

AcegasAps



# ANNUAL REVIEW

# 09

**ACEGAS-APS S.p.A.**

Subject to the management and coordination  
of ACEGAS-APS HOLDING S.r.l.

Listed on the Italian Stock Exchange as from 2001

Share capital €283,690,762.80 fully paid-in,  
subdivided in 54,978,830 shares

Registered office and corporate headquarters in Trieste,  
Via del Teatro 5

Padua administrative offices, networks and plants,

Corso Stati Uniti 5/a

Tax ID, VAT and Trieste Company Registry no. 00930530324,

Trieste Chamber of Commerce no. 111554

# Dear Shareholders and Stakeholders,

*we are pleased to present the AcegasAps Group's 2009 results. The managerial and organizational abilities, as well as the investments made on the basis of clear strategic guidelines over the past few years, made it possible for the Group to record excellent results despite the slowdown produced by the profound crisis that penalised the world economy in the year that just ended.*

*The figures for 2009 confirm the validity of our strategy which was focused on the consolidation of existing businesses, as well as the rationalisation and optimisation of resources and investments.*

*Of note are both sector consolidation and the new legislation which seeks to liberalise the “integrated water cycle” and “environment” divisions by facilitating the entry of private shareholders in the management of public services which will make it possible to achieve economies of scale and scope economies, enter new geographical areas and sectors, and improve the quality of the services offered.*

*The Group generated net revenues of €477 million in 2009, a slight drop with respect to the €481.1 million recorded in 2008. EBITDA and EBIT both came in higher with respect to the prior year at €95.1 million (+4.5%) and €44.9 million (+7.9%), respectively. The Group's net profit from current operations, which amounted to €10.7 million, would have increased by 41.5% with respect to the €13.9 million reported in the 2008 financial statements coming in at €19.6 million, net the effect of the payment of the tax moratorium of €8.9 million.*

*The ability to relate with the community is still a founding principle for the AcegasAps Group which continued to guarantee, in addition to a transparent and open dialogue, technical repairs, financial and social initiatives supporting entities and associations committed to sustaining and developing the local community.*

*This is the fifth edition of our Annual Review, an important communication tool designed to give maximum visibility and transparency to the commitment that the Group and its staff have to building a business model based on shared development and responsible growth.*

*In order to continuously improve our standards for doing business and governance, beginning in 2008 AcegasAps implemented a Code of Ethics which aspires to increasing the sense of awareness and responsibility of the directors, managers and the entire staff.*

*And it is this staff of 1,714 that we would, above all, like to thank for their commitment to ensuring that everyday the communities served are provided with the essential services and are able to maintain the quality of life that has always been central to AcegasAps's mission.*

*People – the embodiment of AcegasAps's value and capital – to whom more than 18 thousand hours of training were dedicated during the year.*



**Massimo Paniccia**  
Chairman, AcegasAps



**Cesare Pillon**  
Managing Director, AcegasAps

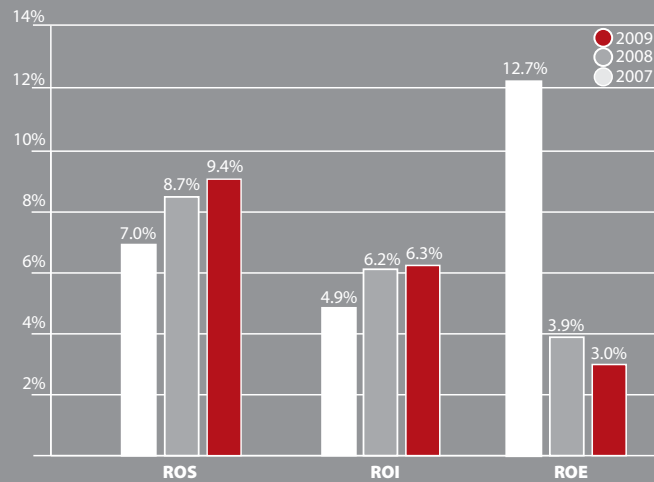
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## FINANCIAL POSITION AND

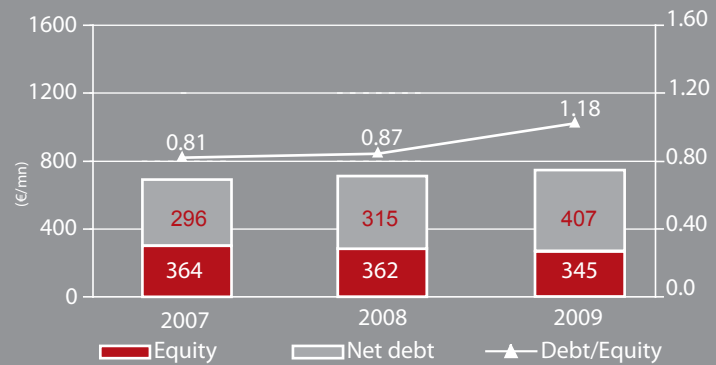
<b>Income statement summary</b>		<b>2009</b>	<b>2008</b>	<b>Change</b>	
- Net revenues	€ Mln	477.0	481.1	-4.1	-0.9%
- EBITDA	€ Mln	95.1	91.0	+4.1	+4.5%
- EBIT	€ Mln	44.9	41.6	+3.3	+7.9%
- Group net profit	€ Mln	10.7	13.9	-3.1	-22.6%
- Group adjusted net profit*	€ Mln	19.6	13.9	+5.8	+41.5%
* Net the impact of the "tax moratorium"					
<b>Capex</b>		<b>2009</b>	<b>2008</b>	<b>Change</b>	
Integrated water cycle	€ Mln	27.4	26.8	+0.6	+2.3%
Power	€ Mln	11.2	8.9	+2.3	+25.9%
Gas	€ Mln	8.2	7.8	+0.4	+5.0%
Environment	€ Mln	48.1	28.4	+19.7	+69.5%
Services	€ Mln	4.0	9.3	-5.3	-57.0%
Total	€ Mln	98.9	81.2	+17.7	+21.8%
<b>Balance sheet figures</b>		<b>31/12/09</b>	<b>31/12/08</b>	<b>Change</b>	
- Capital employed	€ Mln	752.3	677.4	+74.8	+11.0%
- Working capital	€ Mln	57.4	52.8	+4.6	+8.8%
- Net debt	€ Mln	344.8	362.0	-17.1	-4.7%
- Net financial position	€ Mln	-407.4	-315.4	-92.0	+29.2%
<b>Cash flow</b>		<b>2009</b>	<b>2008</b>	<b>Change</b>	
- Cash flow generated by operations	€ Mln	+55.8	+86.6	-30.8	-35.6%
- Total cash flow	€ Mln	-86.0	-32.3	-53.7	+166.2%
<b>Technical data</b>		<b>2009</b>	<b>2008</b>	<b>Change</b>	
Electricity					
- Electricity distributed	Gwh	793.0	791.7	+1.2	+0.2%
- Electricity sold	Gwh	782.6	827.3	-44.8	-5.4%
- Power generation	Gwh	208.2	316.2	-107.9	-34.1%
Gas					
- Gas distributed	Mmc	458.8	467.7	-8.9	-1.9%
- Gas sold	Mmc	418.0	412.7	+5.3	+1.3%
Environment					
- Waste treated	Tons /000	225.9	228.1	-2.3	-1.0%
- Power generated from waste	Gwh	123.6	121.5	+2.1	+1.7%
Integrated water cycle					
- Water sold to third parties	Mmc	54.1	54.2	-0.1	-0.2%

# ECONOMIC HIGHLIGHTS

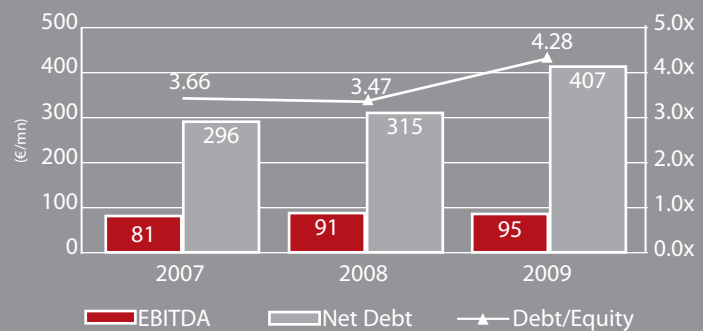
## Profitability indicators



## Financial indicators - Debt/Equity



## Financial indicators - Debt/EBITDA



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## SUSTAINABILITY SUMMARY



THE GLOBAL  
COMPACT

The AcegasAps Group adheres to the UN's Global Compact and shares, supports and applies the ten basic principles:

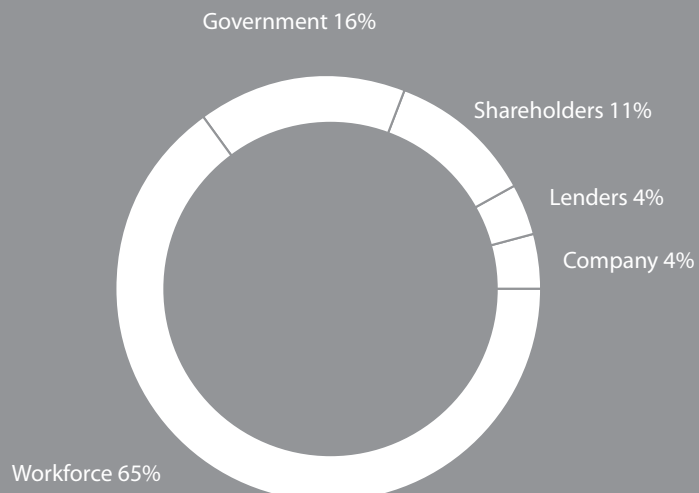
- human rights
- labor rights
- environmental protection
- battle against corruption

### The Economic Dimension

Net global value added: 137.2 milioni di euro

Distribution of the total net value added

Workforce	65%
Government	16%
Shareholders	11%
Lenders	4%
Company	4%



## The Social Dimension

Hours of training: 18,157

Courses: 258

Participants (total number of those who attended): 2,673

Hours of training dedicated to safety: 10,722

Employees involved in the safety training courses: 1,861

Injury frequency rate:

36.80 (Trieste area) and 31.11 (Padua area)

Injury severity rate:

1.77 (Trieste area) and 0.70 (Padua area)

Water: 530,393 inhabitants provided with drinking water

Electricity: 142,605 customers served

Gas: 264,356 delivery stations used for distribution

Waste collection: 479,399 inhabitants served

## The Environmental Dimension

The water distributed can be classified as mineral water (Legislative Decree n.105 dated 25/01/92 - Art.11/2/a).

Power generated by cogeneration, WTE and gas turboexpansion:

123.7 GWh

Recycling: Trieste area 20.8%, Padua area 47.8%

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## SUMMARY OF INTANGIBLE

The Group's Human Resources	Executives	21
	Managers	76
	White-collars	741
	Blue-collars	843
	Interns	33
	<b>Total</b>	<b>1,714</b>

Seniority parent company employees	up to five years	14.56%
	6 - 10 years	27.18%
	11 - 20 years	29.42%
	21 - 25 years	12.83%
	26 - 30 years	9.52%
	more than 30 years	6.49%

### Customer relations

**Direct customer contacts:** more than 500,000

**Means of communicating with customers:**

- Front Office
- Call Center
- Internet
- Stakeholder relations

**Other means of communication (indirect):**

- Media relations
- Information campaigns
- Events
- Guides and periodicals

**Service concessions (expirations)**

#### Gas

- 2010 Cadoneghe, Albignasego, Ponte San Nicolò, Trieste, Sgonigo, San Dorligo della Valle, Duino Aurisina, Monrupino, Padova, Saonara, Vigodarzere, Galzignano

#### Integrated water cycle

- 2015 Abano Terme
- 2027 Trieste, Muggia
- 2028 Padova
- 2030 Legnaro, Sant'Angelo di Piove di Sacco, Polverara, Piove di Sacco, Arzergrande, Brugine, Codevigo, Pontelongo, Correzzola, Cona

#### Power

- 2030 Trieste

#### Environmental services

- 2010 Duino Aurisina, (raccolta e r. differenziata), Saonara (raccolta, r. differenziata e spazzamento)
- 2011 Ponte San Nicolò (raccolta, r. differenziata e spazzamento)
- 2013 Noventa Padovana (raccolta, r. differenziata e spazzamento)
- 2017 Trieste (smaltimento)
- 2018 Abano Terme (raccolta, r. differenziata e spazzamento)
- 2029 Padova (raccolta, r. differenziata e spazzamento)
- 2050 Trieste (raccolta, r. differenziata, spazzamento e altri servizi)

