



# **STAR CONFERENCE**

**Milan, 22nd March 2017**

## Contents

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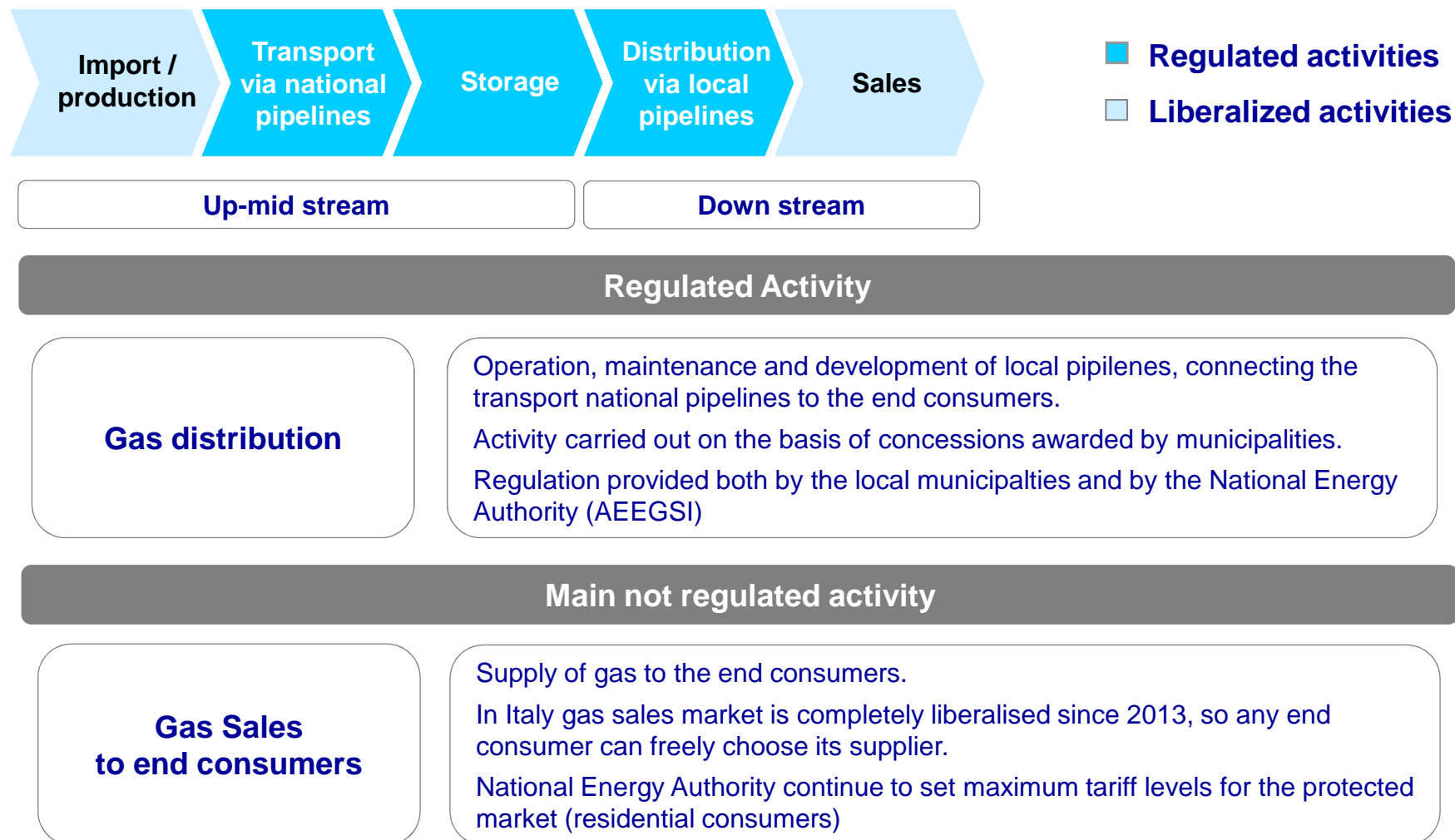
<b>Business Overview .....</b>	<b>Pag. 3</b>
<b>Gas distribution .....</b>	<b>Pag. 23</b>
<b>Gas sales .....</b>	<b>Pag. 36</b>
<b>Annexes: financial data .....</b>	<b>Pag. 48</b>
<b>Disclaimer .....</b>	<b>Pag. 79</b>

### Business Overview

→ Group business activities .....	Pag. 4
→ Key figures .....	Pag. 6
→ Market positioning in the gas sector .....	Pag. 7
→ Ascopiave Group structure as of 31th December 2016 .....	Pag. 8
→ Ascopiave Shareholders .....	Pag. 9
→ Main financial data – income statement .....	Pag. 10
→ 2006-2016 EBITDA break-down by Strategic Business Unit .....	Pag. 11
→ 2006-2016 Investments in tangible and intangible assets .....	Pag. 12
→ 2006-2016 Investments in companies and firms acquisitions .....	Pag. 13
→ Main financial data – balance sheet and financial ratios .....	Pag. 14
→ Financial leverage comparison .....	Pag. 15
→ Financial debt and cost of debt .....	Pag. 16
→ Dividend policy .....	Pag. 17
→ Dividend Yield comparison .....	Pag. 18
→ 2016 dividend proposal .....	Pag. 19
→ Strategic guidelines .....	Pag. 20
→ Acquisition of Pasubio Group .....	Pag. 21

## Group Business Activities (1)

Ascopiave Group is a **national player** in the **down-stream segments of the gas sector**. It is a major player in the Veneto Region.



## Group Business Activities (2)

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### Other not regulated activities

#### Gas Import

Sinergie Italiane (in liquidation) (Ascopiave current stake of capital: 30,94%) signed a long term import take or pay (ToP) contract with Gazprom for the supply of 1.0 billion cubic meters of gas per year up to 2021.

