



**AcegasAps**

## Contents

- Letter from the Chairman
- Letter from the Managing Director
- The group
- Mission
- Highlights 2005
- Financial summary

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

Subject to the governance and co-ordination of ACEGAS-APS HOLDING S.r.l.

Listed on the Italian Stock Exchange as from 2001

Share capital €282,983,213.28 fully paid-in, subdivided in 54,841,708 shares

Registered office and corporate headquarters in Trieste, Via Maestri del Lavoro 8

Padua administrative offices, networks and plants, Corso Stati Uniti 5/a

Tax ID and VAT no. 00930530324, Company registry no. 111554

AcegasAps is the **primary multi-utility in Northeast Italy.**

Product of a merger between Acegas and Aps completed on 19 December 2003, the Group offers essential “quality of life” services and seeks to satisfy the needs of all its stakeholders through:

- the continuous search for ways to become more efficient and reliable;
- quality products and customer service;
- adequate remuneration and recognition of the invaluable contribution made by each employee;
- social awareness wherever the company operates;
- improvement of the environment and the use of innovative technologies;
- shareholder and investor satisfaction;
- collaboration and exchange of knowledge with suppliers and partners;

a way of operating rooted in solid ethical principals and conduct focused not only strictly economic issues but also on sustainable development and protection of the environment.



**Massimo Paniccia**

The Chairman

Dear Shareholders, Dear Stakeholders,  
the Italian multi-utility sector is undergoing two structural changes: growing pressure on profitability and continued consolidation. Within this competitive scenario, AcegasAps makes the most of the fact that it is deeply rooted in one of the country's most dynamic areas, increasing its know-how in order to be in a position to explore growth opportunities in Italy and abroad.

In 2005 the company made great efforts in both of these directions. The results appear positive both in terms of synergy development and new commercial contracts in the Veneto and Friuli regions, as well as recognition abroad of which the methanisation project of the Zapad area in Bulgaria is a prime example. Important steps for the growth of the company, accompanied by positive economic results, designed to improve service and the expertise of internal resources.

Above all, I would like to remind you of an aspect that involves AcegasAps directly as it is a company that works for the community, as well as the company itself: the adherence to, in April 2005, the UN Global Compact making AcegasAps one of the most socially responsible Italian and international companies.



**Francesco Giacomini**

The Managing Director

2005 was a year of consolidation for AcegasAps, in which the integration with the Trieste and Padua structures was completed, the levels of efficiency and production capacity were improved. All of this allowed the company to obtain strong results, despite the pressure on tariffs in the electric energy and gas sectors and the impossibility to fully achieve goals for external growth.

In terms of industrial planning, the third line of the WTE plant in Trieste was completed and is up and running. This new line, along with the Elettrogorizia and Sarmato plants that ran at full capacity, made a substantial contribution to revenue growth. A combined cycle power plant in Gorizia was also completed for Elettrogorizia. Not to be forgotten is the renewal of the plants, the expansion and strengthening of Trieste's distributive network, tied to extensive land renewal projects.

The group also began initial discussions regarding possible acquisitions in the Padua area as well as participation in the company that will manage the Trieste gasifier.

Two projects, important to future development opportunities, were also begun: the participation in the tender for the metanisation of the Zapad region, in Bulgaria, awarded to AcegasAps in spring 2006, and the first cogeneration and district heating plants in Padua. 2005 closed with an increase in the value of production due to the line-by-line consolidation of the associated company EstGas of Udine, following exit of the shareholder Amga of Udine from the company's capital. The company EstGas was subsequently sold to Edison Spa.

In terms of corporate organisation, the integration process of the different areas of business begun in 2004 continued while the integration of the Trieste and Padua administrative, accounting and management systems was completed. During the year the management of the heating activities in the area of Trieste was transferred to Aps Sinergia Spa, that to date covers the territories of Padua, Mestre, Treviso, Belluno, Venice, Udine, Pordenone, Trieste.

AcegasAps's experience in mergers and aggregations remains and has become an important reference point for future developments and collaboration between the companies working in the Friuli Venezia Giulia and Veneto regions.

At the same time, the experience that the company has in the different sectors makes organic growth possible. In the environmental sector, for example. AcegasAps is greatly respected for the work done in terms of WTE plants resulting in an agreement for the realisation of a plant (this is the third) in the province of Pordenone.

Environment and services (with APS Sinergia) are key and are part of a sector where norms and regulations make it possible for the market to grow contrary, for example, to the water sector that is limited by regulations introduced for the so-called "in house" management.

Consolidated abilities in different sectors and a proven track record in aggregations ensure a positive future for AcegasAps.



AcegasAps is divided into **five areas of business** that serve over **one million customers**:

• Water • Power • Gas • Environment • Services

Specifically, the company is active in the management and distribution of water, electricity and gas; collection and treatment of waste, as well as the more important municipal services including funeral services, public lighting as well as telecommunications and district heating networks.

The company's know-how is the product of more than **140 years of experience**.



**1864**

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

**1888**

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

**1898**

Electricity is produced in Trieste.

**1910**

Trieste's Municipal Waterworks Service is created.

**1962**

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

**1994**

ACEGA of Trieste becomes part of the group of companies that produce electric energy.

**1997**

ACEGA becomes ACEGAS and a joint stock company.

**1999**

The third waterworks is inaugurated in Padua. Azienda Padova Servizi - APS is born following the merger of AMNIUP, AMAG and ACAP, three separate companies active in environmental services, energy and mobility respectively.

**2000-01**

ACEGAS begins a stock "exchange" with AMGA of Udine and AMG of Gorizia and is listed on the Milan Stock Exchange: the Municipality of Trieste transfers 45% of its holdings in the company to the new shareholders. Important domestic and foreign financial groups acquire relevant 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 is completed along with the Elettrogorizia cogeneration plant.

