F2i RETI ITALIA 2 S.r.l.

(Translation from the Italian original which remains the definitive version)

2013 FINANCIAL REPORT

Via San Prospero, 1 – 20121 Milan
Quota capital €10,000.00 fully paid-up
Milan company registration no. 08430720964
VAT and tax code no. 08430720964
Milan REA no. 2025502

COMPANY BODIES

BOARD OF DIRECTORS

Chairman	Carlo Michelini
Director	Luciano Iannuzzo
Director	Stefano Mion

BOARD OF STATUTORY AUDITORS (*)

Chairman	Massimo Rodolfo Maria Trotter
Standing statutory auditor	Marco Antonio Modesto Dell'Acqua
Standing statutory auditor	Roberto Poggiolini

(*) quotaholders' meeting of 17 March 2014

Independent auditors

KPMG S.p.A.

Contents

DIRECTORS' REPORT

1 - General information

The company was established on 14 November 2013 and its business object comprises the following activities carried out for investment purposes only and not for public offering purposes:

- acquisition and management of equity investments, either directly or indirectly, both in Italy and abroad, in other companies or businesses active in the gas distribution sector (any kind of gas for all applications); it also carries out activities aimed at enhancing the value of investments in companies active in the same sector;
- provision of services related to the distribution of natural gas to individuals, businesses, companies and entities.

The term of the company is fixed until 31 December 2060.

1.1 – Company management

The company is 55% owned by F2i SGR S.p.A., which acts in the name and on behalf of F2i Fondi Italiani per le Infrastrutture, and 45% owned by AXA Infrastructure Holding S.a.r.l..

F2i Reti Italia 2 S.r.l. was established on 14 November 2013 when €10,000 of its capital was subscribed.

On 19 December 2013, the quotaholders injected F2i Reti Italia 2 with €92,066,498 to provide the company with the financial resources necessary to acquire an investment in 2i Rete Gas S.p.A., active in the gas distribution sector.

The company acquired 14.8% of the share capital of 2i Rete Gas S.p.A., consisting of 21,508,178 shares, from Enel Distribuzione S.p.A. on 20 December 2013.

The acquisition price was fixed at €122.3 million and paid in a sole instalment on 20 December 2013 using the buyers' own funds (€91.2 million) and a five-year loan (€31.1 million).

Section 1.3 describes the main features of this loan agreement entered into with a banking syndicate on 20 November 2013 and granted on 20 December 2013.

1.2 – Fair presentation of the company situation

According to the new wording of article 2428 of the Italian Civil Code, the company situation should be disclosed by using indicators which give a true and fair view of the company's operations.

A reclassification of profit and loss account and balance sheet figures is provided below. An added value profit and loss account was used for profit figures, while balance sheet figures were disclosed by source and application of funds.

RECLASSIFIED BALANCE SHEET	
SOURCE AND APPLICATION OF FUNDS	**31.12.2013**
NON-CURRENT ASSETS	**122,926,618**
Intangible fixed assets	328,657
Tangible fixed assets	-
Financial fixed assets:	122,597,961
- *Investments*	122,597,961
- *Financial receivables due after one year, securities, own quotas*	-
Trade receivables and other assets due after one year	-
CURRENT ASSETS	**15,420,910**
Inventory	-
Trade receivables and other assets due within one year	15,012,155
Financial assets due within one year	-
Liquid funds	408,755
TOTAL APPLICATION OF FUNDS	**138,347,528**
NET EQUITY	**106,676,994**
NON-CURRENT LIABILITIES	**31,320,567**
Provisions for risks and charges	205,567
Employees' leaving entitlement	-
Trade payables and other liabilities due after one year	-
Financial payables due after one year	31,115,000
CURRENT LIABILITIES	**349,966**
Bank loans and borrowings	40
Trade payables	43,210
Tax payables	271,967
Other liabilities	34,749
TOTAL SOURCE OF FUNDS	**138,347,528**

PRODUCTION REVENUES	**-**
Raw materials and consumables	-
Services	22,134
Use of third party assets	-
Change in materials	-
Other operating costs	310
ADDED VALUE	**(22,444)**
Personnel expenses	-
GROSS OPERATING LOSS	**(22,444)**
Provisions for employees	-
Amortisation of intangible fixed assets	82,164
Depreciation of tangible fixed assets	-
Write-downs	-
Provisions for risks and other provisions	-
NET OPERATING LOSS	**(104,608)**
Financial income	14,950,361
Financial charges other than bank charges	-
Adjustments to financial assets	-
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**14,845,753**
Financial charges	68,457
PROFIT BEFORE EXTRAORDINARY ITEMS	**14,777,295**
Net extraordinary income/(expense)	-
PRE-TAX PROFIT	**14,777,295**
Income taxes	176,799
NET PROFIT FOR THE PERIOD	**14,600,496**

The analysis of the profit and loss account is aimed at providing an adequate description of the company's profitability.

1.3 – Main risks and uncertainties

The company's main risk is attached to a €31,115,000 loan agreement entered into to repay the vendor loan previously obtained from Enel S.p.A..

The main features of this loan agreement are described in the notes to the financial statements.

