

ALTO GARDA SERVIZI SpA

Based in Via Ardaro, 27 – 38066 Riva del Garda
Resolved and Paid-in Share Capital Euro 23,234,016
Registration no. Companies Register of Trento – Tax ID – VAT
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Management and coordination of the Municipality of Riva del Garda
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Financial Statements
at 31.12.2014

18th FY

Board of Directors

Chairman

Floriano Migliorini

Proxy Director

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Fabrizio Veneri

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Andrea Mora

Board of Statutory Auditors

Chief Statutory Auditor

Michela Zambotti

Statutory Auditors

Luigino Di Fabio

Nicola Lenoci

Substitute Auditors

Augusto Betta

Rodolfo Marcolini

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REPORT ON OPERATIONS

Shareholders,

We hereby submit for your approval the financial statements for the year ended 31 December 2014 and the accompanying reports that the Board of Directors has prepared to illustrate the results achieved.

The Financial Statements at 31 December 2014 closed with a net profit of Euro 1,179,357 after amortisation, depreciation and allocations for Euro 1,531,408 and having allocated taxes for Euro 77,219.

This report is prepared in accordance with article 2428 Civil Code and according to the instructions of the National Council of Chartered Accountants and Accounting Experts and of the Italian Accounting Board to provide a true, balanced and comprehensive analysis of the company's situation and the performance and result of operations in accordance with the size and complexity of the business being examined.

1. COMPANY SITUATION

1.1 Structure and activities

Alto Garda Servizi SpA (hereinafter also "AGS" or "AGS SpA") operates in the territory of Alto Garda and performs its activities also through its investee companies of:

- electricity production;
- electricity and gas distribution;
- management of the integrated water cycle in the Municipality of Riva del Garda;
- management of public lighting;
- billing service for the Municipality of Arco (water bills);
- management of the water cycle in the Municipalities of Arco and Nago - Torbole;
- services to other companies of the Group, Shen SpA and Alto Garda Servizi Teleriscaldamento Spa, relating to administrative, financial, IT and technical services, all regulated by service contracts.

1.2 Economic, equity and financial situation: summary

1.2.1 Economic situation

(values in Euro thousands)

	2014	%	2013	%
production value	8,638	100.00	9,188	100.00
production cost	(4,130)	(47.81)	(4,311)	(46.92)
added value	4,508	52.19	4,877	53.08
personnel cost	(2,956)	(34.22)	(2,930)	(31.88)
gross operating margin	1,552	17.96	1,947	21.19
amortization, depreciation, write-d	(1,531)	(17.72)	(1,576)	(17.15)
net operating margin	21	0.24	371	4.04
financial operations	1,257	14.55	1,038	11.30
extraordinary operations	(22)	(0.25)	24	0.26
pre-tax result	1,256	14.54	1,434	15.60
taxes	(77)	(0.89)	(189)	(2.06)
net result	1,179	13.65	1,244	13.54

AGS SpA closed the year 2014 with a net result of Euro 1,179,357 compared to Euro 1,244,435 in the previous year.

The 2014 Income Statement shows a decrease both in terms of revenues and operating costs and overall, a net operating profit of Euro 350 thousand compared to the figure recorded in the previous year. This decline derives mainly from the decrease in connection fees, a reduction in the award of works, with particular reference to the public lighting sector and the decrease in revenues of the water service, due to weather conditions. There was also a decrease in services provided to subsidiaries due to the completion, compared to the previous year, of works in which they were engaged.

We point out that compared to the previous year, there was a decline in revenues from gas distribution, which was totally balanced by lower costs recognized under operating expenses and relating to the same sector, by virtue of the equalization mechanisms.

To better understand the results achieved by the Company, it may be useful to analyse the Income Statement through some indexes and margins. It is believed that the most significant are:

Index	Formula	2014	2013	Delta	Delta
ROE	Net Result / Equity	3.05%	3.24%	-0.19%	-0.42%
ROI	Operating Result / Total Assets	0.10%	1.66%	-1.56%	0.13%
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation	1,553,179	1,947,196	-394,017	118,383

ROE (Return On Equity) allows measuring the return for shareholders of the investment made in the Company. In 2014, the index recorded a value of 3.05%, a slight decrease compared to 2013 (3.24%). The -0.19% delta is attributable to the performance of the Net Result, as already previously described.

ROI (Return On Investment) allows measuring the return of investments made in the company's core business. In 2014, the index was 0.10%, down compared to the previous year, due to the performance of the net operating margin. The low value is a characteristic of distribution services which, in the face of major investments, do not have particularly high margins.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) corresponds to the operating result before depreciation, amortisation and write-downs and highlights the amount generated from operations, net of notional cost items. EBITDA in 2014, by virtue of the considerations mentioned in the first part of this paragraph, is down Euro 394 thousand with respect to as recorded in the previous year.

1.2.2 Balance Sheet

(values in Euro thousands)

	2014	%	2013	%
Fixed assets	43,896	85	38,123	84
Current assets	7,529	15	7,438	16
Invested Capital	51,425	100	45,561	100

	2014	%	2013	%
Shareholders' Equity	38,914	76	38,360	84
Minorities' capital	12,511	24	7,201	16
Financing Capital	51,425	100	45,561	100

AGS SpA has a solid and balanced financial situation.

Fixed assets account for 85% of total assets and are covered by shareholders' equity for 88.6%. Compared to 2013, fixed assets recorded an increase of Euro 5.8 million. This change is mainly related to the purchase of 36.64% of the subsidiary AGS T SpA.

Liabilities recorded a decrease in the Shareholders' equity incidence and a resulting increase in third-party capital, used to finance financial investments. As detailed in the notes, in July 2014, the company issued a bond loan with maturity in 2023 to support its investments.

To better understand the capital structure and the Company, it may be useful to analyse the figures through some indexes and margins:

Index	Formula	2014	2013
Debt and equity to asset	$(\text{Shareholders' Equity} + \text{Consolidated Liabilities}) / \text{Long-term Capital}$	105.3%	107.3%
Financial autonomy	$(\text{Current Financial Liabilities} + \text{Consolidated Financial Liabilities}) / \text{Shareholders' Equity}$	16.6%	2.9%
Loan rigidity	$\text{Fixed Capital} / \text{Total Assets}$	85.4%	83.7%
Inventory Turnover	$\text{Warehouse outgoing} / \text{Warehouse average value}$	1.20	0.86

AGS operates principally in distribution services (electricity and gas) and in the management of the integrated water cycle and is characterized by a significant amount of assets and equity. Therefore, to understand whether the Company's structure is balanced, it may be useful to analyse the consistency between the duration of assets and liabilities.

The debt and equity to asset ratio relates the sum of shareholders' equity and consolidated debt capital at year-end with the value of fixed assets at year-end. A value greater than 100% indicates that the Company has covered the fixed asset items with resources that have the same time horizon. AGS has an index of 105.3%.

The financial autonomy ratio relates the financial resources of third parties, both short and long-term (defined as exposure to banks and other financial institutions at year-end), with the shareholders' equity of the Company at year-end. The ratio should not be too high and in any case consistent with the cash flows, so as to avoid a situation of excessive exposure that would put the Company in difficulty to repay the debt capital. The index, which has a value of 16.6%, an increase compared to 2013 (2.9%) reflects the subscription of the bond in respect of the financial investments made.

The loan rigidity ratio relates long-term capital and total assets at year-end. The index allows understanding whether the structure of the Company is consistent with the type of business in which it operates, or whether it has anomalies. AGS has had a very similar value in 2014 (85.4%) and in 2013 (83.7%) and the figure is consistent with the type of business exercised by the Company, based on

long-term rather than working capital.

The inventory turnover index allows understanding the speed at which the material purchased is used. AGS has had a rotation value of 1.20 in 2014, up compared to 0.86 in 2013. Considering the type of activity that the Company carries out, which is linked to the need to always have a number of materials in stock for safety reasons, such rotation values are to be considered adequate.

1.2.3 Financial situation

The Company reported a worsening of its net financial position from Euro -1.098 million to Euro -6.338 million. It is highlighted that the change of Euro 5.240 million is mainly due to financial investments for Euro 5.807 million in 2014. Beyond the component "financial investments", the company is therefore able to generate cash and finance its investments through its activities.

The following are the changes in cash and cash equivalents.

A) INITIAL CASH FLOW	24
B) CASH FLOW FROM OPERATING ACTIVITIES	
Profit (loss) for the period	1,179
Amortisation and Depreciation	1,454
Net change in the employee severance indemnity (TFR)	25
Net change in provisions for risks and charges	(75)
Self-financing generated from operations	2,584
(Increase) Decrease in current receivables	(88)
(Increase) Decrease in other current and financial assets	2
Increase (Decrease) in payables to suppliers and others	214
Increase (Decrease) in other current liabilities	(131)
INCREASE (DECREASE) IN LIQUIDITY	(3)
T O T A L	2,581
C) CASH FLOW FROM INVESTMENT ACTIVITIES	
Investment in fixed assets:	
- intangible assets	(62)
- tangible assets	(1,394)
- financial assets	(5,807)
Price of sale or reimbursement of tangible and intangible assets	13
T O T A L	(7,250)
C) CASH FLOW FROM FINANCIAL ACTIVITIES	
Payment of dividends	(625)
Issue of bond loan	5,000
Use of bank credit	328
T O T A L	4,757

E) CASH FLOW FOR THE PERIOD (B+C+D)	88
F) FINAL NET CASH FLOW (A + E)	112

2. OPERATING PERFORMANCE

2.1 Macro-economic framework of the year

In 2014, world GDP grew, however slightly below expectations. A significant contribution was definitely from the United States, which is unexpected considering the US negative performance recorded at the beginning of the year: the revision of US GDP in the third quarter showed that the economy grew at the fastest rate of the past decade and this has prompted the White House to state that 2014 was the year of change for the United States. The US economy was driven by spending on consumption of durable goods and private investment as well as by government spending; moreover, the data on GDP, in addition to the decisions of the FED to delay the interest rate hike, have made financial markets euphoric.

The situation was different in Europe where, even in 2014, it was hard to find the way for a sharp recovery; low investment and high unemployment that characterized the area reflect the weakness in economic activity. In addition, Europe is still paying the limits of its governance, the differences between member states, the missed economic reforms and a deficit of trust in institutions.

As for Italy, 2014 ended in recession, the deficit/GDP ratio remained at 3%, however, resulting in several sacrifices for the country. During the year, however, there were the first signs of recovery in Italian household consumption, thanks to the government's policies and also to the low level of inflation and lower energy costs in the last period of the year.

2.1.1 Performance of the energy market in Italy

Electricity demand in Italy ¹

TWh	2014	2013	Changes %
Net production	267.6	277.4	-4.0%
Balance import/export	43.8	42.3	3.7%
Pumping consumption*	-2.3	-2.4	-4.2%
Total demand	309.1	317.3	-2.6%

Source: elaboration on 2013 official data and 2014 preliminary balance Terna and AU gross of network losses.

Notes: TWh = 1 billion kWh

* Pumping consumption: energy used by some hydroelectric plants to bring water from the lower to the upper basins during the less profitable hours so as to have it available during the more profitable hours.

¹ Terna Data

The gross electricity demand in Italy in 2014 amounted to 309 TWh (TWh = billion kWh), down 2.6% compared to the previous year. In 2014, net electricity production decreased by 9.8 TWh, due to the reduction of 8.2 TWh of electricity demand, the increase in the net import balance of 1.5 TWh and the decrease in pumping consumption of 0.1 TWh. Domestic production, net of pumping, covered 86% of demand, a slight decrease (-1%) compared to 2013.