## The AcegasAps Group

### Board of Directors

Chairman	Mr. Massimo Paniccia
Vice Chairman	Mr. Manlio Romanelli(2)
Managing Director	Mr. Francesco Giacomini
Directors	Prof. Carlo Buratti(1)
	Mr. Guido Cace(1)
	M.se Guido Carignani
	Mr. Enrico Tommaso Cucchiani
	p.a. Marco de Eccher
	Mr. Raniero Mazzucato(2)
	Mr. Domenico Minasola
	Mr. Aldo Minucci(1)
	Mr. Renzo Piccini(2)
	Prof. Renato Vitaliani

(1) Member of the Remuneration Committee

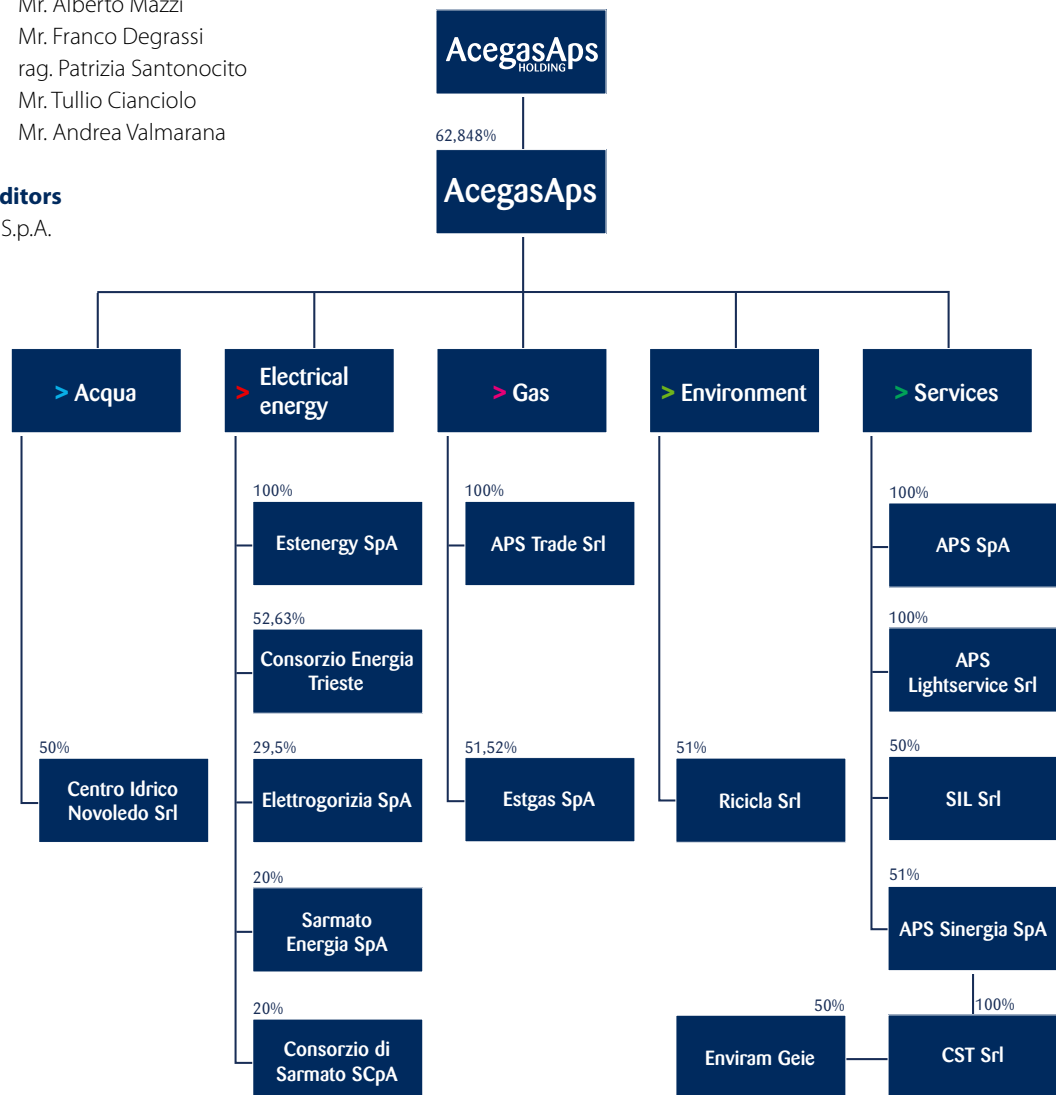
(2) Member of the Internal Control Committee

### Board of Statutory Auditors

Chairman	Mr. Alberto Mazzi
Permanent	Mr. Franco Degrassi
	rag. Patrizia Santonocito
Alternates	Mr. Tullio Cianciolo
	Mr. Andrea Valmarana

### Independent Auditors

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



# Mission, strategic guidelines, values

## Mission

1. Consolidate its position in Northeast Italy as a both a leader and an aggregator
2. Offer services in line with the best national standards
3. Maximise shareholder value

## Strategic guidelines

The Italian multi-utilities sector is currently characterised by two phenomenon: constant pressure on profitability and the push towards expansion, above all through mergers.

An analysis of the 2005 results indicates that there has been a noticeable drop in the profitability of the listed Italian companies operating in this sector: revenues have improved (+38%), but overall EBITDA increased by just 23%. The drop in profitability margins impacts both regulated and free market activities.

As sector consolidation continues it is clear that the objective is to create economies of scale. In 2005 the most important operations were:

- The Hera-Meta merger
- The Aem Torino-Amga Genova merger project
- The creation of Enia, product of a merger between Tesa Piacenza, Amps Parma and Agac Reggio Emilia
- The merger of BAS Bergamo in ASM Brescia
- The entry of AEM in the share capital of ACSM
- Acquisition of the control, along with Edf, of Edison by several sector companies (AEM Milano, Enia and Dolomiti Energia).

In light of the above, AcegasAps's development in 2006 will be directed in two areas: the creation of a more efficient organisation and more industrial oriented initiatives.

In terms of organisation, the company has begun internal reorganisation in order to create horizontal management structures, subdivided by activity, positioned to take advantage of possible internal synergies. Additionally, in light of the increasing pressure on margins of companies active on the free market, AcegasAps has begun a reorganisation process designed to strengthen sales activities in order to deal with the increasing competition.

AcegasAps's primary industrial objectives are to:

- Strengthen the gas supply
- Expand WTE capacity
- Expand electricity production capacity
- Look for new opportunities in East Europe\*
- Increase cogeneration and district heating activities
- Expand integrated water cycle operations.

