l., Flor Fotovoltaici S.r.l. and Andali Energie S.r.l.). The adjustment results in the total impairment of goodwill emerging on initial consolidation of the company, of Euro 677,401, expressed in the value of the investment in the previous financial statements as of 31 December 2012 for Euro 406,441. The negative value of Euro 229,711 of the investment at 31 December 2013, after the value adjustment made, was reclassified to Provisions for liabilities and charges under balance sheet liabilities.

From a comparison between the book value of the investment in Andali Energie S.r.l., a 100% subsidiary of Solgenera S.r.l., and the corresponding portion of shareholders' equity, a higher cost value of the investment emerges of Euro 6,288 thousand, attributed to the value of the authorisation owned by the subsidiary. The subsidiary is active in the development of production projects for renewable energy and is the owner of the projects, administrative decisions, contracts and instrumental and functional acts necessary for the construction of a wind farm with a total capacity of 36 MW to be built in the Municipality of Andali (CZ). As the wind-powered plant is still operative, measurement at equity of the investment in Solgenera S.r.l. at 31 December 2013 does not take depreciation of this implicit additional value into account.

- 3) The value of the equity investment in Fonteolica S.r.l. was increased by Euro 500,000 following the waiver of a shareholder loan and its conversion into a contribution to share capital. The investment underwent a negative value adjustment of Euro 540,990 at 31 December 2013 as a consequence of the results for the year of the company and its direct investee Montedil.
- 4) The equity investment in Nova E. S.r.l., measured using the equity method, underwent a negative value adjustment of Euro 2,840 as a result of the loss recorded for the year.

Equity investments in associated companies are represented by:

b) Equity investments in associated companies	31/12/2013	31/12/2012
Blugas S.p.A. (in liquidation)	0	0
Blugas Infrastrutture S.r.l.	5,395,101	5,375,104
Era S.p.A. (in liquidation)	140,000	174,047
A.E.S. Fano Distribuzione Gas	150,940	88,987
Cavriglia SPV S.p.A.	825,682	1,110,356
Picchianti Società Consortile A.r.l.	0	2,000
Tegolaia SPV S.p.A.	458,085	527,317
Tegolaia Consortile S.r.l.	2,000	2,000
Cavriglia O&M S.c.a.r.l.	5,000	5,000
Roma Oil S.r.l.	60,000	
EDMA S.r.l.	4,500	
Total	7,041,308	7,284,811

The following table illustrates all the changes compared to the previous year:

b) Equity investments in associated companies	31/12/2012	Increases/(decreases)	Revaluation/(write-down)	Reclassifications	31/12/2013	Notes
Blugas S.p.A. (in liquidation)						
Blugas Infrastrutture S.r.l.	5,375,104		19,997		5,395,101	1
Era S.p.A. (in liquidation)	174,047		-34,047		140,000	2
A.E.S. Fano Distribuzione Gas	88,987		61,953		150,940	1
Cavriglia SPV S.p.A.	1,110,356		-284,674		825,682	1
Picchianti Società Consortile A.r.l.	2,000	-2,000			0	3
Tegolaia SPV S.p.A.	527,317		-69,232		458,085	1
Tegolaia Consortile S.r.l.	2,000				2,000	
Cavriglia O&M S.c.a.r.l.	5,000				5,000	
Roma Oil S.r.l.		60,000			60,000	4
EDMA S.r.l.		4,500			4,500	5
Total	7,284,811	62,500	-306,003	0	7,041,308	

- 1) The investment, measured at equity, was adjusted in value due to the result achieved by the company in 2013;
- 2) The investee was placed in liquidation at the beginning of 2014 and assessed at its estimated recoverable amount in the financial statements at 31 December 2013;
- 3) Having achieved and concluded its corporate purpose, the investee was placed in liquidation and prepared its winding-up financial statements as at 18 December 2013. The Group share, assumed from the final distribution

plan, was Euro 618 with a capital loss of Euro 1,382 recorded under item E 21) Losses on disposals in the income statement.

- 4) The increase is due to the incorporation of Roma Oil S.r.l. by Estra Energie S.r.l., with a 30% interest, and its partner Fiorentina Oil;
- 5) The increase is due to the incorporation with a 45% interest of EDMA S.r.l., for which reference should be made to the note on significant events during the year.

Equity investments in other companies are represented by the investment in Xenesis S.r.l. for Euro 191,708 at 31 December 2012. The value of the investment, given that its recovery would be problematic, was fully written down during 2013 after the company was placed in liquidation and filed an application for admission to the arrangements with creditors procedure at the beginning of 2014. Also at the beginning of 2014 the company changed its name to X22 S.r.l.

The equity investments are not subject to pledges or restrictions, except for the interest in the share capital of Cavriglia SPV S.p.A. and Tegolaia SPV S.p.A., respectively for nominal amounts of Euro 1,047,778 and Euro 534,313, pledged to Banca Etruria as guarantee on the project financing loan obtained.

## Loans

The item is broken down as follows:

Loans to:	31/12/2013	31/12/2012
a) from subsidiaries	25,768,371	18,770,130
b) from associated companies	6,631,738	3,728,572
d) from others	6,338,398	6,228,212
Total	38,738,507	28,726,914

Loans to subsidiaries and jointly-controlled companies that are not consolidated line by line and recognised under fixed assets can be broken down as follows:

Loans to subsidiaries	Gross amount 31/12/2013	Write-down 31/12/2013	Net value 31/12/2013	Gross amount 31/12/2012	Write-down 31/12/2012	Net value 31/12/2012
Serenia S.r.l. (in liquidation)	5,977,064	-5,335,823	641,241	5,335,823	-5,335,823	0
Solgenera S.r.l.	22,052,000		22,052,000	15,320,000		15,320,000
Nova E. S.r.l.	1,071,500		1,071,500	1,031,500		1,031,500
Fonteolica S.r.l.	2,003,630		2,003,630	2,418,630		2,418,630
Total	31,104,194	-5,335,823	25,768,371	24,105,953	-5,335,823	18,770,130

The amount due from Serenia S.r.l. (in liquidation) at 31 December 2013 increased compared to 31 December 2012 by Euro 641 thousand after new loans were disbursed in support of the financial needs of the Polish subsidiary Useneko. As described under significant events during the year, despite the fact that the company was placed in liquidation, it was decided not to increase the provision allocated at 31 December 2012 in view of the forecast ability to repay these loans from the proceeds of the disposal of assets by the subsidiary Useneko.

The amount due from Solgenera at 31 December 2013 increased by Euro 6,732 thousand compared to 31 December 2012 after the increase in financial needs of the investee and its direct subsidiary Andali Energia S.r.l. during 2013. The decrease in the amount due from Fonteolica at 31 December 2013 is the result of the aforementioned conversion of the loan into a contribution to share capital.

The breakdown of loans to associated companies recorded under fixed assets is as follows:

Loans to associated companies	Gross amount 31/12/2013	Write-down 31/12/2013	Net value 31/12/2013	Gross amount 31/12/2012	Write-down 31/12/2012	Net value 31/12/2012
Cavriglia SPV S.p.A.	2,183,334		2,183,334	2,183,334		2,183,334
Tegolaia SPV S.p.A.	1,161,238		1,161,238	1,161,238		1,161,238
Tegolaia Consortile	9,129		9,129			0

Blugas Infrastrutture S.p.A.	2,892,037		2,892,037			0
Cavriglia O&M	2,000		2,000			0
Blugas S.p.A. (in liquidation)	159,468	-159,468	0	159,468	-159,468	0
AES Fano Distribuzione S.r.l.	384,000		384,000	384,000		384,000
Total	6,791,206	-159,468	6,631,738	3,888,040	-159,468	3,728,572

The long term loans to Cavriglia SPV S.p.A. and Tegolaia SPV S.p.A. are represented by the accruals for the year due to E.S.TR.A. S.p.A. of the shareholder loan, in accordance with the approved Economic and Financial Plan, for construction of the photovoltaic plants in the municipality of Cavriglia.

The amount due from Blugas S.r.l. (in liquidation) derives from the disbursement by E.S.TR.A. of a shareholder loan, agreed by the Extraordinary Shareholders' Meeting of 25 June 2012, fully written down in view of the uncertain recoverability from liquidation of the company.

The amount due from Blugas Infrastrutture at 31 December 2013 refer to the loans disbursed in support of the financial needs of the company which, jointly with Edison Stoccaggio and with a 10% interest, is committed to the construction and operation of the storage plant located in San Potito e Cotignola, Ravenna province, as a result of a special concession.