Sinergie Italiane sells imported gas to the gas sales companies participated by the shareholders.

#### Gas procurement active management

Optimization of the gas procurement process aimed at reducing supply risks and costs

#### Electricity Sales to end consumers

Supply of electricity to the end consumers.

In Italy electricity sales market will be completely liberalised in the next years.

Customers currently belonging to the protected market will gradually move to the free market

#### Cogeneration Heat Management

## Key Figures

### Regulated Activity

#### GAS DISTRIBUTION - 2016 key figures (\*)

*scm = standard cubic meters*

No. of managed concessions	192
Length of the gas distribution network (km)	8,382
Volumes of gas distributed (scm/mln)	873
⇒ Full consolidated companies (scm/mln)	802 (92%)
⇒ Companies consolidated with equity method (scm/mln)	72 (8%)

### Not regulated Activities

#### GAS SALES - 2016 key figures (\*)

*scm = standard cubic meters*

Volumes of gas sold (scm/mln)	935
⇒ Full consolidated companies (scm/mln)	800 (86%)
⇒ Companies consolidated with equity method (scm/mln)	134 (14%)

#### ELECTRICITY SALES - 2016 key figures (\*)

Volumes of electricity sold (GWh)	383
⇒ Full consolidated companies (GWh)	340 (86%)
⇒ Companies consolidated with equity method (GWh)	53 (14%)

(\*) Data of the companies consolidated with the equity method are considered pro-quota.

## Market positioning in the gas sector

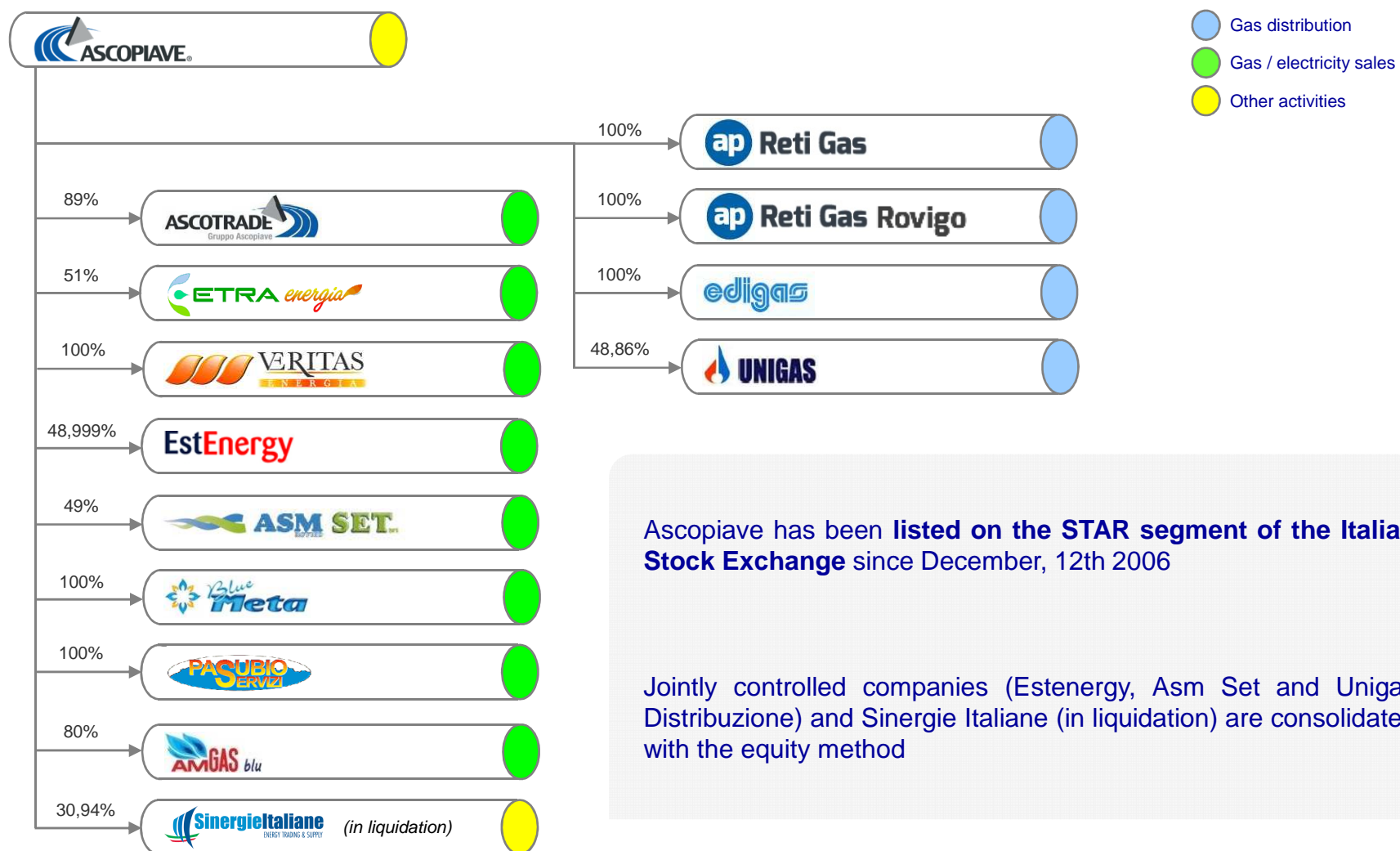
The Group is a **national player** in the gas sector and a **leading regional player in Veneto**.