1.4 – Company organisation

The company has no employees, secondary offices, branches or local units.
Since its establishment, the company has engaged TMF Ferri Minnetti Piredda S.r.l., as its Corporate Servicer, to fulfil all corporate, administrative-accounting and tax requirements, coordinated by F2i SGR, which also deals with all financial aspects.

1.5 – Environment and employees

No damage was caused to the environment during the period, therefore the company was not held definitely liable for any environmental offence or damage, neither did it receive any sanctions or final sentences in this respect.
The company has no employees.

1.6 – Research and development

The company did not incur any research and development costs.

1.7 – Own quotas or shares of the parent

Pursuant to article 2428 of the Italian Civil Code, we confirm that no own quotas or shares of the parent were acquired, sold or held in portfolio during the period, either directly or through trustees or third parties.

1.8 – Related party and intragroup transactions

The company did not carry out any related party transactions during the period (pursuant to article 2427.22-*bis* of the Italian Civil Code), other than the capital injection received on 19 December 2013.

2 - Subsequent events

In their meeting held on 17 March 2014, the quotaholders entrusted KPMG S.p.A. with the voluntary audit of the company's financial statements against an annual fee of €14,000.00, plus out-of-pocket expenses, secretarial expenses and VAT.
The following members of the board of statutory auditors were appointed for the 2014-2016 three-year period:

- Massimo Rodolfo Trotter as chairman;
- Marco Antonio Modesto dell'Acqua as standing statutory auditor;
- Roberto Poggiolini as standing statutory auditor;
- Marco Franchi as alternate statutory auditor;

- Edoardo De Luca as alternate statutory auditor.

The board of statutory auditors' annual fee was established at €14,000.

Effective from 19 March 2014, ERG S.p.A. changed its name to 2i Rete Gas S.p.A..

3 - Outlook

F2i Reti Italia 2 S.r.l. will continue to manage its investment in 2i Rete Gas, monitoring the improvement and operating efficiency plans established by the investee.

4 - Net profit for the period

The net profit for the period ended 31 December 2013 amounts to €14,600,496.

5 - Other information

None.

6 – Proposal for the allocation of the net profit for the period

Dear shareholders,

We believe we have adequately described the company's situation at 31 December 2013. In the light of the above, we invite you to approve the financial statements as at and for the period ended 31 December 2013 which report a net profit for the period of €14,600,496 and to allocate it as follows:

- €2,000 to the "legal reserve"
- €898,494 to "retained earnings"
- €13,700,000 as dividends;

The chairman of the board of directors

Carlo Michelini

(signed on the original)

FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2013

F2I RETI ITALIA 2 S.r.l.

Registered office in Via San Prospero 1, Milan (MI)
Quota capital €10,000.00 fully paid-up
Milan R.E.A. no. 2025502
VAT and tax code no. 08430720964

	31.12.2013

Balance sheet - ASSETS

A) QUOTA CAPITAL PROCEEDS TO BE RECEIVED	
I) Not yet called up	
II) Called up	
Total quota capital proceeds to be received (A)	
B) FIXED ASSETS:	
I Intangible fixed assets:	
1) Start-up and capital costs	2,431
2) Research, development and advertising costs	
3) Industrial patents and intellectual property rights	
4) Concessions, licences, trademarks and similar rights	
5) Goodwill	
6) Assets under development and payments on account	
7) Other	326,226
II Tangible fixed assets:	
1) Land and buildings	
2) Plant and machinery	
3) Industrial and commercial equipment	
4) Other assets	
5) Assets under construction and payments on account	
III Financial fixed assets:	
1) Investments:	
a) Subsidiaries	
b) Associates	
c) Parents	
d) Other	122,597,961
2) Financial receivables:	
a) From subsidiaries	
b) From associates	
c) From parents	
d) From others	
3) Other securities	
4) Own quotas	
Total fixed assets (B)	**122,926,619**

			31.12.2013
C) CURRENT ASSETS:			
I	***Inventory:***		
	1) Raw materials, consumables and supplies		
	2) Work in progress and semi-finished products		
	3) Contract work in progress		
	4) Finished goods		
	5) Payments on account		
II	***Receivables:***		
	1) Trade receivables		
	2) From subsidiaries		
	3) From associates		
	4) From parents		
	4-bis Tax receivables:		5
	due within one year	5	
	due after one year		
	4-ter) Deferred tax assets:		28,768
	due within one year	28,768	
	due after one year		
	5) From others:		14,966,409
	due within one year	14,966,409	
	due after one year		
III	***Current financial assets:***		
	1) Investments in subsidiaries		
	2) Investments in associates		
	3) Investments in parents		
	4) Other investments		
	5) Own quotas		
	6) Other securities		
IV	***Liquid funds***		
	1) Bank and postal accounts		408,755
	2) Cheques on hand		
	3) Cash-in-hand and cash equivalents		
	Total current assets (C)		**15,403,937**
D) PREPAYMENTS AND ACCRUED INCOME			
	I) Prepayments and accrued income		16,973
	II) Discount on loans		
	Total prepayments and accrued income (D)		**16,973**
TOTAL ASSETS			**138,347,528**

