F2i RETI ITALIA S.r.l.

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

2013 ANNUAL REPORT

Via San Prospero, 1 – 20121 Milan
Quota capital €3,100,000.00 fully paid-up
Milan company registration no. 1910484
VAT and tax code no. 06724610966

COMPANY BODIES

BOARD OF DIRECTORS

Chairman	Marco Ciabattoni
Director	Matteo Ambroggio
Director	Carlo Michelini
Director	Giuseppina Falappa
Director	Matias Sebastian Burghardt
Director	Stefano Mion

GENERAL MANAGER

Gianclaudio Neri

BOARD OF STATUTORY AUDITORS (*)

Chairman	Gian Luigi Gola
Standing statutory auditors	Giancarlo Fornaciari
	Roberto Poggiolini
Alternate statutory auditors	Ilaria Fornaciari
	Maurizio Giuseppe Grosso

(*) quotaholders' meeting of 18 June 2012

INDEPENDENT AUDITORS

KPMG S.p.A.

CONTENTS

DIRECTORS' REPORT

1 - General information

The company was established on 14 September 2009 and its business object is the acquisition and management of investments in 2i Rete Gas S.p.A.; it also carries out activities, directly in favour of 2i Rete Gas, aimed at enhancing the value of this investment.

1.1 – Company management

F2i Reti Italia is 75% owned by F2i Fondo Italiano per le Infrastrutture, managed by F2i SGR S.p.A., and 25% owned by Finavias S.a.r.l. (Axa group).
The company acquired 80% of the share capital of 2i Rete Gas S.p.A. from Enel Distribuzione S.p.A. on 30 September 2009.
The acquisition price was fixed at €515.7 million and paid in two instalments, the second of which on 28 December 2009, plus interest of €1.3 million for deferred payment between the first and second instalment.
The price was paid using the buyers' own funds (€370.7 million) and a vendor loan (€145 million), due in 2017 with an 8.25% annual interest rate, which Enel granted to F2i Reti Italia S.r.l..

In May 2011, Enel Distribuzione S.p.A. paid €4,615,277 to F2i Reti Italia S.r.l. as the price adjustment on the sale of the investment in 2i Rete Gas.
Enel Distribuzione had a call option for 80% of the share capital of 2i Rete Gas which could be exercised, if certain conditions were met, starting from 2014 (coinciding with the end of a five-year lock up period for both Enel Distribuzione and F2i Reti Italia S.r.l.) to 2018. This call option can no longer be exercised as Enel Distribuzione left 2i Rete Gas' shareholding structure on 20 December 2013.
The transaction was carried out so that F2i and Axa could contribute to the development of the energy distribution networks and networks in general, both in Italy and Europe, in order to develop the group's role as aggregator in a largely fragmented sector, aiming to strengthen its position as an independent operator and intensifying the new management's commitment to increasing operating efficiency and developing its role as aggregator in the sector.

In September 2011, the subsidiary 2i Rete Gas acquired the entire share capital of G6 Rete Gas S.p.A..
On 22 December 2011, 2i Rete Gas S.p.A. approved a capital increase of €257,722,786.96, through the issue of 46,353,016 new shares, including 37,134,746 class A shares and 9,218,270 class B shares, worth €5.56 each, including €0.48 as share capital and the residual amount as share premium.

On 18 January 2012, F2i Reti Italia S.r.l. exercised its option rights pursuant to article 2441 of the Italian Civil Code for 37,104,317 newly-issued class A shares and therefore paid its portion of the capital increase by contributing €17,810,072.16 as share capital and the residual €188,489,928 as share premium, respectively, by using the entire amount of the specific reserve set up by 2i Rete Gas for the future share capital increase carried out by F2i in favour of the latter on 28 September 2011. As a result of this transaction, F2i Reti Italia S.r.l.'s investment in 2i Rete Gas S.p.A. increased to 85.104%.

In their meeting held on 24 April 2013, the quotaholders of F2i Reti Italia S.r.l. approved the financial statements as at and for the year ended 31 December 2012 which reported a net profit for the year of €58,465,395 to be allocated as follows:

- €56,000,000 as dividends;
- €2,465,395 to "Retained earnings".

On 31 May 2013, received dividends from the subsidiary 2i Rete Gas arising on the 2012 financial statements worth €69,831,504.

On 7 June 2013, F2i Reti Italia distributed the following dividends to its quotaholders:

- €46,125,000 to F2i – Fondi Italiani per le Infrastrutture;
- €15,375,000 to Finavias Sàrl.

With this distribution, the company also settled the outstanding amount due to quotaholders for dividends to be distributed at 31 December 2012, amounting to €5,500,000.

On 17 June 2013, the company informed the Italian Inland Revenue that it had renewed the adoption of the tax consolidation system for the 2013-2015 three-year period.

On 15 July 2013, the company paid cash interest amounting to €6,116,511

On 20 November 2013, the company entered into a loan agreement with a banking syndicate formed by IMI (agent), Bank of America, BNP Paribas, Credit Agricole, Mediobanca, Unicredit and Bank of America Securities Limited, for a total amount of €210,000,000.

On 20 December 2013, the banking syndicate granted F2i Reti Italia a €178,885,000 loan, utilised on the same date to fully settle the vendor loan previously obtained from Enel S.p.A.. Specifically, the amount settled was equal to €176,533,812, including €145,000,000 as principal, €2,766,841.26 as cash interest accrued from 15 July 2013 to 20 December 2013 and €28,766,970.48 as PIK interest accrued from the inception of the loan in 2009 to 20 December 2013.

The vendor loan had been granted to F2i Reti Italia S.r.l. by Enel S.p.A. in September 2009. It was worth a total €145,000,000 and had an eight- or ten-year term from the date on which it was agreed depending on whether the postponement option was exercised, on which the beneficiary paid the following interest:

- 8.25% annual interest rate divided as follows:
    - 3.75% (cash interest), paid in annual instalments starting from 15 July 2010
    - 4.50% (PIK interest),

Reference should be made to section 1.3 for a more detailed description of the loan agreement.

Reference market

The Italian economic situation saw its downward trend reverse in the third quarter of 2013. Based on surveys and industrial output trends, GDP growth was just above zero in the fourth quarter thanks to exports and the change in supplies. The building sector (on which the development of the gas distribution network and new connections to the network itself depend) and gas consumption (on which both invoicing trends and the normal increase in the number of customers depend) remained under great strain for most of the year. According to Bank of Italy's economic bulletin issued in January 2014, in 2013, GDP dropped by a further 1.8% on the previous year average figure. However, there were signs of a modest economic recovery in 2013 and the prolonged deterioration of business confidence about the economic outlook came to an end.

The drop in gas gross domestic consumption already noticed during the first half of the year was confirmed at the end of 2013. The year-on-year decrease in relative terms stood at 6.5% (70,069 million cubic metres in December 2013 versus 74,915 million cubic metres at the end of the previous year).

In 2013, gas distribution interventions by the Italian Regulatory Authority for Electricity and Gas (AEEG) were mainly implemented on activities/targets already set out in 2012.

The Authority continued and completed its discussions (it held three discussions during the year, after the first one already held in 2012) to define the regulations for the new regulatory period starting from 2014. A parallel discussion process (with two discussions held in 2013, after the one held in 2012 and another one held between the end of 2012 and beginning of 2013) was followed to define the provisions governing the quality of gas distribution and metering services for the new regulatory period starting from 2014, together with the definition of tariff provisions.

The measures (resolutions 573/2013/R/gas and 574/2013/R/gas, respectively) establishing the tariff and service quality regulations for the next regulatory period (2014-2019) was approved in December, at the end of a long discussion process involving all the parties concerned. The term of the next regulatory period was extended from four to six years.

By approving the new tariff regulations effective from 1 January 2014, the Authority deferred a number of specific local tariff aspects to be defined in a subsequent measure which should be adopted, after further analyses and a discussion process, by March 2014. These tariff aspects will apply after local tenders have been called and include, inter alia, the definition of the criteria for recognising the difference between the residual industrial value (RIV) and Regulatory Asset Base (RAB) in the tariff.