VOLUMES OF GAS DISTRIBUTED (*)	Ranking	Group	Vol. (smc)	%
	1	Snam	7,542	24.3%
	2	2i Rete Gas	5,187	16.7%
	3	Hera	2,785	9.0%
	4	A2A	1,832	5.9%
	5	Iren	1,271	4.1%
	6	Toscana Energia	1,127	3.6%
	7	<b>Ascopiave</b>	<b>683</b>	<b>2.2%</b>
	8	Linea Group Holding	639	2.1%
	9	E.S.Tr.A.	547	1.8%
	10	Erogasmet	205	0.7%
	11	Agsm Verona	372	1.2%
	12	Acsm-Agam	354	1.1%
	13	Union Fenosa Internacional	353	1.1%
	14	Ambiente Energia Brianza	330	1.1%
	15	Energei	299	1.0%
	16	Gas Rimini	275	0.9%
	17	Dolomiti Energia	271	0.9%
	18	Edison	275	0.9%
	19	Aimag	258	0.8%
	20	Aim Vicenza	247	0.8%
		Others	6,155	19.9%
	<b>Total</b>		<b>31,007</b>	<b>100.0%</b>

VOLUMES OF GAS SOLD (*)	Ranking	Group	Vol. (smc)	%
	1	Eni	12,763	23.7%
	2	Enel	5,701	10.6%
	3	Edison	5,665	10.5%
	4	Iren	2,228	4.1%
	5	Hera	2,105	3.9%
	6	E.On	2,091	3.9%
	7	Engie	1,926	3.6%
	8	Royal Dutch Shell Plc	1,351	2.5%
	9	A2A	1,334	2.5%
	10	Sorgenia	814	1.5%
	11	<b>Ascopiave</b>	<b>801</b>	<b>1.5%</b>
	12	Estra	701	1.3%
	13	Unogas	601	1.1%
	14	Erogasmet	585	1.1%
	15	Dolomiti Energia	547	1.0%
	16	Axpo Group	529	1.0%
	17	Gas Natural Sdg Sa	505	0.9%
	18	Metano Nord	368	0.7%
	19	Linea Group Holding	361	0.7%
	20	Repower Ag	337	0.6%
		Others	12,503	23.2%
	<b>Total</b>		<b>53,816</b>	<b>100.0%</b>

(\*) 2015 AEEGSI data.

## Ascopiave Group structure as of 31<sup>st</sup> December 2016



Ascopiave has been **listed on the STAR segment of the Italian Stock Exchange** since December, 12th 2006

Jointly controlled companies (Estenergy, Asm Set and Unigas Distribuzione) and Sinergie Italiane (in liquidation) are consolidated with the equity method



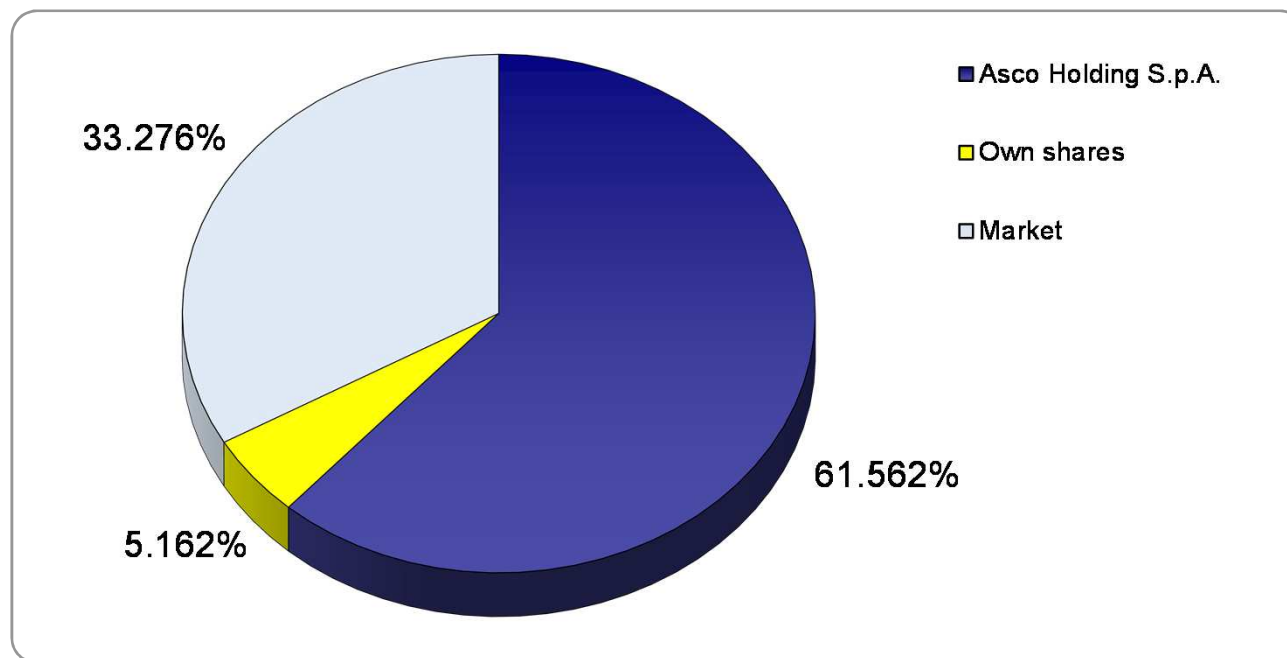
## Ascopiave Shareholders

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### Ascopiave Shareholders (\*)

Asco Holding S.p.A. directly controls the capital of Ascopiave S.p.A. (capital stake: 61.562%)

Asco Holding S.p.A. is owned by 90 municipalities mainly located in the province of Treviso (public shareholders) and 2 private companies.



