

Bolzano/Bozen, 29th March 2017

Press release

The Management and Supervisory Boards of Alperia SpA examined and approved the 2017-2021 Strategic Plan of the Alperia Group on 20th March 2017. It is the first multi-year strategic plan of the new Alperia Group created in early 2016 following the merger of the two most important energy companies in South Tyrol: SEL and AEW.

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The strategic guidelines of the 2017-2021 Plan were approved for the creation of value for shareholders in the medium-to-long term:

- 1. Investments within the current scope of the Group of more than €400 million over five years.**
- 2. Major rebalancing and innovation in the industrial portfolio with significant planned developments in smart grids and new energy services.**
- 3. Further effort toward increasing the efficiency of processes in order to make the Group's action increasingly faster, more incisive and effective with accrued savings exceeding €100 million in 5 years.**
- 4. Significant growth of EBITDA.**
- 5. Investments in the South Tyrol Smart Region amounting to €120 million in 5 years.**
- 6. Significant growth of expected dividends.**
- 7. Additional benefits expected from growth in external lines by consolidating the territorial presence and ensuring the rebalancing of the Group's business mix.**
- 8. The objectives of the plan will be pursued taking into account environmental, social and financial sustainability.**

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On completion of the corporate reorganization and streamlining process in 2016 which involved 17 extraordinary transactions to shape the new Alperia Group, and ahead of schedule on the original pre-merger goals, the main objective of the new Business Plan is to confirm and consolidate the value of Alperia Group in view of the changed energy scenario compared to the pre-merger expectations and the rapid transformation of conventional models, ushering Alperia from being a traditional multi-utility to a modern Group which is a leader in smart grids and in new energy models, more balanced in its business areas and more profitable, while being able to seize the opportunities that will become available in New Downstream, in Smart Cities and in smart grids in keeping with its 100% green vocation.

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Capitale sociale
Euro 750.000.000,00 v.e. / i.v.

The 2017-2021 Strategic Plan of the Alperia Group builds on 4 strategic lines:

- Growth
- Efficiency

which the activities and strategic development lines of the current scope of the Group's assets and Business Units (the "core" dimension) are geared to,

- Local Communities
- Investment

which the activities and strategic development lines centred on growth in new business areas (the "acceleration" dimension) are geared to.

"Core" dimension

Growth

All the activities concerning the safeguard of hydroelectric assets and the strategy to transform the relationship with users into one based on the provision of value added services to customers including through the creation of a product management policy will be implemented.

As regards hydroelectric power generation, the Plan provides for over €200 million in the next 5 years, while €160 million will be invested in the development and stabilisation of grids and over €50 million in expanding district heating networks.

Efficiency

This section of the Business Plan will be implemented through a series of initiatives aimed at achieving the full potential of the synergies arising from the merger, streamlining the corporate organisation, disposing of non-strategic assets, and finally, digitising and adopting best practices in the Business Units and at Corporate level. The cash flows that will be generated at 2021 by synergies are estimated to amount to approximately €100 million. There are also plans to centralise the offices currently scattered at seven different locations and to build a single headquarters owned by Alperia in Merano and to pursue a "zero rent" policy in Bolzano. As a further stimulus to spreading strict discipline within the Group, Alperia will start the procedures to be rated by at least one of the main international agencies with the hope of achieving an Investment Grade rating.

In all, the Growth and Efficiency sections of the plan provide for more than €400 million in investments over five years in South Tyrol.

"Acceleration" dimension

Local Communities

This section of the Business Plan comprises the creation of value for the territory of reference, namely the Autonomous Province of Bolzano. In the five-year time horizon of the Plan, around €1.2 billion will be generated in benefits for local communities; approximately €120 million will be allocated to the Smart Region project. Smart Region is the proposal of Alperia to communities in South Tyrol to build major infrastructures that will allow the technological evolution and upgrade of networks such as: public lighting, fiber optics (FTTH architecture), district heating networks and the provision of value added services for local communities such as: video surveillance, Wi-Fi hotspots for open access to the Internet, smart mobility, energy efficiency, environmental sensors for air quality, noise control, traffic light control, parking space control, etc. Alperia Fiber will invest more than €185 million which will not be taken from the cash flows of the Group for the completion of the in FTTH access network in the province of Bolzano.