Balance sheet - LIABILITIES		31.12.2013
A) NET EQUITY:		
I Quota capital		10,000
II Quota premium reserve		
III Revaluation reserves		
IV Legal reserve		
V Statutory reserves		
VI Reserve for own quotas in portfolio		
VII Other reserves:		
- capital injections		92,066,498
VIII Retained earnings/(losses carried forward)		
IX Net profit for the period		14,600,496
Total net equity (A)		**106,676,994**
B) PROVISIONS FOR RISKS AND CHARGES:		
1) Pension and similar provisions		
2) Tax provision, including deferred tax liabilities		205,567
3) Other provisions		
Total provisions for risks and charges (B)		**205,567**
C) EMPLOYEES' LEAVING ENTITLEMENT:		**-**
D) PAYABLES:		
1) Bonds		
2) Convertible bonds		
3) Quotaholder loans		
4) Bank loans and borrowings:		31,115,040
due within one year	40	
due after one year	31,115,000	
5) Loans and borrowings from other financial backers		
6) Payments on account		
7) Trade payables:		43,210
due within one year	43,210	
due after one year		
8) Commercial paper		
9) Payables to subsidiaries		
10) Payables to associates		
11) Payables to parents		
12) Tax payables:		271,967
Due within one year	271,967	
Due after one year		
13) Social security charges payable		
14) Other payables		
Total payables (D)		**31,430,218**
E) ACCRUED EXPENSES AND DEFERRED INCOME		
Accrued expenses and deferred income		34,749
Premium on loans		
Total accrued expenses and deferred income (E)		**34,749**
TOTAL LIABILITIES		**138,347,528**

MEMORANDUM AND CONTINGENCY ACCOUNTS	31.12.2013
1) Personal guarantees given	
2) Collateral given	
3) Third party assets with the company	
4) Commitments	
5) Risks	
6) Other	
Total memorandum and contingency accounts	-

Profit and loss account		***2013***
A) PRODUCTION REVENUES:		
1) Turnover from sales and services		
2) Change in work in progress, semi-finished products and finished goods		
3) Change in contract work in progress		
4) Internal work capitalised		
5) Other revenues and income:		
5.1) Other revenues and income		
5.2) Grants related to income		
Total production revenues (A)		-
B) PRODUCTION COST		
6) Raw materials, consumables, supplies and goods		
7) Services		22,134
8) Use of third party assets		
9) Personnel expenses		
10) Amortisation, depreciation and write-downs:		82,164
a) Amortisation of intangible fixed assets	82,164	
b) Depreciation of tangible fixed assets		
c) Other write-downs of fixed assets		
d) Write-downs of current receivables and liquid funds		
11) Change in raw materials, consumables, supplies and goods		
12) Provisions for risks		
13) Other provisions		
14) Other operating costs		310
Total production cost (B)		**104,609**
Operating loss (A-B)		**(104,609)**

C) FINANCIAL INCOME AND CHARGES		
15) Income from investments:		14,950,335
15.1) In subsidiaries		
15.2) In associates		
15.3) In other companies	14,950,335	
16) Other financial income:		26
a) From financial receivables classified as fixed assets		
b) From securities classified as fixed assets		
c) From securities classified as current assets		
d) Other income:		
d.1) From subsidiaries		
d.2) From associates		
d.3) From parents		
d.4) From others	26	
17) Interest and other financial charges:		68,457
17.1) To subsidiaries		
17.2) To associates		
17.3) To parents		
17.4) To others	68,457	
17-bis Exchange rate gains/(losses)		
Net financial income (15+16-17+17-bis)		**14,881,904**

D) ADJUSTMENTS TO FINANCIAL ASSETS		
18) Write-backs		
19) Write-downs		
Total adjustments (18-19)		**-**

E) EXTRAORDINARY INCOME AND EXPENSE		
20) Income		-
21) Expense		-
Net extraordinary income/(expense) (20-21)		**-**

Pre-tax profit (A-B+/-C+/-D+/-E)		**14,777,295**

22) Income taxes		176,799
22.1) Current taxes		
22.2) Deferred tax (income)	(28,768)	
22.3) Deferred tax expense	205,567	
26) Net profit for the period		**14,600,496**

F2i Reti Italia 2 S.r.l.

The chairman of the board of directors

Carlo Michelini

(signed on the original)

CONTENT AND FORM

Dear shareholders,

The financial statements, which we submit for your approval, consist of a balance sheet, a profit and loss account and these notes, and were drawn up in accordance with the criteria and principles laid down by the Italian Civil Code and, in particular, by the provisions of article 2423 and subsequent articles of the Italian Civil Code.

The accounting policies applied to measure captions and recognise impairment losses comply with articles 2423-*bis* (basis of preparation) and 2426 (accounting policies) of the Italian Civil Code integrated and interpreted by the accounting standards issued by the Italian Accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*), as modified by the Italian Accounting Standard Setter (*Organismo Italiano di Contabilità* - OIC) and the documents issued directly by the latter.

The captions were measured following the principle of prudence and on a going concern basis, in compliance with the company's financial position and results of operations.