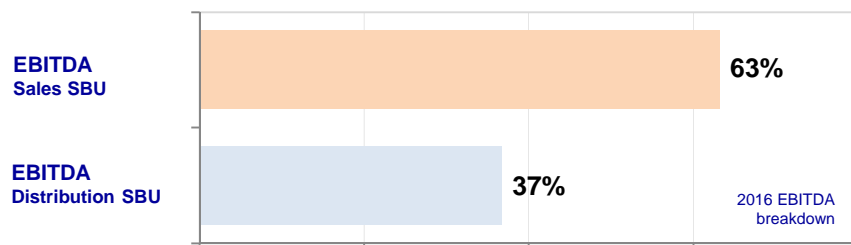
(\*) Internal processing of information pursuant to art. 120 TUF (Source: CONSOB website)

## Main financial data – income statement

### 2016 MAIN FINANCIAL DATA ACCORDING TO IFRS 11 – INCOME STATEMENT (\*)

INCOME STATEMENT			
	Group	Distribution SBU (**)	Sales SBU (***)
Revenues (****)	497,689	109,540	495,348
<b>EBITDA</b>	<b>95,255</b>	<b>35,020</b>	<b>60,235</b>
EBIT	72,137	17,196	54,940
Evaluation of companies with (❖) equity method	7,750	1,238	6,512
Net income	56,942		

2016 Sales SBU EBITDA (+33.4% YoY) is supported by Euro 11.1 mln positive one-off related to the optional APR mechanism set by the energy regulator (AEEGSI) (for more details go to pages 63-66 of the current presentation)



(❖) EBITDA of the company consolidated with the equity method: **Euro 13.0 mln** (distribution companies: Euro 2.8 mln + sales companies: Euro 10.2 mln)

EBIT of the company consolidated with the equity method: **Euro 9.0 mln** (distribution companies: Euro 1.5 mln + sales companies: Euro 7.5 mln)

(\*) Thousand of Euro; (\*\*) Distribution SBU includes gas distribution, heat management and cogeneration; (\*\*\*) Sales SBU includes gas sales and electricity sales; (\*\*\*\*) Gas distribution SBU and gas sales SBU revenues are represented before elisions.

## 2006-2016 EBITDA break-down by Strategic Business Unit

(Million of Euro)	INCOME STATEMENT	Group	Distribution SBU	%	Sales SBU	%
2016 <small>IFRS 11</small>	EBITDA	95,3	35,0	36,8%	60,2	63,2%
2015 <small>IFRS 11</small>	EBITDA	81,0	35,8	44,2%	45,2	55,8%
2014 <small>IFRS 11</small>	EBITDA	79,6	35,4	44,5%	44,2	55,5%
2013 <small>IFRS 11 restated</small>	EBITDA	86,3	33,4	38,7%	52,9	61,3%
2013	EBITDA	105,9	36,0	34,0%	69,9	66,0%
2012	EBITDA	102,7	33,9	33,1%	68,7	66,9%
2011	EBITDA	93,2	34,9	37,4%	58,3	62,6%
2010	EBITDA	78,0	32,9	42,1%	45,1	57,9%
2009	EBITDA	61,5	41,6	67,6%	19,9	32,4%
2008	EBITDA	52,3	37,6	71,8%	14,8	28,2%
2007	EBITDA	46,5	35,5	76,4%	11,0	23,6%
2006	EBITDA	41,1	39,9	97,0%	1,2	3,0%

**Gas distribution business** is characterized by **stable operating margins**.

Increase of the **gas sales business** operating margins over the last years is due to **external growth** (acquisition of 8 companies) and to **higher profitability**, mainly thanks to declining gas procurement costs.

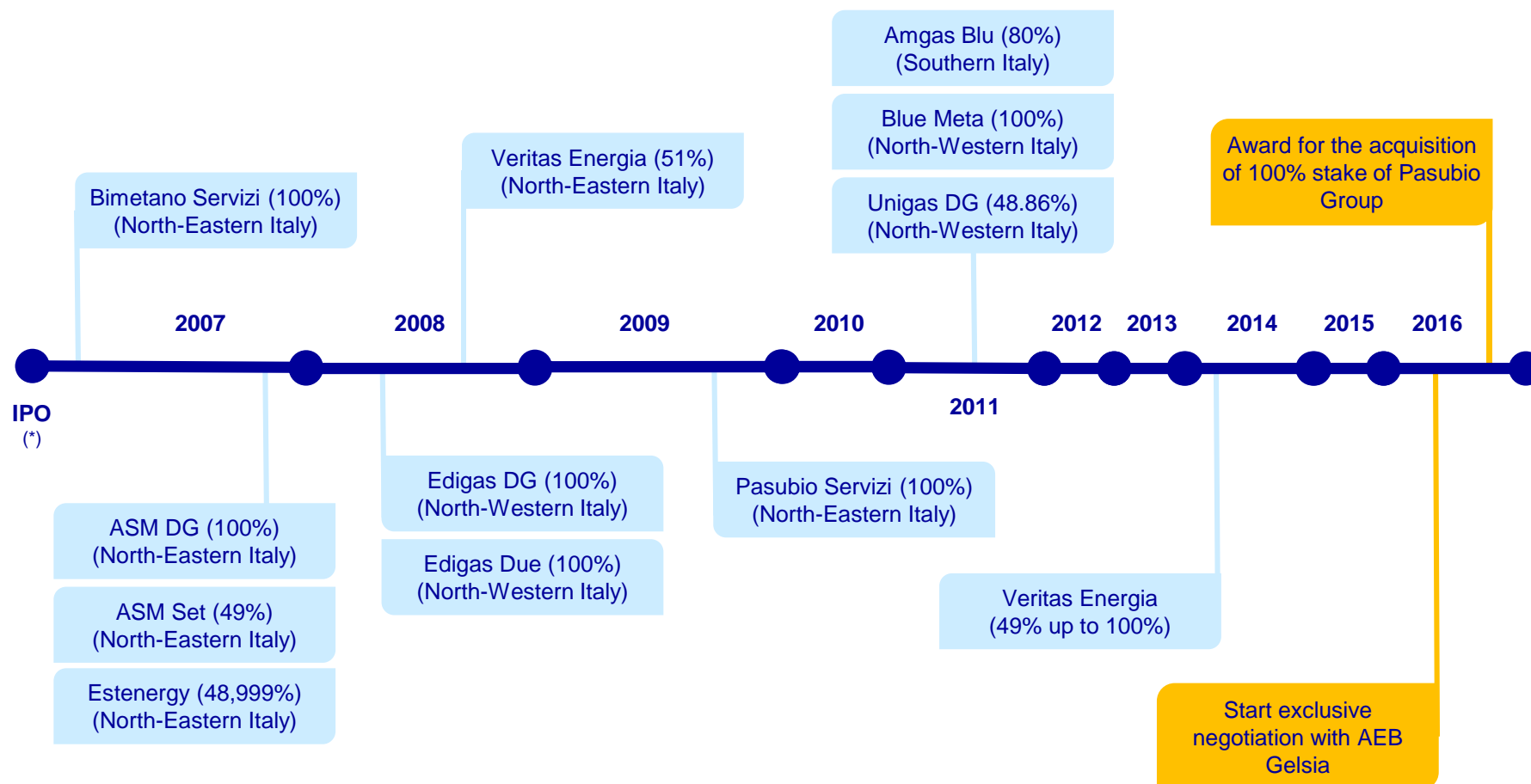
## 2006-2016 Investments in tangible and intangible assets