\* AcegasAps participated in the tender for the metanisation of the Zapad region in eastern Bulgaria (the tender was awarded in spring 2006). The project involves the construction and management of a gas distribution network (866 km) and circa 112,000 potential customers.

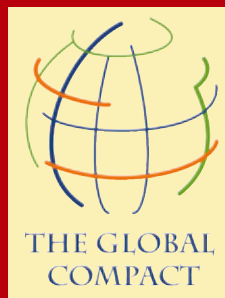


## Values

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

A series of fundamental principles, summarised below, designed to guide the relationships with the company's stakeholders are in the process of being formalised.

- 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.
- The company is managed in accordance with economic principles, as well as responsibility, integrity, efficiency and effectiveness. Management works to provide shareholders with a satisfying return on their investments and medium-long term growth, redistributing the value created to all stakeholders.
- 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.
- The company is aware that human resources are key to a successful company and the human rights of all employees are respected by management: this principle fuels those initiatives designed to support both the well being and the professional development of employees as well as the acceptance of cultural diversity and values.
- Communication within and outside of the company should be effective and timely in order to guarantee the success of all corporate activities
- Research and development in the different sectors facilitates innovation in all corporate divisions.
- The company continues to work on reducing the number of on the job accidents and injuries which includes the more frequent use of training focusing on prevention and worker safety
- 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.



## Un Global Compact

On 5 April 2005 AcegasAps adhered to the UN's Global Compact.

The UN Secretary Kofi Annan summarised the spirit of the initiative: "We have decided to combine the power of the markets with the authority of 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, work and the environment are described in the following declarations:

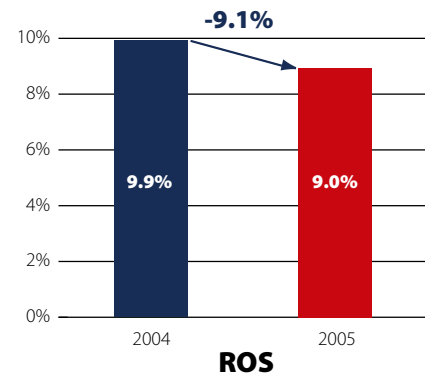
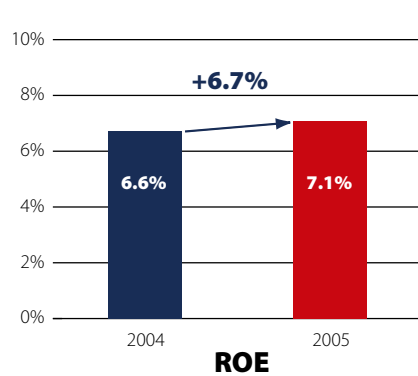
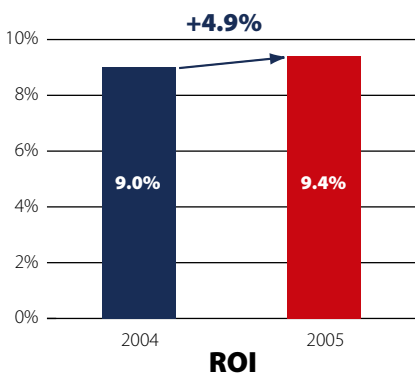
- Universal declaration of Human Rights
- Declaration of the international labour organisation regarding principles and fundamental labour rights
- The Rio Environmental and Development Declaration.



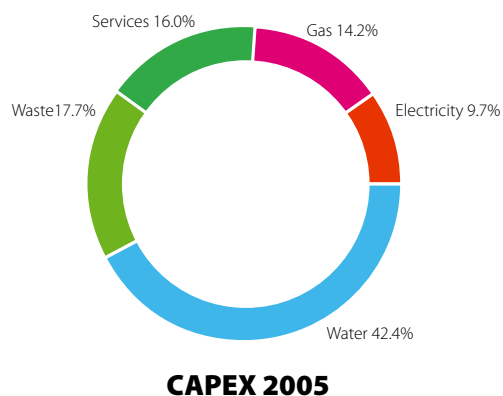
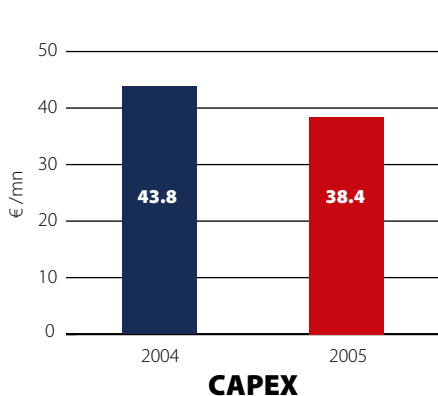
# 2005 Highlights

	2004	2005	CHANGE	
REVENUES	503.0	596.7	+93.7	+18.6%
EBITDA	96.2	96.3	+0.1	+0.1%
EBIT	48.8	52.7	+4.0	+8.1%
PRETAX PROFIT	41.9	44.4	+2.5	+6.1%
NET PROFIT	20.8	22.3	+1.5	+7.3%

(€/mn)