The Authority also issued different measures integrating and amending the provisions governing the so-called "default service" on the distribution networks. Resolution 241/2013/R/gas (integrated by Resolution 533/2013/R/gas) establishes that this service will be assigned to one or more sales companies identified through a public tender procedure and no longer to the distribution company. However, the distribution company has been considerably empowered to suspend or interrupt the supply in case of non-payment and has been penalised in case of non-closure of the redelivery point, even if it is beyond its responsibility.

The Authority also adopted a number of measures implementing the rules set out in Ministerial decree no. 226/2011 on the tender criteria for the new assignment of local gas distribution services and relating to: the integration of the criteria for defining the lump-sum covering the tender charges and the format to be used by the contracting authorities for presenting any amendments to the tender notice and standard specifications. Furthermore, the framework service contract prepared by AEEG at the end of 2012 was approved by the Ministry for Economic Development with its decree of 5 February 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	**719,886,534**
Intangible fixed assets	1,990,894
Tangible fixed assets	-
Financial fixed assets:	717,895,640
- *Investments*	717,473,144
- *Financial receivables due after one year, securities, own quotas*	422,496
Trade receivables and other assets due after one year	-
CURRENT ASSETS	**113,589,709**
Inventory	-
Trade receivables and other assets due within one year	107,033,183
Financial assets due within one year	-
Liquid funds	6,556,526
TOTAL APPLICATION OF FUNDS	**833,476,243**
NET EQUITY	**639,982,223**
NON-CURRENT LIABILITIES	**181,338,078**
Provisions for risks and charges	1,182,536
Employees' leaving entitlement	12,970
Trade payables and other liabilities due after one year	1,257,572
Financial payables due after one year	178,885,000
CURRENT LIABILITIES	**12,155,942**
Bank loans and borrowings	40
Trade payables	327,697
Tax payables	10,350,465
Other liabilities	1,477,740
TOTAL SOURCE OF FUNDS	**833,476,243**

ADDED VALUE PROFIT AND LOSS ACCOUNT	2013
Turnover from sales and services	-
Change in products	-
Change in work in progress	-
Internal work capitalised	-
Other revenues	1,462,642
PRODUCTION REVENUES	**1,462,642**
Raw materials and consumables	-
Services	454,966
Use of third party assets	33
Change in materials	-
Other operating costs	7,154
ADDED VALUE	**1,000,489**
Personnel expenses	1,490,584
GROSS OPERATING LOSS	**(490,095)**
Provisions for employees	35,392
Amortisation of intangible fixed assets	509,065
Depreciation of tangible fixed assets	-
Write-downs	-
Provisions for risks and other provisions	-
NET OPERATING LOSS	**(1,034,552)**
Financial income	86,052,438
Financial charges other than bank charges	10,155,469
Adjustments to financial assets	-
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**74,862,417**
Financial charges	3,514,148
PROFIT BEFORE EXTRAORDINARY ITEMS	**71,348,269**
Net extraordinary expense	(51,946)
PRE-TAX PROFIT	**71,296,323**
Income taxes	(2,846,568)
NET PROFIT FOR THE YEAR	**74,142,891**

No turnover from sales and services is reported in the year just ended, which is the fifth since the company's establishment; therefore, the use of indicators is not very significant to express an opinion on the company's structure.

However, considering the company's "core" business, namely the holding of investments with evident financial implications, it may be useful to determine the ROE to measure management's ability to turn turnover, invested resources and invested capital into profit.

ROE (Return on equity) stands at 11.59%. This indicator measures the profitability of own funds or the rate of return on risk capital invested in the company's activities and is calculated as the ratio of net profit for the year to total net capital.

1.3 – Main risks and uncertainties

The company's main risk is attached to a €178,885,000 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 one manager.
It has a secondary office in Via Sardegna 40, Rome.
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.

1.5 – Environment and employees

No damage was caused to the environment during the year, therefore, the company was not held 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

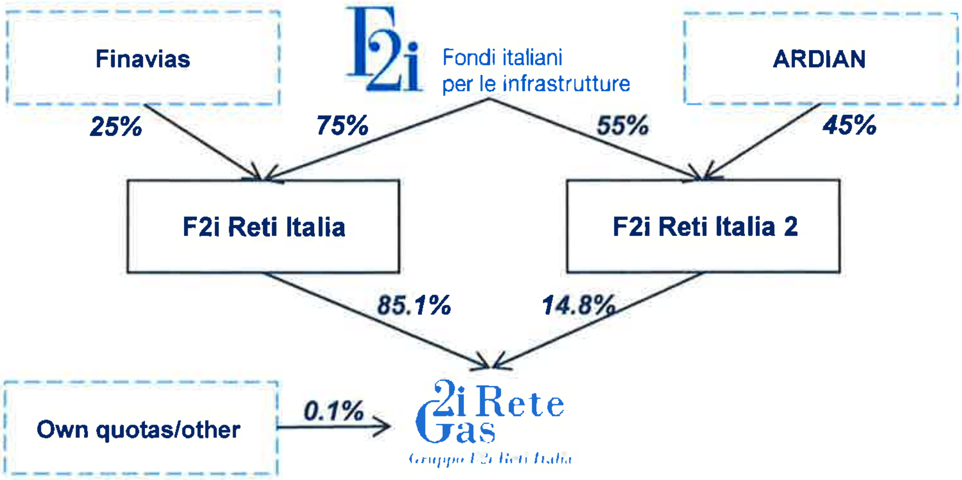
The company did not incur any research and development costs.

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 year, either directly or through trustees or third parties.

1.8 – Management and coordination

Following F2i Reti Italia S.r.l.'s acquisition of a controlling interest in 2i Rete Gas, the latter enrolled F2i Reti Italia S.r.l. in the special register of the relevant company register as the party which manages and coordinates the company, pursuant to article 2497 and subsequent articles of the Italian Civil Code.
F2i Reti Italia S.r.l. is not managed or coordinated by any other company.



1.9 – Related party and intragroup transactions

At 31 December 2013, the company had intragroup transactions related to the tax consolidation system formalised with its direct subsidiary 2i Rete Gas S.p.A. and the companies controlled by the latter.

It also has an agreement with 2i Rete Gas for recharging the fees and benefits approved for the position of managing director, held by the general manager of F2i Reti Italia S.r.l..

Lastly, there is a service agreement between F2i SGR S.p.A. and F2i Reti Italia S.r.l. for an annual amount of €54,000 plus VAT.

Related parties	2i Rete Gas S.p.A.	Gp Gas S.r.l.	Italcogim Trasporto S.r.l.	Italcogim Velino S.r.l.	F2i Sgr S.p.A.
Receivables	**100,561,520**	**10,911**	**-**	**-**	**-**
- trade receivables	*704,308*	-	-	-	-
- financial receivables	*86,002,619*	-	-	-	-
- receivables arising from the tax consolidation system	*13,854,592*	*10,911*	-	-	-
Payables	**1,257,572**	**-**	**8,748**	**23,021**	**16,470**
- trade payables	-	-	-	-	*16,470*
- financial payables	-	-	-	-	-
- payables arising from the tax consolidation system	*1,257,572*	-	*8,748*	*23,021*	-
Revenues	**87,465,260**	**-**	**-**	**-**	**-**
Costs	**-**	**-**	**-**	**-**	**65,475**

1.10 – Hedging transactions

Pursuant to the disclosure required by article 2428.2.6-*bis* of the Italian Civil Code, we confirm that the company did not carry out any hedging transactions during the year.

2 - Subsequent events

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

3 - Outlook

F2i Reti Italia 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 year

The net profit for the year ended 31 December 2013 amounts to €74,142,891.

5 - Other information

None.

