



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

Consolidated financial statements as at December 31, 2015

Independent auditor's report in accordance with article 14
of Legislative Decree n. 39, dated 27 January 2010

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(Translation from the original Italian text)

To the Shareholders of E.S.T.R.A. S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of E.S.T.R.A. Group, which comprise the balance sheet as at December 31, 2015, the income statement for the year then ended, and the explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of E.S.T.R.A. S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of E.S.T.R.A. Group as at December 31, 2015, and of its financial performance for the year then ended in accordance with the Italian law.

Report on other legal and regulatory requirements

Opinion on the consistency of the Management Report with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by the law, on the consistency of the Management Report with the consolidated financial statements. The Directors of E.S.T.R.A. S.p.A. are responsible for the preparation of the Management Report in accordance with the applicable laws and regulations. In our opinion the Management Report is consistent with the consolidated financial statements of E.S.T.R.A. Group as at December 31, 2015.

Firenze, May 18, 2016

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.T.R.A. S.p.A.

Registered office in Via Ugo Panziera, 16 - 59100 PRATO (PO)
Share capital € 205,500,000.00 fully paid
Tax code and entry number in the Register of Companies of Prato 02149060978,
Rea no. 0505831

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 December 2015

OFFICERS

Board of directors

Chairman Roberto Banchetti
CEO Alessandro Piazzi
General Manager Paolo Abati
Director Roberta De Francesco

Board of Statutory Auditors

Athos Vestrini (*Chairman*)
Saverio Carlesi
Patrizia Berchiatti

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)

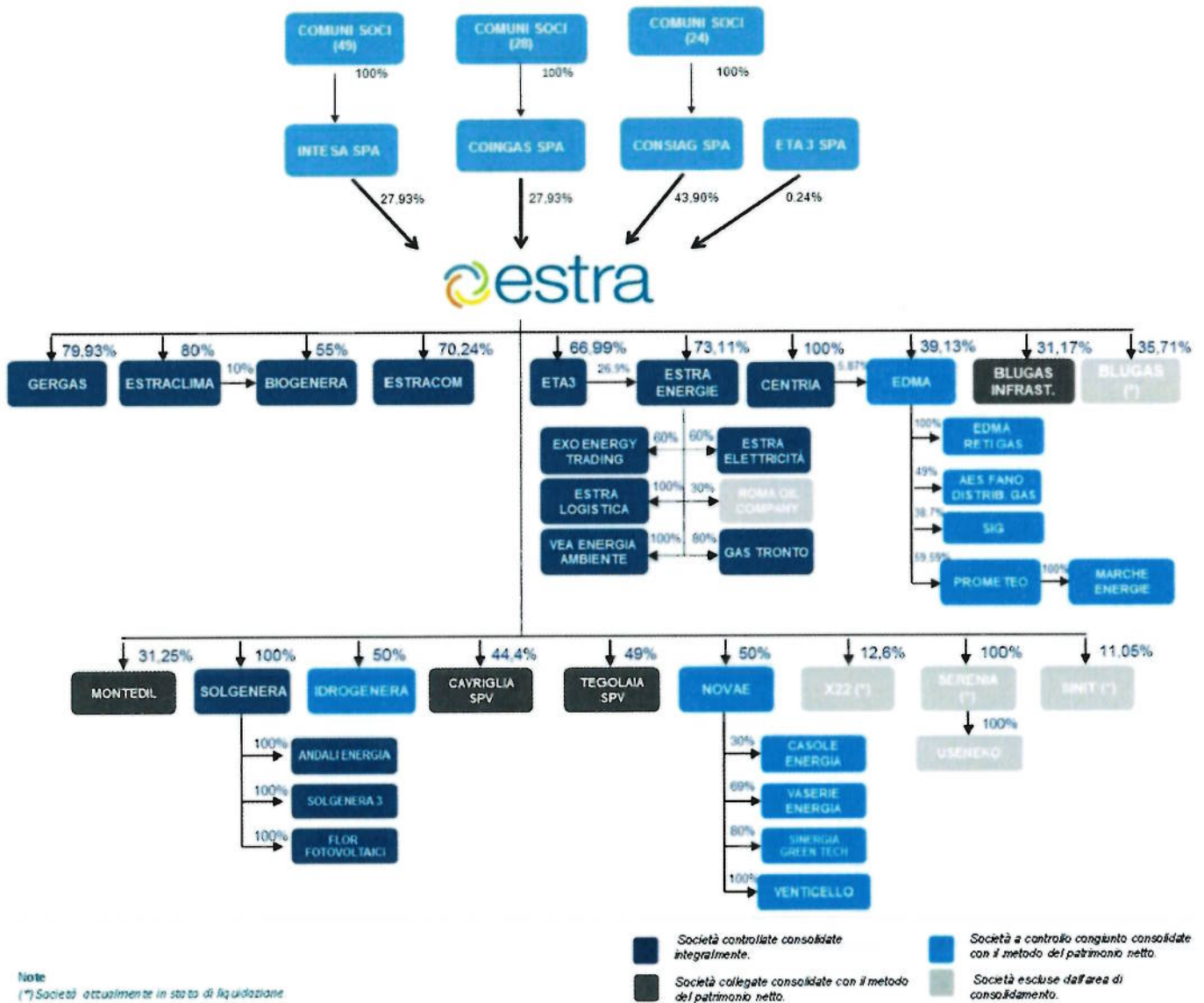
Share capital € 205,500,000.00 fully paid

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Management Report on the consolidated financial statements at 31/12/2015

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.



Note

(*) Società attualmente in stato di liquidazione

Significant Events of the Year

1) Final award of tender for the distribution of natural gas in the Municipality of Prato to Toscana Energia S.r.l.

The judgment of the Council of State no. 272 of 22/01/2015 brought a definitive conclusion to litigation between Estra S.p.A., its subsidiary Centria S.r.l., Toscana Energia S.r.l. and the Municipality of Prato regarding the legality of the acts by which the Municipality of Prato, following the tendering of the concession of the natural gas distribution service in the Municipality, had awarded this tender to Toscana Energia with Management Resolution no. 2085 of 20/08/2012.

As a result of that judgment, with resolution no. 1058 of 14/05/2015, the Municipality of Prato approved the valuation prepared by the consultant "Consorzio Concessionari Reti Gas" certifying the value of the gas networks (and therefore the amounts repaid to Centria) for a total of € 85,537,394 on the basis the figures as at 31/10/2014.

Following this determination, Centria, Toscana Energie and the Municipality of Prato on 31/08/2015 signed a handover document for the network with its plants and assets constituting the natural gas distribution system of the Municipality of Prato for transfer to Toscana Energia, the incoming operator. At the time of the signing of the handover document, Toscana Energia paid Centria the aforementioned amount of € 85,537,394 plus VAT.

The effects of the transfer of the distribution system, starting from 01/09/2015, determined – taking into account the reversal to the income statement of deferred income for contributions – a gain in the consolidated balance sheet of € 54,911 thousand recorded under the item extraordinary income, gross of tax effects equal to € 16,641 thousand, of which € 8,492 thousand recorded in the deferred tax liabilities for the payment in instalments over 5 years of IRES taxes.

With regard to the repayment amount of € 85,537,394 collected at the signing of the handover document, it should be specified that the said amount, regarded as final except for any differing definitive rulings of the competent judicial authorities and some reservations on the part of Toscana Energie, was accepted by Centria, which reserved the right to obtain a greater amount (approximately € 10 million): the company, by virtue of the challenge of resolution no. 1058 dated 14/05/2015, believes in being entitled to collect the aforementioned amount.

Estra and Centria, assisted by their lawyers, therefore appealed to TAR (Regional Administrative Court) against this determination, with which the Municipality of Prato, without any contradictory procedure with the outgoing operator, determined the aforesaid repayment as less than that provided in the tender announcement by applying a contested indexation and revaluation mechanism to the amount, depending on the time passed between the tender announcement and the delivery of the networks.

The appeal is based on, among other things, an agreement signed by Estra and the Municipality of Prato on 17/11/2011 with which the parties had intended to settle mutual disputes concerning the amount of compensation owed by the incoming operator to the outgoing operator, in view of Estra's commitment to pay € 7,700 thousand. On 17/11/2011 amount of € 1,700 thousand was paid, recorded in receivables from others. The company, supported by received legal opinions, believes it could legitimately oppose any request for payment of the remainder of that sum, equal to € 6,000 thousand, as a result of the non-fulfilment – by effect of the aforementioned Municipality of Prato resolution no. 1058 – of its contractual obligations under the agreement.

With regard to the reservations of Toscana Energia at the time of the signing of the handover document for delivery of the networks, some of which have already been accepted by the Municipality of Prato based on communication received on 30/03/2016, it was considered appropriate to prudentially set aside in the provision for risks the amount of approximately € 3.2 million, recorded in Extraordinary charges given the exceptional and extraordinary nature of the cause. Also regarding this determination of the Municipality, the Board of Directors voted to proceed with the appeal.

2) Bond issue

On 13 July 2015, Estra S.p.A. successfully concluded the issuance of unsecured and non-convertible bonds for € 100 million, guaranteed by the subsidiary Centria S.r.l and fully subscribed by institutional investors outside the United States of America. The bonds, discounted at a price of 99.296% of the nominal value, are unrated, have a lifespan of 7 years and a fixed coupon rate of 3.75% and are admitted to trading at the MTF of the Dublin stock exchange.

The issue, aimed at financing the Group's activities, represents a further step towards diversifying funding sources and lengthening the average maturity of Estra's debt. Proceeds from the issue were also partially used by Estra and the Group for early repayment of more onerous loans and, in particular, to buy back part of the € 50 million bond issued last year and listed on the ExtraMot Pro bond segment of the Italian Stock Exchange. The purchase took place in January 2016 for € 11,800 thousand.

3) Acquisition of Vea Energia Ambiente S.r.l.

As a result of the tender award, the subsidiary Estra Energie S.r.l. during the first quarter of 2015 acquired from Versilia Acque, Iren Mercato S.p.A. and Sermas at the price of € 7,440 thousand, a 100% stake in the share capital of VEA Energia Ambiente Srl with registered offices in Massarosa (LU). The company operates in the marketing of gas, mainly in the province of Lucca and holds a portfolio of about 8,500 customers.

The elimination of the investment in the investee's initial consolidation phase showed a consolidation difference of € 5,778 thousand attributed to the company's customer list and recorded in the item "Goodwill". The item is amortised in the 2015 consolidated financial statements over 10 years, a period deemed adequate to represent the time horizon during which the goodwill benefits will materialise and consistent with the provisions of Legislative Decree 139 of 18/08/2015 which, by transposing Directive 34/2013, establishes a maximum 10 year period of amortisation of goodwill as from 01/01/2016.

The elimination of the investment was implemented on the basis of book values as at 31/12/2014, the date being close to the acquisition of control. The table below summarises the assets and liabilities acquired on the basis of the financial statements at that date:

ASSETS	BALANCE at 31/12/2014	LIABILITIES	BALANCE at 31/12/2014
B) Fixed assets:		A) Shareholders' equity:	
I. Intangible fixed assets	23,253	I Share capital	96,000
II. Tangible fixed assets	5,328	IV. Legal reserve	19,200
Total fixed assets (B)	28,581	V. Available reserve	1,297,287
C. Current assets		IX. Profit (loss) for the year	250,292
II. Receivables		Total net equity (A)	1,662,779
- amounts due within the next financial year	1,706,776	B. Provisions for risks and charges	65,888
- amounts due after the next financial year	177,125	C. Employee severance pay	70,596
Total receivables (II)	1,883,901	D. Payables	
IV. Cash and cash equivalents	1,353,755	- amounts due within the next financial year	1,077,868
Total current assets (C)	3,237,656	- amounts due after the next financial year	397,369
D. Accrued income and prepaid expenses	8,346	Total payables (D)	1,475,237
		E Accruals and deferrals	83
TOTAL ASSETS	3,274,583	TOTAL LIABILITIES	3,274,583

With regard to the effects of corporate aggregation on the consolidated income statement, the company achieved revenues from sales in the financial year for € 4,486 thousand and an EBITDA of € 660 thousand.

4) Acquisition of Gas Tronto S.r.l.

During the year, the subsidiary Estra Energie S.r.l. acquired from various shareholder municipalities an stake of 79.95% of the share capital of Gas Tronto Srl, a gas sales company with registered offices in Spinetoli (AP) and about 11,000 customers.

The elimination of the investment was implemented on the basis of book values as at 31/12/2015, the date being close to the acquisition of control in the third quarter of 2015

The elimination of the investment in the investee's initial consolidation phase showed a consolidation difference of € 5,945 thousand attributed to the company's customer list and recorded in the item "Goodwill".

The table below summarises the assets and liabilities acquired on the basis of the reference financial statements:

ASSETS	BALANCE at 31/12/2015	LIABILITIES	BALANCE at 31/12/2015
B) Fixed assets:		A) Shareholders' equity:	
II. Tangible fixed assets	697	I Share capital	50,000
Total fixed assets (B)	697	IV. Legal reserve	10,000
C. Current assets		V. Available reserve	192,547
II. Receivables		IX. Profit (loss) for the year	41,994
- amounts due within the next financial year	1,902,854	Total net equity (A)	294,541
Total receivables (II)	1,902,854	B. Provisions for risks and charges	200,000
IV. Cash and cash equivalents	903,725	C. Employee severance pay	763
Total current assets (C)	2,806,579	D. Payables	
D. Accrued income and prepaid expenses	2,152	- amounts due within the next financial year	2,313,035
		Total payables (D)	2,313,035
		E Accruals and deferrals	1,088
TOTAL ASSETS	2,809,427	TOTAL LIABILITIES	2,809,427

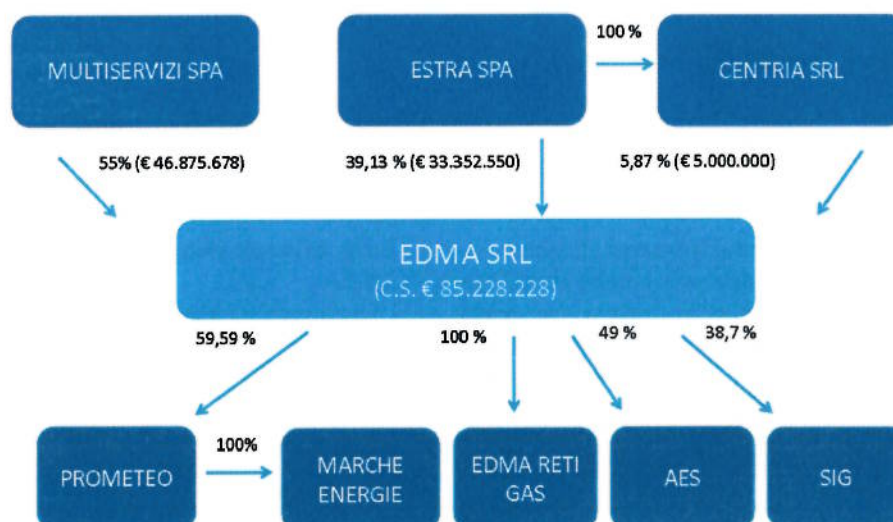
As control was acquired at the end of the year, the income statement of the subsidiary was not included in the consolidated financial statements as of 31/12/2015.

5) Corporate development of EDMA S.r.l.

During 2015 the development of the project to create, in partnership with Multiservizi S.p.A. of Ancona, the EDMA Group was carried on. The project is aimed at the creation of a new industrial entity with the goal of consolidation and development in the Adriatic area of gas and electricity sales activities, primarily through the company Prometeo S.p.A., and gas distribution, primarily through the company EDMA Reti Gas S.r.l.

In particular, it should be noted that in July 2015, Estra signed a reserved capital increase of € 10,830 thousand. As a result of this increase, the share capital of EDMA, equal to € 85,228 thousand, was underwritten by Estra for € 33,353 thousand, by Centria for € 5,000 thousand and by Multiservizi for € 46,876 thousand, with a direct and indirect investment percentage to Estra, which went from 36.99% at 31/12/2014 to 45% at 31/12/2015.

The capital structure of the EDMA Group as of 31/12/2015 is therefore as follows:



The EDMA sub-group achieved the following consolidated economic results in the financial year 2015:

CONSOLIDATED INCOME STATEMENT 2015 EDMA (€/'000)	31/12/2015
A) Production value	
1) Revenues from sales and services	163,049
4) Increases in non-current assets from in-house production	1,120
5) Other income:	3,414
Total production value	167,583
B) Production costs	
6) For raw and ancillary materials, consumables and goods for sale	104,987
7) For services	24,894
8) For use of third party assets	7,346
9) For personnel	6,330
10) Depreciation, amortisation and write-downs	11,326
<i>Amortization of intangible fixed assets</i>	<i>4,523</i>
<i>Amortization of tangible fixed assets</i>	<i>1,303</i>
<i>Other write-downs of fixed assets</i>	
<i>Write-downs of receivables included in working assets and cash equivalents</i>	<i>5,500</i>
11) Changes in the inventories of raw and ancillary materials, consumables and goods for resale	-182
12) Provisions for risks	301
14) Other operating expenses	8,526
Total production cost	163,525
Difference between production value and production cost (A-B)	4,058
C) Financial income and charges	-582
D) Value adjustments of financial assets	183
E) Extraordinary income and charges	650
Earnings before income taxes (A-B±C±D±E)	4,309
23) Profit/(loss) for the year	1,956
Group profit (loss)	1,460
Profit (Loss) pertaining to minority interests	496

The consolidated Balance Sheet at 31/12/2015 shows the following summarised values:

CONSOLIDATED BALANCE SHEET 2014 EDMA (€/000)	31/12/2015
A) Called up share capital not paid	5,430
B) Fixed assets	
I. Intangible fixed assets	37,787
II. Tangible fixed assets	27,960
III. Long-term investments	3,841
Total fixed assets	69,588
C) Current assets	
I. Inventories	528
II. Receivables	101,286
IV. Cash and cash equivalents	11,090
Total current assets	112,904
D) Accrued income and prepaid expenses	529
TOTAL ASSETS	188,442
A) Shareholders' equity	
I. Capital	85,228
II. Legal reserve	403
III. Other reserves	1,659
VIII Retained earnings	-4,939
IX. Profit for the year	1,460
Group shareholders' equity	83,811
Capital and reserves attributable to minority interests	2,891
Profit pertaining to minority interests	496
Shareholders' equity attributable to minority interests	3,387
Consolidated shareholders' equity	87,198
B) Provisions for risks and charges	709
C) Employee severance indemnity [Italian TFR]	999
D) Payables	
Amounts due to banks	38,239
Amounts owed to other parties	59,653
Total payables	97,892
E) Accruals and deferrals	1,644
TOTAL LIABILITIES	188,442

On the basis of the statutory provisions and shareholders' agreements, EDMA S.r.l. is subject to the joint control of Estra S.p.A. and Multiservizi S.r.l. In continuation with the accounting system adopted in the previous year for the consolidation of the companies subject to joint control, the stake was consolidated with the net equity method rather than the proportional method.

The equity share (45%) of the consolidated result of the EDMA Sub-group, after the opportune consolidation adjustments, equal to € 640 thousand, was therefore recorded in the income statement of the consolidated financial statement of Estra Group under the item "value adjustments of financial assets" in order to adjust the original cost of the stake to take into account the portion of the profits and losses due to minority shareholders.

Additional corporate developments related to EMA S.r.l. had lapsed in the period following the end of the year, as described in the management report to which reference is made.

6) Suspension of works on the construction of a 36 MW wind-powered plant in the municipality of Andali (CZ) by the subsidiary Andali Energia S.r.l.

Andali Energia S.r.l., 100% owned by the company Solgenera S.r.l. entirely controlled by Estra and holder of the Single Authorisation for the construction of a 36 MW wind-powered plant in the Municipality of Andali (CZ), during the year 2015 continued the preparatory activities for the development and construction of the plant.

In September 2015, the grid operator Terna Rete Italia informed the company of the suspension, due to alleged problems on the site, of work on the construction of the power station located in the municipality of Belcastro (CZ) and intended for connection to the national grid. The suspension affects the chances of completion and connection of the wind farm within the terms of authorisation granted on 6 April 2017, and within the deadline for qualification for the GSE incentive (May 2017).

Although the company has made all possible diligent efforts in collaborating to find solutions to some part of the highlighted problems, it has never obtained a guarantee from the operator regarding the possibility of connection

of the system within a time frame compatible with the expiry of the authorisation and incentive-based tariff. This ongoing uncertainty has prevented the company from proceeding to the award of works and supplies resulting in a critical delay as regards scheduled timings.

The company, backed by its lawyers, is considering legal action against Terna Rete Italia for failure to fulfil contractual obligations established by the Connection Agreement, with a consequent demand for damages. Following expressions of interest already received, it should also be noted that negotiations are under way, albeit made difficult by the current situation, for the partial or total sale of shares of Andali Energia S.r.l. to third parties.

Notwithstanding the foregoing, in view of the difficulties of completing the plant within the deadline under current circumstances, the subsidiary Andali Energia S.r.l. decided in the 2015 financial statements to prudently devalue the intangible fixed assets recorded with regard to the authorisation and to the wind farm design and development costs totalling € 9,333 thousand and also set aside a fund of € 2,915 thousand against the risk of non-recovery of costs for labour and preliminary works already incurred at the end of the year, as well as additional charges related to compliance with the contractual obligations.

7) Pursuant to art. 4 of Italian law 28/2012

Note that on 29/05/2014, a regulatory framework agreement was signed between trade unions and the Estra Group concerning the use of the instrument introduced by Law 92/2012 (article 4-paragraphs 1 to 7ter) to encourage the early retirement of workers within four years of the maturity of their pension rights, to which about 15 employees had participated as at 31/12/2014. During the year 2015 about 10 further requests for accession were made, for which, in accordance with accounting standard OIC 31, charges for € 928 thousand have been set aside in these financial statements under "extraordinary charges" in the income statement.

8) Effects of the 2016 Stability Law on prepaid/deferred taxes

The 2016 Stability Law provides, as from the 2017 tax period, a reduction of the IRES tax rate from the existing 27.5% to 24%. Consequently, the provision has not produced effects in determining current taxes for the year 2015 but has resulted in the adjustment of deferred tax assets and deferred tax liabilities on temporary variations that already exist in the financial statements for the year ended 31/12/2014 and that will be reversed after 31/12/2016.

In the consolidated financial statements at 31/12/2015, this adjustment has resulted in particular in adjustments to the income statement of deferred tax liabilities for € 466 thousand (with positive effect on income) and adjustment to the income statement of deferred tax assets for € 1,662 thousand (with negative effect on income).

9) Update on tax dispute

With reference to the tax assessment notice received on 20 January 2015 by Centria and Estra Energie regarding transfers of business units respectively in Edma Reti Gas and Edma in the year 2014, note that the dispute ended in favour of the company and without any outlay.

Company performance – economic data

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

Economic Data and Descriptive Summary

Income statement (€/000)	2015	2014	Var. Ass.	Var. %
Ordinary business revenue	581,295	516,351	64,943	+12.6%
Trading revenues	258,045	229,231	28,814	+12.6%
Total revenues	839,339	745,582	93,757	+12.6%
External costs	-752,071	-661,879	90,193	+13.6%
Cost of labour	-26,667	-25,482	1,185	+4.7%
Gross operating margin (EBITDA) ordinary business	59,911	57,559	2,353	+4.1%
Gross operating margin (EBITDA) trading	689	663	26	+3.9%
Gross operating margin (EBITDA)	60,601	58,222	2,379	+4.1%
Amortisation/ depreciation	-22,032	-18,294	3,738	+20.4%
Provisions	-9,964	-5,214	4,750	>100%
Operating income (EBIT) ordinary activities	27,915	34,051	-6,135	-18.0%
Operating income (EBIT) trading	689	663	26	+3.9%
Operating Income (EBIT)	28,604	34,714	-6,109	-17.6%
Financial management	-8,044	-5,506	2,538	+46.1%
Extraordinary income and charges and adjustments for financial assets	37,429	-3,411	40,840	>100%
Total pre-tax income (EBT)	57,989	25,797	32,192	>100%
Taxes	-24,027	-15,553	8,474	+54.5%
Net income	33,962	10,244	23,718	>100%
Profit pertaining to minority interests	-1,431	-1,457	-26	-1.8%
Group profit for the year	32,531	8,787	23,744	>100%

¹ The "Total revenues" refers to "Production value" of the income statement net of revenues for appointed personnel which are reclassified under the item "Personnel costs" (item B9 of the income statement) and of the financing for investments reclassified under the item "Depreciation, amortisation and write-downs" (item B10 of the income statement) Sales revenues are also stated net of costs associated with equalisation on gas distribution tariffs, equal to € 11,057 thousand.

The non-standardised EBITDA index was obtained by adding to the "Difference between the value and the cost of production" of the income statement, the depreciation, amortisation and write-downs of current assets, the provisions for risks and the other provisions (items B10, B12 and B13 of the income statement) and subtracting financing for investments equal to € 745 thousand.

The EBIT was obtained by subtracting from the EBITDA the amortisation and write-downs of current assets (items B10 a, b, d) and provisions B12 and B13 considered non-extraordinary.

The items B10c in the income statement and the extraordinary provisions in item B12, amounting to € 14,248 thousand, were reclassified in extraordinary management

The EBT coincides with the result before income taxes.

The "Profit of the year" coincides with the item "profit (loss) for the period.

Analysis of financial indices

In compliance with the rules regarding the management report on financial statements provided by art. 2428 of the Italian Civil Code and according to the operating guidelines of 14 January 2009 drawn up by the National Council of Chartered Accountants and Accounting Experts, we present the main “financial indicators” which are more precisely indicators deduced from general accounting and which illustrate as completely as possible the company’s situation as at 31 December 2015:

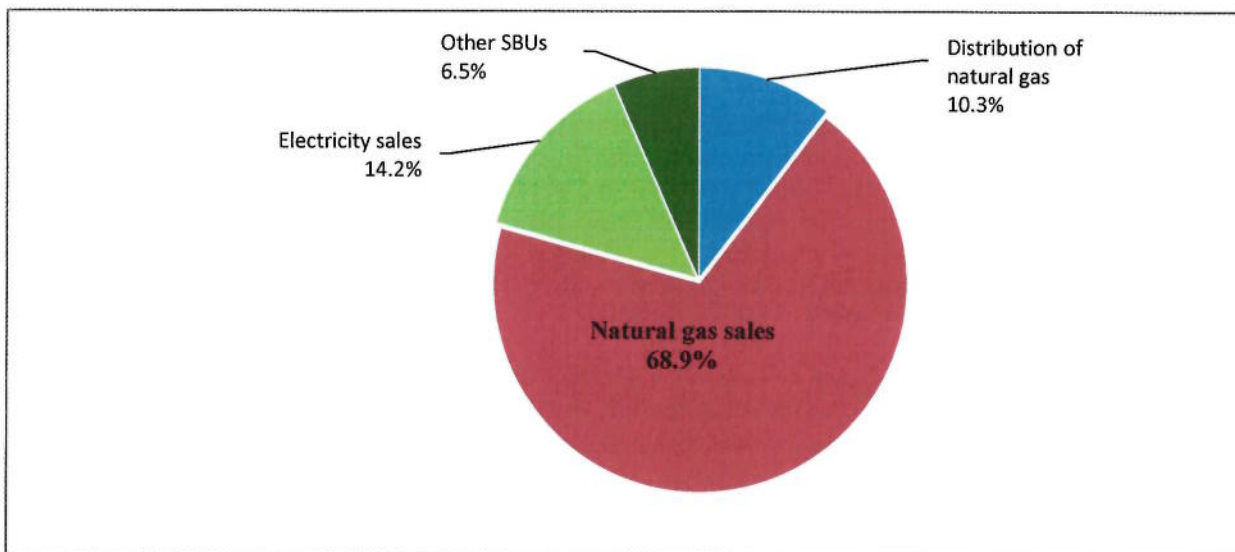
Asset indicators	2015	2014
1 Current liquidity	1.70	1.27
2 Leverage	1.63	1.86
3 Capitalization level	1.60	1.16
4 Hedging of fixed assets	75%	65%
Financial and asset indicators	2015	2014
5 ROE	12.5%	4.2%
6 ROI	6.5%	7.6%

1. *Short term assets/short-term liabilities ratio*
2. *Capital raised/Own funds ratio*
3. *Own funds/Net financial position ratio*
4. *Own funds/Fixed assets ratio*
5. *Net result/Own funds ratio*
6. *Operating income/Net invested capital ratio*

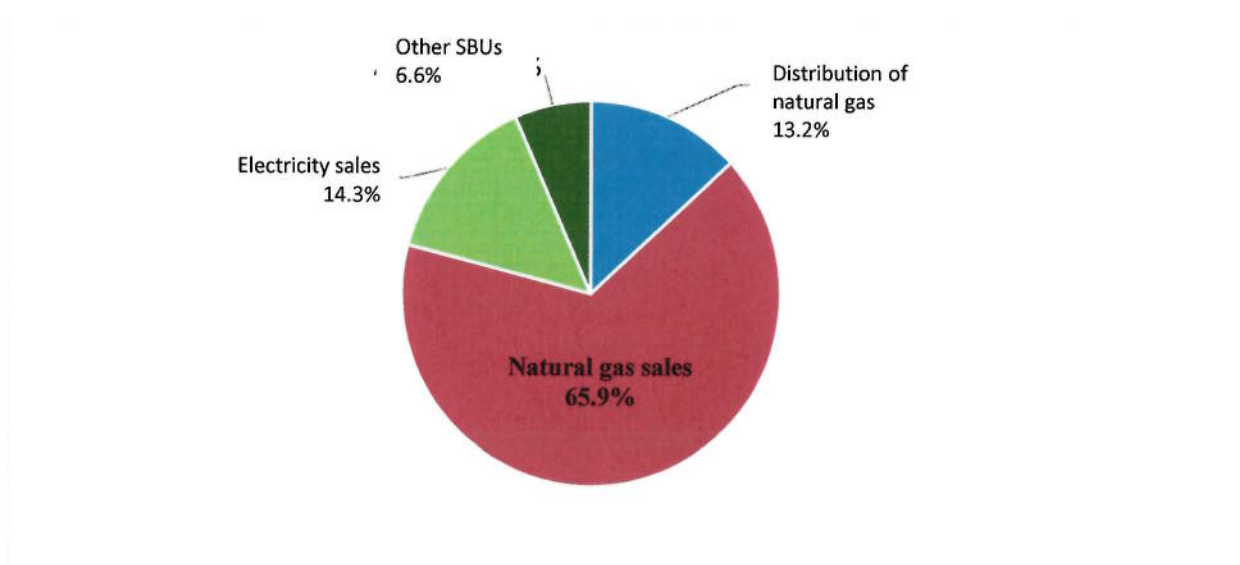
The Group’s business model is at present structured on the basis of strategic business areas (ASA: “Aree Strategiche di Affari”) which are represented by the sectors of natural gas and LPG distribution and sale, electricity sales, trading, telecommunications, energy services, renewables and services. The division into the ASA reflects the reporting used by the Management for the analysis and planning of the businesses managed.