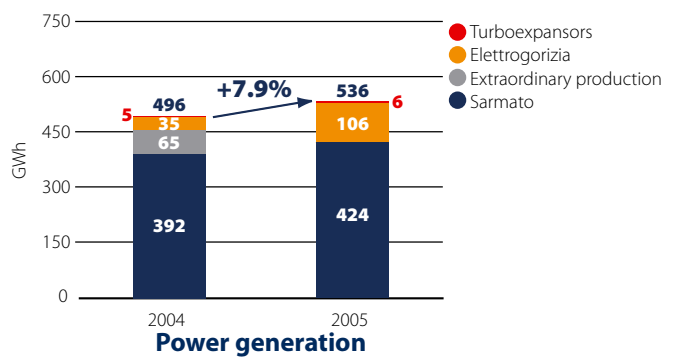
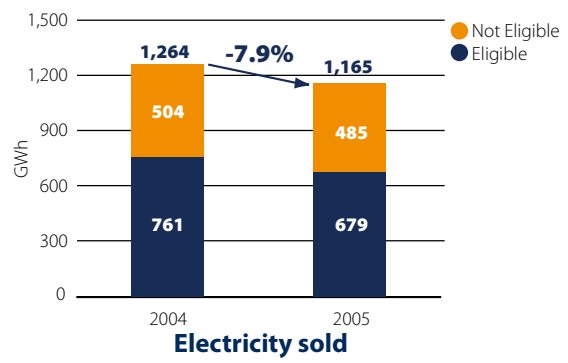
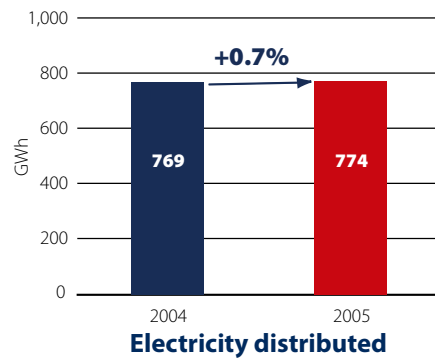
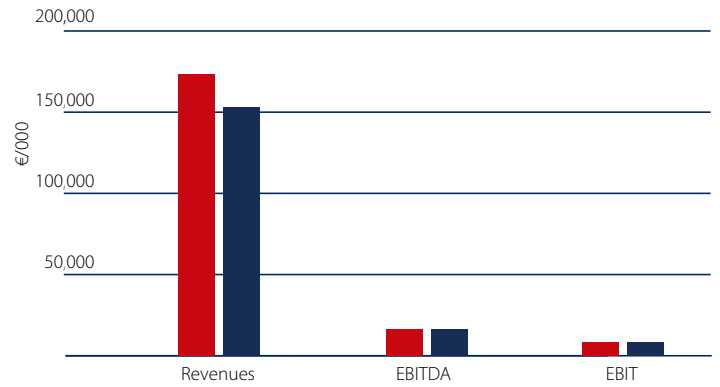


	31.12.05	31.03.06	CHANGE	
CAPITAL INVESTED (€/mn)	564.5	613.3	+48.8	+8.6%
EQUITY (€/mn)	336.4	349.2	+12.8	+3.8%
NET DEBT (€/mn)	-228.1	-264.1	-36.0	-15.8%
OP. CASH FLOW (€/mn)	41.3	56.2	+14.9	+36.0%
DIVIDENDS (€ PER SHARE)	0.29	0.32	+0.03	+10.3%
DIVIDEND PAYOUT	93%	94%	+1%	n/a

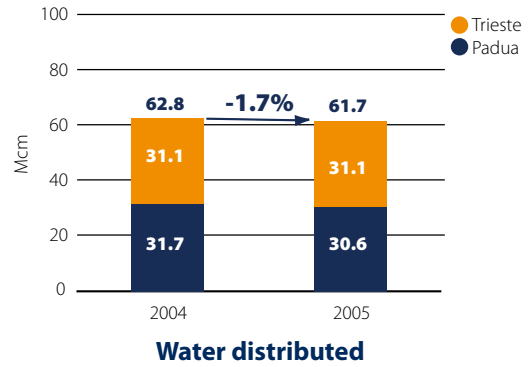
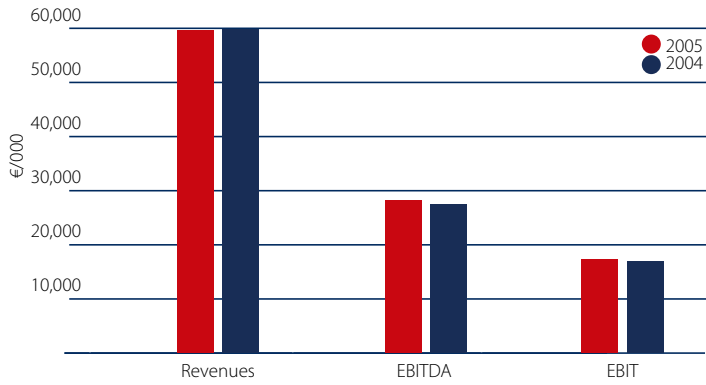




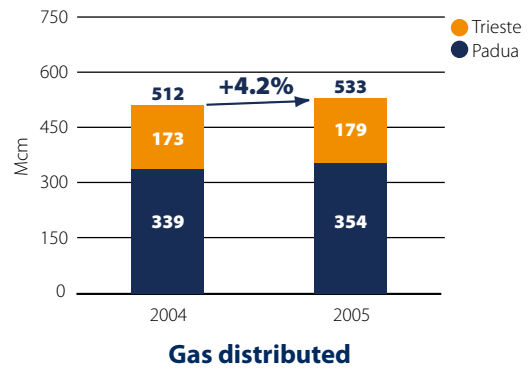
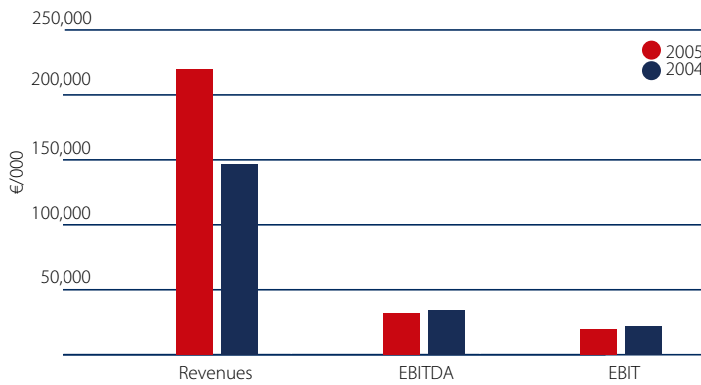
## Electricity