The company used the extended deadline to approve the financial statements permitted by article 2364.2 of the Italian Civil Code as its investee 2i Rete Gas S.p.A. also adopted the deferral option permitted by the same law.

Therefore, as it acts as a holding company, F2i Reti Italia 2 S.p.A. had to wait for the year-end figures of its investee 2i Rete Gas S.p.A. to know the exact amount of the 2013 dividends that the latter would approve for distribution.

Due to the complexity of the investment transaction in Enel Rete Gas S.p.A., finalised at the end of 2013, it took longer than normal for the company to quantify the amounts to be recognised in the financial statements, in order to ensure a true and fair view of its operations.

No exceptional circumstances occurred which required the company to resort to the exceptions laid down by article 2423.4 and article 2423-*bis*.2 of the Italian Civil Code.

Specifically, the following accounting policies were used for each asset category during the preparation of the financial statements as at and for the period ended 31 December 2013.

The financial statements are drawn up in Euros, with no decimals.

No comparative figures were included in the notes to the financial statements as the period ended 31 December 2013 was the company's first period of business.

Durable goods worth less than €516, the utilisation of which is limited over time, were not capitalised but entirely expensed.

ACCOUNTING POLICIES

The most significant accounting policies adopted are described below:

Intangible fixed assets

Intangible fixed assets are recognised at their historical acquisition cost, including any related charges. The capitalised cost has been amortised on a straight-line basis taking account of the asset's future income generating potential. Intangible fixed assets are recognised net of the amortisation for the period charged to the individual assets. Fixed assets whose recoverable amount is lower than their carrying amount are written down accordingly.

Financial fixed assets

As investments in other companies are strategic, they are measured at acquisition cost including any related charges. Fixed assets which have suffered impairment losses at the reporting date are written down accordingly.

Receivables

All forms of receivables are recognised under balance sheet assets at their estimated realisable value. Other cash items are recognised at their nominal amount.
Trade receivables are disclosed based on their contractual or customary due date.

Liquid funds

These are recognised at their nominal amount which is held to represent their estimated realisable value.

Prepayments and accrued income, accrued expenses and deferred income

These are recognised on an accruals basis item by item.

Net equity

The quota capital is recognised at the nominal amount of the subscribed quotas.

Provisions for risks and charges

This caption includes the accrual for deferred tax liabilities (OIC 25).
Provisions for risks and charges are recognised in accordance with the principles of prudence and accruals.

Payables

Amounts due to third parties are measured at their nominal amount. Tax payables are calculated on the basis of a realistic estimate of the tax charges to be paid as a result of ruling tax regulations.

Costs and revenues

These are recognised in accordance with the principles of prudence and accruals. Revenues and income, costs and charges are recognised net of rebates, discounts, premiums and taxes directly related to the provision of services. Dividends are recognised on an accruals basis, i.e., in the period when they accrue if the subsidiary's financial statements have been approved by the relevant board of directors before the approval of the parent's financial statements.

Income taxes

Income taxes are recognised on an accruals basis and therefore represent:

- accruals for taxes paid or to be paid during the period and calculated in accordance with ruling tax rates;
- deferred tax assets or liabilities in relation to temporary differences which arose or were cancelled during the period. Deferred tax assets are not recognised if it is not reasonably certain that they will be recovered in the future.

COMMENTS ON BALANCE SHEET CAPTIONS

In addition to the figures disclosed in the draft financial statements, further details are provided below on the composition of the various balance sheet captions at 31 December 2013 and profit and loss account captions for the period then ended. There are no comparative figures as it was the company's first period of business.

ASSETS

B) Fixed assets

I. Intangible fixed assets

"Intangible fixed assets" total €328,657 and refer to costs incurred to set up the company (€2,431) and loan-related charges (€326,226).

They are analysed in the following tables:

TOTAL CHANGES in INTANGIBLE FIXED ASSETS

	Balance at 14/11/2013	Increases	Amortisation	Closing balance at 31/12/2013
Start-up and capital costs		3,039	(608)	2,431
Other		407,783	(81,557)	326,226
TOTAL	-	**410,822**	**(82,165)**	**328,657**

	Historical cost	Accumulated amortisation	Carrying amount
Start-up and capital costs	3,039	(608)	2,431
Other	407,783	(81,557)	326,226
TOTAL	**410,822**	**(82,165)**	**328,657**

Costs incurred to set up the company, which are recognised with the approval of the board of statutory auditors, in compliance with the provisions of article 2426 of the Italian Civil Code, are considered as start-up and capital costs and amortised over five years. Loan-related charges are amortised over five years, i.e., over the term of the relevant loan, pursuant to OIC 24.

Loan-related charges include financial and legal advisory costs (€18 thousand), the substitute tax on the loan obtained (€77.8 thousand) and loan structuring fees paid to banks (€312.2 thousand).

III. Financial fixed assets

"Financial fixed assets", totalling €122,597,961, refer to the investment in 2i Rete Gas S.p.A. (€122,328,838), while the residual amount (€269,123) refers to charges related to the acquisition of the aforesaid investment, namely the 0.22% Tobin tax on the value of the acquired shares, which the company duly paid on 16 January 2014.