In order to aid understanding of economic values, the results of gas trading business on domestic and international markets, involving large revenue streams with low margins but still positive for the Estra Group, were kept separate from the economic values and indices of the performance of other business. The following graph shows the breakdown of revenues of ordinary management by Strategic Business Area (ASA) gross of infra-group eliminations and adjustments. For more information on performance, please refer to the chapter on analysis by business area.

BREAKDOWN OF REVENUES BY STRATEGIC BUSINESS AREA 31 December 2015:



BREAKDOWN OF REVENUES BY STRATEGIC BUSINESS AREA 31 December 2014:



The increase in revenues is mainly due to the increase in volumes and turnover of the ASA sale of gas and electricity sales. These increases were partly offset by a drop in gas and electricity prices in 2015. ASA gas distribution revenues decreased due to Edma Reti Gas taking over the management of about 30 thousand PODs due to the effects of the sale, starting from 1 September 2015, of the gas distribution networks and treatment plants in the Municipality of Prato (about 77 thousand PODs). Revenues are increasing in the telecommunications, services and renewables sector.

External costs of characteristic business especially in gas and electricity sales are up because of greater volumes sold and higher purchase costs. Operating personnel costs rose from 25.5 to 26.7 million euros due to the combined effect of new employees for business development, lower costs capitalised on internal works and personnel reductions following the decrease in activity in the gas distribution sector.

EBITDA on ordinary activities amount to € 59.9 million (€ 57.6 million in 2014), an increase of 4.1%. The increase in EBITDA is due mainly to commercial business in selling gas, electricity and services. The EBITDA of the trading segment amounts to € 689 thousand, stable compared to the € 663 thousand in 2014. The total EBITDA is therefore equal to € 60.6 million compared to 58.2 the previous year – an increase of 4.1% compared to 2014.

Depreciation and amortisation amount to € 22.0 million compared to € 18.3 million in 2014 due to the combined effect of the decrease in depreciation and amortisation in the gas distribution sector, a result of the transfer of networks and systems as part of the Edma transaction and of the sale of Municipality of Prato networks and plants, the increase in depreciation and amortisation in the gas and electricity sales sector for new customer acquisitions. Provisions are equal to € 9.9 million (€ 5.2 million in 2014). The increase is due to higher allocations to the provisions for write-downs in the sales companies. As a result of the above, operating income (EBIT) amounted to € 28.6 million, up from € 34.7 million in 2014.

Financial management shows a negative balance of € 8.0 million, up compared to the € 5.5 million in 2014 due to higher average observed bank debts, mainly in the first half of the year, and to the greater impact of medium and long-term debt on the net financial position than short-term loans.

Write-downs of financial assets represent the effects of the equity method applied to the consolidation of subsidiaries and associated companies. At 31 December 2015 the balance of revaluations and write-downs was a positive for € 471 thousand, whereas at 31 December 2014 a negative value of € 2,860 thousand had been detected. The change was due mainly to the positive results of the subsidiaries Sinergie Italiane and Edma.

Extraordinary management showed a positive balance of € 37.4 million compared with a negative value of € 550 thousand in 2014. The balance relates principally to the gain on the sale of gas distribution systems in the Municipality of Prato for which the Estra Group ceased management as of 31 August 2015, partially offset by write-downs of certain assets of the renewable energy sector.

In light of the above, the result before tax stood at € 58.0 million compared to € 25.8 million in 2014. Income taxes for the year amounted to € 24 million compared to € 15.6 million in 2014. The impact of taxes on the result before tax amounted to 41.4% (60.3% in 2014).

The net result was around € 34 million (€ 10.2 million in 2014).

Company performance - Equity-financial situation

Reclassified Balance Sheet (€/000)	2015	%	2014	%	Var. Ass.	Var. %
Intangible fixed assets	46,643	+10.2%	36,293	+8.0%	10,350	+28.5%
Tangible fixed assets	261,081	+57.2%	293,044	+64.2%	-31,963	-10.9%
Long-term investments	55,709	+12.2%	48,227	+10.6%	7,482	+15.5%
Fixed assets	363,433	+79.7%	377,564	+82.8%	-14,131	-3.7%
Net working sales capital	109,822	+24.1%	72,245	+15.8%	37,577	+52.0%
Loans to/amounts due to shareholders	836	0.2%	-4,097	-0.9%	4,933	>100%
Other short term assets/liabilities	16,056	+3.5%	46,817	+10.3%	-30,760	-65.7%
Current working capital	126,715	+27.8%	114,964	+25.2%	11,750	+10.2%
Medium/long-term liabilities	-48,680	-10.7%	-36,420	-8.0%	12,260	+33.7%
Net invested capital	441,468	+96.8%	456,108	100.0%	-14,640	-3.2%
Shareholders' Equity	271,413	+59.5%	245,222	+53.8%	26,191	+10.7%
Medium/long term net financial position	298,926	+65.5%	199,358	+43.7%	99,569	+49.9%
Short term net financial position	-128,872	-28.3%	11,528	+2.5%	-140,400	>100%
Net financial position	170,055	+37.3%	210,886	+46.2%	-40,831	-19.4%
Capital raised	441,468	+96.8%	456,108	100.0%	-14,640	-3.2%

Fixed assets dropped from € 377.6 to € 363.4 million through the combined effect of the sale of gas distribution systems in the Municipality of Prato, new investments in the various sectors managed, including the acquisition of gas sales companies Vea Srl and Gas Tronto Srl, and the write-down of fixed assets in the renewables sector.

Working sales capital amounted to € 109.8 million (€ 72.2 million at 31 December 2014). The increase is due mainly to payments of the gas distribution service concession fees to the municipalities and the development of business in the gas and electricity sales sectors.

The change in other assets and liabilities, which rose from € 46.8 million in 2014 to € 16.1 million in 2015, relates principally to the reduction in tax credits for excise duty and additional taxes on natural gas.

Medium/long-term liabilities went from € 36.4 million to € 48.7 million due to the increased provision for instalment payment of taxes on capital gains from the sale of gas distribution systems.

Net invested capital amounted to € 441.5 million.

Shareholders' equity at 31 December 2015 amounted to € 271.4 million (€ 245.2 million in 2014), an increase of 10.7% compared to 2014.

The net debt was € 170.1 million (€ 210.9 million in 2014), representing 38.5% of capital raised, compared to 46.2% recorded at 31 December 2014. The medium/long term net financial position went from € 199.4 to € 298.9 million due to a bond issue and the taking out of new medium and long-term loans.

The table below shows the breakdown of the net debt:

Financial data (€/000)	2015	2014	Var. Ass.	Var. %
Bank deposits	281,392	170,336	111,056	+65.2%
Cash and cash equivalents	12	15	-3	-17.7%
Cash and cash equivalents	281,404	170,351	111,053	+65.2%
Payables for bonds (due within 12 months)	2,913	1,164	1,749	>100%
Payables to shareholders for loans (due within 12 months)	1,435	1,435	0	0.0%
Payables to banks (due within 12 months)	100,906	147,523	-46,617	-31.6%
Short-term portion of bank loans	47,264	32,282	14,982	+46.4%
Payables to other lenders (due within 12 months)	365	365	0	0.0%
Short-term borrowings	152,883	182,770	-29,886	-16.4%
Receivables from banks	351	891	-540	-60.6%
Short term debt	-128,872	11,528	-140,400	>100%
Payables for bonds (due after 12 months)	150,000	50,000	100,000	>100%
Payables to shareholders for loans (due after 12 months)	13,980	15,415	-1,435	-9.3%
Amounts due to banks (due after 12 months)	128,183	126,800	1,382	+1.1%
Payables to other lenders due after 12 months	6,764	7,143	-379	-5.3%
Net medium/long term debt	298,926	199,358	99,569	+49.9%
Net financial position	170,055	210,886	-40,831	-19.4%

The improvement in the NFP is due mainly to the operating result and the sale of gas distribution assets, which made it possible to offset the increase in working sales capital and investment operations, especially in the field of corporate acquisitions.

The NFP/EBITDA ratio went from 3.62 to 2.81 due not only to a better NFP recorded at the end of 2015, but also to an increase in the operating margin.

A significant improvement occurred also in the NFP/shareholders' equity ratio, which went from 0.86 in 2014 to 0.63 in 2015.

Company performance - Summary quantitative indicators

Natural gas sales	2015	2014	Var. Ass.	Var. %
Fully consolidated subsidiaries				
Gas volumes sold (cm/mln)	1,095	862	233	+27.0%
Number POD gas sales	387,329	362,505	24,824	+6.8%
Equity consolidated subsidiaries				
Gas volumes sold (cm/mln)	260	230	29	+12.6%
Number POD gas sales	178,000	168,009	9,991	+5.9%
Estra Group Total				
Gas volumes sold (cm)	1,103	883	221	+25.0%
Number POD gas sales	440,376	399,366	41,010	+10.3%

Trading of natural gas	2015	2014	Var. Ass.	Var. %
Fully consolidated subsidiaries				
Gas volumes sold (cm/mln)	1,065	976	89	+9.1%
Distribution of natural gas	2015	2014	Var. Ass.	Var. %
Fully consolidated subsidiaries				
Gas volumes distributed (cm/mln)	652	676	-25	-3.6%
Number of PODs	393,905	497,981	-104,076	-20.9%
Distribution network length (km)	5,293	6,169	-875	-14.2%
Equity consolidated subsidiaries				
Gas volumes distributed (cm/mln)	248	191	57	+29.9%
Number of PODs	180,582	150,735	29,847	+19.8%
Distribution network length (km)	2,107	1,710	397	+23.2%
Estra Group Total				
Gas volumes distributed (cm/mln)	753	739	14	+1.8%
Number of PODs	467,052	547,089	-80,037	-14.6%
Distribution network length (km)	6,133	6,713	-580	-8.6%
Electricity sales	2015	2014	Var. Ass.	Var. %
Fully consolidated subsidiaries				
Electricity volumes sold (GWh)	523	475	47	+9.9%
Number of PODs	79,289	37,391	41,898	> 100%
Equity consolidated subsidiaries				
Electricity volumes sold (GWh)	121	195	-74	-37.8%
Number of PODs	35,777	27,459	8,318	+30.3%
Estra Group Total				
Electricity volumes sold (GWh)	535	514	21	+4.1%
Number of PODs	88,838	43,416	45,422	> 100%
OTHER SBU's	2015	2014	Var. Ass.	Var. %
Fully consolidated subsidiaries				
LPG volumes distributed (cm/mln)	0.97	0.96	0	+1.9%
Number of LPG customers	6,110	6,141	-31	-0.5%
Energy volumes produced - thermal plants (Mwh)	24,155	24,165	-10	0.0%
Number of telephony customers	2,734	2,428	306	+12.6%
Fibre optic infrastructure (km)	237	191	46	+24.0%

Note that from 2014 onwards, the physical data of all wholly owned subsidiaries are completed by the values from the jointly controlled companies consolidated with the equity method, in view of the strategic importance of shareholdings in Edma, a company operating predominantly in the Adriatic regions and active since 2014. In fact, through Edma, Estra holds 26.7% of gas and electricity sales company Prometeo, 45% of Edma gas distribution company Edma Reti Gas and smaller stakes in the gas distribution sector. The gas sale values of

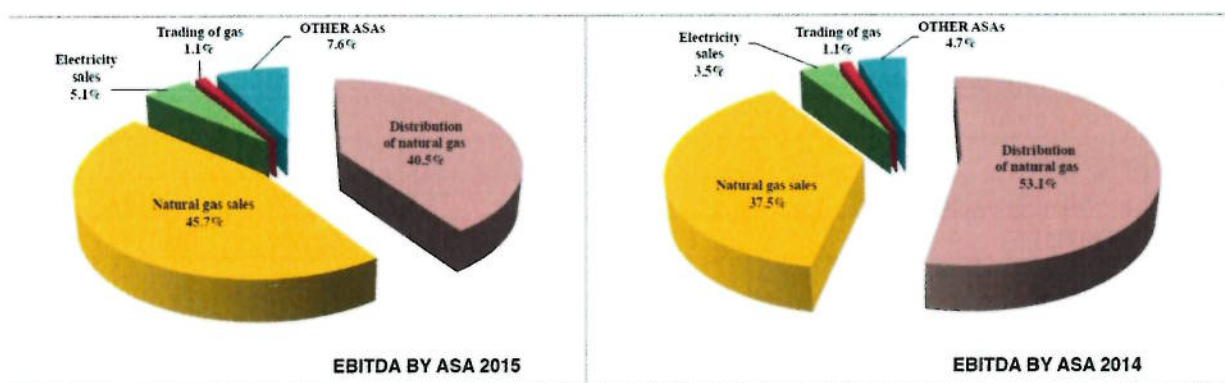
equity consolidated companies include the physical data of Gas Tronto, a company 72.8% owned by ESTRA as at 31 December 2015.

Group values are determined taking into account the various dimensions of consolidation of companies consolidated at equity.

Note the positive performance of customers and volumes in gas and electricity sales with figures in strong growth. The negative changes in the distribution sector (reduction in PODs and km of managed networks) are due to the factors already described regarding the Edma conferral and the Municipality of Prato tender award to Toscana Energia.

Company performance - Analysis by strategic business area

The following tables show the income statements up to EBITDA, divided between the various business sectors and compared with the previous year.



Distribution of natural gas

The decrease in distribution revenues, which dropped from € 79 million to € 69,3 million, is due to the Edma Reti Gas acquisition of service management in the municipalities of Rieti, Mosciano, Citerna and Magione and the discontinued management of the distribution service in the Municipality of Prato with effect from 31 August 2015. Reducing the numbers of PODs managed also led to a consequent reduction in operating costs. Personnel costs amounted to € 9.8 million (€ 9.7 million in 2014) due to the combined effect of staff reductions and lower costs capitalized for internal works. The gas distribution EBITDA fell from € 30.9 million to € 24.5 million with a 40.5% impact on consolidated EBITDA.

Natural Gas Distribution (€/000)	2015	2014	Var. Ass.	Var. %
Total revenues and income	69,338	79,028	-9,690	-12.3%
Operating costs	-34,983	-38,411	-3,428	-8.9%
Personnel costs	-9,819	-9,676	143	+1.5%
Gross operating margin (EBITDA)	24,536	30,941	-6,405	-20.7%
<i>% of revenues</i>	<i>35.4%</i>	<i>39.2%</i>		

Gas sales

The Gas Sales area presents an EBITDA up significantly compared to the previous year due to the expansion of the customer base and commercial initiatives undertaken during 2015. Sales to end customers (raw material and fixed price sales) amounted to € 264.9 million (€ 255.8 in 2014), an increase in volumes sold at lower rates compared to 2014. Volumes and revenues to wholesalers increased, reaching € 103.9 million compared to € 67.7 million in 2014. Because of the greater volumes sold, pass-through revenues have increased considerably: the gas distribution portion amounts to € 79.6 million (€ 66.6 million in 2014). The gross gas margin totalled € 49.3 million compared to € 45.3 in 2014, marking an increase of 9% on the previous year. The increase in revenues from services to associated companies and constant values of external costs and personnel brought EBITDA to

€ 27.7 million compared to € 21.9 million in 2014 with an incidence on revenues up from 5.5% to 6%. EBITDA of gas sales made up 45.7% of the consolidated EBITDA.

Natural Gas Sales (€/000)	2015	2014	Var. Ass.	Var. %
Total revenues and income	462,345	396,100	66,245	+16.7%
Operating costs	-429,109	-369,157	59,952	+16.2%
Personnel costs	-5,558	-5,087	471	+9.3%
Gross operating margin (EBITDA)	27,679	21,856	5,823	+26.6%
<i>% of revenues</i>	<i>6.0%</i>	<i>5.5%</i>		

Electricity sales

The electricity sales sector shows revenues, margins and EBITDA up compared to the previous year. Sales to end customers totalled € 32.8 million (€ 35 million in 2014); the figure derives from the combined effect of higher sales volumes and a reduction in selling prices. The increase in sales is particularly significant in the domestic and retail segment, while sales to business customers dropped. Volumes and revenues to wholesalers increased, reaching € 5.6 million compared to € 1.8 million in 2014. Pass-through revenues from transport and dispatching increased, going from € 48.4 million in 2014 to € 55.8 million in 2015. The improvement in the gross profit margin has a positive effect on EBITDA, which amounted to € 3.1 million compared to € 2 million the previous year with an impact on revenues rising from 2.4% to 3.2%. The impact on the consolidated EBITDA was equal to 5.1%.

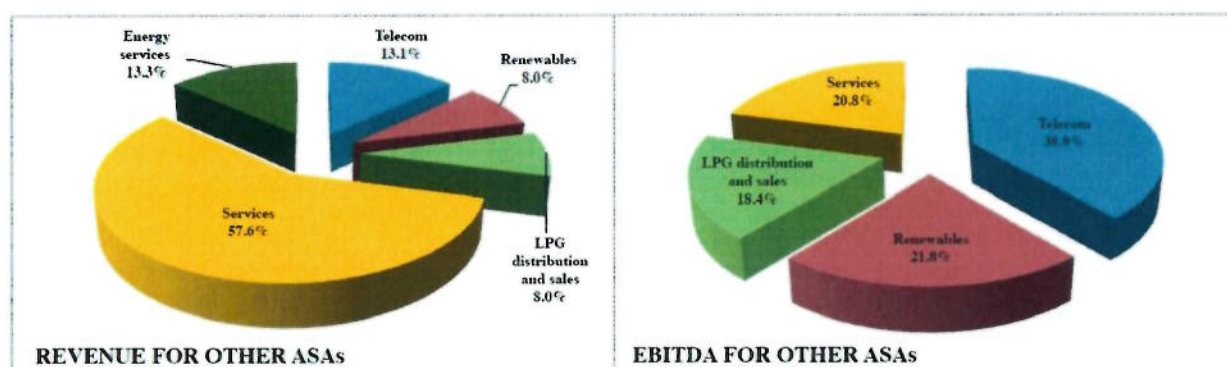
Electricity sales (€/000)	2015	2014	Var. Ass.	Var. %
Total revenues and income	95,273	86,020	9,253	+10.8%
Operating costs	-91,677	-83,475	8,202	+9.8%
Personnel costs	-501	-516	-15	-2.9%
Gross operating margin (EBITDA)	3,095	2,029	1,066	+52.5%
<i>% of revenues</i>	<i>3.2%</i>	<i>2.4%</i>		

Trading of gas

Margins in the trading sector were stable compared to the previous year. Revenues increased from € 229.2 million to € 258.0 million, with a significant increase in volumes traded and a fall in prices. The gross gas margin totalled € 1.4 million compared to € 1.3 million in 2014. The ASA trading EBITDA amounted € 689 thousand (€ 663 thousand in 2014). The impact on the consolidated EBITDA was equal to 1.1%.

Trading (€/000)	2015	2014	Var. Ass.	Var. %
Total revenues and income	258,045	229,231	28,814	+12.6%
Operating costs	-257,215	-228,502	28,713	+12.6%
Personnel costs	-141	-66	75	+100.0%
Gross operating margin (EBITDA)	689	663	26	+4.0%
<i>% of revenues</i>	<i>0.3%</i>	<i>0.3%</i>		

Other SBUs: Telecommunications, Energy services, LPG, Renewables and Services



In other SBUs we note the positive trend in the telecommunications segment, which recorded a 8% increase in EBITDA, amounting to € 1.8 million with significant performance also in the field of next-generation networks. Declining revenues and EBITDA for the energy services sector; the negative EBITDA of € 121 thousand stemmed from the lessened negative effect of the reduction in sales prices. Increased EBITDA of ASA distribution and sale of LPG, which recorded slight increase in sales volumes. EBITDA increased from € 828 thousand to € 869 thousand. The services and other sector includes the service activities of the parent company Estra, the renewables sector activities carried out by Solgenera and Biogenera, and the data of some minor non-operating companies. EBITDA increased from € 46 thousand to € 2,014 thousand because of the major activities carried out by Estra for various group companies, the improved results of the subsidiary Biogenera and the changes in the economic consolidation scope of Solgenera. The EBITDA impact of ASA telecommunications, energy services, LPG, renewables and services on the consolidated EBITDA was 7.6%.

Other SBUs (€/000)	2015	2014	Var. Ass.	Var. %
Total revenues and income	43,679	39,723	3,956	+10.0%
Operating costs	-28,427	-26,680	1,747	+6.5%
Personnel costs	-10,651	-10,310	341	+3.3%
Gross operating margin (EBITDA)	4,601	2,733	1,868	+68.4%
<i>% of revenues</i>	<i>10.5%</i>	<i>6.9%</i>		

Reconciliation of separate income and shareholders' equity with consolidated income and shareholders' equity

(thousands of Euro)	Financial year 2015		Financial year 2014	
	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	14,760	336,074	105,318	325,814
Income and elimination of book value of fully consolidated companies	14,458	15,207	15,049	15,001
Elimination of intercompany dividends	-35,993	-33,257	-13,020	-7,108
Elimination of investee write-downs	29,070	36,326	1,192	8,234
Allocation of consolidation differences	-1,058	-3,580	-45	-2,522
Elimination of intercompany capital gains	9,514	-89,971	-99,098	-99,484
Effects of measuring associated and jointly controlled companies using the equity method	381	357	-51	-5,417
Other	1,399	20	-557	-1,376
Group profit for the year and shareholders' equity as shown in the consolidated financial statements	32,531	261,175	8,787	233,134
Profit and shareholders' equity attributable to minority interests	1,431	10,238	1,457	12,088
Profit for the year and shareholders' equity as shown in the consolidated financial statements	33,962	271,414	10,244	245,222

Macroeconomic framework

In 2015, global economic activity remained modest even though signs of recovery have appeared and have highlighted differences among the major economies. Advanced countries have continued to expand activities though with varying intensity, while developing economies and emerging markets – which still account for over 70% of global growth – showed a decrease for the fifth consecutive year.

Specifically, the growth has slowed down markedly in United States and United Kingdom, while it has recorded a modest rate in Japan, where economic development has been uneven, with GDP down in the second quarter of 2015, reflecting a drop in both exports and consumer spending.

Globally, there appear to be at least three key issues that continue to affect the outlook: the gradual tightening of monetary policy in the United States alongside the simultaneous economic recovery; the progressive slowdown of the Chinese economic system, which has seen a rebalancing of investment and debt; and the reduction in prices of energy and other raw materials.

In the US Gross Domestic Product has confirmed growth in 2014, with an annual figure going beyond 2.4%. Confidence in future trends in the American economy encouraged the Federal Reserve (FED) to apply a 0.25% rise in interest rates in December 2015, the first change since June 2006. This measure, forecast by analysts and expected by the market, was adopted to allow the United States to continue growing gradually, without leading to an excessive increase in inflation and currency devaluation. Despite the adoption of this measure the Central Bank said it wanted to closely monitor trends in the US economy for fear of a slowdown, despite the slight improvement reported by the labour market.

The macroeconomic framework of emerging countries is dominated by the slowdown in China, the latter being part of the process of transition to a more balanced growth model, desired by the Government. Such policies have led to a fall in exports, which, together with investment, constituted one of the engines of China's economic growth. Brazil and Russia, weakened by the declining prices of oil and other fuels, have suffered from intensified recessionary pressures, resulting in a worsening of business confidence.

In general, uncertainty about future prospects remains high, fuelled also by factors such as terrorist attacks and geopolitical tensions, such as those between Russia and Turkey.

Faced with an unfavourable external environment, the eurozone recovery continued at quite a moderate pace in the last quarter of the year; the trend was driven by domestic demand, which has offset the fall in exports to emerging countries. Among the major economies, there has been a strengthening of GDP of Germany, which has kept in line with forecasts, despite the Volkswagen scandal.

Looking at the euro – US dollar exchange rate, in 2015 the figure stood at \$ 1.11 per euro, 16.5% down from the 2014 rate. The main issues that have led to this development can be ascribed to the different monetary policies applied by the ECB and the FED. While the FED has stepped up U.S. interest rates, the ECB has adopted a programme of quantitative easing with the aim of boosting the European economy, leveraging the issue of a massive dose of liquidity in order to expand the amount of money in circulation and thus stimulate the economy.

Looking at the specific situation in Italy, economic recovery is evident since the upturn at the beginning of 2015. After years of falling domestic demand, the growth in household spending and consumption driven by rising employment has contributed to the increase in GDP, now rising annually by +0.8%. More positive and comforting for future prospects is the turnaround in investment, which grew 0.8% during the year, spurred by improved access to finance and by expectations associated with renewed productive vigour.

The end of 2015 unfortunately saw the Italian banking crisis; the general financial crisis has shown that in many EU countries the instruments for handling the bank crisis were inadequate, especially in view of the difficulties for intermediaries with complex organisational structures and extensive networks of relationships with other financial service providers.

Appropriate interventions by the Bank of Italy in its appointed task of resolving the crisis together with domestic reforms will help make the banking system more robust, rendering it able to properly support the financing of the economy and the country's growth.

Trends in the energy market

During the 2015 there was a stepping up of trends that last year had already affected the main European energy markets, one of the consequence being the general decline in prices of raw materials.

The oil market has seen a drop in spot prices of Brent with the average annual listing dropping to 52 dollars a barrel (48% down compared to 2014). The lowest peak of the year occurred in December when the price reached the lowest level since June 2004 (38 dollars a barrel).

Among the main causes of this decreasing trend were the increase in the value of the dollar, the slowdown of the economies of China and the emerging countries, the production of US shale oil, increased output from OPEC countries, as well as sluggish demand. A combination of factors have contributed to the fall in oil prices.