Other loans amounted to Euro 6,338,398 and refer mainly to the loan disbursed to the Municipal Authority of Rieti (Euro 5,000,000), for which reference should be made to the notes on "Expenses for concessions" under other intangible assets, and the long-term guarantee deposits issued in favour of the Italian Customs Authority by the subsidiary Estra Energie S.r.l. and in favour of various suppliers for gas sales and storage activities.

#### *Other securities*

Balance as of 31/12/2013	Balance as of 31/12/2012
250,000	0

This item refers to the parent company's purchase of 250 bonds with a nominal value of Euro 1,000 each issued by Banco Popolare di Vicenza with full redemption on their maturity date of 14 June 2023. These bonds offer a 3.5% p.a. return for the first two years, increasing by 0.2% every two years thereafter until maturity.

### C) Current assets

#### I) Inventories

Balance as of 31/12/2013	Balance as of 31/12/2012
14,854,534	15,861,865

The item is broken down as follows:

Description	31/12/2013	31/12/2012
Materials inventories	2,239,480	1,999,906
Natural gas storage inventories	12,328,193	13,434,193
LPG inventories	430,128	427,766
Provision for write-down of inventories	-143,267	0
Total	14,854,534	15,861,865

Materials inventories refer mainly to assets connected to the gas distribution service and telephony. The value of the inventories is determined on the basis of the acquisition cost and does not differ significantly from current values. The amount recorded is net of the provision for obsolescence of Euro 143 thousand.

Natural gas inventories are represented by gas in storage for use during 2013. These were stated at the lower of either acquisition or production cost, including ancillary costs, and the estimated recoverable value based on market prices. Cost was determined using the weighted average cost. The market value used as reference was the average of intraday prices on the PB-gas market in December.

## II) Receivables

Balance as of 31/12/2013	Balance as of 31/12/2012
280,500,158	306,534,840

The item is broken down as follows:

Description	31/12/2013	31/12/2012
From customers	208,166,754	241,406,962
From subsidiaries	1,987,235	817,285
From associated companies	720,200	3,217,732
From holding companies	3,962,331	5,192,455
Tax credits	17,744,783	13,103,595
Deferred tax assets	18,491,308	16,965,896
From others	29,427,547	25,830,915
Total	280,500,158	306,534,840

Receivables from customers are all of a commercial nature and refer mainly to receivables from customers for natural gas and electricity supply.

The adjustment of the nominal value of receivables to their estimated realizable value was obtained using a write-down provision established for doubtful debts. Changes in the provision are shown in the table below:

Description	Balance
Provision for write-down 31/12/2012	25,449,093
Uses during the year	-7,729,476
Allocations for the year	9,521,174
Provision for write-down 31/12/2013	27,240,791

Receivables from subsidiaries, either deconsolidated or jointly-controlled, are shown below:

Subsidiary	31/12/2013	31/12/2012
Solgenera S.r.l.	1,309,343	386,251
Nova E S.r.l.	171,303	182,222
Idrogenera S.r.l.	11,129	0
Origina S.r.l. (in liquidation)	0	108,854
Serenia S.r.l. (in liquidation)	141,245	69,168
Fonteolica S.r.l.	57,460	53,501
Andali S.r.l.	91,009	8,744
Solgenera 2 S.r.l.		190
Solgenera 3 S.r.l.	205,746	190
Total	1,987,235	809,120

The receivables mostly derive from commercial transactions and the chargeback of interest income accrued on loans.

Receivables from associated companies as of 31 December 2013 are all of a commercial nature and consist of:

Associated company	31/12/2013	31/12/2012
Tegolaia SPV S.p.A.	59,286	2,311,053
Tegolaia Consortile S.r.l.	0	669,004
AES Fano Distribuzione S.r.l.	9,626	90,584
Edma Srl	115,000	
Picchianti	0	60,500
Vaserie Energie	17,262	
Venticello S.r.l.	10,703	
X21 S.r.l.		40,992
Cavriglia	284,029	25,700
Cavriglia O & M	70,697	15,188
Casole Energie	5,280	2,372
Blugas S.p.A.	3,013	1,509
Blugas Infrastrutture S.r.l.	121,781	759
Sinergie Green Tech S.p.A.	23,523	72

Total	720,200	3,217,733
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Receivables from holding companies refer to amounts due from shareholders of the parent company E.S.T.R.A. S.p.A. and consist of:

Shareholder	31/12/2013	31/12/2012
Consiag S.p.A.	1,520,929	1,873,247
Intesa S.p.A.	2,253,202	2,288,368
Coingas S.p.A.	188,200	1,030,840
Total	3,962,331	5,192,455

The receivables from shareholders refer to transactions of a commercial nature, mainly referring to seconded personnel, service contracts and the sales of goods/services which are part of the typical activities of the Group.

Tax credits are broken down as follows:

Tax credits	31/12/2013	31/12/2012
VAT credit	5,910,928	7,044,669
IRES/IRAP credit	3,711,690	5,998,665
Tax credits and credit for additional tax on gas consumption	7,550,385	
Other tax credits	571,780	70,261
Total	17,744,783	13,103,595

The significant increase in the tax credits is mainly due to the credit position, a debit position as of 31 December 2012, for excise duty and the additional tax from the difference between the advances paid during the year, determined on the basis of 2012 consumption and the actual tax debited to customers in 2013.

"Other tax credits" refer mainly to the IRES credit due to non-deduction of IRAP on personnel costs.

Deferred tax assets as of 31 December 2013 amount to Euro 18,491,308. The following table summarizes the temporary differences on which they were recorded and the changes that took place during 2013:

Temporary difference	Deferred tax assets 31/12/2012	Uses	Allocations	Deferred tax assets 31/12/2013
Excess amortization	4,804,517		748,660	5,553,177
Energy Efficiency Certificates (TEE) risk provision	524,446	-444,169	95,344	175,621
Other risk provisions	337,149		399,911	737,060
Taxable portion of the provision for doubtful debts	8,023,892	-2,605,409	2,346,218	7,764,701
Contributions received on connections	2,050,440	-52,440	857,473	2,855,473
Write-down of fixed assets	89,091		36,400	125,491
Write-down of inventories			39,398	39,398
Excess interest expense	130,796		7,916	138,712
Tax losses	142,896		0	142,896
Concession instalments and membership fees not yet paid	7,994	-1,302	7,753	14,446
Other	854,674	-140,438	230,098	944,334
Total	16,965,895	-3,243,758	4,769,171	18,491,308

The Group has accounted for the deferred tax assets relating to temporary differences between values which are significant for tax purposes and balance sheet values for which it considers probable that future taxable amounts will absorb the temporary differences that generated them. In determining deferred tax assets, reference was made to the IRES tax rate (corporate income tax) and, where applicable, the IRAP tax rate applicable at the time the temporary difference are expected to be reversed.

Regarding the IRES rate, note that as a result of the entry into force of conversion Law no. 148 of 14 September 2011, Group companies to which this law applies were subject to the additional IRES ("Robin Hood Tax") of 10.5% for 2013 and 6.5% from 2014 onwards.

For these companies, calculation of the deferred tax assets therefore took into account the temporary differences to be reversed after 2013 at a total IRES rate of 34%.

Other receivables were as follows:

Description	31/12/2013	31/12/2012
Receivables from the AEEG	11,267,590	16,771,609
Excise on electricity	799,169	2,647,390
Receivables from Provincial Authorities for additional electricity tax	1,674,848	1,635,285
Receivables from banks	111,634	1,441,524
Receivables from the Tuscany Regional Government		920,028
Credit for LPG tax breaks	820,133	681,500
Guarantee deposits	5,993,587	
Loans	5,000,000	
Advances	2,798,679	409,061
Other receivables	961,908	1,324,518
Total	29,427,548	25,830,915

“Receivables from the AEEG” indicates the credit amounts following application of AEEG gas resolution numbers 159/08, 206/09, 553/2012 and 328/2013, in addition to amounts to be received on energy efficiency certificates.

“Receivables from banks” includes amounts received from banks in the first few days of 2014 for charges incorrectly recorded at year end.

The “Credit for LPG tax breaks” indicates the credits for recovery of the tax break on LPG tariffs applied to end customers.

“Guarantee deposits” mainly refer to deposits paid on behalf of the supplier Sinit and the subsidiary Estra Energie S.r.l. for trade supplies for the current thermal year.

“Loans” relate to the loan disbursed by the subsidiary Estra Energie S.r.l. to a trade partner for joint participation in a competitive bid to purchase an operating unit in the Estra Energie business segment. This interest-bearing loan was disbursed on 18 December 2013 and repaid on 29 January 2014.