Pursuant to article 2427.1.5 of the Italian Civil Code, the composition of this caption is provided below:

	Registered office	Share capital	Net equity	Net profit for the year	Investment %	Carrying amount
2i Rete Gas S.p.A.	Milan	€71,950	€838,184	€79,230	14.8%	€122,328,838
TOTAL						**€122,328,838**

(i) figures in thousands of euros relating to the most recently approved financial statements at 31 December 2013.

C) Current assets

I. Receivables

Receivables total €14,995,182 and may be analysed as follows:

	Due within one year	Due after one year	Total
Tax receivables	5		5
Deferred tax assets	28,768		28,768
Receivables from others	14,966,409		14,966,409
Total	**14,995,182**	-	**14,995,182**

- tax receivables: these total €5 and relate entirely to the IRES tax receivable for the period;
- deferred tax assets: these total €28,768 and relate to deferred tax assets recognised during the period on the tax loss (€23,742) and on the independent auditors' fees (€5,026);
- receivables from others: these total €14,966,409 and mainly relate to uncollected dividends from the investee (€14,950,335) and payments on account to suppliers (€16,074).

IV. Liquid funds

This caption totals €408,755 and consists of liquid funds on current account no. 5488 held with Intesa SanPaolo at the reporting date.

The company's current accounts have been pledged to the lending banks.

LIABILITIES

B) Net equity

The €10,000 quota capital is fully paid-up.

As required by article 2427.1.4 of the Italian Civil Code, changes which took place in net equity items in the last three years are summarised below:

CHANGES IN NET EQUITY ITEMS

DURING THE PERIOD ENDED 31 DECEMBER 2013

	QUOTA CAPITAL	OTHER RESERVES	NET PROFIT FOR THE PERIOD	NET EQUITY
Company establishment on 14/11/2013	10,000			
Capital injections on 19/12/2013		92,066,498		
Net profit for 2013			14,600,496	
BALANCE AT 31 DECEMBER 2013	**10,000**	**92,066,498**	**14,600,496**	**106,676,994**

On 19 December 2013, the quotaholders injected F2i Reti Italia 2 with €92,066,498 to provide the company with the financial resources necessary to acquire an investment in 2i Rete Gas S.p.A., active in the gas distribution sector.

The following table shows net equity items classified by possible use and distributability, pursuant to article 2427.7-*bis* of the Italian Civil Code:

NET EQUITY ITEMS

CLASSIFIED BY POSSIBLE USE AND AVAILABILITY

	AMOUNT	POSSIBLE USE	AVAILABLE PORTION	USE IN THE PAST THREE YEARS	
				TO COVER LOSSES	OTHER
QUOTA CAPITAL	10,000				
EQUITY-RELATED RESERVES					
Quota premium reserve					
Revaluation reserve					
Capital injections	92,066,498	A, B	92,066,498		
INCOME-RELATED RESERVES					
Legal reserve					
Extraordinary reserve					
Unavailable reserve					
Retained earnings					
TOTAL	**92,076,498**		**92,066,498**		
Non-distributable portion					
Distributable portion			92,066,498		

KEY:

A: for quota capital increases B: to cover losses C: dividends

C) Provisions for risks and charges

This caption, totalling €205,567, includes the accrual for deferred tax liabilities of the period. Although these taxes are attributable to the period, they will only be due in future years.
The provision for deferred tax liabilities arises from the deferral, in compliance with tax legislation, of the dividend component which is recognised on an accruals basis and taxed on a cash basis.

UTILISATION OF AND ACCRUALS TO THE PROVISION FOR RISKS AND CHARGES	
Balance at 14/11/2013	**-**
accrual	205,567
Balance at 31/12/2013	**205,567**

D) Payables

Payables are measured at their nominal amount and may be analysed as follows:

	Due within one year	Due after one year	Due after five years	Total
Trade payables	43,210	-	-	43,210
Bank loans and borrowings	40	31,115,000	-	31,115,040
Tax payables	271,967	-	-	271,967
Total	**315,217**	**31,115,000**	**-**	**31,430,217**

"Payables", which include amounts due by the company, comprise the following items:

- trade payables: these total €43,210 and relate exclusively to invoices to be received for administrative services;
- bank loans and borrowings: these total €31,115,040; the portion due within one year refers to bank overdrafts on current accounts nos. 5486 and 5487 held with Intesa SanPaolo; the portion due after one year refers to the loan agreement entered into with the same bank to finance part of the acquisition of the investment in 2i Rete Gas S.p.A.. The loan was granted on 20 December 2013 by a banking syndicate with IMI acting as agent, it has a five-year term and bears interest at the six-month Euribor plus a 325 bp spread for a 3.655% all-in rate applicable from 20 December 2013 to 30 June 2014.