The price of coal, influenced by crude oil trends and by uncertainty in the macroeconomic scenario, stood at 56 \$/MT in 2015 (20 \$/MT down on 2014), the lowest level in the last eleven years.

Developments in the major European gas hubs also confirm the trends seen in other fuels. Gas prices in the year fell about 20–22 €/MWh, highlighting a decline of 5–7% compared to 2014. Like last year, the Italian PSV recorded the highest average prices in Europe (PSV 22 €/MWh; TTF, CEGH, NBP 20 €/MWh)

In such a scenario, where fossil fuels reach lowest peaks, there is an increase in electricity exchange prices. In particular, the Italian Stock Exchange ended the year with a slight increase in price and stayed above all the other European markets (52 €/MWh). This phenomenon is partly associated with increased volumes handled on the stock exchange, especially in July, when weather factors have a big influence.

Overview of the Italian markets

The natural gas market

After four years of significant declines, natural gas consumption began to rise again in 2015 reaching 66,947 million cm, recording an increase of 9.1% on 2014.

Demand for natural gas			
NATURAL GAS (Ml/cm)	Financial year 2015	Financial year 2014	% Change
<i>Imports</i>	60,806	55,341	9.8
<i>Domestic production</i>	6,451	6,938	-6.3
<i>Delivery from storage</i>	10,565	8,224	28.5
Total issued	77,823	70,503	10.4
Services and domestic use	31,426	28,836	9.5
Industrial use	12,767	13,135	-3.0
Thermoelectric use	20,728	17,655	16.6
Net import/export balance and system consumption*	2,025	1,790	14.8
Total demand	66,947	61,416	9.1

Source: GME data processing

* includes linepack variation, losses, consumption and unaccounted for gas

Colder winter temperatures during the year have pushed up residential consumption, which rose to 31,426 million cm (9.5% up on the previous year).

The thermoelectric sector even sharper growth: helped by reduced renewable sources production and the summer heat, gas consumption reached 20,728 million cm. This value, the highest of the past three years, represented an increase of more than 16% over the previous year.

The trend for industrial uses was instead in the negative: consumption amounted to 12,676 million cm, a decrease of 3.0% compared to 2014. Part of the demand seems lost permanently with the wave of de-industrialisation that came immediately after the economic crisis of 2009; the strength of the remaining demand is tested by increased efficiency in production processes.

On the supply side, the decline in domestic production continues (6.4 billion cm, down 6.3%) while natural gas imports increase (60.8 billion cm, 9.8% up on the previous year); there has been a sharp rise also in supply from storage systems, reaching 10,565 million cm (up 28.5%).

In 2015 the natural annual price on the PSV fell by 1.10 €/Mwh (-4.7%) compared to 2014, dropping to 22.14 €/MWh, its lowest since 2010. The spot market price followed the decreasing price trend on other European hubs and in other energy commodities.

The market for electricity and renewable energy sources

In 2015, the gross demand for electricity in Italy exceeded 315 TWh with an increase of 2.0% over the previous year (Terna preliminary data).

Demand for electricity			
ELECTRICITY (Twh)	Financial year 2015	Financial year 2014	% Change
Net production:	270.7	269.1	0.6
- <i>Thermoelectric</i>	180.9	167.1	8.3
- <i>Hydroelectric</i>	44.8	59.6	-24.9
- <i>Photovoltaic</i>	24.7	21.8	13.0
- <i>Wind</i>	14.6	15.1	-3.3
- <i>Geothermal</i>	5.8	5.6	4.5
Net import/export balance	46.4	43.7	6.1
Pumping consumption	-1.9	-2.30	-20.6
Total demand	315.2	310.5	1.5

Source: Terna preliminary data processing 2015, gross of network losses

Domestic production in the period, net of pumping, covered 85% of demand; this was a slightly lower figure than that of 2014 (86%). In terms of absolute value, net production witnesses a modest increase to 270.7 TWh (+0.6% over 2014).

With regard to the contribution of specific sources to domestic production, there was a sharp drop of hydroelectric (-24.9%), offset by increased thermoelectric production (+8.3%).

Among other sources of renewable energy, there was an increase in photovoltaic production (+13%) and good performance in geothermal energy (+4.5%), while production by wind farms decreased (-3.3%).

Regarding the price of energy on the power exchange, the slight increase in electricity demand in 2015 coincided with a slight rise in the PUN (average purchase price). After the decline in previous years, the PUN price for the year under review stabilised at 52.31 €/MWh, an increase of 0.4 compared to 2014 (52.08 €/MWh). With the exception of Sicily, zonal sales prices confirmed a substantial convergence trend.

The market for energy services and energy efficiency

The year 2015 was extremely important for energy and environmental issues. Highlight events included the international climate conference in Paris which saw the involvement of more than 190 countries. The agreement reached at the conference confirmed the crucial role of energy efficiency in the world panorama as an essential tool to reduce emissions and slow global warming.

With regard to the national context, Italy has in recent years implemented a virtuous cycle that has enabled it to obtain significant results in terms of energy saving.

Thanks to policies for promoting and improving efficiency, by 2013 Italy had already managed to achieve 20% of the targets set by European directive 2012/27/EU and binding until 2020.

The sectors that have mostly contributed to the achievement of this result are residential (35.7%) and industry (26.6%).

Annual energy savings achieved by sector for the period 2011-2013 and expected at 2020 (final energy, Mtep)						Energy savings		
Sector	Legislative Decree 192/05	White certificates	Tax deductions	Ecoincentives and EU regulations	Other measures	Achieved in 2013	Expected at 2020	Target achieved (%)
Residential	0.75	0.29	0.33	-	0.01	1.31	3.67	35.70%
Tertiary	0.02	0.04	0.01	-	-	0.07	1.23	5.60%
Industry	0.06	1.28	0.92	-	-	1.36	5.1	26.60%
Transport	-	-	-	0.45	0.02	0.47	5.5	8.60%
Total final energy	0.83	1.61	0.35	0.45	0.03	3.21	15.5	20.70%

With reference to the industrial sector, December 2015 was the ENEA deadline for receipt of energy audits by large corporations in energy intensive industries. As provided by Legislative Decree 102/2014, these entities are required, at four-yearly intervals, to repeat the analyses in order to identify the most effective actions for reducing energy consumption

The year 2015 was marked also by numerous regulatory changes and management developments in the market for energy efficiency certificates (TEE). A particular highlight was the appointment of GME (electricity market operator) as central counterparty for trade conducted on the market, allowing the elimination of counterparty risk and the introduction of administrative and accounting simplifications.

Regarding the performance of stocks, there was an increase in volumes on the market platform, with 3,780,177 energy efficiency certificates exchanged (3,482,221 in 2014).

The telecommunications market

Although subject to the same main factors that for some years have characterised the national market, the field of telecommunications services in Italy in 2015 has also showed signs of renewal.

Within the framework of the directives laid down by the Digital Agenda for Europe and with a view to developing the national digital economy and culture, the Council of Ministers in March 2015 approved the national ultra wideband plan and the Digital Growth Plan. In particular, the ultra wideband plan aims to ensure 30 Mbps connections for 100% of citizens by 2020 and to promote subscriptions to operators' 100 Mbps services to 50% of the population. The strategic plan also governs what to do in the areas of market failure – those areas less sought after by operators and where public commitment is permissible, with future State intervention to support investment by public and private operators (Infratel tender for May-June 2016).

With encouragement from government, Italian operators' investments in ultra wideband infrastructure are growing considerably and coverage estimates by the operators point to 75% of homes with NGAN (broadband greater than 30 Mbps) connections by 2017.

The achievement of these goals would reduce the gap that still sets Italy apart from major European countries.

Looking at trends in the telecommunications sector as a whole, fixed-line services are undergoing a confirmed decline, with Agcom data showing a drop of 390 thousand lines from September 2014 to the same month of 2015 (report no. 4/2015-Agcom).

With regard to the broadband market, in the first nine months of September 2015 broadband access grew by around 380 thousand units, reaching a total of over 14.7 million lines.

On the mobile front, the trend of upgrading mobile broadband continues. In September 2015, the number of SIM cards connected to the internet exceeded 47 million after an increase of 13% over the year. In the first three quarters of 2015, data traffic grew by about 45% compared with the same period of 2014.

Industry regulations

The following is a summary of the highlights of legislative changes in 2015 in relation to the various areas of Estra Group business.

Natural gas sales

RESOLUTION 29 DECEMBER 2014 - 672/2014/R/GAS; RESOLUTION 26 MARCH 2015 - 131/2015/R/GAS; RESOLUTION 25 JUNE 2015 - 304/2015/R/GAS; RESOLUTION 28 SEPTEMBER 2015 - 455/2015/R/GAS. Quarterly update of the economic conditions of supply of natural gas for the protection service.

These measures update, for each quarter of 2015, the economic conditions of the supply of natural gas to the protected customer.

The following additional changes also took place:

- RESOLUTION 29 DECEMBER 2014 - 672/2014/R/GAS: changes to the TIVG and update of UG₃ and UG_{3T} components.
- RESOLUTION 26 MARCH 2015 - 131/2015/R/GAS: amends the TIVG and updates the UG₃ and UG_{3T} components.
- RESOLUTION 25 JUNE 2015 - 304/2015/R/GAS: amends the TIVG and updates the UG_{3inT} element.
- RESOLUTION 28 SEPTEMBER 2015 - 455/2015/R/GAS: amends the TIVG.

RESOLUTION 26 MARCH 2015 - 133/2015/R/GAS. Economic conditions of the protection service for natural gas from the thermal year 2015–2016.

This provision identifies the target market for determining the CMEM component for the thermal year 2015–2016 and defines the CCR component levels for the same period. It also amends the QTMCV and QT components, with effect from 1 October 2015, transposing the provisions of resolution 60/2015/R/gas.

RESOLUTION 25 JUNE 2015 - 306/2015/E/GAS Closure of the fact-finding investigation initiated by Authority resolution 589/2014/E/gas, regarding the mechanisms of reintegration of arrears penalties for last resort services in the natural gas sector, related to the thermal year 2012–2013. This resolution closes the fact-finding investigation regarding the invoicing of last resort services by all operators selected for this purpose, starting from October 2012, launched with resolution 589/2014/E/gas and amended by resolution 91/2015/E/gas, defining the means of imputation of arrears penalties that would not be otherwise recoverable under the mechanisms for reintegration of arrears relating to the thermal years subject to the investigation. Resolution 527/2015/R/gas confirmed the parameters to be applied to arrears reintegration mechanisms in the natural gas sector.

RESOLUTION 26 November 2015 - 575/2015/R/GAS. Update of the QVD component of the economic conditions of the 2016 protection service for natural gas. This provision defines the values of the QVD component to cover the costs of marketing the natural gas sales service to customers who use the protection service in force as of 1 January 2016.

Electricity sales

RESOLUTION 29 DECEMBER 2014 - 671/2014/R/EEL; RESOLUTION 26 MARCH 2015 - 130/2015/R/EEL; RESOLUTION 25 JUNE 2015 - 303/2015/R/EEL; RESOLUTION 28 SEPTEMBER 2015 - 454/2015/R/EEL.

These measures update, for each quarter of 2015, the economic conditions of the supply of electricity in higher protection. The following additional changes also took place:

- RESOLUTION 29 DECEMBER 2014 - 671/2014/R/EEL: amending Article 27 of the TIV.

RESOLUTION 12 February 2015 - 45/2015/R/EEL Launch of market coupling on Italy-Slovenia, Italy-Austria and Italy-France interconnections.

With this resolution the AEEGSI approved the new regulatory framework for the operational start of the Italian Border Working Table (IBWT) project, resolving the integration of the Italian spot market with the European market coupling project, referring specifically to the borders of Italy-France, Italy-Austria and Italy-Slovenia, as of 24 February 2015. The market coupling mechanism is used to determine the value of electricity in the European market areas involved and, simultaneously, to allocate available transport capacity between these areas, thus maximising their use. The assignment of rights of use for transmission capacity therefore takes place at the same time as the determination of the price of each area, rather than in a separate process, as was the case previously.

Subsequently, with Resolution 52/2015/R/EEL of 17 February 2015, the Authority approved the GME-CCSE agreement and the Terna GME model contract relating to the operation of the market coupling scheme on the borders

with France, Austria and Slovenia for 2015. The existing concession between GME and CCSE was extended by resolution 651/2015/R/EEL of 23 December 2015.

RESOLUTION 10 MARCH 2015 - 95/2015/I/EEL. Proposal to the Minister of Economic Development for the bringing forward of the full implementation of the capacity market. With this provision, the Electricity Authority has asked the Ministry of Economic Development to bring forward an initial implementation phase of the capacity market in order to maximise the potential competition from new entrants.

RESOLUTION 09 JULY 2015 - 333/2015/R/EEL. Launch of procedure relating to the valuation of imbalances effective for the years 2012, 2013 and 2014 following the judgment of the Council of State 1532/2015. This provision will start a procedure for the valuation of imbalances for the years 2012, 2013 and 2014 following the judgment of the State Council of 20 March 2015 no. 1532/2015.

RESOLUTION 02 December 2015 - 582/2015/R/EEL. Reform of grid tariffs and tariff components covering general system charges for domestic electricity customers. Simultaneous updating of tariff cuts for domestic customers in difficult economic circumstances. This resolution begins the gradual reform of the tariffs for domestic electricity customers, defined in the implementation of the provisions of article 11, paragraph 3, of Legislative Decree 102/2014. The reforms begin on 1 January 2016 and reach full implementation on 1 January 2018.

For the year 2016, in order to assist customers in difficult economic circumstances, reform criteria are being defined to update tariff cuts so as to completely offset the annual cost increments eventually arising from the launch of the tariff reform.

RESOLUTION 11 December 2015 - 609/2015/R/EEL. Provisions relating to the standardised network code for the transmission of electricity. With resolution 609/2015/R/eel the Regulatory Authority for Electricity Gas and Water regulates the initiation of the effectiveness of the standardised network code for the transmission of electricity. After approval of the standardised network code with resolution 268/2015/R/EEL, the Authority, in order to implement a series of in-depth studies related to received reports, passed resolution 447/2015/R/EEL to defer the effectiveness of the former to 1 January 2016. Resolution 609/2015/R/EEL therefore amended the previous regulation in order to take account of the problems reported and investigations conducted in this regard.

LAW NO. 208/2015 22 DECEMBER 2015 – STABILITY LAW - PARAGRAPHS 152–160. The 2016 Stability Law provides for the payment of the RAI licence fee – with an estimated amount of € 100 for 2016 – as part of the electricity bill. Anyone with an electricity supply account will be charged directly in the Bill for the amount above, in a distinct item that is not taxable for tax purposes. The payment will be divided into ten monthly instalments charged on electricity bills from July 2016. The first Bill will include charges all instalments due from January to July. The licence fee covers all devices held in places used as the place of residence or abode by a person and persons who belong to the same registry household.

Natural gas and electricity sales

There follows a description of the main regulatory changes that have simultaneously affected sales of natural gas and electricity.

2015 COMPETITION BILL On 20 February the Council of Ministers approved a draft law, known as the “2015 Competition Bill”, intended to remove regulatory obstacles to the opening of markets and to promote the development of competition.

The Decree was approved at first reading by the Chamber on 7 October 2015. With regard to rules that affect the energy industry, article 19 of the measure provides for the overriding of protected energy prices for small customers. A rapporteurs amendment cancelled the term set by the draft law for the end of the transition period, initially set for 30 June 2015 for abolition in the gas and 30 June 2016 in the electricity sector, setting a later period starting in 2018. With the entire energy package the measure was rewritten and every decision was referred to the retail market report that the Energy Authority shall deliver to the Ministry of Economic Development by 30 April 2017. The offers of the companies would however have to be all comparable online by next year.

The Senate, now examining the decree, has already made changes with amendments and sub-amendments, such as the introduction of tighter compliance checks on projects for the attainment of energy efficiency certificates, with rejection of the reporting request or cancellation of the recognition of titles and 30% cuts in incentives for photovoltaic systems between 1 and 3 kW produced with non-certified modules or certifications not compliant with the reference rules. The deadline for tabling further sub-amendment to the amendments was set for 22 March 2016.

RESOLUTION 30 APRIL 2015 - 200/2015/R/COM. Bill 2.0: approval of the Glossary and definition of the level of aggregation of the amounts billed to end customers with protected status. Amendments to resolution 501/2014/R/com. This provision, framed within the Bill 2.0 project, defines the level of aggregation of amounts invoiced to the end customer in bills, approves the glossary of electricity and gas bills and makes some changes to resolution 501/2014/R/com. The measure 330/2015/R/com of 09 July 2015 implements the provisions regarding the preparation of informational tools for the benefit of customers with protected status, provided in Annex A to

resolution 501/2014/R/com (Bill 2.0), referring respectively to the article concerning the Guide to reading the Bill and the model of the summary Bill.

With the subsequent resolution 610/2015/R/COM of 11 September, amendments and additions were made to Authority resolutions 501/2014/R/com and 200/2015/R/com. Specifically, the changes quantified the level of discount for bills in electronic format for customers with protected status.

RESOLUTION 29 MAY 2015 - 258/2015/R/COM. Initial interventions in payment arrears in electricity and natural gas retail markets and review of switching times in the natural gas sector. This measure amends and supplements the regulation concerning payment arrears in the electricity and natural gas sectors and shall conduct a review of the switching process in the natural gas sector in order to reduce times.

The measure approves provisions which also cover different thematic areas identified as priorities, to be introduced into retail market regulation; topics involved will include invoicing adjustment, ways of incentivising the invoicing of actual consumption or customer self-meter reading and the implementation of the SII (integrated water system) It is also expected that, in order to prevent the suspension of supply in the event of non-exhaustive answers in terms of invoicing, there will be an extension of the minimum content of reasoned answers to written complaints or invoice correction requests that entail the protesting of anomalous invoiced amounts.

RESOLUTION 04 June 2015 - 271/2015/R/COM. Launch of procedure for definition of the reform path of market mechanisms for the protection of domestic customers and small enterprises in electricity and natural gas sectors - Protection 2.0. This measure initiates a procedure to define a path for the reform of existing market mechanisms for protection (protection 2.0); it will see the gradual takeover of existing contracts for the supply of existing market mechanisms protecting domestic customers and small enterprises in the electricity and natural gas sectors. Subsequently, with resolution 659/2015/R/eel of 28 December 2015, the Authority added to the initial phase of this process with a review, starting from 1 January 2016, of prices and components for retail electricity marketing (PCV, RCV, RCVsm, RCVi).

RESOLUTION 22 June 2015 - 296/2015/R/COM. Provisions concerning accounting separation obligations (unbundling) for the electricity and gas sectors. The measure introduces the Authority's final provisions on accounting separation obligations (unbundling) for the electricity and gas sectors. With the aim of removing any risk of confusion and promoting transparency and competition, distributors and sellers integrated within the same corporate group – whether electricity or gas – will no longer be able to use the same brand and will have to separate their communications policies and use clearly distinct channels and commercial spaces; the same rules also apply to the electricity seller that operates in both the free market and in the protected segment. Regarding the mandatory separation of brand and communications, to be implemented by 30 June 2016 (debranding, required by the European directives of the “third energy package”, transposed by Legislative Decree 93/11), the Authority leaves firms free to decide which of the distribution or sales activities must be changed, respecting the entrepreneurial choices related to the economic value of the brands. The company shall ensure the implementation of the rules ensuring that every text or graphics element is quite distinct. The unbundling of commercial spaces and channels interfacing with customers should instead be implemented by 1 January 2017.

Moreover the measure reinforces the prohibition on the transfer of commercially sensitive information (such as consumption or arrears data) between the distributor and sales companies, and between firms selling electricity under the protected-customer system and in the free market and belong to the same group, unless there are exceptional procedures laid down by law or regulation of the authority. Measures to ensure the confidentiality and non-discriminatory provision of information, which is also guaranteed with the requirement to unbundle the distribution business databases from other companies in the corporate group to which they belong. More generally, the Authority provides for all distributors, regardless of their size, that the provision of commercially sensitive information is performed using, where available, the disintermediation tools provided by regulations, including the SII.

Functional unbundling obligations introduced by the Authority include the managerial aspects of firms and are effective immediately. In this sense, the company that manages the electricity or gas distribution systems with more than 100 thousand customers sees tougher functional unbundling obligations providing, in addition to the mandatory appointment of the independent operator, the mandatory appointment of a compliance officer and the preparation and submission to the Authority of the compliance programme with associated annual review. These rules also apply to regional gas transportation businesses. Gas distribution companies with fewer than 100 thousand customers are subject to some simplified functional unbundling requirements and electricity distribution companies that do not operate under corporate separation from sellers are allowed a period of time (until 30 June 2017) to adapt to the new rules.

Distribution of natural gas

RESOLUTION 05 March 2015 - 90/2015/R/GAS. RESOLUTION 02 April 2015 - 147/2015/R/GAS. RESOLUTION 29 MAY 2015 - 253/2015/R/GAS RESOLUTION 12 JUNE 2015 - 280/2015/R/GAS. Determination of definitive reference tariffs for gas distribution and metering services.

Resolution 90/2015 determined the definitive reference rates for gas distribution and metering services for 2014 and resolution 147/2015 set the provisional reference rates for 2015. Resolution 253/2015 subsequently corrected the tariffs for 2014 in relation to certain localities, following the correction of material errors identified in resolution 90/2015/R/gas. Finally, resolution 280/2015 "Provisions on tariff components of centralised costs relating to remote reading and remote management system and concentrators costs" extended also to 2016 the rules in force for the tariff years 2014 and 2015 in relation to the determination of tariff components TELt,c e, CONt,c, referred to in article 29, paragraph 1 of the RTDG, covering centralised costs for remote reading and remote management systems and concentrators costs.

RESOLUTION 19 March 2015 - 117/2015/R/GAS. Regulatory reform of measurement of distribution network PODs, also in implementation of Legislative Decree 102/2014. This resolution approves regulatory reform in the measurement of PODs in the natural gas distribution network, also with reference to the switching process.

Specifically, with the objectives of increasing the transparency and reducing the asymmetry of information between distributors and sellers and increasing the quantity of measurement data that is effective and validated concerning the availability of the dealer and, consequently, the end customer, the resolution establishes amendments and supplements to the current rules concerning:

- **read rates, disclosure of meter readings and any adjustments on the part of distribution companies.** In particular, the Authority approved a series of provisions including, first and foremost, the requirement to redefine the parameters of current consumption classes, functional in determining the detection frequencies of the measurement data, through the introduction of a further consumption threshold of 1500 scm/year;
- **management of customer self-meter reading and the unavailability of actual measurement data:** the Authority has established that all sellers should offer a self-meter reading mode for customer consumption by providing a notification of assumption/negation of responsibility.

The various provisions introduced – which, because of context changes due to the gradual installation of the smart meter, may undergo future refinements – entered into force at different times until 1 January 2016 (depending on impacts and taking into account identified needs), also in the areas of standardisation of information flows.

In parallel, directives have been issued on the standardisation of information flows used for the provision of measurement data, both detected by the distribution company and derived from self-meter reading process carried out by the end customer; any required corrections thereof were applied.

INTERMINISTERIAL DECREE 20 MAY 2015 NO. 106. Amendment to gas tender regulations

This regulation amends Decree no. 226 of 12 November 2011 concerning the tender criteria for the award of the natural gas distribution service.

1. **Procedural changes.** the MD introduced:
 - (i) some instruments to tackle any situations of disagreement, inertia and non-fulfilment by local authorities;
 - (ii) it strengthened the role (and responsibilities) of the Contracting Authority, providing substitutive power for the latter to break deadlocks created by the inertia of municipalities to provide, for example, information necessary for the preparation of tender documents.
2. **Economic charges for the carrying out of tenders.** Regulations changed to avoid charges falling on local government, specifying the time and manner for payment of the one-off fee. In particular:
 - (i) 90% must be advanced by the outgoing operator to the Contracting Authority 18 months before the deadline for publication of the legally required call for tenders;
 - (ii) the balance must be paid within 15 days of publication of the call for tenders;
 - (iii) the winning operator must reimburse the outgoing operator the amount, including interest, within 15 days of the award of the tender.
3. **VIR (residual industrial value).** Regarding the VIR to be paid to the outgoing operator, the MD has sought to be more consistent with the interpretive criteria of the ministerial guidelines regarding the calculation of the VIR (MD 22 May 2014) and at the same time update them with reference to the adjustment of the fourth tariff period (2014–2019).

4. **Network ownership.** The MD has given increased flexibility to arrangements for the devolution of the network from the Municipality to the incoming operator, providing the option for local authorities to valorise the networks by selling them to the incoming operator in the case of concession with free devolution not yet at natural maturity.
5. **Energy efficiency.** The MD has expanded the range of titles (not only “gas end-use”), introduced the provision to buy securities also from third parties, albeit from projects with similar characteristics executed in the ATEMs (minimum territorial areas) and with the period of grace increased from one to two years before application of penalties for default.

Additionally, **Circular no. 00302/E/M/g of 7 March 2016, “New gas tender deadlines“**, reports on the publication, on the MED site, of the document carrying the definitive dates and substitutive intervention of the region referred to in article 3 of Ministerial Decree 226/2011, in the event of delayed tender launch by the municipalities, updated following Decree Law 69/2013 converted with Law 98/2013, Decree Law 145/2013 converted with Law 9/2014, Decree Law 91/2014 converted with Law 116/2014, Decree Law 192/2014 converted with Law 11/2015 and Decree Law 210/2015 converted into Law 21/2016 (“Thousand Extensions Decree”). With specific reference to the terms for gas tenders, the rule provides a 12-month extension for the publication of calls for tenders for the areas of the first group, 14 months for the second group, 13 months for the third, fourth and fifth, nine months for the sixth and seventh and five months for the eighth.

Resolution 30 July 2015 - 407/2015/R/GAS. Amendments to resolution of 26 June 2014, 310/2014/R/gas on the determination of the repayment amount of natural gas distribution networks. The resolution in question provides for amendments to Resolution 310/2014/R/gas. In particular, these changes are due, on the one hand, to the innovations, regarding the transfer of network portions paid for by the outgoing operator to the incoming operator, introduced by Decree of the Minister of Economic Development and the Minister for Regional Affairs and autonomy no. 106 of 20 May 2015, published in the Official Gazette of 14 July 2015, on approval of the Regulation amending Decree no. 226 of 12 November 2011, concerning the tender criteria for the award of the natural gas distribution service (hereinafter: Decree 20 May 2015); and on the other hand, the introduction of the option for the contracting authorities, subject to reasoned request and with a view to administrative simplification, to present data on the VIR and the RAB, relating to the assessments of differentiations by the Authority, with reference to 31 December of the year t-2.

RESOLUTION 02 DECEMBER 2015 - 583/2015/R/COM. Rate of return on capital invested for infrastructure services in the gas and electricity sectors: criteria for determining and updating. This resolution approved the criteria for determining and updating the remuneration rate on capital invested in infrastructure services for the gas and electricity sectors (TIWACC 2016–2021), effective in the period 1 January 2016–31 December 2021. The revision of the methodology aims to establish a more transparent and predictable regulatory framework, while also ensuring uniformity of the WACC calculation criteria and avoiding the case where differences in the remuneration rates of individual regulated infrastructure services in the two sectors may depend on specific conditions in the financial market in the period used as a reference for determining the rate of return on risk-free assets. The TIWACC, in particular, shows the formula for determining and updating the WACC, taking into account the various parameters it consists of: real rate of return on equity (based on the rate of return on risk-free activities, the inflation level, total market return TMR and the level of premium for the country risk CRP); cost of debt in real terms; theoretical rate of impact of taxes on the result for the year; tax rate for the calculation of the tax shield of financial charges; level of gearing for the adjusted infrastructural service; adjustment factor covering taxes on nominal profits. Also it identifies the specific parameters of the different services with reference to the level of gearing (the ratio of debt capital to totalled equity capital and debt capital) and to parameter b (measurement of systematic and non-diversifiable risk for each service) in effect from 1 January 2016 (with the exception of parameters b relating to the electricity sector, the establishment of which it will take place shortly in the context of the review decisions of the regulatory period).

Supply, transportation and storage of natural gas

Supply of natural gas

RESOLUTION 20 November 2015 - 556/2015/R/GAS. Mechanism for promoting the renegotiation of natural gas supply contracts.