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

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 year ended 31 December 2013 which report a net profit for the year of €74,142,891, together with the following dividend distribution proposal:

- the entire amount of the net profit for the year of €74,142,891;
- the entire amount of "retained earnings" of €3,629,631;
- part of the "quota premium" reserve amounting to €11,227,478;

for a total dividend amounting to €89,000,000.00.

F2i RETI ITALIA S.R.L.
General manager
Gianclaudio Neri

(signed on the original)

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

F2I RETI ITALIA S.r.l.

Registered office in Via San Prospero 1, Milan (MI)
Quota capital €3,100,000.00 fully paid-up
Milan company registration no. 1910484
VAT and tax code no. 06724610966

	31.12.2013	31.12.2012
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	2,336	11,342
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	1,988,558	
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	717,473,144	717,473,144
b) Associates		
c) Parents		
d) Other		
2) Financial receivables:		
a) From subsidiaries		
b) From associates		
c) From parents:		
d) From others:	422,496	402,172
3) Other securities		
4) Own quotas		
Total fixed assets (B)	**719,886,534**	**717,886,658**

	31.12.2013		31.12.2012	
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:				
due within one year				
due after one year				
2) From subsidiaries:		100,572,430		70,629,350
due within one year	100,572,430		70,629,350	
due after one year				
3) From associates:				
4) From parents:				
4-bis) Tax receivables:		1,257,572		4,946,114
due within one year			3,688,542	
due after one year	1,257,572		1,257,572	
4-ter) Deferred tax assets:		5,093,094		5,562,295
due within one year	5,093,094		5,562,295	
due after one year				
5) From others:		93,090		50,354
due within one year	93,090		50,354	
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		6,556,526		517,156
2) Cheques on hand				
3) Cash-in-hand and cash equivalents				
Total current assets (C)		**113,572,712**		**81,705,269**
D) PREPAYMENTS AND ACCRUED INCOME				
I) Prepayments and accrued income		16,997		
II) Discount on loans				
Total prepayments and accrued income (D)		**16,997**		**-**
TOTAL ASSETS		**833,476,243**		**799,591,927**

Balance sheet - LIABILITIES	31.12.2013		31.12.2012	
A) NET EQUITY:				
I Quota capital		3,100,000		3,100,000
II Quota premium reserve		362,794,261		362,794,261
III Revaluation reserves				
IV Legal reserve		620,000		620,000
V Statutory reserves				
VI Reserve for own quotas in portfolio				
VII Other reserves:				
- reserve from the sale of option rights		395,440		395,440
- capital injections		195,300,000		195,300,000
VIII Retained earnings		3,629,631		1,164,236
IX Net profit for the year		74,142,891		58,465,395
Total net equity (A)		**639,982,223**		**621,839,332**
B) PROVISIONS FOR RISKS AND CHARGES:				
1) Pension and similar provisions				
2) Tax provision, including deferred tax liabilities	1,182,536		960,183	
3) Other provisions				
Total provisions for risks and charges (B)		**1,182,536**		**960,183**
C) EMPLOYEES' LEAVING ENTITLEMENT:		**12,970**		**-**
D) PAYABLES:				
1) Bonds				
2) Convertible bonds				
3) Quotaholder loans				
4) Bank loans and borrowings:		178,885,040		15
due within one year	40		15	
due after one year	178,885,000			
5) Loans and borrowings from other financial backers:				169,374,277
due within one year			2,848,786	
due after one year			166,525,491	
6) Payments on account				
7) Trade payables:		327,697		176,444
due within one year	327,697		176,444	
due after one year				
8) Commercial paper				
9) Payables to subsidiaries:		1,289,341		1,266,379
due within one year	31,769		8,807	
due after one year	1,257,572		1,257,572	
10) Payables to associates				
11) Payables to parents				
12) Tax payables:		10,350,465		99,125
due within one year	10,350,465		99,125	
due after one year				
13) Social security charges payable:		37,417		
due within one year	37,417			
due after one year				
14) Other payables:		1,208,774		5,876,172
due within one year	1,208,774		5,876,172	
due after one year				
Total payables (D)		**192,098,734**		**176,792,412**
E) ACCRUED EXPENSES AND DEFERRED INCOME				
Accrued expenses and deferred income		199,780		
Premium on loans				
Total accrued expenses and deferred income (E)		**199,780**		**-**
TOTAL LIABILITIES		**833,476,243**		**799,591,927**

MEMORANDUM AND CONTINGENCY ACCOUNTS	31.12.2013	31.12.2012
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***		***2012***	
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:		1,462,642		1
5.1) Other revenues and income	1,462,642		1	
5.2) Grants related to income				
Total production revenues (A)		**1,462,642**		**1**
B) PRODUCTION COST				
6) Raw materials, consumables, supplies and goods				
7) Services		454,966		1,055,525
8) Use of third party assets		33		68
9) Personnel expenses:		1,525,976		
a) Wages and salaries	1,337,758			
b) Social security contributions	149,266			
c) Employees' leaving entitlement	35,392			
d) Pension and similar costs				
e) Other costs	3,560			
10) Amortisation, depreciation and write-downs:		509,065		11,342
a) Amortisation of intangible fixed assets	509,065		11,342	
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		7,154		2,420
Total production cost (B)		**2,497,194**		**1,069,355**

Operating loss (A-B)	**(1,034,552)**	**(1,069,354)**

		2013		2012
C) FINANCIAL INCOME AND CHARGES				
15) Income from investments:		86,002,619		69,831,504
15.1) In subsidiaries	86,002,619		69,831,504	
15.2) In associates				
15.3) In other companies				
16) Other financial income:		49,819		19,214
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	49,819		19,214	
17) Interest and other financial charges:		13,669,617		13,305,730
17.1) To subsidiaries				
17.2) To associates				
17.3) To parents				
17.4) To others	13,669,617		13,305,730	
17-bis Exchange rate gains/(losses)				
Net financial income (15+16-17+17-bis)		**72,382,821**		**56,544,988**
D) ADJUSTMENTS TO FINANCIAL ASSETS				
18) Write-backs				
19) Write-downs				
Total adjustments (18-19)		-		-
E) EXTRAORDINARY INCOME AND EXPENSE				
20) Income:		24		17,824
20.1) Gains on sale of assets				
20.2) Other income	24		17,824	
21) Expense:		51,970		10,843
21.1) Losses on sale of assets				
21.2) Taxes relative to prior years				
21.3) Other expense	51,970		10,843	
Net extraordinary income/(expense) (20-21)		**(51,946)**		**6,981**
Pre-tax profit (A-B+/-C+/-D+/-E)		**71,296,323**		**55,482,615**
22) Income taxes		(2,846,568)		(2,982,780)
22.1) Current taxes	-		-	
22.2) Deferred tax (income)	(1,259)		(29,840)	
22.3) Deferred tax expense	222,353		562,262	
22.4) Income and expense from adoption of the tax consolidation system	(3,067,662)		(3,515,202)	
23) Net profit for the year		**74,142,891**		**58,465,395**

F2i RETI ITALIA S.R.L.
General manager
Gianclaudio Neri

(signed on the original)

NOTES TO THE FINANCIAL STATEMENTS

CONTENT AND FORM

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.

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.

The company also prepared consolidated financial statements, which are presented together with its own financial statements.

permitted by article 2364.1 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 year ended 31 December 2013, in compliance with the principles laid down by article 2423.2/3 of the Italian Civil Code.

This document is drawn up in Euros, with no decimals.

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

ACCOUNTING POLICIES

The accounting policies applied to measure captions and recognise impairment losses comply with article 2426 of the Italian Civil Code, to which reference should be made.
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 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 year charged to the individual assets. If an impairment loss occurs, the asset is written down accordingly, regardless of the amortisation already recognised. If the reasons for the write-down no longer apply in future years, the asset is restated to its original value.