#### Funeral services

- 2030 Trieste

# RESOURCES

## Company Expertise

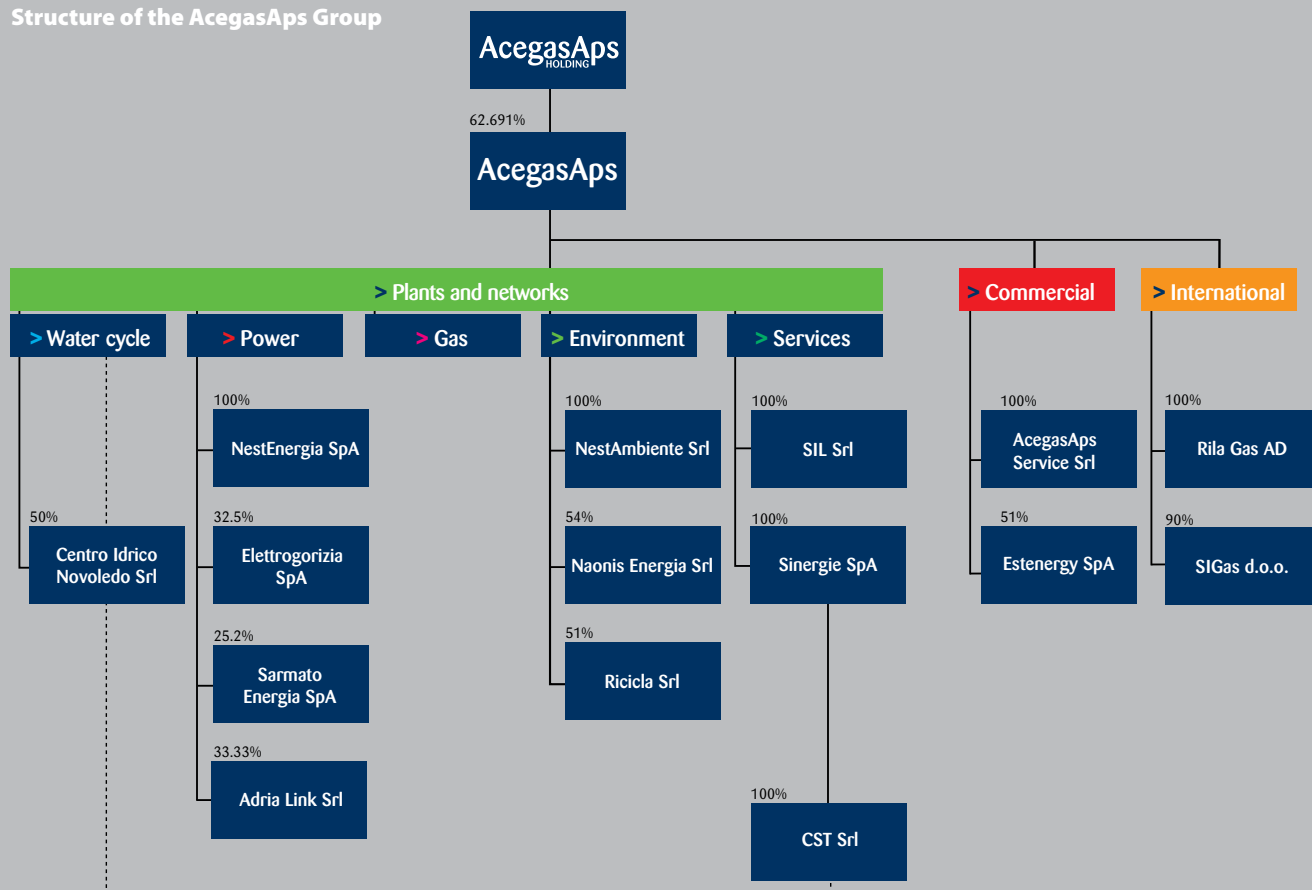
The AcegasAps Group stands out for its expertise in the following areas:

- design, and construction of networks and plants, management of sourcing, transport, adduction, treatment and distribution of drinking water;
- design and construction of networks and plants used as part of sewage and sewage treatment services;
- production of electric energy through cogeneration, WTE and gas turboexpansion;
- distribution of electricity;
- design, construction and management of networks and plants used for the distribution of methane gas;
- sale of electricity and gas to both private and public entities;
- collection of special, medical and urban waste;
- waste to energy and district heating;
- urban street cleaning;
- clean-up of contaminated sites;
- plant installation, maintenance and management;
- total facility management;
- management, design and construction of district heating networks;
- management of public lighting services;
- management of traffic light systems;
- management of funeral and cemetery services;
- relining of gas and water distribution networks;
- construction of telecommunication networks.

All corporate procedures are supported by information systems network that includes 1,000 personal computers distributed throughout the more than 30 territorial headquarters. The applications and data are found in 2 data processing centre and on more than 60 servers.

# AcegasAps Group

## Structure of the AcegasAps Group



## The AcegasAps Group's human resources at 31.12.2009

	AcegasAps	NestAmbiente	NestEnergia	Estenergy (*)	AcegasAps Service	Sinergie	CST	SIL	Rilagas	Sigas	Totale
Executives	17			1		3					21
Managers	52	1		3	1	16	2			1	76
White-collar workers	583	4	1	63	4	58	8		18	2	741
Blue-collar workers	704	5			8	102	13	5	3	3	843
Apprendisti	31									2	33
<b>TOTAL</b>	<b>1,387</b>	<b>10</b>	<b>1</b>	<b>67</b>	<b>13</b>	<b>179</b>	<b>23</b>	<b>5</b>	<b>21</b>	<b>8</b>	<b>1,714</b>

(\*) The figures refer to the total number of employees in the company, consolidated at 51%.



## The Board of Directors

### **Chairman**

Massimo Paniccia

### **Vice Chairman**

Domenico Minasola  
Manlio Romanelli

### **Managing Director**

Cesare Pillon

### **Directors**

Fulvio Beltrame  
Adriano Del Prete  
Franco Ferrarese  
Aldo Fontana  
Giovanni Gomiero  
Massimo Malaguti  
Aldo Minucci  
Paolo Polidori  
Emilio Terpin

### **Board of Statutory Auditors**

#### **Chairman**

Luca Savino

#### **Permanent Auditors**

Francesco Giordano  
Michele Nasti

#### **Alternates**

Franco Degrassi  
Ruggero Pirolo

#### **Independent Auditors**

Deloitte & Touche S.p.A.  
Via Longhin, 103  
35129 Padua

# Mission and values

*The AcegasAps offers essential “quality of life” services.*

*Fully aware of the importance and the value of its mission, AcegasAps focuses on satisfying the needs of its stakeholders through:*

- *the continuous search for efficiency and reliability;*
- *top quality customer service;*
- *adequate compensation and recognition of its staff's capabilities;*
- *careful attention to the social needs of the community where it operates;*
- *a satisfactory return for shareholders and investors;*
- *collaboration and exchange of know-how with suppliers and business partners.*

*To do this, the AcegasAps Group:*

- *works closely with the local authorities;*
- *develops the specialized expertise of the company's professionals;*
- *leverages economies of scale;*
- *seeks to continuously improve the efficiency and effectiveness of its processes;*
- *develops new markets.*

## Our values

The AcegasAps Group's operations are rooted in solid ethical principals and conduct focused not only strictly on economic issues, but also on sustainable development and protection of the environment.

The principles underpinning the company's relationships with its stakeholders can be summarized as follows:

- 1** The company's activities are carried out in full respect for the company's institutionalised values and generally accepted standards of honesty and transparency, in order to guarantee the interests of all stakeholders and to ensure that a communication channel is always open making it possible to understand and satisfy their needs;
- 2** The company is managed in accordance with sound economic principles, as well as with the maximum responsibility, integrity, efficiency and effectiveness. Management works to provide shareholders with a satisfying return on their investments and medium long term growth, redistributing part of the value created to the community;
- 3** The company seeks to continuously improve the services offered to customers in order to offer the highest quality, timely service and satisfy or exceed customer expectations;
- 4** The company is aware that human resources are key to a successful company and the human rights of all employees are respected by management: these principles fuel the initiatives designed to support both the well being and the professional development of employees, as well as the acceptance of cultural diversity and values;
- 5** Communication within and outside of the company should be effective and timely in order to guarantee the success of all corporate activities;
- 6** Research and development in the different sectors facilitates innovation in all corporate divisions;
- 7** The company continues to work on reducing the number of on the job accidents and injuries which involves a more frequent use of training focusing on prevention and worker safety;
- 8** The company recognises the importance of and encourages respect for the environment and is committed to an open and constructive dialogue with government authorities in order to improve environmental policies and practices;
- 9** The staff members which are part of professional orders comply with the relative category codes of conduct. In terms of communications, the company adheres to the principles outlined in the Treviso Charter.



## The Global Compact

The Global Compact is an initiative promoted by the United Nations (UN) to which the AcegasAps Group formally adhered on 5 April 2005.

The former UN Secretary Kofi Annan summarised the spirit of the initiative: "We have decided to combine the power of the markets with certain universally recognised ideals. We have decided to use the creative force of private initiative to help meet the needs of the disadvantaged and future generations".

The 10 Principals of the Global Compact related to human rights, labour rights and environmental protection are described in the following declarations:

- Universal Declaration of Human Rights;
- Declaration of the International Labour Organisation regarding principles and fundamental labour rights;
- The Rio Environmental and Development Declaration.

The 10 principles are listed below:

### Human Rights

The companies are required to:

#### Principle I

Businesses should support and respect the protection of internationally proclaimed human rights.

#### Principle II

Make sure that they are not complicit in human rights abuses.

### Labour Standards

The companies are required to:

#### Principle III

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

#### Principle IV

The elimination of all forms of forced and compulsory labour.

#### Principle V

The effective abolition of child labour.

#### Principle VI

The elimination of discrimination in respect of employment and occupation.

### Environment

The companies are required to:

#### Principle VII

Businesses should support a precautionary approach to environmental challenges.

#### Principle VIII

Undertake initiatives to promote greater environmental responsibility.

#### Principio IX

Encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

#### Principle X

Businesses should work against corruption in all its forms, including extortion and bribery.

The evaluation of all corporate risk is done in accordance with the precautionary approach, Principle 15 of the Rio Declaration: "Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation".

# From 1864 up to today

## The story

### 1864

The multi-utility that supplies the primary public services to the City of Trieste is born (Gas illuminante).



#### 1888

The first duct for the transport of water from the Dueville (VI) springs to Padua is completed.

#### 1891

The City of Padua manages the integrated water cycle directly.

#### 1896

The City founds the Padua Municipal Gas Company.

#### 1898

Electricity is produced in Trieste.

#### 1910

Trieste's Municipal Waterworks Service is created.

#### 1913

The first trash incinerator is started up in Trieste (then part of the Austro-Hungarian empire) which provides the electricity for the streetcar network.

#### 1923

Trieste's activities are predominated by the supply of electricity and the company changes its name to Municipal Power and Gas Company (Azienda Comunale Elettricit  e Gas" or ACEG).

#### 1929

ACEG is absorbed by the waterworks company.

#### 1934

The Trieste streetcar service is also incorporated and the company's name is changed to ACEGAT.

#### 1958

The second waterworks in Padua is inaugurated.

#### 1962

One of the first WTE plants in Italy and in Europe is completed in Padua.

#### 1972

Methanization is completed which makes it possible to convert the Paduan network from city-gas to methane gas.

#### 1976

The Padua Urban Waste Collection and Cleaning Services (Azienda Nettezza e Igiene Urbana di Padova or AMNIUP) is created and in 1977 recycling services are introduced. Its cleaning services are gradually expanded in inland cities.

#### 1977

The transport sector in Trieste is spun-off. The company, under the name ACEGA, takes on what is basically its current structure (water, electricity and methane).

#### 1984

The water and gas companies in Padua merge and AMAG is born. AMNIUP's chemical-environmental service is activated in Padua and activities related to the disposal of hazardous toxic waste are expanded.

#### 1994

ACEGA becomes part of the group of companies that produces electric energy.

#### 1997

ACEGA becomes ACEGAS and a joint stock company with primarily public entities as shareholders (the city of Trieste owns 99%), with the possibility as from 2001 of selling up to 49% of its shares to private parties.

#### 1999

The third waterworks is inaugurated in Padua.

Azienda Padova Servizi - APS is born, incorporating the water services, gas and environmental services previously carried out by AMNIUP and AMAG.

#### 2000

ACEGAS begins a stock "exchange" with AMGA of Udine and AMG of Gorizia and is listed on the Milan Stock Exchange: the City of Trieste transfers 45% of its holdings in the company to the new shareholders. Important domestic and foreign financial groups acquire significant stakes in the company and become company shareholders.

#### 2003

The merger between ACEGAS and APS, formalised on 19 December 2003, makes the company one of the largest multi-utilities in Italy.

#### 2005

The third line of the Errera WTE plant in Trieste is completed along with the Elettrogorizia cogeneration plant.

#### 2006

Start-up of foreign activities with RilaGas and the creation of Naonis Energia for the construction of a WTE plant in the province of Pordenone.

#### 2007

Foreign activities are strengthened through the creation of Sigas.

Construction of the third WTE line in Padua begins. 49% of Estenergy is sold in order to reinforce the utilities sector in the Triveneto area.

#### 2008

The third WTE line in Padua is in the process of being completed.

Construction of the gas distribution network begins in the Zapad region of Bulgaria.

## 2009

*The remaining 49% of Sinergie S.p.A., company already held 51% by ACEGAS-APS S.p.A., is purchased from Cofatech S.p.A..*

*The company AdriaLink is formed, held equally by Enel Produzione S.p.A., Trafigura Electricity Italia S.r.l. (currently Tei S.p.A.) and ACEGAS-APS S.p.A., in order to construct two interconnecting underground electroducts between Italy and Slovenia.*

*The gas utility network in the city of Požega (Serbia) is installed by the company SiGas d.o.o.. Plans for the construction of the gas distribution network in the city of Arilje are completed.*

*Purchase of the remaining 48% of Rilagas AD, already 52% held by ACEGAS-APS S.p.A., from Costruzioni Dondi S.p.A., is finalized. Rilagas AD, headquartered in Sophia (Bulgaria), is formed in order to work on methane pipelines and develop the distribution networks in the Zapad region in Bulgaria.*

*Letter of intent signed with the multiutility Linea Group Holding in order to explore a proposed merger project of the two groups.*

*An offer is presented, in joint venture with ENI S.p.A., for the purchase of Iris Gorizia's power divisions.*



## Significant events in 2009

In the field of **energy procurement**, which is considered strategic in the current international context, institutional contacts have been intensified in order to ensure AcegasAps's presence (both in terms of procurement and as shareholders) in the Trieste LNG plant construction project. In July 2009 the project obtained authorisation from the Ministry for Environmental Protection (VIA Decree) and is currently being evaluated by the local authorities. As already stated, the AcegasAps Group will most definitely be involved in the project.

With regard to the **sales division**, it wasn't possible to complete the spin-off to Estenergy S.p.A. of AcegasAps Service Srl's activities related to the sale of electricity to captive clients. The transaction, planned in first quarter 2009, was not completed due to the failure to reach an agreement with the minority shareholder of Estenergy S.p.A.. The negotiations continued through September but it was not possible to reach an agreement. The purpose of the transaction was to concentrate all of AcegasAps's sales activities in one single entity, thus achieving efficiencies in terms of both operations and sales.

With regard to the ordinary operations, the subsidiary Estenergy reported significant economic results thanks to a more efficient organizational structure. The introduction of the new invoicing system also made it possible to improve cash management, as well as to comply with Resolution 11/07 issued by the Electricity and Gas Authority (Autorità per l'Energia Elettrica e Gas or AEEG). The subsidiary AcegasAps Service S.r.l.'s results suffered from an erosion of its customer base. Both company's dealt effectively with the increased competition that characterised their reference markets.

In order to further develop its **waste to energy** capacity through the vehicle Naonis Energia S.r.l., of which AcegasAps holds 54%, the Group continued with its plans for the construction of a new WTE plant in the Friuli Venezia-Giulia region. In 2009, in order to generate greater consensus regarding the project, a new shareholder became part of the company.