Update of amounts payable and other obligations. This provision updates the amounts owed to undertakings admitted to the mechanism for the renegotiation of long-term contracts governed by resolution 447/2013/R/gas.

Transport of natural gas

RESOLUTION 19 FEBRUARY 2015 - 60/2015/R/GAS. Reform of tariff components covering the general charges of the gas system. This resolution provides that with effect from 1 October 2015, the fees CV^I, CV^{BL} and CV^{OS} applied to entries into the network will be replaced with new charges applied at the point of delivery of the transport network.

RESOLUTION 04 DECEMBER 2015 – 587/2015/R/GAS and RESOLUTION 11 DECEMBER 2015 - 606/2015/R/GAS. Approval of recognised revenues and tariff proposals relating to natural gas transportation and dispatching fees for 2016. These resolutions respectively approve recognised revenues and tariff proposals for natural gas transportation and dispatching services for the year 2016.

Natural gas storage

RESOLUTION 16 APRIL 2015 - 171/2015/R/GAS. Provisions on the regulation of economic items related to storage services, for the thermal year 2015–2016. This provision applies to the thermal year 2015–2016 and governs the methods of neutralising, in terms of revenue streams, any differences between how much is attributed to storage companies on the basis of approved rates and how much is collected through auction for the provision of capacity. The resources to be supplied to storage companies are taken from the item “Storage costs” established at the CCSE and supplied by the variable component of the CRVos transport tariff paid by users to points of delivery of the transport network.

RESOLUTION 23 APRIL 2015 - 182/2015/R/GAS. Regulatory mechanisms to incentivise the development of further peak performance by national gas storage system. The resolution provides has criteria for defining incentive mechanisms for the development of further storage peak performance, implementing the provisions of Decree Law 133/2014 (“Unlock Italy”) In particular, asymmetrical measures aimed at supporting new actors by reducing barriers to entry in the gas storage service so as to promote the existence of multiple operators. The measure, adopted after appropriate consultation (656/2014/R/gas), applies to peak supply capacity further to that already offered for the current thermal year 2015–2016, for which a request was submitted to the Authority by 30 September 2015.

RESOLUTION 23 DECEMBER 2015 - 652/2015/R/GAS/A Provisions to protect new investments commissioned in 2015 by storage businesses. This resolution introduces safeguards for investments made by storage businesses and commissioned in the year 2015.

This clause extends to 2015 the validity of incentive mechanisms for investments in the development of new storage capacity planned in the previous regulatory period, based on the recognition of an increase (4%) of the rate of return on invested capital.

These mechanisms were superseded with the new regulatory period (resolution 531/2014) in favour of a system based on efficiency in the provision of capacity at the beginning of the year (any extra revenue, compared to the reference tariff, generated in auctions) or an incentive mechanism for the creation of a further supply peak (resolution 182/2015).

Renewable energy systems

RESOLUTION 26 FEBRUARY 2015 - 79/2015/R/EEL. Completion of regulations on remote tripping of wind and photovoltaic power plants producing 100 kW or more, connected to medium voltage to ensure the security of the national electricity system. This measure completes the regulation related to the remote tripping of wind and photovoltaic plants producing 100 kW or more, connected to medium voltage; it also confirms the values of premiums initially defined by resolution 421/2014/R/eel, to be awarded if the upgrading of existing installations required by the said resolution is carried out by 31 August 2015.

Energy and Energy Efficiency Services

RESOLUTION 29 JANUARY 2015 - 22/2015/R/EFR. Determination of the average sale price of electricity for 2014, for the purposes of quantification of the IPO price for green certificates for the year 2015. This provision, for the purpose of defining the IPO price for green certificates for the year 2015, quantifies the average annual sale price of electricity, recorded in 2014, at 55.10 €/MWh.

RESOLUTION 26 MARCH 2015 - 134/2015/R/EFR and RESOLUTION 10 SEPTEMBER 2015 - 437/2015/R/EFR. Approval of the updating of rules governing the operation of the Energy Efficiency Certificates market (white certificates). With resolution 134/2015 the Authority approved the updating of the rules governing the operation of the Energy Efficiency Certificates market (white certificates), proposed by GME under the

regulations in force. The changes are intended to implement the provisions of Law 244/07 and Decree Law 66/14 on electronic invoicing to the public administration.

Subsequently, with **Resolution 437/2015/R/EFR of 11 September 2015**, the Italian Regulatory Authority for Electricity, Gas and Water approved the proposed amendments to the operating rules of the Energy Efficiency Certificates market, with effect from the session of 6 October.

The status of central counterparty, attributed to GME, eliminates counterparty risk and simplifies administrative and accounting obligations arising from participation in the organised market.

In particular, the invoicing process is the responsibility of GME:

- sellers issue a single invoice to the purchaser GME;
- buyers receive a single invoice from GME.

GME payments shall be made to each operator – its net creditor – following receipt of the invoice, on the third working day (value date same day) after the closure of the reference market session, using large-value transfers or equivalent instrument.

Telecommunications

Broadband and ultra-wideband networks

On **3 March 2015** the Council of Ministers approved the “Italian strategy for ultra-wideband” and the document “Digital Growth” for the pursuit of the objectives of the European Digital Agenda. The aim of the strategy is to have at least 50% of the population subscribed to services of more than 100 Mbps by the year 2020, to be achieved by bringing 100 Mbps-plus coverage to 85% of the population and bringing 100% of the population to at least 30 Mbps. Infratel, the in-house company of MED, will implement the works with the aim of reducing the digital divide in areas of market failure.

In **December 2015** the ultra wide band Committee announced its intention of tendering for the construction of the infrastructure and of activating the services in areas of “market failure” (white and grey areas). The “white areas” denote zones where broadband infrastructure is non-existent and where it is unlikely that it will be developed in the near future. The “grey areas” are where there is a single network operator, with little likelihood of another being installed in the near future. The “black areas” are those in which there is, or will be in the near future, at least two different broadband service providers and the supply is made under competitive conditions.

The publication of the government’s plan detailing types and methods for carrying out tenders is expected in the first half of 2016.

In **February 2016** State and regions signed an agreement laying down the procedure for the allocation of regional funds “depending on needs in different areas of the country and therefore giving priority to areas with least coverage”.

Smart Grid

RESOLUTION NO. 459/15/CONS. Establishment of the Standing Committee for the development of Machine to Machine communication services

In the light of the results of the study of Machine-to-Machine communication services (Resolution 120/15/CONS), which examined the factors that influence the development of M2M services, highlighting the interaction between market actors that cooperate in the provision of the services, the following goals were reached: evaluation of development forecasts and their modes of use; identification of any legislative/regulatory barriers for the development of these services (especially concerning the numbering and roaming profiles) and indication of any areas where it is useful to develop coordination between the various national and European institutions involved in M2M. In view of the foregoing this resolution establishes the “Standing Committee for the development of Machine To Machine communication services”, which is a multilateral working group with an advisory capacity, open to the participation of the main stakeholders (public and private). It aims to analyse and identify possible regulatory options, consistent with the initiatives promoted at European and international level to encourage the growth of M2M services, through the pooling and exchange of skills and knowledge of entities working in the field of electronic communications and in so-called vertical industries.

In addition, in order to develop the coordination of regulatory tasks, the Authority participated in the public consultations initiated by the Regulatory Authority for Electricity Gas and Water regarding the innovative systems for electricity distribution (Smart Distribution System) and the definition of the functional specifications of the second-generation smart meters for low-voltage electricity.

Transversal issues

The **2015 Stability Law of 23 December 2014** introduced some innovations regarding companies controlled by public bodies. In particular, the law contains a special section devoted to the "Rationalisation of local subsidiaries" i.e.a plan of reorganisation of companies and investments held directly or indirectly by the regional, provincial or local authorities etc. The active recipients of the regulation are the regions, provinces, municipalities, chambers of commerce and universities. The passive recipients are the companies and shareholdings held directly and indirectly. In particular, the objectives of the law will be achieved by:

- The cancellation of companies and company investments not essential to the achievement of institutional purposes, including through liquidation or sale.
- The elimination of investments in companies that engage in activities similar to those undertaken by other subsidiaries or instrumental public bodies, also through mergers or internalisation of functions.
- The aggregation of local utility companies of economic significance.
- The process, to start from next January for completion in December 2015, provides incentives both for operators and for local authorities to pursue this goal. With regard to operators involved in mergers and acquisitions, there is an option to update the expiry term for some or all concessions.
- The national competitive scenario might well undergo profound changes.

Judgment no. 10 of 11 February 2015 of the Constitutional Court established the constitutional illegitimacy of the **Robin Hood tax** (the IRES surcharge planned for the oil and energy sector under Decree Law 112/2008, as amended by Decree Law 69/2013).

As to the temporal validity of the judgment, the Constitutional Court stated that "the effects of the Constitutional Declaration of illegitimacy mentioned above shall [...] take effect from the day following the publication of this judgment in the Official Journal of the Republic".

However, in the light of these indications there emerge doubts regarding the implementation in practice of this effect, in connection with:

- tax arrangements, relating to the pinpointing of the time from which the Robin Hood Tax no longer produces any effect
- civil law, relating to the recognition of deferred tax.

On **22 December 2015** the **2016 Stability Law** was approved, introducing the following main changes:

- IRES cuts from starting 2017 (reduced from 27.5% to 24.5%),
- no VAT increase,
- RAI licence fee integrated into the electricity bill,
- extension of tax bonus on building renovation and energy upgrade works(50% and 65%) for 2016.

Environment, Safety and 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 reorganisation 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 work accidents involving personnel enrolled in the employee register, for which corporate responsibility was positively established;
- serious accidents at work that 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 offences or environmental damage;

Information on the preparation and/or updating of the privacy policy document

In view of the provisions of, inter alia, the law of 4 April 2012 the DPS, was formally named the “Document of analysis and definition of privacy-related activities”, and is still subject to periodic and, if necessary, extraordinary review. This occurred in 2014 and a periodic review is already scheduled for the first half of 2015. The document is considered to be the key reference providing a coherent rationale for the preservation of the data within articulated structures (in order to ensure orderly management of privacy) and the tool designed to precisely reconstruct the criteria on which decisions were made regarding the adoption methods of the regulations. The contents of the documents essentially summarize the provisions set forth by the AEEG.

Research and Development

Innovation and research in the Estra Group have great relevance in strategic choices and in defining the products and services offered by the Group.

In particular, the Group is investing in research, development and innovation for optimisation, operational efficiency and the introduction of innovative technologies in its processes and products, especially in the gas distribution sector, and in the communication and dissemination of the brand.

Risk management

Pursuant to art. 2428 paragraph 2, section 6-bis) of the Italian Civil Code, as amended by Legislative Decree no. 394/03, the required information is hereby shown.

Risk related to legislation and regulations

The 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 arising from the approval of new tariff systems

According to the current tariff system, the Group's revenues are partly updated in accordance with criteria predetermined by AEEGSI – the regulatory authority for electricity gas and water. We cannot exclude the industry regulatory authorities' approval of new legislation and/or regulations, which may, possibly negatively, affect the Group's revenues.

Risk related to competition

The Group operates in a competitive scenario that places it in competition with Italian and multinational entities, some of which can avail of 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

Regarding the gas distribution business, based on the existing tariff system, the revenues of the Issuer are partly updated annually in accordance with criteria set by AEEGSI (Regulatory authority for electricity gas and water), which reflect an implied annual growth rate of natural gas volumes introduced into the transport network. However, the amounts of natural gas introduced into the Italian transport network depend on factors beyond the Issuer's control, such as the price of natural gas compared to other fuels, electricity sector development, economic growth, climatic changes, environmental laws, the continuing availability of natural gas imported from abroad and the availability of sufficient transport capacity through import pipelines. 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. Estra and the Group manage mainly 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 yet to be launched for award of 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.

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

The tenders for the award of the service in geographic areas covered by the concessions currently held by Estra – in the case of compliance with maximum times indicated by the so-called Decree for Criteria (Decrete of the Ministry for Economic Development no. 226/2011) and subsequent amendments – will be issued mainly in the next two years. The tenders in question have not yet been issued, nor – according to available information – have significant preliminary procedures been held for the call. For this reason it is not possible to make reliable predictions about the expiry date of the tender procedures and related court actions, or whether they will be launched and whether such tenders would result in suspension of the award of the tender. However, it would appear 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.

Liquidity Risk

Liquidity risk is defined as the risk that Estra and the Group may be unable to meet its payment obligations when they fall due. The Group's liquidity could be damaged by inability to sell products and services, unexpected cash outflows, the obligation to pay more guarantees or inability to access the capital markets. This situation may arise due to circumstances beyond the control of the Group, such as a general market disruption or an operational problem affecting the Group or third parties, or even the perception among market participants that the Group or other participants market are experiencing a more severe liquidity risk. The liquidity crisis and loss of confidence in financial institutions can increase the cost of financing the Group and hinder access to some of its traditional sources of liquidity. The Group Finance Department is centralised in order to optimise the identification and use of financial resources. In particular, the centralised cash flow management in the Group, whether through a cash pooling system or a system of centralisation in the Group current accounts for the prevalence of receipts and payments, allows the allocation of available funds at Group level according to the needs that arise from time to time within the single Companies. The current and forecast financial situation is constantly monitored, as is the availability of adequate credit. The relations held by the Issuer with the main Italian and International Banks allow the identification of the most suitable types of loans and the best market conditions.

Risks associated with debt

Estra and the Group 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. The net debt of the Group is affected by the seasonality of the business carried out and consequently undergoes significant fluctuations during the year. 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 A3.1 credit rating assigned by the Cerved Rating Agency on 24 December 2015 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 associated with relations with Group companies

The Group has maintained, and still maintains, significant commercial relations with investee companies and associates. In particular, Estra provides "common services" consisting mainly of advice and assistance on management (strategic and organisational planning, financial and budget planning, marketing goals and policies, human resource management policy, strategy and practice, production scheduling, planning and control of business management), administrative, accounting and treasury matters. The provision of such services gives rise to no risk other than ordinary market risks.

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 liabilities and charges over the years that are indicated among liabilities in the financial statements.

Risks associated with leases

Estra and the Group companies have formalised leases necessary for the normal course of business, including, in particular, leases for the company offices in Prato, Siena and Arezzo with partners Consiag, Intesa and Coingas. The leases give rise to no risk other than those ordinary risks related to leases.

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

The credit risk of Estra and the Group 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. The payment terms generally applied to customers are governed by legislation or regulations in force and are in line with the standards of the free market; in the event of non-payment, interest on arrears is charged in the amount indicated in the supply contracts and provided by existing legislation. Allocations to provisions for doubtful debts accurately reflect the actual credit risk by itemised quantification of the allocation.

Risks related to the failed or delayed implementation of the industrial strategy

The Group intends to pursue a strategy of growth and development, focused in particular on its core businesses – the sale and distribution of gas and electricity, telecommunications and energy services. If the Group is unable to effectively implement its strategy or implement it within agreed time frames, or if the basic assumptions underlying the strategy do not prove to be correct, the Group's ability to increase its revenues and profitability could be affected and this could have an adverse effect on the business and growth prospects of the Issuer, as well as on its economic and financial position.

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 2015, the information systems within the Group were integrated and consolidated. 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 that segregate access to the information.

Risks associated with insurance cover

The Group companies carry out activities that may expose them to the risk of suffering or causing damage that is sometimes difficult to predict and/or quantify. Although the administrative bodies have acted to take out insurance policies appropriate to the business carried on, in the case of events that for any reason are not covered by insurance or are capable of causing damage of an amount in excess of the cover, the Group companies would be liable for the charges, with consequent adverse effects on the economic and financial position.

Relations with related parties and other information

Estra S.p.a acts as a holding company, with the task of directing and supporting the activities of the subsidiaries.

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 and management of real estate.

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

The Group has implemented specific control procedures for compliance with its Code of Ethics. The Group has adopted the model of organisation and management provided by 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.

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.

Treasury shares and shares of parent companies

The Group holds 500,000 treasury shares, through the subsidiary Eta3, with a nominal value of € 500,000.

The Group does not own any shares/stakes of parent companies, directly or indirectly, or through a trustee.

Significant events subsequent to 31 December 2015

1) Control acquisition of Prometeo S.r.l.

It should be noted that in February 2016, the Parent Company signed an investment agreement with Multiservizi S.p.A., partner of EDMA Srl, for the acquisition of a majority of the share capital of Prometeo S.p.A. (controlled by EDMA S.r.l.) by Estra Energie S.r.l. and the entry of EDMA s.r.l. into the share capital of Estra Energie s.r.l. (controlled by Estra), by contribution and by transfer of shares by Estra S.p.A.

The transaction is part of the wider project of partnership development with Multiservizi S.p.A., through consolidation of the sales company Prometeo S.p.A. in the consolidated financial statements as a result of the direct control that Estra Energie Srl will acquire as a result these company transactions.

Prometeo S.r.l. carries on gas and electricity sales activities mainly in the Marche region and in the Abruzzo, Umbria and Molise regions). The company has developed natural gas revenues of around € 121 million for about 248 million m³ of gas sold during 2015 and electricity revenues of about € 32 million for 121 thousand MW of electricity sold.

Based on this investment agreement, the Estra Energie Srl Shareholders' Meeting of 15/04/2016 resolved to increase the share capital by a nominal value of € 3,688,212 reserved for subscription to EDMA Srl, thereby freeing an amount equal to the nominal value of the same portion in addition to a share premium of € 30,871,009 by contribution in kind of its shareholding in Prometeo SpA corresponding to 59.59% of the share capital. On the same date, Estra S.p.A. sold a shareholding in Estra Energie S.r.l. to EDMA S.r.l. with a nominal value of € 579,509 equal to 3.32% of the price of € 5,430,000.

By effect of the transaction described above, Estra's direct and indirect control percentages in Estra Energia S.r.l. and Prometeo S.r.l. vary respectively from 91.12% to 79.95% and from 26.82% to 47.40% as at 31/12/2015.

Business outlook

In 2015 Estra and the Group produced positive results despite the challenging scenario in which it operated. The strategic guidelines adopted proved successful and the Group recorded growth – mainly in the free market sector – and pursued the goal of “becoming a leading aggregator in the Italian energy market”.

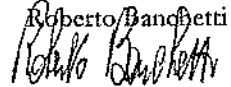
The year was marked by the consolidation of target markets, by geographically differentiated marketing policies and by major extraordinary transactions that have helped Estra strengthen its presence on national territory and confirm its position in the ranks of Italian multiutility companies. Over the next five years strategy will be oriented towards growth in the businesses of the Group. Estra will continue to oversee the national market, seeking additional industrial aggregations, strengthening its commitment to upcoming gas distribution tenders and focusing on energy efficiency and

the development of innovative projects with a view to expanding the body of know-how and the value growth of the group. A path already taken even in early 2016 to further improve economic performance and to continue to take advantage of opportunities in different business sectors. The management has planned initiatives for the next few years that will attract the interest of investors and help to open capital to third parties through the listing process, creating opportunities and further stimulus to the growth and development of the group.

for the Board of Directors

Prato 3 May 2016

the Chairman

Roberto Banci


CASH FLOW STATEMENT	2015	2014	D
A) Cash flows deriving from management income			
Profit (loss) for the year	33,962,118	10,244,157	23,717,961
Taxes on income	24,027,346	15,553,110	8,474,237
Interest expense (income)	8,044,141	5,505,953	2,538,191
(Gains) Losses from the sale of assets	-54,911,338	-1,496,919	-53,414,419
1. Profit (loss) for the year before taxes, interest, dividends and gains/losses	11,122,270	29,806,301	-18,684,031
Write-downs of fixed assets Tangible fixed assets	13,218,005	12,343,089	874,916
Write-downs of fixed assets Intangible fixed assets	9,560,903	6,656,604	2,904,299
Write downs/other changes in financing for investments	-456,246	-454,799	-1,447
Write downs/Other changes on intangible fixed assets	9,333,437	0	9,333,437
Value adjustments of investments	-1,521,559	4,728,634	-6,250,193
Write-down of other financial assets	1,056,700	146,241	910,459
Extraordinary income from acquisition of shareholdings	-603,290	0	-603,290
Severance indemnity provision	1,377,673	1,410,012	-32,339
Allocations/(reversals) to provisions for risks and other allocations	11,337,441	1,570,235	9,767,206
2. Cash flows before changes in net working capital	54,425,335	56,206,317	-1,780,982
Changes in working capital			
- receivables from customers, subsidiaries, associates, shareholders	-29,389,283	-4,892,610	-24,496,673
- net inventories	-3,864,804	-14,837,268	10,972,465
- payables to suppliers, subsidiaries, associated companies, shareholders and advances	-7,467,844	-12,985,199	5,517,355
- other receivables and payables	8,465,544	-1,803,413	10,268,956
- tax credits, tax liabilities	20,469,653	-3,044,594	23,514,246
- accruals and deferrals	2,347,080	1,785,471	561,609
- change in the severance indemnity (net of the allocation)	-2,494,676	-1,648,773	-845,903
3. Cash flows after changes in net working capital	42,491,005	18,779,931	23,711,073
<i>Other adjustments</i>			
Interest collected	4,153,752	2,159,444	1,994,309
(Interest paid)	-9,293,794	-6,482,321	-2,811,473
Profit (loss) on currency exchange	9,149	-18,692	27,841
(Taxes paid)	-17,508,470	-13,073,501	-4,434,969
(Utilisation of provisions)	-175,961	-547,081	371,120
4. Cash flow after other adjustments	19,675,680	817,780	18,857,900
TOTAL Cash flow of management income (A)	19,675,680	817,780	18,857,900
B. Cash flows deriving from investment activities			
Investments in intangible fixed assets	-18,720,075	-10,135,345	-8,584,730
Investments in tangible fixed assets	-14,979,340	-16,385,436	1,406,096
Net disposals of tangible and intangible fixed assets	85,564,106	947,609	84,616,497
Investments/(disposals) of equity investments	-9,762,533	-1,734,082	-8,028,451
Investments/(disinvestments) in long-term loans	-12,774	-2,131,002	2,118,228
Acquisition or sale of subsidiaries or business units net of cash and cash equivalents	-16,079,508	-1,655,133	-14,424,375
Other changes from investment activities	3,345	0	3,345
TOTAL Cash flows of investment activities (B)	26,013,221	-31,093,389	57,106,610
C. Cash flows deriving from financing activities			
<i>Loans from third parties</i>			
Increase (decrease) in short term bank loans	-46,194,501	41,907,635	-88,102,136
Opening of new loans	58,140,223	84,859,777	-26,719,554
Repayment of bank loans	-42,198,217	-14,725,204	-27,473,013
Repayment of shareholder loans	-1,435,000	0	-1,435,000
Repayment of other lenders	-378,880	0	-378,880
Bond issue	100,000,000	50,000,000	50,000,000
<i>Own assets</i>			
Purchase of treasury shares	0	-900,000	900,000
Payment of dividends from the Holding Company	-4,489,065	0	-4,489,065
Other changes relative to financing activities	-337,829	-2,255,431	1,917,602
TOTAL Cash flows of financing activities (C)	63,106,731	158,886,776	-95,780,046
D) Other changes in liquidity			
Effects on the liquidity of the changes in the scope of consolidation	2,257,480	503,818	1,753,662
TOTAL Cash flows from other changes (D)	2,257,480	503,818	1,753,662
Increase (decrease) in liquidity (A+B+C+D)	111,053,111	129,114,985	-18,061,874
E) Liquidity at 1 January	170,350,787	41,235,802	129,114,985
F) Liquidity at 31 December	281,403,898	170,350,787	111,053,111
(F) - (E)	111,053,111	129,114,985	-18,061,874

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

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

Consolidated Financial Statements at 31/12/2015

Balance Sheet Assets	31/12/2015	31/12/2014
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	1,666,630	412,447
2) Research, development and advertising	141,282	54,696
3) Patent rights and intellectual property	3,893,104	3,909,210
4) Concessions, licences, trademarks and similar rights	35,803	243,325
5) Goodwill	9,865,846	10,687,756
5 bis) Consolidation differences	11,828,777	1,368,714
6) Payments on account and assets under construction	2,617,709	5,460,912
7) Other	16,593,865	14,155,640
	<hr/>	<hr/>
	46,642,716	36,292,700
<i>II. Tangible fixed assets</i>		
1) Land and buildings	6,248,515	6,904,479
2) Plant and machinery	258,962,111	294,636,521
3) Industrial and commercial equipment	15,191,518	13,500,861
4) Other assets	4,573,084	3,650,693
5) Payments on account and assets under construction	2,583,529	3,384,226
	<hr/>	<hr/>
	287,558,757	322,076,780
<i>III. Long-term investments</i>		
1) investments in:		
a) subsidiaries	36,744,574	28,471,939
b) associated companies	9,668,768	8,638,731
c) holding companies		
d) other companies		
	<hr/>	<hr/>
	46,413,342	37,110,670
Receivables		
a) from subsidiaries		
- due within 12 months	2,821,500	4,709,690
- due after 12 months		
	<hr/>	<hr/>
	2,821,500	4,709,690
b) from associated companies		
- due within 12 months	5,505,826	4,407,072
- due after 12 months		
	<hr/>	<hr/>
	5,505,826	4,407,072
c) from holding companies		
- due within 12 months		
- due after 12 months		
d) from others		
- due within 12 months	968,704	1,749,985
- due after 12 months		
	<hr/>	<hr/>
	968,704	1,749,985
	9,296,031	10,866,747
3) Other securities		250,000
4) Treasury shares		
	<hr/>	<hr/>
	55,709,372	48,227,417
Total fixed assets	389,910,844	406,596,897

C) Current assets

I. Inventories

1) Raw materials, supplies and consumables	33,556,606	29,691,802
2) Work-in-progress and semi-finished goods		
3) Work-in-progress to order		
4) Finished products and goods for resale		
5) Advances		

33,556,606 29,691,802

II. Receivables

1) From customers		
- due within 12 months	239,167,850	198,845,045
- due after 12 months		
	<hr/>	<hr/>
	239,167,850	198,845,045
2) From subsidiaries		
- due within 12 months	9,700,837	15,956,279
- due after 12 months		
	<hr/>	<hr/>
	9,700,837	15,956,279
3) From associated companies		
- due within 12 months	1,138,416	745,936
- due after 12 months		
	<hr/>	<hr/>
	1,138,416	745,936
4) From holding companies		
- due within 12 months	1,661,352	3,237,380
- due after 12 months		
	<hr/>	<hr/>
	1,661,352	3,237,380
4-bis) Tax credit	8,557,752	27,133,294
	<hr/>	<hr/>
	8,557,752	27,133,294
4-ter) Deferred Tax Assets	17,675,418	15,837,357
	<hr/>	<hr/>
	17,675,418	15,837,357
5) From others		
- due within 12 months	26,056,188	30,119,856
- due after 12 months	14,438	
	<hr/>	<hr/>
	26,070,626	30,119,856
	<hr/>	<hr/>
	303,972,251	291,875,148

III. Short-Term Investments

- 1) investments in subsidiaries
- 2) investments in associated companies
- 3) investments in holding companies
- 4) Other equity investments
- 5) Treasury shares
- 6) Other securities

IV. Cash and cash equivalents

1) Bank and postal deposits	281,391,639	170,335,887
2) Cheques		
3) Cash and cash equivalents on hand	12,258	14,900
	<hr/>	<hr/>
	281,403,898	170,350,787