Financial fixed assets
This caption includes equity investments which, as a result of a decision made by the board of directors, are held as long-term investments aimed at controlling the investee, as provided for by article 2359 of the Italian Civil Code and OIC 20.II.1.
It includes equity investments in subsidiaries, measured at acquisition cost including any related charges, and adjusted in the event of impairment losses.

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

The tax provision includes deferred tax liabilities, i.e., those taxes which are attributable to the year but will only be due in future years. Their recognition arises from temporary differences between the carrying amount of liabilities and their tax base.

Employees' leaving entitlement

This provision includes the entire liability due to employees with the company at the reporting date in compliance with ruling legislation, collective labour contracts and supplementary company agreements.

Payables

Amounts due to third parties are measured at their nominal amount which is equal to their estimated settlement amount.

Memorandum and contingency accounts

Commitments with third parties are recognised at their contractual amount.

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 related to the provision of services. Dividends are recognised on an accruals basis, i.e., in the year when the subsidiary earned the relevant profit and not in the year when their distribution was approved.

Income taxes

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

- accruals for current taxes calculated on the basis of a realistic estimate of the tax charges to be paid as a result of ruling tax rates and regulations;
- deferred tax assets or liabilities in relation to temporary differences which arose or were cancelled during the year. Deferred tax assets are not recognised if it is not reasonably certain that they will be recovered in the future. Deferred tax liabilities are not recognised if the relevant payable is unlikely to arise;

- tax consolidation system: starting from 2013, the company adhered to the group regulation governing the application of the provisions on the Tax Consolidation System set out in article 117 and subsequent articles of the Consolidated Income Tax Act, together with the subsidiaries 2i Rete Gas, Italcogim Velino, Italcogim Trasporti and GP Gas. The adoption of the Tax Consolidation System has a three-year term (2013-2015). The key points of the above-mentioned group regulation are as follows: a) if, and to the extent that, during one of the tax periods in which the group taxation option is in force, one of the parties contributes excess interest expense and similar charges, pursuant to article 96.7 of the Consolidated Income Tax Act, this party will be entitled to be remunerated accordingly; b) if the subsidiary reports taxable income, net of tax losses as per article 84 of the Consolidated Income Tax Act, prior to the beginning of the tax consolidation system, the consolidated company will pay the consolidating company an amount equal to the related net tax due, calculated as if the tax consolidation system were not in place; c) if the subsidiary reports taxable losses during one or more tax periods in which the tax consolidation system is in place, the parent will pay the subsidiary an amount equal to 1) the taxes actually saved as a result of the utilisation of the tax losses thus earned or 2) the receivables due to the subsidiaries for the excess amounts transferred to the consolidating company pursuant to point b) above; d) if one of the parties transfers excess interest to the tax consolidation system, the consolidating company uses this excess to reduce its total income, within the limits allowed by law; e) in the event of point "d" above, the party which transferred the excess interest to the tax consolidation system will be compensated with an amount equal to 100% of the notional IRES tax calculated by applying the IRES tax rate ruling when the excess itself is utilised to the transferred excess.

COMMENTS ON BALANCE SHEET CAPTIONS

In addition to the figures disclosed in the financial statements as at and for the year ended 31 December 2013, further details are provided below on the composition of the various balance sheet and profit and loss account captions.

ASSETS

B) Fixed assets

I. Intangible fixed assets

Balance at 31.12.2013	€.	1,990,894
Balance at 31.12.2012	€.	11,342
Change	€.	1,979,552

"Intangible fixed assets" total €1,990,894 and refer to costs incurred to set up the company (€2,336) and charges related to the loan disbursed by Intesa SanPaolo (€1,988,558).
They are analysed in the following tables:

TOTAL CHANGES in INTANGIBLE FIXED ASSETS

	Balance at 01.01.2013	Increases	Decreases	Amortisation	Closing balance at 31.12.2013
Start-up and capital costs	11,342	2,920		(11,926)	2,336
Other		2,485,698		(497,140)	1,988,558
TOTAL	**11,342**	**2,488,618**	**-**	**(509,066)**	**1,990,894**

PREVIOUS REVALUATIONS, AMORTISATION AND WRITE-DOWNS. COMPOSITION of HISTORICAL COST AT THE BEGINNING OF THE YEAR

	Historical cost	Accumulated amortisation	Revaluations	Write-downs	Carrying amount
Start-up and capital costs	59,628	57,292			2,336
Other	2,485,698	497,140			1,988,558
TOTAL	**2,545,326**	**554,432**	**-**	**-**	**1,990,894**

This caption consists of costs incurred to set up the company which, in compliance with the provisions of article 2426 of the Italian Civil Code, are recognised with the approval of the board of statutory auditors. They are considered as start-up costs and amortised over five years.
Loan-related charges are amortised over five years pursuant to OIC 24, whereby these should be amortised over the term of the relevant loans using rates calculated preferably using the financial method, or on a straight-line basis, if the related effects do not differ significantly from the financial method.

III. Financial fixed assets

Balance at 31.12.2013	€.	717,895,640
Balance at 31.12.2012	€.	717,875,316
Change	€.	20,324

"Financial fixed assets", totalling €717,895,640, refer to the items established by article 2359.1 of the Italian Civil Code, namely, (i) the investment in the subsidiary 2i Rete Gas S.p.A., including €717,384,723 being the acquisition cost of the investment in "2i Rete Gas S.p.A.", while the residual amount of €88,421 refers to acquisition-related charges and (ii) "financial receivables from others" of €422,496 due after one year.

Pursuant to article 2427.1.5 of the Italian Civil Code, we provide the following information (figures at 31.12.2012):

	Registered office	Share capital	Net equity	Net profit for the year	Invest-ment %	Carrying amount
2i Rete Gas S.p.A.	Milan	€71,950	€838,184	€79,230	85.104%	€717,384,723
TOTAL						**€717,384,723**

The following table summarises the changes for the year in the acquisition cost of the investment in 2i Rete Gas S.p.A.:

	Opening balance at 01/01/2013	Increases	Decreases	Total carrying amount at 31/12/2013
2i Rete Gas S.p.A.	717,384,723		-	717,384,723

"Financial receivables from others", amounting to €422,496, refer to a loan granted to a company manager including interest accrued on the same.

On 30 October 2012, the company's board of directors approved a manager's application for a €400,000 loan, bearing interest at the 12-month Euribor (on a yearly basis from the date of issue) plus 450 bp due on 31 January 2021.

On 22 November 2012, the company granted the €400,000 loan to the applicant.

C) Current assets

I. Receivables

Balance at 31.12.2013	€.	107,016,186
Balance at 31.12.2012	€.	81,188,113
Change	€.	25,828,073

The following table provides a summary of 31 December 2013 balances and increases/decreases on the previous year:

	Balance at 31.12.2013	Balance at 31.12.2012	Change
From subsidiaries	100,572,430	70,629,350	29,943,080
Tax receivables	1,257,572	4,946,114	(3,688,542)
Deferred tax assets	5,093,094	5,562,295	(469,201)
From others	93,090	50,354	42,736
Total	**107,016,186**	**81,188,113**	**25,828,073**

Receivables total €107,016,187 and may be analysed as follows:

	Due within one year	Due after one year	Due after five years	Amount
From subsidiaries	100,572,430	-	-	100,572,430
Tax receivables	-	1,257,572	-	1,257,572
Deferred tax assets	5,093,094	-	-	5,093,094
From others	93,090	-	-	93,090
Total	**105,758,614**	**1,257,572**	**-**	**107,016,186**

This amount is comprised of the following items:

- receivables from subsidiaries: these amount to €100,572,430 and relate to receivables from investees arising from the adoption of the tax consolidation system (€13,865,503), receivables for dividends accrued but not yet collected (€86,002,619) and a trade receivable from 2i Rete Gas S.p.A. for the recharging of personnel expenses relating to the transfer of a manager's employment contract, net of the related credit notes to be issued (€704,308);
- tax receivables: these total €1,257,572 and relate entirely to IRES tax reimbursements for deductible IRAP taxes paid on personnel expenses by 2i Rete Gas;
- deferred tax assets: these total €5,093,094 and relate to deferred tax assets recognised on (i) 2010 and 2011 interest expense which may be carried forward (€4,884,853), (ii) unpaid 2010, 2012 and 2013 directors' fees (€200,252) and (iii) 2013 independent auditors' fees (€7,989);
- receivables from others: these amount to €93,090 and relate to advances paid to service providers (€92,535), advances to INAIL (the Italian labour insurance institution) (€105) and receivables from INPS (the Italian social security institution) for excess payments (€450).