With reference to the pricing scenario, at 31 December 2014, the average PUN TWA (Single National Price Time Weighted Average), stood at Euro 52.1 /MWh, a decrease of 17.3% compared to 2013 (Euro 63.0 /MWh).

The decrease in demand, the increase in net imports and renewable production with consequent significant reduction in thermal demand, are among the causes of the descent of the electricity price level on the domestic market. The past year was significantly influenced by the climate variable: temperatures not in line with seasonal averages have contributed to reducing fuel consumption.

Natural gas demand in Italy

Billion/mc	2014	2013	Changes %
Services and civil uses	25.6	30.5	-16.1%
Industrial uses	16.5	16.9	-2.4%
Thermoelectric uses	17.7	20.6	-14.1%
System consumption and losses	1.6	1.5	-6.7%
Total demand	61.4	69.5	-11.7%

Source: 2013 figures and 2014 preliminary figures Snam Rete Gas and the Ministry of Economic Development and Edison estimates

The annual consumption of natural gas in Italy in 2014 amounted to 61.4 billion cubic meters, a 11.7% decline compared to 2013. Demand has been declining steadily since 2009-2010, mainly due to the meltdown of consumption of the thermoelectric sector, coinciding with the increased penetration of the renewable sources in the country's electricity mix. Domestic production is also down.

This trend is mainly due to the civil sector (-4.9 billion cubic meters; -16.1% compared to 2013), due to the particularly mild temperatures in the winter months resulting in lower fuel consumption for heating. There was also a significant reduction in the thermoelectric segment (-2.9 billion cubic meters, -14.1% compared to the previous year), due to increased production from renewable sources, primarily hydroelectric and photovoltaic and to a decline in electricity demand in all months of the year even though more pronounced in the summer months, characterized by significantly milder temperatures in 2014.

Consumption in the industrial sector is stable (-2.4% compared to 2013).

2.1.2 Regulatory framework of reference: overview

Alto Garda Servizi SpA operates in the markets of electricity and gas distribution and water cycle management. This part of the report briefly analyses the regulatory interventions introduced in these sectors, so as to provide a more complete overview of events in the year and better understand the context in which the Company operates.

The electricity and gas distribution sectors are, in fact, heavily regulated and interventions (resolutions) of the Authority for Electricity and Gas and Water Service (AEEGSI) can affect both the revenue and cost structure of the Company, as well as influence the organizational structure, requiring organizational adjustments that involve no explicit costs but still affect profitability.

Water sector

For the water service, the various measures taken, both at national level and at the provincial level, have reaffirmed and strengthened the principle of the management of the water service for Optimal Territorial Areas (ATO). In our country, an agreement has not yet been reached between the Autonomous Province of Trento and the Council of Local Autonomies for the definition of the ATO, based on which the Municipalities are required to organize the water cycle.

The Province thus postponed the deadline for the definition thereof to 30 June 2016 and the related agreement with the Consortium of Municipalities.

Once the ATO have been approved, the service management will have to go to the Ambit Entities. The provincial legislation also provides that the management in place, which does not coincide with the optimal territorial area, and therefore the management of AGS SpA for the territory of the Municipality of Riva del Garda, may continue until 31/12/2016, i.e. until the deadline by which everything will pass to the new manager, the Ambit Entity.

Moreover, it is recalled that the Constitutional Court, with sentence of 19 May 2014, established that in the autonomous provinces of Trento and Bolzano, the powers regarding tasks and functions in relation to the water service are entitled to the Provinces themselves.

Natural gas

At the end of 2013, the AEEGSI approved the Consolidated Act (TU) for the fourth regulation period for natural gas distribution and metering services (2014-2019) concerning the quality of gas distribution and metering services and the tariff regulation. Said Consolidated Act will regulate the gas sector in the period of tenders for the entrustment of the distribution and metering service. Concerning the content of the Consolidated Act, there were no particular amendments compared to the previous regulatory period. The most significant aspect is the reduction of the value of the WACC (weighted average cost of capital) since it is related to the value of the BTP (Long-term Treasury Bill). This reduction results in a decrease in return on invested capital and therefore the constraint to revenues.

It is recalled that in 2012, with Resolution no. 73, the Provincial Council, in agreement with the Council of the Local Autonomies and after consultation with the companies operating in the gas distribution sector, defined a single Territorial Area for the performance of the natural gas distribution public service, represented by the entire provincial territory with the eventual addition of the Municipality of Bagolino (BS). This area will be the subject of tender.

At the end of 2012, with Provincial Law no. 25 of 27 December 2012 (article 34, paragraph 2), the Province of Trento established that the Provincial Agency for Water Resources and Energy (APRIE) will

conduct the function of contracting station responsible for the preparatory phase of the tender while the Provincial Agency for procurement and contract (APAC) will be the entity that will follow the conduct and awarding of the tender and the establishment of contractual deeds.

The PAT has extended the tender for entrustment of the service to early 2016 and has taken steps to quantify the amount of the one-time fee to cover the costs deriving from the conduct of the tender for the awarding of the gas distribution service in the single provincial ambit. In early 2015, the Company paid the amount required by the PAT as an advance and will be repaid, including interest, by the new concessionaire upon award of the service.

Therefore, considering the size of the area to be managed in the future and the significant resources needed, especially financial, in relation to the size of the Company, the definition of a single ambit determines the inability to participate independently in the tender for the award of the service.

To address this condition, the Company initiated a comparison with other provincial companies currently operating in gas distribution with the aim of sharing a common approach to the path for awarding of the gas distribution service that allows all existing operators to be ready and competitive in order to participate together in the tendering of the service.

To date, the scenarios that lie ahead for the Company are the following:

1. the comparison initiated has positive outcome: in this case, the Company will define with the partner companies the procedures to participate together in the tender for the award of the gas service in the Province of Trento.

This scenario may then result in two further sub-scenarios:

- a. the Company created from the partnership between AGS and other companies operating in the sector was awarded the tender for the entrustment of the service and in this case, the Company will have a shareholding in the Company concessionaire of the gas service in the Province of Trento;
 - b. the Company created from the partnership between AGS and other companies operating in the sectors was not awarded the tender for the entrustment of the service and in this case, the assets related to the gas distribution service must be sold to the winner. Based on current legislation that already covers the methods of compensation, this sale is expected to result in a gain.
2. the comparison initiated with companies operating in the sector has negative outcome: in this case, the Company will await the outcome of the tender for the awarding of the service, since it cannot participate independently, as explained previously. The Company will sell the assets relating to the gas distribution service to the winner of the tender. Based on current legislation (Ministerial Decree

22 May 2015 "Guidelines on application criteria and procedures for the evaluation of the reimbursement value of natural gas distribution systems") that already covers the method of compensation to outgoing managers, the sale is expected to result in a gain.

For the methane gas distribution service, even for the choices of the Public Entities of reference, no losses are expected from the sale of assets, regardless of the scenario. Consequently, the Board of Directors did not deem it appropriate to provide a write-down of assets relating to the gas and water cycle services and also decided to continue with the amortisation policies adopted to date and to maintain receivables for deferred tax assets accrued in previous years in the financial statements.

Electricity

Provincial plan for electricity distribution

In 2014, there were no new regulations with respect to the plan approved by the provincial council in 2013 that briefly reiterates as follows:

- the minimum territorial basin for the electricity distribution service is the single provincial ambit;
- the current managers, including AGS, will continue the distribution in the areas served until 31 December 2030;
- in order to rationalize the distribution service, it will be possible to transfer portions of SET networks to those who require it. The inverse situation is also possible;
- also with a view to rationalizing the distribution system and with the objective of single provincial ambit, grouping or aggregation of service managers is possible.

The distribution plan also requires electricity distributors operating in the Province as at 25 December 1999 to submit an application to the Province, through the Provincial Agency for Water Resources and Energy (APRIE), for the issue of the concession for electricity distribution activities.

The concession will be issued free of charge until 31 December 2030 after the positive outcome of the technical investigation carried out by APRIE. The issue of the concession is subject to the commitment by the distributor to comply with certain quality standards of service. The Province will have the right to carry out checks on compliance with commitments that the concessionaire undertakes by signing the agreement.

The Company is preparing the documentation required for the concession request. The first analysis of the requirements for issue of the concession does not reveal any impeding aspects. AGS is very attentive to this aspect and is committed to continuous improvement with the aim of overcoming the standards necessary for the maintenance of the concession.

2.2 Significant events in the period

We highlight that in July 2014, the company strengthened its financial investments by purchasing the entire shareholding in AGS T SpA, the company that manages the district heating service in the Municipality of Riva del Garda and previously owned 64.57%. This purchase was funded by the issuance of the bonds already mentioned.

In March 2014, AGS T Spa established the company Ledro Energia Srl. Said company provides for the construction and management of a high efficiency cogeneration plant (combined production of electricity and thermal energy) that will power a district heating network at the service of public and private users and a pellet production line for heating.

ISO 9001

In 2014, within the AGS Group was the development and implementation of the UNI ISO 9001 Certification System. The Company was subject to a three-year audit that ended with the renewal of the certification.

Model 231

Following the formalization of the Model 231 and protocols for prevention, in 2014 we proceeded with the program for monitoring and adaptation to regulatory amendments regarding predicate offence risk related to the activities carried out, by means of the company's internal Working Group.

FIA - Aqueduct Integrated File

In 2014, AGS SpA concluded the drafting of the "aqueduct integrated file" for the Municipality of Riva del Garda as required by P.G.U.A.P. (General Plan for the Use of Public Water), which was awarded in 2012.

The activity was structured in the cartographic mapping of the water network, reservoirs and springs and in the preparation of an aqueduct management plan as well as the definition of a multi-year action plan for the maintenance and development of networks. The documents were submitted to the Municipality of Riva del Garda.

In 2014, the company also received the assignment by the Municipality of Arco for the drafting of the L.I.A., i.e. the first document of the "aqueduct integrated file". The AGS technical staff thus proceeded with the cartographic mapping of part of its water network submitting the related documentation to the contracting entity. The 2015 activities regarding the Municipality of Arco envisage the realization by AGS of the second document, i.e. the PAC.

2.3 Summary of activities performed by business area

The year ended 31.12.2014 proposes a net profit of Euro 1,179,357.

The following is an overall analysis of the performance of operating costs and revenues, referring to the explanatory notes for further details.

Revenues

The production value indicated in the financial statements amounted to Euro 8.637 million compared to Euro 9,188 million in the previous year. The following tables show the changes that occurred within the various sectors and will be examined further in the following paragraphs.

values in Euro millions	2014	2013	difference %
electricity	4.1	4.2	-2.38%
methane Gas	2.4	2.5	-4.00%
water/sewage	1.5	1.6	-6.25%
Other revenues	0.6	0.9	-33.33%
Total	8.6	9.2	-6.52%

	2014 qty. distributed	2013 qty. distributed	difference %
GWh electricity	79.8	80.2	-0.50%
mcm methane gas	32.2	36.5	-11.78%
mcm drinking water	1.7	1.8	-7.31%

Electricity sector

In 2014, the energy that transited in the network decreased by 0.50% compared to the previous year. The turnover from distribution did not change compared to the previous year as the restriction to revenues is not based on the quantity of raw material distributed but on the investments made by the Company and on the number of users served. The decline in this sector is due to lower connection fees in 2014 compared to 2013.