Total current assets

618,932,755 491,917,736

D) Accruals and Deferrals

- discounts on loans
- sundry

3,554,611 3,259,975

3,554,611 3,259,975

Total assets

1,012,398,210 901,774,608

Balance sheet liabilities

31/12/2015 31/12/2014

A)	Shareholders' equity		
I.	Capital	205,500,000	205,500,000
II.	Share premium reserve	6,510,000	6,510,000
III.	Legal reserve	6,141,240	875,335
VII.	Other reserves		
	Merger surplus reserve	4,407	4,407
	Extraordinary reserve	2,464,616	4,885,793
	Currency conversion reserve		
	Rounding reserve		
	Consolidation reserve	29,017	29,017
		<hr/>	<hr/>
		2,498,040	4,919,218
VIII	Retained earnings	7,994,861	6,542,503
IX.	Profit (loss) for the year	32,530,745	8,787,024
	Total group shareholders' equity	261,174,886	233,134,079
	-) Capital and reserves attributable to minority interests	8,807,101	10,631,159
	-) Profit (loss) for the year attributable to minority interests	1,431,373	1,457,133
	Total shareholders' equity attributable to minority interests	10,238,474	12,088,292
	Total consolidated equity	271,413,360	245,222,371
B)	Provisions for risks and charges		
	1) Provisions for retirement allowance and similar obligations	403,053	175,723
	2) Provisions for taxation, including deferred taxation	12,894,581	4,537,644
	3) Others	16,033,414	12,489,770
	Total provisions for risks and charges	29,331,048	17,203,137
	C) Employee leaving indemnity	6,255,753	7,301,397
D)	Payables		
	1) Bonds		
	- due within 12 months		
	- due after 12 months	150,000,000	50,000,000
		<hr/>	<hr/>
		150,000,000	50,000,000
	2) Convertible bonds		
	- due within 12 months		
	- due after 12 months		
	3) Shareholder loans		
	- due within 12 months	1,435,000	1,435,000
	- due after 12 months	13,980,000	15,415,000
		<hr/>	<hr/>
		15,415,000	16,850,000
	4) Amounts due to banks		
	- due within 12 months	148,170,169	179,805,127
	- due after 12 months	128,182,713	126,800,251
		<hr/>	<hr/>
		276,352,882	306,605,378
	5) Amounts owed to other lenders		
	- due within 12 months	365,057	365,057
	- due after 12 months	6,763,647	7,142,527
		<hr/>	<hr/>
		7,128,704	7,507,584
	6) Advances		
	- due within 12 months		
	- due after 12 months	13,093,141	11,915,545
		<hr/>	<hr/>
		13,093,141	11,915,545
	7) Payables to suppliers		

	- due within 12 months	166,611,622	171,795,523
	- due after 12 months		
		<hr/>	<hr/>
8)	Bills of exchange payable		
	- due within 12 months		
	- due after 12 months		
		<hr/>	<hr/>
9)	Amounts owed to subsidiaries		
	- due within 12 months	6,723,144	1,149,831
	- due after 12 months		
		<hr/>	<hr/>
		6,723,144	1,149,831
10)	Amounts owed to associated companies		
	- due within 12 months	406,967	48,938
	- due after 12 months		
		<hr/>	<hr/>
		406,967	48,938
11)	Amounts owed to holding companies		
	- due within 12 months	824,954	7,334,358
	- due after 12 months		
		<hr/>	<hr/>
		824,954	7,334,358
12)	Tax liabilities		
	- due within 12 months	9,248,651	7,394,444
	- due after 12 months		
		<hr/>	<hr/>
		9,248,651	7,394,444
13)	Amounts owed to social security		
	Social		
	- due within 12 months	1,401,078	1,486,845
	- due after 12 months		
		<hr/>	<hr/>
		1,401,078	1,486,845
14)	Other payables		
	- due within 12 months	26,806,091	16,980,368
	- due after 12 months	742,618	
		<hr/>	<hr/>
		27,548,609	16,980,368
	Total payables	674,754,851	599,068,813
E)	Accruals and deferrals		
	- gains on loans		
	- sundry	30,643,197	32,978,890
		<hr/>	<hr/>
		30,643,197	32,978,890
	Total liabilities	1,012,398,210	901,774,608
Memorandum Accounts		31/12/2015	31/12/2014
1)	Risks borne by the company	34,711,247	27,887,841
2)	Commitments assumed by the company	148,904,872	91,648,637
3)	Third-party assets held by the company		
4)	Other memorandum accounts		
	Total memorandum accounts	183,616,119	119,536,478

Income statement	31/12/2015	31/12/2014
A) Production value		
1) Revenues from sales and services	832,623,039	741,309,864
2) Change in stock of work-in-progress, semi-finished and finished goods	56,300	(10,474)
3) Change in stock of work-in-progress to order		
4) Increases in non-current assets from in-house production	13,023,557	13,338,510
5) Other income:		
- sundry	20,700,717	17,018,546
- operating contributions		
- capital contributions (payments for the year)		
	<u>20,700,717</u>	<u>17,018,546</u>
Total production value	866,403,614	771,656,446
B) Production costs		
6) For raw and ancillary materials, consumables and goods for sale	676,378,746	610,359,740
7) For services	65,444,047	50,881,586
8) For use of third-party assets	15,768,562	19,029,246
9) personnel		
a) Wages and salaries	22,510,440	21,939,081
b) Social security contributions	7,326,227	7,269,405
c) Employee leaving indemnity	1,377,673	1,410,012
d) Retirement allowance and similar		
e) Other costs	81,846	76,187
	<u>31,296,186</u>	<u>30,694,685</u>
10) Depreciation, amortisation and write-downs		
a) Amortization of intangible Intangible fixed assets	9,561,401	6,656,604
b) Amortization of tangible Tangible fixed assets	13,218,000	12,343,089
c) Other write-downs of fixed assets	9,333,437	
d) Write-down of receivables included in working capital and cash and cash equivalents	8,723,221	4,928,061
	<u>40,836,060</u>	<u>23,927,754</u>
11) Changes in inventories of raw materials and ancillary materials, consumables and goods for resale	(3,808,504)	(14,847,743)
12) Provisions for risks	5,925,009	230,000
13) Other provisions	230,545	55,575
14) Other operating expenses	19,977,031	16,611,754
Total production cost	852,047,682	736,942,597
Difference between production value and production cost (A-B)	14,355,932	34,713,849
C) Financial income and charges		
15) Income from investments in subsidiaries		
16) Other financial income:		
a) receivables from		
- from subsidiaries	494,093	349,379
- from associated companies	156,305	101,111
- from holding companies		
- others		
c) from short-term investments		
d) income other than the above:		
- from subsidiaries		
- from associated companies		
- from holding companies		
- others		
	<u>3,503,354</u>	<u>1,708,954</u>
	4,153,752	2,159,444

17) Interest and other financial expenses:		
- from subsidiaries		
- from associated companies		
- from holding companies	503,287	168,142
- others	11,703,758	7,478,563
	<u>12,197,896</u>	<u>7,646,705</u>
17-bis) Gains or losses on currency conversions	9,149	(18,692)
Total financial income and charges	(8,044,144)	(5,505,953)
D) Value adjustments of financial assets		
18) Revaluations:		
a) of equity investments	1,649,418	3,064,107
b) of long-term investments		
c) of short-term investments		
	<u>1,649,418</u>	<u>3,064,107</u>
19) Write-downs:		
a) of equity investments	127,857	5,778,019
b) of long-term investments	1,056,700	146,241
c) of short terms investments		
	<u>1,184,557</u>	<u>5,924,260</u>
Total value adjustments of financial assets	464,861	(2,860,153)
E) Extraordinary income and charges		
20) Income:		
- gains on disposals	54,937,839	92,680
- sundry	2,645,281	3,147,742
	<u>57,583,121</u>	<u>3,240,422</u>
21) Charges:		
- losses on disposals	159,723	164,939
- taxation of previous fiscal years		
- sundry	6,210,853	3,625,960
	<u>6,370,306</u>	<u>3,790,899</u>
Total extraordinary items	51,212,815	(550,477)
Earnings before income taxes (A-B±C±D±E)	57,989,464	25,797,266
22) Current, deferred and advanced income taxes		
a) Current taxes	17,237,181	13,267,495
b) Deferred taxes	8,779,382	(745,512)
c) Advanced taxes	(1,989,217)	3,031,126
	<u>24,027,346</u>	<u>15,553,109</u>
23) Profit/(loss) for the year	33,962,118	10,244,157
-) Profit (loss) for the year attributable to minority interests	1,431,373	1,457,133
-) Group profit (loss) for the year	32,530,745	8,787,024

for the Board of Directors

The Chairman
Roberto Banchetti
 Roberto Banchetti

E.S.TRA GROUP

Registered office in Via Ugo Panziera, 16 - 59100 PRATO (PO) Share capital € 205,500,000.00 fully paid
Tax code and entry number in the Register of Companies of Prato 02149060978, Rea no. 0505831

Explanatory notes to the Consolidated Financial Statements at 31/12/2015

Foreword

The holding company E.S.TRA. 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.TRA. S.p.A. Energia Servizi Territorio Ambiente", for short "E.S.TRA. S.p.A.". New articles of association were adopted as a consequence of this transformation.

The consolidated financial statements of ESTRA S.p.A. and its subsidiaries for the year ended 31 December 2015 incorporates the laws regarding consolidated financial statements introduced by Legislative Decree no. 127/1991, in implementation of EEC Directive VII and successive amendments and additions. 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], as amended by the Italian Accounting Body (OIC - Organismo Italiano di Contabilità) to adapt it to the provision of Italian legislative decree no. 6 of 17/01/2003 and successive amendments.

The amounts indicated on the balance sheet, the income statement and in these notes to the accounts are shown in units of one Euro, rounded up or down to the nearest Euro, as contemplated by article 2423, section 5, of the Italian Civil Code.

Areas of operations

The E.S.TRA. Group mainly operates in the energy, telecommunications, environmental and service industries. These sectors have in turn been divided into strategic business areas (ASA - Area Strategica di Affari):

Natural gas and LPG distribution ASA

The activity of this ASA includes the technical and operational management of natural gas and liquid propane gas distribution networks, the sales of which are also carried out.

Natural gas sales ASA

The activity of this ASA is the sale of methane gas 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.

Electricity sales ASA

The activity of this ASA is the sale of electricity on the wholesale and retail markets.

Other SBUs

The other SBUs include:

- 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.

- the provision and exploitation of plants producing energy from renewable sources with particular reference to solar, wind and biomass sources;
- the management of heating systems owned by third parties (heat management services) and facility management.

Please see the Management Report for detail on the companies of the individual ASAs.

Significant Events of the Year

Reference should be fully made to the paragraph in the management report entitled “Significant events during 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 those adopted for the parent company.

The subsidiaries’ financial statements in the consolidation area 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 corresponding to equity investments by third parties shall be recorded in the equity item entitled “capital and reserves attributable to minority interests”; the portion of the consolidated income corresponding to equity investments of third parties shall be recorded in the item “profit (loss) for the period 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 item called “consolidation reserve”, i.e when it could be referred to a forecast of unfavourable economic results, in an item called “consolidation reserve for contingent risks and charges”; if positive it is recorded in an assets 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 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 (value adjustment of financial assets).

Companies of which the shares are held for sale are excluded from the consolidation area, pursuant to Article 28 of Legislative Decree 127/91. 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 Article 30 of Legislative Decree 127/91. Consolidation was achieved using the financial statements, as at 31 December 2014, of the individual companies, already approved, reclassified and adjusted, where necessary, in order to comply with the accounting standards and measurement criteria adopted by E.S.T.R.A. S.p.A., the

author of the consolidated financial statements, which are in line with the provisions of Articles 2423 and following 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 31/12/2015 are shown below. All the amounts are expressed in Euro, unless otherwise specified.

31/12/2015						
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%	(5)
ETA3 S.p.A.	Arezzo (AR)	2,000,000	66.99%	66.99%		
Biogenera S.r.l.	Prato (PO)	218,042	63.00%	55.00%	10.00%	(9)
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)
Estra Logistica S.r.l.	Prato (PO)	10,000	91.12%		100.00%	(1)
Gergas S.p.A.	Grosseto (GR)	1,381,500	79.93%	79.93%		
Centria S.r.l.	Arezzo (AR)	180,000,000	100.00%	100.00%		
SOLGENERATA S.r.l.	Prato (PO)	1,401,867	100.00%	100.00%		
SOLGENERATRE S.r.l.	Florida (SR)	10,000	100.00%		100.00%	(2)
Flor Fotovoltaici S.r.l.	Florida (SR)	108,000	100.00%		100.00%	(2)
ANDALI ENERGIA S.r.l.	Pizzo Calabro (VV)	7,138,006	100.00%		100.00%	(2)
VEA Energia Ambiente S.r.l.	Massarosa (LU)	96,000	91.12%		100.00%	(1)
Gas Tronto S.r.l.	Spinetoli (AP)	50,000	72.85%		79.95%	(1)
Equity consolidated joint ventures						
EDMA S.r.l.	Ancona (AN)	74,398,228	45.00%	39.13%	5.87%	(6)
EDMA Reti Gas S.r.l.	Ancona (AN)	31,634,840	45.00%		100.00%	(7)
Prometeo S.r.l.	Osimo (AN)	2,818,277	26.82%		59.59%	(7)
Marche Energia S.r.l.	Siena (SI)	50,000	26.82%		100.00%	(8)
Idrogenera 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%		
Venticello S.r.l.	Siena (SI)	10,000	50.00%		100.00%	(4)
Vaserie Energie S.r.l.	Siena (SI)	10,000	34.50%		69.00%	(4)
Sinergia Green Tech S.p.A.	Siena (SI)	10,000	40.00%		80.00%	(4)
Casole Energia S.r.l.	Florence (FI)	775,000	15.00%		30.00%	(4)
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	1,000,000	35.72%	35.72%		
Sin.It. S.r.l. (in liquidation)	Milan (MI)	3,000,000	11.05%	11.05%		
Equity consolidated associated companies						
Blugas Infrastrutture S.r.l.	Cremona	14,300,000	31.17%	31.17%		
Cavriglia SPV S.p.A.	Prato (PO)	2,357,500	44.44%	44.44%		
Tegolaia SPV S.p.A.	Fano (PU)	1,090,434	49.00%	49.00%		
SIG S.r.l.	Ancona (AN)	7,981,912	17.42%		38.70%	(7)
A.E.S. Fano Distribuzione Gas S.r.l.	Fano (PU)	100,000	22.05%		49.00%	(7)
Montedil S.r.l.	Montefalcone (BN)	10,000	32.25%	32.25%		
Roma Oil Company S.r.l.	Roma (RM)	200,000	27.34%		30.00%	(1)
Non-consolidated companies recognized as equity investments						
X22 S.r.l. (in liquidation)	Siena (SI)	286,000	12.64%	12.64%		

Notes

- (1) through Estra Energie Srl
- (2) through Solgenera S.r.l.
- (3) through Serenia S.r.l.
- (4) through Nova E S.r.l.
- (5) through Eta3
- (6) through Centria S.r.l.
- (7) through EDMA S.r.l.
- (8) through Prometeo S.r.l.
- (9) through Estra Clima S.r.l.

The changes that took place in the scope of consolidation compared to 31/12/2014 are the following:

Subsidiaries

- Entry into the scope of consolidation of VEA Energia Ambiente S.r.l., owned 91.12% by the Group following the purchase of 100% of the share capital by the subsidiary Estra Energie S.r.l. as explained in the management report section on significant events of the period;
- Entry into the scope of consolidation of Gastronto S.r.l., owned 72.85% by the Group following the purchase of 79.95% of the share capital by the subsidiary Estra Energie S.r.l. as explained in the management report section on significant events of the period;
- Increased share of Group control in Gergas S.r.l. from 59.34% at 31/12/2014 to 79.93% at 12/31/2015. Following the purchase by the parent company at a price of € 2,400 thousand of equity investment corresponding to 20.57% of the share capital held by S.a.i.z.a. S.r.l. The positive difference between the portion of shareholders' equity acquired and the price paid, equal to € 608 thousand, was recognised in the income statement under the item extraordinary income.

Joint ventures

- Increase of the Group equity share to EDMA S.r.l. and EDMA Reti Gas S.r.l. from 36.99% at 31/12/2014 to 45% at 31/12/2015 and to Prometeo S.r.l. and Marche Energia S.r.l. from 22.04% at 31/12/2014 S.r.l. to 26.82% at 31/12/2015 following the capital increase of EDMA S.r.l. reserved to the parent company, as explained in the management report section regarding events during the year. The difference between the share capital subscribed and the share of equity acquired on the basis of consolidated values, equal to € 489 thousand, was attributed to goodwill (implicit in the equity value of the investment) and amortised over 15 years – the time span considered adequate to represent the period when the benefits thereof will materialise;
- Exit from consolidation area of Fonteolica S.r.l., owned 50% at 31/12/2014. The shareholding, representing 50% of the share capital, was sold to the partner Enermia S.r.l. at the symbolic price of 1 Euro on 21/09/2015. Given an equity investment carrying amount of € 21,988, the sale resulted in the resetting of the value of the investment recorded through the use of funds for risk in the renewable energy sector allocated in the financial statements at 31/12/2014;
- Increase of the Group equity share to Venticello S.r.l. from 25% at 31/12/2014 to 50% at 31/12/2015 following the purchase of all the shares by Nova End S.r.l.

Associated companies

- Increase of the Group investment in Montedil S.r.l., owner of a wind turbine for electricity production from renewable sources, from 25% at 31/12/2014 through Fonteolica to 32.25% at 31/12/2015 through direct participation of the parent company. The investment was acquired by Fonteolica S.r.l. on 18/09/2015 before Estra's exit from the latter's shareholding structure;

- Increase in the Group equity share to SIG S.r.l. from 14.32% at 31/12/2014 to 17.32% at 31/12/2015 and to AES Fano Distribuzione S.r.l. from 18.13% to 22.05% following the capital increase of EDMA S.r.l. for the parent company, as explained in the management report section on significant events of the period;
- Exit from consolidation area of Cavriglia O&M, 40% owned by the Group through Estra Clima S.r.l. following liquidation completed in the year 2015.

Structure of the Balance Sheet and of the Income Statement

The consolidated financial statements have been drawn up according to the provisions of the Italian Civil Code, as well as, and interpreted by, the accounting standards recommended by the National Council of Chartered Accountants and Accounting Experts, as amended by the Italian Accounting Body (OIC) in order to adapt them to the provision of Italian Legislative Decree no. 6 of 17 January 2003 and its successive amendments. The financial statement is composed of the balance sheet (drawn up in the form contemplated by articles 2424 and 2424 bis of the Italian Civil Code), the income statement (drawn up in the form contemplated by articles 2425 and 2425 bis of the Italian Civil Code) and by these notes to the accounts.

The O.I.C., in its new role of official “standard setter” of national accounting standards (pursuant to art.20 of Italian Decree Law 91/2014)

published, between August 2014 and January 2015, within the sphere of a joint updating project, the new accounting standards applicable to the “non-IAS adopting companies” as from the financial statements of 2014.

The revised standards are the following: OIC 9 (Write-downs for lasting impairment in the value of the tangible and intangible fixed assets), OIC 10 (Cash flow statement), OIC 12 (Composition and schedules of the financial statements), OIC 13 (Inventories), OIC 14 (Cash and cash equivalents), OIC 16 (Tangible fixed assets), OIC 17 (Consolidated financial statements and the equity method), OIC 18 (Accruals and deferrals), OIC 19 (Payables), OIC 22 (Memorandum accounts), OIC 23 (Works in progress to order), OIC 25 (Income taxes), OIC 26 (Transactions, assets and liabilities in foreign currency), OIC 28 (Shareholders’ equity), OIC 29 (Changes in the accounting standards, changes in accounting estimates, correction of errors, extraordinary events and transactions, events occurring after the closure of the period), OIC 31 (Provisions for risks and charges and Severance indemnities) and OIC 24 (Intangible fixed assets).

The modifications introduced have not had any impact on the company’s equity, financial and economic situation, most of them being the implementation of best practices already followed.

The only effects regard some reclassifications, for that matter without significance at the level of the balance sheet and the income statement.

We lastly note that the new OIC 26 (Transactions in foreign currency), unlike the past, is not the registration in the accounts of the

derivative securities in foreign currencies, including those to hedge the currency risk. In the absence of indications to this regard, the company has continued to follow the practice adopted until now, formalised in the old accounting standard OIC 26, in as much as deemed still consistent with the general conditions and principles for the preparation of the financial statement.

The notes to the accounts contains all the information on the company’s governance and coordination of other companies and the analysis of the movements in the items of the shareholders’ equity, of their origin and classification.

The purpose of the notes to the accounts is to give illustrations, analyses and, in some cases to give additional data to those on the financial statements, and it contains the information required by art. 2427 of the Italian civil code and by other provisions of law. In addition, all the complementary information deemed necessary for a true and correct representation is given, even if not requested by specific provisions of law (article 2423, section 3, of the Italian Civil Code).

Measurement criteria

The financial statements for the period ended 31 December 2015 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 has been done in accordance with the general standard of prudence and accruals, on a going concern basis and taking into account the economic function of the asset or liability concerned.

The application of the prudence standard has resulted in the individual valuation of the elements comprising single recorded items or assets or liabilities, in order to avoid offsets between losses that should be recognised and profits not recognised since they were not realised.

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 continued application of measurement criteria over time is necessary for the purposes of comparability of the company financial statements over various 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 recognised at their acquisition costs or the transfer cost at which they were transferred 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 amortisation of these costs takes place in the shorter of the period of future use of the expenses incurred and the residual useful life.

If, regardless of the amortisation already calculated, an accumulated impairment loss is recorded, the fixed asset is correspondingly devalued. If in subsequent years are less the devaluation is less than the amount forecast, the original adjusted amortisation value is restored.

Goodwill is recorded under assets, with the consent of the Boards of Statutory Auditors of the investee companies, in an amount equal to the cost incurred and is amortised 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 and in keeping with the criteria adopted in the preceding year.

Tangible fixed assets

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

Tangible fixed assets are systematically depreciated in accordance with the straight-line criterion every year, on the basis of technical and economic rates determined according to the residual useful life of the assets; the rates applied are set out in the notes to the assets.

When a tangible fixed asset includes components, complementary parts or accessories with a different useful lifetime, the amortisation of those elements is calculated separately from the main asset, unless it is not feasible or significant.

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 subsequent years are less the devaluation is less than the amount forecast, the original adjusted amortisation value is restored.

Tangible fixed assets for sale are reclassified as current assets and valued at the lesser of either net book value or the sale value presumed according to the market trend, with suspension of the amortisation process.

The item Land includes, among other things, the land relative to the factories and on which they are built.

Ordinary maintenance costs are directly charged in full to the income statement. 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.

Impairment of non-current assets

At every Financial Statement date, the book value of the tangible and intangible assets is analysed to determine if there are indications that their value is impaired. If such indications exist, the recoverable amount of such activities is estimated to determine the amount of their impairment. If the recoverable value of an asset cannot be estimated individually, the company estimates the recoverable value of the unit which generates the financial flows to which the asset belongs.

The recoverable value is the greater of either the fair value of an asset of the financial flow generating unit net of the sale cost, or its usage value, and it is determined for each assets, except when the asset generates cash flows that are not fully independent from those generated by other assets or groups of assets, in which case the recovery value of the cash flow generating unit to which the asset belongs is estimated. In particular, since goodwill does not generate cash flows independently of other assets or groups of assets, verification of value impairment regards the unit or group of units to which the goodwill has been allocated.

In determining the usage value, the future cash flows are discounted at their present value using a rate gross of taxes which reflects the current market valuations of the value of money and of the specific risks of the asset.

To estimate the usage value the future cash flows are obtained from the business plans, which are the best estimate possible for the Group under the economic conditions forecast during the term of the plan. The long-term growth rate used to estimate the final value of the asset or unit is generally lower than the average long-term growth rate of the sector, of the country, or of the market of reference and, if appropriate, it can be zero or even negative.

If the book value of an asset of cash flow generating unit is higher than its recoverable value, the asset has lost value and is consequently written down to its recoverable value.

Value impairments of assets in use are posted on the income statement in the cost categories consistent with the function of the asset which has shown the value impairment. The value of an asset previously written down, except for goodwill, can be restored only if there are changes in the estimates used to determine the recoverable value of the asset after the last value loss has been recorded. In this case the book value of the asset is written up to the recoverable value, however without the value thus increased exceeding the book value that would have been determined, net of amortisation, if no value impairment had been registered in the previous years. Every write-up is posted as income on the income statement; after a value recovery, the amortisation rate of the asset is adjusted for future periods, in order to evenly spread the modified book value over the remaining useful lifetime. The value of goodwill previously written down can never be restored to its original level.

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 write-downs.

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 interest 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.

Receivables are cancelled from the financial statement when the contractual rights on the connected cash flows are extinguished (for example, after collection) or when the right to the same is transferred (as in the case of sale) and all the relative risks are also transferred, considering to this regard all the contractual clauses.

However, if the transfer of the ownership does not correspond to the substantive transfer of the risks, the receivable remains on the financial statement.

To assess if the risks have been transferred, all the contractual clauses are taken into account, for example repurchase obligation under certain circumstances or the existence of commissions, franchises and penalties due for non-payment.

If all the connected risks are substantively transferred with the right to the receivable, but certain minimum risks remain, it might be necessary, in the case of the conditions contemplated by the OIC 31 "Provisions for risks and charges and Severance Indemnity", to make a specific provision. The memorandum accounts show the risks to which the company continues to be exposed after the transfer for which a specific provision is not made.

Cash and cash equivalents

The cash and cash equivalents immediately available for use for any purpose are entered under this item; the cash and cash equivalents which are restricted, however, are posted under current assets, except when the nature of the restriction

is such as to induce them to be considered fixed assets.

The sums available in current bank accounts are entered at their presumable collection value, and those kept in the petty cash are entered at their nominal value.

The bank account balances include all the cheques issued and the transfers ordered within the closing date of the period and

the sums cashed in from banks or other credit institutions and credited on the accounts within the closure of the year, even if the relative bank documentation is received in the next financial period; furthermore the interest income is also taken into account, net of the withholding tax applied by the bank, interest expense and the charges relative to the management of the relative accounts, even if credited/debited after the closure of the period.

Accruals and deferrals

These were determined according to the accrual principle.

Income and charges are measured when is advanced or delayed with respect to the date of payment and/or document; they are independent of the date of payment or collection of related revenue and charges, common to two or more years and distributable over time.

For the long-term accruals and deferrals, the conditions which determined the original entry are checked, adopting, when necessary, the opportune value adjustments considering the future possibility of collection.

Provisions for risks 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 provisions for risks and charges are entered under the items of the working assets to which the operation refers (feature, accessory, financial or extraordinary), the criterion of classification by the "nature" of the costs always prevailing. Consequently, the provisions for risks and charges relative to the core and ancillary business are prevalently entered under the items of class B of the income statement, and otherwise B12 or B13. The provisions for risks and charges relative to the financial or extraordinary assets are entered respectively under the items of classes C and D of the income statement.

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

This is the actual amount due to employees in accordance with the law and collective bargaining agreements, considering all forms of ongoing remuneration.

The provision is the total indemnities due to employees at the date of the financial statements, net of advances paid, and is equal to the amount payable to employees if employment had terminated on that date. Following the entry into effect of Law 296 of 27 December 2006, the Employees' Severance Indemnity 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 recognised at their nominal value which is amended in the event of returns or invoicing adjustments.

Payables to shareholders for loans also include the loans from holding companies; they are not entered in the shareholders' equity because they must be repaid.

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 customers, 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 cost of connection to the distribution network are recognised in the income statement in the year in which the revenue and the amount thereof is certain, provided the connection is made during the year; otherwise, the contributions are deferred and recognised in the income statement of the year in which the relative connections actually take place.

In particular, these contributions are correlated with the costs incurred for the realisation 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.

Current, deferred and advanced income taxes

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 recognised 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."

For the definition of "derivative financial instruments" and of "fair value", please refer to the international accounting standards IAS/IFRS issued by the I.A.S.B. and adopted by the European Union with Regulation no. 1606/02 (and successive regulations).

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

The risks related to guarantees given, personal or real, for third party debts have been reported in the memorandum accounts at an amount equal to the amount of the guarantee given; the amount of third party debt guaranteed at the closing date of the financial statements, if less than the guarantee given, is indicated in the notes.

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

As of 31 December 2015, 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. Italian Civil Code).

Related parties

For the definition of related parties, please refer to the international accounting standards IAS/IFRS issued by the I.A.S.B.

and adopted by the European Union with Regulation no. 1606/02 (and successive regulations).

Detail of the transactions carried out with related parties is given, with indication of the amount, the nature of the relationship

and all other information necessary to understand the financial statement in respect of those transactions, if they are

relevant and if they have not been concluded at normal market conditions.

Cash Flow Statement

The section on the company's financial situation includes the cash flow statement.

The cash flows indicated on the statement represent an increase or decrease of the cash and cash equivalents.

The cash and cash equivalents are represented by the bank and postal deposits, cheques, and cash and valuables in hand.

The "management income" generally includes transactions connected with the purchase, production and distribution of goods and the supply of services, and the other transactions that are not included in the investment and financial activities.