IV. Liquid funds

Balance at 31.12.2013	€.	6,556,526
Balance at 31.12.2012	€.	517,156
Change	€.	6,039,370

This caption totals €6,556,526 and consists of liquid funds on current account no. 5485 held with Intesa SanPaolo at the reporting date.

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

D) Prepayments and accrued income

Balance at 31.12.2013	€.	16,997
Balance at 31.12.2012	€.	-
Change	€.	16,997

This caption, amounting to €16,997, mainly includes prepayments relating to agency commissions on the Intesa SanPaolo loan paid in advance by the company but attributable to the following year (€16,973).

LIABILITIES

A) Net equity

Balance at 31.12.2013	€.	639,982,223
Balance at 31.12.2012	€.	621,839,332
Change	€.	18,142,891

The €3,100,000 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

IN THE YEARS ENDED 31.12.2011, 31.12.2012 AND 31.12.2013

	QUOTA CAPITAL	QUOTA PREMIUM RESERVE	LEGAL RESERVE	OTHER RESERVES	RETAINED EARNINGS	NET PROFIT FOR THE YEAR	NET EQUITY
BALANCE AT 1 JANUARY 2011	3,100,000	369,215,000	620,000	-	1,164,236	65,677,905	439,777,141
DIVIDENDS DISTRIBUTION		(5,322,095)				(65,677,905)	(71,000,000)
CAPITAL INJECTION				195,300,000			195,300,000
NET PROFIT FOR 2011						25,601,356	25,601,356
BALANCE AT 31 DECEMBER 2011	**3,100,000**	**363,892,905**	**620,000**	**195,300,000**	**1,164,236**	**25,601,356**	**589,678,497**
BALANCE AT 1 JANUARY 2012	3,100,000	363,892,905	620,000	195,300,000	1,164,236	25,601,356	589,678,497
DIVIDENDS DISTRIBUTION		(1,098,644)				(25,601,356)	(26,700,000)
RESERVE FROM THE SALE OF OPTION RIGHTS				395,440			395,440
NET PROFIT FOR 2012						58,465,395	58,465,395
BALANCE AT 31 DECEMBER 2012	**3,100,000**	**362,794,261**	**620,000**	**195,695,440**	**1,164,236**	**58,465,395**	**621,839,332**
BALANCE AT 1 JANUARY 2013	3,100,000	362,794,261	620,000	195,695,440	1,164,236	58,465,395	621,839,332
DIVIDENDS DISTRIBUTION						(56,000,000)	(56,000,000)
INCREASE IN RETAINED EARNINGS					2,465,395	(2,465,395)	
NET PROFIT FOR 2013						74,142,891	74,142,891
BALANCE AT 31 DECEMBER 2013	**3,100,000**	**362,794,261**	**620,000**	**195,695,440**	**3,629,631**	**74,142,891**	**639,982,223**

The change in net equity at 31 December 2013 is due to the approval of the 2012 financial statements during the quotaholders' meeting of 24 April 2013, in which the quotaholders approved the following allocation of the net profit for the year:

- €56,000,000 as dividend distribution;
- €2,465,395 taken as an increase in "Retained earnings".

Furthermore, on 30 November 2012, the company recognised a "Reserve from the sale of option rights" amounting to €395,440 under Other reserves, relating to the general manager's payment for the financial instrument with profit participation rights.

The aforesaid transaction was approved by the company's board of directors on 30 October 2012 and relates to the assignment of a financial instrument with profit participation rights allowing the general manager to benefit from a potential increase in value of the company's investment in 2i Rete Gas, in relation to the internal rate of return (IRR) which will be achieved by the shareholders.

Specifically, the company granted an investment option, against consideration, which gives the investor the possibility of receiving a 3% stake in the company's share capital and which may be exercised if certain events take place, for example, the sale of a significant portion of the investment in 2i Rete Gas, its listing on the stock exchange, etc..

Moreover, the instrument also provides for:

- subject to the right to exercise the investment option, the assignment to the same option holder of an irrevocable and indivisible option to sell the general manager's entire stake to the shareholders, as well as the assignment to the shareholders of an irrevocable and indivisible option to acquire the same stake;

- in the event of a significant sale, the assignment to the general manager of an irrevocable option to sell the entire investment option to the shareholders, as well as the assignment to the shareholders of an irrevocable option to acquire the investor's entire investment option.

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	3,100,000				
EQUITY-RELATED RESERVES					
Quota premium reserve	362,794,261	A, B, C (*)	362,794,261		
Capital injections	195,300,000	A, B, C	195,300,000		
Reserve from the sale of option rights	395,440	A, B, C	395,440		
INCOME-RELATED RESERVES					
Legal reserve	620,000	B	620,000		
Retained earnings	3,629,631	A, B, C	3,629,631		
TOTAL	**565,839,332**		**562,739,332**	-	-
Non-distributable portion			620,000		
Distributable portion			562,119,332		

KEY:

A: for quota capital increases

B: to cover losses

C: dividends

(*) Quota premium reserve: with reference to the availability of the quota premium reserve, the Italian Civil Code (article 2431) establishes that amounts earned by the company from the issue of quotas above their nominal amount may not be distributed until the legal reserve has reached one fifth of the quota capital.

B) Provisions for risks and charges

Balance at 31.12.2013	€.	1,182,536
Balance at 31.12.2012	€.	960,183
Change	€.	222,353

This caption includes the accrual for deferred tax liabilities of the year. Although these taxes are attributable to the year, 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.

It reflects taxes calculated using expected average tax rates in force in the years in which the temporary differences, which generated the accrual, will be reabsorbed.

No dividends were recognised during the year, therefore the provision has a nil balance.

UTILISATION OF AND ACCRUALS TO THE PROVISION FOR RISKS AND CHARGES	
Balance at 31.12.2012	**960,183**
utilisation	960,183
adjustment	-
accrual	1,182,536
Balance at 31.12.2013	**1,182,536**

C) Employees' leaving entitlement

Balance at 31.12.2013	€.	12,970
Balance at 31.12.2012	€.	-
Change	€.	12,970

This caption consists of the payable for employees' leaving entitlement updated in accordance with the new criteria introduced by Legislative decree no. 252 of 5 December 2005 and the subsequent changes introduced by Law no. 296 of 27 December 2006.

UTILISATION OF AND ACCRUALS TO EMPLOYEES' LEAVING ENTITLEMENT	
Balance at 31.12.2012	**-**
accrual	35,391
portion transferred to PREVINDAI	(22,421)
Balance at 31.12.2013	**12,970**

D) Payables

Balance at 31.12.2013	€.	192,070,264
Balance at 31.12.2012	€.	176,792,412
Change	€.	15,277,852

The following table provides a summary of 31 December 2013 balances and increases/decreases of the year:

	Balance at 31.12.2013	**Balance at 31.12.2012**	**Change**
Bank loans and borrowings	178,885,040	15	178,885,025
Loans and borrowings from other financial backers	-	169,374,277	(169,374,277)
Trade payables	327,697	176,444	151,253
Payables to subsidiaries	1,289,341	1,266,379	22,962
Tax payables	10,350,465	99,125	10,251,340
Social security charges payable	37,417	-	37,417
Other payables	1,208,774	5,876,172	(4,667,398)
Total	**192,098,734**	**176,792,412**	**15,306,322**

Payables are measured at their nominal amount and analysed by due date as follows:

	Due within one year	Due after one year	Due after five years	Total
Bank loans and borrowings	40	178,885,000	-	178,885,040
Trade payables	327,697	-	-	327,697
Payables to subsidiaries	31,769	1,257,572	-	1,289,341
Tax payables	10,350,465	-	-	10,350,465
Social security charges payable	37,417	-	-	37,417
Other payables	1,208,774	-	-	1,208,774
Total	**11,956,162**	**180,142,572**	**-**	**192,098,734**

"Payables", which include amounts due by the company within and after one year, comprise the following items:

- bank loans and borrowings: these amount to €178,885,040; the portion due within one year refers to bank overdrafts on current accounts nos. 5483 and 5484 held with Intesa SanPaolo; the portion due after one year refers to the €178,885,000 five-year loan agreement entered into with the same bank on 20 November 2013; 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.

