



PRESS RELEASE

ASCOPIAVE: The BoD approved the Group's quarterly report as at 31 December 2006.

In the fourth quarter of 2006, Ascopiave, one of Italy's leading companies in the distribution and sales (through its subsidiary, Ascotrade) of natural gas, posted consolidated revenue of € 94.0 million, down 7.8% from the same period of the previous year, and reported EBITDA of € 11.3 million (- 49.1%), EBIT of € 8.4 million (- 57%), and consolidated net profit of € 4.7 million (- 58.3%).

As predicted, the results for the three month period from September to December 2006, which were examined today by the company's board of directors, were shaped decisively by the negative impact of the especially mild winter weather and the measures governing rates adopted by the Italian Authority for Electrical Energy and Natural Gas in modification of the rates applied on sales to the civilian market (resolution no. 134/06).

The board of directors, chaired by Gildo Salton, also examined the preliminary results as at 31 December 2006. Ascopiave ended 2006 with consolidated revenue up 13.9% to € 318.1 million (against € 279.3 million in financial 2005), mainly due to the effect of the increase in rates, prices applied to sales to gas end customers, and the growth in revenue on sales of electrical energy, in which sector 107 new customers were acquired over the year (+105%; total number of customers at the end of 2006: 209), whereas volumes posted an increase of 168%, rising to 101 GWh sold.

In greater detail, in this sector the Group operates on a dual fuel basis with the aim of offering a full range of products and securing the loyalty of natural gas customers. This offer is currently limited to industrial customers and local entities, since domestic users have not yet been liberalised.

In Ascopiave's main business sector, the distribution and sale of natural gas, active customers connected to the Group's distribution network totalled 311,722 as at 31 December 2006, up 3.6% over 2005 (an increase of +10,752 units). The total volume of natural gas distributed stood at 806 million cubic metres, down 54 million cubic metres, - 6.3% compared to 2005, largely due to mild meteorological conditions during winter months, especially in the fourth quarter of the year.

At the end of 2006, sales customers totalled 313,355, and were located in the Veneto, Friuli Venezia Giulia, Lombardy and Emilia Romagna regions of Italy; the net increase in users was 8,785 units (calculated as the balance of new customers acquired and customers lost due to switching to other vendors).

As had been reported to the market during the road show leading up to the company's listing on the Italian Stock Exchange – Star Segment – on 12 December 2006, the group's margins were affected by a combination of a decrease in the volume of gas supplied and the provisions of the Authority for Electrical Energy and Natural Gas updating the rate conditions (resolution no. 248/04, resolution no. 298/05, resolution no. 63/06 and resolution no. 134/06).



In greater detail, on 31 December 2006 gross operating margin stood at € 40.4 million (down 28.1% from € 56.2 million in 2005), or 12.7% of revenue on sales; EBIT totalled € 29.2 million (- 35.4%), and consolidated net profit was € 16.2 million (- 35.3%).

It should be noted that the reduction in gross operating margin was almost entirely due to the decrease in the first natural gas margin, i.e. the difference between revenue on sales to end customers and the cost of purchase and vectoring paid to third-party distributors, and it also takes into account the negative effects of resolution no. 248/04 pertaining to 2005, estimated at € 2.6 million.

Regarding the latter item, in financial 2005, due to the outcome of the judicial proceedings regarding resolution no. 248/04, which was initially quashed by the Regional Administrative Court (TAR) of Lombardy, the Group had not made any allocations to prudential provisions to account for the possible effects of its application. This decision was consistent with the behaviour of other companies in the sector. Due to the developments of the legal proceedings in the interim, the 2006 financial statements reflected the impact of resolution no. 248/04, resulting in expenses pertaining to both 2006 and 2005 being included in the accounts for the year.

Resolutions no. 248/04 and 134/06 stated that shippers were obliged to offer vendors new supply conditions on outstanding contracts in accordance with the benchmarking formulae introduced by said resolutions so that the impact of the measures would be divided among all entities in the natural gas industry.

In order to account fully for the potential effects of resolution no. 248/04, the Group allocated € 4.3 million to provisions; this sum is equal to the adjustments to be made to revenue from 2005 and the first quarter of 2006 to bring it into line with the provisions of 248/04 (€ 16.1 million, net of the incentives established by resolution no. 134/04 (€ 3.6 million) and the results of renegotiation with the shippers (€ 8.2 million).

