

Bozen/Bolzano, 30th March 2018

Press release

Alperia SpA: the Management Board has approved the draft annual and consolidated financial statements for the 2017 financial year

Economic/financial highlights:

- **Revenues: over 1,1 billion euros**
- **EBITDA: over 149 million euros**
- **Net financial indebtedness: approx. 422 million euros**

Despite an absolutely negative energy scenario from a hydraulic point of view (the National Research Council has established 2017 as the driest year since 1800 to date), only partially offset by the increase in prices on the energy market, the Group - net of a significant adjustment on certain hydroelectric energy production assets - presents an operating profit. Worthy of mention is the significant decrease in net financial indebtedness, demonstrating Alperia's ability to generate cash. The Management Board has also approved the first Sustainability Report, which also constitutes a consolidated non-financial statement (NFS), pursuant to Legislative Decree 254/2016.

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On 29 March 2018, the Management Board of Alperia SpA approved the Company and Group data for the 2017 financial year, a year which - as is well known - constitutes the second year of operation of Alperia SpA, following the merger of the former SEL Group and of the former AEW Group. The financial statements prepared were drawn up applying the IAS/IFRS international accounting standards, as required following the listing of Alperia Green Bonds on a regulated market.

The fifth Alperia Business Unit, Smart Region, has been established

On 1 January 2017, the reorganization of the entire corporate group became fully operational, initially divided - into four Business Units: Energy Production, Sales and Trading, Networks, Heat and Services, with the aim of exploiting operating synergies, creating efficiency and reducing costs. The fifth Business Unit of the Group, called *Smart Region*, which includes the companies Alperia Fiber Srl, Alperia Smart Mobility Srl (which operates in electric mobility services) and, most recently, the new Alperia Bartucci, was established in May.

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*wir sind
südtiroler
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l'energia
dell'alto adige*

Alperia Bartucci established

The acquisition of 60% of the shares of Bartucci (one of the main domestic operators in the integrated energy efficiency and services market), whose *closing* took place at the end of February 2018, is part of the initiatives in support of achieving the important corporate objectives envisaged by the 2017-2021 strategic plan of the Alperia Group, approved by the competent bodies in March 2017. This operation accelerates the transformation of Alperia from a traditional *utility* to an energy service *provider*. Moreover, it contributes to strengthening the Group's presence in South Tyrol in the services sector and also provides the opportunity to expand the offer to the entire domestic market.

Initiatives following the 2017/21 business plan

During 2017, the Group's management ensured implementation of the various initiatives envisaged in the business plan, the main ones being summarised below:

- review and efficiency improvement of the investment plan through the "*Capex Excellence*" project, which has allowed the various activities that will be carried out by the single Business Units to be optimised;
- new Green Bond issue, based on the EMTN programme of Alperia SpA, which took place in October 2017 for the amount of 100 million euros;
- consolidation of relations with the European Investment Bank through the granting of a loan totaling 80 million to Alperia SpA to support investments in the hydroelectric sector;
- development of the *Smart Region* with the presentation of the *PPP (Private/Public Partnership)* project;
- obtaining of a rating for the Alperia Group: in August 2017, the international agency Fitch attributed the parent company a long-term rating at the "BBB" level with a "*Stable*" outlook, which implies an *Investment Grade* profile of the Group's medium-long term debt;
- start of the process for the sale of equity investments deemed no longer strategic; in this regard, in September 2017, the 49% interest in WPP Uno Spa (wind sector) was sold, with positive effects on the economic and financial results of the financial statements.

Economic-financial indicators

The comparison between 2017 and 2016 is not homogeneous due to the change in the scope of consolidation. 2017 recorded a consolidated net profit of 1.9 million, and was strongly influenced, as mentioned earlier, by an adjustment of certain hydroelectric energy production *assets* of approximately 23 million (net effect): this adjustment, which in the consolidated interim financial statements at 30 June 2017 was over 10 million (always net effect), was mainly determined by the downward review of the long-term energy price scenario.

Net financial indebtedness is significantly lower than the 2016 figure (- 103 million), standing at 422 million euros.

In 2017, the Group invested approx. 62 million euros in the province to improve the quality and continuity of the electricity distribution service, extend the heat network and modernise and increase the safety of the production facilities.

Value created for South Tyrol

The Group contributed to the regional development through the payment of employee wages and benefits, awarding contracts to local suppliers, fees and surcharges on the use of public water, charges for environmental interventions, sponsorships, as well as duties and fees amounting to more than 180 million euros. The average workforce during the year was 945 employees.

Dividend proposal by the Management Board

With regard to the parent company Alperia SpA, against a net profit of approx. 25.2 million euros (in 2016, profit amounted to approximately 16.0 million euros), the Management Board has proposed distribution to shareholders of 21.0 million euros as a dividend for 2017, allocation of 1.2 million euros to the legal reserve as required by current legislation and the remaining 3 million to retained earnings.