Specifically, the repayment plan based on the rating which will be obtained by F2i Reti Italia group is as follows:

- Repayment plan if the rating is equal to or above BBB-/Baa3:

Year	Cash sweep (percentage relating to available cash)
1	0%
2	0%
3	50%
4	85%
5	100%

- Repayment plan if the rating is below BBB-/Baa3:

Year	Cash sweep (percentage relating to available cash)
1	0%
2	45%
3	100%
4	100%
5	100%

The agreement establishes that the company can decide whether to pay quarterly, half-yearly or yearly interest with the consequent application of a three-, six- or twelve-month Euribor plus a spread based on the rating which will be obtained by F2i Reti Italia group. Specifically:

- The following differentials will apply if F2i Reti Italia group obtains an investment grade rating:

Year	interest rate
1	3/6/12 m Euribor +325 bp
2	3/6/12 m Euribor +375 bp
3	3/6/12 m Euribor +425 bp
4	3/6/12 m Euribor +550 bp
5	3/6/12 m Euribor +600 bp

- If F2 Reti Italia group obtains a sub-investment grade rating, the rate should increase by 75 bp compared to the investment grade interest rate.

On 17 December 2013, the company sent a selection notice to the bank confirming its decision to pay interest on a half-yearly basis and the first period thus ends on 30 June 2014; therefore, the interest rate applied is equal to the six-month Euribor plus a 325 bp spread for a 3.655% all-in rate.

The loan requires the company to comply with the following lock up covenants:

- F2i Reti Italia 2 group's net financial position to RAB ratio must be under 75% at 31 December 2013 and under 72% from 30 June 2014 to 20 December 2018;
- F2i Reti Italia group's net financial position to EBITDA ratio must be under 6.5x for the first and second year, under 6.3x for the third year and under 6.0x for the fourth and fifth year of the loan.

The loan also requires the company to comply with certain financial covenants to avoid its revocation. Specifically, F2i Reti Italia group's net financial position to RAB ratio must not be above 77% for the first three years and above 75% for the fourth and fifth year of the loan.

- Financial covenants

FRI group's NFP to RAB ratio =<

Year	covenant
1	77.0%
2	77.0%
3	77.0%
4	75.0%
5	75.0%

The aforesaid loan is secured by a pledge given by F2i quotaholders to the lending banks consisting of the company's entire quota capital worth a nominal €10,000.

The company's current accounts have also been pledged against the loan;

- tax payables: these total €271,967 and mainly relate to the Tobin tax (€269,123) due as a result of the acquisition of the investment in 2i Rete Gas S.p.A. on 20 December 2013 and duly paid on 16 January 2014 in compliance with the law.

COMMENTS ON PROFIT AND LOSS ACCOUNT CAPTIONS

The profit and loss account, which discloses costs and revenues recognised in accordance with the provisions of article 2425 of the Italian Civil Code, represents company operations and contains all the items making up the net profit for the period.

In addition to the information disclosed above, the most significant captions which have not been commented on so far are detailed below.

B) Production cost

Production cost incurred in 2013 consists of the following items:

	2013
Services	22,134
Amortisation of intangible fixed assets	82,164
Other operating costs	310
Total	**104,609**

Costs may be analysed as follow:

- services: these relate to costs incurred for independent auditors' fees (€18,276), tax and accounting advisory services (€3,050), bank charges (€281) and agency commissions (€527);
- amortisation of intangible fixed assets: this item relates to the amortisation of start-up costs (notary fees) and loan-related charges both amortised over five years.
- other operating costs: these amount to €310 and relate to the government concession tax.

C) Financial income and charges

Net financial income of €14,881,904 is given by the difference between income from dividends distributed by the investee (€14,950,335), interest income on bank accounts (€26) and financial charges for interest expense on outstanding loans (€68,457).

	2013
	Due within one year
Income from investments: - in other companies	14,950,335
Other financial income: - other income	26
Interest and other financial charges: - to others	(68,457)
Total	14,881,904

22) Income taxes

This caption comprises:

1) deferred tax income calculated on temporary differences deductible in future years. The temporary differences which led to the recognition of deferred tax assets, amounting to €28,768, relate to:
   - independent auditors' fees (€5,026);
   - the tax loss for the current period (€23,742).

2) deferred tax expense calculated on taxable temporary differences relating to dividends recognised on an accruals basis and taxed on a cash basis, amounting to €205,567.

In compliance with article 2427 of the Italian Civil Code, the following table gives a breakdown of deferred tax income and expense accrued during the period.

2013 DEFERRED TAX INCOME

	Amount	**Rate**	**Deferred tax income**
2013 tax loss	(86,333)	27.5%	(23,742)
Independent auditors' fees	(18,276)	27.5%	(5,026)
Total	**(104,609)**		**(28,768)**

2013 DEFERRED TAX EXPENSE

	Amount	**Rate**	**Deferred tax expense**
5% of uncollected dividends	747,517	27.5%	205,567
Total	**747,517**		**205,567**

The composition of income taxes for the period, recognised in the profit and loss account, is as follows:

1. Current taxes (-)	-
2. Change in deferred tax income (+/-)	(28,768)
3. Change in deferred tax expense (-/+)	205,567
4. Income taxes (-1 +/-2 -/+ 3)	(176,799)

Changes which took place in "deferred tax assets" during the period, recognised in the balance sheet under current assets, are analysed below:

DEFERRED TAX ASSETS	
1. Opening balance	-
2. Increases	28,768
2.1 Deferred tax assets which arose during the period	28,768
2.2 Other increases	-
3. Decreases	-
3.1 Deferred tax assets which were cancelled during the period	-
3.2 Other decreases	-
4. Closing balance	**28,768**

Deferred tax assets were recognised as it is reasonably certain that they will be recovered.