“Advances” mainly include the payment made by the parent company on behalf of the Municipality of Prato for Euro 1.7 million in reference to a settlement contract into which legal investigation is currently in progress at the request of the Board of Directors.

Receivables recorded as current assets are all collectible within one year, except deferred tax assets for which reversal will be beyond twelve months.

All the receivables relate to entities operating in Italy, except for Euro 1,469 thousand from EU entities and Euro 3,317 thousand due from non-EU entities for gas sales.

Also note that:

- the amounts recorded are generally in line with the agreed payment terms;
- certain receivables and payables with the same counterparties are recognised separately amount receivables and payables as they cannot be offset by law as a result of specific agreements between the parties;
- there were no receivables subject to constraints or restrictions of any kind or receivables for which it was decided to discount in compliance with sound accounting principles;
- there were no transactions with compulsory buy-back on maturity;
- there were no receivables in foreign currency.

#### IV) Cash and cash equivalents

Balance as of 31/12/2013	Balance as of 31/12/2012
41,235,802	48,978,344

The balance represents the liquid assets and the existence of cash and cash equivalents as at year end: The item is broken down as follows:

Description	31/12/2013	31/12/2012
-------------	------------	------------

Bank and postal deposits	41,221,526	48,965,223
Cash and cash equivalents	14,276	13,121
<b>Total</b>	<b>41,235,802</b>	<b>48,978,344</b>

Bank deposits include amounts restricted as at 31 December 2013 for Euro 7,000,000, on which the restriction lapses on 22 July 2014.

#### D) Deferred charges and accrued income

Balance as of 31/12/2013	Balance as of 31/12/2012
1,937,177	1,556,050

These refer exclusively to accrued income. The composition is shown below:

Description	31/12/2013	31/12/2012
Energy Efficiency Certificates	154,493	257,487
Multi-year telephony costs	235,980	345,147
Loan expenses	332,268	240,682
Other	1,214,436	712,734
<b>Total</b>	<b>1,937,177</b>	<b>1,556,050</b>

The “multi-year telephony costs” include the residual amount of expenses incurred by the subsidiary Estracom S.p.A. for the ULL sites, originally Euro 675,663 distributed over 10 years and the Fastweb concession amounts, originally Euro 194,929 distributed over 15 years.

“Loan expenses” indicate the portion pertaining to future years of loan expenses spread over the entire duration of the loan.

“Other” refers to costs incurred in advance, mainly referring to insurance policies and lease payments.

Accrued income reversible beyond 5 years totals Euro 91,907.



## Liabilities

### Shareholders' Equity

Since the establishment of the E.S.T.R.A. Group, the shareholders' equity has undergone the following changes:

Description	Share capital	Share premium reserve	Legal reserve	Merger surplus reserve	Other reserves	Consolidation reserve	Retained earnings/ losses	Group profit for the year	Group shareholder s' equity	Shareholder s' equity attributable to minority interests	Total Shareholder s' Equity
Establishment 17/11/2009	50,000								50,000		50,000
Consiag and Intesa contributions	141,444,000								141,444,000		141,444,000
Merger by incorporation of Sinergie				4,406					4,406		4,406
Effects deriving from the first consolidation					12,551	1,384,521			1,397,072	5,669,674	7,066,746
Profit for the year								10,491,676	10,491,676	2,122,797	12,614,473
Balances as of 31/12/2010	141,494,000	0	0	4,406	12,551	1,384,521	0	10,491,676	153,387,154	7,792,471	161,179,625
Allocation of 2010 profit											
- Consolidated profit for the previous year			255,066				5,390,355	5,645,421	0		0
- Dividends								4,846,255	-4,846,255		-4,846,255
Contribution from Coingas	55,006,000	5,880,000							60,886,000		60,886,000
Change in the scope of consolidation					-12,548	87,797	214,609		289,858	-2,910,800	-2,620,942
Other changes					-3	2,157			2,154	-1,575	579
Profit for the year								1,238,858	1,238,858	1,379,409	2,618,267
Balances as of 31/12/2011	196,500,000	5,880,000	255,066	4,406	0	1,474,475	5,604,964	1,238,858	210,957,769	6,259,505	217,217,274
Allocation of 2011 profit											
- Consolidated profit for the previous year			136,806				-1,497,264	1,360,458	0		0
- Dividends								2,599,316	-2,599,316		-2,599,316
Change in the scope of consolidation						-21,081	15,763		-5,318	5,001,334	4,996,016
Other changes						-166,265	157,100		-9,165	-171,980	-181,145
Profit for the year								8,629,077	8,629,077	1,352,485	9,981,562
Balances as of 31/12/2012	196,500,000	5,880,000	391,872	4,406	0	1,287,129	4,280,563	8,629,077	216,973,047	12,441,344	229,414,391
Allocation of 2012 profit											
- Consolidated			325,707				5,703,370	-	0		0

profit for the previous year								6,029,077				
- Dividends								-	-2,600,000			-2,600,000
								2,600,000				
Share capital increase	9,000,000	630,000							9,630,000			9,630,000
Change in the scope of consolidation							-7,781		-7,781	7,781		0
Other changes							-50,076	50,332	256	-289,450		-289,195
Profit for the year								3,863,722	3,863,722	1,151,219		5,014,941
Balances as of 31/12/2013	205,500,000	6,510,000	717,579	4,406	0	1,229,271	10,034,265	3,863,722	227,859,243	13,310,894		241,170,137

The change in consolidated shareholders' equity at 31 December 2013 compared to 31 December 2012 is mainly due to dividend distribution by the parent company (Euro 2,600 thousand), Group profit for the year (Euro 3,864 thousand) and the parent company's share capital increase for Euro 9,600 thousand (including Euro 9,000 share capital and Euro 630 thousand share premium).

The analysis of items of parent company shareholders' equity as regards their utilisation and distribution options is provided in the table below:

Description	Amount	Utilisation options	Distributable portion	Utilisation in the last 3 years	
				For coverage of losses	For other reasons
Capital	205,500,000				
Equity reserve:					
Share premium reserve	6,510,000	A,B	-		
Total	212,010,000				
Profit reserves:					
- Legal reserve	717,579	B	-		
- Extraordinary reserve					
- Merger surplus reserve	2,724,897	A,B,C	2,724,897		
Total	3,442,476		2,724,897		
Retained earnings	3,588,430	A,B,C	3,154,830		
Total	219,040,906		5,879,727		

The non-distributable amount of retained earnings of Euro 433,600 corresponds to the unamortised portion of start-up and expansion costs and of research, development and advertising costs.

The share capital at 31 December 2013 was composed as follows:

Shareholder	Number of shares	Nominal value of shares (€)	%
Consiag S.p.A.	90,420,000	90,420,000	44
Intesa S.p.A.	57,540,000	57,540,000	28
Coingas S.p.A.	57,540,000	57,540,000	28
Total	205,500,000	205,500,000	100

Reconciliation of separate income and shareholders' equity with consolidated income and shareholders' equity				
(thousands of Euro)	2013		2012	
	Group profit for the year	Total shareholders' equity	Group profit for the year	Total shareholders' equity
Shareholders' equity and profit for the year as shown in the holding company's financial statements	3,155	222,196	6,514	212,011
Income and elimination of book value of fully consolidated companies	7,822	10,221	12,205	10,498
Elimination of intercompany dividends	-6,343	-4,465	-9,961	-6,214

Elimination of investee write-downs	4,437	7,089	1,196	2,792
Allocation of consolidation differences	-1,793	-2,477	-684	-684
Elimination of intercompany capital gains	-386	-386		
Effects of measuring associated and jointly controlled companies using the equity method	-2,996	-4,264	-616	-1,289
Deconsolidation/disposals of subsidiaries	-33	-54	-25	-141
Group profit for the year and shareholders' equity as shown in the consolidated financial statements	3,864	227,859	8,629	216,973
Profit and shareholders' equity attributable to minority interests	1,151	13,311	1,352	12,441
Profit for the year and shareholders' equity as shown in the consolidated financial statements	5,015	241,170	9,982	229,414

### Provisions for liabilities and charges

Balance as of 31/12/2013	Balance as of 31/12/2012
12,609,820	9,955,363

The item is broken down as follows:

Description	31/12/2013	31/12/2012
Pension liabilities	120,148	84,927
Provisions for taxation, including deferred taxation	5,306,863	4,368,509
Other provisions	7,182,809	5,501,927
Total	12,609,820	9,955,363

The following table shows the changes during the year:

Description	31/12/2012	Allocations	Uses/ Reversals	Reclassifications	31/12/2013
Agency leaving indemnities provision	84,927	35,221	0	0	120,148
Provision for deferred taxes	4,368,509	1,015,170	-76,815	0	5,306,863
Provision for disputes and legal expenses	3,493,300	196,667	-78,052	0	3,611,915
Provisions for risks on technological equipment for telecommunications	470,000	180,000	0	0	650,000
Energy Efficiency Certificates (TEE) risk provision	1,340,922	295,000	-1,092,538	0	543,384
Provision for coverage of losses - renewable energies segment	0	1,750,000	0	0	1,750,000
Reclassification of investment in Solgenera S.r.l.	0	0	0	229,711	229,711
Provision for coverage of losses of X21 S.r.l.	1,444	0	-1,444	0	0
Provision for coverage of losses of Blugas S.p.A. and Sinergie Italiane S.r.l.	196,261	201,539	0	0	397,800
Total	9,955,363	3,673,597	-1,248,850	229,711	12,609,821

The agency leaving indemnities provision is allocated to cover termination indemnities for sales agents.