Gas sector

In 2014, the demand for gas recorded a decrease of 11.78% compared to the previous year. Within this area, there was a similar decline in delivery revenues. We note that this item includes the

capitalizations made in 2014; compared to the previous year, the company replaced most of the meters to adapt to the regulations.

Water sector

In 2014, the quantities of the water sector recorded a decrease compared to the previous year. Lower consumption is due to the meteorological trends for 2014.

Other revenues

As for other revenues compared to 2013, there was a decline in income for non-routine maintenance of public lighting and for provisions to the subsidiaries.

Costs

With regard to production costs, their overall trend marks a decrease compared to 2013 from Euro 8.82 million to Euro 8.62 million (-2.27%).

Costs for the raw material, also considering the change in inventory, showed an increase of Euro 225 thousand. This change essentially reflects purchases that passed through the warehouse of the G16 meters installed during the year and thus recognized under revenues and the increase in fixed assets for internal work.

Costs for services amounted to Euro 2.436 million and were in line with 2013 (Euro 2.467 million). For details regarding the breakdown of this item, reference is made to the notes. As regards the costs of the Directors and Auditors, it is observed that the Board of Directors and the Board of Auditors adopted the recommendation made by the Municipality of Riva del Garda, the company's majority shareholder, and as of 1 July 2013 the emoluments were reduced.

Depreciation and amortisation costs were in line with the previous year, while we recorded a slight increase in write-downs (Euro +31 thousand).

Costs for rents and leases were in line with the previous year.

We highlight that the decline in other operating expenses that show a balance of Euro 444 thousand compared to Euro 812 thousand in the previous year mainly reflect the effect of the gas service equalization system. It is noted that this decline was offset by lower revenues in the gas sector.

There was a trend in personnel costs in line with the previous year and with contract renewals in the period.

2.4 Financial management

Overall, financial management shows a positive balance of Euro 1.257 million, an increase over the previous year (Euro 1.038 million).

Dividends from equity investments amounted to Euro 1.285 million compared to Euro 1.029 million in the previous year. This item includes a decrease in dividends from subsidiaries (Euro -100 thousand) more than offset by the performance of dividends from investee companies (Euro +356 thousand).

As regards the balance of interest income and expenses, we report a negative balance of Euro 27 thousand. The change compared to the previous year, which showed a positive balance of Euro 8 thousand, is the result of higher interest from investee companies (Euro +49 thousand) and higher financial expenses (Euro +86 thousand) deriving from the issue of the bond loan.

2.5 Investments

Investments made in 2014 amounted to Euro 1.456 million compared to Euro 1.150 million in the previous year. Investments are detailed in the following table and described by sector.

INVESTMENTS 2014

(values in Euro thousands)

	2014	2013	delta yoy	delta %
electricity service	910	705	205	29%
gas service	290	168	123	73%
water service	147	229	(82)	-36%
common services	109	48	61	126%
Total	1,456	1,150	306	27%

2.5.1 Electricity sector

Distribution is in the Municipalities of Riva del Garda, Nago-Torbole and, partially, in the Municipalities of Tenno and Arco (town of San Giorgio).

Investments made in the electricity sector in 2014 amounted to Euro 910 thousand, up compared to Euro 705 thousand in 2013.

In 2014, the Company continued activities to improve the electricity infrastructures through a series of work on medium and low voltage networks and stations. The key interventions on the network concerned the preparation of the rescue line in the Nago area and the moving of a station in the town of S. Giorgio.

Electricity network		2014	2013
Medium-voltage networks	km	96	96
Low-voltage networks	km	96	96
Total meters	no.	15,486	15,353

2.5.2 Methane gas sector

Distribution is performed in the Municipalities of Riva del Garda, Arco, Dro and Tenno. The investments made in the gas sector amounted to Euro 290 thousand, an increase compared to the amount invested in 2013 (Euro 168 thousand).

In the year, meters were installed in accordance with regulations in force.

Gas network		2014	2013
Medium-pressure networks	Km	33	33
Low-pressure networks	km	123	122
Total meters	no.	16,161	16,047

2.5.3 Aqueduct cycle sector

The service is carried out in the Municipalities of Riva del Garda, Arco and Nago-Torbole and also includes the management of the consortium aqueduct, which starts from the collection work Sass del Diaol in the Municipality of Dro and reaches the Cretaccio reservoir in the Municipality of Arco. In Riva del Garda, it concerns both the aqueduct and the management of the sewage system.

In 2014, resources were invested for Euro 147 thousand, down compared to Euro 229 thousand in 2013. The decline reflects extraordinary work in 2013.

Water network		2014	2013
Network extension	km	101	101
Total meters	no.	10,223	10,115

2.5.4 General investments

General investments amounted to Euro 109 thousand compared to Euro 48 thousand in the previous period and include the adaptation work of the HQ entrance and the purchase of a car.

2.6 Equity investments

The Company ensures it seizes every opportunity that allows it to be more and more involved in the Trentino System of managing network services, at all levels of the supply chain, so as to be able to create synergies and to better seize the opportunities that the market will have to offer.

In 2014, the equity investments of AGS SpA showed a balance of Euro 19.442 million compared to Euro 15.055 million in the previous year. The changes reflect the purchase of 100% ownership of AGS T and the conversion into shares of the convertible bond of Primiero Energia SpA. For a detailed description of the changes and figures regarding shareholders' equity and the result for the year of investee companies, reference is made to the Notes.

At 31 December 2014, the subsidiaries were:

- Alto Garda Servizi Teleriscaldamento SpA (AGS T Spa): controlled 100% manages the district heating service in the Municipality of Riva del Garda. For the year 2014, the company recorded a result of Euro 19 thousand (2013: Euro 414 thousand), the profit for the year was impacted by lower consumption due to the peculiar weather in 2014.

In turn, AGS T Spa holds 100% of Ledro Energia Srl, already previously mentioned and 20% of Alto Garda Power Srl.

- Shen SpA: controlled 100%, produces energy from renewable sources at the hydroelectric plant it owns on the Adda river in the Municipality of Maleo (Lodi). At 31 December 2014, the financial statements showed a profit of Euro 943 thousand compared to Euro 567 in the previous year. This result reflects the weather conditions in 2014; in fact, the heavy rains allowed an exceptional increase in production.

2.7 Information on risks and uncertainties

The Company is subject to risks and uncertainties related to the external environment, i.e. the context in which it operates. It is not subject to exchange rate risks as it does not operate in foreign currency.

The main risks identified are:

Legislative and regulatory risk

A source of risk is the ongoing change in the legislative and regulatory context of reference that has an impact on the functioning of the market, tariff plans, levels of service quality required and the technical and operational requirements. In this regard, the Company makes use of its structure for the analysis of regulations and relations with the AEEGSI.

Concession tender risk

The Company cannot avoid taking this risk as it is intrinsic to its activity. With regard to the tender for management of the gas distribution service, reference is made to as indicated in the report for a description of the company's activities.

Interest rate risk

Interest rate risk is closely monitored by the company, which has structured the debt with a time horizon consistent with its own cash flows. The company is subject to the risk of fluctuations that may occur in the evolution of interest rates. Interest rates, income and expense, including those on intercompany loans, are variable and therefore tied to market performance.

3. HUMAN RESOURCES

At 31 December 2014, AGS SpA had 49 employees.

The breakdown of personnel by category is as follows:

functional centre	C.C.N.L. applied	31-dic 2013	No. incoming	Employees outgoing	31-dic 2014
Managers	Managers	2	-	-	2
White collars	C.C.N.L.E.	26	1	1	26
Blue collars	C.C.N.L.E.	21	1	1	21
Totals		49	2	2	49
of which:					
- part-time		5	-	-	5

Labour costs in 2014 amounted to Euro 2.956 million, in line compared to Euro 2.930 million in 2013.

4. RESEARCH AND DEVELOPMENT

In 2014, research and development activities were not carried out. The company is using its know-how in the district heating and cogeneration sectors for the construction of a cogeneration plant powered by biomass located in the Municipality of Alto Garda.

5. RELATIONS WITH PARENT COMPANIES, ASSOCIATED COMPANIES AND SUBSIDIARIES

Relations with parent companies

The Municipality of Riva del Garda holds the majority shareholding of the company. Service contracts are in place with the Municipality which provide for the entrustment to Alto Garda Servizi SpA of the exclusive management of electricity and gas distribution services, of the water cycle and public lighting. There is also a lease contract for the property where the Company has its registered office. All relations with the parent body have been stipulated at current market values.

With regard to the provisions of the Memorandum of Understanding for the identification of measures to contain the expenses of the subsidiaries of local entities, an opinion is expected on the analysis of the document by Confservizi, which was appointed by all the companies operating in the sector.

Relations with subsidiaries and associated companies

The Group's administrative governance and technical management of plants are the responsibility of AGS SpA. Alto Garda Servizi Teleriscaldamento SpA, of which Alto Garda Servizi holds 100% of the share capital, carries out activities related to district heating and Shen SpA, also 100% owned, manages the production of hydroelectricity.

The Companies signed specific service contracts that economically and legally regulate the respective roles and responsibilities taking into account the current market values.

6. OTHER INFORMATION

6.1 Audit of the financial statements

The Financial Statements of AGS SpA are subject to statutory audit by Ria Grant Thornton Spa, based on the three-year assignment Legislative Decree 39/2010 conferred by the Shareholders' Meeting in 2014.

6.2 Treasury shares

As envisaged by article 2428 of the Civil Code, it is specified that at 31 December 2014, the company owns 20 treasury shares, all registered to Alto Garda Servizi SpA. At 31 December 2014, subsidiaries and associated companies did not hold shares of AGS SpA and did not purchase or sell such shares in 2014. In 2014, there were no issuances of dividend-bearing shares, bonds convertible into shares and other securities or similar instruments.

7. SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END AND BUSINESS OUTLOOK

On 27 January 2015, the Board of Directors of the company approved the draft merger by incorporation of AGS T SpA in AGS SpA. The merger, presumably finalized by June, is considered a "simplified" merger and will have accounting and tax effect as of 1st January 2015.

This transaction is aimed at achieving capital strengthening and important organizational, economic, administrative and financial benefits for the companies involved. The transaction is also in line with the guidelines set by the recent legislation regarding public investments and with the provisions of the 2015 state stability law and the related activation times.

The first months of 2015 showed performance in line with the same period of the previous year. By virtue of the continuing crisis that also involves the construction market, we confirm the forecast of the reduction in extraordinary, ancillary services, such as connections and services for third parties.

It is noted that with the publication of sentence no. 10 of 11 February 2015, the Constitutional Court declared the unconstitutionality of the Robin Hood Tax and, i.e. the additional IRES envisaged for the oil and energy sector and equal to 6.5%. However, the Supreme Court introduced the non-retroactive effect of the sentence and, therefore, the financial effects of this provision will occur in 2015.

8. LEGISLATIVE DECREE 196/03 PERSONAL DATA PROTECTION CODE

The Company adapted the personal data protection measures in accordance with and for the effects of the provisions of Legislative Decree 196/03. It also prepared the Security Policy Document, which is filed at the registered office.