Furthermore, the Group, in keeping with the conduct of other sector companies, has applied the updated rate conditions indicated in resolutions no. 63/06 and 134/06 to its invoices to end customers since the second quarter of 2006, leading it to report a € 1.6 million decrease in revenue in the second quarter, € 0.3 million in the third quarter, and € 3.6 million in the fourth quarter.

Given the uncertainty regarding the outcome of the litigation related to Resolution no. 248/04, the Group has cautiously decided to maintain the provision at the level established in the quarterly accounts as at 30 September 2006.

In any event, it should be remarked that were resolution no. 248/04 to be deemed illegitimate, the provision would be fully reversed and group's earnings before taxes would increase by € 4.3 million.



Furthermore, the revenue from the second quarter would need to be recalculated according to the previous benchmarking standard set forth in resolution no. 195/02, resulting in a positive impact of € 1.6 million on earnings before taxes.

In addition, should the illegitimacy of resolution no. 248/04 entail the illegitimacy of subsequent resolution no. 134/06 as well, the Group would be entitled to carry out further adjustments resulting in an additional € 3.9 million in revenue, of which € 0.3 million for the third quarter and € 3.9 million for the fourth quarter.

The overall positive impact may therefore be quantified at € 9.8 million, which would result in the same levels of marginality for 2006 as for 2005 (allowing for the lesser amount of natural gas sold).

It must be remembered that a negotiating table has been set up to deal with these issues between the Authority and the main entities involved in the natural gas sector; the goal is to settle the question in a satisfying manner by eliminating the obvious distortions of the market created by the above-indicated resolutions, independently from the decisions that may emerge from the legal proceedings.

At the end of 2006, net financial position was positive at € 87.5 million. Net of the income on the stock market listing (equal to € 161.3 million), financial position at the end of 2006 would have been negative at € 73.8 million, an improvement of approximately € 16.2 million over 2005.

On the occasion of the approval of the quarterly report, Ascopiave's board of directors also appointed the independent director Professor Ferruccio Bresolin to the position of Lead Independent Director.

It must be remembered that at the end of 2006 the company branch of Bimetano Servizi (controlled by BIM Gestione Servizi Pubblici) related to the sale of natural gas in the province of Belluno was transferred to Ascotrade, a subsidiary of Ascopiave S.p.A. operating in the sector of the sale of natural gas. The company branch transferred to Ascotrade serves about 29,000 users with sales volumes of approximately 90 million cubic metres of natural gas.

On 28 December 2006 Bimetano Servizi S.r.l. transferred the natural gas branch to Ascotrade S.p.A. and was granted an 11% interest in the company. Since the transfer became effective on 1 January 2007, Ascopiave has held an 89% stake in Ascotrade S.p.A. As part of this transaction, Ascotrade appointed two new directors, Pier Luigi Svaluto Ferro, Deputy Mayor of the Municipality of Perarolo di Cadore, member of the Management Board of the Consorzio Bim Piave di Belluno and Sole Director of Bimetano Servizi S.r.l., and Angelo Zaccari, who has many years of experience in the field of the distribution and sale of natural gas; he has served as General Manager of Edison Gas and Chief Executive Officer of Edison Energia.

It should be noted that the increase in the parent company's share capital due to the listing on the stock exchange was filed with the Business Registry on 2 January 2007, and consequently is not reported on the balance sheet as at 31 December 2006. The new value of share capital subsequent to the listing is € 233,334 thousand.



The Ascopiave Group operates in the natural gas sector, chiefly in distribution and sale to end customers. Ascopiave directly manages distribution. It currently holds direct licenses and consignments for providing service in 155 municipalities located in the Veneto, Friuli Venezia Giulia, Emilia Romagna and Lombardy regions of Italy. Ascopiave owns the distribution network it manages, which extends over approximately 6,300 kilometres and serves a pool of users of more than 970,000 residents. Ascotrade, a subsidiary of Ascopiave, is responsible for the sale of natural gas and serves more than 340,000 end customers in over 200 municipalities. The Ascopiave Group also operates in other sectors related to its core business, such as heat management and the sale of electrical energy.

The Company is listed on the STAR segment of the Italian stock exchange since 12 December 2006.

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