Euro 4,674 thousand (Euro 3,837 thousand at 31 December 2012) of the deferred taxes provision as of 31 December 2013 refers to the allocation to tangible fixed assets of the price paid for the acquisition of Grosseto Energia Ambiente S.p.A. Note that based on the legislative changes (Decree Law no. 69 of 21 June 2013) which reduced the application limits for the Robin Hood Tax, resulting in Gergas S.p.A. being subject to this tax from 2014, the deferred taxes resulting from allocation of tangible assets were recalculated at the IRES rate increased by an additional 6.5%. The effect on the 2013 income statement of this adjustment, recorded under deferred taxes in the income statement, was Euro 922 thousand.

The residual amount refers mainly to the deferred taxes on dividends recognized but not yet collected and the differences between the fiscal value and the statutory value of the assets.

The provision for disputes is allocated based on the estimate at the reporting date of the risk relating to expenses and obligations arising from ongoing lawsuits involving Group companies. The amount allocated in 2013 was recognised to "provisions for risks" in the income statement.

The provision for risks on technological equipment for telecommunications was allocated by the subsidiary Estracom S.p.A. to cover the risk of losses from disposal of certain obsolete equipment prior to their full depreciation and recorded an increase of Euro 180 thousand in 2013, recorded under "provisions for risk" in the income statement.

The TEE risk provision has been established to cover the risk of expenses arising from the difference between the acquisition price of TEEs on the market and the revenue realizable from sale to the Authority to meet regulatory obligations. The 2013 provision was recognised under "other operating expenses" in the income statement.

The item "Reclassification of investment in Solgenera S.r.l." includes the negative value as of 31 December 2013 arising from measurement of the company and its direct investees using the equity method.

The provision for risks in the renewable energies sector allocated in 2013 is to cover potential losses from the abandonment of initiatives in progress by the Group in the sector of production from renewable energy sources and/or potential impairment of investments made, also as a consequence of the constant and not always predictable development of the reference legal and regulatory context.

The provision for coverage of losses of Bugas S.p.A. and Sinergie Italiane S.r.l. was increased by Euro 201,539 after the investee Bugas was placed in liquidation, as described in the section of the notes on significant events during the year. The amount allocated was recognised under "provisions for risks" in the income statement.

## Employee leaving indemnity

Balance as of 31/12/2013	Balance as of 31/12/2012
7,623,013	7,576,235

The allocated provision represents the actual amount payable by the company as of 31 December 2013 for employees in service at that date, net of any advances paid.

The changes during the year are summarized below:

Description	Amount
Provision as of 31 December 2012	7,576,235
Provision decreases/Payments to pension funds	-1,308,844
Provisions for the year	1,355,622
Provision as of 31 December 2013	7,623,013

## Payables

Balance as of 31/12/2013	Balance as of 31/12/2012
437,646,864	482,056,304

The item is broken down as follows:

DESCRIPTION	31/12/2013	31/12/2012
Amounts due to banks (within 12 months)	119,940,239	130,625,677
Amounts due to banks (later than 12 months)	74,622,929	66,401,612
Advances	12,549,199	12,349,199
Payables to suppliers	181,279,826	164,578,015
Payables to subsidiaries	96	414,045
Payables to associated companies	110,037	2,259,033
Payables to holding companies	26,409,373	40,078,860
Tax liabilities	3,494,947	22,074,230

Amounts due to social security institutions	872,949	1,247,910
Other payables	18,367,269	42,027,722
<b>Total</b>	<b>437,646,864</b>	<b>482,056,304</b>

#### Amounts due to banks

Balance as of 31/12/2013	Balance as of 31/12/2012
194,563,167	197,027,289

The amounts due to banks within 12 months consist of:

Description	31.12.2013	31.12.2012
Bank advances and current account overdrafts	105,615,369	120,896,121
Portion due within 12 months of loans payable	14,324,870	9,729,556
<b>Total</b>	<b>119,940,239</b>	<b>130,625,677</b>

The amounts due to banks after 12 months, totalling Euro 74,622,929, are represented by the portions of Group loans payable beyond 12 months, as shown in the table below:

Description	Interest rate	Residual debt 31/12/2013	Within 12 months	After 12 months	After 5 years	Maturity
BNL mortgage	Euribor 06 M+1.5	10,833,333	1,666,667	6,667,166	2,499,500	30/06/2020
MPS mortgage of € 2,413,047	Fixed rate at 5.93%	1,760,912	142,775	662,347	955,791	30/06/2023
MPS mortgage of € 1,139,649	Fixed rate at 5.78%	593,425	119,047	474,378		30/06/2018
MPS mortgage of € 2,200,000	Fixed rate at 5.12%	780,173	247,027	533,146		31/12/2016
MPS mortgage of € 3,621,147	Fixed rate at 5.12%	1,284,146	406,600	877,546		31/12/2016
MPS mortgage of € 2,193,344	Fixed rate at 5.684%	409,079	198,794	210,285		31/12/2015
MPS mortgage of € 3,422,504	Fixed rate at 5.52%	924,317	291,600	632,717		31/12/2016
MPS mortgage of € 4,324,000	Euribor 06 M+1	739,833	489,273	250,560		30/06/2015
MPS mortgage of € 1,625,397	Euribor 06 M+1	528,378	124,600	403,778		31/12/2017
MPS mortgage of € 1,326,967	Euribor 06 M+1	431,365	101,722	329,643		31/12/2017
MPS mortgage of € 9,000,000	Euribor 06 M+2	7,013,504	840,382	3,645,130	2,527,992	30/06/2021
CDP mortgage of € 25,000,000	Euribor 06 M+1.78	18,750,000	2,500,000	10,000,000	6,250,000	30/06/2021
BPV mortgage	Euribor 03 M+ 0.7	6,151,060	545,912	2,265,390	3,339,758	30/06/2024
MPS Mortgage	Fixed rate at 4.65%	361,998	176,843	185,155		31/12/2015
MPS Mortgage	Fixed rate at 5.43%	317,341	121,860	195,481		30/06/2016
MPS Mortgage	Fixed rate at 5.93%	467,212	37,882	175,736	253,594	30/06/2023
Banca Etruria mortgage	Euribor 06 M + 2	13,851,200	1,160,000	5,289,600	7,401,600	30/06/2023
Banca Etica Mortgage	Fixed rate at 4.65%	377,758	14,940	362,818		30/06/2040
MPS Mortgage	Fixed rate at 4.94%	109,896	109,896	0		31/12/2014
BNL € 2,000,000	Euribor 06 M+1.25	666,667	133,333	533,334		31/12/2018
BCC € 150,000	Fixed rate at 4.00%	59,903	11,544	48,359		28/08/2018
Unicredit mortgage of € 4,000,000	Euribor 03M	3,632,749	755,388	2,877,361		30/06/2018
Banca Popolare Bergamo mortgage	Fixed rate at 4.52%	7,538,862	1,900,383	5,638,479		04/10/2017
Cassa Risparmio San Miniato mortgage	Euribor 06 M+3	5,000,000	916,771	4,083,229		31/12/2018
BPV mortgage of € 7,000,000	Euribor 03 M+3.85	6,364,687	1,311,631	5,053,056		30/06/2018
<b>Total</b>		<b>88,947,798</b>	<b>14,324,870</b>	<b>51,394,694</b>	<b>23,228,235</b>	

The table below shows the changes compared to the end of the previous year.