ACEGAS-APS S.p.A. continued to develop institutional contacts on all levels in order to speed up the authorization process as much as possible.

Work also continued on the third WTE line in Padua which should have been completed by the end of 2009. Technical difficulties, however, caused a delay of a few months. In 2009 works costing approximately €36.4 million were completed. At 31 December 2009 the total amount invested in the project reached approximately €72.2 million, out of a total of approximately €100.0 million provided for in the contract. All the permits necessary for operation were obtained. In February 2009 the transaction

involving the sale of a minority stake in the WTE company that was to be formed was interrupted as, given the turbulent financial markets, the offer was no longer economically viable.

With regard to the **Ponte San Nicolò (Padua) landfill**, the work connected to the surface perimeter and preparation of the site for waste collection had already been completed in prior years. All of the licenses for waste collection have been obtained (the landfill will be able to hold up to 300,000 m<sup>3</sup> of waste). However, in October 2009 two former managers of the former Azienda Padova Servizi S.p.A.(APS), then spun-off into ACEGASAPS, were found guilty of mismanagement of the site. The Venice Court of Appeals ruled that the statute of limitations regarding the two employees had already run and, therefore, they could not be tried. In light of the outcome, ACEGAS-APS S.p.A. has decided to file for civil damages with the Venice Court of Appeals, but not with the Ministry of the Environment. The sole objective of this proceeding is to maintain proper standing with the community, as ACEGAS-APS S.p.A. is convinced to have acted in accordance with the law. Before proceeding with the waste collection for which the authorization has been received, AcegasAps has decided to investigate further the implications of the issues linked to the clean-up of the sites indicated as motivating the court's original findings.

With regard to the **foreign businesses**, the subsidiary Bulgarian RilaGas continued to work on the construction of the network in the Zapad region and at the end of 2009 the network was estimated to be worth some €14 million. A network of approximately 65 kilometres should be completed by the end of 2010. The local authorities issued a new service plan along with the tariff schemes (effective as of 1 September 2009). The first contracts were also stipulated with a few industrial clients. In November 2009, ACEGAS-APS S.p.A. purchased the 48% stake in RilaGas AD held by the minority shareholder. The purpose of the transaction, which resulted in a payout of €5.3 million, is to consolidate the international business and to facilitate the start-up of the operations. The Serbian company **SIGas d.o.o.**, with registered offices in Belgrade, completed part of the natural gas network in the cities of Požega and Arilje and the first sales activities began.

With regard to the **power division**, authorisation to increase the capacity of the **Elettrogorizia** plant from 50 to 57 MGW was obtained. The substitution of 140,000 **electricity meters** with new remote controlled meters continued. At 31 December 2009 more than 100,000 meters had been substituted. Substitution should be completed in the first half of 2010 following a total investment of approximately €15.0 million. This operation,

required by the Electricity and Gas Authority, will allow the Group to offer better service to its customers.

In February 2009 ACEGAS-APS S.p.A., Enel S.p.A. and Tei S.p.A. formed the company **AdriaLink S.r.l.**, headquartered in Gorizia. The three shareholders hold equal interests in the company the purpose of which is to construct two interconnecting underground electroducts between Italy and Slovenia. In the event the operations are finalized, there will be an estimated increase in the power exchange between the two countries of approximately 250 MW. The purpose of the transaction - in accordance with the Scajola decree - is to secure domestic energy supply. Investments of approximately €31 million are expected to be made.

The turbine of the affiliate **Sarmato Energia S.p.A.** was damaged and, consequently, the plant's activities were suspended but should resume by the end of 2010, once the turbine is repaired.

The **integrated water cycle** division's operations went smoothly. The tariffs in the Padua area were revised effective 1 January 2009 resulting in an average increase of 10% which was offset by incentives. In 2009 the Environmental Authority began drafting a new service plan in order to reconcile the considerable level of investments needed with tariffs that are sustainable over time. The revision is also necessary in light of the gradual drop in volumes sold that has been recorded in the past few years.

In April 2009 a new line was inaugurated at the Cà Nodio (Padua) water treatment facility, which is managed by ACEGAS-APS S.p.A.. This is an important operation as it is now possible to treat water for the equivalent of approximately 147 thousand inhabitants. ACEGAS-APS S.p.A. invested €8.5 million in the project.

With regard to the Trieste area, the Environmental Authority recently approved a new service plan based on which the tariffs will be determined in accordance with the "Normalised Method" approved in the 1996 Public Works Ministerial Decree.

The most important changes, in addition to the radical change in the criteria used to determine the tariffs, is that the method will be applied throughout the province of Trieste, with the exception of the direct customers in the Carso area, serviced by the existing consortium. The Concession Agreement for the services to be assigned will be available shortly. The introduction of the "Normalised Method" (initially forecast for 1 July 2009) was delayed through 2010 but the service plan approved covers all the investments made that were financed by the companies and not completely amortised, including those made in 2009, therefore temporary adjustments pursuant to CIPE resolution of

July 2002 will not be implemented.

The implications of sentence n. 335/2008, issued by the Constitutional Court regarding the charges for water and sewage treatment and of Regional Law 12/2009, regarding payments for landfill projects, are still being evaluated.

With regard to the **services division**, ACEGAS-APS S.p.A. purchased the remaining 49% of Sinergie S.p.A. from the minority shareholder, Cofhatec S.p.A., for €20.0 million. The purpose of the transaction is to strengthen the Group's presence in the facility and heat management sector which has interesting possibilities and is synergic with AcegasAps Group's existing business.

With regard to **organization**, please note that the provisions related to unbundling, issued by the Electricity and Gas Authority (Autorità per l'Energia Elettrica e Gas or AEEG), became effective as per resolution 11/07. The guidelines pertaining to the obligations contained in this resolution were part of a subsequent resolution, dated September 2008. The Group organized different activities and changed its organizational structure in order to comply with the resolution, more specifically at the beginning of 2009 it fulfilled its obligations as an independent manager in accordance with the resolution.

With regard to the **organization**, pursuant to resolution 11/07 the Electricity and Gas Authority (Autorità per l'Energia Elettrica e Gas or AEEG) introduced the separation of the business into free market (such as sales) and regulated activities (such as distribution) which was subsequently amended by the Authority in resolutions 253/07 and 310/07 which called for gradual compliance with the unbundling regime as of July 2008. In 2008 the AcegasAps Group began to implement a new organizational structure in order to comply with the obligations therein and also looked at the wider range of implications that could have an impact on, for example, governance, organization, IT systems, service contracts. ACEGAS-APS S.p.A. also amended its bylaws and appointed an Independent Controller granting him the necessary mandates and adequate powers of representation. The aspects involving governance issues and organization were given priority during this adjustment process in order to ensure effective and efficient compliance with the unbundling regime. Of note is the **new Law 20 n. 166 of November 2009** which converted Decree n. 135 of 25 September 2009 into law. The law calls for urgent compliance with EU obligations and the sentence issued by the European Court of Justice, published in Official Gazette (*Gazzetta Ufficiale* or G.U.) n. 274 dated 24 November 2009. The law calls for profound changes in terms of the service provided by local multi-utilities as described in Art.15 of Law 166/2009, "Compliance with the economic

terms of the EU provisions regarding local public services". The changes affect both the integrated water and the waste managements sectors (both of interest to the AcegasAps Group). The provision calls for the introduction of temporary assignments of concessions to companies with public shareholders which are to be made directly and not on the basis of public tenders. ACEGAS-APS S.p.A., in its capacity as a company with public shareholders listed on the stock exchange since 1 October 2003, will maintain its concession rights in the integrated water and environment sectors through the expiration of the concession contracts as long as the interest held by the public shareholders is gradually reduced through private placements with qualified investors or industrial partners to no more than 40% by 30 June 2013 and no more than 30% by 31 December 2015. In the event these conditions are not complied with, the concessions will be terminated on 30 June 2013 or 31 December 2015, respectively. This marks an important legislative development which opens the doors to further privatisation of public services. The AcegasAps Group, including in light of possible aggregations going forward, is currently evaluating the implications of the provision in terms of both shareholder structure and financial prospects.

Of note are the **extraordinary transactions**. In February 2010 ACEGAS-APS S.p.A., in joint venture with ENI S.p.A., presented an offer for the purchase of Iris Gorizia's power divisions.

At the end of the first phase of the tender, in March, the offer submitted by Eni S.p.A. and ACEGAS-APS S.p.A. was deemed to be the most attractive in terms of both business prospects and economic conditions. The final outcome of the sales is not yet known. The purpose of the transaction is to consolidate the sales and distribution activities in the area with a view to improving efficiency and strengthening the local presence. On 28 December 2009 ACEGAS-APS S.p.A. signed a letter of intent with Linea Group Holding in order to explore a possible merger of the two groups. The technical and economic aspects of the transaction are currently being evaluated in order to define the terms and conditions of the proposed merger as quickly as possible. The merger of the two groups would result in the creation of a multi-regional company with total revenues in excess of €1 billion, approximately 3,000 employees, serving more than 2 million inhabitants.

In 2009 ACEGAS-APS S.p.A. received notices regarding a **"tax moratorium"** of €10 million (principle of €6.0 million and interest of €4.0 million). The claim, described in the section "other information", relates to 1997-1999. Following a first payment in April 2009 of €1.3 million, in September ACEGAS-APS S.p.A. received another assessment of €8.7 million. ACEGAS-APS S.p.A. filed for a suspension with the Trieste Tax Commission which was initially granted and then repealed. Immediate payment of the amount owed was requested. ACEGAS-APS S.p.A. will act in the company's best interest and work with all the relevant authorities in order to recover the amount paid.

## Significant events subsequent to 31 December 2009

In February 2010 Eni S.p.A. and ACEGAS-APS S.p.A. presented a joint offer for the purchase of Iris Gorizia's power divisions (gas and electricity) put up for sale as part of a public tender. At the end of the first phase of the tender, in March, the offer submitted by Eni S.p.A. and ACEGAS-APS S.p.A. was deemed to be the most attractive in terms of both business prospects and economic conditions.

As of the date of the drafting of these financial statements, the company is still awaiting the final outcome of the tender.



## Foreseeable business development

After a particularly intense first half, there were clear signs of recovery in 2009. As the AcegasAps Group works primarily in regulated sectors it is less exposed to economic cycles. In 2009 the company's operating results were better than in 2008, and even beat the forecasts made at the beginning of the year. All sectors in which the Group is active recorded positive results with the exception of the environment and water divisions in the second quarter of year. The performance of the free market businesses (Estenergy and Sinergie) was sound. Greater cost control and more selective investments contributed to these results. The lower cost of funds during an intense investment period in the second part of the year made it possible to maintain significant profitability which was penalized solely by the effects of the tax moratorium (an impact of €8.9 million on the bottom line).

Operating margins are expected to improve in 2010 as the third WTE line in Padua becomes operative. This significant project is in the process of being completed and should be running at full capacity as of April 2010. Investments should peak in 2010 as the third WTE line in Padua nears completion and more investments are made abroad. Net debt, however, is expected to grow at a lower rate. The cost of funds should continue to be low through all of 2010 which will obviously have a positive impact on the bottom line. The operating businesses could still be impacted by the uncertain economic environment.

Mergers could take place in 2010, in particular with Linea Group Holding S.r.l. (please refer to the section "Significant events in 2009) as part of a policy focused on growth and a vaster geographical presence.

# AcegasAps

## Strategic positioning and macroeconomic scenario

The considerable efforts to privatise and liberalise the local utilities began to bear fruit beginning in the 1990s. First of all the local players became involved in regional consolidation resulting in the creation of important operators both on a domestic and on an international level. The consolidation process continued in 2009 (merger of Iride and Enia) but, however, was limited to the areas in Italy with the most advanced economies. The Triveneto area continued to be penalized by the high level of fragmentation that characterizes the region and which tends to limit consolidation.

The financial crisis that emerged at the end of 2008 and persisted in 2009 made it more difficult to access credit markets and the local utilities were focused on the careful management of the cash flow generated by investment activities and expected returns.

The consolidation process made it possible to achieve important goals which include:

- economies of scale and scope economies;
- greater bargaining power;
- greater financial stability and easier access to credit;
- entry into new geographical areas and sectors;
- increased internationalization, minimizing the local dimension and decreasing geographic fragmentation ;
- improvement in the quality of the services offered.

The operators, however, did experience difficulties during the consolidation process, primarily with regard to the complex relationships with public shareholders of different extraction. These situations had an impact on corporate governance. Consolidation also appeared to favour certain sectors (gas and electricity), over others (such as environmental and integrated water services) where the benefits were quite limited in terms of operating efficiency and, in particular, in terms of human resources. The general consensus is that the improvements in terms of operating efficiency failed to meet expectations.

The consolidation process did result in better local service, which obviously benefited the country as a whole, but the improvement was not the same for all sectors and areas of weakness emerged in the most localized segments.

The recent conversion of the "Ronchi Decree" into law should drive further privatisation within the sector, facilitating the entry of private shareholders in the management of public utilities (environmental and integrated water services) which failed to benefit from the first wave of liberalisation.

## The global market conditions

In 2009 the world economy lived through a period of profound crisis with a generalized slowdown that affected, albeit to different degrees, all the different geographic areas.

GDP fell worldwide by 0.4% which was accompanied by a drastic decline in world trade which is estimated to have dropped by 12%. The impact of the financial crisis begun in the latter part of 2008 became abundantly clear in 2009. As you are well aware, the crisis was rooted in the noticeable lack of financial stability that plagued families and businesses in several industrialized countries such as the USA, the UK, Spain, and Ireland. The first half had a particularly negative impact. The economic indicators only stopped falling mid-year, which began to restore the market's overall confidence. It wasn't until the third quarter of 2009 that the inflationary trends were abated thanks to the massive stimulus packages implemented by the principal industrialized countries. The emerging markets showed signs of a slowdown but we are able to react quickly to the changed economic environment and immediately reverse trends. It is estimated that in 2009 the GDP in the Euro zone dropped by 4.0% while in Italy it fell by 5.1% due to the greater impact of world trade on the Italian economy. Obviously the crisis resulted in a general drop in consumption and investments with a drastic and worrying increase in the rate of unemployment.

Thanks to expansionary monetary policies, the cost of funds remained very low throughout 2009 and in the United States, the Fed maintained the 0.25% level while the European Central Bank set the cost of funds at an historical low of 1.0%, testimony to the severity of the crisis. Inflation fell drastically following the decrease

in demand and the expansionary monetary policies. In the United States a negative figure (-0.4%) was even recorded, while in the Euro zone it remained stable at 0.3%. Italy's inflation was slightly above this figure at +1.0%.