9. PROPOSAL OF THE BOARD OF DIRECTORS TO SHAREHOLDERS

Shareholders,

The Company's financial statements for the year ended 31 December 2014 closed with a profit of Euro 1,179,357 - which is proposed to be allocated as follows:

- Euro 58,968 - to legal reserve;
- Euro 625,531 - to Shareholders as dividend, equal to Euro 1.40 per outstanding share;
- Euro 494,858 - to extraordinary reserve.

10. ACKNOWLEDGEMENTS

I would like to take this opportunity to express my heartfelt thanks to all employees of the Alto Garda Servizi Group for their commitment to the achievement of these positive results.

Riva del Garda, 21 May 2015

For the Board of Directors

The Chairman

Floriano Migliorini

FINANCIAL STATEMENTS AT 31.12.2014

BALANCE SHEET

INCOME STATEMENT

NOTES

ASSETS		Financial Statements at 31.12.2014		Financial Statements at 31.12.2013	
		partial amounts	total amounts	partial amounts	total amounts
A	Receivables from shareholders for contributions				
B	FIXED ASSETS				
I	Intangible assets				
1	Start-up and expansion costs		-		-
2	Research, development and advertising costs		-		-
3	Industrial patents and intellectual property rights		11,800		5,872
4	Concessions, licences, trademarks and similar rights		17,000		117,851
5	Goodwill		-		-
6	Assets in progress and advances		-		-
7	Others		59,200		21,014
	Total intangible assets		88,000		144,737
II	Tangible assets				
1	Land and buildings		4,026,889		4,047,914
2	Plants and machinery		16,059,118		16,089,294
3	Industrial and commercial equipment		1,823,886		1,708,305
4	Other assets		180,320		218,797
5	Assets in progress and advances		-		3,591
	Total tangible assets		22,090,213		22,067,900
III	Financial assets				
1	Investments in:				
a	Subsidiaries	9,015,369		4,677,884	
b	Associated companies	-		-	
d	Other companies	10,426,522		10,377,042	
	Total investments		19,441,890		15,054,926
2	Receivables				
a	Subsidiaries				
-	- due within one year	2,270,000		800,000	
-	- due beyond one year	-		-	
			2,270,000		800,000
d	Others				
-	- due within one year	-		-	
-	- due beyond one year	5,031		5,031	
			5,031		5,031
	Total receivables		2,275,031		805,031
3	Other securities		-		49,480
4	Treasury shares		1,300		1,300
	Total financial assets		21,718,221		15,910,736
	TOTAL FIXED ASSETS (B)		43,896,433		38,123,373
C	CURRENT ASSETS				
I	Inventories				
1	Raw and ancillary materials and consumables		465,492		496,705
	Total inventories		465,492		496,705
II	Receivables				
1	Customers				
-	- due within one year	3,490,922		3,597,743	
			3,490,922		3,597,743
2	Subsidiaries				
-	- due within one year	432,411		369,427	
-	- due beyond one year	-		-	
			432,411		369,427
3	Associated companies				
-	- due within one year	-		-	
-	- due beyond one year	-		-	
			-		-
4	Parent companies				
-	- due within one year	255,828		235,473	
-	- due beyond one year	-		-	
			255,828		235,473
4-bis	Tax receivables				
-	- due within one year	256,715		154,499	
-	- due beyond one year	-		-	
			256,715		154,499
4-ter	Deferred tax assets				
-	- due within one year	-		-	
-	- due beyond one year	1,659,153		1,611,342	
			1,659,153		1,611,342
5	Others				
-	- due within one year	848,375		938,370	
-	- due beyond one year	-		-	
			848,375		938,370
	Total receivables		6,943,403		6,906,854
III	Financial assets not held as fixed assets				
1	Investments in subsidiaries		-		-
6	Other securities		-		-
	Total financial assets		-		-
IV	Cash and cash equivalents				
1	Bank and postal deposits		110,534		23,348
3	Cash and cash equivalents		1,088		865
	Total cash and cash equivalents		111,622		24,213
	TOTAL CURRENT ASSETS (C)		7,520,517		7,427,772
D	ACCRUALS AND DEFERRALS				
1	Various	8,387		9,934	
	TOTAL ACCRUALS AND DEFERRALS (D)		8,387		9,934
	TOTAL ASSETS		51,425,338		45,561,079

LIABILITIES		Financial Statements at 31.12.2014		Financial Statements at 31.12.2013	
		partial amounts	total amounts	partial amounts	total amounts
A	SHAREHOLDERS' EQUITY				
I	Capital		23,234,016		23,234,016
II	Share premium reserves		2,937,747		2,937,747
III	Revaluation reserves		-		-
IV	Legal reserve		867,799		805,577
V	Statutory reserves		-		-
VI	Reserve for portfolio treasury shares		1,300		1,300
VII	Other reserves		10,693,436		10,136,726
	a extraordinary reserve	10,693,436		10,136,726	
	b future capital increase reserve	-		-	
VIII	Profits (losses) carried forward		-		-
IX	Profit (loss) for the year		1,179,357		1,244,435
	TOTAL SHAREHOLDERS' EQUITY (A)		38,913,655		38,359,801
B	PROVISIONS FOR RISKS AND CHARGES				
1	for pension and similar obligations		-		-
2	for taxes, including deferred		-		-
3	other risks provisions		46,417		121,417
			-		-
	TOTAL PROVISIONS FOR RISKS AND CHARGES (B)		46,417		121,417
C	EMPLOYEE SEVERANCE INDEMNITY (TFR) (C)		785,895		811,387
D	PAYABLES				
1	Bonds				
	- due within one year	-		-	
	- due beyond one year	5,000,000		-	
			5,000,000		-
2	Convertible bonds				
3	Payables to shareholders for loans				
4	Payables to banks				
	- due within one year	1,449,552		1,121,898	
	- due beyond one year	-		-	
			1,449,552		1,121,898
5	Payables to other lenders				
6	Advances				
7	Payables to suppliers				
	- due within one year	985,644		820,009	
	- due beyond one year	-		-	
			985,644		820,009
8	Payables represented by securities				
9	Payables to subsidiaries				
	- due within one year	8,459		3,633	
	- due beyond one year	-		-	
			8,459		3,633
10	Payables to associated companies				
	- due within one year	-		-	
	- due beyond one year	-		-	
			-		-
11	Payables to parent companies				
	- due within one year	780,640		838,216	
	- due beyond one year	-		-	
			780,640		838,216
12	Tax payables				
	- due within one year	155,029		98,829	
	- due beyond one year	-		-	
			155,029		98,829
13	Payables to pension and social security institutions				
	- due within one year	220,312		218,789	
	- due beyond one year	-		-	
			220,312		218,789
14	Other payables				
	- due within one year	1,359,233		1,315,766	
	- due beyond one year	-		-	
			1,359,233		1,315,766
	TOTAL PAYABLES (D)		9,958,870		4,417,140
E	ACCRUALS AND DEFERRALS				
	- within one year	130,832		130,832	
	- beyond one year	1,589,669		1,720,502	
	TOTAL ACCRUALS AND DEFERRALS (E)		1,720,501		1,851,334
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		51,425,338		45,561,079
	Memorandum accounts				
1	Guarantees provided		15,723,006		21,488,056

INCOME STATEMENT		FY 2014		FY 2013	
A	PRODUCTION VALUE	partial	total	partial	total
1	Revenues from sales and services		6,363,580		6,944,725
4	Increases in fixed assets for internal work		739,378		546,916
5	Other revenues and income				
a	sundry	1,534,675		1,696,644	
	Total other revenues and income		1,534,675		1,696,644
	TOTAL PRODUCTION VALUE (A)		8,637,634		9,188,285
B	PRODUCTION COSTS				
6	For raw and ancillary materials, consumables and goods		(858,714)		(675,824)
7	For services		(2,435,635)		(2,467,464)
8	For rents and leases		(359,641)		(367,248)
9	For personnel				
a	wages and salaries	(2,074,536)		(2,052,338)	
b	social security costs	(677,452)		(664,195)	
c	employee severance indemnity (TFR)	(138,109)		(140,278)	
e	other costs	(65,510)		(72,754)	
	Total personnel costs		(2,955,606)		(2,929,565)
10	Depreciation, amortization and write-downs				
a	amortization of intangible assets	(117,824)		(133,224)	
b	depreciation of tangible assets	(1,336,505)		(1,326,053)	
c	other write-downs of fixed assets	-		-	
d	write-downs of receivables included in current assets and cash and cash equivalents	(77,080)		(41,449)	
	Total amortization, depreciation and write-downs		(1,531,408)		(1,500,726)
	Change in inventories of raw and ancillary materials, consumables and goods		(31,213)		10,543
11	Allocations for risks		-		-
12	Other allocations		-		(75,000)
13	Other operating expenses		(443,646)		(811,529)
14	TOTAL PRODUCTION COSTS (B)		(8,615,863)		(8,816,815)
	DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A - B)		21,771		371,470
C	FINANCIAL INCOME AND EXPENSES				
15	Income from equity investments				
a	from subsidiaries	100,000		200,000	
c	others	1,185,336		829,259	
	Total income from investments		1,285,336		1,029,259
16	Other financial income				
a	from receivables classified as fixed assets				
3	- from parent companies	-		-	
4	- others				
	Total financial income from receivables classified as fixed assets		-		-
b	from securities classified as fixed assets not classified as investments		-		-
c	from securities classified as current assets not classified as investments		-		-
1	- from subsidiaries				
d	other income				
1	- from subsidiaries	66,921		21,348	
4	- others	4,879		1,500	
	Total other financial income		71,799		22,848
17	Interest and other financial expenses				
d	others	(99,743)		(14,037)	
	Total interest and other financial expenses		(99,743)		(14,037)
7-bis	Exchange rate gains and losses		-		-
	TOTAL FINANCIAL INCOME AND EXPENSES (15+16+17+7bis)		1,257,393		1,038,069
D	WRITE-DOWNS OF FINANCIAL ASSETS				
	TOTAL WRITE-DOWNS OF FINANCIAL ASSETS (18+19)		-		-
E	EXTRAORDINARY INCOME AND EXPENSES				
20	Extraordinary income				
b	contingent assets/extraordinary liabilities	4,566		35,435	
d	others				
	Total extraordinary income		4,566		35,435
21	Extraordinary expenses				
a	losses on disposals	-		-	
b	contingent liabilities/extraordinary assets	(27,154)		(11,120)	
c	income taxes related to previous years	-		-	
d	others	-		-	
	Total extraordinary expenses		(27,154)		(11,120)
	TOTAL EXTRAORDINARY INCOME AND EXPENSES (20+21)		(22,588)		24,315
	PRE-TAX PROFIT (A+B+C+D+E)		1,256,576		1,433,855
22	Income taxes for the year				
	- current	(125,030)		(268,142)	
	- deferred	47,811		78,722	
	Total income tax expense for the year		(77,219)		(189,420)
23	RESULT FOR THE YEAR		1,179,357		1,244,435

ACCOUNTING STANDARDS AND VALUATION CRITERIA

NOTES

PREPARATION CRITERIA

The Financial Statements at 31 December 2014, prepared in accordance with article 2423 *et seq* of the Civil Code, of which these Notes form an integral part in accordance with article 2427 and the applicable provisions, provide a true and fair view of the equity and financial position of the company and the economic result.

The accounting standards used are in line with those issued by the OIC (Italian Accounting Board) and are the same used by other companies of the Alto Garda Servizi Group.

VALUATION CRITERIA

In preparing the financial statements, respect was ensured for the general principles of management prudence, accrual and economic competence and business continuity perspective.