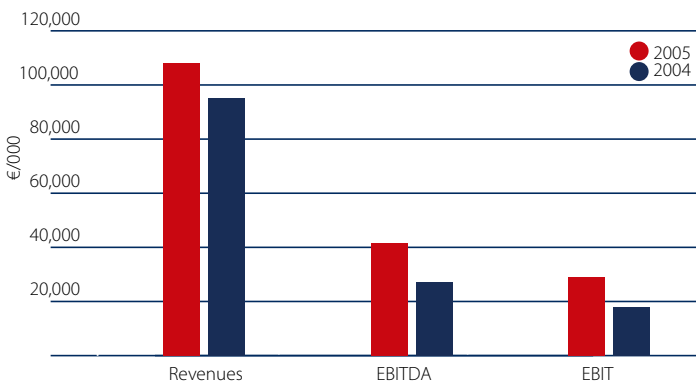
## Water



## Gas

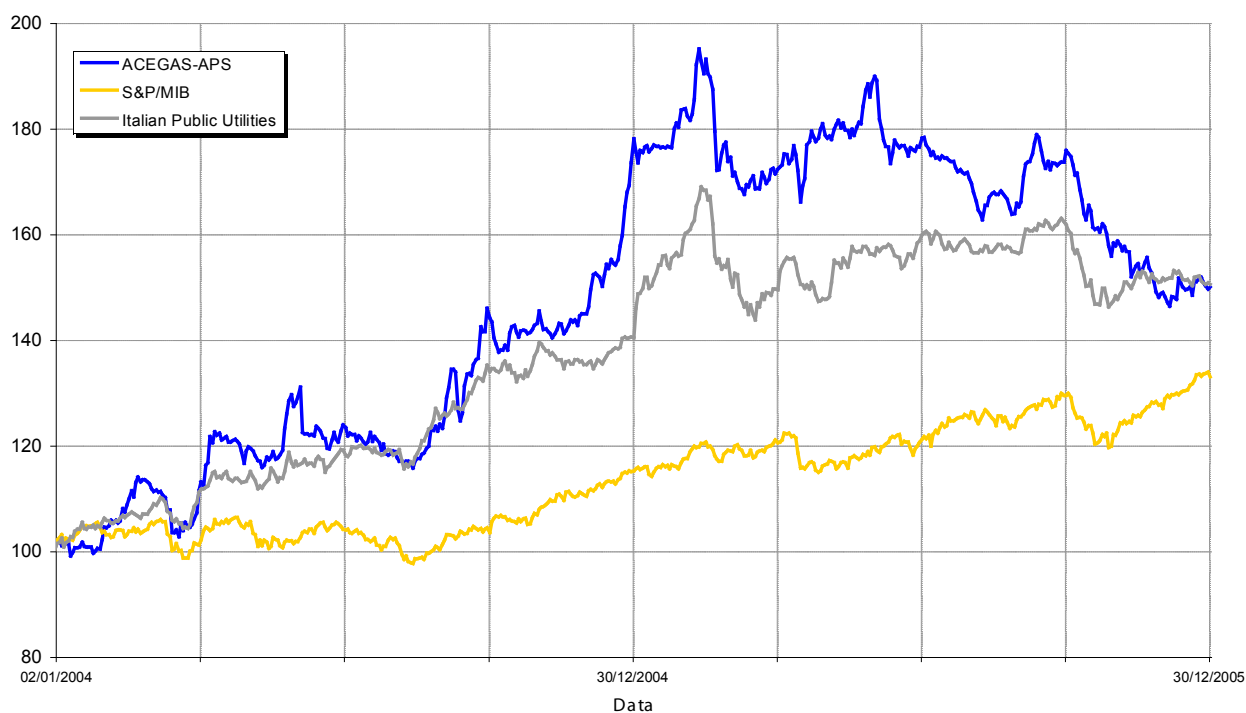


## Waste



## Two-year performance

### Stock price trend



#### - per share data

	2004	2005
Earnings per share	0.379	0.407
Cash flow per share	0.75	1.02
Dividend	0.29	0.32
Total dividends paid (€ /mn)	15.9	17.5
Pay out	76.42%	78.60%
Dividend yield	3.17%	4.16%
Number of shares at year end	54,841,460	54,841,460

#### - share price

	2004	2005
High	9.14	10.015
Low	5.078	7.508
Average	6.39	8.76

## Investments and improvements

	<b>2005</b>
Integrated water cycle	18,376
Gas	6,155
Electricity	4,197
Environment	7,684
Funeral services	30
Other services	6,914
<b>Total</b>	<b>43,356</b>

(€/000)

### Water. Integrated water cycle

AcegasAps's operations for the management of the integrated water cycle and gas distribution in Trieste were reorganised in 2005.

Specifically, a new line of operations was created for plant divisions that will be involved in the design, planning, and management of projects impacting the waterworks, gas and sewage networks, as well as the gas, water, depuration and sewage service facilities.

Significant work was also done on the coordination of company activities with the bodies and entities involved in control and planning of activities in gas and water services.

In 2005, AcegasAps perfected a new method to be used in the identification and quantification of infiltrations and leaks in the urban drainage systems. This regionally funded project, completed in collaboration with the University of Trieste and the company Idrostudi S.r.l. di Trieste, makes it possible to reduce environmental damage and plant operating costs.

### Electricity

In terms of renewal projects in the municipality of Trieste, AcegasAps enhanced its plants and strengthened its electricity distribution network. New and more powerful links were also completed in order to meet new customer requests. Maintenance of the low/medium voltage distribution network was completed and significant work was done on the 130kV "Altipiano" receiver station, the high voltage national distribution network switcher. Plans for a new remote control system were successfully completed and it should be up and running within first half 2006.

AcegasAps also completed the combined cycle power plant for Società Elettrogorizia in the industrial zone of Gorizia – S.Andrea. The plant was completed in two consecutive phases: in the first phase, completed in July 2004, the open cycle gas turbo and accessory works, including a first series methane gas duct (70 bar) for the connection to the SNAM national transport network, were completed. In the second phase, begun in January 2005, the thermal cycle of the gas turbo was integrated with a steam turbine fuelled through the recovery of exhaust fumes. The plant began its independent commercial activities in December 2005, following the trial period recommended by the National Network Manager (GRTN).

### Gas

Work was completed in the Trieste area linked to potential interference with public works in progress which resulted in improved reliability for the entire distribution network.

A feasibility study of the completion of the southern part of the medium pressure distribution ring, designed to increase supply security and connect Padova and Albignasego, was begun.

## Environment

### Padoua WTE plant

During the year the sub-contracting fee and the contract for the works to be done on the Padua WTE plant were renegotiated: the operation had been suspended in 2002 following an appeal presented objecting to the fact that the contract had been awarded to AcegasAps. The appeal was rejected by the State Counsel on 22 February 2005.

### Waste

Following approval by the Province of Padua of the Ponte San Nicolò dump clean-up project, AcegasAps completed the first tenders for the bentonite diaphragm, the installation of the waste compactors and design of the percolate treatment plant.