Description	Residual debt 31/12/2012	Amount granted	Amount repaid	Residual debt 31/12/2013
MPS Pool € 8,000,000	466,645		466,645	0
B.N.L.	12,500,000		1,666,667	10,833,333
MPS of € 2,413,047	1,895,583		134,671	1,760,912
MPS of € 1,139,649	705,878		112,453	593,425
MPS of € 2,200,000	1,015,022		234,849	780,173
MPS of € 3,621,147	1,670,701		386,555	1,284,146
MPS of € 2,193,344	597,038		187,959	409,079
MPS of € 3,422,504	1,200,338		276,021	924,317
MPS of € 398,740	23,848		23,848	0
MPS of € 4,324,000	1,213,723		473,890	739,833
MPS of € 1,625,397	648,292		119,914	528,378
MPS of € 1,326,967	529,263		97,898	431,365
MPS	530,903		168,905	361,998
MPS	432,844		115,503	317,341
MPS	502,943		35,731	467,212

MPS of € 9,000,000	7,827,305		813,801	7,013,504
CDP of € 25,000,000	21,250,000		2,500,000	18,750,000
BPV mortgage	6,689,035		537,975	6,151,060
Banca Etica mortgage	392,590		14,832	377,758
MPS Mortgage	214,559		104,663	109,896
BNL € 2,000,000	800,000		133,333	666,667
BCC € 150,000	71,058		11,155	59,903
Banca Etruria	14,953,600		1,102,400	13,851,200
Unicredit mortgage of € 4,000,000		4,000,000	367,251	3,632,749
Banca Popolare Bergamo mortgage		8,000,000	461,138	7,538,862
Cassa Risparmio San Miniato mortgage		5,000,000		5,000,000
BPV € 7,000,000		7,000,000	635,313	6,364,687
<b>Total</b>	<b>76,131,168</b>	<b>24,000,000</b>	<b>11,183,370</b>	<b>88,947,798</b>

No loan is secured with real or other guarantees, except as indicated below.

With regard to the Cassa Depositi e Prestiti loan, originally for Euro 25 million, on 4 February 2013 the company signed an amendment to the loan agreement to envisage application, on early repayment of the residual capital, of:

- the Prato compensation, as an alternative solution in the event of sale of the gas network following a tender procedure, in an equal amount, on the date of the repayment of 20.8% of the residual capital together with any interests accrued on that date and the applicable repayment costs;
- 100% of the Arezzo and the Siena area indemnities if the tenders in these geographical areas are not awarded, as well as 100% of any other indemnity that will be due subsequently to the signature date in relation to a current gas distribution network (except for the Prato Indemnity if the contract should not be awarded to the beneficiary) with a value equal to or higher than Euro 10,000,000, except in the case that the parties reach an alternative solution for repayment.

Furthermore the parent company must satisfy the following financial parameters calculated on the results of the Consolidated Financial statements for the entire duration of the contract:

- $D/EBITDA \leq 4.5$
- $D/E \leq 1$

Definitions:

"D" is the algebraic sum of the (i) bonds, payables to banks and other lenders, (ii) commitments of a financial nature and (iii) cash and cash equivalents and assets that can be liquidated easily (other than stocks) as indicated in the consolidated financial statements;

"E" is the consolidated shareholders' equity, including the share capital, reserves, profits earned net of the dividends result as indicated in the consolidated financial statements.

"EBITDA" is the amount of the (i) difference between the value and the costs of production and (ii) the amortization/depreciation of tangible and intangible fixed assets as indicated in the consolidated financial statements.

The financial parameters were complied with as of 31 December 2013, as shown by the following calculation:

Description	31/12/2013	31/12/2012
Bonds <sup>2</sup>	0	0
Amounts due to banks <sup>3</sup>	194,563,167	197,027,289
Amounts due to other lenders <sup>4</sup>	0	0
(Cash and cash equivalents) <sup>5</sup>	-41,235,801	-48,978,344
(Assets that can be easily liquidated) <sup>6</sup>	-111,634	-1,441,524
Commitments of a financial nature <sup>7</sup>	25,957,114	33,508,000
<b>D</b>	<b>179,172,845</b>	<b>180,115,420</b>
Share capital	205,500,000	196,500,000

<sup>2</sup>Items D 1) and D 2) of balance sheet liabilities

<sup>3</sup>Item D 4) of balance sheet liabilities.

<sup>4</sup>Item D 5) of balance sheet liabilities.

<sup>5</sup>Item C IV) of balance sheet assets.

<sup>6</sup>Item C III) of balance sheet assets + "Amounts due from banks" classified under item C II) 5) Receivables from others balance sheet assets

<sup>7</sup>Guarantees granted for jointly controlled companies and associated companies + Receivables assigned to factoring companies with recourse

Reserves and retained earnings	18,511,013	11,845,460
Group profit for the year	3,970,514	8,627,588
Group shareholders' equity	227,981,527	216,973,048
Minority interests' capital and reserves	12,144,183	11,088,860
Minority interests' profit for the year	1,044,426	1,352,485
Shareholders' equity attributable to minority interests	13,188,610	12,441,344
Consolidated shareholders' equity <sup>8</sup>	241,170,137	229,414,392
Dividends distributed (to minority shareholders)	-3,277,145	-3,734,555
E	237,892,992	225,679,837

Difference between the value and the cost of production <sup>9</sup>	26,015,001	31,642,776
Amortization/depreciation of tangible and intangible fixed assets <sup>10</sup>	22,152,504	20,101,676
EBITDA	48,167,506	51,744,452

1) D / EBITDA	3.72	3.48
2) D/E	0.75	0.80

### Advances

Balance as of 31/12/2013	Balance as of 31/12/2012
12,549,199	12,349,199

The advances mainly refer to advance payments made by customers to guarantee natural gas consumption which amount to Euro 12,221 thousand (Euro 12,020 thousand as of 31 December 2012) and LPG of Euro 328 thousand (Euro 320 thousand as of 31 December 2012).

### Payables to suppliers

Balance as of 31/12/2013	Balance as of 31/12/2012
181,279,826	164,578,015

Amounts due to suppliers refer to payables on invoices received and still to be received from suppliers. They are recognized net of commercial discounts; cash discounts are instead recognized at the time of payment. The nominal value of these payables has been adjusted if returns or rebates exist (invoicing adjustments), according to the amount agreed upon with the counterparty.

The item includes the balance as of 31 December 2013 of the "maturity factoring" transactions carried out by Estra Elettricità S.p.A. which amount to Euro 24,921 thousand. With this instrument, the company allows its suppliers to set up factoring relations aiming to unblock and collect the receivables due to them from the company, for the supply of goods and/or the provision of services, allowing the company to obtain a further extension in the payment time of the payable, by paying interest.

All payables are due within 12 months to counterparties operating in Italy, except for Euro 4,053 thousand to EU entities and Euro 3,581 thousand to non-EU entities for gas purchases.

There are no payables in foreign currencies.

### Payables to subsidiaries

Balance as of 31/12/2013	Balance as of 31/12/2012
96	414,045

<sup>8</sup>Item A) of balance sheet liabilities.

<sup>9</sup>Income statement item "Difference between the value and the cost of production (A-B)"

<sup>10</sup>Items B 10) a) + B 10) b) of the Income Statement





The composition of this item, which refers to subsidiaries not fully consolidated, is:

Subsidiary	Payables 31/12/2013	Payables 31/12/2012
Origina S.r.l. (in liquidation)		416,260
Solgenera S.r.l.	96	96
Total	96	416,356

#### Payables to associated companies

Balance as of 31/12/2013	Balance as of 31/12/2012
110,037	2,259,033

The item is broken down as follows:

Associated company	31/12/2013	31/12/2012
Tegolaia Consortile S.r.l.	38,800	1,775,997
X21 S.r.l.		459,607
Caviglia O & M	71,237	12,055
Picchianti		11,374
Total	110,037	2,259,033

Payables to subsidiaries and associated companies are of a commercial nature.

#### Payables to holding companies (shareholders)

Balance as of 31/12/2013	Balance as of 31/12/2012
26,409,373	40,078,860

This item contains the Group payables to the shareholders of E.S.T.R.A. S.p.A., consisting of the following amounts:

Shareholder	31/12/2013	31/12/2012
Consiag S.p.A.	19,509,439	27,328,470
Intesa S.p.A.	4,940,332	7,493,649
Coingas S.p.A.	1,959,602	5,256,741
Total	26,409,373	40,078,860

The payables to shareholders mainly refer to:

- payables arising from the initial transfer of the gas distribution business units;
- payables arising on transfer or disposal of equity investments on completing the combination process and the assumption by E.S.T.R.A. S.p.A. of loans granted to the investees;
- payables deriving from trade transactions (mainly referring to the rents of the corporate offices);
- accrued interest at the 3M Euribor rate with 0.5% spread

#### Tax liabilities

Balance as of 31/12/2013	Balance as of 31/12/2012
3,494,947	22,074,230

The item is broken down as follows:

Description	31/12/2013	31/12/2012
Irpef tax agents	1,152,920	717,608
VAT payable	739,490	66,915
IRES payables	50,939	2,115,021
IRAP payables	18,933	226,757
Payables for substitute tax release	1,323,275	4,108,540

Tax payables and additional tax on gas consumption		14,660,565
Other payables	209,391	178,825
<b>Total</b>	<b>3,494,947</b>	<b>22,074,230</b>

The significant decrease in the tax payables is mainly due to the credit position at 31 December 2013 (debit position as of 31 December 2012) for excise duty and the additional tax from the difference between the advances paid during the year, determined on the basis of 2012 consumption and the actual tax debited to customers in 2013.