(Million of Euro)	INVESTMENTS	Group	Distribution network	%	Other investments	%
2016 <small>IFRS 11</small>	INVESTMENTS	20,8	19,7	95%	1,1	5%
2015 <small>IFRS 11</small>	INVESTMENTS	22,0	20,7	94%	1,3	6%
2014 <small>IFRS 11</small>	INVESTMENTS	21,1	19,7	94%	1,3	6%
2013 <small>IFRS 11 restated</small>	INVESTMENTS	18,9	12,7	67%	6,2	33%
2013	INVESTMENTS	21,6	14,9	69%	6,7	31%
2012	INVESTMENTS	23,1	16,8	73%	6,3	27%
2011	INVESTMENTS	41,8	15,4	37%	26,4	63%
2010	INVESTMENTS	29,1	11,2	38%	17,9	62%
2009	INVESTMENTS	29,9	13,8	46%	16,1	54%
2008	INVESTMENTS	19,2	11,4	60%	7,7	40%
2007	INVESTMENTS	17,5	12,2	70%	5,3	30%
2006	INVESTMENTS	16,7	12,4	74%	4,4	26%

The Group investments in tangible and intangible assets over the last 10 years amounts to Euro 246,1 mln and for the most part (63%) concern the development, the maintenance and up-grade of the gas network and of the distribution system. In 2009-2011 the group made significant investments in photovoltaic power plants. The photovoltaic business was disposed in 2011.

## 2006-2016 Investments in companies and firms acquisitions

2006-2016 Investments in companies and firms acquisitions: Euro 178,8 Mln



(\*) IPO: 12 dec 2006

## Main financial data – balance sheet and financial ratios

### 2016 MAIN FINANCIAL DATA ACCORDING TO IFRS 11 – BALANCE SHEET (\*)

BALANCE SHEET	31/12/2016
Tangible and intangible assets	430,028
Investments in associates	68,738
Other fixed assets	23,808
Net working capital	15,754
<b>TOTAL CAPITAL EMPLOYED</b>	<b>538,328</b>
Shareholders equity	444,209
Net financial position	94,119
<b>TOTAL SOURCES</b>	<b>538,328</b>

### Tangible and intangible assets: details



BALANCE SHEET	31/12/2016
Goodwill	80,758
Tangible assets under IFRIC 12	303,090
Other intangible assets	13,816
Tangible assets	32,364
<b>Tangible and intangible assets</b>	<b>430,028</b>

### 2016 ASCOPIAVE MAIN FINANCIAL RATIOS

Financial leverage (NFP / EQUITY) 0.21

Debt cover ratio (NFP / EBITDA) 0.99

(\*) Thousand of Euro

## Financial leverage comparison

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### Financial leverage comparison (2015)

FINANCIAL RATIOS (*)	LOCAL UTILITIES (**) (average data)	ASCOPIAVE
Financial leverage	1,03	0,27
D/EBITDA	2,91	1,41

Ascopiave **financial leverage** (0.3) is **lower than that of the Italian listed comparables** (avg: 1.0).

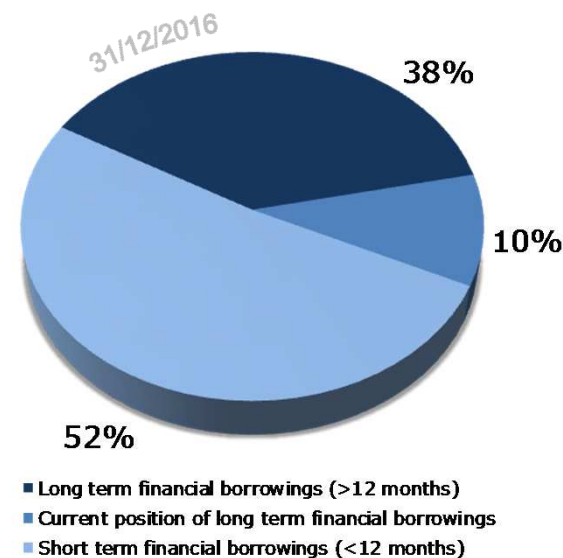
The low indebtedness level is a very positive result in the light of a macroeconomic scenario that makes access to credit a real challenge, which therefore strengthens the Group's economic and financial soundness and enables it to reap the opportunity of carrying out potential extraordinary transactions in the next years.