Changes which took place in "deferred tax liabilities" during the period, recognised in the provision for risks and charges under "Tax provision, including deferred tax liabilities", are analysed below:

DEFERRED TAX LIABILITIES	
1. Opening balance	-
2. Increases	205,567
2.1 Deferred tax liabilities which arose during the period	205,567
2.2 Other increases	-
3. Decreases	-
3.1 Deferred tax liabilities which were cancelled during the period	-
3.2 Other decreases	-
4. Closing balance	**205,567**

A reconciliation between the tax charge reported in the financial statements and theoretical tax charge is shown below:

RECONCILIATION BETWEEN THE TAX CHARGE REPORTED IN THE FINANCIAL STATEMENTS AND THE THEORETICAL TAX CHARGE (IRES)			
Pre-tax profit		**14,777,295**	
Theoretical tax charge (27.5% rate)			**4,063,756**
Temporary differences taxable in future years: • uncollected dividends	14,950,335		
Total		**(14,950,335)**	
Temporary differences deductible in future years: • independent auditors' fees	18,276		
Total		**18,276**	
Differences which will not reverse in future years: • non-deductible interest expense	68,431		
Total		**68,431**	
Taxable amount		**(86,334)**	
Current income taxes			-

RECONCILIATION BETWEEN THE TAX CHARGE REPORTED IN THE FINANCIAL STATEMENTS AND THE THEORETICAL TAX CHARGE (IRAP)		
Operating loss	(104,609)	
Costs which are not significant for IRAP purposes	(65,691)	
Total	**(170,300)**	
Theoretical tax charge (5.57% rate)		-
Taxable amount for IRAP purposes	(170,300)	
Current IRAP tax for the period		-

The IRAP rate applied is the higher rate set by the Lombardy Region for banks and other financial companies.

CASH FLOW STATEMENT

As recommended by OIC 12, a cash flow statement is set out below.

CASH FLOW STATEMENT	2013
Net operating loss	(104,608)
+ Amortisation/depreciation	82,164
GROSS OPERATING CASH FLOW	**(22,444)**
Income taxes for the period	176,799
NET OPERATING CASH FLOW	**(199,243)**
- Change in net operating working capital	14,662,228
+ Change in employees' leaving entitlement	-
+ Change in other provisions	205,567
FUNDS FROM OPERATIONS	**(14,655,904)**
- Purchase and sale of intangible and tangible fixed assets	410,821
+ Gains/losses on the sale of fixed assets	-
FREE OPERATING CASH FLOW	**(15,066,725)**
- Purchase and sale of financial assets	122,597,961
+ Financial income and charges	14,950,361
ORDINARY CASH FLOW	**(122,714,325)**
+ Extraordinary income and expense	-
CASH FLOW AVAILABLE FOR DEBT SERVICE	**(122,714,325)**
- Repayment of loans and borrowings	-
+ Raising of new loans and borrowings	31,115,040
- Financial charges	68,457
CASH FLOW AVAILABLE TO SERVICE EQUITY	**(91,667,742)**
- Profits and reserves distribution	-
- Capital repayments	-
+ Capital increases	92,076,498
CHANGE IN LIQUID FUNDS	**408,755**

OTHER INFORMATION

With reference to the information required by the accounting standards (OIC 12):

- no significant events occurred after the reporting date;
- no transactions were carried out with related parties during the period.

Furthermore, in accordance with the provisions of article 2427 of the Italian Civil Code, the company:

- did not carry out any foreign currency transactions during the period (article 2427.1.6-*bis* of the Italian Civil Code);
- has no employees (article 2427.15 of the Italian Civil Code);
- did not pay any directors' fees (article 2427.16 of the Italian Civil Code);
- did not enter into any off-balance sheet agreements (article 2427.22-ter of the Italian Civil Code);
- did not carry out any related party transactions (article 2427.22-bis of the Italian Civil Code) other than those described in the directors' report;
- approved an audit engagement against independent auditors' fees of €14,000 plus VAT and expenses.

Dear shareholders,
In the light of the above, we invite you to approve the financial statements as at and for the period ended 31 December 2013 which report a net profit for the period of €14,600,496 and to allocate it as proposed above.

The financial statements, consisting of a balance sheet, a profit and loss account and these notes, give a true and fair view of the company's financial position and results of operations and are consistent with the accounting records.

The chairman of the board of directors
Carlo Michelini

(signed on the original)

I, the undersigned legal representative of the company, state that this electronic document is consistent with that copied and signed in the company books.

STATUTORY AUDITORS 'REPORT ON THE FINANCIAL STATEMENTS AS OF December 31, 2013

To the Shareholders,

on 17 March 2014 the undersigned the Statutory Auditors was appointed to carry out the statutory audit assignment as well as KPMG Spa.

Considering that on May 7, 2014, the Board of Directors has approved the at 31 December 2013, the Board of Statutory Auditors proceeds to issue its report to the specified financial statements, even if the year under review was completed prior to their appointment.