The valuation criteria are consistent with those used for the preparation of the financial statements of the previous year.

Profits were included only if realized by year-end, while account was taken of the risks and losses, even if recognized after year-end.

The items indicated in these financial statements are expressed in Euro.

The classifications of the items of the Financial Statements at 31 December 2014 are consistent with those of the previous year, with the exception of some income statement items commented below.

The Board of Directors, in drafting the financial statements, did not derogate from the rules of law pursuant to article 2423, paragraph four, Civil Code.

In particular, the following are the most significant standards and criteria:

Intangible assets

They are recognized at acquisition cost including any ancillary expenses, net of accumulated amortisation and depreciation.

The recognition of said expenses under assets is for those provided by law, with the consent of the Board of Auditors.

Depreciation and amortisation is on the basis of their economic life and therefore the period of time during which the costs in question show their usefulness.

Start-up and expansion costs and research and development costs are amortized over the estimated useful life not exceeding five years.

Costs for the application software under permanent license and for the related implementation are capitalized and amortized over three years.

Concession costs refer to the investment incurred for the acquisition of application software licenses, related both to the corporate information system and to the network of personal computers. The amortisation of these expenses is over five years.

Costs incurred for improvements and gains on assets under concession or lease are capitalized and recognized under "Intangible assets" if they cannot be separated from assets or under "Tangible assets" in the specific category of belonging. The amortisation of said costs is made in the shorter of the useful life of the costs incurred and the residual period of the lease or concession.

Tangible assets

They are recognized at the value of transfer in 1998 by the former Municipal AMSEA, at the cost of purchase or production, including any directly attributable ancillary expenses.

The amount shown in the Balance Sheet is calculated by deducting accumulated amortisation and depreciation from the value defined above.

If incurred, routine maintenance expenses were recognized in the income statement, excluding those of an extraordinary nature that increase the production capacity and the useful life of the asset, in which case they are capitalized and amortized at the applicable rate.

Depreciation is calculated with reference to the cost, based on economic-technical rates determined in relation to the estimated useful life of assets and their residual useful life. Depreciation rates reflect the actual degree of deterioration of the same.

The hourly cost of capitalized labour is the ratio between the cost incurred for the direct labour and the average number of hours worked during the year.

Financial assets

Equity investments are recognized and valued according to the purchase method. The cost is reduced if the investee companies recorded impairment losses and profits sufficient to eliminate the reasons for the loss are therefore not expected in the near future. If the reasons that had led, in previous years, to the reduction of the carrying value of the investee companies could be regarded as superseded, as a consequence of positive results recorded in the meantime, the value of the investments would be subsequently recovered up to the amount of the purchase cost.

Inventories

Inventories of ancillary supplies and consumables are valued according to the weighted average cost method. Inventories of obsolete or slow-moving items are written down, taking into account the future possibility of use or sale, from appropriate obsolescence provision.

Receivables

Receivables are recognized at their estimated realizable value. Receivables include invoices to be issued related to provisions for the year ended 31 December 2014.

Provisions for risks and charges

They are set aside to cover determined losses or liabilities that are certain or probable, however for which the amount or date of occurrence at year-end cannot be determined precisely.

The allocations reflect the best possible estimate based on the information available.

Risks for which the emergence of a liability is only possible, did not generate any allocations to the provision for risks and charges and are indicated in the notes of the provisions.

Employee severance indemnity (TFR)

The amount of the employee severance provision was adjusted in accordance with the law and current CCNL (national collective bargaining agreement).

Payables

Payables are recognized in the financial statements at the nominal value.

Accruals and deferrals

The accrual principle is achieved by means of the entries of accrued and deferred assets and liabilities.

Risks, commitments and guarantees

Risks, commitments and guarantees provided are indicated in the memorandum accounts.

Accounting of revenues and costs

Revenues and income are recognized net of returns, discounts and rebates, taxes directly associated with the sale of products and the provision of services.

In particular:

- revenues related to the distribution of electricity, gas and drinking water/sewer are identified and recognized at the time of delivery;
- revenues for the provision of services are recognized when the service is provided and in accordance with the related contracts. Revenues related to contract work in progress are recognized in proportion to the progress of the work;
- revenues related to user connection services are entirely recognized in the income statement;
- costs are accounted on an accruals basis;
- financial income and expenses are assessed based on the accrual basis.

Income taxes for the year

Current taxes are allocated under tax payables and determined in accordance with the rates and regulations in force based on the determination of taxable income. Also highlighted are eventual deferred tax assets and liabilities due to temporary differences between statutory results and taxable income.

DETAILS OF THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

The following are details of the most significant Balance Sheet and Income Statement items.

Assets

B) FIXED ASSETS

B. I–II) INTANGIBLE AND TANGIBLE ASSETS

Investments for the year amounted to Euro 1,460,116 and are mainly related to enhancements of the electricity, methane gas distribution networks and the aqueduct. The following is an analysis of the most significant changes.

Intangible assets

Concession costs include the costs incurred for the acquisition of application software licenses and particularly refer to the module SAP ISU, which provides for the management of customers under the information system of Dolomiti Energia. The item also includes the costs of rebuilding the entrance of the office.

Tangible assets

The investments of greatest importance relate to the electricity sector. For a detailed description of the investments made in 2014, reference is made to point 2.5 “Investments” of the Report on Operations.

Land/Buildings (Stations)

In the electricity sector, interventions were carried out for the acquisition, renewal and completion of equipment situated in the energy receiving and transformation stations.

Plants and Machinery (Technological networks)

In the electricity sector, the interventions realized concern the process of restructuring, enhancement and rationalization of both the medium and low-voltage electricity network.

In the aqueduct sector, work was realized for the renewal and enhancement of the municipal aqueduct and user derivations.

In the methane gas sector, the interventions realized concerned the restructuring of some sections of the network, the realization of new user derivations with the laying of new pipes and risers in the Municipalities of Riva del Garda, Arco, Dro and Tenno.

Other tangible assets

It is noted that in the period 2008-2012, the company replaced all the electric meters currently installed at customer sites as required by resolution no. 292/06 of the Authority. In 2014, the company also replaced part of the gas meters to adjust to the Authority's directives.

NET VALUE OF INTANGIBLE AND TANGIBLE ASSETS

grouping investment	value 01.01.2014	increases for the period	decreases for the period	total 31.12.2014
Start-up and expansion costs	-	-	-	-
Research costs	-	-	-	-
Industrial patents and intellectual property rights	5,872	15,348	(9,420)	11,800
Concessions, licences, trademarks and similar rights	117,851	-	(100,851)	17,000
Goodwill	-	-	-	-
Assets in progress and advances	-	-	-	-
Other intangible assets	210,14	45,739	(7,553)	59,200
Total intangible assets	144,737	61,087	(117,824)	88,000
Land and buildings	4,047,914	78,906	(99,931)	4,026,889
Plants and machinery	16,089,294	1,036,200	(1,066,376)	16,059,118
Industrial and commercial equipment	1,708,305	252,949	(137,368)	1,823,886
Other assets	218,797	30,975	(69,452)	180,320
Assets in progress and advances	3,591	-	(3,591)	-
Total tangible assets	22,067,901	1,399,030	(1,376,718)	22,090,213
Total intangible and tangible assets	22,212,637	1,460,117	(1,494,542)	22,178,212

- increases include contributions, transfers from other item
- decreases include depreciation and amortisation, transfers to other item, disposals

HISTORICAL COST OF INTANGIBLE AND TANGIBLE ASSETS

grouping investment	value 01.01.2014	increases for the period	decreases for the period	total 31.12.2014
Start-up and expansion costs	166,716	-	-	166,716
Research costs	-	-	-	-
Industrial patents and intellectual property rights	934,869	15,348	-	950,217
Concessions, licences, trademarks and similar rights	504,253	-	-	504,253
Goodwill	1,083,537	-	-	1,083,537
Assets in progress and advances	-	-	-	-
Other intangible assets	187,340	45,739	-	233,079
Total intangible assets	2,876,715	61,087	-	2,937,802
Land and buildings	4,884,448	78,906	-	4,963,354
Plants and machinery	27,174,663	1,036,200	(80,268)	28,130,595
Industrial and commercial equipment	2,678,645	252,949	(25,117)	2,906,477
Other assets	1,133,790	30,974	(85,795)	1,078,969
Assets in progress and advances	3,591	-	(3,591)	-
Total tangible assets	35,875,137	1,399,029	(194,771)	37,079,395
Total intangible and tangible assets	38,751,852	1,460,116	(194,771)	40,017,197

ACCUMULATED DEPRECIATION AND AMORTISATION

grouping investment	value 01.01.2014	increases for the period	decreases for the period	total 31.12.2014
Start-up and expansion costs	166,716	-	-	166,716
Research costs	-	-	-	-
Industrial patents and intellectual property rights	928,997	9,420	-	938,417
Concessions, licences, trademarks and similar rights	386,402	100,851	-	487,253
Goodwill	1,083,537	-	-	1,083,537
Other intangible assets	166,325	7,553	-	173,878
Total intangible assets	2,731,978	117,824	-	2,849,802
Land and buildings	836,535	99,931	-	936,466
Plants and machinery	11,085,369	1,037,480	(51,372)	12,071,477
Industrial and commercial equipment	970,339	135,888	(23,637)	1,082,590
Other assets	914,994	63,206	(79,550)	898,650
Assets in progress and advances	-	-	-	-
Total tangible assets	13,807,236	1,336,505	(154,559)	14,989,182
Total intangible and tangible assets	16,539,214	1,454,329	(154,559)	17,838,985

DEPRECIATION AND AMORTISATION RATES APPLIED

DESCRIPTION		DESCRIPTION	
INDUSTRIAL BUILDINGS AND LAND	2.50%	REMOTE CONTROL	4.0%
GENERAL PLANTS	6.67%		
TRANSFORMATION STATIONS	3.50%	TECHNICAL/OPERATIONAL EQUIPMENT	8.33%
SUB-STATIONS	3.50%	TRUCKS	14.29%
TRANSFORMERS	3.50%	VEHICLES	14.29%
ELECTRICITY DISTRIBUTION LINES	4.00%	MECCANOGRAPH CENTRE	14.29%
DATA TRANSMISSION NETWORKS	10.00%	FURNITURE	8.33%
1ST REDUCTION STATIONS METHANE GAS	5.00%	OFFICE MACHINES AND EQUIPMENT	14.29%
METHANE GAS CONDUCTOR	4.00%		
TANKS	2.00%	START-UP/EXPANSION COSTS	5 YEARS
LIFTING SYSTEMS	6.67%	SOFTWARE	3 YEARS
CONDUCTOR AQUEDUCT/SEWERAGE	2.50%	STUDIES AND RESEARCH	3 YEARS
DISTRICT HEATING NETWORK	3.33%	CONCESSIONS, LICENSES CED	5 YEARS
METERING INSTRUMENTS	5.00%	GOODWILL	RESIDUAL YEARS
METERING INSTRUMENTS DISTRICT HEATING	6.67%	THIRD-PARTY ASSETS - HQ OFFICES	CONCESSION
			RESIDUAL YEARS LEASE

B.III) FINANCIAL ASSETS**1) EQUITY INVESTMENTS**

Equity investments are valued using the methodology described in these Notes under the heading "Valuation criteria". The following are the changes in the year and other data required by current regulations.