The amount due as substitute tax refers to the tax redemptions by E.S.T.R.A. S.p.A. of the higher book value of the assets conferred by shareholders and redeemable in 3 years (from 2012).

#### Amounts due to social security institutions

Balance as of 31/12/2013	Balance as of 31/12/2012
872,949	1,247,910

This item refers to Group payables for social security (INPS and INPDAP), public healthcare (INAIL) and contributions to complementary pension funds (Pegaso, Comungas, Premungas, Enasarco and Kaleido).

#### Other payables

Balance as of 31/12/2013	Balance as of 31/12/2012
18,637,270	42,027,722

The item is broken down as follows:

Description	31/12/2013	31/12/2012
Remuneration due to staff	2,519,734	1,405,144
Remuneration due to staff for deferred duties	1,109,125	1,119,963
Amounts due for purchase of the equity investment in Gergas S.p.A.		12,060,000
Amounts due to CCSE [Electricity Equalization Fund]	12,363,813	23,363,927
Sundry payables	2,374,598	4,078,688
<b>Total</b>	<b>18,367,270</b>	<b>42,027,722</b>

The increase in wages and salaries payable refers mainly to allocation of amounts accrued in the period payable by the company under a settlement agreement with one employee, signed in December 2013, and to the allocation of one-off payments due to employees which were disbursed in February 2014 and envisaged in the national pay agreement, covering 2013 prior to renewal of the agreement.

The amount due for purchase of the equity investment in Gergas S.p.A. as of 31 December 2012 was paid during 2013.

The amounts due to the CCSE consist of:

- Euro 9,095 thousand (Euro 5,465 thousand as of 31 December 2012) due for tariff components;
- Euro 3,269 thousand (Euro 7,243 thousand as of 31 December 2012) payable for the purchase of white certificates (TEEs) to comply with the obligation established for 2013, recognised to the extent of the contribution received on these certificates. The surplus on the purchase price compared to this value has been allocated to risk provisions.

The comparison figure at 31 December 2012 also included an adjustment to the equalisation balance of 2011 revenues of Euro 10,655 thousand, repaid at the beginning of 2013.

#### Deferred income and accrued charges

Balance as of 31/12/2013	Balance as of 31/12/2012
32,081,000	29,274,686

This item mainly includes deferred income on grants for the construction of networks and connections for Euro 28,160 thousand (Euro 25,409 thousand at 31 December 2012) and deferred income from discounting of the receivable due from the Municipality of Rieti, described under "Long-term loans to others" for Euro 1,847 thousand.

The deferred income on grants is recognised in the income statement according to the duration of depreciation of the tangible assets to which it refers.

Deferred income receivable in more than 5 years amounts to Euro 24,271 thousand in grants and Euro 923 thousand in deferred income from discounting of the Municipality of Rieti receivable.

## Memorandum Accounts

### Risk system

The composition is shown below:

Guarantees issued on behalf of jointly-controlled companies	31.12.2013	31.12.2012
Guarantee issued to Unicredit on behalf of Solgenera S.r.l.	780,000	3,680,000
Guarantee issued to Unicredit Leasing on behalf of Solgenera S.r.l.	10,732,510	0
<b>Total</b>	<b>11,512,510</b>	<b>3,680,000</b>
Guarantees issued on behalf of associated companies	31.12.2013	31.12.2012
Guarantee issued to Banca Popolare di Vicenza on behalf of Montedil S.r.l.	2,400,000	2,500,000
Guarantee issued to Banca Popolare Emilia on behalf of Sinergie Italiane S.r.l.	5,953,000	5,953,000
Guarantee issued to Cassa di Risparmio di Firenze on behalf of Vaserie Energia S.r.l.	1,425,000	1,425,000
Guarantee issued to Sace BT on behalf of Blugas Infrastrutture on VAT credit reimbursement	1,478,745	0
Letter of patronage commitments to Ca.Ri Parma e Piacenza on behalf of Blugas S.p.A.	2,321,800	0
Guarantee issued to Banca Etruria and Meliorbanca on behalf of Caviglia SPV S.p.A.	0	9,700,000
<b>Total</b>	<b>13,578,545</b>	<b>19,578,000</b>
Other	31.12.2013	31.12.2012
Receivables assigned to factoring companies with recourse	866,059	10,000,000
Guarantee issued to MPS on behalf of Iren S.p.A.	0	250,000
Guarantees issue on behalf of local entities for work or concessions relating to the use of public land	2,085,318	2,264,118
Guarantees issued on behalf of gas distribution/transport companies		12,373,845
<b>Total</b>	<b>2,951,377</b>	<b>24,887,963</b>
<b>TOTAL RISK SYSTEM</b>	<b>28,042,432</b>	<b>48,145,963</b>

Bank or other guarantees, such as parent company commitments were also given in the interests of fully consolidated companies for conducting normal Group activities, for which the related amount payable is generally already recognised in the consolidated financial statements.

As of 31 December 2013 the following had been issued:

- Letter of patronage commitments to gas providers on behalf of Estra Energie S.r.l. for Euro 87,000 thousand;
- Letter of patronage commitments to electricity providers on behalf of Estra Elettricità S.p.A. for Euro 20,000 thousand;
- Letter of patronage commitments to gas providers on behalf of Exo Energy Trading S.r.l. for Euro 20,260 thousand;
- Bank guarantees in favour of electricity distribution companies for Euro 3,797 thousand;
- Guarantees issued on behalf of gas distribution/transport companies for Euro 23,552 thousand.

### Commitment system

This item includes the total of contracts already signed as at 31 December 2013 by the subsidiary Exo Energy Trading S.r.l. that envisage the physical delivery of gas in future years, with breakdown as follows:

Commitments	31.12.2013	31.12.2012
Gas purchase contracts with deliveries in subsequent years	35,095,494	22,586,507
Gas sale contracts with deliveries in subsequent years	48,427,886	41,333,079
<b>TOTAL COMMITMENT SYSTEM</b>	<b>83,523,380</b>	<b>63,919,586</b>

### Information on derivative contracts

The Group has derivative contracts to hedge against interest rate fluctuations for medium to long term loans and the risk of fluctuations in the purchase price of gas.

The table below shows the maturity, notional value and fair value of the IRS contracts to hedge against interest rate fluctuations for loans in existence on 31 December 2013:

Company	IRS hedging interest rate fluctuations on loans	Notional 31/12/2013 (Euro)	Positive/( negative) fair value 31/12/2013 (Euro)	Notional 31/12/2012 (Euro)	Positive/(ne gative) fair value 31/12/2012 (Euro)
E.S.T.R.A. S.p.A.	IRS Fixed/Floating rate maturing 28/06/2019 (BPV)	4,166,666	-155,313	4,722,222	-261,065
E.S.T.R.A. S.p.A.	IRS Fixed/Floating rate maturing 28/06/2024 (BPV)	6,198,627	-1,008,096	6,636,485	-1,324,629
E.S.T.R.A. S.p.A.	IRS Fixed/Floating rate maturing 30/06/2021 (MPS)	3,411,029	-145,180	3,806,822	-229,448
E.S.T.R.A. S.p.A.	IRS Fixed/Floating rate maturing 30/06/2018 (MPS)	852,757	-28,038	951,705	-44,311
E.S.T.R.A. S.p.A.	Multiphase IRS maturing 31/12/2017 (MPS)	1,699,576	-111,704	2,728,420	-203,474
Gergas S.p.A.	IRS Fixed/Floating rate maturing 31/12/2018 (BNL)	666,667	-59,886	800,000	-90,886
	<b>Total</b>	<b>16,995,322</b>	<b>-1,508,218</b>	<b>19,645,654</b>	<b>-2,153,813</b>

The following table shows the maturity, notional value and fair value of swaps signed as price index hedges for volumes sold, in order to limit price risk deriving from specific gas purchase transactions at a fixed price and resale at a variable price (or vice versa) at different times. In addition, the subsidiary Estra Energie S.r.l. has a derivative contract in place to hedge against foreign exchange rate risk on methane gas purchases in USD in relation to a supply contract with Sinergie Italiane S.r.l.