In 2009 the USD continued to strengthen against the Euro and the USD/euro exchange rate for the year came in at 1.39 versus 1.47 in 2008.

It is largely agreed upon that there will be a recovery in 2010 even though there will continue to be signs of uncertainty.

With regard to the prices of raw materials, the price of oil was impacted by the economic crisis and hit its low for the year of approximately USD 40/barrel in February to then climb back up, as the economy showed signs of recovery, to around USD 77/barrel. The average price of Brent crude fell drastically in 2009 from the USD 98.4/barrel recorded in 2008 to USD 62.6/ barrel.

In 2009 the demand for natural gas fell by 8.1% from the 84.7 billion m3 recorded in 2008 to 77.8 billion m3. There was a slight increase in domestic demand (which rose 2.2% from 30.2 to 30.9 billion m3) due to climactic conditions while the industrial segment fell significantly (-10.1%) on the back of the trend begun in 2008.

The demand for electricity reached 317.0 TWh, a drop of 6.7% when compared to 2008 (339.5 TWh) which was concentrated in the first half of the year. Market prices fell further with respect to 2008. In 2009 the National Price Regulator's average price reached €63.8/MWh versus €87.0/MWh in 2008 (-26-7%). The market prices were clearly impacted by the decrease in demand and the above mentioned drop in the price of crude oil

# Financial position and economic highlights

	2009	%	2008	%	Change	%
Revenues from sales	436,841	91.6	437,036	90.8	(195)	-
Other revenues and income	40,124	8.4	44,035	9.2	(3,911)	-8.9
<b>Total net revenues</b>	<b>476,965</b>	<b>100.0</b>	<b>481,071</b>	<b>100.0</b>	<b>(4,106)</b>	<b>-0.9</b>
Consumables and services	(291,300)	-61.1	(304,755)	-63.3	13,455	-4.4
Other operating costs	(5,732)	-1.2	(4,583)	-1.0	(1,149)	25.1
Personnel expenses	(84,839)	-17.8	(80,697)	-16.8	(4,142)	5.1
<b>EBITDA</b>	<b>95,094</b>	<b>19.9</b>	<b>91,036</b>	<b>18.9</b>	<b>4,058</b>	<b>4.5</b>
Provisions	684	0.1	(589)	-0.1	1,273	-216.1
Amortisation, depreciation and impairment	(50,883)	-10.7	(48,834)	-10.2	(2,049)	4.2
<b>EBIT</b>	<b>44,895</b>	<b>9.4</b>	<b>41,613</b>	<b>8.7</b>	<b>3,282</b>	<b>7.9</b>
Financial income	2,262	0.5	2,868	0.6	(606)	-21.1
Financial charges	(15,435)	-3.2	(20,790)	-4.3	5,355	-25.8
Income (charges) from equity investments	43	-	(67)	-	110	-164.2
Income (charges) from investments booked at net equity	(734)	-0.2	67	-	(801)	-1,195.5
Other income (charges)	28	-	60	-	(32)	-53.3
<b>Pre-tax profit</b>	<b>31,059</b>	<b>6.5</b>	<b>23,751</b>	<b>4.9</b>	<b>7,308</b>	<b>30.8</b>
Income tax	(20,255)	-4.2	(8,532)	-1.8	(11,723)	137.4
<b>Net profit (loss) from current operations</b>	<b>10,804</b>	<b>2.3</b>	<b>15,219</b>	<b>3.2</b>	<b>(4,415)</b>	<b>-29.0</b>
Gains/(losses) from discontinued operations	-	-	-	-	-	-
<b>Net profit (loss) for the period</b>	<b>10,804</b>	<b>2.3</b>	<b>15,219</b>	<b>3.2</b>	<b>(4,415)</b>	<b>-29.0</b>
Attributable to:						
<b>Minorities</b>	<b>61</b>	<b>-</b>	<b>1,343</b>	<b>0.3</b>	<b>(1,282)</b>	<b>-95.5</b>
<b>Shareholders of the parent</b>	<b>10,743</b>	<b>2.3</b>	<b>13,876</b>	<b>2.9</b>	<b>(3,133)</b>	<b>-22.6</b>

## Revenues

**2009 476,965**

**2008 481,071**

The AcegasAps Group's **revenues** from sales in 2009 decreased by €4.1 million or 0.9% over 2008. This slight drop is analyzed below:

- revenues from the **power division** fell by 8.9% from €113.4 million in 2008 to €103.4 million in 2009. The decrease is attributable to both the free market customers (Estenergy), where revenues fell from €34.8 million to €31.4 million, and for €6.6 million to protected customers (managed by AcegasAps Service). The number of free market customers was stable while volumes sold dropped by 4.1% from 827 GWh to 783 GWh due primarily to the persistent financial crisis and the drop in consumption by businesses. The market of protected customers reported volumes that were down due

to a gradual erosion of the customer base. Revenues from **power generation** fell by €2.9 million due to a drop in the volume of electricity generated (-5.8 GWh) due to less attractive pricing. **Distribution** revenues fell from €25.4 to 24.5 million, with electricity distribution unchanged (792 GWh in 2008 and 793 GWh in 2009).

- revenues from the **gas division** rose 5.0%, from the €121.7 million reported in 2008 to €127.8 million in 2009. The volume of gas distributed dropped 1.9% in 2009 from 467.7 million cubic metres in 2008 to 458.8 million cubic metres in 2009. The two geographic areas performed differently. The volumes in the Trieste area rose 2.3% from 158.8 million cubic metres to 162.4, while in Padua volumes fell 4.0% from 308.9 million cubic metres to 296.4 million cubic metres. There was a drastic drop in the demand from industrial customers, only partially offset by the increase in domestic consumption. The new tariff scheme resulted in an increase in revenues from **distribution** in 2009 which rose by €4.4 million or 12.2% with respect to 2008. Revenues from **sales** fell 2.3% from €96.7 million in 2008 to €94.4 million in 2009 due to an overall drop in prices. The volumes sold by Estenergy actually increased from 412.7 million cubic metres to 418.0 million cubic metres (+1.3%) thanks to the favourable climate conditions that drove domestic consumption and despite the above mentioned decline in industrial consumption.
  - revenues from the **integrated water cycle** business increased by 4.1% from €78.3 million to €81.5 million. A total of 54.1 million cubic metres was sold versus 54.2 million cubic metres in 2008, a drop of 0.2% which confirms the erosion of the customer base. The drop in the quantity processed and sold was offset by the tariff increases recognized above all in the Padua area (+10%). Total customers served increased from 250,883 to 251,832. The length of the network increased from 3,066 km to 3,074 km.
  - revenues from the **environment division** rose from 107.0 to €110.2 million (+3.0%). The revenues for **waste collection and street cleaning** dropped by €0.7 million from €48.2 to 47.5 million. The **waste collected** fell 6% from 284.7 to 267.7 thousand tonnes. In the Trieste area the waste collected fell from 106.1 to 101.2 thousand tonnes (-4.6%) while in the Padua area the waste collected fell by 6.8% from 178.6 to 166.5 thousand tonnes. The drop reflects the general economic crisis and changing consumer trends.
- The **waste to energy plants** treated a total 225.9 thousand tonnes versus 228.2 thousand tonnes in 2008. In the Trieste area 145.5 tonnes were treated versus 148.1 in 2008 (-1.8%), while in the Padua area the amount treated reached 80.4 thousand tonnes versus 80.1 in 2008 (+0.4%). Revenues from waste disposal increased from €27 million to €28.2 million thanks to tariff increases. The **electricity produced** generated revenues of €18.6 million versus €18.3 million in 2008 (+1.6%). The electricity produced, in fact, rose from 121.5 GWh to 123.7 GWh. There was a drop in production in the Trieste area (from 88.8 GWh to 87.2 GWh), while production rose from 32.9 to 36.6 GWh in the Padua area.
- revenues from the **services division** increased by 2.2% from €77.6 million to €79.3 million. This increase reflects the positive performance of the subsidiary Sinergie which continued to gain new customers. Sinergie's revenues rose from €56.8 million to €58.9 million. Revenues for the public lighting sector fell from €10.3 million to €9.7 million.

The breakdown of revenues by division is as follows (in millions of euros):

<b>Division</b>	<b>2009</b>	<b>2008</b>
Power	103.4	113.4
Gas	127.8	121.7
Integrated water cycle	81.5	78.3
Environment	110.2	107.0
Services	79.4	77.6
Overheads	4.8	4.7
Elisions	(30.0)	(21.6)
<b>Total</b>	<b>477.1</b>	<b>481.1</b>

In fourth quarter 2009 the Group recorded revenues of €129.7 million versus €143.9 million in fourth quarter 2008. Fourth quarter revenues dropped with respect to the same period in 2008 due to the different tariff calculations which affected the gas sector, the smaller quantity of power generated and sold, as well as the decrease in water consumption.

### **Cost of raw materials and services**

**2009 (291,300)**

**2008 (304,755)**

The **cost of raw materials and services** fell by €13.5 million or 4.4% from € 304.8 million in 2008 to increased by €291.3 million in 2009.

The **cost of raw materials for energy** fell by 11.9% or €20.5 million from €172.6 million to €152.3 million.

The cost of **electricity** amounted to €59.9 million (versus €67.2 million in 2008, a decrease of 10.9%). The change is explained primarily by the lower prices caused by the decrease in demand and the international economic crisis. The decrease in Acegas-Aps Service's business and the fact that the volumes managed by Estenergy fell by 5.8% also contributed to this reduction.

The cost of **gas** fell by €11.3 million or 11.2% from €101.3 million to €90.0 million. The cost of gas refers to the quantity consumed by final customers, the amount used for the generation of electricity at the Elettrogrozzia plant, and only marginally to the gas used by company facilities and the district heating plant in Padua.

The drop in the cost of gas is attributable primarily to the drop in the price of petrol products and, marginally, to the renegotiation of Estenergy's supply contracts. The volumes managed by the sales company were largely in line with the prior year. The reduced cost also reflects the decline in the Elettrogrozzia plant's consumption as the production, as planned, was reduced considerably in 2009, also because of prices that were no longer profitable.

The drop in the cost of gas and electricity was partially offset by the increase in the cost of consumables and **waste collection, transport and disposal** services which rose from €26.2 million to €29.0 million.

The increase in the cost of environmental services (+€2.8 million) is primarily due to the subsidiary Nestambiente's increase in the collection and disposal of hazardous waste.

The cost of **consumables** rose by €2.6 million with respect to 2008, rising from €24.0 million to €26.6 million, due primarily to the greater inventories linked to the increased activity in the period.

**Maintenance and repair costs** amounted to €25.2 million (versus €24.7 million in 2008). This item includes ordinary maintenance of the power, gas and water distribution networks, the sewage treatment facilities, the WTE plants, as well as vehicle maintenance. There was a slight increase over the prior year of 2.0%.

Banking and insurance costs increased by €1.2 million, rising from €4.7 to €5.9 million due to an increase in both banking fees and insurance premiums following the stipulation of new policies or the expanded coverage of existing ones.

### **Personnel expenses**

**2009 (84,839)**

**2008 (80,697)**

**Personnel expenses** rose €4.1 million or 5.1% from €80.7 million to €84.8 million for different reasons. In both years there were non-recurring charges. 2008 benefited from contingencies of €2.5 million linked to the elimination of certain social charges booked in prior years. 2009 also benefited from contingencies of €1.0 million. Net these extraordinary items the increase would have been equal to €2.5 million or 3.0%. The increase is also attributable:

- for €1.7 million to the renewal or amendments of labour contracts;
- for €0.6 million to incentive policies;
- for €0.2 million to the hiring, in the year, of the personnel at the foreign subsidiary RilaGas which became operative.

Please note that measures were also implemented to limit overtime (new control and authorization process reinforced during the second half of the year), as well to improve management of vacation time and other leaves.

The total number of Group employees rose from 1,705 at 31 December 2008 to 1,714 at 31 December 2009 (+9 heads) which includes 8 heads hired at foreign subsidiaries.

**EBITDA**

<b>2009</b>	<b>95,094</b>
<b>2008</b>	<b>91,036</b>

**EBITDA** rose €4.1 million or 4.5% from €91.0 million to €95.1 million. EBITDA as a percentage of revenues in 2009 reached 19.9% (compared to 18.9% in 2008). The increase of €4.1 million recorded in 2009 is attributable for €0.2 million to the Parent Company and for €3.9 million to the subsidiaries Estenergy S.p.A. and Sinergie S.p.A.. The main factors which led to an improvement in EBITDA vis-à-vis 2008 are summarized below:

- the **power division's** EBITDA rose €0.3 million from €12.6 million to €12.9 million. The sales prices for electricity were less profitable than in 2008 which resulted in a drop of margins equal to €0.8 million (from a positive €0.6 million to a negative €0.2 million). The margins for distribution increased by €0.9 million thanks to a more favourable tariff scheme. The margins for sales were basically in line with the prior year (€1.7 million versus €1.6 million in 2008);
- the **gas division** reported an impressive recovery in terms of EBITDA which rose from €24.3 to €30.1 million. This trend is attributable to the following factors:
  - the contribution made by the distribution business of €4.1 million. The distribution business, as mentioned above, reported a drop in volumes but did, however, benefit from the new tariff schemes which took effect in 2009;
  - the contribution from sales where margins rose from €2.5 to €5.4 million. The improvement is attributable to the subsidiary Estenergy S.p.A.. Volumes increased marginally but the sales business benefited from better terms for the purchase of gas and from a few non-recurring items;
  - the negative contribution of the foreign subsidiaries (RilaGas and SiGas) which recorded a negative EBITDA of €0.6 million and an increase in fixed costs of €0.9 million.
- the **environment division's** EBITDA rose by €0.4 million from €32.5 million to €32.9 million. This result is attributable to a drop in the EBITDA for the waste collection and street cleaning businesses (which fell from €10.9 to €9.6 million) which were conducted using a less profitable mix of resources. This drop was, however, more than offset by waste disposal and electricity sales which reported a €1.7 million increase in EBITDA;
- the **integrated water cycle division** reported a drop in EBITDA of €0.4 million (from €32.3 million to €31.9 million). In the Padua area EBITDA rose from €20.5 million to €20.8 million, while Trieste was basically unchanged at €14.6 million. The division's fixed costs rose from €2.8 million to €3.6 million due to an increase in operating costs;
- an increase in the contribution from the **services division**, which recorded an increase in EBITDA of €1.2 million over the prior year (from €14.2 to €15.4 million). The increase is attributable to the subsidiary Sinergie which improved the profitability of its portfolio;
- **overheads** increased by €3.2 million due to an increase in and a change in the allocation of certain fixed costs.