A thirty tonne/hour waste compactor was installed at the transfer station in corso Stati Uniti, Padua, in order to comply with Bacino PD2 dump security standards.

### Outdoor services

Acegas Aps generated all budgeted purchase orders and it delivered the majority of the vehicles. The delivery of several compactors was delayed to 2006, resulting in a slowdown in new recycling activities. New compactors, containers and bins for organic waste and to improve urban sanitation services were purchased in Trieste and Gorizia. In Padua the old waste collection vehicles were substituted

### New projects

#### Green soil

In Trieste, AcegasAps began the planning of a facility for soil and slag scrubbing, designed for the full recovery of WTE slag through treatment of polluted soil and the recovery of soil under the form of inert material to be put on the market.

#### Agorà

A feasibility study analysing the possible recovery of a quarry in the Municipality of Sagrado (GO) and its transformation into a dump facility designed to service AcegasAps and IRIS complex technology facilities was begun.

### Naonis Energia

On 10 February 2005, the framework agreement with Snua Srl for the purchase of the area in the Municipality of Aviano (PN), destined to house a new WTE plant, was finalised. This means that the planning phase necessary for authorisation from the environmental authorities may now begin.

### Sew Project

AcegasAps received regional financing for a plant to be used for the recovery of electric and electronic devices (personal computer and televisions). The company has already developed a business plan for the initiative and has begun the procedure necessary for environmental impact –VIA evaluation.

### MSD-112

During the year, AcegasAps field tested urban waste volume calculation systems (Multi Service Device – 112). The project makes it possible to identify, through the use of an ultra-sound device, the amount of waste in bins, signalling when the bins need to be emptied. The MPS-112 system will also make it possible to create a working data base for waste collection, manage services on demand, to improve the management and control of collection services and reduce harmful emissions and other disturbances (noise, traffic jams).

## Services

The AcegasAps Group offers a series of complementary public services that include:

- plant installation, maintenance and management
- total facility management
- district heating
- public lighting
- traffic light systems
- funeral services
- relining
- telecommunications

Through APS Sinergia spa, the group is able to ensure the management of technology, integrated energy services, global services and public lighting. The company has also implemented its own integrated facilities for the management of multi-functional structures, including hospitals and manufacturers, as well as large real estate complexes such as residences, commercial centres and corporate headquarters. The recent "global service" assignment by the Treviso Provincial Administration as well as the realisation and management of the new Mestre Hospital, that resulted in two international "awards" are part of this type of service.

In Padua, AcegasAps began its first cogeneration and district heating pilot project.

AcegasAps manages public lighting for several municipalities in the Triveneto area for a total of 64 thousand light stations.

The group manages the maintenance of the city traffic light facilities for Trieste, Pordenone and Duisio Aurisina.

As from June 2000, AcegasAps manages all funeral services for the 11 cemetery in the municipality of Trieste.

The renewal of the waterworks, gas and sewage (relining) networks, through SIL, continued in 2005 with important works completed in Padua and Trieste.

In the telecommunications infrastructure sector, AcegasAps currently serves 13 operators and has contracts lasting between 5 and 25 years.