With regard to the industrial aspect of the Group, the main technical/operational data is shown below:

ELECTRICITY PRODUCTION AND THERMAL ENERGY

Hydroelectric, photovoltaic, cogeneration and biomass production amounted to 3.7 TWh (in 2016: 4.1 TWh), while that of heat exceeded 195 million kWh (2016: 182 million kWh). Regarding the business segment of thermal energy, it should be noted that Alperia EcoPlus has built and put into operation a heat storage tower for its district heating plant in Bolzano South. The official inauguration of the Alperia Tower took place last November.

SALES AND TRADING

In addition to the energy produced, the Group sold a total of 5.5 TWh (8.7 TWh in 2016), of which approx. 3.2 TWh to approx. 189 thousand customers throughout South Tyrol and the rest of Italy. As regards natural gas, approx. 330 million cubic metres (approx. 370 million cubic metres in 2016) were sold to approx. 59 thousand customers throughout South Tyrol and the rest of Italy. On the other hand, the sale of heat produced in the form of hot water, steam and cold water concerned 1,623 customers residing in four municipalities of South Tyrol.

NETWORKS

The Group distributed approx. 2.5 TWh (2.4 TWh in 2016) of electricity to the region of South Tyrol, with more than 228,000 withdrawal points; The power grid of Edyna covers 8,778 km including associated facilities; 67% of the group's transmission and distribution lines are underground, minimizing the impacts on the environment and landscape. It also operated as a methane gas distributor in the city of Merano.

OTHER ACTIVITIES

The Group is also active in the fibre optic sector throughout the province: in the year in question, Alperia Fiber Srl signed contracts with the Municipalities of Tirolo, Sesto and Chiusa with the aim of implementing pilot projects for the expansion of the fibre optic broadband network in the respective areas; these will give families and businesses the opportunity to surf the web at a speed of over 100 megabits per second.

With regard to sustainable mobility, in 2017 the Group presented the "*smart mobility*" package of measures, with different offers for charging stations (*home*,

business, destination and fast charging); it also continued to expand the network of public and private charging stations for electric vehicles, reaching the number 105 throughout South Tyrol.

Pursuant to the Civil Code and the bylaws of Alperia SpA, the financial statements and the consolidated financial statements will be submitted to the approval of the Supervisory Board scheduled for May 7 next.

The General Manager Johann Wohlfarter comment the results of the Alperia Group as follows: *"From the operational point of view, it is important to underline the creation of the fifth Alperia Business Unit, Smart Region, which includes services for electric mobility, fibre optic connectivity and advanced energy efficiency services. With this we have followed the 2017/21 Business Plan and the diversification objectives which must transform Alperia from a traditional integrated utility to an energy service provider. In 2017, despite a lack of water that penalized us from the economic and financial point of view, EBITDA in 2017 stood at approx. 149 million euros. The comparison with 2016, net of non-recurring items recorded as a result of the transition to international accounting standards, is compared to a recurring EBITDA in 2016 of approximately 152 million euros, substantially in line with the value of the previous year (-3 million euros) despite a decline in production of approx. 0.4 TWh.*

The Alperia Group has shown an excellent ability to generate cash and improve the Net Financial Position. Cash flow generated in 2017 was positive and amounted to 103 million euros, after the payment of dividends for over 15 million euros and Group investments of approx. 62 million euros. The NFP/EBITDA ratio is therefore equal to 2.8, providing a relevant financial flexibility for the Group's future investment decisions."

The Chairman of the Management Board, Wolfram Sparber had this to say: *"The Alperia Group has confirmed its role as a primary player supporting the development of the province, generating added value of more than 180 million euros to the benefit of South Tyrol, in the form of, inter alia, taxes paid, personnel costs, environmental funds and state duties, as well as investments in technology, environment and local development. This is an important asset, made possible by the merger of the two business groups, which we are committed to developing within the new scenarios and important challenges that await us in the near future. With Alperia Smart Region, we have started to work in a structured manner towards the Energy Transition that requires a significant transformation at both the national and local level, in order to achieve the objectives defined in the National Energy Strategy (NES) and in the Provincial Climate Plan."*

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Alternative Performance Indicators

In this press release, some "alternative performance indicators" are used that are not envisaged by the international accounting standards as adopted by the European Union (IFRS-EU), but that the *management* of Alperia SpA deems useful for a better evaluation and monitoring of the performance of the economic and financial management of Alperia SpA and of the Group. In line with the recommendations of the Guidelines published on 5 October 2015 by the European Securities and Markets Authority (ESMA) pursuant to Regulation no. 1095/2010/EU and incorporated by Consob in its supervisory practices with communication no. 92543 of 3 December 2015, the meaning, content and calculation basis of these *alternative performance indicators* are indicated below:

- **EBITDA** is an alternative indicator of operating performance, defined as Earnings Before Interest, Taxes, Depreciation and Amortization";

- **Net Financial Indebtedness** is an indicator of the financial structure. This indicator is determined as the result of financial payables net of cash and cash equivalents and of current and non-current financial assets (financial receivables and securities other than equity investments).

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