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

- F2i Reti Italia 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 €3,100,000.
The company's current accounts have also been pledged against the loan.

- trade payables: these total €327,697 and include payables for invoices yet to be received from service providers (€233,327), net of the relevant credit notes to be received (€5,250);
- payables to subsidiaries: these amount to €1,289,341; the portion due within one year (€31,769) relates to advances paid by the subsidiaries to the parent, which the latter passed on to the taxation authorities as a result of the tax consolidation system; the portion due

after one year (€1,257,572) relates to payables due to 2i Rete Gas for IRES tax reimbursements for deductible IRAP taxes paid by the subsidiary on personnel expenses;

- tax payables: these amount to €10,350,465 and relate to withholding taxes on consultancy fees (€18,665), withholding taxes on employee remuneration (€32,786), solidarity contributions (€7,438) and payables for the adoption of the tax consolidation system (€10,291,576);
- social security charges payables: these amount to €37,417 and relate to amounts due to INPS (€34,317), PREVINDAI (€3,000) and FASI (€100);
- other payables: these amount to €1,208,774 and relate to amounts due to employees for bonuses and holidays accrued but not yet taken. The decrease on 31 December 2012 is due to the payment of dividends to quotaholders approved on 7 June, amounting to €5,500,000.

E) Accrued expenses and deferred income

Balance at 31.12.2013	€.	199,780
Balance at 31.12.2012	€.	-
Change	€.	199,780

This caption, amounting to €199,780, consists of accrued interest expense on the Intesa SanPaolo loan.

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

A) Production revenues

2013 balance	€.	1,462,642
2012 balance	€.	1
Change	€.	1,462,641

Other revenues and income

These amount to €1,462,642 and relate to the recharging of fees recognised to Mr. Neri for the position of managing director at 2i Rete Gas S.p.A., which ended on 1 March 2013, amounting to €766,735 and the recharging of fees for the position of general manager held from the same date, amounting to €695,907.

B) Production cost

2013 balance	€.	2,497,194
2012 balance	€.	1,069,355
Change	€.	1,427,839

Production cost incurred during the year under examination consists of the following items:

	2013	2012
Services	454,966	1,055,525
Use of third party assets	33	68
Personnel expenses	1,525,976	
Amortisation of intangible fixed assets	509,065	11,342
Other operating costs	7,154	2,420
Total	**2,497,194**	**1,069,355**

Costs may be analysed as follow:

- services: these relate to costs incurred for (i) directors' fees (€56,729), including social security contributions, (ii) statutory auditors' fees (€169,298), (iii) independent auditors' fees (€29,050), (iv) professional, administrative and consultancy services required to manage the company (€198,973) and (v) banking services (€916);
- use of third party assets: these relate exclusively to internet domain fees;
- personnel expenses: these relate to costs incurred by the company for an employment contract starting from 1 March 2013. The item includes: (i) wages and salaries of €1,337,758, (ii) social security contributions of €149,266, (iii) employees' leaving entitlement of €35,392 and (iv) other costs of €3,560;

- amortisation of intangible fixed assets: this item relates to the amortisation of start-up costs (€11,926) and loan-related charges (€497,139), broken down as follows:

	Opening balance	Amortisation period	Amortisation charge
Start-up costs	59,628	five years	11,926
Other	2,485,698	five years	497,139
Total	**2,545,326**		**509,065**

- other operating costs: these comprise stamp duties (€2,235), the government concession tax (€516), chamber of commerce fees (€240), fines and penalties (€3,037) and other costs (€1,126).

C) Financial income and charges

2013 balance	€.	72,382,821
2012 balance	€.	56,544,988
Change	€.	15,837,833

This caption is analysed below:

	2013	2012
	Due within one year	Due within one year
Income from investments:		
- in subsidiaries	86,002,619	69,831,504
Other financial income:		
- other income	49,819	19,214
Interest and other financial charges:		
- to others	(13,669,617)	(13,305,730)
Total	**72,382,821**	**56,544,988**

"Income from investments", amounting to €86,002,619, relates to dividends from the subsidiary 2i Rete Gas S.p.A..

Financial income, disclosed under "Other income", amounts to €49,819 and relates to interest income accrued on bank accounts (€29,495) and on other receivables (€20,324).

"Interest and other financial charges" amount to €13,669,617 and relate to interest expense on the loan and other charges related to financial transactions, described as follows:

- €13.276,045 relating to the vendor loan fully settled on 20 December 2013, including €7,241,479.29 as PIK interest and €6,034,566 as cash interest at a 4.5% and 3.75% rate, respectively.
- €199,780 accrued on the loan granted by a banking syndicate on 20 December 2013, at a 3.655% interest rate from 20 December 2013 to 31 December 2013;
- €193,792 relating to the commitment fees included in the loan agreement entered into with Intesa SanPaolo.

E) Extraordinary income and expense

2013 balance	€.	(51,946)
2012 balance	€.	6,981
Change	€.	(58,927)

Net extraordinary expense, amounting to €51,946, is given by the difference between prior year income of €24 and non-deductible prior year expense of €51,970, accrued during the year.

22) Income taxes

2013 balance	€.	(2,846,568)
2012 balance	€.	(2,982,780)
Change	€.	136,212

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 €3,754,382, relate to:
   - unpaid directors' fees (€3,449),
   - non-deductible interest expense which may be carried forward in future years (€13,619,798),
   - independent auditors' fees (€29,050).

   This caption comprises the reversal of deferred tax income accrued on unpaid independent auditors' fees for 2012 *(€27,919)*.
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 €1,182,536.

   This caption comprises the reversal of deferred tax expense accrued on dividends collected in 2013, amounting to €960,183.

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 year:

2013 DEFERRED TAX INCOME

	Amount	Rate	Deferred tax income
Non-deductible interest expense	(13,619,798)	27.5%	(3,745,444)
Directors' fees	(3,449)	27.5%	(948)
Independent auditors' fees	(29,050)	27.5%	(7,989)
Total	**(13,652,297)**		**(3,754,382)**

REVERSAL **of 2013 DEFERRED TAX INCOME**

	Amount	Rate	Deferred tax income
Independent auditors' fees	27,919	27.5%	7,678
Total	**27,919**		**7,678**

2013 DEFERRED TAX EXPENSE

	Amount	Rate	Deferred tax expense
5% of uncollected dividends	4,300,131	27.5%	1,182,536
Total	**4,300,131**		**1,182,536**

REVERSAL **of 2013 DEFERRED TAX EXPENSE**

	Amount	Rate	Deferred tax expense
5% of collected dividends already recognised in future years on an accruals basis	(3,491,575)	27.5%	(960,183)
Total	**(3,491,575)**		**(960,183)**

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

1. Current taxes (-)	-
2. Change in deferred tax income (+/-)	3,068,921
3. Change in deferred tax expense (-/+)	(222,353)
4. Income taxes (-1 +/-2 -/+ 3)	(2,846,568)

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

DEFERRED TAX ASSETS	
1. Opening balance	**5,562,295**
2. Increases	9,019
2.1 Deferred tax assets which arose during the year	9,019
2.2 Other increases	-
3. Decreases	(478,220)
3.1 Deferred tax assets which were cancelled during the year	(7,678)
3.2 Other decreases	(470,542)
4. Closing balance	**5,093,094**