The "investment activities" include the purchase and sale of the tangible, intangible and financial fixed assets and of the non-fixed financial assets.

The "loan activities" include transactions for obtaining and returning available liquidity in the form of risk capital or debt capital.

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 2015 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 has not issued any financial instruments of its own, nor has it dedicated any assets to a specific business as contemplated by article 2447-bis of the Italian civil code.

Comparison with data of the previous year

For the purposes of a better comparison with the figures for the previous year, there was a reclassification from "D1 Bonds" to "D14 Other payables" of the balance sheet amounts due to bondholders for accrued interest on bonds amounting to € 1,164,384, in accordance with the recently reformulated accounting standard OIC 19.

Commentary on Balance Sheet Items

Fixed Assets

Intangible fixed assets

Balance at 31/12/2015	Balance at 31/12/2014
46,642,716	36,292,704

The item is broken down as follows:

INTANGIBLE FIXED ASSETS	Net value 31/12/2015	Net value 31/12/2014
Start-up and expansion costs	1,666,330	412,448
Research, development and advertising costs	141,283	54,696
Patent rights	3,893,104	3,909,210
Concessions, licences, trademarks	35,803	243,326
Intangible assets under construction	2,617,709	5,460,912
Goodwill	9,865,846	10,687,757
Consolidation differences	11,828,777	1,368,714
Expenses for concessions	1,968,721	2,283,716
Improvements to third party assets	292,570	84,429
Other	14,332,574	11,787,494
Other fixed assets	16,593,865	14,155,640
Total	46,642,716	36,292,704

Start-up and expansion costs consist mainly of costs for the establishment of Estra and subsequent extraordinary transactions, as well as consultancy and personnel training and qualification costs sustained by Estra and the subsidiary Centria in anticipation of future calls for tenders in the field of natural gas distribution. These costs are capitalised and amortised over three years, being connected with a big investment in company technical and administrative processes aimed at increasing operational capacity in the gas distribution sector.

The costs of research, development and advertising relate mainly to costs incurred by the parent company under agreements with leading universities and research institutes relating technical and scientific analyses on the gas distribution industry and are amortised over three years.

The patent rights relating entirely to third-party software licences are amortised over 3 years.

The intangible fixed assets in progress are presented net of a write-down of € 3,006 thousand at 31/12/2015 (€ 101 at 31/12/2014), reducing the value of the costs incurred for initiatives linked to the production of energy from renewable sources which, although not definitively abandoned, appears to be uncertain at year end.

The balance of the item at the end of the period is represented by:

- costs for works and preliminary works for the construction of the wind farm at Andali (CZ) sustained at year end by the subsidiary Energia Srl Andali (€ 1,851 thousand). As described in the relevant management report paragraph on significant events of the year, the risk of non-recoverability of these costs is covered by a provision for risks and charges set aside in the balance sheet liabilities.
- costs incurred by the parent company for activities prior to a possible listing on the stock exchange.

The goodwill refers to:

- the 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.

The consolidation differences relate to:

- the acquisition for € 684 thousand 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 amortised over five years from the year of acquisition (2013), as the anticipated operating period of the gas distribution service before the launch of the tender for the service;
- the acquisition for € 5,200 thousand of VEA Energia Ambiente and the allocation to the customer lists of the difference between the price paid and shareholders' equity at the date of acquisition. The item is amortised in the 2015 consolidated financial statements over 10 years, a period deemed adequate to represent the time horizon during which the goodwill benefits will materialise and consistent with the provisions of Legislative Decree 139 of 18/08/2015 which, by transposing Directive 34/2013, establishes a maximum 10 year period of amortisation of goodwill as from 01/01/2016.
- the acquisition for € 5,965 thousand of Gastronto S.r.l. and the allocation to the customer lists of the difference between the price paid and shareholders' equity at the date of acquisition. Being an end of period acquisition, the item is not amortised in 2015.

The item expenses for concessions relates mainly to the net book value of the costs incurred by the subsidiary Centria for the award of the gas distribution concession in the Municipality of Follonica. These costs are amortized for the duration of the concession period.

The other fixed assets are mainly:

- costs connected with bonds issued by the parent company (€ 2,772 thousand), amortised on the basis of the duration of the bond;
- the 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 € 10,674 thousand, amortised over 5 years;

The following table shows the opening balances, changes during the year and closing balances at 31/12/2015 for each class of intangible fixed assets:

INTANGIBLE FIXED ASSETS	Net value 31/12/2014	Increases	Reclassifications	Change in the scope of consolidation	Other changes	Write- downs	Write-downs	Net value 31/12/2015
Start-up and expansion costs	412,448	900,424	1,267,409	0	0	-877,408	-36,542	1,666,330
Research, development and advertising costs	54,696	172,130	19,000	0	-7,000	-97,543	0	141,283
Patent rights	3,909,210	3,297,777	122,160	23,253	0	-3,459,237	0	3,893,104
Concessions, licences, trademarks	243,326	33,500	0	0	-1	-1,367	-239,655	35,803
Intangible assets under construction	5,460,912	1,450,713	-1,261,478	0	-26,887	0	-3,005,552	2,617,709
Goodwill	10,687,757	0	0	0	0	-821,911	0	9,865,846
Consolidation differences	1,368,714	0	0	11,722,187	0	-1,262,125	0	11,828,777
Expenses for concessions	2,283,716	0	0	0	0	-314,995	0	1,968,721
Improvements to third party assets	84,429	246,934	0	0	0	-38,793	0	292,570
Other	11,787,494	12,652,444	-147,032	0	42	-2,687,523	-7,272,851	14,332,574
Other fixed assets	14,155,640	12,899,378	-147,032	0	42	-3,041,311	-7,272,851	16,593,865
Total	36,292,704	18,753,921	0	11,745,440	-33,846	-9,560,903	-10,554,601	46,642,716

The main changes during the year were represented by:

- Increases for € 18,735 thousand, mainly represented by investments in software for € 3,298 thousand and investments in other intangible fixed assets (€ 12,652 thousand) mainly for costs sustained for the promotion and development of the market (€ 10,498 thousand) and costs connected with the bond issue (€ 1,473 thousand);
- Increases in fixed assets for the scope of consolidation change of € 11,745 thousand relating to the acquisition of VEA Energia Ambiente Srl and Gastronto Srl as described in the management report section on important events of the year, which should be consulted;
- Amortisation for the period of € 9,561 thousand;
- Write-downs of fixed assets for € 10,555 thousand relating to:
 - a) € 9,333 thousand for the authorisation write-down (€ 6,298 thousand) and of design and development costs (€ 3,035 thousand) of the wind farm being developed by the subsidiary Andali Energia Srl, as described in the management report section on significant events of the year;
 - b) € 1,074 thousand and € 147 thousand respectively for devaluations carried out by the subsidiaries Solgenera S.r.l. and Flor fotovoltaici S.r.l. Even in the wake of recent regulatory measures that have greatly reduced the profitability of initiatives in renewable energy production, companies have considered it prudent to write down

the total capitalised costs and ancillary charges for the development and design of investments in photovoltaic systems started in previous years and not completed. These write-downs were recorded through the use of the risk fund specifically set aside in the consolidated financial statements at 31/12/2014 regarding the renewable energy sector, identified in the previous year as exposed to risks of impairment.

Tangible fixed assets

Balance at 31/12/2015	Balance at 31/12/2014
287,558,757	322,076,779

The item is broken down as follows:

TANGIBLE FIXED ASSETS	Historical cost 31/12/2015	Accumulated Depreciation 31/12/2015	Provision for write- downs 31/12/2015	Net value 31/12/2015	Historical cost 31/12/2014	Accumulated Depreciation 31/12/2014	Net value 31/12/2014
Land and buildings	10,419,203	-3,716,479	-454,664	6,248,060	10,362,717	-3,458,807	6,903,910
Lightweight constructions	54,967	-54,512	0	455	58,967	-58,398	569
Land and buildings	10,474,170	-3,770,990	-454,664	6,248,515	10,421,684	-3,517,205	6,904,479
Networks and connections	299,278,882	-77,933,005		221,345,877	351,139,878	-98,196,915	252,942,963
Decompression and pumping facilities	12,982,984	-8,996,355		3,986,630	14,194,277	-9,753,615	4,440,663
Storage facilities	2,209,461	-1,281,525		927,935	2,207,006	-1,198,769	1,008,236
Remote control and metering facilities	2,839,711	-1,390,331		1,449,380	3,040,177	-1,353,586	1,686,591
Cables, station and electronic systems for telephony	12,044,900	-5,237,106		6,807,794	11,467,111	-4,463,188	7,003,924
Other facilities	30,948,983	-6,155,035	-349,453	24,444,495	32,890,267	-5,336,123	27,554,144
Plants and machinery	360,304,922	-100,993,358	-349,453	258,962,111	414,938,716	-120,302,196	294,636,521
Metering equipment	28,885,752	-14,162,711		14,723,041	30,072,943	-17,138,888	12,934,055
Other equipment	2,456,579	-1,988,103		468,476	2,550,102	-1,983,295	566,806
Industrial and commercial equipment	31,342,331	-16,150,814	0	15,191,518	32,623,045	-19,122,183	13,500,862
Public lighting facilities under concession	3,257,224	-2,744,068		513,156	3,257,224	-2,506,486	750,738
Heat management facilities under concession	2,624,768	-2,475,638		149,131	2,624,768	-2,439,309	185,459
Investments for the distribution of gas under concession	51,560	-46,313		5,247	51,560	-39,840	11,720
Electronic machines	10,060,690	-7,085,847		2,974,843	8,681,368	-6,755,007	1,926,361
Furniture, office machines	1,937,436	-1,396,605		540,831	1,667,065	-1,309,779	357,286
Vehicles	1,532,264	-1,452,669		79,594	1,656,026	-1,583,609	72,417
Others	544,342	-234,058		310,283	453,799	-107,087	346,712
Other assets	20,008,283	-15,435,198	0	4,573,084	18,391,809	-14,741,117	3,650,693
Payments on account and assets under construction	2,900,188		-316,659	2,583,529	3,384,226		3,384,226
Total	425,029,893	-136,350,360	-1,120,776	287,558,757	479,759,480	-157,682,701	322,076,779

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 Centria S.r.l. in the municipalities of Mosciano and Serravezza. 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. The investment refers to land and buildings with a net book value at 31/12/2015 of € 1,427 thousand, networks and connections for a net book value at 31/12/2015 of € 1,527 thousand, and other plant and machinery of a net book value at 31/12/2015 of € 5,527 thousand. The plant is rented to the subsidiary Biogenera S.r.l. which manages and maintains it and sells the energy produced;
- plant and machinery referring to the electronic and telecommunications systems installed by Estracom S.p.A. for a net value at 31/12/2015 of € 7,153 thousand;
- The trigeneration plant in Sesto Fiorentino constructed by Estraclima S.r.l. The plant consists of one building, the net value of which is € 1,171 thousand, networks and connections of a net value of € 1,158 thousand and plants, the net value of which is 3,434 thousand.
- public lighting and heat management plants under concession for net book values at 31 December 2015 of € 513 thousand and € 149 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 sales activities connected to these plants continue to be carried out by the shareholder Intesa S.p.A., to which E.S.T.R.A. S.p.A., the owner of the assets,

redebts the relative amortisation and running costs sustained;

- photovoltaic systems posted under the item Other facilities, owned or leased according to the financial method for € 14,843 thousand, plus the surrounding land for € 761 thousand.

“Buildings” and “Other facilities” include allocation of the difference from initial consolidation 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 31/12/2015 of € 300 thousand and € 11,127 thousand, respectively.

As required by the new accounting standard OIC 9, the company has carried out an impairment test on the plant entered in the fixed assets, if impairment indicators have been found. The determination of the recoverable value is based on the discounting of the financial flows forecast according to the future plans and on an expert evaluation. The impairment tests did not show any loss in value. In particular, the expert estimates carried out for the purposes of the conferment of the gas and LPG distribution unit by the Parent Company on the subsidiary Centria S.r.l. in 2014 showed an Industrial Value of the networks and connections considerably above the consolidated net book value.

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 31/12/2014	Increases	Reclassifications	Change in the scope of consolidation	Eliminations	Historical cost 31/12/2015
Land and buildings	10,362,717	40,745	15,741	0	0	10,419,203
Lightweight constructions	58,967	0	0	0	-4,000	54,967
Land and buildings	10,421,684	40,745	15,741	0	-4,000	10,474,170
Networks and connections	351,139,878	5,649,418	266,746	0	-57,777,160	299,278,882
Decompression and pumping facilities	14,194,277	233,170	284,119	0	-1,728,582	12,982,984
Storage facilities	2,207,006	0	28,963	0	-26,508	2,209,461
Remote control and metering facilities	3,040,177	114,278	43,552	0	-358,296	2,839,711
Cables, station and electronic systems for telephony	11,467,111	577,789	0	0	0	12,044,900
Other facilities	32,890,267	106,614	0	3,952	-2,051,850	30,948,983
Plants and machinery	414,938,716	6,681,269	623,380	3,952	-61,942,396	360,304,922
Metering equipment	30,072,943	5,854,772	0	0	-7,041,963	28,885,752
Other equipment	2,550,102	36,695	-91,461	33	-38,790	2,456,579
Industrial and commercial equipment	32,623,045	5,891,467	-91,461	33	-7,080,753	31,342,331
Public lighting facilities under concession	3,257,224	0	0	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	51,560	0	0	0	0	51,560
Electronic machines	8,681,368	1,319,373	558,861	33,731	-532,643	10,060,690
Furniture, office machines	1,667,065	286,608	0	6,708	-22,945	1,937,436
Vehicles	1,656,026	41,450	4,050	0	-169,262	1,532,264
Others	453,799	91,892	0	3,091	-4,441	544,342
Other assets	18,391,809	1,739,324	562,911	43,530	-729,291	20,008,283
Payments on account and assets under construction	3,384,226	626,534	-1,110,571	0	0	2,900,188
Total	479,759,480	14,979,340	0	47,515	-69,756,441	425,029,893

ACCUMULATED DEPRECIATION

TANGIBLE FIXED ASSETS	Accumulated Depreciation 31/12/2014	Write-downs	Reclassifications	Change in the scope of consolidation	Eliminations	Accumulated Depreciation 31/12/2015
Land and buildings	-3,458,807	-242,340	-15,332	0	0	-3,716,479
Lightweight constructions	-58,398	-114	0	0	4,000	-54,512
Land and buildings	-3,517,205	-242,454	-15,332	0	4,000	-3,770,990
Networks and connections	-98,196,915	-7,735,606	0	0	27,999,516	-77,933,005
Decompression and pumping facilities	-9,753,615	-389,784	15,332	0	1,131,712	-8,996,355
Storage facilities	-1,198,769	-90,267	0	0	7,511	-1,281,525
Remote control and metering facilities	-1,353,586	-114,843	0	0	78,098	-1,390,331
Cables, station and electronic systems for telephony	-4,463,188	-773,919	0	0	0	-5,237,106
Other facilities	-5,336,123	-1,226,372	0	-3,952	411,411	-6,155,035
Plants and machinery	-120,302,196	-10,330,790	15,332	-3,952	29,628,248	-100,993,358
Metering equipment	-17,138,888	-1,222,462	0	0	4,198,639	-14,162,711
Other equipment	-1,983,295	-119,421	77,741	-28	36,901	-1,988,103
Industrial and commercial equipment	-19,122,183	-1,341,883	77,741	-28	4,235,540	-16,150,814
Public lighting facilities under concession	-2,506,486	-237,582	0	0	0	-2,744,068
Heat management facilities under concession	-2,439,309	-36,328	0	0	0	-2,475,638
Investments for the distribution of gas under concession	-39,840	-6,473	0	0	0	-46,313
Electronic machines	-6,755,007	-757,148	-77,741	-28,365	532,415	-7,085,847
Furniture, office machines	-1,309,779	-102,948	0	-6,454	22,576	-1,396,605
Vehicles	-1,583,609	-37,983	0	0	168,922	-1,452,669
Others	-107,087	-124,416	0	-2,691	135	-234,058
Other assets	-14,741,117	-1,302,878	-77,741	-37,510	724,048	-15,435,198
Payments on account and assets under construction	0	0	0	0	0	0
Total	-157,682,701	-13,218,005	0	-41,490	34,591,835	-136,350,360

WRITE-DOWNS

INTANGIBLE FIXED ASSETS	Write-down 31/12/2014	Write-down	Uses	Write-down 31/12/2015
Land and buildings		-454,664		-454,664
Lightweight constructions		0		0
Land and buildings	0	-454,664	0	-454,664
Networks and connections		0		0
Decompression and pumping facilities		0		0
Storage facilities		0		0
Remote control and metering facilities		0		0
Cables, station and electronic systems for telephony		0		0
Other facilities		-349,453		-349,453
Plants and machinery	0	-349,453	0	-349,453
Metering equipment		0		0
Other equipment		0		0
Industrial and commercial equipment	0	0	0	0
Public lighting facilities under concession		0		0
Heat management facilities under concession		0		0
Investments for the distribution of gas under concession		0		0
Electronic machines		0		0
Furniture, office machines		0		0
Vehicles		0		0
Others		0		0
Other assets	0	0	0	0
Payments on account and assets under construction		-316,659		-316,659
Total	0	-1,120,776	0	-1,120,776

NET VALUE

TANGIBLE FIXED ASSETS	Net value 31/12/2014	Increases	Reclassifications	Write-downs	Change in the scope of consolidation	Write-down	Eliminations	Net value 31/12/2015
Land and buildings	6,903,910	40,745	409	-242,340	0	-454,664	0	6,248,060
Lightweight constructions	569	0	0	-114	0	0	0	455
Land and buildings	6,904,479	40,745	409	-242,454	0	-454,664	0	6,248,515
Networks and connections	252,942,963	5,649,418	266,746	-7,735,606	0	0	-29,777,644	221,345,877
Decompression and pumping facilities	4,440,663	233,170	299,451	-389,784	0	0	-596,870	3,986,630
Storage facilities	1,008,236	0	28,963	-90,267	0	0	-18,997	927,935
Remote control and metering facilities	1,686,591	114,278	43,552	-114,843	0	0	-280,198	1,449,380
Cables, station and electronic systems for telephony	7,003,924	577,789	0	-773,919	0	0	0	6,807,794
Other facilities	27,554,144	106,614	0	-1,226,372	0	-349,453	-1,640,439	24,444,495
Plants and machinery	294,636,521	6,681,269	638,712	-10,330,790	0	-349,453	-32,314,148	258,962,111
Metering equipment	12,934,055	5,854,772	0	-1,222,462	0	0	-2,843,324	14,723,041
Other equipment	566,806	36,695	-13,719	-119,421	5	0	-1,890	468,476
Industrial and commercial equipment	13,500,862	5,891,467	-13,719	-1,341,883	5	0	-2,845,214	15,191,518
Public lighting facilities under concession	750,738	0	0	-237,582	0	0	0	513,156
Heat management facilities under concession	185,459	0	0	-36,328	0	0	0	149,131
Investments for the distribution of gas under concession	11,720	0	0	-6,473	0	0	0	5,247
Electronic machines	1,926,361	1,319,373	481,119	-757,148	5,366	0	-229	2,974,843
Furniture, office machines	357,286	286,608	0	-102,948	254	0	-369	540,831
Vehicles	72,417	41,450	4,050	-37,983	0	0	-340	79,594
Others	346,712	91,892	0	-124,416	400	0	-4,366	310,283
Other assets	3,650,693	1,739,324	485,169	-1,302,878	6,020	0	-5,244	4,573,084
Payments on account and assets under construction	3,384,226	626,534	-1,110,571	0	0	-316,639	0	2,583,529
Total	322,076,779	14,979,340	0	-13,218,005	6,025	-1,120,776	-35,164,605	287,558,757

The main changes during the year were represented by:

- new investments for € 14,979, thousand mainly for networks and connections for € 5,649 thousand and for measuring devices for € 5,855 thousand (for investments linked to the distribution of gas and LPG) and for electronic machinery for € 1,319 thousand (mainly for investments in telecommunications activities carried out by the subsidiary Estracom);
- Amortisation for the period of € 13,218 thousand;
- Write-downs made by subsidiary Solgenera S.r.l. in relation to investments in photovoltaic systems started in previous years and not completed as reported in the comments on intangible fixed assets. These write-downs were recorded through the use of the risk fund specifically set aside in the consolidated financial statements at 31/12/2014 regarding the renewable energy sector, identified in the previous year as exposed to risks of impairment.
- Write-offs of tangible fixed assets worth € 35,165 thousand arising mainly from the transfer of gas distribution networks and systems to Toscana Energia in the Municipality of Prato, as described in the management report section on significant events during the year.

The fixed assets under construction of € 2,584 thousand, mainly refer to:

- commissions for work to construct natural gas distribution networks not finished at year end, for € 334 thousand;
- works in progress at year end on construction of the voice and data network backbone by the subsidiary Estracom S.p.A. for € 1,579 thousand.
- orders underway for improvements on Estra Energia sales outlets, focusing on the stores in Prato and Arezzo, for € 657 thousand.

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 2015 for each category of assets in the gas distribution sector:

Category	Rate
Land	0.00%
Industrial buildings	2.00%
Urban networks and connections	2.00%
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 (contractual term)
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 at 31/12/2015	Balance at 31/12/2014
55,709,372	48,227,416

Investments

The item is broken down as follows:

Equity investments in:	31/12/2015	31/12/2014
a) subsidiaries	36,744,574	28,471,939
b) associated companies	9,668,768	8,638,731
d) other companies		
Total	46,413,341	37,110,670

The equity investments in subsidiaries refer to the subsidiary Serenia S.r.l. (in liquidation), entered at the presumable sale value at 31/12/2015, and to the companies over which the Parent Company, also pursuant to statutory provisions and corporate agreements, has joint control together with the other shareholders (NovaE S.r.l. and Idrogenera S.r.l., of which it holds 50%, and EDMA S.r.l., of which it holds 45%):

b) Equity investments in subsidiaries	31/12/2015	31/12/2014
Serenia S.r.l.	0	0
Fontecolica S.r.l.	0	21,988
Nova E. S.r.l.	0	968,574
Idrogenera S.r.l.	11,233	2,160
EDMA S.r.l.	36,733,341	27,479,217
Total	36,744,574	28,471,939

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

b) Equity investments in subsidiaries	31/12/2014	Increases/(decreases)	Revaluation/(write-down)	31/12/2015	Notes
Serenia S.r.l.	0			0	
Pontolica S.r.l.	21,988	-21,988		0	1
Nova E. S.r.l.	968,574		-968,574	0	2
Idrogena S.r.l.	2,160	15,000	-5,927	11,233	3
EDMA S.r.l.	27,479,217	8,610,565	643,559	36,733,341	4
Total	28,471,940	8,603,577	-330,942	36,744,574	

- 1) The investee, subject to joint control at 31/12/2014, was sold during the year 2015. Please refer to the comments about the changes in the consolidation area;
- 2) At the date of this document, the subsidiary had not yet approved the financial statements for 2015. Based on the data and preliminary accounting assessments it was nevertheless decided to fully depreciate the value of the investment in view of the probable emergence of impairment losses deriving from the business plans of some photovoltaic systems and/or investments. The write-down of € 969 thousand was recorded by use of the risks specifically set aside in the financial statements at 31/12/2014 regarding the renewable energy sector;
- 3) The investee recorded an increase during the year of € 15 thousand due to the conversion into capital of loans disbursed by Estra and a negative adjustment of € 6 thousand for the adjustment to the corresponding value of shareholders' equity;
- 4) The 45% stake in the share capital of EDMA S.r.l. is assessed with the equity method on the basis of results of the consolidated financial statement of the EDMA Group at 31/12/2015 and therefore takes into account the results achieved by the companies Prometeo S.p.A., EDMA Reti Gas S.r.l., Marche Energie S.r.l., AES Fano Distribuzione S.r.l. and SIG S.r.l., of which EDMA S.r.l. is a direct shareholder.

The investment increased by € 8,611 thousand through the net effect of the distribution of dividends for € 2,219 thousand and a capital increase of € 10,830 thousand, commented in management report section on significant events of the year. The investment recorded a revaluation of € 644 thousand due to the effect of the Group equity share for the year 2015 on the closing data base of the consolidated EDMA and adjusted for the effects of transactions carried out within the Group.

Equity investments in associated companies are represented by:

b) Equity investments in associated companies	31/12/2015	31/12/2014
Blugas S.p.A.	0	0
Sinergie Italiane S.r.l.	1	1
Blugas Infrastrutture S.r.l.	7,550,366	7,550,366
Cavriglia SPV S.p.A.	998,986	806,018
Tegolaia SPV S.p.A.	324,651	232,582
Cavriglia O&M S.c.a.r.l.		5,000
Roma Oil S.r.l.	44,764	44,764
Montedil	750,000	
Total	9,668,768	8,638,731

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

b) Equity investments in associated companies	31/12/2014	Reclassifications	Increases/(decreases)	Revaluation/(write-down)	31/12/2015	Notes
Blugas S.p.A.					0	
Sinergie Italiane S.r.l.	1				1	1
Blugas Infrastrutture S.r.l.	7,550,366				7,550,366	2
Cavriglia SPV S.p.A.	806,018		224,457	-31,489	998,986	3
Tegolaia SPV S.p.A.	232,582		182,511	-90,442	324,651	3
Cavriglia O&M S.c.a.r.l.	5,000		-5,000		0	4
Roma Oil S.r.l.	44,764				44,764	
Montedil			750,000		750,000	5
Total	8,638,731		1,151,968	-121,931	9,668,768	

- 1) The shareholding, representing 11.05% of the share capital of Sinergie Italiane (in liquidation), was bought on 28/01/2014 at the symbolic value of € 1 by the associate Blugas S.r.l. which opened the voluntary liquidation process on the same date.

During 2015 the company continued its business, mainly limited to the purchase of gas from the Russian supplier Gazprom Export LLC and reselling the same to the vendor companies controlled by the shareholders. The interim liquidation financial statements at 30/09/2015, prepared in compliance with art. 2490 of the Italian Civil Code, closed with negative equity of € 15.1 million after liquidation adjustments of € 32.8 million and a profit for the period of € 8,147 thousand. During the quarter 01/10/2015 - 31/12/2015, the company achieved a profit for the period of 957 thousand.

In these financial statements there has been an adjustment of the fund allocated to cover the company's equity deficit in the item "Value adjustments of financial assets" in consideration of the positive result achieved by the subsidiary in the period ending 31/12/2015, equal to Estra's equity share of € 1,006 thousand;

- 2) The investee, jointly with Edison Stoccaggio and with a 10% interest, is committed to the construction and operation of the storage plant located in San Potito and Cotignola, Ravenna province, as a result of a special concession ("San Potito and Cotignola Storage") awarded by the Ministry for Economic Development with the Ministerial Decree of 24/04/2009. In addition, the company holds an ownership interest of 70 million cubic metres of natural gas to be extracted from the Abbadesse field, of which it is the current holder.

With regard to the San Potito and Cotignola Stoccaggio project Storage, it should be noted that, following the discovery of a more complex geological situation than expected, Edison Stoccaggio had to make a significant revision of the originally approved project with a consequent reduction in storage capacity estimates. In the light of this new scenario, the AEEGSI, with decision 66/2016 of 25/02/2016, recalculated the tariffs for the year 2015 with a penalising criterion – of doubtful legitimacy – based on the repositioning of value of assets recognised for tariff purposes (as a function of the relationship between the new investment cost forecasts and overall capacity of the storage space made available to the market) with respect to those originally envisaged.

This determination would result in a significant reduction in the company's 2015 revenues, albeit mitigated, in future years.

The company and partner Edison Stoccaggio started a necessary legal study into the 66/2016 resolution in order to challenge it at the TAR. Given the need for more in-depth analysis, the company postponed the closing of the financial statements for the year 2015 making recourse to the greater term of 180 days, as allowed by the by-laws and the law.

However, pending the completion of ongoing legal and technical analyses, the effects of resolution 66/2016 are not currently quantifiable with any certainty; current estimates do not indicate impairment losses for the otherwise positive economic results of the multiannual plan, or for the implied capital appreciation of the assets of the company;

- 3) Investments increased following the resolution to cover the loss of 2014 by contributions from shareholders. The write-downs align the book value of investments to the corresponding equity share at 31/12/2015, taking account of the effects of transactions within the Group;

- 4) The value of the investment is zeroed at 31/12/2015 following the liquidation of the company, completed in 2015.
- 5) The investment, corresponding to 31.25% of the capital of the company, owner of a wind turbine for the production of electricity from renewable sources, was acquired by Fonteolica Srl on 18/09/2015 as described in the comments on variations in the consolidation area.