Company	Bank	Maturity	Notional 31/12/2013 (m³)	Positive/(Negative) fair value (Euro)
Estra Energie S.r.l.	BNP	08/01/2014	4,108,976	(29,810)
Estra Energie S.r.l.	BNP	07/02/2014	6,375,945	(23,984)
Estra Energie S.r.l.	BNP	07/03/2014	6,443,976	(20,450)
Estra Energie S.r.l.	BNP	07/04/2014	6,375,945	(17,337)
Estra Energie S.r.l.	BNP	07/05/2014	1,000,000	(330,503)
Estra Energie S.r.l.	BNP	08/05/2014	5,443,976	315,618
Estra Energie S.r.l.	BNP	06/06/2014	6,375,945	(9,249)
Estra Energie S.r.l.	BNP	07/07/2014	5,443,976	323,288
Estra Energie S.r.l.	BNP	08/07/2014	1,000,000	(331,157)
Estra Energie S.r.l.	BNP	07/08/2014	6,443,976	(20,868)
Estra Energie S.r.l.	BNP	05/09/2014	5,375,945	305,368
Estra Energie S.r.l.	BNP	08/09/2014	1,000,000	(330,878)
Estra Energie S.r.l.	BNP	07/10/2014	4,335,000	(25,123)
Estra Energie S.r.l.	BNP	07/11/2014	3,000,000	(27,781)
Estra Energie S.r.l.	BNP	05/12/2014	3,000,000	(27,774)
Estra Energie S.r.l.	BNP	08/01/2015	3,000,000	(27,766)
Estra Energie S.r.l.	Banca IMI	01/07/2014	12,000,000	(66,331)
Estra Energie S.r.l.	Banca IMI	01/10/2014	12,415,748	28,523
Exo Energy Trading S.r.l.	BNP	07/02/2014	4,081,889	18,261
Exo Energy Trading S.r.l.	BNP	07/03/2014	1,687,181	11,732
Exo Energy Trading S.r.l.	BNP	07/04/2014	3,145,102	17,938
Exo Energy Trading S.r.l.	Banca IMI	01/01/2014	2,250,135	(82,755)
Exo Energy Trading S.r.l.	Banca IMI	01/02/2014	2,789,821	(6,611)
Exo Energy Trading S.r.l.	Banca IMI	01/03/2014	545,858	(5,066)
Exo Energy Trading S.r.l.	Banca IMI	01/04/2014	9,591,094	(81,252)
Exo Energy Trading S.r.l.	Banca IMI	01/10/2014	1,744,173	2,498
Exo Energy Trading S.r.l.	Banca IMI	01/01/2015	16,178,392	163,189

## Income Statement

### Production value

Balance as of 31/12/2013	Balance as of 31/12/2012
738,072,830	680,700,782

The item is broken down as follows:

Description	31/12/2013	31/12/2012
Revenues from sales and services	710,735,167	652,700,782
Change in inventories of work in progress, semi-finished and finished goods	-37,086	-48,113
Increases in non-current assets from in-house production	11,911,623	10,075,639
Other revenues	15,463,127	18,148,664
Total	738,072,830	680,876,973

The following list details revenues from the Group's sales and services:

Description	31/12/2013	31/12/2012
Revenues from methane gas carriage	20,123,014	15,029,759
Revenues from sales of methane gas	579,932,173	525,036,326
Revenues from sales and distribution of LPG	4,962,164	4,937,682
Revenues from sales of electricity	82,135,190	95,900,822
Revenues from telecommunications services	3,652,152	3,217,631
Revenues from heat management and maintenance	5,368,762	4,632,127
Revenues from gas transport, storage and balancing	11,177,352	
Revenues from other Group operations	3,384,360	3,946,435
Total	710,735,167	652,700,782

Revenues from gas transport, storage and balancing (none at 31 December 2012) are revenues characteristic of activities performed by the newco Estra Logistica S.r.l.

Revenues from other group activities mainly refer to revenues of the parent company for service contracts in place with shareholders and to typical revenues of the subsidiary Biogenera S.r.l.

The breakdown of other revenues of the Group is as follows:

Other revenues	31/12/2013	31/12/2012
Reimbursement of seconded personnel costs and expenses	1,414,539	1,874,356
Revenues for post-metering services and services provided at the delivery point	2,048,730	1,994,718
Current portion of contributions received	824,537	713,314
Use of risk provisions	446,243	1,109,023
Energy Efficiency revenues	5,694,730	5,237,537
Other revenues	5,034,438	7,219,716
Total	15,463,217	18,148,664

Energy efficiency revenues contain the valuation of energy efficiency certificates (TEEs) for 2013 as the tariff contribution indicated in AEEG resolutions.

The decrease in other revenues is mainly due to the inclusion among comparative figures at 31 December 2012 of revenues from resale to the associated company Tegolaia Consortile S.r.l. of photovoltaic panels purchased from E.S.TR.A. S.p.A. on its behalf (Euro 828 thousand) and the consideration agreed upon with the associated company Tegolaia SPV S.p.A. for construction of the 2nd lot of the photovoltaic plant in the municipality of Cavriglia (Euro 2,430 thousand).

## Production costs

Balance as of 31/12/2013	Balance as of 31/12/2012
712,057,829	649,234,197

The item is broken down as follows:

Production costs	31/12/2013	31/12/2012
Raw materials, consumables and goods for resale	547,819,103	515,370,651
Services	53,382,459	49,108,587
Rentals and leases	18,973,498	17,905,288
Wages and salaries	21,988,777	20,924,494
Social security contributions	7,038,060	6,359,352
Employee leaving indemnity	1,397,394	1,458,126
Other personnel costs	570,278	79,758
Amortization of intangible fixed assets	6,777,299	5,888,908
Depreciation of tangible fixed assets	15,375,205	14,212,767
Other write-downs of fixed assets	115,923	255,984
Write-downs of current assets	9,521,174	10,441,420
Changes in inventories of raw materials	1,162,657	-9,885,358
Provisions for risks	2,328,206	1,949,999
Other provisions	35,221	335
Other operating expenses	25,572,576	15,163,884
<b>Total production cost</b>	<b>712,057,829</b>	<b>649,234,196</b>

## B6) Purchase of raw and ancillary materials, consumables and goods for resale

Balance as of 31/12/2013	Balance as of 31/12/2012
547,819,103	515,370,651

The main component of this item is the purchase of natural gas and LPG by the subsidiaries Estra Energie S.r.l., Estra GPL S.r.l. and Exo Trading Energy S.r.l. for Euro 444,152 thousand (Euro 409,908 thousand at 31 December 2012) and of electricity by the subsidiary Estra Elettricità S.p.A. for Euro 79,378 thousand (Euro 93,827 thousand at 31 December 2012).

The item also includes gas transport, storage and balancing costs for Euro 13,229 thousand (none at 31 December 2012) as characteristic of activities performed by the newco Estra Logistica S.r.l.

## B7) Costs for services

Balance as of 31/12/2013	Balance as of 31/12/2012
53,382,459	49,108,587

The item is broken down as follows:

Costs for services	31/12/2013	31/12/2012
Costs for gas distribution to users	16,936,155	14,582,567
Cost for the renovation of third party plants and for tenders and maintenance	10,656,595	9,967,996
Professional fees	7,089,563	6,713,835
Technical, fiscal, administrative and notary fees and consulting services	3,970,043	4,794,924
Costs for advertising and sponsoring the Group's products	3,786,525	2,936,430
Costs for the management of utilities and the printing and mailing of bills.	3,784,928	2,425,921
Insurance	1,477,896	1,447,448
Telecommunications services	809,650	1,038,508
Other costs for services	4,871,104	5,200,958
<b>Total</b>	<b>53,382,459</b>	<b>49,108,587</b>

## B8) Costs for Rentals and Leases

Balance as of 31/12/2013	Balance as of 31/12/2012
18,973,498	17,905,288

Costs for the use of third party assets mainly refer to:

- costs incurred by the parent company for rental of the headquarters from shareholders Consiag S.p.A., Coingas S.p.A. and Intesa S.p.A. for Euro 3,045 thousand (Euro 3,042 thousand at 31 December 2012);
- concession payments of Euro 13,924 thousand (Euro 13,288 thousand at 31 December 2012);
- ULL rents incurred by the subsidiary Estracom S.p.A. required for conducting the telephony business for Euro 196 thousand (Euro 205 thousand at 31 December 2012).