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 year, recognised in the provision for risks and charges under "Tax provision, including deferred tax liabilities", are analysed below:

DEFERRED TAX LIABILITIES	
1. Opening balance	**960,183**
2. Increases	1,182,536
2.1 Deferred tax liabilities which arose during the year	1,182,536
2.2 Other increases	-
3. Decreases	(960,183)
3.1 Deferred tax liabilities which were cancelled during the year	(960,183)
3.2 Other decreases	-
4. Closing balance	**1,182,536**

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		**71,296,323**	
Theoretical tax charge (27.5% rate)			**19,606,489**
Temporary differences taxable in future years:			
• uncollected dividends	86,002,619		
Total		**(86,002,619)**	
Temporary differences deductible in future years:			
• unpaid directors' fees	3,449		
• non-deductible interest expense	13,619,798		
• independent auditors' fees	29,050		
Total		**13,652,297**	
Reversal of temporary differences from previous years:			
• 5% of collected dividends	3,491,575		
• independent auditors' fees	(27,919)		
Total		**3,463,656**	
Differences which will not reverse in future years:			
• non-deductible prior year expense	55,007		
Total		**55,007**	
Taxable amount		**2,464,664**	
Current income taxes			**677,783**

RECONCILIATION BETWEEN THE TAX CHARGE REPORTED IN THE FINANCIAL STATEMENTS AND THE THEORETICAL TAX CHARGE (IRAP)		
Operating loss	(1,034,552)	
Costs which are not significant for IRAP purposes	1,582,705	
Total	**548,153**	
Theoretical tax charge (5.57% rate)		**30,532**
Temporary difference deductible in future years	(13,073,013)	
Deductions as per article 11.1.a) of Legislative decree no. 466	(150,657)	
Taxable amount for IRAP purposes	(12,675,518)	
Current IRAP tax for the year		**-**

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 in order to provide financial information which may not be obtained from the comparative balance sheet, even if it is matched to the profit and loss account.

CASH FLOW STATEMENT	2013	2012
Net operating loss	(1,034,552)	(1,069,354)
+ Amortisation/depreciation	509,065	11,342
GROSS OPERATING CASH FLOW	**(525,487)**	**(1,058,012)**
Income taxes for the year	(2,846,568)	(2,982,780)
NET OPERATING CASH FLOW	**2,321,081**	**1,924,768**
- Change in net operating working capital	(10,070,457)	(396,215)
+ Change in employees' leaving entitlement	12,970	-
+ Change in other provisions	222,353	562,262
FUNDS FROM OPERATIONS	**12,626,861**	**2,883,245**
- Purchase and sale of intangible and tangible fixed assets	2,488,616	-
+ Gains/losses on the sale of fixed assets	-	-
FREE OPERATING CASH FLOW	**10,138,245**	**2,883,245**
- Financial receivables for dividends	29,963,460	42,024,938
+ Financial income and charges	75,896,969	56,544,988
ORDINARY CASH FLOW	**56,071,754**	**17,403,295**
+ Extraordinary income and expense	(51,946)	6,981
CASH FLOW AVAILABLE FOR DEBT SERVICE	**56,019,808**	**17,410,276**
- Repayment of loans and borrowings	-	-
+ Raising of new loans and borrowings	9,533,710	3,197,570
- Financial charges	3,514,148	-
CASH FLOW AVAILABLE TO SERVICE EQUITY	**62,039,370**	**20,607,846**
- Profits and reserves distribution	56,000,000	21,200,000
- Capital repayments	-	703,204
+ Capital increases	-	-
CHANGE IN LIQUID FUNDS	**6,039,370**	**(1,295,358)**
LIQUID FUNDS - OPENING BALANCE	**517,156**	**1,812,514**
LIQUID FUNDS - CLOSING BALANCE	**6,556,526**	**517,156**

TAX CONSOLIDATION SYSTEM

In compliance with OIC Interpretation 2, we confirm that, on 17 June 2013, the company renewed the adoption of the tax consolidation system for the 2013-2015 three-year period, as consolidating company. The parties involved are listed below:

COMPANIES INVOLVED IN THE TAX CONSOLIDATION SYSTEM		
COMPANY	**NAME**	**TAX CODE NO.**
CONSOLIDATING PARTY	F2i Reti Italia S.r.l.	06724610966
CONSOLIDATED PARTY	2i Rete Gas S.p.A.	00736240151
CONSOLIDATED PARTY	Italcogim Velino S.r.l.	06162020967
CONSOLIDATED PARTY	Italcogim Trasporto S.r.l.	06474580963
CONSOLIDATED PARTY	GP Gas S.r.l.	07832770155

- Starting from 2013, the company adhered to the group regulation governing the application of the provisions on the Tax Consolidation System set out in article 117 and subsequent articles of the Consolidated Income Tax Act, together with the subsidiaries 2i Rete Gas, Italcogim Velino, Italcogim Trasporti and GP Gas. The adoption of the Tax Consolidation System has a three-year term (2013-2015) and it gives the company the possibility of taking advantage of the benefits provided for by law, including the possibility of offsetting the results achieved by the individual companies involved in the above-mentioned system against those achieved by the parent. The key points of the above-mentioned group regulation are as follows: a) if, and to the extent that, during one of the tax periods in which the group taxation option is in force, one of the parties contributes excess interest expense and similar charges, pursuant to article 96.7 of the Consolidated Income Tax Act, this party will be entitled to be remunerated accordingly; b) if the subsidiary reports taxable income, net of tax losses as per article 84 of the Consolidated Income Tax Act, prior to the beginning of the tax consolidation system, the consolidated company will pay the consolidating company an amount equal to the related net tax due, calculated as if the tax consolidation system were not in place; c) if the subsidiary reports taxable losses during one or more tax periods in which the tax consolidation system is in place, the parent will pay the subsidiary an amount equal to 1) the taxes actually saved as a result of the utilisation of the tax losses thus earned or 2) the receivables due to the subsidiaries for the excess amounts transferred to the consolidating company pursuant to point b) above; d) if one of the parties transfers excess interest to the tax consolidation system, the consolidating company uses this excess to reduce its total income, within the limits allowed by law; e) in the event of point "d" above, the party which transferred the excess interest to the tax consolidation system will be compensated with an amount equal to 100% of the notional IRES tax calculated by applying the IRES tax rate ruling when the excess itself is utilised to the transferred excess.

OTHER INFORMATION

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

- no significant events occurred after the reporting date;

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 year (article 2427.1.6-*bis* of the Italian Civil Code);
- has one employee (article 2427.15 of the Italian Civil Code);
- has a secondary office in Via Sardegna 40, Rome;
- paid directors' fees amounting to €56,730, including social security contributions of €667 (article 2427.16 of the Italian Civil Code);
- paid statutory auditors' fees amounting to €130,000 (article 2427.16 of the Italian Civil Code), net of expenses and VAT;
- has entrusted the legally-required audit for the 2013/2015 three-year period to the independent auditors KPMG against an annual fee of €22,000, plus expenses and VAT;
- did not enter into any off-balance sheet agreements during the year (article 2427.22-ter of the Italian Civil Code);
- carried out related party transactions on an arm's length basis mainly as a result of the tax consolidation system (art. 2427.22-*bis* of the Italian Civil Code), as summarised below:

Related parties	2i Rete Gas S.p.A.	Gp Gas S.r.l.	Italcogim Trasporto S.r.l.	Italcogim Velino S.r.l.	F2i Sgr S.p.A.
Receivables	**100,561,520**	**10,911**	-	-	-
- trade receivables	*704,308*	-	-	-	-
- financial receivables	*86,002,619*	-	-	-	-
- receivables arising from the tax consolidation system	*13,854,592*	*10,911*	-	-	-
Payables	**1,257,572**	-	**8,748**	**23,021**	**16,470**
- trade payables	-	-	-	-	*16,470*
- financial payables	-	-	-	-	-
- payables arising from the tax consolidation system	*1,257,572*	-	*8,748*	*23,021*	-
Revenues	**87,465,260**	-	-	-	-
Costs	-	-	-	-	**65,475**

ALLOCATION OF THE NET PROFIT FOR THE YEAR

Dear shareholders,

In the light of the above, I invite you to approve the financial statements as at and for the year ended 31 December 2013 which report a net profit for the year of €74,142,891, together with the following dividend distribution proposal:

- the entire amount of the net profit for the year of €74,142,891;
- the entire amount of "retained earnings" of €3,629,631;
- part of the "quota premium" reserve amounting to €11,227,478;

for a total dividend amounting to €89,000,000.00.