We have therefore examined the Financial Statements of your Company for the year, from 14/11/2013 to 31/12/2013, the first year of the life of society, drafted by the directors and delivered to the statutory auditors on date May 7, 2014, renouncing to the term of art. 2429 of the Civil Code.

The examination of the balance sheet shows a positive operating result of € 14,600,496 and, in summary, the following values:

ASSETS	€	138.347.528
LIABILITIES (EXCLUDING NET EQUITY)	€	31.670.534
NET EQUITY (EXCLUDING NET PROFIT)	**€**	**92.076.498**
NET PROFIT (LOSS) FOR THE YEAR	€	14.600.496

Profit and Loss in summary:

PRODUCTION REVENUES	€	-
PRODUCTION COSTS	€	104.609
OPERATING LOSS (A-B)	**€**	**(104.609)**
FINANCIAL INCOME AND CHARGES	€	14.881.904
ADJUSMENTS TO FINANCIAL ASSETS	€	-
EXTRAORDINARY INCOME AND EXPENSES	€	-
PRE-TAX PROFIT	**€**	**14.777.295**
INCOME TAXES	€	176.799
NET PROFIT (LOSS) FOR THE YEAR	€	**14.600.496**

The financial statements comprise the Balance Sheet and the Income Statement, prepared in accordance with the schemes provided by art. 2424, 2424-bis, 2425 and 2425-bis of the Civil Code, as well as the Notes.

Please refer to these documents and to the Management report for any information not contained here.

The legal audit of the financial statements pursuant to art. 37 of Legislative Decree no. 27 January 2010 no. 39, was carried out by the independent auditors appointed by the shareholders on 17 March 2014.

The independent auditors issued on 13 May 2014 their report pursuant to Article 14 of Legislative Decree no. 27 January 2010 no. 39, in which they confirm that the financial statements give a true and fair view of the financial position and results of operations of your Company.

Pursuant to art. 2429 C.C.. the Board of Statutory Auditors has to report to the assembly on its findings and proposals regarding the financial statements and their approval, so as to put the Shareholders in a position to assess more thoroughly the financial statements prepared by the Directors.

From the day of appointment the Board of Statutory Auditors has :

- Checked the compliance with the law and articles of association and respect for the principles of correct administration, having particular regard to the adequacy of the organizational, administrative and accounting procedures adopted by the company and its effective activity;

- Participated to the shareholders' meetings and the meetings of the Board of Directors, held in compliance with statutory requirements, laws and regulations that govern the activity;

- No complaints have been received pursuant to art. 2408 of the Civil Code, nor exposed by a third party.

With reference to the financial statements we confirm that:

- The draft Financial Statements correspond to the books and accounting records, as well as to the facts and information of which we are aware due to the execution of our duties;

- With regard to form and content, the financial statements have been prepared in compliance with applicable regulations;

- The valuation of assets was carried out in compliance with the rules established by art. 2426 of the Civil Code;

- Receivables have been valued at their estimated realizable value;

- Debts are accounted for at the actual amount to be paid;

- Intangible assets, valued and accounted for at cost, have been systematically amortized taking into account their remaining useful life; during the year startup costs were capitalized for an amount equal to € 3,039;

- Financial assets, valued and accounted for at their cost of acquisition or subscription have not been written down because they have not suffered an impairment loss;

- To the best of our knowledge, the preparation of the draft financial statements showed no exception from the law pursuant to art. 2423, fourth paragraph of the Civil Code;

- The Balance Sheet and the Profit and Loss Account do not show values for the previous year as this is the first year of life of the Company;

The Board of Statutory Auditors during the year did not issue opinions in accordance with law.

Given the foregoing, the Board finds no impediment to the approval of the financial statements at 31 December 2013, and has no objections to make on the proposal of the Directors as to the result for the year.

Milan, May 13, 2014

The Board of Statutory Auditors

Dr. Massimo Rodolfo Mario Trotter (Chairman)

(signed on the original)

Dr. Marco Antonio Modesto Dell'Acqua (Auditor)

(signed on the original)

Dr. Roberto Poggiolini (Auditor)

(signed on the original)

Prot. N. 00000044/14A
F2I Reti Italia 2
06 GIU 2014

KPMG

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with article 14 of Legislative decree no. 39 of 27 January 2010

To the quotaholders of
F2i Reti Italia 2 S.r.l.

1 We have audited the financial statements of F2i Reti Italia 2 S.r.l. as at and for the period ended 31 December 2013. The company's directors are responsible for drawing up these financial statements in accordance with the Italian regulations governing their preparation. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

3 In our opinion, the financial statements of F2i Reti Italia 2 S.r.l. as at and for the period ended 31 December 2013 comply with the Italian regulations governing their preparation. Therefore, they are clearly stated and give a true and fair view of the financial position and results of operations of the company as at and for the period ended 31 December 2013.

4 The directors of F2i Reti Italia 2 S.r.l. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements to which it refers, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report is consistent with the financial statements of F2i Reti Italia 2 S.r.l. as at and for the period ended 31 December 2013.

Rome, 13 May 2014

KPMG S.p.A.

(signed on the original)

Renato Naschi
Director of Audit