## B9) Cost of personnel

Balance as of 31/12/2013	Balance as of 31/12/2012
30,994,509	28,821,730

The item is broken down as follows:

Description	31/12/2013	31/12/2012
Wages and salaries	21,988,777	20,924,494
Social security contributions	7,038,060	6,359,352
Employee leaving indemnity	1,397,394	1,458,126
Other costs	570,278	79,758
Total	30,994,509	28,821,730

This item represents the total cost to the company, including deferred amounts. The increase in other personnel costs is mainly due to the aforementioned allocation to provisions of amounts recognised by the company through a settlement agreement signed in December 2013.

## B10) Depreciation, amortization and write-downs

Balance as of 31/12/2013	Balance as of 31/12/2012
31,789,601	30,799,080

The item is broken down as follows:

Description	31/12/2013	31/12/2012
Amortization of intangible fixed assets	6,777,299	5,888,908
Depreciation of tangible fixed assets	15,375,205	14,212,767
Other write-downs of fixed assets	115,923	255,984
Write-down of current assets	9,521,174	10,441,420
Total	31,789,600	30,799,080

For details of items relating to depreciation, amortization and write-downs of current assets, please refer to the tables describing tangible fixed assets, intangible fixed assets and provisions for doubtful debts shown in the first part of these explanatory notes.

## B12) Provisions for risks

Balance as of 31/12/2013	Balance as of 31/12/2012
2,328,206	1,950,000

Details of allocations to provisions for risks are shown below:

Description	31/12/2013	31/12/2012
Allocation for legal disputes	196,667	1,800,000
Risk provision for coverage of losses of Blugas S.r.l. and Sinergie Italiane S.r.l.	201,539	0
Allocation to the risk provisions for the renewable energies sector	1,750,000	0
Provisions for risks on technological equipment for telecommunications	180,000	150,000
Total	2,328,206	1,950,000

For details of the risk provision to cover Blugas S.r.l. and Sinergie Italiane S.r.l. losses, reference should be made to the note on significant events during the year.

Comments on the remaining allocations can be found in the section of the notes on risk provisions.

#### B14) Other operating expenses

Balance as of 31/12/2013	Balance as of 31/12/2012
25,572,576	15,163,883

The item is broken down as follows:

Description	31/12/2013	31/12/2012
CCSE	14,956,605	4,928,093
Purchase of Energy Efficiency Certificates	5,808,989	6,026,559
Sundry indirect taxes	830,963	841,897
Membership fees	195,402	205,573
Credit losses	446,243	779,023
Other operating expenses	3,334,374	2,382,738
Total	25,572,576	15,163,883

The items "Purchase of Energy Efficiency Certificates" and "CCSE" refer to costs incurred to obtain energy efficiency certificates for compliance with the 2013 obligation and amounts due to the AEEG for CCSE in relation to the electricity sector, in compliance with Resolution 159/08 as amended.

#### Financial income and charges

Balance as of 31/12/2013	Balance as of 31/12/2012
(2,759,600)	(4,339,774)

The following is a breakdown of financial income and charges:

Description	31/12/2013	31/12/2012
Income from investments in subsidiaries	265,927	
Income from jointly controlled subsidiaries from loans recorded under fixed assets	790,524	36,524
Income from associated companies from loans recorded under fixed assets	363,682	565,213
Other income from subsidiaries		
Other income from associated companies		
Other income	2,548,294	2,449,789
Total financial income	3,968,427	3,051,526
Interest payable to subsidiaries		-2,406
Interest payable to holding companies	-292,933	-462,716
Interest and other financial charges	-6,275,232	-7,071,709
Total financial charges	-6,568,165	-7,536,831
Gains or losses on currency conversions	-159,863	145,531
Total	-2,759,601	-4,339,774

The income from investments in subsidiaries refers to the capital gain realised by Estra Energie S.r.l. from disposal of



7% of its investment in Exo Energy Trading S.r.l. capital.

Income from subsidiaries and associated companies from loans recognised as fixed assets refer to the interest on loans granted to jointly controlled subsidiaries consolidated using the equity method.

“Other income” refers mainly to interest income accrued on bank and postal current accounts for Euro 986 thousand (Euro 837 thousand at 31 December 2012) and interest income from delayed payments charged to customers for Euro 1,378 thousand (Euro 1,428 thousand at 31 December 2012). The item also includes interest income from the discounting of loans of Euro 185 thousand.

Interest payable to holding companies includes interest expense accrued in 2013 on payables due from shareholders.

Interests and other financial charges are shown in the table below:

Description	31/12/2013	31/12/2012
Interest payable on current bank accounts	-2,506,227	-2,516,934
Interest payable on mortgages	-2,689,010	-2,831,077
Interest payable on financial transactions	-513,786	-532,011
Other interest expense	-334,764	-363,873
Interest on arrears	-231,445	-827,814
Total	-6,275,232	-7,071,709

#### Value adjustments to financial assets

Balance as of 31/12/2013	Balance as of 31/12/2012
(3,266,275)	(2,660,616)

The item is broken down as follows:

Description	31/12/2013	31/12/2012
Revaluation of equity investments	83,229	171,420
Write-down of equity investments	-3,349,504	-1,836,745
Write-down of other financial assets		-995,291
Total	-3,266,275	-2,660,616

The revaluations and write-downs of equity investments represent the effects of application of the equity method for consolidating jointly-controlled subsidiaries and associated companies and impairment of deconsolidated companies.

#### Extraordinary income and charges

Balance as of 31/12/2013	Balance as of 31/12/2012
1,042,187	(388,468)

The item is broken down as follows:

Description	31/12/2013	31/12/2012
Gains on disposals		151,351
Sundry	1,826,526	2,011,731
Total income	1,826,526	2,163,082
Losses on disposals	-241,374	-52,216
Sundry	-542,965	-2,499,334
Total charges	-784,339	-2,551,550
Total income and charges	1,042,187	-388,468

Contingent assets mainly relate to equalisation balancing of the restriction on gas distribution revenues in the previous year.

Capital losses refer mainly to the scrapping of meters and replacement works on the gas distribution network.

## Income taxes for the year

Balance as of 31/12/2013	Balance as of 31/12/2012
16,016,372	14,272,359

The item is broken down as follows:

Taxes	31/12/2013	31/12/2012
IRES	13,386,251	14,790,787
IRAP	3,239,335	2,746,982
Current taxes	16,625,586	17,537,769
Deferred tax liabilities	959,943	86,479
Deferred tax assets	-1,569,157	-3,351,889
Deferred tax liabilities (assets)	-609,214	-3,265,410
Total	16,016,372	14,272,359

Regarding the IRES rate, note that as a result of the entry into force of conversion Law no. 148 of 14 September 2011, Group companies to which this law applies were subject to the additional IRES ("Robin Hood Tax") of 10.5%.

Regarding the change in deferred tax assets and liabilities please see the comments under the relative asset and liability items of the balance sheet.

As commented under significant events during the year, in 2013 the company chose to adopt the national tax consolidation, the rules for which are contained in articles 117 to 129 of Presidential Decree 917/1986. This optional tax regime envisages that the holding company is responsible for calculating a single taxable income for the entire Group, corresponding to the algebraic sum of net incomes of the companies covered, and consequently a single income tax payable for the Group companies.

In each fiscal year companies recording a loss have the right to receive as loss compensation an amount equal to the IRES tax rate applicable in that fiscal year, multiplied by the loss in question. Companies recording a surplus of interest expense or excess ROL have the right, if the surplus is used, to receive compensation equal to an agreed percentage of the lower taxes calculated on the surplus used.

The company has defined the E.S.TR.A. Group scope of consolidation, signing a specific agreement for the three-year period 2013-2015 with companies in which it has an investment of more than 50%: ETA3 S.p.A., Biogenera S.r.l., Solgenera S.r.l., Estra Clima S.r.l. and Estra Elettricità S.p.A.

## Other information

Pursuant to law, the total remuneration payable to directors and members of the Board of Statutory Auditors (art. 2427, paragraph 1.16 of the Italian Civil Code) and the independent auditor (art. 2427, paragraph 1.16-bis of the Italian Civil Code) is illustrated below.

Position	Remuneration 2013	Remuneration 2012
Directors	421,376	519,077
Board of Statutory Auditors	388,774	386,060
Independent Auditors	300,389	244,155

## Information on Employed Personnel

The average workforce by category was as follows:

Position	31/12/2013	31/12/2012
Managers	10	12
Office workers and middle managers	408	399
Factory workers	155	174
Total	573	585

For the Board of Directors  
*The Chairman*  
*Roberto Banchetti*