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.

F2i RETI ITALIA S.R.L.
General manager
Gianclaudio Neri

(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.

The XBRL file containing the balance sheet and profit and loss account is consistent with the relevant original documents filed with the company.

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

To the Shareholders,

We must remind to you that the Board of Statutory Auditors duties are related to the supervision ex art. 2403, paragraph 1 of the Civil Code concerning the observance of the law and the articles of association, the adequacy of the organizational, administrative and accounting structure of the Company, as well as respect of correct administration the principles.

As to the preparation of the Financial Statements, the Board of Statutory Auditors acknowledges that:

- The Financial Statements for 2013 have been prepared in accordance with the Civil Code as amended by Legislative Decree no. N.6/2003;

- the principles stated in art.2423 bis (financial statements preparation) and those in art. 2426 (evaluation criteria) of the Civil Code have been followed, interpreted and integrated by the accounting standards issued by the National Board of Accountants and Accounting Experts, as amended by the Italian Accounting Organization (OIC), and the documents issued directly by the OIC;

- the Balance Sheet and Income Statement schemes provided by the Civil Code under Articles. 2424 and 2425 have been used;

- the instructions relating to certain balance sheet items as required by art. 2424 bis of the Civil Code have been followed.

The Statutory Auditors have verified that the Board of Directors, during the drafting of the financial statements, did not depart from the rules of law pursuant to art. 2423, paragraph 4 and article. 2423-bis, paragraph 2, of the Italian Civil Code.

All documents were exhibited to the Board of Statutory Auditors in a timely manner as prescribed by the Civil Code art. 2429.

For the period under review - as prescribed by the first paragraph of art 2409 bis of the Civil Code - the independent auditors KPMG SpA have carried out the audit of the financial statements and the audit related to correct company bookkeeping and proper accounting of transactions in the accounting records.

That said, We hereby report you our actions and what we could observe in the course of the entire year 2013 and current year 2014 till the date of preparation of this report.

MONITORING ACTIVITY

As to our monitoring activity, we want to share the following.

In 2013 we participated in person or on video - audio conference to shareholders' meetings, to the meetings of the Board of Directors, and also to those held in the new year, 2014, which were held in accordance with the provisions of law, statutory and regulations that govern this activity.

For our activity we have held numerous board meetings and, from the tests we carried out, no facts or relevant items have been brought to our attention that require special highlight in this report.

During the board meetings held with the aforementioned independent auditors, at the company headquarters, and during the mutual exchange of data and information that has been implemented between the Board of Statutory Auditors and the aforementioned Independent Auditor, there have been no reported problems or significant events that have to be reported specifically in this report.

On the occasion of our participation in the meetings of corporate bodies we became aware of the general performance of the company and of the most significant transactions that have affected the reporting period.

The Board of Directors has taken its decisions in accordance with the law and the bylaws.

Such resolutions have been deemed no to be imprudent or risky and always aimed at the safeguard of company assets.

To the best of our knowledge, also the activities carried out in implementation of the resolutions of the Board of Directors have appeared to be consistent with the characteristics outlined above.

On the basis of information obtained in the course of the meetings of the Board of Directors we have no comments regarding the accounting system, its ability to correctly represent the company management and its actual functioning.

No charges were filed pursuant to art. 2408 of the Civil Code nor exposed by a third party. We have taken note of the activities undertaken by the Company, also with the help of representatives of the company.

EXAMINATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2013

The auditing of the line items that compose the financial statements as at December 31, 2013 is not our duty, while the Board of Statutory Auditors is held responsible for supervising the general preparation of the financial statements and compliance with the laws and regulations that govern the editing, to which the draft financial statements we examined comply.

The financial statements consist of the Balance Sheet, Income Statement and Notes; is accompanied by the Management Report and presents, in summary, the following results, expressed in euro:

ASSETS	Year 2013	Year 2012
A) Quota capital proceeds to be received		
B) Fixed Assets	719.886.534	717.886.658
C) Current Assets	113.572.712	40.812.797
D) Prepayment and accrued income		
Total Assets	**833.476.243**	**799.591.927**
LIABILITIES		
A) Net Equity	639.982.223	621.839.332
B) Provisions for risks and chrages	1.182.536	960.183
C) Employees' leaving entitlement		
D) Payables	192.098.734	176.792.412
C) Accrued expenses and deferred income		-
Total Liabilities	**833.476.243**	**799.591.927**
Memorandum and contingency accounts		

The operating result is confirmed by the comparison of the following evidence of the income statement:

Income Statement	Year 2013	Year 2012
A) Production Revenues	1.462.642	1
B) Production costs	2.497.194	-1.069.355
Operating Loss (A-B)	-1.034.552	-1.069.354
C) Financial income and charges	72.382.821	56.544.988
D) Adjusments to financial assets	-	-
E) Extraordinary income and expenses	-51.946	6.981
Pre-tax Profit	71.296.323	55.482.615
- Income Taxes	2.846.568	(2.982.780)
Net profit for the year	**74.142.891**	**58.465.395**

The Board of Directors, in the notes, explained the criteria used for the evaluation of assets and liabilities and has provided the information required by the laws and regulations in force, both on balance sheet and income statement, providing also every other information deemed necessary for a more comprehensive intelligibility of the financial statements.

The criteria adopted by the Board of Directors correspond to those applied in the previous year.
In particular, the Board of Statutory Auditors agrees with the inclusion of startup costs in the assets, pursuant to art. 2426 - Section 5 of the Civil Code.

The Board of Directors, in the Management report accompanying the financial statements, also illustrated the main events that characterized year 2013 by providing information on the organizational, economic and financial management, and on the steps taken to pursue the statutory purposes.

In our opinion, the financial statements as a whole have been drawn up clearly and give a true and fair view of assets and financial liabilities, results of operations of the Company for the year ended 31/12/2013, according to the rules governing the financial statements.

Therefore, the Board expresses a positive opinion towards the approval of the financial statements for the year ended 31/12/2013 and the related proposal for the allocation of the profit for the year.

Finally, we express our heartfelt gratitude for the attention demonstrated to us by all the staff with their cooperation and openness, demonstrated at every opportunity, that eased our work.

Rome, 13/05/2014

The Board of Statutory Auditors

Dr. Gian Luigi Gola

(signed on the original)

Dr. Roberto Poggiolini

(signed on the original)

Dr. Giancarlo Fornaciari

(signed on the original)

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Prot. N. 0000064/14,A
F2I Reti Italia
06 GIU 2014
MICHELINI - AMBROSI
FALSPPA - MESTA

(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 S.r.l.

1 We have audited the financial statements of F2i Reti Italia S.r.l. as at and for the year 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.

Reference should be made to the report dated 8 April 2013 for our opinion on the prior year financial statements, which included the corresponding figures presented for comparative purposes as required by the law.

3 In our opinion, the financial statements of F2i Reti Italia S.r.l. as at and for the year 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 year ended 31 December 2013.

4 The directors of F2i Reti Italia 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 S.r.l. as at and for the year ended 31 December 2013.

Rome, 13 May 2014

KPMG S.p.A.

(signed on the original)

Renato Naschi
Director of Audit