In the fourth quarter the Group reported an EBITDA of €27.7 million, an increase with respect to 2008 (€24.8 million). The power division which, despite a drop in revenues, managed to recover profitability and the integrated water cycle division, thanks to an increase in tariffs and the subsidiary Sinergie (which increased EBITDA by approximately €1.0 million in the fourth quarter) reported the best quarterly performances.

**Provisions**

<b>2009</b>	<b>684</b>
<b>2008</b>	<b>(589)</b>

**Provisions** rose from a negative balance of €0.6 million to a positive €0.7 million. The most significant change with respect to 2008 relates to the legal dispute pertaining to the Ponte San Nicolò landfill. All the civil claims were settled, damages of €0.5 million were paid and provisions of €3 million were released following the decision of the Mestre Appeals Court issued on 15 July 2009 to repeal the judgement for generic damages. The provisions for legal disputes with third parties and personnel (INPS) amounted to €2.0 million.

**Amortisation and depreciation****2009 (50,883)****2008 (48,834)**

**Amortisation, depreciation and impairment** increased by €2.0 million, rising from €48.8 to €50.8 million. **Amortisation and depreciation** rose by €1.4 million from €46.6 to €48.0 million. Amortisation of intangible assets rose from €9.4 to €9.7 million, while depreciation of property, plant and equipment rose from €37.2 to €38.3 million. The increase in depreciation is linked to the significant investments made over the past few years, particularly with regard to the integrated water and environmental services businesses. The provision for bad debt amounted to €2.9 million (€2.2 million in 2008) which includes the amount necessary to cover potential user and customer insolvencies. The provision is higher than in 2008 (€0.7 million) as the existing provisions were found to be in need of an increase in light of greater risk associated with several positions.

**EBIT****2009 44,895****2008 41,613**

**EBIT** in 2009, therefore, reached €44.9 million versus €41.6 million in 2008, an increase of €3.3 million or 7.9%. In the fourth quarter EBIT amounted to €13.6 million versus €12.2 million in the same period 2008.

**Financial charges****2009 (15,435)****2008 (20,790)**

**Financial charges** fell from €20.8 to €15.4 million. Please note that this item includes €4.0 million relating to the "tax moratorium". Net this non-recurring item, the financial charges would have amounted to €11.4 million. This drop, even though there was an increase in net debt, is attributable to the significant drop in interest rates. More in detail, interest owed on mortgages fell with respect to 2008 by €7.4 million. The noticeable change is due to the above mentioned drop in interest rates in 2009. The difference in the interest owed on mortgages for the same amount of debt amounted to €7.2 million. Overdraft charges also dropped from €2.8 million in 2008 to €2.2 million in 2009. The drop in interest rates and the subsequent drop in these financial charges was offset by an increase in the bank exposure of a few Group companies. This increase in financial charges, on a like-for-like basis, would have come in at €3.3 million. Interest and other charges payable to the Parent Company which amounted to €0.8 million (€0.9 million in 2008) are primarily attributable to interest on fixed rate loans linked to Acegas S.p.A.'s municipal pension funds that are now managed by the municipality of Trieste. In 2009 interest owed by Acegas-Aps S.p.A. to the municipality of Trieste fell by €0.1 million with respect to the prior year due to the amortisation schedule for the residual debt related to pension funds.

**Income tax****2009 (20,255)****2008 (8,532)**

**Income tax** increased with respect to 2008 rising from €8.5 million to €20.2 million (+11.7 million) equal to a tax rate of 65.2% versus 35.9% in 2008. The significant increase is primarily attributable to non-recurring items which positively impacted 2008 and negatively impacted 2009. If we look at the tax rate net the extraordinary items it would be in line at 46.08% in 2009 and 45.79% in 2008 versus a pre-tax profit of €31 million and €24 million, respectively. In 2008 the parent company benefited from the application of a flat-rate tax to realign mismatches between the accounting and tax values of its assets which had a positive effect on the tax rate of 9.9 percentage points.

In 2009, rather, the Parent Company had to pay IRPEG (now referred to as IRES- corporate income tax) related to the tax moratorium described in Section 2.1.5 "Other information". The tax of €6.0 million impacted the tax rate for some 19.13 percentage points.

Furthermore, the IRES rate provided for under Decree 112/2008 (known as the "Robin Hood Tax") increased by a percentage point with respect to the prior year and rose from 5.5% to 6.5%. It was applied not only to income generated by the subsidiary Estenergy S.p.A. (as in 2008), but also to income generated by the subsidiary AcegasAps Service S.r.l. which at the end of 2009 was found to be subject to the higher rate.

The **pre-tax profit** rose from €23.8 to €31.0 million.

**Net profit from current operations****2009 10,804****2008 15,219**

The **net profit from current operations** amounted to €10.8 million versus €15.2 million in 2008 (-€4.4 million).

	31/12/2009	31/12/2008	Change	%
<b>CAPITAL EMPLOYED</b>				
Trade receivables	202,776	206,357	-3,581	-1.7
(Trade payables)	(122,147)	(137,325)	+15,178	-11.1
Warehouse inventories	9,946	10,766	-820	-7.6
Other short term assets/(liabilities)	(33,179)	(27,027)	-6,152	+22.8
<b>Net Working Capital</b>	<b>57,396</b>	<b>52,771</b>	<b>+4,625</b>	<b>+8.8</b>
Property, plant & equipment and intangible assets	738,863	664,767	+74,096	+11.1
Non-current financial assets	14,292	15,073	-781	-5.2
Provisions for employee severance and social charges	(26,969)	(27,500)	+531	-1.9
Provisions for risks and charges	(18,536)	(20,551)	+2,015	-9.8
Other net non-financial assets/(liabilities)	(12,771)	(7,129)	-5,642	+79.1
<b>Net Non-Current Assets</b>	<b>694,879</b>	<b>624,660</b>	<b>+70,219</b>	<b>+11.2</b>
<b>Total Capital Employed</b>	<b>752,275</b>	<b>677,431</b>	<b>+74,844</b>	<b>+11.0</b>
<b>SOURCES OF FUNDING</b>				
Share capital	283,691	283,691	-	-
Reserves	50,014	52,576	-2,562	-4.9
Earnings in the period	10,743	13,876	-3,133	-22.6
Minority interests in equity	392	11,846	-11,454	-96.7
<b>Net Equity</b>	<b>344,840</b>	<b>361,989</b>	<b>-17,149</b>	<b>-4.7</b>
Long term financial payables	269,179	276,470	-7,291	-2.6
Short term financial payables	138,256	38,972	+,284	+254.8
<b>Short term financial payables</b>	<b>407,435</b>	<b>315,442</b>	<b>+91,993</b>	<b>+29.2</b>
<b>Total sources of funding</b>	<b>752,275</b>	<b>677,431</b>	<b>+74,844</b>	<b>+11.0</b>

### Capital employed

In 2008 **capital employed** increased by €74.8 million or 11.0% from the €677.4 million recorded at 31 December 2008 to €752.3 million.

### Non-current assets

**Non-current assets** rose from €624.7 million to €694.9 million, an increase of €70.2 million. Property, plant & equipment and intangible assets increased €74.1 million from €664.8 million to €738.9 million due primarily to investments made in the year of €119.5 million. The substantial volume of investments, as explained in detail in the sections dedicated to the different divisions, involved all areas of operation. Of note is the €72.2 million spent between 2006 and 2009 on the construction of the third WTE in Padua, the investments made in the integrated water cycle business of €27.5 million and the €20.0 million invested in the distribution network.

**Other net non-financial assets/(liabilities)** increased from €7.1 million to €12.7 million (+€5.6 million) attributable almost entirely to the Parent Company (+€6.3 million). The increase is explained primarily by the change in deferred income related to regional incentives for investments.

**Provisions for risks and charges** fell by €2.0 million from €20.5 million to €18.5 million. The change is explained in the notes to income statement. During the year the company utilised the provisions made for events deemed probable booked in prior years. For further information please refer to the section "Other information".

### **Net working capital**

**Net working capital** increased from €52.8 million to €57.4 million (+€4.6 million). The increase is due to the decrease in **trade payables** which fell from €137.3 million to €122.1 million (-€15.2 million), of which €6.6 million is attributable to the Parent Company, €12.0 million to the subsidiary Estenergy and €1.6 million to Sinergie. This decrease was partially offset by the increase reported by the other subsidiaries (Nestambiente and AcegasAps Service).

**Trade receivables** dropped by 1.7% from €206.3 million in 2008 to €202.8 million. Of note is the drop in Estenergy's trade receivables which fell from €59.2 million to €45.6 million (-€13.6 million), for the part consolidated by Acegas-Aps S.p.A. (51%). The decrease is attributable to improved efficiency in managing billing cycles and working capital. The Parent Company's receivables increased from €102.6 million to €109.6 million while AcegasAps Service's trade receivables fell from €31.4 million to €28.1 million.

**Other short term assets/(liabilities)** rose by €6.1 million from €27.0 million in 2008 to €33.1 million in 2009. The increase is attributable to the Parent Company AcegasAps, the contribution of which rose from €24 million to €28.7 million, as there was an increase in the consumption tax (+€1.1 million), other payables (+€1.7 million), while other receivables fell noticeably (-€1.2 million). The subsidiary Estenergy S.p.A. recorded an increase of €3.2 million due to a rise in the consumption tax in connection to the seasonality of sales.

### **Net financial position**

**Net financial position** rose by €92 million from the €315.4 million reported at 31 December 2008 to €407.4 million at 31 December 2009. The increase is explained by the significant amount of investments made (€135.1 million), the payment of dividends (€8.2 million) and the payment of the tax moratorium (€10.0 million).

### **Net equity**

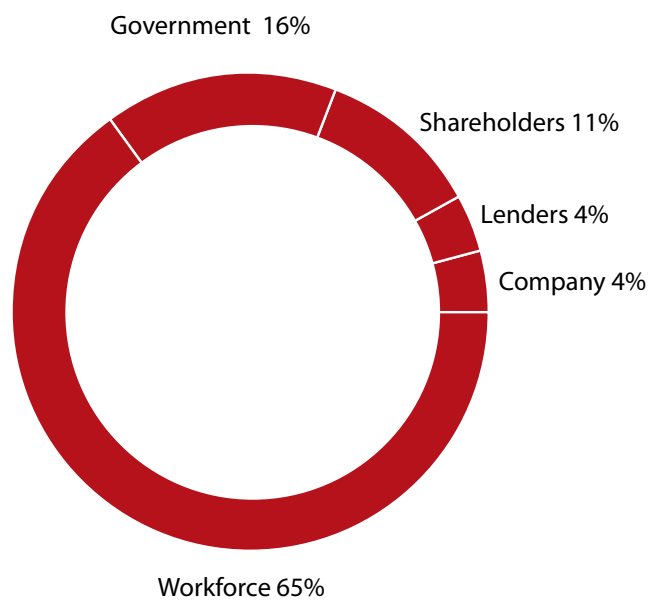
**Net equity** at 31 December 2009 amounted to €344.8 million, a drop of €17.1 million with respect to 31 December 2008 attributable to income for the period (€10.8 million), the payment of dividends and the purchase of the 49% interest in Sinergie. Please note that the Shareholders' Meeting of the Parent Company held in May 2009 resolved to distribute dividends of €8.2 million.

# Calculation and Distribution of Added Value

Value creation is a fundamental part of every activity. In economic terms **added value** measures the wealth generated by a business which benefits society. The calculation is done by reclassifying group income statement items in order to show how value is generated and distributed to stakeholders. The figures are, therefore, taken from the Group's financial statements and reclassified based on the standards for ethical and responsible behaviour that are part of the method promoted by G.B.S. (Gruppo Bilancio Sociale), an Italian research group involved in determining standards for corporate social reporting.

<b>Calculation of Added Value</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Production value</b>	<b>475,875</b>	<b>480,048</b>	<b>442,366</b>
<b>Production costs</b>	<b>-292,145</b>	<b>-306,115</b>	<b>-281,732</b>
Consumables	-182,331	-200,291	-183,916
Cost of services	-97,922	-93,530	-84,272
Leases and rentals	-7,243	-7,255	-7,768
Provisions for risks	684	-592	-2,991
Other provisions	-2,876	-2,224	-523
Other operating costs	-2,457	-2,223	-2,262
<b>Gross value added</b>	<b>183,730</b>	<b>173,933</b>	<b>160,634</b>
<b>Extraordinary operations and items</b>	<b>1,597</b>	<b>2,920</b>	<b>43,352</b>
Balance extraordinary operations	1,569	2,860	4,319
Balance extraordinary items	28	60	39,033
<b>Total gross value added</b>	<b>185,327</b>	<b>176,853</b>	<b>203,986</b>
Amortisation and depreciation	-48,007	-46,607	-46,453
<b>Total net added value</b>	<b>137,320</b>	<b>130,246</b>	<b>157,533</b>

<b>Distribution of the Added Value</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Paid to the workforce</b>	<b>88,643</b>	<b>84,376</b>	<b>81,781</b>
Non-employees	3,354	3,140	2,874
Employees			
- direct	64,370	60,039	58,416
- indirect	20,919	21,197	20,491
<b>Paid to the government</b>	<b>22,414</b>	<b>9,844</b>	<b>16,275</b>
Direct taxes	20,255	8,532	14,970
In direct taxes (subsidies)	3,251	2,335	2,288
	-1,092	-1,023	-983
<b>Paid to lenders</b>	<b>15,435</b>	<b>20,783</b>	<b>16,599</b>
Short term loans	7,917	5,663	4,470
Long term loans	7,518	15,120	12,129
<b>Paid to investors</b>	<b>4,948</b>	<b>8,247</b>	<b>16,494</b>
<b>Paid to the company</b>	<b>5,856</b>	<b>6,971</b>	<b>26,356</b>
<b>Donations</b>	<b>24</b>	<b>25</b>	<b>28</b>
<b>Total net added value</b>	<b>137,320</b>	<b>130,246</b>	<b>157,533</b>



# Investments

The investments made in 2009 by the ACEGAS-APS Group S.p.A. amounted to €119.4 million versus €92.0 million in 2008.