(\*) Financial leverage is calculated considering the shareholders' equity and the net financial position as of December, 31<sup>st</sup> 2015; (\*\*) Local utilities considered are the main Italian listed local utilities: A2A, Hera, Acea and Iren.

## Financial debt and cost of debt

(Thousand of Euro) (*)	31/12/2016
Long term financial borrowings (>12 months)	34.541
Current position of long term financial borrowings	9.287
Short term financial borrowings (<12 months)	46.288
<b>Total financial debt</b>	<b>90.116</b>
Fixed rate borrowings	-
Variable rate borrowings	90.116

**FY 2016 average cost of debt: 0.57%**



### EIB Loan



In June 2013 the European Investment Bank (EIB) and Ascopiave signed a 70 million Euro loan in support of investments to improve and expand gas distribution networks in the Veneto and Lombardy regions.

(\*) Data refers to the companies consolidated with the full consolidation method



## Dividend policy

### Dividend payment sustainable with high return to shareholders

#### Sustainability of the dividend policy:

- /// stable cash flow
- /// stable business profitability
- /// well-balanced financial structure

#### Dividend yield at the top of the listed italian utility companies

DIVIDENDS	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Dividends distributed (Thousand of Euro)	35.162	35.162	28.129	25.785	0	23.441	21.097	19.925	19.898	19.833
Group Net Income (Thousand of Euro)	43.014	35.583	38.678	27.865	6.266	31.174	25.288	18.452	21.764	16.381
Payout ratio	82%	99%	73%	93%	0%	75%	83%	108%	91%	121%
Dividend per share (Euro)	0,150	0,150	0,120	0,110	0,000	0,100	0,090	0,085	0,085	0,085
Dividend yield (*)	7,0%	7,6%	8,4%	9,2%	0,0%	6,3%	5,8%	5,7%	4,4%	4,0%



**TOTAL DIVIDENDS DISTRIBUTED FROM STOCK EXCHANGE LISTING TO DATE**

**About Euro 228 mln**

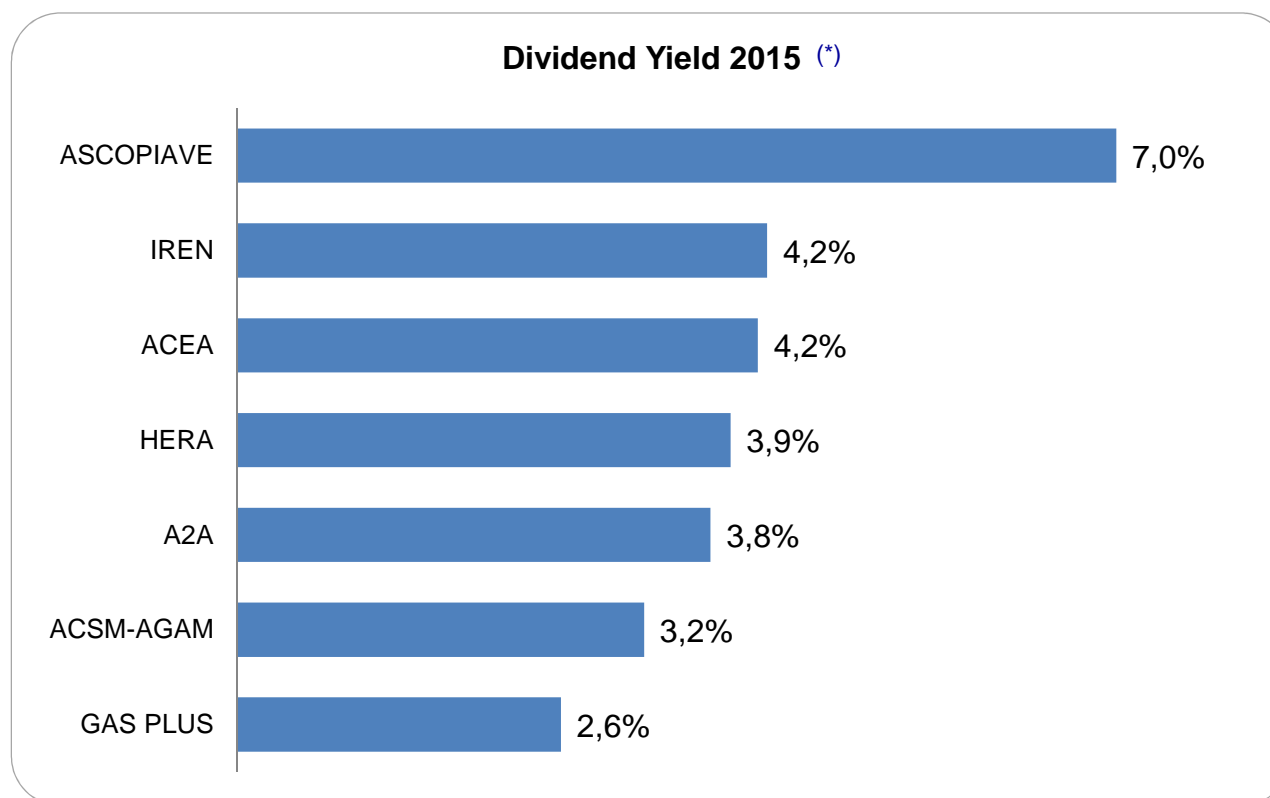
ROI / ROE	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
ROI (**)	12,2%	11,1%	14,4%	13,1%	11,8%	11,7%	9,1%	8,5%	7,1%	10,4%
ROE	10,4%	8,8%	9,7%	7,3%	1,8%	8,3%	6,9%	5,1%	5,9%	4,4%