changes in equity investments

investment description	values at 01.01.2014	decreases in the year 2014	increases in the year 2014	values at 31.12.2014
SHEN spa	2,624,472	-	-	2,624,472
Alto Garda Servizi Teleriscaldamento Spa	2,053,412	-	4,337,484	6,390,896
Distretto Tecnologico	1,000	-	-	1,000
Dolomiti Energia Spa	5,381,324	-	-	5,381,324
Trenta Spa	2,562,000	-	-	2,562,000
Primiero Energia spa	32,360	-	49,480	81,840
Società Elettrica Trentina spa	2,400,358	-	-	2,400,358
Totals	15,054,926	-	4,386,964	19,441,890

investments in subsidiaries

company name	equity net	results of the year		% portion of ownership 2014	net equity portion pertaining to AGS	values attributed in financial statements
SHEN spa Via Ardaro 27 Riva del Garda (TN)	3,297,610	942,753	(1)	100.00	3,297,610	2,624,472
AGS T Spa Via Ardaro 27 Riva del Garda (TN)	6,899,151	19,227	(1)	100.00	6,899,151	6,390,896
Total investments in subsidiaries					10,196,761	9,015,368

investments in other companies

company name	equity net	results of the year		% portion of ownership 2014	net equity portion pertaining to AGS	values attributed in financial statements
Dolomiti Energia Spa Via Grazioli, 24 Trento (TN)	631,211,047	67,917,158	(1)	1.18	7,448,290	5,381,324
Primiero Energia spa Via Guadagnini 31 Fiera di Primiero (TN)	45,193,649	5,688,164	(1)	0.81	366,069	81,840
Trenta spa Via Fersina 23 Trento (TN)	71,014,825	12,452,379	(1)	5.30	3,763,786	2,562,000
SET Distribuzione SpA Via Manzoni 24 Rovereto (TN)	153,832,451	21,741,574	(1)	2.14	3,292,014	2,400,358
Distretto Tecnologico Trentino S.c.a.r.l. Via F. Zeni, 8 Rovereto (TN)	234,967	0	(2)	0.35	833	1,000
Total investments in other companies				Total	14,870,992	10,426,522

Total investments	25,067,753	19,441,890
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(1) - The Shareholders' Equity and Result for the year are updated at 31.12.2014

(2) - The Shareholders' Equity and Result for the year are updated at 31.12.2013

2) RECEIVABLES

This involves the interest-bearing loan granted to the subsidiary AGST Spa to meet its cash requirements. Loan maturity is 31/12/2015.

description of the receivable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Shareholder loan	2,270,000	800,000	1,470,000
Totals	2,270,000	800,000	1,470,000

3) OTHER SECURITIES

The reduction in the year is due to the conversion into shares of the convertible bond loan for Euro 49,480 issued by Primiero Energia SpA.

4) TREASURY SHARES

At 31 December 2014, the company held 20 treasury shares recognized in the financial statements for Euro 1.300. Among the items of shareholders' equity, "treasury share reserve" of the same amount was established.

C) CURRENT ASSETS**I 1) INVENTORIES**

The inventory of products in stock is related to the management characteristics of network services, their territorial dimensions and is intended for maintenance and formation of company assets.

description of changes	partial amounts	total amounts
Inventories at 01.01.2014		
- tangible assets		661,167
Provision for write-down of tangible assets at 01.01.2014		(164,462)
Net general balance at 01.01.2014		496,705
Purchases in the year		
- tangible assets	734,523	
- value adjustments	-	
Use of tangible assets		734,523
- in maintenance account	(167,853)	
- in equity account	(597,884)	
Inventories at 31.12.2014		
- tangible assets		629,953
Provision for obsolescence of tangible assets at 31.12.2014		(164,461)
Net general balance at 31.12.2014		465,492

II RECEIVABLES**1) RECEIVABLES FROM CUSTOMERS**

The amount of said item is entirely due within one year. It consists of receivables for the distribution of electricity and methane gas and service provisions to customers.

description of the receivable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Receivables for services	2,774,271	2,789,303	-15,033
Invoices to be issued	870,499	907,745	-37,246
Total receivables from customers	3,644,769	3,697,048	-52,279
Provision for doubtful accounts	-153,848	-99,305	-54,542
Total receivables from customers net of the provision	3,490,922	3,597,743	-106,821

In the year, the provision for doubtful accounts changed as follows

Description	31.12.2013	allocations	uses	31.12.2014
Provision for risks on receivables	99,305	77,080	(22,537)	153,848

2) RECEIVABLES FROM SUBSIDIARIES

They mainly refer to invoices to be issued to the companies Shen SpA and AGST SpA for services rendered in 2014 and regulated by service contracts at current market values.

description of the receivable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Invoices issued	236,613	53,106	183,507
Invoices to be issued	195,798	316,321	(120,523)
Totals	432,411	369,427	62,984

3) RECEIVABLES FROM PARENT COMPANIES

They refer to receivables from the Municipality of Riva del Garda for routine and non-routine maintenance of public lighting systems, for the management of the Consortium Aqueduct and for work performed in 2014 for the drafting of the aqueduct integrated file.

description of the receivable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Receivables for invoices	130,528	130,763	(235)
Receivables for invoices to be issued	125,300	104,710	20,590
Totals	255,828	235,473	20,355

4-BIS) TAX RECEIVABLES

They mainly refer to the surplus with respect to the taxes due for 2014 of IRES and IRAP advances paid and the IRES receivable for the reimbursement request filed by the company.

description of the receivable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Virtual stamp duty	924	-	924
Tax authorities IRAP	9,587	2,364	7,223
Tax authorities IRES	134,807	-	134,807
Tax authorities VAT	-	20,484	(20,484)
Tax authorities IRES reimbursement 2007-2011	111,397	131,651	(20,254)
Totals	256,715	154,499	102,216

4-TER) RECEIVABLES FOR DEFERRED TAX ASSETS

They refer to receivables from the Tax authorities for deferred tax assets, IRES and IRAP, deriving from temporary differences between statutory results and taxable income.

The breakdown between the long-term and short-term receivable for deferred tax assets is given by the evaluation of the moment in which the receivable is likely to be charged to the income statement. As for their formation, reference is made to a following paragraph at the end of these Notes.

5) OTHER RECEIVABLES

They mainly refer to the receivable from the Equalization Fund for equalizations of tariff revenues of the electricity service and gas service. The receivable for the 2013 equalization was collected in 2014.

description of the receivable	Balance at 31.12.2014	Balance at 31.12.2013	difference
PAT - street cutting deposits	38,997	110,096	(71,099)
Gas revenues equalization fund	189,818	37,450	152,368
Energy revenues equalization fund	364,714	509,362	(144,648)
Energy metering equalization fund	-	71,654	(71,654)
Equalization fund UG2	74,585	51,942	22,643
INAIL receivables	8,543	9,924	(1,381)
Sundry	171,717	147,942	23,774
Totals	848,375	938,370	(89,996)

There were no receivables beyond five years.

IV CASH AND CASH EQUIVALENTS

description	31.12.2013	31.12.2012	difference
Bank and postal deposits	23,348	22,695	653
Cash and cash equivalents	865	634	231
Totals	24,213	23,329	884

D) ACCRUALS AND DEFERRALS

Deferred assets refer to various costs, such as, by way of example, insurance, subscriptions, maintenance, leases and instalments recognized in 2014 but relating also to 2015 or subsequent years.

description of the receivable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Annual deferred assets	2,554	2,101	453
Long-term deferred assets	5,833	7,833	(2,000)
Totals	8,387	9,934	(1,547)

Liabilities

A) SHAREHOLDERS' EQUITY

The share capital is equal to Euro 23,234,016 nominal and consists of 446,808 shares with a nominal value of Euro 52.00 each, effectively subscribed and paid in.

In 2014, dividends were distributed for Euro 625,503 as resolved upon by the Shareholders' Meeting of 12 May 2014.

Changes in accounting shareholders' equity resulting from the financial statements at 31 December 2014 during the year are represented in the following tables, which also highlight the allocation of the 2013 profit.

A	net equity	amount 01.01.2014	changes in increases	occurred decreases	amount 31.12.2014
I	capital	23,234,016	-	-	23,234,016
II	share premium reserve	2,937,747	-	-	2,937,747
III	revaluation reserves	-	-	-	-
IV	legal reserve	805,577	62,222	-	867,799
V	reserve for portfolio treasury shares	1,300	-	-	1,300
VI	statutory reserves	-	-	-	-
VII	other reserves				
	- extraordinary reserve	10,136,726	556,709	-	10,693,436
	- future capital increase reserve	-	-	-	-
VIII	profits (losses) carried forward	-	-	-	-
IX	profit (loss):				
	- for the previous year	1,244,435	-	(1,244,435)	0
	- for the year	-	1,179,357	-	1,179,357
Totals		38,359,801	1,798,288	(1,244,435)	38,913,655

	Share capitaò	Share premium reserve	Legal reserve	Treasury share reserve	Extraordinary reserve	Result FY	Net equity
Value at 31.12.2012	23,234,016	2,937,747	737,712	1,300	9,383,422	1,357,315	37,651,512
Allocation of the result for the year							
- Allocation of dividends						-536,145	
- Other allocations			67,865		753,305	-821,170	
Other changes							
Result of the previous year						1,244,434	
Value at 31.12.2013	23,234,016	2,937,747	805,577	1,300	10,136,727	1,244,434	38,359,801
Allocation of the result for the year							
- Allocation of dividends						-625,503	
- Other allocations			62,222		556,709	-618,931	
Other changes							
Result of the current year						1,179,357	
Value at 31.12.2014	23,234,016	2,937,747	867,799	1,300	10,693,436	1,179,357	38,913,655

The following table provides the analysis of shareholders' equity under the profiles of availability and distributability.

Description	amount	possibility of use	portions available	Summary of uses made in the three previous years	
				for coverage losses	for other reasons
Share Capital	23,234,016		-	-	-
Capital reserves					
- share premium reserve	2,937,747	A,B	2,937,747	-	-
Profit reserves					
- revaluation reserves	-	-	-	-	-
- legal reserve	867,799	B	867,799	-	-
- reserve for portfolio treasury shares	1,300	B	1,300	-	-
- statutory reserves	-	-	-	-	-
- extraordinary reserve	10,693,436	A,B,C	10,693,436	-	-
- future capital increase reserve	-	-	-	-	-
- profits carried forward	-	-	-	-	-
Totals	37,734,298		14,500,282	-	-
Non-distributable portion			(3,806,846)		
Residual distributable portion			10,693,436		

A: for capital increase
 B: for loss coverage
 C: for distribution to shareholders

Pursuant to article 2431 Civil Code, the share premium reserve can only be distributed if the legal reserve has reached the limit established by article 2430 Civil Code.

B) PROVISIONS FOR RISKS AND CHARGES

The provision for risks and charges amounted to Euro 46,417 and refers exclusively to the allocation for the equalization components, which have been estimated in the absence of reliable data to be able to determine them. In 2014, the allocation was released related to the electricity metering equalization for 2010 as the AEEGSI proceeded with the calculation and there were no additional liabilities for AGS SpA.

The provision changed as follows during the year:

Description	01.01.2014	allocations	uses	31.12.2014
Electricity measurement equalization	121,417	-	(75,000)	46,417
Total risks provision	121,417	-	(75,000)	46,417

C) EMPLOYEE SEVERANCE INDEMNITY (TFR)

It corresponds to the total value of employee severance indemnity accrued by personnel in service at 31 December 2014, net of advances and the amount paid to supplementary funds and the INPS Treasury. This liability is subject to revaluations as required by current regulations.