The investments made in the **integrated water cycle** totalled €27.6 million (versus €27.3 million in 2008). In the Padua area investments amounted to €19.5 million. Investments in the networks amounted to €16.8 million (€8.2 million in the Piovese area). An additional €2.7 million were invested in the hook-ups. Investments in the Trieste area reached €8 million. Investments in the network totalled €7.2 million, while €0.8 million were invested in the hook-ups.

The investments in the **power division** reached €11.2 million (versus €8.9 million in 2008); €6.4 million of which were for the development of the remote control meters; €0.5 million for hook-ups; and €2.9 million for network maintenance.

Investments in the **gas division** amounted to €21.8 million, of which €4.7 million in the Padua area and €3.5 million in the Trieste area. Network maintenance totalled €4.2 million while €2.4 million was invested in the hook-ups. The Bulgarian subsidiary, **RilaGas AD** also invested in the construction of the gas distribution network in the region of Zapad and in 2009/2008 investments totalled approximately €8 million (€2 million in equipment and €6 million in the development of the network).

Investments in the **environment division** amounted to €48.1 million. The most significant investment in 2009 was in the third WTE line in Padua where €36.4 million was invested bringing the total amount invested between 2006 and 2009 to €72.2 million. In the Trieste area €7 million was invested, of which €2.9 million in a warehouse and €2.3 in the clean-up of the area where the WTE is located. The most significant investment in the **other services division** was made by the subsidiary **Sinergie** which invested approximately €6.3 million in the upgrade and updating of customers' systems and thermal plants. Other investments of note were made in IT for a total of €1.8 million.

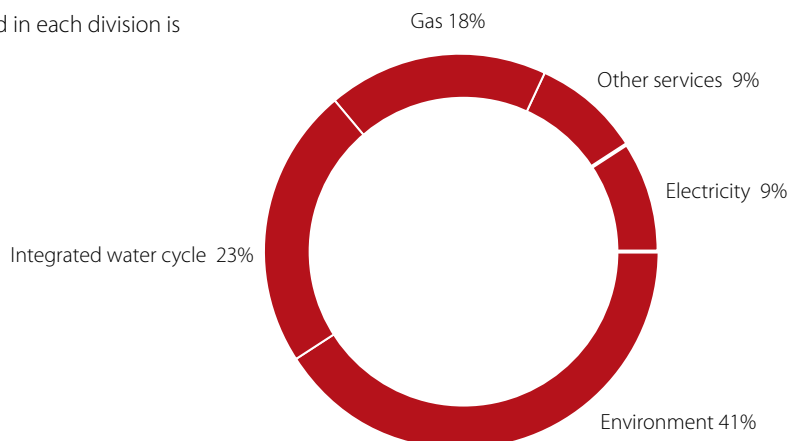
A more detailed description of the investments made is provided in the sections dedicated to the different divisions. The Group has budgeted investments of €109 million for 2010.

The investments made in each division are summarised below:

	2009	2008	Change	%
Integrated water cycle	27,551	27,280	270	0.99
Power	11,245	8,856	2,388	26.97
Gas (*)	21,793	13,241	8,553	64.59
Environment	48,068	28,363	19,705	69.48
Other services	10,787	15,536	-4,749	-30.57
<b>Total</b>	<b>119,444</b>	<b>93,276</b>	<b>26,168</b>	<b>28.05</b>

(\*) Includes 100% of the investments made by the subsidiary RilaGas AD and goodwill of €4,720 thousand relative to the purchase of the 48% interest in RilaGas AD.

The percentage invested in each division is shown below:

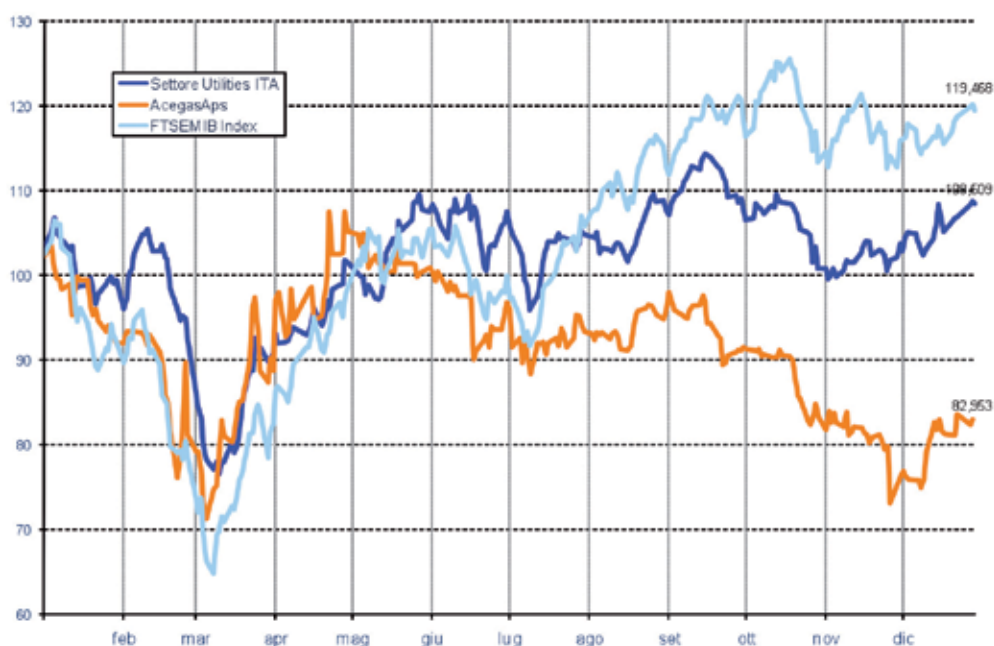


figures in thousands of euros



# AcegasAps and the Stock Market

After a dramatic 2008 characterised by the worldwide financial crisis and the bankruptcy of Lehman Brothers, 2009 was key to understanding the extent of the crisis and the staying power of the world financial market. The signals from the financial markets were positive; all of the principal stock exchanges worldwide recovered and were able offset, at least partially, the losses recorded in 2008. The Dow Jones closed 2009 up 18.8%, the Nikkei +19.0%, the CAC +22.3%, the DAX +23.8% and the Hang Seng ben +52.0%. The Milan Stock Exchange closed in line and the FTSE-MIB closed the year similarly to the principal exchanges at +19.5%.



With regard to the Italian utilities, the trend in the first half of 2009 was in line with the FTSE-MIB. In the second half of the year other sectors ran at a faster pace. While the utilities did close the year on a positive note (+8.5%), the sector underperformed the Italian market in 2009.

The shares of ACEGAS-APS S.p.A. did not perform well in 2009 and closed the year down by some 17%. In order to understand the significance of this result it is important to consider, in addition to the factors specific to the sector, both the company's capitalization and the stock's lack of volatility with respect to other sector companies. During the global financial crisis that persisted throughout 2008, the capitalization of the Italian utilities as a whole fell more than 50%. In 2008 ACEGAS-APS S.p.A. was rewarded for its lack of volatility and outperformed the other sector company by more than 25 percentage points. If we extend the time horizon of our valuation to include the last two years, ACEGAS-APS S.p.A.'s stock performed significantly better than the sector and was basically in line with the Italian stock exchange's global index.

ACEGAS-APS S.p.A.'s market capitalisation at the end of 2009 amounted to €225 million. In terms of dividend yield, in 2009 AcegasAps paid a dividend of €0.15 per share which corresponds to a dividend yield – calculated based on the average price 30 days prior to approval - of 3.2%.

## Performance – last two years

AcegasAps	-39%
FTSEMIB Index	-40%
ITA Utilities Sector	-48%



# INTEGRATED WATER CYCLE

	Euro/000	2009	2008	Change %
Revenues		<b>81,546</b>	78,338	4.1%
EBITDA		<b>31,878</b>	32,321	-1.4%
EBIT		<b>18,477</b>	20,213	-8.6%

## Economic results

The revenues generated by the **integrated water cycle division** rose by 4.1% from €78.3 million to €81.5 million. A total of 54.1 million cubic metres was sold versus 54.2 million cubic metres in 2008, a drop of 0.2% thus confirming the erosion in sales. The drop in the quantity processed and sold was offset by the tariff increases recognized above all in the Padua area (+10%). Total customers served increased from 250,883 to 251,832. The length of the network increased from 3,066 km to 3,074 km.

EBITDA fell from €32.3 million to €31.9 million. In the Padua area EBITDA rose from €20.5 million to €20.8 million, while Trieste was basically unchanged at €14.6 million. The division's fixed costs rose from €2.8 million to €3.6 million due to an increase in operating costs. More in detail, personnel expenses rose by €0.6 million and third party services by €1.9 million due to increased maintenance.

**EBIT** fell from €20.2 to €18.5 million due to an increase in amortisation and depreciation with respect to 2008 of €1.4 million (€0.9 million in the Padua area and €0.3 million in the Trieste area).

## Customers, products and services

Drinking water		Trieste area		Padua area		Total	
		2009	2008	2009	2008	2009	2008
<b>Total inhabitants served</b>	<b>nr</b>	<b>230,866</b>	<b>230,699</b>	<b>299,527</b>	<b>298,715</b>	<b>530,393</b>	<b>529,414</b>
Total customers	nr	109,531	109,744	141,851	141,089	251,382	250,833
- families	nr	91,277	91,405	116,896	116,270	208,173	207,675
- other domestic users	nr	18,254	18,339	24,955	24,819	43,209	43,158
<b>Water used</b>	<b>m<sup>3</sup></b>	<b>50,324,999</b>	<b>48,940,298</b>	<b>44,497,276</b>	<b>44,272,016</b>	<b>94,822,275</b>	<b>93,212,314</b>
- geothermal	%	84%	87%	89%	87%	86%	87%
- surface	%	16%	13%	11%	13%	14%	13%
<b>Network length</b>	<b>km</b>	<b>1,028</b>	<b>1,025</b>	<b>2,046</b>	<b>2,041</b>	<b>3,074</b>	<b>3,066</b>
- adduction	km	98	98	175	175	273	273
- distribution	km	930	927	1,871	1,866	2,801	2,793
<b>Average reach</b>	<b>l/s</b>	<b>1,596</b>	<b>1,552</b>	<b>1,411</b>	<b>1,400</b>	<b>3,007</b>	<b>2,948</b>

Sewage treatment		Trieste area		Padua area		Total	
		2009	2008	2009	2008	2009	2008
Total customers	nr	99,728	99,890	120,065	119,433	219,793	219,323
<b>Volumes treated</b>	<b>m<sup>3</sup></b>	<b>50,982,388</b>	<b>46,284,583</b>	<b>27,027,553</b>	<b>24,058,940</b>	<b>78,009,941</b>	<b>70,343,523</b>
Industrial waste	m <sup>3</sup>	826,590	675,000	617,280	800,163	1,443,870	1,475,163
Industrial waste water	m <sup>3</sup>	3,214,651	2,352,245	-	-	3,214,651	2,352,245
<b>Network length</b>	<b>km</b>	<b>458</b>	<b>457</b>	<b>1,464</b>	<b>1,460</b>	<b>1,922</b>	<b>1,917</b>



### Market scenario

In 2009 the integrated water cycle business was not only affected by the typical exogenous (linked to rainfall and the climactic conditions) and endogenous (investments in the maintenance and upgrading of plants and networks) factors, but above all by specific regulatory changes.

With regard to climactic conditions and climate change, we remind that not only are we in the presence of rising temperatures and an increase in the number of significant storms, there has also been a change in the distribution and availability of hydro resources which impacts the entire water cycle and calls for an even more effective and efficient management of water resources which takes into account the social, environmental and economic repercussions that accompany these changes.

With regard to maintenance, upgrades and enhancement of the networks and plants it is clear that in order to provide efficient and effective service it is important to invest in the latest and best technologies. Lastly, the conversion of Decree 135/09 into law. This represents the most recent and most important legislative change which will cause water service providers to redefine their strategies, even in the short term. The introduction of this law and the relative regulations practically define what will be the regulatory framework for the local utilities going forward. Today the complex legislative process that has led to the reorganization of local public services over the last fifteen years has finally reached an end and a point of reference for local companies has been defined which will have the greatest impact on the integrated water cycle.

However, the persistence of a situation in which local services have yet to be industrialized (primarily those not related to utilities), where the sectors are still circumscribed by their local ties, continues to impede the completion of certain infrastructures which call for significant investments, in particular in the integrated water cycle sector. The liberalization and the opening up of the sector outlined in the Law 166/2006 do not seem to provide for the investments needed to guarantee an efficient and effective integrated water cycle, insofar as they do not compensate for the tariff schemes that are contingent on the social sustainability of the tariff itself which remains extremely low with respect to the energy or other costs of the average family.

Furthermore today's financial environment is such that lenders do not differentiate between the ratings they assign private general contractors and a company with public shareholders.

### General regulatory framework

The new Law 20 n. 166 of November 2009 which converted Decree n. 135 of 25 September 2009 into law calls for urgent compliance with the EU obligations and the sentence issued by the European Court of Justice, published in Official Gazette (Gazzetta Ufficiale or G.U.) n. 274 dated 24 November 2009. The law calls for profound changes in terms of the local public services as described in Art.15 of Law 166/2009, "Compliance with the economic terms of the EU provisions regarding services provided by local public service" which, in turn, amends Art. 23 bis of Decree n. 112 dated 25 June 2008, converted in to Law n. 133 dated 6 August 2008.

With regard to the integrated water sector, paragraph 8 of the above

mentioned Art. 23 bis, as amended, calls for the introduction of temporary assignments of concessions to companies with public shareholders which are to be made directly and not on the basis of public tenders.

ACEGAS-APS S.p.A., in its capacity as a company with public shareholders listed on the stock exchange as of 1 October 2003, will maintain its concession rights in the integrated water and environment sectors through the expiration of the concession contracts as long as the interest held by the public shareholders is gradually reduced through private placements with qualified investors or industrial partners to reach to no more than 40% by 30 June 2013 and no more than 30% by 31 December 2015. In the event these conditions are not complied with, the concessions will be terminated on 30 June 2013 or 31 December 2015, respectively.