(\*) Dividend yield = dividend per share / average price per share in the year; (\*\*) ROI = EBIT / CI; CI = Net Capital Invested (In 2014 and 2015 investments in associates are excluded)

## Dividend Yield comparison

### Dividend Yield comparison (2015)

Dividends distributed by Ascopiave in 2015 are higher than those distributed by the major listed comparable companies:



(\*) Dividend per share / 2015 average price per share

### 2016 dividend proposal

**Dividend proposed:**  
**0,18 Euro per share (Euro 42,2 mln)**

Detachment date: 8th May 2017

Record date: 9th May 2017

Payment date: 10th May 2017

DIVIDEND PROPOSAL	2016
Dividends distributed (Thousand of Euro)	42.194
Group Net Income (Thousand of Euro)	53.635
Payout ratio	79%
Dividend per share (Euro)	0,180
Dividend yield (*)	7,2%

(\*) Dividend yield = dividend per share / average price per share in the year

## Strategic guidelines

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**Focus on the gas sector and on the energy market**



**Growth in size through an expansion of the customer base**

**Improvement of the business profitability**



- /// Participation in competitive bidding for the assigning of concessions to manage the gas distribution service
- /// Development of the electricity market as a tool to retain current gas customer base (cross selling) and to achieve value creation objectives: dual fuel sales policy (a joint commercial proposal for gas and electricity)
- /// Dimensional growth in the gas sales business with an increase of the customer base and of the volumes sold, consolidating the leadership in North-Eastern Italy mainly by company acquisitions
- /// Improving the economic efficiency of the operations (cost to serve)
- /// Improvement of the gas procurement process

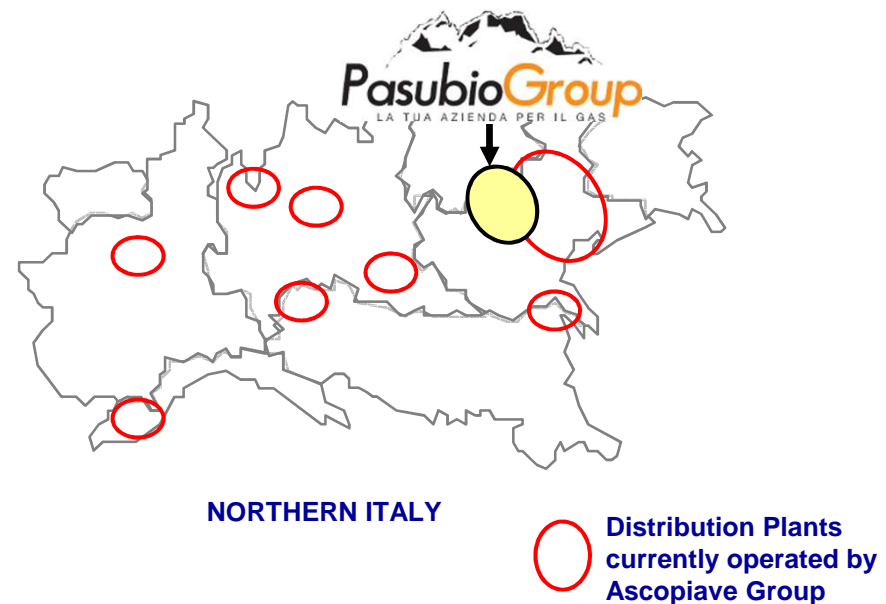
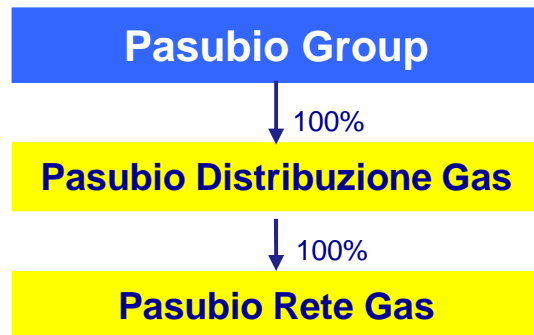
## Acquisition of Pasubio Group (1)

### The tender

- Ascopiave has been awarded the tender relating to the purchase of shares of Pasubio Group S.p.A., a company operating in the gas distribution business in Veneto Region (Northern Italy)

### Operation key figures of the target company

- Municipalities served: 22
- Gas End Users: about 88.000
- Concessions deadlines: 2017-2024



## Acquisition of Pasubio Group (2)

### Main Financial Data (\*)

INCOME STATEMENT			BALANCE SHEET	
€/000	2015	2014	€/000	DEC 2015
Revenues	12,554	12,732	<b>Net Capital Invested</b>	<b>28,013</b>
<b>EBITDA</b>	<b>4,709</b>	<b>4,383</b>	Shareholders Equity	21,084
EBIT	2,731	2,122	Net Financial Position (**)	6,929
Net income	1,521	736		

(\*) Estimates drawn by Ascopiave regarding the aggregate figures pertinent to the Group

(\*\*) Net financial indebtedness adjusted to factor in accounts payable relating to fees owed to towns awarding the concessions and falling under pre 2015 fiscal year

### Economic Conditions Offered by Ascopiave

- ⚡ Price for of the 100% capital stake of Pasubio Group S.p.A. (equity value) = Euro 16,3 mln
- ⚡ Commitment by Pasubio Group to disburse to some towns (awarding the current concessions) a one off supplementary fee = Euro 5.1 mln
- ⚡ Commitment by Pasubio Group to disburse to the said towns, commencing 2017, the original concession fees as originally envisaged i.e. prior to the amendments in force between the parties (estimated higher annual fees: Euro 1.6 mln per year)
- ⚡ Commitment by Pasubio Group to make an anticipated payment to the said towns corresponding to the annual concessions fees for the years 2017 and 2018