Equity investments in other enterprises are represented by the stake in X22 S.r.l., fully written down in 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.

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 € 1,047,778 and € 534,313, pledged to Banca Etruria as guarantee on the project financing loan obtained.

Receivables

The item is broken down as follows:

Loans to:	31/12/2015	31/12/2014
a) from subsidiaries	2,821,500	4,709,690
b) from associated companies	5,505,826	4,407,072
d) from others	968,704	1,749,985
Total	9,296,030	10,866,747

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 31/12/2015	Write-down 31/12/2015	Net value 31/12/2015	Gross amount 31/12/2014	Write-down 31/12/2014	Net value 31/12/2014
Serenia S.r.l.	1,500,000		1,500,000	7,082,064	-5,482,064	1,600,000
Nova E. S.r.l.	1,321,500		1,321,500	1,071,500		1,071,500
Idrogenera S.r.l.			0	15,000		15,000
Fonteolica S.r.l.			0	2,023,190		2,023,190
Totals	2,821,500	0	2,821,500	10,191,754	-5,482,064	4,709,690

In reference to Serenia S.r.l. in liquidation, during 2015 new loans were disbursed for € 956,700 to support the financial needs of the Polish subsidiary Useneko. Following the withdrawal after the end of the financial year, the amount of the loan was adjusted to € 1,500 thousand as the best estimate to date of the value recoverable from the sale of the business. The devaluation was made for € 5,482 through full use of the write-down fund already set aside at 31/12/2014 and for € 1,057 thousand in the income statement item "Write-down of financial assets".

Receivables at 31/12/2015 from NovaE increased by € 250 thousand for new loans granted in support of the business of the investee.

Receivables at 31/12/2015 from Idrogenera are eliminated as a result of their conversion into capital funding.

Receivables at 31/12/2015 from Fonteolica are eliminated as a result of:

- withdrawal for € 762 thousand of coverage of the loss resulting from the investee's financial statements at 31/12/2014. The withdrawal was recognised through the use of a specially formed risk fund in the financial statements of Estra at 31/12/2014;
- compensation for € 1,261 thousand with claims arising against the company Fonteolica before the sale of the investment mainly in reference to the aforementioned purchase of the stake in Montedil S.r.l.

The breakdown of receivables due from associated companies recorded under fixed assets is as follows:

Receivables due from associated companies	Gross amount 31/12/2015	Write-down 31/12/2015	Net value 31/12/2015	Gross amount 31/12/2014	Write-down 31/12/2014	Net value 31/12/2014
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
Blugas Infrastrutture S.p.A.	2,098,754		2,098,754	1,060,500		1,060,500
Cavriglia O&M				2,000		2,000
Blugas S.p.A.	159,468	-159,468	0	159,468	-159,468	0
Montedil S.r.l.	62,500		62,500			0
Total	5,665,294	-159,468	5,505,826	4,566,540	-159,468	4,407,072

The long term loans to Cavriglia SPV S.p.A. and Tegolaia SPV S.p.A. are represented by the portion due to E.S.T.R.A. S.p.A. of the loan to the shareholders pursuant to the Economic and Financial Plan approved for the construction of the photovoltaic systems in Cavriglia. The loans were interest-bearing in 2015.

The amount due from Blugas derives from the disbursement by E.S.T.R.A. of a shareholder loan, agreed by the Extraordinary Shareholders' Meeting of 25/06/2012, fully written down in view of its uncertain recoverability from the liquidation of the company.

The amount due from Blugas Infrastrutture S.r.l. at 31/12/2015 refers to the loans disbursed in support of the financial needs of the company which, jointly with Edison Stocaggio and with a 10% interest, is committed to the construction and operation of the storage plant located in San Potito and Cotignola, Ravenna province, as a result of a special concession. There was an increase of € 1,039 thousand during the year 2015. The loans yielded interest at 5% in 2015.

The receivables from others amount to € 968,704 (€ 1,749,985 at 31/12/2014) and mainly refer to long term guarantee deposits issued in favour of the Customs Agency by the subsidiary Estra Energie S.r.l. and to various suppliers for sales activities and gas storage.

Other securities

Balance at 31/12/2015	Balance at 31/12/2014
0	250,000

The item, present only in the comparative data at purchase 31/12/2014, relates to the purchase by the parent company of 250 nominal bonds for € 1,000 at a fixed rate of 3.5% per annum issued by Banco Popolare di Vicenza and repaid in June 2015.

There are no financial fixed assets entered at more than their fair value.

C) Current assets

I) Inventories

Balance at 31/12/2015	Balance at 31/12/2014
33,556,606	29,691,802

The item is broken down as follows:

Description	31/12/2015	31/12/2014
Materials inventories	3,113,368	3,111,158
Natural gas storage inventories	30,272,505	26,364,593
LPG inventories	314,000	359,319
Provision for devaluation of stocks	-143,267	-143,267
Total	33,556,606	29,691,802

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 € 143 thousand.

Natural gas inventories are represented by gas in storage for use during 2016. These were recorded at the lower of either acquisition or production cost, including ancillary costs, and the estimated recoverable value based on market trends. Cost was determined using the weighted average cost. The market value taken as reference is represented in the detail of the net sale value of the gas in storage.

II) Receivables

Balance at 31/12/2015	Balance at 31/12/2014
303,972,251	291,875,148

The item is broken down as follows:

Description	31/12/2015	31/12/2014
From customers	239,167,850	198,845,045
From subsidiaries	9,700,836	15,956,279
From associated companies	1,138,416	745,936
From holding companies	1,661,352	3,237,380
Tax credits	8,557,752	27,133,294
Deferred tax assets	17,675,418	15,837,357
From others	26,070,626	30,119,856
Total	303,972,251	291,875,148

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 31/12/2014	23,398,253
Change in the scope of consolidation	358,359
Uses during the year	-4,671,353
Allocations for the year	8,723,221
Provision for write-down at 31/12/2015	27,808,480

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

Subsidiaries	31/12/2015	31/12/2014
Nova E S.r.l.	88,313	87,528
Idrogena S.r.l.	29,539	17,366
Serenia S.r.l.	261,286	261,286
Fontecolica S.r.l.		91,967
EDMA S.p.A.	4,421,797	1,136,471
EDMA RETI GAS S.p.A.	1,717,901	1,692,982
Prometeo s.r.l.	3,151,932	12,632,079
Marche Energie S.r.l.	30,068	36,600
Total	9,700,836	15,956,279

The receivables derive from commercial transactions and the charge back of interest income accrued on loans.

Receivables from associates at 31/12/2015 were as follows:

Associated companies	31/12/2015	31/12/2014
Tegolaia SPV S.p.A.	144,232	75,447
Vaserie Energie	9,686	9,907
Venticello S.r.l.	36,909	26,035
Roma Oil	94,554	94,554
Cavriglia SPV	370,140	269,531
Cavriglia O & M		14,197
Casole Energie	8,877	10,970
Blugas S.p.A.	11	3,013
Blugas Infrastrutture S.r.l.	406,154	225,915
Snergie Green Tech S.p.A.	13,710	16,367
AES Pano Distribuzione S.r.l.	53,063	
Montedil S.r.l.	1,081	
Total	1,138,417	745,936

The receivables derive from commercial transactions and the charge back of interest income accrued on loans.

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	31/12/2015	31/12/2014
Consiag S.p.A.	597,340	1,487,676
Intesa S.p.A.	910,293	1,392,781
Coingas S.p.A.	153,719	356,923
Total	1,661,352	3,237,380

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	31/12/2015	31/12/2014
VAT credit	6,908,933	3,457,492
IRPS/IRAP credit	934,244	3,300,520
UTIF		19,401,186
Other tax credits	714,575	974,096
Total	8,557,752	27,133,294

The significant increase in the tax credits is mainly due to the debit position at the end of 2015, for excise duty and additional tax from the difference between the advances paid during the year, determined on the basis of 2014 consumption and the actual tax debited to customers in 2015.

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

Deferred Tax Assets as of 31/12/2015 amount to € 17,675,418. The following table summarizes the temporary differences on which they were recorded and the changes that took place during 2015:

Temporary difference	Deferred tax assets 31/12/2014	Allocations	Uses	Adjustments	Other changes	Change in the scope of consolidation	Deferred tax assets 31/12/2015
Excess amortization	5,131,693	628,310	-882,182	-594,227	-152,844	30,625	4,161,375
Other risk provisions	553,167	1,287,285	-29,786	-64,993	-14,956		1,730,717
Taxable portion of the provision for write-downs	5,409,751	1,826,544	-907,763	-558,618			5,769,914
Contributions received on connections	2,809,507	727,985	-452,323	-352,414			2,732,755
Write-down of fixed assets	32,715	1,270,996					1,303,711
Provision for non-routine maintenance	27,210	43,632	-4,328	-6,734			59,780
Provision for early retirement of employees	412,118	255,238	-108,341	-47,546			511,469
Leasing IAS 17	195,764	17,985	0	-24,915			188,834
Excess interest expense	126,737		-8,304	-9,449			108,984
Tax losses	542,010		-66,097		-109,926		365,987
Concession instalments and membership fees not yet paid	385	329	-385				329
Other	596,301	578,056	-426,833	-3,045	-2,916		741,563
Total	15,837,358	6,636,361	-2,886,342	-1,661,941	-280,642	30,625	17,675,418

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.

The 2016 Stability Law provides, as from the 2017 tax period, a reduction of the IRES tax rate from the existing 27.5% to 24%. The provision thereafter entailed the adjustment of deferred tax assets on temporary variations already present in the financial statements at 31/12/2014 and due to be reversed after 31/12/2016, generating, as stated above, a negative effect on the income statement for € 1,662 thousand.

Receivables from others were as follows:

Description	31/12/2015	31/12/2014
Receivables from the ABEG and GSE	13,976,265	20,311,202
Excise on electricity	1,203,694	724,085
Receivables from banks	351,175	890,743
Credit for LPG tax breaks	942,316	721,627
Advances	2,548,871	2,364,025
Guarantee deposits	3,369,465	4,089,486
Other receivables	3,678,840	1,018,688
Total	26,070,626	30,119,856

The item "Receivables from the ABEG" mainly regards the amounts due in application of the equalisation mechanism relative to the restriction of total distribution revenues and for contributions relative to reaching the energy saving targets.

The item "Receivables from banks" includes the interests and swap differentials accrued at 31/12/2015 and credited in 2016.

The "Credit for LPG tax breaks" indicates the credits for recovery of the tax break on LPG tariffs applied to end customers. Regarding this item, difficulties have emerged for the company to obtain repayment from the Customs and Monopolies Agency for instances relating to previous years. The risks stemming from possible non-recoverability are covered by the provision for write-down of receivables due from customers.

The item "Advances" mainly includes the payment made by the parent company to the Municipality of Prato for € 1,700 thousand against the agreement signed in 17/11/2011 date referred to in point 1 of the management report section on significant events during the year.

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

Receivables recorded as current assets are all collectible within one year, except deferred tax assets for which reversal will be beyond 12 months.

All the receivables relate to entities operating in Italy, except for negligible amounts from EU and 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 at 31/12/2015	Balance at 31/12/2014
281,403,898	170,350,787

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	31/12/2015	31/12/2014
Bank and postal deposits	281,391,639	170,335,887
Cash and cash equivalents	12,259	14,900
Total	281,403,898	170,350,787

D) Accruals and deferrals

Balance at 31/12/2015	Balance at 31/12/2014
3,554,611	3,259,974

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

Description	31/12/2015	31/12/2014
Bond discounts	563,576	
Multi-year telephony costs	217,620	182,264
Loan expenses	956,191	550,376
Others	1,817,224	2,527,334
Total	3,554,611	3,259,974

The item "bond discount" refers to the issuance of the bond at € 100 million below par issued in 2015. The amount is deferred for the duration of the loan; the deferral share reversed over 5 years amounts to € 132 thousand.

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

The item "Loan expenses" indicates 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, rental fees and gas storage fees.

Liabilities**Shareholders' Equity**

In the last three years, the shareholders' equity has undergone the following changes:

Description	Share capital	Share premium reserve	Legal reserve	Merger surplus reserve	Consolidation reserve	Extraordinary reserve and retained earnings/losses	Group profit for the year	Group shareholders' equity	Shareholders' equity attributable to minority interests	Total Shareholders' Equity
Balances as of 31/12/2012	196,500,000	5,880,000	391,872	4,406	1,287,129	4,280,563	8,629,077	216,973,047	12,441,344	229,414,391
Allocation of 2012 profit										
- Consolidated profit for the previous year			325,707			5,703,370	-6,029,077	0		0
- 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	-289,194
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	1,229,272	10,034,265	3,863,722	227,859,244	13,310,894	241,170,138

Description	Share capital	Share premium reserve	Legal reserve	Merger surplus reserve	Consolidation reserve	Extraordinary reserve and retained earnings/losses	Group profit for the year	Group shareholders' equity	Shareholders' equity attributable to minority interests	Total Shareholders' Equity
Allocation of 2013 profit										
- Consolidated profit for the previous year			157,756			2,005,966	-2,163,722	0		0
- Dividends							-1,700,000	-1,700,000		-1,700,000
Elimination of treasury shares						-602,910		-602,910	-297,090	-900,000
Change in the scope of consolidation					1,200,255	-5,224		-1,205,479	-108,460	-1,313,939
Other changes						-3,800		-3,800	-2,274,185	-2,277,985
Profit for the year							8,787,024	8,787,024	1,457,133	10,244,157
Balances as of 31/12/2014	205,500,000	6,510,000	875,335	4,406	29,017	11,428,297	8,787,024	233,134,079	12,088,291	245,222,370
Allocation of 2014 profit										
- Consolidated profit for the previous year			5,265,905			-967,946	-4,297,959	0		0
- Dividends							-4,489,065	-4,489,065		-4,489,065
Change in the scope of consolidation								0	-2,944,235	-2,944,235
Other changes						-874		-874	-336,955	-337,829
Profit for the year							32,530,745	32,530,745	1,431,373	33,962,118
Balances as of 31/12/2015	205,500,000	6,510,000	6,141,240	4,406	29,017	10,459,477	32,530,745	261,174,885	10,238,474	271,413,359

The change in the Group's equity at 31/12/2015 compared to 31/12/2014 is mainly due to:

- distribution of dividends to shareholders by the Parent Company (€ 4,489 thousand),
- Group result of period (€ 32,531 thousand);

The change in shareholders' equity attributable to minority interests at 31/12/2015 compared to 31/12/2014 is mainly due to:

- the acquisition by third parties of 20.57% of Gergas (negative change of € 3,003 thousand);
- the first consolidation of Gastronto S.r.l. (positive change of € 59 thousand);
- dividends paid to third parties by subsidiaries Gergas and Exo (negative change of € 334 thousand).

The items of the Parent Company's shareholders' equity are analysed in respect of the availability and possibility of distribution in the following table:

Description	Amount	Possibility of utilisation	Quota available	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	6,141,240	B	-		
- Extraordinary reserve					
- Merger surplus reserve	2,724,897	A,B,C	2,724,897		
Retained earnings	100,437,990	A,B,C	99,895,988		
Total	109,304,127		102,620,885		
- Profit for the year	14,759,610	A,B,C	14,021,630		
Total	336,073,737		116,642,515		

"A": available for capital increase

"B": available to cover losses

"C": available for distribution to shareholders

The non-distributable amount of retained earnings of € 542,002 corresponds to the unamortised portion of start-up and expansion costs and of research, development and advertising costs.

The share premium reserve cannot be distributed until it has reached the legal reserve laid down by art. 2430 of the

Italian Civil Code.

The share capital at 31/12/2015 was composed as follows:

Shareholder	Number of shares	Par value of shares (€)	%
Consiag S.p.a.	90,200,000	90,200,000	43.893
Intesa S.p.a.	57,400,000	57,400,000	27.932
Coingas S.p.a.	57,400,000	57,400,000	27.932
ETA3 S.r.l.	500,000	500,000	0.243
Total	205,500,000	205,500,000	100.000

Provisions for liabilities and charges

Balance at 31/12/2015	Balance at 31/12/2014
29,331,048	17,203,137

The item is broken down as follows:

Description	31/12/2015	31/12/2014
Provisions for retirement allowance and similar obligations	403,053	175,723
Provisions for taxation, including deferred taxation	12,894,581	4,537,644
Other provisions	16,033,414	12,489,770
Total	29,331,048	17,203,137

The following table shows the changes during the year:

Description	31/12/2014	Utilisation/Reversal	Provisions	Change in scope of consolidation	Reclassifications	31/12/2015
Agency leaving indemnities provision	175,723	-3,215	230,545		0	403,053
Provision for deferred taxes	4,537,644	-818,471	9,302,782		-127,374	12,894,581
Provision for disputes and legal expenses	3,304,980	-162,571	3,526,258	265,888		6,934,556
Provisions for risks on technological equipment for telecommunications	746,298		180,000			926,298
Provision for coverage of losses - renewable energies segment	4,150,000	-4,150,000	4,915,009			4,915,009
Non-routing plant maintenance provision	84,189	-13,390	135,000			205,799
Provision for early retirement of employees	1,637,411		645,703		-1,572,394	710,720
Risk provision other investees			780,000			780,000
Provision to cover losses of Sinergie Italiane in liquidation	2,566,892	-1,005,859				1,561,033
Total	17,203,137	-6,153,506	19,715,297	265,888	-1,699,768	29,331,048

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

Provision for deferred taxes at 31/12/2015 is related:

- for € 3,310 thousand (€ 3,791 thousand at 31/12/2014), to the allocation to tangible fixed assets of the price paid for the acquisition of Grosseto Energia Ambiente S.p.A.;
- for € 406 thousand (€ 123 thousand at 31/12/2014), to deferred taxation of dividends accounted for and not collected by the end of the financial year;
- for € 687 thousand (€ 497 thousand at 31/12/2014), to costs related to the structuring of bond loans, capitalised in the financial statements but deductible in the year of issue;
- for € 8,492 thousand, to the instalment payment for IRES purposes of the capital gains accrued in 2015 following the sale of the gas distribution network of the Municipality of Prato.

The 2016 Stability Law provides, as from the 2017 tax period, a reduction of the IRES tax rate from the existing 27.5% to 24%. The provision thereafter entailed the adjustment of deferred tax assets on temporary variations already present in the financial statements at 31/12/2014 and due to be reversed after 31/12/2016, generating a positive effect on the income statement for € 466 thousand.

The provision for disputes and legal defence costs 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 provision for the year mainly concerns reserves made by Toscana Energia when signing the handover document from the subsidiary Centria for the sale of the networks of the Municipality of Prato, as described in the management report section on events during the year. The provision is recorded in extraordinary charges due to the exceptional and extraordinary nature of the case.

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 € 180 thousand in 2015, recorded under "provisions for risk" in the income statement.

The renewable energy sector risk fund, already present at 31/12/2014 to cover possible losses arising from the abandonment of current initiatives by the Group and/or possible impairment of investments made in this sector, was used mainly during the year 2015:

- for € 2,194 and € 147 thousand, for the impairment of tangible and intangible fixed assets operated by the subsidiaries Solgenera S.r.l. and Flor fotovoltaici S.r.l., as described in the comments on balance sheet items;
- for € 969 thousand for the write-down of the equity investment in Nova E S.r.l., as described in the comments on the investment;
- for € 784 thousand, to cover the loss resulting from the investee Fontcolica's financial statements at 31/12/2014 and the loss from the sale of the investment, as described above.

The provision of the year is related:

- for € 2,915 thousand, to risks and charges relating to the subsidiary Andali Energia S.r.l. described in the management report section on significant events during the year; the risk of non-recovery of costs for works and preliminary construction works already incurred at the end of the year, as well as additional expenses related to compliance with contractual obligations;
- for € 2,000 thousand, to the risk provisions prudently set aside by the subsidiary Solgenera as a result of an audit of financial flows inferable from the plans of photovoltaic systems in operation, updated in view of the worsening of the forecast scenario for the output of some plants and the effects of the so-called "incentive spreading" regulatory measure on tariffs. The Fund is to cover possible extraordinary maintenance works on plant and/or restructuring of debt taken on to finance them.

The provision for non-routine maintenance on plant refers to the estimate of the costs for non-routine maintenance on the photovoltaic systems of Cavriglia and Tegolaia borne by Estra S.p.A, for its own share of the joint venture between the shareholders of Cavriglia S.p.V. and Tegolia S.p.A. which are responsible for the maintenance of the systems.

The provision for the early retirement of employees has been allocated to cover the charges deriving from the agreement pursuant to art. 4 of Italian law 28/2012 as described in the management report in significant events of the period. The reclassification of € 1,572 thousand (to other payables) was due to the effect of signing agreements with the workers concerned

The "Provision for equity investment risks" was prudently set aside to cover potential losses inherent in the values of equity investments whose recoverability was critical.

The provision for coverage of losses of Sinergie Italiane S.r.l. was reduced by € 1,006 thousand as described above in the comments on the investment.

Employee leaving indemnity

Balance at 31/12/2015	Balance at 31/12/2014
6,255,753	7,301,397

The allocated provision represents the actual amount payable by the company as of 31/12/2014 for employees in service at that date, net of any advances paid.

The changes during the year are summarized below:

Description	Amounts
Provision as of 31 December 2014	7,301,397
Change in the scope of consolidation	98,776
Provision decreases/Payments to pension funds	(2,522,093)
Provisions for the year	1,377,673
Provision as of 31 December 2015	6,255,753

Payables

Balance at 31/12/2015	Balance at 31/12/2014
674,754,851	599,068,813

The item is broken down as follows:

DESCRIPTION	31/12/2015	31/12/2014
Bonds maturing after 12 months	150,000,000	50,000,000
Shareholders loans due within 12 months	1,435,000	1,435,000
Shareholders loans due after 12 months	13,980,000	15,415,000
Amounts due to banks due within 12 months	148,170,169	179,805,127
Amounts due to banks due after 12 months	128,182,713	126,800,251
Amounts owed to other lenders due within 12 months	365,057	365,057
Amounts owed to other lenders due after 12 months	6,763,647	7,142,527
Advances	13,093,141	11,915,545
Amounts owed to suppliers	166,611,622	171,795,523
Amounts owed to subsidiaries	6,723,144	1,149,831
Amounts owed to associated companies	406,967	48,938
Amounts owed to holding companies	824,954	7,334,358
Tax liabilities	9,248,651	7,394,444
Amounts owed to social security institutions	1,401,078	1,486,845
Other payables	27,548,709	16,980,368
Total	674,754,851	599,068,813

Bonds

Balance at 31/12/2015	Balance at 31/12/2014
150,000,000	50,000,000

The item reflects the debt in principal amount (€ 150,000,000) of bonds issued.

The increase in the item is due to the subscription in 2015 of the € 100 million bond shown in the management report section on events during the year, to which reference should be made.

The bonds are not backed by any guarantee, secured or unsecured, granted by the Company or by third parties.

The Company must respect the financial parameters based on the results of the consolidated financial statement for the entire duration of the contract. At 31 December 2015 the financial parameters had been respected.

Shareholder loans

Balance at 31/12/2015	Balance at 31/12/2014
15,415,000	16,850,000

The item includes amounts due to shareholders for medium/long term loans, subordinate to bank and bond debt and, in particular:

- debt to the shareholder Consiag originally for € 15,000,000, repayable in 24 instalments starting from 30 June 2015, with constant principal amounts at an annual rate of 3% and the residual debt at 31/12/2015 for € 13,750 thousand;
- debt to the shareholder Coingas originally of € 1,850,000 repayable in 20 bi-annual instalments starting from 30 June 2015, with constant principal amounts at an annual rate of 3% and residual debt at 31/12/2015 for € 1,665 thousand.

The amount due within 12 months is € 1,435,000.

Amounts due to banks

Balance at 31/12/2015	Balance at 31/12/2014
276,352,882	306,605,378

The amounts due to banks within 12 months consist of:

Description	31.12.2015	31.12.2014
Bank advances and current account overdrafts	101,328,503	147,523,004
Portion due within 12 months of loans payable	46,841,666	32,282,123
Total	148,170,169	179,805,127

The amounts due to banks after 12 months, totalling € 128,182,713, are represented by the portions of Group loans payable beyond 12 months, as shown in the table below:

Description	Interest rate	Residual debt 31/12/2015	- due within 12 months	- due after 12 months	After 5 years	Maturity
Chianti Banca Credito Cooperativo loan	Euribor 03M +2.00	10,103,268	4,998,895	5,104,373		31/12/2017
BNL loan	Euribor 06 M+1.5	7,500,000	1,666,667	5,833,333		30/06/2020
MPS of € 1,625,397	Euribor 06 M+1	274,310	109,827	164,483		31/12/2017
MPS of €1,326,967	Euribor 06 M+1	223,946	134,527	89,419		31/12/2017
MPS of €9,000,000	Euribor 06 M+2	5,305,291	896,176	3,887,137	521,978	30/06/2021
CDP loan of € 25,000,000	Euribor 06 M+1.78	10,890,000	1,980,000	7,920,000	990,000	30/06/2021
BPV loan	Euribor 03 M+ 0.7	5,051,181	562,140	2,332,732	2,156,309	30/06/2024
Banca Etruria loan	Euribor 06 M + 2	11,468,800	1,286,400	5,860,800	4,321,600	30/06/2023
Banca Ntica loan	Fixed rate of 4.65%	345,816	17,318	328,498		30/06/2030
BNL € 2,000,000	Euribor 06 M+1.25	400,000	133,334	133,333	133,333	31/12/2018
BCC € 150,000	Fixed rate of 4.00%	36,601	12,009	24,592		28/08/2018
BPV loan of 4,000,000	Euribor 03M	2,093,246	813,936	1,279,310		30/06/2018
Banca Popolare Bergamo loan	Fixed rate of 4.52%	3,657,527	2,040,763	1,616,764		04/10/2017
Cassa Risparmio San Miniato loan	Euribor 06 M+3	3,126,614	998,192	2,128,422		31/12/2018
Banca BNL loan 25 million	Euribor 06 M+2.75	16,666,667	8,333,333	8,333,334		31/12/2017
Banco Popolare loan 5 million	Euribor 03 M+2.75	2,916,667	1,666,667	1,250,000		30/09/2017
Banca Intesa SPAolo loan 30 million	Euribor 06 M+1.9	27,000,000	6,000,000	21,000,000		30/06/2020
Banca Pop. Emilia Romagna loan 3 milion	Euribor 03 M+1.8	2,267,073	995,153	1,271,920		27/03/2018
UBI Banca loan 5 million	Euribor 03 M+1.9	3,777,470	1,658,132	2,119,338		28/01/2018
Cassa Risparmio San Miniato loan 5 million	Euribor 06 M+3.95	4,397,609	1,223,824	3,173,785		30/06/2019
BPV loan 5 million	Euribor 03 M+1.5	4,591,868	1,647,910	2,943,958		30/09/2018
MPS loan 15 million	Euribor 06 M+2.05	14,250,000	3,000,000	11,250,000		30/09/2020
C.A.R.I.PARMA loan 8 million	Euribor 06 M+1.5	8,000,000	1,954,333	6,045,667		28/10/2019
Credito Coop. Cambiano loan	Euribor 03 M+0.75	7,000,000	1,735,276	5,264,724		31/12/2018
UniCredit loan 14 million	Fixed rate of 2.00%	14,000,000		14,000,000		31/12/2018
Banco Popolare loan 1 million	Euribor 03M + 1.2	1,000,000	326,730	673,270		31/12/2018
Crederm loan 5 million	Euribor 6 months + 1.5	5,000,000	1,222,122	3,777,878		16/12/2019
BPV di 7,000,000 loan	Euribor 03 M+3.85	3,680,425	1,428,002	2,252,423		30/06/2018
Total		175,024,378	46,841,666	128,059,493	8,123,220	

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

Description	Residual debt 31/12/2014	Amount granted	Amount repaid	Residual debt 31/12/2015
Chianti Banca Credito Cooperativo loan	15,000,000		4,896,732	10,103,268
B.N.I.	9,166,667		1,666,667	7,500,000
MPS of € 2,413,047	1,618,138		1,618,138	0
MPS of € 1,139,649	474,378		474,378	0
MPS of € 2,200,000	533,146		533,146	0
MPS of € 3,621,147	877,546		877,546	0
MPS of € 2,193,344	210,285		210,285	0
MPS of € 3,422,504	632,839		632,839	0
MPS of € 4,324,000	250,560		250,560	0
MPS of € 1,625,397	403,779		129,469	274,310
MPS of € 1,326,967	329,643		105,697	223,946
MPS	185,155		185,155	0
MPS	195,481		195,481	0
MPS	429,331		429,331	0
MPS of € 9,000,000	6,173,122		867,831	5,305,291
CDP of € 25,000,000	16,250,000		5,360,000	10,890,000
BPV loan	5,622,681		571,500	5,051,181
Banca Bica loan	362,093		16,277	345,816
BNL € 2,000,000	533,333		133,333	400,000
BCC € 150,000	48,359		11,758	36,601
Banca Etruria	12,691,200		1,222,400	11,468,800
BPV loan of 4,000,000	2,877,361		784,115	2,093,246
Banca Popolare Bergamo loan	5,638,479		1,980,952	3,657,527
Cassa Risparmio San Miniato loan	4,083,229		956,615	3,126,614
Banco Popolare loan 5 million	4,583,333		1,666,666	2,916,667
Banca Intesa SPaolo loan 30 million	30,000,000		3,000,000	27,000,000
UniCredit loan 14 million	14,000,000			14,000,000
BPV 7,000,000	5,052,458		1,372,033	3,680,425
Banca BNL loan 25 million	20,859,777	4,140,223	8,333,333	16,666,667
Banca Pop. Emilia Romagna loan 3 million		3,000,000	732,927	2,267,073
UBI Banca loan 5 million		5,000,000	1,222,530	3,777,470
Cassa Risparmio San Miniato loan 5 million		5,000,000	602,391	4,397,609
BPV loan 5 million		5,000,000	408,132	4,591,868
MPS loan 15 million		15,000,000	750,000	14,250,000
CA.RIPARMA loan 8 million		8,000,000		8,000,000
Credito Coop. Cambiano loan		7,000,000		7,000,000
Banco Popolare loan 1 million		1,000,000		1,000,000
Credem loan 5 million		5,000,000		5,000,000
Total	159,082,372	58,146,223	42,198,217	175,024,378

The loans are not backed by any real or personal guarantee granted by the Company or by third parties.