### Strategy

*Law 166/2009 clearly favours sector industrialization.*

*In order to maintain the concessions through their original expiration, therefore, the company's strategy must be revisited, particularly with regard to the levels, terms and conditions provided therein. At the same time, it will also be possible to re-evaluate the medium term returns and to optimize the financial structure in order to implement the service plans approved by the respective AATOs, providing another parameter for evaluation and comparison with the authorities themselves.*

*This scenario will also give further impetus to aggregation in order to increase value and establish important economies of scale such that will be appreciated by the financial markets. The investments that will, in fact, be needed to guarantee efficient and effective water service require that greater attention be paid to sources of funding and financing costs. Within this framework, however, the company's overall strategy must be focused on stabilising volumes and the number of customers served by maintaining current levels and by extending the area served to included areas deemed to be "similar" or sources of complementary growth. ACEGAS-APS S.p.A., in keeping with the choices already made and the legislative scenario described above, is ready to move forward with another important merger which could result in the creation of the fifth largest multiutility in Italy. Meanwhile, while waiting for the transaction to be formalized, the company will continue to focus on improving its services by reducing the loss of water, incentivizing the use of the water supplied as drinking water rather than bottled water and improving the quality of the water supplied by gradually increasing the use of water obtained from underground sources.*

*Based on the latest data made available in the national strategic framework (Quadro strategico nazionale (QSN)) 2007-2013, there is a growing interest in optimising the management of hydro resources and in rationalising the different uses in order to both guarantee water for all and to conserve the quantity and quality of the domestic water supply.*



# ENERGY

	Euro/000	2009	2008	Change %
Revenues		<b>103,350</b>	113,404	-8.9%
EBITDA		<b>12,878</b>	12,643	1.9%
EBIT		<b>4,991</b>	5,214	-4.2%

## Economic results

The **energy division's** revenues fell by 8.9% from €113.4 million in 2008 to €103.4 million in 2009.

The sector's sales dropped from €93.8 million to €84.1 million. The decrease is attributable to both free market customers (Estenergy), where revenues fell from €34.8 million to €31.4 million, and to protected customers (managed by AcegasAps Service) where revenues fell by €6.6 million. The number of free market customers was stable while volumes sold dropped by 4.1% from 827 GWh to 783 GWh due primarily to the persistent financial crisis and the drop in consumption by businesses. The market of protected customers reported volumes that were down due to a gradual erosion of the customer base. Revenues from **power generation** fell by €2.9 million due to a drop in the volume of electricity generated (-5.8 GWh) due to less attractive pricing. **Distribution** revenues fell from €25.4 to 24.5 million, with electricity distribution unchanged (792 GWh in 2008 and 793 GWh in 2009).

**EBITDA** rose €0.3 million from €12.6 million to €12.9 million. The sales prices for electricity were less profitable than in 2008 which caused the margins for power generation to drop by €0.8 million (from a positive €0.6 million to a negative €0.2 million). The margins for **distribution** increased by €0.9 million thanks to a more favourable tariff scheme. The margins for **sales** were basically in line with the prior year (€1.7 million versus €1.6 million in 2008);

**EBIT** dropped from €5.2 million to €5 million. Amortisation and depreciation increased by €0.5 million with respect to 2008.

## Customers, products and services

ACEGAS-APS S.p.A. is active in the distribution sector through a concession granted by the Ministry of Economic Development which expires in 2030. ACEGAS-APS S.p.A separates the sales activities from the rest of the power sector activities.

More in detail, the sales to eligible clients are managed by the wholesale company Estenergy S.p.a. of which ACEGAS-APS S.p.A. holds 51%. The sales to protected customers are handled through ACEGAS-APS S.p.A.'s wholly-owned subsidiary Acegas-Aps Service Srl.

Electricity		
Total customers	nr.	142,605
Energy released to the network (high tension kWh)	GWh	837.3
Dispersion	%	5.30%
Length of the high tension network	km	3.7
Length of the medium tension network	km	700
Length of the low tension network	km	720



### Market scenario

In 2009 electricity prices on the exchange fell sharply due to a drop in demand caused primarily by the economic crisis. The free market business continued to grow which corresponds to a drop in the volumes sold to protected customers.

### General regulatory framework

After the electricity market was liberalised all final customers were able to stipulate contracts with wholesalers. The customers who opted to acquire electricity on the free market, are now classified as either customers with "enhanced protection" or as "protected" customers. Low voltage domestic customers and small businesses are part of the "enhanced protection" market while medium sized business using medium voltage are part of the "protected" market.

The prices for "enhanced protection" customers are defined by the Authority and the electricity is supplied by the Sole Purchaser or Acquirente Unico. The "protected" market is, rather, configured like a segment of the free market as it is supervised by the Authority, but the electricity is provided based on the outcome of public tenders.

The Authority constantly updates the regulations relating to the electricity market.

The most important resolutions include those relating to:

"Transport and hook-up charges" (R. 348/07);

"Sales" (R. 156/07);

"Quality of the services" (R. 333/07);

"Unbunbling" (R. 11/07);

which are published at the beginning of each regulatory period and then updated in accordance with subsequent resolutions. In 2009 the Authority adjusted the distribution tariffs in accordance with Resolution 118/08 and also changed the tariff scheme for the sale of electricity to "enhanced protection" customers in Resolution 190/08

### Strategy

*With regard to the import activities, the permits were issued by the relative ministry for the two cross border projects in Slovenia while in Italy the authorization process for the construction and operation of the electroducts in Friuli Venezia Giulia region is underway.*

*In 2009 the power division continued work on the cross border import projects in order to improve the service provided.*

*With regard to the import activities, intense negotiations continued in order to determine, together with the local authorities involved, the routes for the underground electroducts in Dekani (Slovenia), Zaule (Italy-Trieste), Vrtojba (Slovenia) and Redipuglia (Italy-Gorizia). The authorization process for both of the lines in Friuli Venezia Giulia region is still underway.*

*Of note are the number of initiatives regarding plant and workplace safety which, including pursuant to Legislative Decree 81/2008, needed to be updated in order to comply with the new norms and regulations even though the previous standards were already very high in terms of efficiency and plant safety.*

*With regard to power distribution, restructuring of the domestic network was completed and implementation of the remote control meters was begun accompanied by the development of a control interface. At the end of 2009 75% of the meters had been installed and a large part of the meters are already linked to remote billing.*



# GAS

	Euro/000	2009	2008	Change %
Revenues		<b>127,789</b>	121,699	5.0%
EBITDA		<b>30,112</b>	24,302	23.9%
EBIT		<b>19,738</b>	13,901	39.4%

## Economic results

Revenues from the **gas division** rose 5.0% from the €121.7 million reported in 2008 to €127.8 million in 2009. The volume of gas distributed dropped 1.9% in 2009 from 467.7 million cubic metres in 2008 to 458.8 million cubic metres. The two geographic areas performed differently. The volumes in the Trieste area rose 2.3% from 158.8 million cubic metres to 162.4, while in Padua volumes fell 4.0% from 308.9 million cubic metres to 296.4 million cubic metres. There was a drastic drop in the demand from industrial customers, only partially offset by the increase in domestic consumption. The new tariff scheme resulted in an increase in revenues from **distribution** in 2009 which rose by €4.4 million or 12.2% with respect to 2008. Revenues from **sales** fell 2.3% from €96.7 million in 2008 to €94.4 million in 2009 due to an overall drop in prices. The volumes sold by Estenergy actually increased from 412.7 million cubic metres to 418.0 million cubic metres (+1.3%) thanks to the favourable climate conditions that drove domestic consumption and despite the above mentioned decline in industrial consumption.

The foreign gas companies (RilaGas and Sigas) moved forward with their investment projects. SiGas began its sales activities while RilaGas continued with the construction of the network. Agreements with a few industrial customers are in the process of being finalised.

The gas division reported an impressive recovery in terms of **EBITDA** which rose from €24.3 to €30.1 million. This trend is attributable to the following factors:

- the contribution made by the distribution business of €4.1 million. The distribution business, as mentioned above, reported a drop in volumes but did, however, benefit from the new tariff schemes which took effect in 2009;
- the contribution from sales where margins rose from €2.5 to €5.4 million. The improvement is attributable to the subsidiary Estenergy S.p.A.. Volumes increased marginally but the sales business benefited from better terms for the purchase of gas and from a few non-recurring items;
- the negative contribution of the foreign subsidiaries (RilaGas and SiGas) which recorded a negative EBITDA of €0.6 million. These businesses are still start-up phase and, therefore, do not yet generate revenues.

**EBIT** rose from €13.9 to €19.8 million, with amortisation and depreciation in line with the prior year.

Gas distribution		Trieste area		Padova area		Total	
		2009	2008	2009	2008	2009	2008
Total delivery stations	nr	<b>118,153</b>	117,273	<b>146,203</b>	145,035	<b>264,356</b>	262,308
Volume of gas released to the network	m <sup>3</sup>	<b>168,251,486</b>	164,920,592	<b>300,932,648</b>	316,172,628	<b>469,184,134</b>	481,093,220
Volume of gas distributed	m <sup>3</sup>	<b>162,375,402</b>	158,892,700	<b>296,446,753</b>	308,857,262	<b>458,822,155</b>	467,749,962
Internal consumption	m <sup>3</sup>	<b>1,795,653</b>	1,796,640	<b>243,509</b>	249,879	<b>2,039,162</b>	2,046,519
Turbo expansion	m <sup>3</sup>	<b>580,162</b>	627,282	-	280	<b>580,162</b>	627,562
Power generated by turbo expansion	kWh	<b>3,765,993</b>	3,991,869	-	-	<b>3,765,993</b>	3,991,869
Length of the network	km	<b>824</b>	818	<b>1,410</b>	1,402	<b>2,233</b>	2,220
Decompression stations	nr	<b>131</b>	122	<b>488</b>	482	<b>619</b>	604

### Market scenario

The regulatory framework of the gas market segments in which ACEGAS-APS S.p.A. is active (distribution and sales) is being significantly revised and providers, particularly those active in distribution, will be forced to redefine their targets and strategies.

Currently ACEGAS-APS S.p.A. holds concessions for the distribution of gas in the municipalities of Trieste, Sgonico, San Dorligo della Valle, Duino Aurisina and Monrupino in the province of Trieste and in the cities of Padua, Vigonza, Cadoneghe, Albignasego, Ponte San Nicolò, Saonara, Vigodarzere and Galzignano in the province of Padua and distributes more than 450 million cubic metres of gas each year.

In 2009 the consumption of industrial customers fell due to the global economic conditions and was only partially offset by the favourable climactic conditions. ACEGAS-APS S.p.A. also sells gas throughout northeast Italy through its subsidiary Estenergy S.p.A..

### General regulatory framework

The minimum geographical areas for gas distribution concession tenders were established pursuant to the final version on Art. 46 bis of Law Decree 159/07, as amended by the 2008 Budget Law. The new tariffs, as per AEEG resolution 159/08, took effect last 01/01/2009.

Gas distribution is governed by a number of laws; Legislative Decree n. 164/2000 and Legislative Decree n. 273/2006, converted into Law 51/2006, as well as Art. 23-bis of Law n. 133/2008, as amended by Art. 15 of Legislative Decree n. 135/2009, converted into Law 166/2009, based on which the minimum geographical areas must be defined by 31 December 2012, while pursuant to paragraph three of Art. 46-bis above the tenders must be launched within two years of the identification of each area.

Furthermore, in accordance with paragraph four of Art. 46-bis above, the municipalities subject to the new tenders may increase the distribution concession fees by up to 10% of the distribution revenues only if lower and through such a time as a new concession is

awarded. The priority, however, is to implement measures which control the cost of gas and protect the interests of the weaker consumers.

With regard to the existing concessions, ACEGAS-APS S.p.A. will continue to service and distribute gas to all the municipalities currently served, at least until the new tenders are launched as per the terms and conditions provided for in the regulations described above.

We are waiting to fully understand the implications of the new provisions contained in Art. 23-bis, as amended by Decree n. 135/09 which was converted into Law 166/09; to date it is not clear, in fact, how the sector will be reorganized as several important issues are subject to specific government regulations pursuant to Art. 23-bis above.

In Resolution n. 11/07 the Electricity and Gas Authority introduced a new discipline for the separation of the free market (including sales) and the regulated (distribution, metering, etc.) activities. The Authority also issued Resolution n. 253/07, amending the previous resolution, based on which the deadline for compliance with the functional unbundling requirement was postponed to 1/7/2008.

In order to comply with the above mentioned regulations, at the beginning of 2008, the AcegasAps Group created a dedicated working group which continued with its work in 2009 taking into account any further regulatory changes. Focus was primarily on the following issues:

- the corporate governance;
- the organisation of human resources;
- service and labour contracts;
- intra-group contracts;
- information systems;
- accounting procedures.

ACEGAS-APS S.p.A. also amended its bylaws and appointed an Independent Controller granting him the necessary mandates and adequate powers of representation. The aspects involving governance issues and organization were given priority during this adjustment process in order to ensure effective and efficient compliance with the unbundling regime.

### Strategy

*While waiting for the new gas market regulations to be announced, the recent indications (both national and regional) seem to focus on greater consolidation in the distribution sector in order to maximise operating synergies and optimise productivity.*

*The sector scenario going forward will most certainly be characterised by tenders that incentivize merger strategies and the expansion of the distribution companies. Attention must also be paid to the cost containment and reduction by taking the steps necessary to optimise organizational structures through investments in both renewal and installation of automatic processes at the plants which require the most maintenance. With regard to sales, the greatest opportunities will involve commercial development and the formation of "purchasing units" in partnership with other operators in order to reach an adequate critical mass on the gas procurement market and to maintain, consequently, profitability.*



# ENVIRONMENT

	Euro/000	2009	2008	Change %
Revenues		<b>110,170</b>	107,012	3.0%
EBITDA		<b>32,871</b>	32,493	1.2%
EBIT		<b>21,881</b>	20,794	5.2%

## Economic results

Revenues from the **environment division** rose from 107.0 to €110.2 million (+3.0%). The revenues for **waste collection and street cleaning** dropped by €0.7 million, from €48.2 to 47.5 million. The **waste collected** fell 6% from 284.7 to 267.7 thousand tonnes. The drop reflects the general economic crisis and the changing consumer behaviour. The **waste to energy plants** treated a total of 225.9 thousand tonnes versus 228.2 thousand tonnes in 2008. The electricity produced generated revenues of €18.6 million versus €18.3 million in 2008 (+1.6%). The **electricity produced**, in fact, rose from 121.5 GWh to 123.7 GWh. There was a drop in the production in the Trieste area (from 88.8 GWh to 87,2 GWh), while production rose from 32.9 to 36.6 GWh in the Padua area.