In the year, the employee severance indemnity provision changed as follows:

Description	01.01.2014	allocations	uses	31.12.2014
Employee severance indemnity (TFR)	811,387	29,234	(54,726)	785,895

D) PAYABLES**1) BONDS**

On 15 July 2014, the company issued a bond for Euro 5 million with payment of semi-annual coupons and repayment in a lump sum at 30 June 2023. The loan was fully subscribed.

4) PAYABLES TO BANKS

description of the payable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Account overdrafts - within one year	1,449,552	1,121,898	327,654
Totals	1,449,552	1,121,898	327,654

7) PAYABLES TO SUPPLIERS

Payables at 31.12.2014 were operational and refer entirely to the Company's core business.

description of the payable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Suppliers	576,886	547,295	29,590
Suppliers for invoices to be received	408,758	272,714	136,044
Totals	985,644	820,009	165,635

9) PAYABLES TO SUBSIDIARIES

They refer to the payable to AGST Spa for the supply of heat in December 2014.

description of the payable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Invoices	8,459	3,633	4,827
Totals	8,459	3,633	4,827

11) PAYABLES TO PARENT COMPANIES

They refer to payables for "Municipal concessions" and other commercial items connected with the concessions of electricity, gas and drinking water/sewerage services and are related to contracts for the entrustment of distribution services to the Municipality of Riva del Garda. Trade payables consist of the portion of the water cycle tariff that the Company pays to the Municipality of Riva del Garda to cover the costs incurred by the Municipality for the water network. The purification component refers to

the billing portion for the water service performed by AGS at 31.12.2014 to end customers and that is then turned over to the Municipality of Riva del Garda.

description of the payable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Invoices to be received			
- Municipal concessions	121,568	131,223	(9,655)
- Other trade payables	72,461	66,201	6,260
- Water purification	586,611	640,791	(54,180)
Totals	780,640	838,216	(57,576)

12) TAX PAYABLES

description of the payable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Tax authorities			
- IRES	-	15,289	(15,289)
- IRPEF (personnel and freelance)	76,403	82,237	(5,834)
- Virtual stamp duty	-	1,303	(1,303)
- VAT	78,626	-	78,626
Totals	155,029	98,829	56,200

13) PAYABLES TO PENSION AND SOCIAL SECURITY INSTITUTIONS

They refer to the Company's debt position with respect to Pension and Social Security Institutions for December 2014 or annual adjustments to be settled.

description of the payable	Balance at 31.12.2014	Balance at 31.12.2013	difference
- Payables to INPS	77,808	75,836	1,972
- Payables to INPS separate management	1,577	1,662	(85)
- Payables to INPDAP	29,800	31,053	(1,253)
- Payables to supplementary pension institutes	43,250	42,760	491
- Contributions on remuneration to be paid	67,877	67,478	398
Totals	220,312	218,789	1,523

14) OTHER PAYABLES

They mainly consist of the payable to the Equalization Fund for the electricity and gas sector for the 6th two-month period in 2014. Payables to employees refer to amounts for December 2014 and the 2014 performance bonus that will be paid in 2015.

description of the payable	Balance at 31.12.2014	Balance at 31.12.2013	difference
Electricity and Gas Sector Equalization Fund	1,059,470	1,006,544	52,926
Employees	298,958	306,664	(7,706)
Other payables	805	2,557	(1,752)
Totals	1,359,233	1,315,766	43,468

There were no payables beyond five years.

E) ACCRUALS AND DEFERRALS

They consist of residual Deferred liabilities of revenue for user connection fees up to 2007 for Euro 2,243,830 and which fell to Euro 1,720,502 at the end of 2014. Since 2008, these contributions have been recognized in the Income Statement.

The table below shows the evolution of the relevant accounting entry.

changes in the period	Accruals	Deferrals	total
value at 01.01.2014	-	1,851,334	1,851,334
increases in the year	-	-	-
uses in the year	-	(130,832)	(130,832)
values at 31.12.2014	-	1,720,502	1,720,502

Memorandum accounts

At 31.12.2014, the Company provided the following sureties in favour of subsidiaries:

	value 31.12.2014	value 31.12.2013	differences
Guarantee mortgage of Shen Spa	4,021,800	4,856,800	(835,000)
Guarantee mortgage of AGST Spa	3,751,206	4,099,206	(348,000)
Guarantees concessions overdrafts account	7,950,000	7,950,000	-
Totals	15,723,006	16,906,006	(1,183,000)

	value 31.12.2014	value 31.12.2013	differences
Purchase value investment AGST	-	4,582,050	(4,582,050)
Totals	-	4,582,050	(4,582,050)

Income Statement

A) PRODUCTION VALUE

The production value consists of the following items:

	2014	2013
Revenues from sales and services		
• electricity delivery	2,473,264	2,543,484
• electricity production	240,045	258,201
• gas delivery	1,954,363	2,228,032
• water cycle delivery	1,145,242	1,213,384
• sundry revenues	550,666	701,624
Total	6,363,580	6,944,725
Increases in fixed assets for internal works		
• capitalization warehouse material	597,884	382,894
• capitalization internal labour	141,494	164,022
Total	739,378	546,916
Other revenues and income		
• provisions to subsidiaries	195,798	294,972
• contributions from equalization systems	578,197	485,734
• contingent assets operations	33,143	116,065
• aqueduct plants management	189,416	188,407
• public lighting works	67,697	206,226
• other provisions	470,424	405,240
Total	1,534,675	1,696,644
Total production value	8,637,634	9,188,285

B) PRODUCTION COSTS

Production costs consist of the following items:

	2014	2013
purchase of raw and ancillary materials and goods		
• purchase of drinking water	1,790	1,150
• purchase of warehouse material	734,523	571,835
• purchase of other materials	122,401	102,839
Total	858,714	675,824
expenses for provision of services rendered by third parties		
• directors' fees	52,304	89,302
• board of auditors' fees	28,243	59,577

• electricity transport fees	885,862	880,346
• insurance, bank fees	177,267	159,963
• audit of financial statements	17,771	16,435
• other general costs	1,274,188	1,261,841
Total	2,435,635	2,467,464

costs for rents and leases

• rental expense	97,070	95,856
• concession and license fees	262,571	271,392
Total	359,641	367,248

expenses for employees

• wages and salaries	2,074,536	2,052,338
• social security charges	677,451	664,195
• employee severance indemnity (TFR)	138,109	140,278
• other personnel costs	65,510	72,754
Total	2,955,606	2,929,565

Employees at 31.12.2014 totalled 49 and the breakdown is as follows:

functional centre	C.C.N.L. applied	31-dic 2013	No. incoming	Employees outgoing	31-dic 2014
Managers	Managers	2	-	-	2
White collars	C.C.N.L.E.	26	1	1	26
Blue collars	C.C.N.L.E.	21	1	1	21
Totals		49	2	2	49
of which:					
- part-time		5	-	-	5

The average of employees is 49.

Depreciation/amortisation of fixed assets

• intangible assets	117,824	133,224
• tangible assets	1,336,505	1,326,053
Total	1,454,329	1,459,277

write-down of receivables	77,080	41,449
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closing inventories	31,213	(10,543)
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allocations to risks provision	0	75,000
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other operating expenses

• gas distribution costs equalization fund	171,135	493,087
• sundry expenses	272,511	318,442
Total	443,646	811,529

Total production costs	8,615,863	8,816,815
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The Difference between Production Value and Costs amounts to	21,771	371,470
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C) FINANCIAL INCOME AND EXPENSES

Breakdown:	2014	2013
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Financial income

• income from investments		
- in subsidiaries	100,000	200,000
- in other companies	1,185,336	829,259
• interest income from subsidiaries	46,564	992
• other income from subsidiaries	20,356	20,356
• other interest income	4,879	1,500
Total	1,357,135	1,052,107

Financial expenses

• bank account interest expenses	(7,140)	(14,037)
• interest expenses on bond loan	(92,603)	0
Total	(99,743)	(14,037)

Total financial income and expenses	1,257,393	1,038,069
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E) EXTRAORDINARY INCOME AND EXPENSES

Breakdown:	2014	2013
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• contingent assets	4,566	35,435
• contingent liabilities	(27,154)	(11,120)
Total extraordinary income and expenses	(22,588)	24,315

INCOME TAXES

The breakdown of income taxes is as follows:	2014	2013
current taxes	(125,030)	(268,142)
deferred tax assets	47,811	78,722
Total taxes for the year	(77,219)	(189,420)

MANAGEMENT AND COORDINATION

The Company is subject to management and coordination by the Municipality of Riva del Garda.

As required by article 2497-*bis* of the Civil Code, the table below shows the key figures of the last approved financial statements.

MUNICIPALITY OF RIVA DEL GARDA

- BALANCE SHEET -

SUMMARY			
ASSETS		LIABILITIES	
ITEMS	31.12.2013	ITEMS	31.12.2013
A - RECEIVABLES FROM SHAREHOLDERS		A - SHAREHOLDERS' EQUITY	145,288,379
B - FIXED ASSETS		B - TRANSFERS	46,018,192
I - Intangible assets	4,011,134		
II - Tangible assets	124,180,614		
III - Financial assets	35,102,041		
C - CURRENT ASSETS		C - PAYABLES	6,686,005
I - Inventory	-		
II - Receivables	25,609,617	D - ACCRUALS AND DEFERRALS	1,674
III - Financial assets	4,000,000		
IV - Cash and cash equivalents	5,003,853		
D - ACCRUALS AND DEFERRALS	86,991		
TOTAL ASSETS	197,994,250	TOTAL LIABILITIES	197,994,250

- RECLASSIFIED INCOME STATEMENT -

SUMMARY	
DESCRIPTION	31.12.2013
A - OPERATING INCOME	22,319,442
B - OPERATING COSTS	(21,971,312)
DIFFERENCE	348,130
C - INCOME AND EXPENSES FROM SPECIAL AND INVESTEE COMPANIES	358,630
D - FINANCIAL INCOME AND EXPENSES	136,132
E - EXTRAORDINARY INCOME AND EXPENSES	928,166
ECONOMIC RESULT FOR THE YEAR	1,771,058

OTHER INFORMATION**Financial leases**

The Company has no outstanding financial leases.

Amount of financial expenses recognized during the year at the values recognized in the Balance Sheet assets

No financial expenses were charged during the year on the amounts recognized in the Balance Sheet assets.

Amount of income from investments, as indicated in article 2425, no. 15 of the Civil Code, other than dividends

There is no income from investments other than dividends.

Company shareholder loans

It is noted that there were no loans made by shareholders to the company pursuant to article 2427, no. 19-*bis* of the Civil Code.

Assets allocated to a specific business pursuant to letter a), first paragraph, article 2447-*bis* of the Civil Code

There were no assets and/or relations referred to in the third paragraph of article 2447-*septies* of the Civil Code in relation to the assets intended for a specific business pursuant to article 2447-*bis*, first paragraph, letter a), of the Civil Code.

Allocation of income and constraints relating to loans intended for a specific business pursuant to article 2447-*decies* of the Civil Code

There was no income and constraints related to the assets provided by the eighth paragraph of article 2447-*decies* of the Civil Code.