With regard to the loans at 31/12/2015, we point out the following:

- With regard to the Cassa Depositi e Prestiti loan, originally for € 25 million, on 04/02/2013 the parent 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 interest accrued on that date and the applicable repayment costs; As a result of collection of the Prato compensation, the company repaid the mortgage in advance for € 3,120 thousand;
 - 100% of the Arezzo and the Siena area indemnities if the tender contracts 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 € 10,000,000, except in the case that the parties reach an alternative solution for repayment.

The Company must also respect the financial parameters based on the results of the consolidated financial statements for the entire duration of the agreement. At 31 December 2015 the financial parameters had been respected.

- The CDP loan of € 16,250,000, the Chianti Banca Credito Cooperativo loan of € 15,000,000, the Banca Intesa loan of € 30,000,000, the UniCredit loan of € 14,000,000, the Car.I.Parma loan of € 8,000,000 and the Credem loan of € 5,000,000 contemplate, for the entire duration of the agreement, compliance with financial parameters on the basis of the results of the consolidated financial statements. At 31 December 2015 the financial parameters had been respected.

3. The BNL loan of € 25.000.000 contemplates for the entire duration of the contract respect for the financial parameters on the basis of the results of the financial statements of the subsidiary Centria S.r.l. At 31 December 2015 the financial parameters had been respected.

Amounts owed to other lenders

Balance at 31/12/2015	Balance at 31/12/2014
7,128,704	7,507,584

The item includes payables to leasing companies arising from accounting in accordance with the financial method of leasing agreements for existing photovoltaic systems at 31/12/2015 at the subsidiary Solgenera S.r.l..

The amount due within 12 months is € 365,057.

Advances

Balance at 31/12/2015	Balance at 31/12/2014
13,093,142	11,915,545

The advances are mainly guarantee deposits paid by customers to guarantee natural gas consumption for € 11,775 thousand (€ 11,574 thousand at 31/12/2014) and LPG for € 352 thousand (€ 341 thousand at 31/12/2014).

Payables to suppliers

Balance at 31/12/2015	Balance at 31/12/2014
166,611,622	171,795,523

Amounts due to suppliers refer to payables on invoices received and still to be received from suppliers. These are posted net of commercial discounts; cash discounts, however, are registered at the moment 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.

All the receivables are due within 12 months and relate to entities operating in Italy, except for negligible amounts from EU and non-EU entities for gas sales.

There are no payables in foreign currencies.

Amounts owed to subsidiaries

Balance at 31/12/2015	Balance at 31/12/2014
6,723,144	1,149,831

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

Subsidiaries	31/12/2015	31/12/2014
Edma	5,497,100	55,000
Edma Reti Gas	316,607	1,077,406
Prometeo	906,797	15,000
Scrania	2,640	2,425
Total	6,723,144	1,149,831

The increase is mainly due to payables for the share-capital increase of EDMA, subscribed but only partially paid at the end of the financial year (€ 5,430 thousand).

The other payables to subsidiaries are of a commercial nature.

Amounts owed to associated companies

Balance at 31/12/2015	Balance at 31/12/2014
406,967	48,938

Payables to associates are related to the company Tegolaia (€ 182 thousand) and Cavriglia (€ 224 thousand) to cover the losses of the previous year.

Amounts owed to holding companies (shareholders)

Balance at 31/12/2015	Balance at 31/12/2014
824,954	7,334,358

The item represents the Group's payables to the shareholders of E.S.T.R.A. S.p.A., composed of the following:

Shareholder	31/12/2015	31/12/2014
Consiag S.p.A.	373,654	4,208,159
Intesa S.p.A.	104,653	1,419,263
Eta3		4,131
Comgas S.p.A.	346,647	1,702,805
Total	824,954	7,334,358

Amounts due to shareholders mainly refer to debts deriving from commercial transactions (mainly regarding the rent for company premises).

Tax liabilities

Balance at 31/12/2015	Balance at 31/12/2014
9,248,651	7,394,444

The item is broken down as follows:

Description	31/12/2015	31/12/2014
Irpef tax agents	852,080	713,842
VAT payable	98,624	3,385,659
IRES/IRAP payables	6,905,136	3,278,866
Excise duty and additional taxes	1,392,811	
Other payables		16,078
Total	9,248,651	7,394,444

The increase of the item is mainly due to the increase in payables for current taxes and in excise duties and additional taxes imposed primarily on natural gas sales.

Amounts owned to social security institutions

Balance at 31/12/2015	Balance at 31/12/2014
1,401,078	1,486,845

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 at 31/12/2015	Balance at 31/12/2014
27,548,709	16,980,368

The item is broken down as follows:

Description	31/12/2015	31/12/2014
Payables due to staff	3,116,155	2,888,699
Amounts due to CCSE (Electricity Equalisation Fund)	5,791,866	5,673,054
Payables for the purchase of the equity investment in GEA S.p.A.	1,600,000	0
Amounts due for Early retirements	1,382,041	
Amounts due for beneficial rights	701,639	
Amounts due for users RCT insurance	920,561	832,181
Amounts due for storage/transport balance	2,746,767	2,457,536
Sundry payables	8,376,429	3,964,514
Amounts due for interest on bonds	2,913,251	1,164,384
Total	27,548,709	16,980,368

Accruals and deferrals

Balance at 31/12/2015	Balance at 31/12/2014
30,643,197	32,978,890

The item is composed mainly of the deferred income of the contributions for the construction of the networks and connections for € 26,092 thousand (€ 28,728 at 31/12/2014).

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.

Accrued income reversible beyond 5 years amounts to € 24,016 thousand.

Memorandum Accounts**Risks borne by the company**

The composition is shown below:

Guarantees issued on behalf of associated companies	31.12.2015	31.12.2014
Guarantee issued to Banca Popolare di Vicenza on behalf of Montedil S.r.l.	2,400,000	2,400,000
Surety issued to MPS in favour of Tegolaia	243,000	243,000
Surety issued to Banca Popolare Emilia and UniCredit in favour of Sinergie Italiane S.r.l.	11,905,381	11,905,381
Guarantee issued to Cassa di Risparmio di Firenze on behalf of Vaseric Energia S.r.l.	895,000	1,425,000
Guarantee issued to BPIER and BCa.ri Parma and Piacenza on behalf of Blugas Infrastructure for loans	5,632,923	
Guarantee issued to Sacc BT on behalf of Blugas Infrastrutture on VAT credit reimbursement	5,549,663	3,652,727
Letter of patronage commitments to Ca.Ri Parma e Piacenza on behalf of Blugas S.p.A.	499,940	1,428,800
Total	27,125,907	21,054,908

Guarantees granted in the interests of others	31.12.2015	31.12.2014
Guarantees issue on behalf of local entities for work or concessions relating to the use of public land	2,187,933	2,422,933
Sureties issued to INPS	987,407	
Surety issued to GSE for connection of the Andali wind park	4,410,000	4,410,000
Total	7,585,340	6,832,933

TOTAL RISKS BORNE BY THE COMPANY	34,711,247	27,887,841
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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 2015 the following had been issued:

- Comfort letters issued to gas suppliers in favour of Estra Energie S.r.l. for € 88,400 thousand;
 - Comfort letters issued to electricity suppliers in favour of Estra Elettricità S.p.A. for € 20,000 thousand;
 - Comfort letters issued to gas suppliers in favour of Exo Energy Trading S.r.l. for € 43,310 thousand;
 - Comfort letters issued to electricity distribution companies for € 8,396 thousand;
 - Guarantees issued on behalf of gas distribution/transport companies for € 29,800 thousand.
- Surety issued to Toscana Energia as guarantee for the transfer of networks and assets

Commitments assumed by the company

This item includes the total of contracts already signed as at 31 December 2015 by the subsidiary Exo Energy Trading S.r.l. that envisage the physical delivery of gas in future years, with breakdown as follows:

Commitments	31.12.2015	31.12.2014
Gas purchase contracts with deliveries in subsequent years	62,489,081	44,371,501
Gas sale contracts with deliveries in subsequent years	86,415,791	47,277,136
TOTAL COMMITMENT SYSTEM	148,904,872	91,648,637

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 hedging interest fluctuations on loans in existence on 31/12/2015:

Company	IRS hedging interest rate fluctuations on loans	Notional 31/12/2015 (Euro)	Positive/(negative) fair value 31/12/2015 (Euro)	Notional 31/12/2014 (Euro)	Positive/(negative) fair value 31/12/2014 (Euro)
CENTRIA	IRS Fixed Rate/Variable Rate maturing 28/06/2019 (BPV)	3,055,555	-162,580	3,611,111	-211,513
E.S.T.R.A. S.p.A.	IRS Fixed Rate/Variable Rate maturing 28/06/2024 (BPV)	5,256,448	-961,203	5,738,237	-1,172,264
CENTRIA	IRS Fixed Rate/Variable Rate maturing 30/06/2021 (MPS)	2,580,237	-170,303	3,002,308	-215,768
CENTRIA	IRS Fixed Rate/Variable Rate maturing 30/06/2018 (MPS)	645,059	-26,487	750,576	-35,876
CENTRIA	IRS Multiphase maturing 31/12/2017 (MPS)	498,257	-28,501	983,982	-61,083
E.S.T.R.A. S.p.A.	IRS Fixed Rate/Variable Rate maturing 28/10/2019 (Cariparma)	8,000,000	-13,993		
Gergas S.p.A.	IRS Fixed Rate/Variable Rate maturing 31/12/2018 (BNL)	400,000	-29,390	533,333	-47,424
Solgenera S.r.l.	IRS Fixed Rate/Variable Rate maturing 28/12/2021 (UniCredit)	10,000,000	-1,084,337	10,000,000	-1,250,418
	Total	30,435,556	-2,476,794	24,619,547	-2,994,346

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.

Bank	Bank	Maturity	Benchmark Notional (smc)	MTM Profit (Loss)
Estra Energie	Banca IMI	01.04.2016	6,188,031	-186,314
Estra Energie	Banca IMI	01.04.2016	6,188,031	-183,040
Exo Energy Trading	Banca IMI	01.04.2016	1,068,354	-266,696
Exo Energy Trading	Banca IMI	01.04.2016	1,054,080	-257,183
Exo Energy Trading	Banca IMI	01.04.2016	970,733	208,302
Exo Energy Trading	Banca IMI	01.04.2016	498,492	109,566
Exo Energy Trading	Banca IMI	01.04.2016	450,309	154,908
Exo Energy Trading	Banca IMI	01.10.2016	839,400	-354,825
Exo Energy Trading	Banca IMI	01.10.2016	247,410	-102,037
Exo Energy Trading	Banca IMI	01.10.2016	1,600,093	-313,020
Exo Energy Trading	Banca IMI	01.10.2016	378,000	135,712
Exo Energy Trading	Banca IMI	01.10.2016	296,760	102,930
Exo Energy Trading	Banca IMI	01.04.2016	726,120	-233,785
Exo Energy Trading	Banca IMI	01.04.2016	610,864	-165,567
Exo Energy Trading	Banca IMI	01.04.2016	684,043	-191,708
Exo Energy Trading	Banca IMI	01.01.2017	1,870,992	-338,806
Exo Energy Trading	Banca IMI	01.01.2017	2,910,168	-335,115
Exo Energy Trading	Banca IMI	01.04.2016	438,783	-110,559
Exo Energy Trading	Banca IMI	01.10.2016	244,810	-44,465
Exo Energy Trading	Banca IMI	01.01.2017	426,116	-75,438
Exo Energy Trading	Banca IMI	01.04.2017	420,529	-66,773
Exo Energy Trading	Banca IMI	01.04.2017	412,120	-58,365
Exo Energy Trading	Banca IMI	01.04.2016	427,868	49,483
Exo Energy Trading	Banca IMI	01.04.2016	385,299	-49,006
Exo Energy Trading	Banca IMI	01.10.2016	582,216	-80,162
Exo Energy Trading	Banca IMI	01.01.2017	1,091,311	-178,105
Exo Energy Trading	BNP PARIBAS	30.09.2016	3,000,000	-352,810
Exo Energy Trading	BNP PARIBAS	30.09.2016	3,000,000	-102,235
Exo Energy Trading	BNP PARIBAS	30.09.2016	1,200,000	-111,537

Income statement

Production value

Balance at 31/12/2015	Balance at 31/12/2014
866,403,613	771,656,445

The item is broken down as follows:

Description	31/12/2015	31/12/2014
Revenues from sales and services	832,623,039	741,309,864
Change in stock of work in progress, semi-finished and finished goods	56,300	-10,464
Increases in non-current assets from in-house production	13,023,557	13,338,510
Other income	20,700,717	17,018,546
Total	866,403,613	771,656,445

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

Revenues from sales and services	31/12/2015	31/12/2014
Revenues from methane gas distribution	19,391,912	24,019,367
Revenues from sales of methane gas	645,223,818	584,316,674
Revenues from sales and distribution of LPG	3,165,942	3,853,606
Revenues from sales of electricity	95,130,231	85,407,412
Revenues from telecommunications services	3,843,962	3,600,234
Revenues from Estrachima heat management and maintenance	3,943,666	4,466,505
Transport, storage and balancing revenues	58,329,475	32,823,580
Revenues from other Group operations	3,594,033	2,822,485
Total	832,623,039	741,309,864

The increase in revenues is mainly due to the increase in volumes and turnover of the ASA gas and electricity sales, as a result of operations to expand the customer base and marketing initiatives undertaken in 2015

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 other revenues and income of the Group are broken down below:

Other income	31/12/2015	31/12/2014
Reimbursement of seconded personnel costs and expenses	2,237,045	1,885,109
Revenues for post-metering services and services provided at the delivery point	1,921,371	2,065,389
Current portion of contributions received	1,492,853	454,799
Use of risk provisions		543,384
Energy Efficiency Certificates	7,114,030	6,445,623
Other revenues	7,935,418	6,167,625
Total	20,700,717	17,018,545

The item "Energy Efficiency Certificates" (TEE - Titoli Efficienza energetica) contains the value of the said certificates relative to the year 2015 as tariff contribution pursuant to the AEEG resolutions.

The item "Other revenues" refers to the financial, administrative, legal, information systems and marketing management services performed for associates and jointly controlled subsidiaries. The increase in the period stems from greater performance achieved in 2015

Production costs

Balance at 31/12/2015	Balance at 31/12/2014
852,047,682	736,942,596

The item is broken down as follows:

Production costs	31/12/2015	31/12/2014
Raw materials, ancillary materials, consumables and goods for resale	676,378,746	610,359,740
Services	65,444,047	50,881,586
Use of third-party assets	15,768,562	19,029,246
Wages and salaries	22,510,440	21,939,081
Social security contributions	7,326,227	7,269,405
Employee leaving indemnity	1,377,673	1,410,012
Other personnel costs	81,846	76,187
Amortization of intangible fixed assets	9,561,401	6,656,604
Depreciation of tangible fixed assets	13,218,000	12,343,089
Other write-downs of fixed assets	9,333,438	
Write-down of receivables included in working capital and cash and cash equivalents	8,723,221	4,928,061
Changes in inventories of raw materials	-3,808,504	-14,847,743
Provisions for risks	5,925,009	230,000
Other provisions	230,545	55,575
Other operating expenses	19,977,031	16,611,754
Total production cost	852,047,682	736,942,596

B6) Cost for raw and ancillary materials, consumables and goods for sale

Balance at 31/12/2015	Balance at 31/12/2014
676,378,746	610,359,740

Costs for the purchase of raw, ancillary and consumable materials and goods have increased, particularly in the gas and energy sectors, as a result of increased sales volumes and purchase costs.

The most significant component of the item is represented by the purchase of natural gas by the subsidiaries Estra Energie S.r.l. and Exo Trading Energy S.r.l. for € 485,504 thousand (€ 450,259 thousand at 31/12/2014) and electricity by the subsidiary Estra Elettricità S.p.A. for € 88,263 thousand (€ 81,699 thousand at 31/12/2014).

The item also includes costs for gas transport, storage and balancing by the subsidiary Estra Logistica S.r.l. for € 87,404 thousand (€ 63,890 thousand at 31/12/2014).

B7) Costs for services

Balance at 31/12/2015	Balance at 31/12/2014
65,444,047	50,881,586

The item is broken down as follows:

Costs for services	31/12/2015	31/12/2014
Costs for gas distribution to users	29,354,636	13,858,748
Cost for the renovation of third party plants and for tenders and maintenance	7,748,388	9,985,807
Professional fees	6,783,144	7,405,916
Technical, fiscal, administrative and notary fees and consulting services	5,476,864	4,402,844
Costs for advertising and sponsoring the Group's products	1,143,706	943,343
Costs relative to customer management and for the printing and delivery of bills	9,610,301	7,030,373
Insurance	1,399,153	1,427,447
Telecommunications services	703,878	723,113
Other costs for services	3,223,978	5,104,297
Total	65,444,048	50,881,586

The item "Costs of gas distribution to users" shows a significant increase over the previous year, mainly due to the growth of volumes distributed.

B8) Costs for use of third-party assets

Balance at 31/12/2015	Balance at 31/12/2014
15,768,562	19,029,246

Costs for leased assets mainly refer to:

- the concession fees for € 11,242 thousand (€ 13,210 thousand at 31/12/2014);
- the costs sustained by the Group to rent the company premises from the shareholders Consiag S.p.A., Coingas S.p.A. and Intesa S.p.A. for € 1,997 thousand (€ 2,166 thousand at 31/12/2014);
- ULL rents incurred by the subsidiary Estracom S.p.A. required for conducting the telephony business for € 208 thousand (€ 238 thousand at 31/12/2014).

The balance at 31/12/2014 also included rental fees for the company branches conferred on EDMA S.r.l. for € 1,390 thousand (not present in the previous period).

B9) Costs for personnel

Balance at 31/12/2015	Balance at 31/12/2014
31,296,186	30,694,685

The item is broken down as follows:

Cost of personnel	31/12/2015	31/12/2014
Wages and salaries	22,510,440	21,939,081
Social security contributions	7,326,227	7,269,405
Employee leaving indemnity	1,377,673	1,410,012
Other costs	81,846	76,187
Total	31,296,186	30,694,685

B10) Depreciation, amortisation and write-downs

Balance at 31/12/2015	Balance at 31/12/2014
40,836,060	23,927,754

The item is broken down as follows:

Description	31/12/2015	31/12/2014
Amortization of intangible fixed assets	9,561,401	6,656,604
Depreciation of tangible fixed assets	13,218,000	12,343,089
Other write-downs of fixed assets	9,333,438	
Write-down of receivables included in working capital and cash and cash equivalents	8,723,221	4,928,061
Total	40,836,060	23,927,754

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 write-downs shown in the first part of these explanatory notes.

B12) Provisions for risks

Balance at 31/12/2015	Balance at 31/12/2014
5,925,009	230,000

The item is broken down as follows:

Description	31/12/2015	31/12/2014
Risk provision for technological equipment	180,000	230,000
Risk provision for renewable energies sector	4,915,009	
Provisions for other risks on investee companies	780,000	
Risk provision for legal disputes	50,000	
Total	5,925,009	230,000

Please refer to the comments on risks and charges provision of the balance sheet liabilities.

According to the new accounting standard OIC 31, the provisions for risks and charges are entered under the items of the working assets to which the operation refers (feature, accessory, financial or extraordinary), the criterion of classification by the "nature" of the costs always prevailing.

B13) Other provisions

Balance at 31/12/2015	Balance at 31/12/2014
230,545	55,575

The item refers to the provision for agency agreements for € 231 thousand at 31 December 2015 (€ 56 thousand at 31 December 2014)

B14) Other operating expenses

Balance at 31/12/2015	Balance at 31/12/2014
19,977,031	16,611,754

The item is broken down as follows:

Description	31/12/2015	31/12/2014
CCSE	11,056,879	8,202,632
Purchase of Energy Efficiency Certificates	5,483,426	4,732,061
Sundry indirect taxes	1,172,038	909,741
Membership fees	146,819	241,923
Other operating expenses	2,117,869	2,525,398
Total	19,977,031	16,611,754

The items "Purchase of Energy Efficiency Certificates" and "CCSE" refer to costs incurred to obtain energy efficiency certificates for compliance with the 2015 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 at 31/12/2015	Balance at 31/12/2014
(8,044,194)	(5,505,953)

The following is a breakdown of financial income and charges:

Description	31/12/2015	31/12/2014
Income from jointly controlled subsidiaries from loans recorded under fixed assets		349,379
Income from associated companies from loans recorded under fixed assets	156,305	101,111
Income from jointly controlled subsidiaries	494,093	
Other income	3,503,354	1,708,954
Total financial income	4,153,752	2,159,444
Interest payable to holding companies	-503,287	-168,142
Interest and other financial expenses	-11,703,758	-7,478,563
Total financial charges	-12,207,045	-7,646,705
Gains or losses on currency conversions	9,149	-18,692
Total	-8,044,144	-5,505,953

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.

The income from jointly controlled subsidiaries for receivables recorded in current assets refer to interest on arrears charged to the subsidiary Prometeo

The item income from others regards mainly interest income accrued on the bank and postal current accounts for € 2,175 thousand (€ 595 thousand at 31/12/2014) and the interest income for late payments debited to customers for € 1,306 thousand (€ 1,092 thousand at 31/12/2014).

Interest payable to holding companies includes interest expense accrued in 2015 on payables due from shareholders.

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

Description	31/12/2015	31/12/2014
interest payable on current bank accounts	-1,856,483	-2,483,106
interest payable on loans	-4,406,173	-2,928,072
interest expense on bonds	-4,289,292	-1,164,384
interest payable on financial transactions	-876,372	-425,113
other interest expense	-239,971	-281,985
interest on arrears	-35,467	-195,903
Total	-11,703,758	-7,478,563

Value adjustments of financial assets

Balance at 31/12/2015	Balance at 31/12/2014
464,861	(2,860,153)

The item is broken down as follows:

Description	31/12/2015	31/12/2014
Revaluation of equity investments	1,649,418	3,064,107
Write-down of equity investments	-127,857	-5,778,019
Write-down of other financial assets	-1,056,700	-146,241
Total	464,861	-2,860,153

Revaluations and write-downs of financial assets illustrate the effects of the equity method applied to the consolidation of companies not fully consolidated. As commented in the relevant equity investment item, the revaluations relate to the subsidiaries Sinergie Italiane for € 1,006 thousand and EDMA for € 644 thousand; the write-downs are related to the investee Idrogena for € 6 thousand, Cavriglia for € 31 thousand and Tegolaia for € 90 thousand.

The item "Write-downs of other financial assets" relates to loans towards the investee Srenia in liquidation, as described in the comments of the relevant balance sheet item.

Extraordinary income and charges

Balance at 31/12/2015	Balance at 31/12/2014
51,212,814	(550,477)

The item is broken down as follows:

Description	31/12/2015	31/12/2014
gains extra-feature management	54,937,839	92,680
Sundry	2,645,281	3,147,741
Total income	57,583,120	3,240,422
Losses on disposals	-159,723	-164,939
Sundry	-6,210,583	-3,625,960
Total charges	-6,370,306	-3,790,899
Total income and charges	51,212,814	-550,477

The extraordinary income and charges refer mainly to the capital gains arising from the sale of the distribution network of the Municipality of Prato to Toscana Energia for € 54.9 million and the associated extraordinary provisions for risks for € 3.2 million, as described in the management report section on significant events of the year.

Extraordinary income also includes the positive difference between the equity share acquired and the price paid, equal to € 608 thousand, in the purchase of 20.57% of the share capital of Gergas, as described in the comments on changes in the scope of consolidation.

Extraordinary charges include the provision for charges relating to "early retirement" pursuant to art. 4 of law 28/2012 for € 928 thousand and associated charges in closing a dispute with the counterparty seller regarding the purchase price of shares of the investee Fior fotovoltaici S.r.l. for € 502 thousand.

Current, deferred and advanced income taxes

Balance at 31/12/2015	Balance at 31/12/2014
24,027,346	15,553,109

The item is broken down as follows:

Taxes	31/12/2015	31/12/2014
IRRS	12,224,395	13,293,358
IRAP	5,012,786	2,719,578
Current taxes	17,237,181	16,012,936
Deferred taxes	8,779,382	-745,512
Prepaid taxes	-1,989,217	285,685
Deferred tax liabilities (assets)	6,790,165	-459,827
Total	24,027,346	15,553,110

Note that by effect of the judgment of the Constitutional Court of 11 February 2015 which declared it illegitimate, the IRES surcharge imposed by art. 81 of Italian legislative decree 112/2008, known as the "Robin Tax", has been abolished. In 2014, production, distribution and marketing companies operating in the energy and oil sectors were subject to this tax.

By effect of the judgment, current taxes for the year 2015 for Group companies previously subject to this surcharge were calculated in the year 2016 by applying the ordinary IRES rate of 27.5%.

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

Remember that in 2013 the companies chose to adopt the national tax consolidation plan, 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.

Given the changes in financial year 2014, the scope of the tax consolidation includes the following investee companies held at more than 50%: ETA3 S.p.A., Biogenera S.r.l., Solgenera S.r.l., Estra Clima S.r.l., Estra Elettricità S.p.A., Centria S.r.l., Estra Energie S.r.l., Exo Energy Trading S.r.l., Andali Energia S.r.l., Gergas S.p.A. and Estracom S.p.A..

Further information

Pursuant to law, the total fees due to the directors and the members of the Board of Statutory Auditors (article 2427, section one, no. 16, of the Italian Civil Code) and to the certifying auditor (article 2427, section one, no. 16 bis, of the Italian Civil Code) are shown below.

Beneficiaries	Of the parent company	Of the other companies of the group	Total
Directors	276,741	254,330	531,071
Board of Statutory Auditors	135,752	218,442	354,194
Independent Auditors	82,930	225,255	308,185

Information on Employed Personnel

The average workforce by category was as follows:

Position	31/12/2015	31/12/2014
Managers	9	9
Office workers and middle managers	400	413
Factory workers	125	163
Total	534	585

for the Board of Directors

The Chairman