**EBITDA** rose by €0.4 million from €32.5 million to €32.9 million. This result is attributable to a drop in the EBITDA for the waste collection and street cleaning businesses (which fell from €10.9 to €9.6 million) which were conducted using a less profitable mix of resources.

The EBITDA for the waste disposal business increased by €2.3 million. The personnel expenses rose by €0.6 million and the cost of services by €2.1 million. The personnel expenses reflect contract renewals, while the rise in the cost of services reflects an increase in maintenance.

**EBIT** rose from €20.8 million to €21.8 million. Amortisation and depreciation fell from €4.5 to €3.5 million due to the expiration of the useful life of a few electromechanical components in lines 1 and 2.

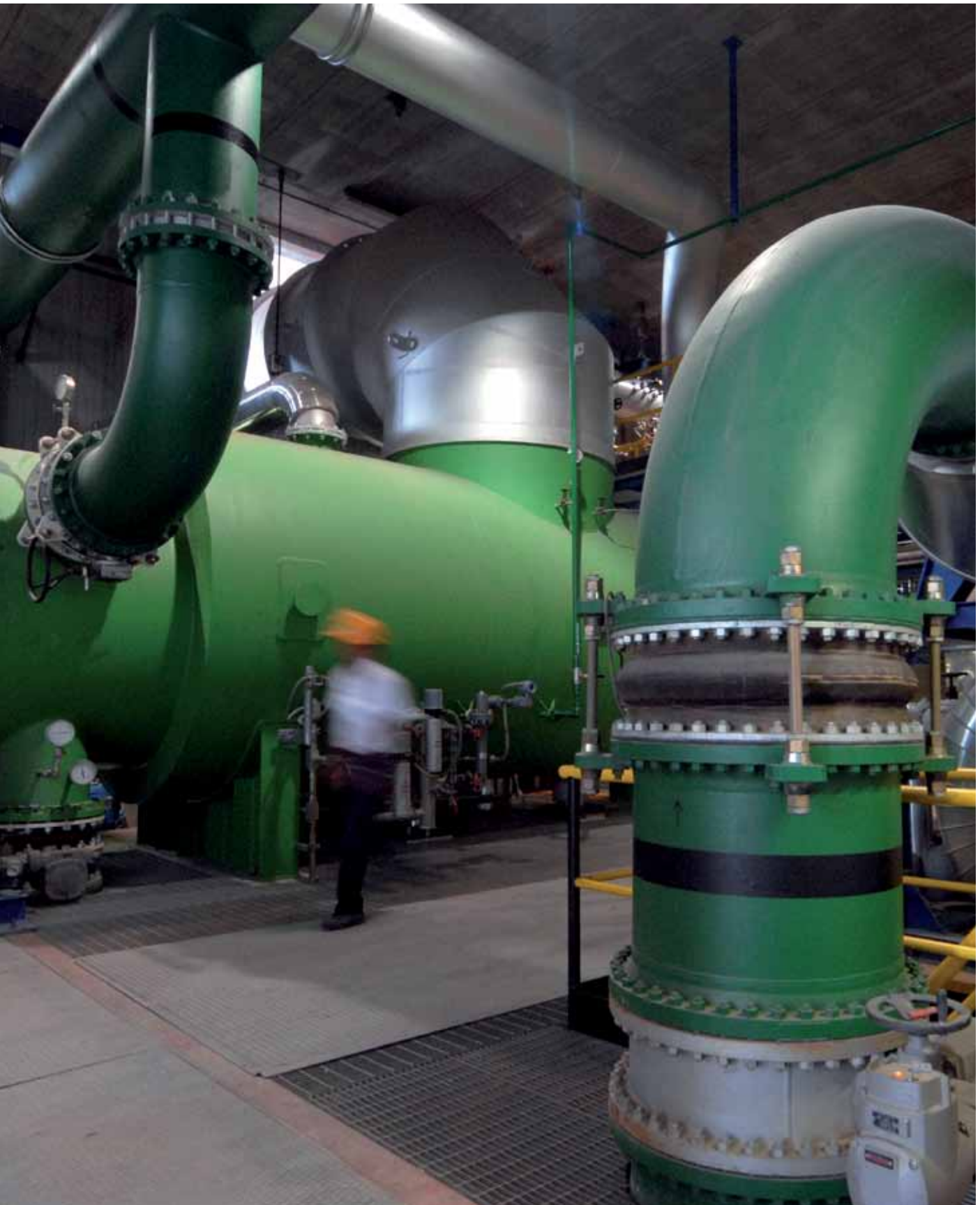
## Customers, products and services

Customers, products and services		2008	2009
Inhabitants served by recyclable and non-recyclable waste collection services	nr.	476,895	<b>479,399</b>
Amount of waste collected (including recyclables)	tonn	284,623	<b>267,617</b>
Amount of waste treated at AcegasAps plants	tonn	361,978	<b>260,176</b>
Amount of waste treated at WTE plants	tonn	234,538	<b>225,879</b>
Electric energy produced	GWh	121.5	<b>123.7</b>
Employees	FTE	566	<b>554</b>

### Operating performance

Operational highlights include:

- the operating costs of the WTE plants. More in detail, the costs for the disposal of residual waste fell by €4.6 million due to the drop in the amount of waste treated at the Trieste plant; maintenance costs were basically unchanged with respect to 2008 at €4.3 million; the cost of consumables (electricity, water, reagents) fell by €4.7 million due to a drop in electricity procurement costs;
- outsourcing: the costs for street cleaning and waste collection (recyclables and non) services, including start-up and recovery/disposal, increased slightly;
- as the third line at the WTE plant is not currently operational, it was necessary to use third party facilities to dispose of solid waste collected at Bacino PD2 (29,735 tonnes for a total cost of €3.9 million), far less than in prior years;
- the post mortem management of two landfills in the Padua area (Vasco de Gama and Ponte San Nicolò) continued.





# SERVICES

	Euro/000	2009	2008	Change %
Revenues		79,371	77,616	2.3%
EBITDA		15,390	14,196	8.4%
EBIT		9,003	8,553	5.3%

## Economic results

Revenues from the **services division** increased by 2.2% from €77.6 million to €79.3 million. This increase reflects the positive performance of the subsidiary Sinergie which continued to gain new customers. Sinergie's revenues rose from €56.8 million to €58.9 million. Revenues for the public lighting sector fell from €10.3 million to €9.7 million.

**EBITDA** increased by €1.2 million rising from €14.2 million to €15.4 million. The increase is attributable to the subsidiary Sinergie which improved the profitability of its portfolio and reported an EBITDA which rose from €9.9 to €11.1 million. The other services were largely unchanged. Public lighting fell by €1.1 million to €0.8 million while the results for traffic lighting were basically stable. Of note is the EBITDA for the funeral and cemetery services which rose from a negative €0.2 million to a positive €0.1 million.

**EBIT** rose from €8.6 to €9 million, thanks to the subsidiary Sinergie which by itself contributed €6.2 million (versus €5.4 million in 2008).





## Public lighting

ACEGAS-APS S.p.A. manages public lighting services in the municipalities of Trieste (22,175 units), Padua (29,862 units) and Muggia (1,641 units). Through Sinergie it manages the public lighting structures for six more municipalities (Azzano Decimo, Pasiano di Pordenone, Roveredo in Piano, Brugnera, San Michele al Tagliamento and Annone Veneto) bringing the total units under management to more than 64,000.

The most modern technologies which help to limit luminous pollution and save energy are gradually being introduced as part of the maintenance and revamping of existing systems, as well as the construction of new ones.

The total luminous efficacy of the systems in the municipality of Trieste at 31 December 2009 reached 01.03 lm/W, an increase of 0.21% with respect to the same period in the prior year.

In Padua more than 50% of the units are now high performance fixtures, while in Trieste this figure reaches 92.28%.

All the installations were done in accordance with applicable norms and regulations.

In terms of extraordinary maintenance, in Trieste decorative systems and street lights were installed in accordance with the service plans involving light poles and fixtures resulting in revenues of €1,247 thousand. Upgrades were completed in Trieste in accordance with the service plan worth €1,608 thousand, while ordinary maintenance revenues totalled €821 thousand. Revenues in the municipality of Muggia reached €237 thousand, while revenues for ordinary and extraordinary maintenance in the municipality of Duino Aurisina amounted to €40 thousand.

In the three municipalities in the province of Trieste remodelling and expansion of existing systems for third parties amounted to €81 thousand. In the municipality of Padova many works were completed in 2009 and the reorganisation and upgrading of the series electric cabins is in the process of being completed as only the San Giovanni cabin has yet to be completed.

The second part of the lighting along the tramway lines from the Guizza area to the heart of the city was completed; the company also responded to various requests for repairs from many different neighbourhoods, including together with the infrastructure service offered by the municipality of Padua along bike paths, sidewalks, roundabouts and others.

Other works which were completed in the year include the upgrade of the Piazzale della Stazione and the Crescini cabin in the 4th quarter. All of the extraordinary maintenance requested by the municipality, for which AcegasAps Service also provides the plans, are part of specific resolutions or financed projects and upon completion of the works a regular invoice is issued directly to the municipality. The ordinary maintenance of the light fixtures, circuits and power lines continued regularly and the light bulbs were changed in accordance with the service contract stipulated with the municipality of Padua. The municipality of Padua receives yearly reports regarding the status of all the services provided by the end of January.

The upgrading and improvement of the system used for contract management begun last year continued in 2009.

## Traffic light systems

As of July 1999 ACEGAS-APS S.p.A. manages the maintenance and repairs for the traffic light systems found in the municipalities of Trieste, Pordenone and, as of 2006, in Muggia.

### Municipality of Trieste

Traffic control in the municipality of Trieste is done through a centralized traffic light system comprised of 52 intersections, with a single, synchronized, remote control centre found in the Trieste police headquarters. There are also 12 stand alone systems.

The control centre is connected to the peripheral units by way of a remote control network which processes the data and signals needed to regulate traffic.

### Municipality of Pordenone

The traffic light system in the municipality of Pordenone is comprised of 15 intersections with a single centralized control centre and 7 intersections which are controlled by stand alone devices activated by the volume of traffic.

All of the centralized units are synchronized in order to optimise the flow of traffic.

### Traffic control for the visually impaired

In accordance with the law ACEGAS-APS S.p.A. installed new acoustic devices for the visually impaired in Trieste which are synchronized with the crosswalk signals so that the visually impaired can enjoy the city more, thanks also to the numerous "tactile paths" that have been developed.

The newly installed traffic lights are equipped with an audio activation device. With regard to the previous devices, this is the biggest innovation as it does not emit continuous audio signals, but is activated only upon request of the visually impaired pedestrian and the volume adapts automatically to the background noise.

## District heating

The line, active since 2004, is equipped with a 3 MW boiler and a Jenbacher JMS 212 co-generator that produces 520 KW of electricity and 640 KW of thermal energy. The plant is located in the La "Savonarola" quarter.

In 2009 small improvements were made in district heating for a total investment of €14 thousand.

In a decree dated 21 December 2007, the Ministry of Economic Development published the procedures related to the issue of green certificates (CV) for district heating plants: the company filed the necessary documentation and the application is currently being processed by the network manager.

Green certificates are part of the incentive schemes for renewable energy introduced in Legislative Decree 79/99 (the "Bersani Decree") based on which all producers or importers of electricity from conventional sources (oil, coal, methane gas...) in excess of 100 GWhe/year must generate a certain amount of energy from renewable sources.

Initially, in 2001, the quota was set at 2% but it was subsequently increased by 0.35%/year between 2004 and 2006 (Legislative Decree 387/03). Following the 2008 Budget Law, the amount was increased by 0.75% between 2007 and 2012, and the obligatory quota in 2012 will, therefore, be 7.55%.

The producers of non renewable energy are forced to purchase an increasing amount of green certificates from producers of clean energy which stimulates the trading between the owners of conventional plants and clean energy producers and should ultimately result in a free market which will further incentivize certain types of power generation and eliminate the need for direct government intervention.

In 2009 the plant produced 1,938 green certificates versus 1,706 in the prior year.

## Telecommunications

As of September 2000 ACEGAS-APS S.p.A. has been responsible for the installation of the municipality of Padova's fibre optic networks in accordance with national directives and in order to minimise the impact of repairs on local viability.

The activity consists primarily in digging and laying cables, working as closely as possible with the water and gas division in order to take advantage of maintenance work or the laying of ducts with a view to limiting clean-up costs. Thanks to the know-how developed by ACEGAS-APS S.p.A. in the construction of underground networks, other telecommunications operators have also requested assistance with cabling works.

Currently ACEGAS-APS S.p.A. has concession agreements with 8 different companies with an original duration of between 5 and 25 years. In 2009 investments of €334 thousand were made, primarily in new hook-ups and the laying down of short tracts of cable needed to close rings. In 2009 9.9 km of cable structures and 0.7 km of fibre optics were laid bringing ACEGAS-APS S.p.A.'s total cable network to 183.5 km, 85.8 km of which in fibre optics



## SIL - Relining

In 2009 there was an increase in the business in the area of Padua, linked not only to the typical relining activities but also to urgent repairs (railroad underpasses in the southern area of the city and reinforcement/rationalisation of the former Apga waterduct), which have yet to be completed. In the Trieste area work was limited in the first three quarters but in the latter part of the year there was a substantial increase due to the massive clean-up of grey cast iron pipes. The Parent Company is involved in intense planning in order to consolidate the company's prospects in this area. In 2010 the acquisition of the other group company active in this sector, Cst S.r.l., is expected to be finalised. This acquisition, in line with the group's reorganisation plans, will make it possible to increase the size and perimeter of this business.



## Funeral and cemetery services

The company works with eleven municipal cemeteries, managing both routine and extraordinary operations, as well as two offices that provide funeral services and schedules and coordinates all the funerals in Trieste, obtaining all the necessary authorizations. ACEGAS-APS S.p.A. manages the entire funeral service complex which includes the funeral house, the spaces used for the police morgue, the autopsy facilities and the chapel. It also provides complete services to families looking to purchase a family tomb or a single grave.

ACEGAS-APS S.p.A.'s main cemetery, Sant'Anna, offers a shuttle bus service to the elderly and the physically challenged so that they can visit the areas of their choice; approximately 15% of the visitors normally use this service.

At the entrances of the Sant'Anna cemetery information is posted from the cemetery's databank which makes it possible for visitors to find the gravesites they are looking for.

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