Investment

This section of the Plan is dedicated to the growth strategy in external lines of the Group through a selective Mergers & Acquisitions effort targeted specifically at broadening the customer base in northern Italy and at acquiring ESCo operators to achieve energy efficiency projects and to develop distributed generation platforms (Virtual Power Plant) as well as the new downstream (new services for customers) in the energy sector. For this section of the Plan, resources will also be allocated through borrowing.

The implementation of the *Smart Region* provides for investments of €120 million.

Economic and financial highlights

With the implementation of the measures set out in the Business Plan, EBITDA at 2021 is estimated to reach about €300 million with a CAGR of about 6% a year over the 2015 result. The weight of the Generation Business Unit on Group EBITDA will decrease from 71% in 2015 to an estimated 40% in 2021. The robust capacity to generate liquidity from traditional business lines will finance over €400 million in investments over 5 years.

Financial balance, with a net debt of no more than 3 times EBITDA, will afford considerable financial flexibility that can be tapped to seize investment and M&A opportunities.

Following a further effort toward increasing the efficiency of processes, over €100 million are expected from the cumulative savings plan over the next 5 years and the Group's action will become increasingly swifter, more incisive and effective.

The dividend policy provides for the distribution to shareholders of profits generated in the reference period, without any distribution of reserves (necessary to allow the Group companies to cope with the self-financing needs and to ensure orderly ordinary management) and within the limits of the generated cash flows. It is assumed that there will be significant growth of dividends once the 4 strategic lines of the Strategic Plan are in place.

All interventions for implementing the plan will be carried out in full respect of environmental and social sustainability.

The result of the implementation of the Plan will be a Group that is less exposed to risks, to the volatility of prices and to meteorological trends in hydroelectric production and which has growing and less volatile profitability.

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Luitgard Spögler, Deputy Chairman of the Supervisory Board:

"The first Business Plan of Alperia which also benefits from the strength of the local economy and from the far-sighted management of the territory by local authorities combines value creation measures in the medium-to-long term and an adequate return on investment for public shareholders. In particular, the strategic lines that tend to stabilise and rebalance the results of the Business Units will allow building a Group which is less exposed to external risks such as market prices and trends in weather conditions that affect the hydroelectric power market, while achieving more stable and less volatile results. The cohesion demonstrated by all the shareholders in approving the strategic lines set out by management testifies to the central role of Alperia in creating value for the whole of South Tyrol."

Wolfram Sparber, Chairman of the Management Board:

"This Plan has been approved at the end of a year marked by important organisational and efficiency-generating results. The shareholders have set clear objectives in the areas of energy transformation and innovation, areas in which Alperia wants to play a leading role. Alperia will offer its own contribution to making energy supply in South Tyrol more sustainable, stable and secure and to starting a renewal process thanks to the large-scale use of new technologies. All the implementation measures of the Plan will be characterised by environmental, social and financial sustainability. Alperia is set on starting a public rating process which we expect to be Investment Grade in order to further organise the Group in a disciplined and effective manner also in its dealings with the financial community. The added value of the Alperia Group for South Tyrol, equal to about €1.2 billion over the next 5 years, testifies to how important the Group is for the local economic fabric.

Johann Wohlfarter, Member of the Board of Management and General Director:

"The first Business Plan of Alperia aims at ushering Alperia from a traditional multi-utility model to a new model focused on smart grids, advanced value added services and customer centricity. This new model of energy company rooted locally is already a reality in Germany and Great Britain. Alperia wants to be a leader in Italy in this energy transition carried out by anticipating and introducing the paradigm shift which is already underway elsewhere in Europe.

Management is concentrated on pursuing the objective of a gradual repositioning of the Group with less dependence of its results on the hydroelectric sector, pursuing objectives of business and geographical diversification.

Select growth initiatives through external lines will also be launched to expedite the achievement of the Plan's objectives and further balance the various business areas, mitigating the normal risk of implementing the Plan."

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