# Financial summary

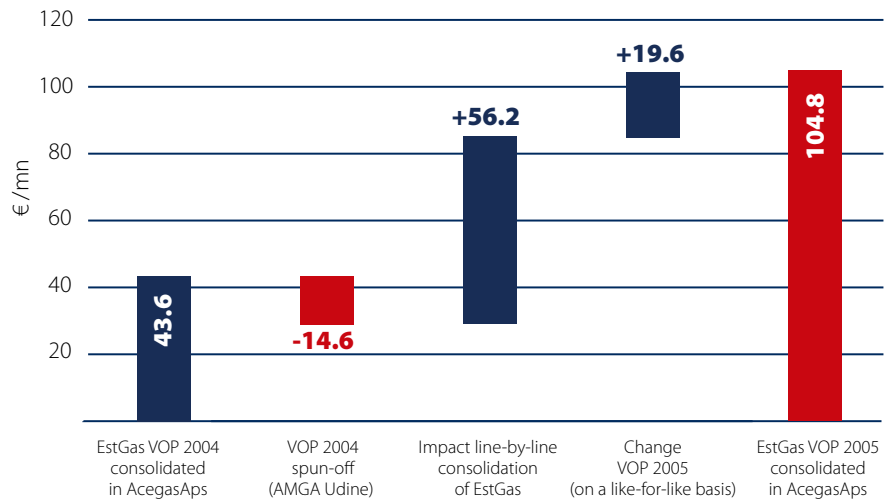
## Group income statement

	2005		2004		Change	
		%		%		%
<b>Production value</b>	<b>596,675</b>	<b>100.0</b>	<b>502,995</b>	<b>100.0</b>	<b>+93,680</b>	<b>+18.6</b>
Revenues from sales and services	559,464	93.8	470,937	93.6	+88,527	+18.8
Own work capitalised	7,895	1.3	8,256	1.6	-361	-4.4
Other operating income	29,157	4.9	23,387	4.6	+5,770	+24.7
Operating grants	355	0.1	415	0.1	-60	-14.5
Change in contract work in progress and finished products	(196)	-0.0	-	-	-196	-
<b>Production costs</b>	<b>(424,105)</b>	<b>-71.1</b>	<b>(334,095)</b>	<b>-66.4</b>	<b>-90,010</b>	<b>+26.9</b>
Raw, ancillary and consumable materials	(323,987)	-54.3	(240,872)	-47.9	-83,115	+34.5
Services	(88,337)	-14.8	(81,320)	-16.2	-7,017	+8.6
Leases and rentals	(5,854)	-1.0	(5,890)	-1.2	+36	-0.6
Change in inventories	481	0.1	657	0.1	-176	-26.8
Other operating costs	(6,408)	-1.1	(6,670)	-1.3	+262	-3.9
<b>Value added</b>	<b>172,570</b>	<b>28.9</b>	<b>168,900</b>	<b>33.6</b>	<b>+3,670</b>	<b>+2.2</b>
<b>Payroll costs</b>	<b>(76,298)</b>	<b>-12.8</b>	<b>(72,741)</b>	<b>-14.5</b>	<b>-3,557</b>	<b>+4.9</b>
<b>EBITDA</b>	<b>96,272</b>	<b>16.1</b>	<b>96,159</b>	<b>19.1</b>	<b>+113</b>	<b>+0.1</b>
Amortisation, depreciation and provisions	(43,524)	-7.3	(47,372)	-9.4	+3,848	-8.1
Amortisation of intangible assets	(10,427)	-1.7	(11,738)	-2.3	+1,311	-11.2
Depreciation of plant, property and equipment	(29,627)	-5.0	(26,220)	-5.2	-3,407	+13.0
Writedown of fixed assets	-	-	(108)	-0.0	+108	-100.0
Increases in provisions for doubtful accounts	(3,583)	-0.6	(2,157)	-0.4	-1,426	+66.1
Increases in provisions for risks	113	0.0	(7,149)	-1.4	+7,262	-101.6
<b>EBIT</b>	<b>52,748</b>	<b>8.8</b>	<b>48,787</b>	<b>9.7</b>	<b>+3,961</b>	<b>+8.1</b>
Financial income/(charges)	(6,893)	-1.2	(6,854)	-1.4	-39	+0.6
Income from equity investments	174	0.0	244	0.0	-70	-28.7
Other financial income and charges	(7,743)	-1.3	(8,186)	-1.6	+443	-5.4
Revaluations/writedowns of equity investments	676	0.1	1,088	0.2	-412	-37.9
<b>Profit from ordinary operations</b>	<b>45,855</b>	<b>7.7</b>	<b>41,933</b>	<b>8.3</b>	<b>+3,922</b>	<b>+9.4</b>
Sundry income/charges	(1,413)	-0.2	(29)	-0.0	-1,384	+4772.4
Profit (loss) before taxes	44,442	7.4	41,904	8.3	+2,538	+6.1
Income taxes for the period	(20,716)	-3.5	(20,414)	-4.1	-302	+1.5
<b>Net profit/(loss) for the period</b>	<b>23,726</b>	<b>4.0</b>	<b>21,490</b>	<b>4.3</b>	<b>+2,236</b>	<b>+10.4</b>
Minority interests	1,400	0.2	678	0.1	+722	+106.5
<b>Net profit (loss) for the period attributable to the group</b>	<b>22,326</b>	<b>3.7</b>	<b>20,812</b>	<b>4.1</b>	<b>+1,514</b>	<b>+7.3</b>

(€/000)

**Consolidated revenues** reached €596.7 million, growth of 18,6% compared to 2004. The growth in revenues is primarily attributable to:

- the full capacity production of the third line of the Trieste WTE plant and the Elettrogrozzia power plant, both up and running as at July 2004;
- significant development of the services division, in particular in APS Sinergia combined with the effects of the spin off of the heating management companies of Cofathec Servizi and AcegasAps to APS Sinergia;
- the substantial contribution from the companies involved in the sale of gas.



In terms of the latter item it should be noted that in 2005 APS Trade, thanks to the acquisition of 4,400 new clients and the increase in gas volumes sold to Elettrogrozzia, sold more than 360 million cubic metres of gas, increasing volumes by circa 13% compared to 2004 and beating forecasts for the year by 5%. Production value therefore increased 22.1%, rising from €88.7 million in 2004 to €108.3 million in 2005.

While sales for Estgas were down due to the spin-off of the division related to Amga spa (Udine e provincia) clients that were part of the network, at a consolidated level the company increased sales by €61 million. This is largely due to the change in the perimeter of consolidation (€56 million) and in part to the increase in sales volumes (352 million cubic metres in 2005 versus 343 in 2004, equal to an increase of +2.6%) that were positively impacted by initiatives targeting small business customers on third party networks and loyalty of already existing clients.



## Breakdown of net revenues

	2005	2004
Electricity sales	157,156	141,219
Gas sales	162,180	92,067
Water and sewage treatment sales	49,701	49,435
Other revenues	190,427	188,216
<b>Total revenues from sales</b>	<b>559,464</b>	<b>470,937</b>
Own work capitalised	7,894	8,256
Contribution of hook-ups	6,450	7,364
Contribution of c/plants	1,087	1,047
Other	21,780	15,391
<b>Total other revenues and income</b>	<b>37,211</b>	<b>32,058</b>
<b>Total net revenues</b>	<b>596,675</b>	<b>502,995</b>

(€/000)

**EBITDA** for 2005 came in at €96.3 million, basically in line with 2004 with growth of €0.1 million. This result, inconsistent with the significant increase in consolidated revenues, is attributable almost exclusively to the increased competition in the sale of gas and electricity. Specifically, when compared to 2004 APS Trade, Estgas and Estenergy show a drop in EBITDA of €3.6 million that is primarily due to commercial costs related to the expansion of the sales network from the 15 municipalities served at the end of 2004 to the current 110. There was also a change in the method used to estimate customer consumption (from a linear 'per day' to indexed cold temperatures) appearing on the bills issued by APS Trade, that had a negative impact of -€0.8 million.

**EBIT** closed at €52.7 million, reporting an increase of €4.0 million on 2004 (+8.1%). The provisions for risks reported a credit of €0.1 million, reflecting €6.9 million in new provisions and €7 million in releases, of which €4 million after recalculating the provision for risks associated with making the Ponte San Nicolò rubbish dump safe, €1 million for routine work on the waste-to-energy plant and the remainder as a result of reaching settlement in a number of disputes. The new provisions booked in the year related to risks for possible biological damage, for disputes with staff and third parties and for risks associated with a tax audit pending definition and for the fixed gas charge to the City of Trieste, also awaiting definition. The increase in provisions for doubtful accounts amounted to €3.6 million, representing additions to the existing provision on the basis of an evaluation of the risks associated with collecting customer accounts.

Net financial charges came to €6.9 million, while **profit/ (loss) before taxes** was €2.5 million higher than in 2004 at €44.4 million (+6.1%). The consolidated tax charge amounted to €20.7 million, representing a tax rate of 46.61%, down from 48.72% in 2004. Consolidated net profit came to €23.7 million, of which €1.4 million attributable to minority interests. This result was 10.4% higher than the prior year figure restated under the new international accounting standards. Net profit (loss) attributable to the group amounted to €22.3 million, an increase of 7.3% on 2004.