Transactions with related parties

Pursuant to article 2427, paragraph 1, no. 22-*bis* of the Civil Code, it is highlighted that the Company did not enter into significant transactions with related parties under conditions different from normal market conditions.

Off-balance sheet transactions

Pursuant to article 2427, paragraph 1, no. 22-ter of the Civil Code, it is highlighted that the Company has no "off-balance sheet" transactions.

PROFIT FOR THE YEAR

	2014	2013
Profit for the year	1,179,357	1,244,435

The document herewith, comprising the Balance Sheet, Income Statement and Notes, provides a true and fair view of the equity and financial situation and the economic result for the year and corresponds to the obligatory accounting records.

Riva del Garda, 21 May 2015

For the Board of Directors

The Chairman

Floriano Migliorini

Reconciliation statement between tax expense from financial statements and theoretical tax expense			
Description	Amount	IRES 32%	% expense
Pre-tax result	1,256,576		
Theoretical tax expense		402,104	32.00
PERMANENT INCREASES			
Costs of motor transport means - cars for mixed use	19,416		
Costs related to telephony	7,385		
IM U	8,877		
Non-deductible management fees	27,476		
Non-deductible amortization	10,698		
Sundry	51,385		
Total permanent increases	125,237		
PERMANENT DECREASES			
Income from equity investments	1,221,070		
Deduction Allowance for Corporate Equity	153,674		
IM U deduction	1,775		
Deduction contribution pension funds	5,151		
Deduction IRAP personnel portion	91,438		
Deduction 10% IRAP	7,109		
Total permanent decreases	1,480,217		
TEMPORARY INCREASES			
Allocation to the provision for doubtful accounts	58,194		
Allocation risks provision	0		
Amortization and Depreciation	389,862		
Total temporary increases	448,056		
TEMPORARY DECREASES			
Connection contributions	130,832		
Provision for write-downs of tangible assets	22,157		
Risks provision	75,000		
Total temporary decreases	227,989		
Taxable amount	121,663	33,457	2.66

Reconciliation statement between tax expense from financial statements and theoretical tax expense			
Description	Amount	IRAP 3.10%	% expense
Net production value	2,980,517		
Theoretical tax expense		92,396	3.10
PERMANENT INCREASES			
Fees legal bodies and coordinated and continuous collaborators	60,389		
Property municipal tax	8,877		
Sundry	35,602		
Total permanent increases	104,868		
PERMANENT DECREASES			
Tax wedge	117,234		
Regional deductions	116,285		
Total permanent decreases	233,519		
TEMPORARY INCREASES			
Total temporary increases	0		
TEMPORARY DECREASES			
Connection contributions	130,832		
Provision for write-downs of tangible assets	22,157		
Total temporary decreases	152,989		
Taxable amount	2,698,877	83,665	2.81

STATEMENTS REFERRED TO IN POINT 14) OF ARTICLE 2427: DESCRIPTION OF THE TEMPORARY DIFFERENCES THAT LED TO THE RECOGNITION OF TAX ASSETS AND LIABILITIES

It is noted that due to the payment of the tax moratorium relating to the years 1998/1999, IRES deferred tax assets were calculated on connection fees for the years 1998-1999 and on the allocation to the inventory write-down provision.

Receivables for deferred tax assets IRES	Deferred tax assets 2013			Reabsorptions 2014			Increases 2014			Adjustments	Total deferred tax assets		
	Taxable amount	Rate	Tax (b)	Taxable amount	Rate	Tax (b)	Taxable amount	Rate	Tax (c)	Tax (d)	Taxable amount	Rate	Tax (a-b+c+d)
Deductible differences													
Contributions connection of users	1,851,333	27.50%	509,117	-130,832	27.50%	-35,979	0	27.5	0		1,720,501	27.50%	473,138
Allocation provision for write-down of inventories	164,462	27.50%	45,227	0	27.50%	0	0	27.5	0		164,462	27.50%	45,227
Statutory amortization exceeding tax	2,913,786	27.50%	801,291	-15,408	27.50%	-4,237	389,862	27.5	107,212		3,288,240	27.50%	904,266
Allocation doubtful accounts provision	70,000	27.50%	19,250	0	27.50%	0	58,194	27.5	16,003		128,194	27.50%	35,253
Allocation risks provision	121,417	27.50%	33,390	-75,000	27.50%	-20,625	0	27.5	0		46,417	27.50%	12,765
Provision for write-down of tangible assets	54,341	27.50%	14,944	-22,157	27.50%	-6,093	0	27.5	0		32,184	27.50%	8,851
Total	5,175,339		1,423,218	-243,397		-66,934	448,056		123,215	0	5,379,998		1,479,499

Receivables for deferred tax assets IRAP	Deferred tax assets 2013			Reabsorptions 2014			Increases 2014			Adjustments	Total deferred tax assets		
	Taxable amount	Rate	Tax (b)	Taxable amount	Rate	Tax (b)	Taxable amount	Rate	Tax (c)	Tax (d)	Taxable amount	Rate	Tax (a-b+c+d)
Deductible differences													
Contributions connection of users	1,851,333	3.54%	65,537	-130,832	3.54%	-4,631	0	3.54%	0	0	1,720,501	3.54%	60,906
Labour capitalization	2,331,146	3.54%	82,523	-137,350	3.54%	-4,862	141,494	3.54%	5,009	0	2,335,290	3.54%	82,669
Allocation provision for write-down of inventories	164,462	3.54%	5,822	0	3.54%	0	0	3.54%	0	0	164,462	3.54%	5,822
Allocation risks provision	121,417	3.54%	4,298	-75,000	3.54%	-2,655	0	3.54%	0	0	46,417	3.54%	1,643
Provision for write-down of tangible assets	54,341	3.54%	1,924	-22,157	3.54%	-784	0	3.54%	0	0	32,184	3.54%	1,139
Statutory amortization exceeding tax	791,599	3.54%	28,023	-15,408	3.54%	-545	0	3.54%	0	0	776,191	3.54%	27,477
Total	5,314,298		188,126	-380,747		-13,478	141,494		5,009	0	5,075,045		179,657

Total receivables for deferred tax assets			1,611,344			-80,413			128,224	0			1,659,156
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REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 2429, PARAGRAPH 2, CIVIL CODE.

To the Shareholders' Meeting
of Alto Garda Servizi SpA

During the year ended 31 December 2014, our audit was inspired by the provisions of the law and the Rules of Conduct of the Board of Auditors issued by the National Council of Chartered Accountants and Accounting Experts.

Supervisory Activities

We monitored compliance with the law, the by-laws and the principles of proper administration.

We attended the Shareholders' Meetings and Board of Directors' Meetings, during which, in relation to the transactions approved, on the basis of information acquired, there were no violations of the law or the by-laws, nor of any transactions which were manifestly imprudent or risky, in potential conflict of interest or such to put the company's equity at risk.

During the meetings held, the Executive Directors and Managing Director provided us with information on the general performance of the company and its business outlook and the most significant transactions for their size or nature, carried out by the company and its subsidiaries. Based on the information acquired, we have no particular observations to report.

We acquired information from the statutory auditor of accounts during the meeting held and, with respect to as reported, no significant data and information emerged that require highlighting in this report.

We acquired information from the auditors of the subsidiaries Alto Garda Servizi Teleriscaldamento SpA and Shen SpA and no significant data and information emerged that require highlighting in this report.

We reviewed the report of the Supervisory Body and no critical issues emerged with respect to the supervisory organizational model.

To the extent of our competence, we acquired knowledge of and supervised the adequacy and functioning of the company's organizational structure, also by collecting information from the heads of the functions and in this regard we have no particular observations to report.

To the extent of our competence, we acquired knowledge of and supervised the adequacy and functioning of the administrative and accounting system, and the reliability of the latter in correctly representing management facts, by obtaining information from the heads of functions and the statutory auditor of accounts and by examining company documents. In this regard, we have nothing to report.

No complaints were received from shareholders pursuant to article 2408 of the Civil Code nor reports from third parties.

In 2014, a favourable opinion was expressed regarding the issue of a non-convertible bond loan of Euro five million. It is a "minibond" without coupon, repayable at maturity.

In the Board of Directors' meeting of 12 March 2015, the Board of Auditors expressed a favourable opinion regarding the draft merger of AGST SpA in AGS SpA.

During the supervision described above, there were no other significant events that would require disclosure in this report.

The Board of Auditors certifies that the measures for the containment of expenses provided by the directives of the Municipality of Riva del Garda (Memorandum of Understanding for the identification of measures for the containment of the expenses of the subsidiaries of Local Entities - L.P. 27 December 2010, no. 27) have been complied with, as specified in the Report on Operations.

Financial Statements

We examined the draft financial statements for the year ended 31 December 2014, which was provided to us in the terms of article 2429 of the Civil Code, regarding which we report as follows.

As we are not responsible for the statutory audit of the financial statements, we have monitored the general format and its compliance with the law with regard to the formation and structure and in this regard, we have nothing to report.

The Board of Statutory Auditors reviewed the report expressed by the Auditing Company Ria Grant Thornton SpA on ten June two thousand and fifteen, which shows that the financial statements comply with the laws governing their preparation criteria and were drafted clearly and provide a give a true and fair view of the equity and financial position and economic results of the company. In addition to the Report on Operations, it is consistent with the financial statements of Alto Garda Servizi SpA at 31.12.2014.

We verified compliance with the rules of law governing the drafting of the report on operations and in this regard, we have no particular observations to report.

To our knowledge, the Directors, in drafting the financial statements, did not derogate from the rules of law pursuant to article 2423, paragraph 4, Civil Code.

Pursuant to article 2426, paragraph 5, Civil Code, we expressed our consent to recognition and maintenance in the balance sheet assets of start-up and expansion and research, development and advertising costs.

Conclusions

Also considering the results of the activity performed by the statutory auditor of accounts contained in the audit report of the financial statements, the Board of Auditors proposes to the Shareholders to approve the financial statements for the year ended 31 December 2014 as prepared by the directors.

The Board of Statutory Auditors unanimously approved.

Riva del Garda, 12 June 2015

The Board of Auditors

Michela Zambotti

Nicola Francesco Lenoci

Luigino Di Fabio



**Independent auditor report pursuant to art.14 of Legislative Decree
n. 39 of 27 January 2010**

To the Shareholders of
Alto Garda Servizi S.p.A.

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1. We have audited the financial statements of Alto Garda Servizi S.p.A. as at December 31, 2014. These financial statements, prepared in compliance with Italian regulations governing their preparation, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards issued by "Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili" and recommended by Consob. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, the balances of which are presented for comparative purposes, as required by law, reference should be made to another auditors' report issued on April 4, 2014.

3. In our opinion, the financial statements of Alto Garda Servizi S.p.A. as of December 31, 2014 give a true and fair view of the financial position of Alto Garda Servizi S.p.A. and of the results of its operations for the year then ended in accordance with the Italian regulations and accounting principles governing financial statements.



Società di revisione ed organizzazione contabile
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4. The Directors of Alto Garda Servizi S.p.A. are responsible for the preparation of the report on operations, in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the statutory financial statements in accordance with article 14, paragraph 2, letter e) of Legislative Decree n. 39 of January 27, 2010. We have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession and recommended by CONSOB. In our opinion, the report on operations is consistent with the statutory financial statements of Alto Garda Servizi S.p.A. as of December 31, 2014.

Verona, June 10, 2015

Ria Grant Thornton S.p.A.

Signed by Carlo Boyancé
Partner

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