## Summary group balance sheet

	31/12/2005	31/12/2004	Change	
<b>Net working capital</b>	<b>77,250</b>	<b>58,596</b>	<b>+18,654</b>	<b>+31.8</b>
Property, plant and equipment and intangible assets	562,436	560,731	+1,705	+0.3
Non-current financial assets	14,871	20,188	-5,317	-26.3
Provision for employee leaving indemnity and pensions	(28,008)	(25,897)	-2,111	+8.2
Provisions for risks and charges	(32,018)	(30,683)	-1,335	+4.4
Other net non-financial assets (liabilities)	(29,988)	(26,356)	-3,632	+13.8
<b>Net non-current assets</b>	<b>487,293</b>	<b>497,983</b>	<b>-10,690</b>	<b>-2.1</b>
<b>Total capital employed</b>	<b>564,543</b>	<b>556,579</b>	<b>+7,964</b>	<b>+1.4</b>
<b>Sources of funding</b>				
Share capital	282,983	282,983	-	-
Earnings and reserves	44,066	37,505	+6,561	+17.5
Minority interests in equity	9,386	4,612	+4,774	+103.5
<b>Total equity</b>	<b>336,435</b>	<b>325,100</b>	<b>+11,335</b>	<b>+3.5</b>
<b>Net financial position</b>	<b>228,108</b>	<b>231,479</b>	<b>-3,371</b>	<b>-1.5</b>
<b>Total sources of funding</b>	<b>564,543</b>	<b>556,579</b>	<b>+7,964</b>	<b>+1.4</b>

### Consolidated balance sheet and financial position

The balance sheet at 31 December 2005 reports an increase of 1.4% or €8.0 million in **capital employed** relative to 2004. This mostly reflects the **investments** of €38.4 million made in 2005.

**Equity** increased to €11.3 million, while the **net financial position** improved from €231.3 million at 31 December 2004 to €228.1 million at the end of 2005, helping reduce the **debt/equity** ratio from 0.71 in 2004 to 0.68 in 2005.

## Summary cash flow statement

	31/12/2005	31/12/2004
<b>A) Opening cash and cash equivalents</b>	<b>12,999</b>	<b>(11,871)</b>
Net profit (loss) attributable to the group and minority interests	23,726	21,490
Amortization, depreciation and writedowns	43,637	40,223
Net change in provisions	(1,424)	4,027
Net change in employee benefit provisions	2,111	372
Change in deferred tax liabilities/assets	778	1,343
Change in other non-current assets/liabilities	(682)	1,343
- Change in trade receivables	(65,104)	(15,320)
- Change in trade payables	56,860	(10,176)
- Change in inventories and contract work in progress	(472)	(365)
- Change in other current assets/liabilities	(3,887)	(1,646)
Change in working capital	(12,603)	(27,507)
Dividends received from companies excluded from consolidation	1,299	1,109
Share of earnings of companies valued using the equity method	(1,524)	(1,313)
Writedown\ (Revaluation) of equity investments	856	225
<b>B) Cash flow generated (absorbed) by operating activities</b>	<b>56,174</b>	<b>41,312</b>
Net investments in:		
- Intangible assets	(13,352)	(9,630)
- Property, plant and equipment	(28,453)	(35,840)
- Investment property	46	21
- Equity investments	(1,104)	(352)
Purchase /disposal of real estate securities	-	9,615
<b>C) Cash flow generated (absorbed) by investment activities</b>	<b>(42,863)</b>	<b>(36,186)</b>
- New loans received	-	45,484
- Loan repayments	(16,062)	(9,331)
- Capital increases	-	-
- Dividends paid	(15,904)	(16,409)
<b>D) Cash flow generated (absorbed) by financing activities</b>	<b>(31,966)</b>	<b>19,744</b>
<b>E) Total cash flow (B+C+D)</b>	<b>(18,655)</b>	<b>24,870</b>
<b>F) Closing cash and cash equivalents (A+E)</b>	<b>(5,656)</b>	<b>12,999</b>

## International accounting standards

Under EC Regulation 1606 of 2002 the European Union required that listed companies must adopt international accounting standards for preparing their consolidated financial statements as from financial year 2005. In application of this regulation the AcegasAps Group has adopted international accounting standards as from financial year 2005, making the transition in its half-year report for 2005, as allowed by article 82 bis of Regulation 11971/1999, adopted by Consob in its resolution 14990 of 14 April 2005. The consolidated financial statements for 2005 are the first full set of annual financial statements prepared under IAS/IFRS; the comparative figures for 2004 have been obtained by restating the numbers reported at 31/12/2004 under the new accounting standards. The reconciliation between the 2004 figures under Italian accounting standards and those restated under IAS/IFRS is contained in a specific document appended to the 2005 half-year report.

The decree governing the transition to IAS was approved by the Council of Minister on 25 February 2005. This law implements article 25 of Law 306/03, allowing for the possibility of preparing individual financial statements under international accounting standards as well. In view of the work performed in the first half of 2005 on integrating the accounting systems in the wake of the merger of the two operations in Padua and Trieste, the company has decided to retain a "twin track" for 2005, meaning that its individual financial statements have continued to be presented under Italian accounting standards despite the opportunity for listed companies to adopt international accounting standards for both their individual and consolidated financial reports.

## 2006 Financial events calendar

28 March 2006	Board of Directors' Meeting meeting to approve 2005 consolidated financial statements
27 April 2006 (first call)	Shareholders' Meeting to approve 2005 consolidated financial statements
04 May 2006 (second call)	
15 May 2006	Board of Directors' Meeting meeting to approve results for first quarter 2006
7 September 2006	Board of Directors' Meeting meeting to approve results for first-half 2006
13 November 2006	Board of Directors' Meeting meeting to approve results for third quarter 2006



# AcegasAps

Registered office  
and corporate headquarters  
Via Maestri del Lavoro, 8  
34123 Trieste  
T +39 040.7793111  
F +39 040.7793427  
I [www.acegas-aps.it](http://www.acegas-aps.it)  
E [info.ts@acegas-aps.it](mailto:info.ts@acegas-aps.it)

Padua administrative offices,  
networks and plants  
Corso Stati Uniti, 5/A  
35127 Padova  
T +39 049.8280511