### Gas distribution

→ Gas distribution sector .....	Pag. 24
→ Gas distribution: legal framework .....	Pag. 25
→ Public tenders for the assigning of the concessions .....	Pag. 26
→ Ascopiave positioning in the gas distribution market .....	Pag. 27
→ Ascopiave strategy in the gas distribution market .....	Pag. 28
→ Regulation of the call of tenders .....	Pag. 31
→ Compensation to be paid to the outgoing distributor .....	Pag. 32
→ Current tariff regulation: VRT and RAB .....	Pag. 33
→ Tariff regulation .....	Pag. 34
→ SWOT analysis – Gas Distribution SBU .....	Pag. 35

### Gas distribution sector: key figures

- /// No. of operators: about 240
- /// Municipalities served: about 7,000
- /// Volumes of gas distributed: about 34 billion of standard cubic meters
- /// No. of users served: over 22 million
- /// Length of the gas distribution network: over 220.000 km (ownership: 75% of operators)
- /// Regulatory asset base (RAB): Euro 15,1 bln

Since 2000 gas distribution operators have been reduced to less than a third.

Currently **gas distribution sector is strongly concentrated**:

- /// about 50% of RAB (\*) is held by Italgas and F2i, the only operators with a national rank
- /// about 30% of RAB is held by 14 medium size operators (RAB > Euro 100 mln), with a regional relevance
- /// about 20% of RAB is held by small size operators

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(\*) Ascopiave valuation.



## Gas Distribution: Legal Framework

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- ⚡ Gas distribution is currently a **local monopolistic activity managed under concessions** granted by municipalities
- ⚡ Italian gas distribution sector was liberalized in 2000 according to the European Union Rules
- ⚡ The law established a mechanism of **competition for the market: concession must be awarded only through public tenders.**
- ⚡ The distributor is responsible for the operation, the development and the maintenance of the distribution network (operational expenses and investments), according to the **concessional agreement** signed between the operator and the municipality
- ⚡ The **National Energy Authority** (AEEGSI)
  - ⚡ sets the **tariffs** to be applied to cover the cost of capital and for the operations of the service
  - ⚡ provide rules regarding the **minimum standard service levels.**
- ⚡ The distributor gives access to any requiring gas sales company, that has the right to use the network to supply gas to its customers (**third party access**)

## Public Tenders for the Assigning of the Concessions

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- /// In order to improve the economic efficiency of the sector, since 2007 the legislation has established that the **tenders must be called to assign concessions for the management of the service in wide geographical areas, grouping neighbouring municipalities (Territorial Districts)**.
- /// The national government constituted 177 Territorial Districts nationwide
- /// Municipalities belonging to a single Territorial District must appoint a local entity to act as contracting authority for the District
- /// The law established the deadline by which each District Authority must call the tenders.
- /// In 2011 the national government issued some decrees establishing the general contents of the call for tenders, that must be fulfilled on the base of the local needs for investments to be defined by the local contracting authority. The standardization was aimed at encouraging competition and assuring transparency and effectiveness in the tender process..



**The current rules governing the incoming tender processes will probably cause a further restructuring of the distribution sector.**

**A significant reduction in the number of operators is expected, as the participation to the public tenders requires to the potential competitors strong financial capability and important economic, organizational and technical skills.**

## Ascopiave positioning in the gas distribution market

### Ascopiave positioning in the Territorial Districts constituted by the Government (\*)

TERRITORIAL DISTRICT	Public tender deadline	Ascopiave Group gas users	%	Ascopiave Group market share (%)
Treviso 2	March 2017	141.163	31%	88%
Treviso 1	June 2017	75.664	17%	55%
Rovigo	April 2018	35.593	8%	36%
Vicenza 3	September 2017	27.431	6%	27%
Bergamo 1	January 2017	15.436	3%	42%
Bergamo 5	March 2017	15.091	3%	32%
Venezia 2	January 2017	25.899	6%	13%
Other m.t.d.	2016-2018	114.252	25%	n.a.
<b>Totale</b>		<b>450.529</b>	<b>100%</b>	

- Ascopiave is currently the main operator in 2 Territorial Districts (Treviso 2 and Treviso 1) with more than 50% market share in terms of end users served. The current end users in these Territorial Districts amount to over 40% of the total end users served by the Group.
- Ascopiave currently has a remarkable market share in other Minimum Territorial Districts located in Veneto and Lombardy.

(\*) 2012 data (pro-quota).

## Ascopiave strategy in the gas distribution market (1)

Ascopiave is selecting the Territorial Districts to bid for and is evaluating potential partnerships with other operators, in order to strengthen its position in some geographical areas.

Ascopiave has all the requirements to successfully act in the market:

- it has **strong financial capability** so it can finance the required investments, by further exploiting the financial leverage
- It is one of the main operator in Italy, with a **long-standing and excellent expertise** in the sector and it can assign remarkable **organisational and economic resources to compete** in the tender processes.

Group Ascopiave net financial needs to win new gas distribution concessions:

### Cash out (-)

(A) Acquisition of new gas distribution plants from the outgoing operators

(B) Investments during the concessional period (maintenance and development)

### Cash in (+)

(A) Self financing

- Disposals of gas distribution plants in areas in which Ascopiave does not intend to bid for (net of tax)
- Increase of EBITDA

(B) Other financing

- Bank financing

## Ascopiave strategy in the gas distribution market (2)

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Ascopiave goal is **to grow in the distribution sector** by winning new contracts to manage the service. Geographical areas served by Ascopiave is expected to change.

**After the assignment of the new Territorial District concessions:**

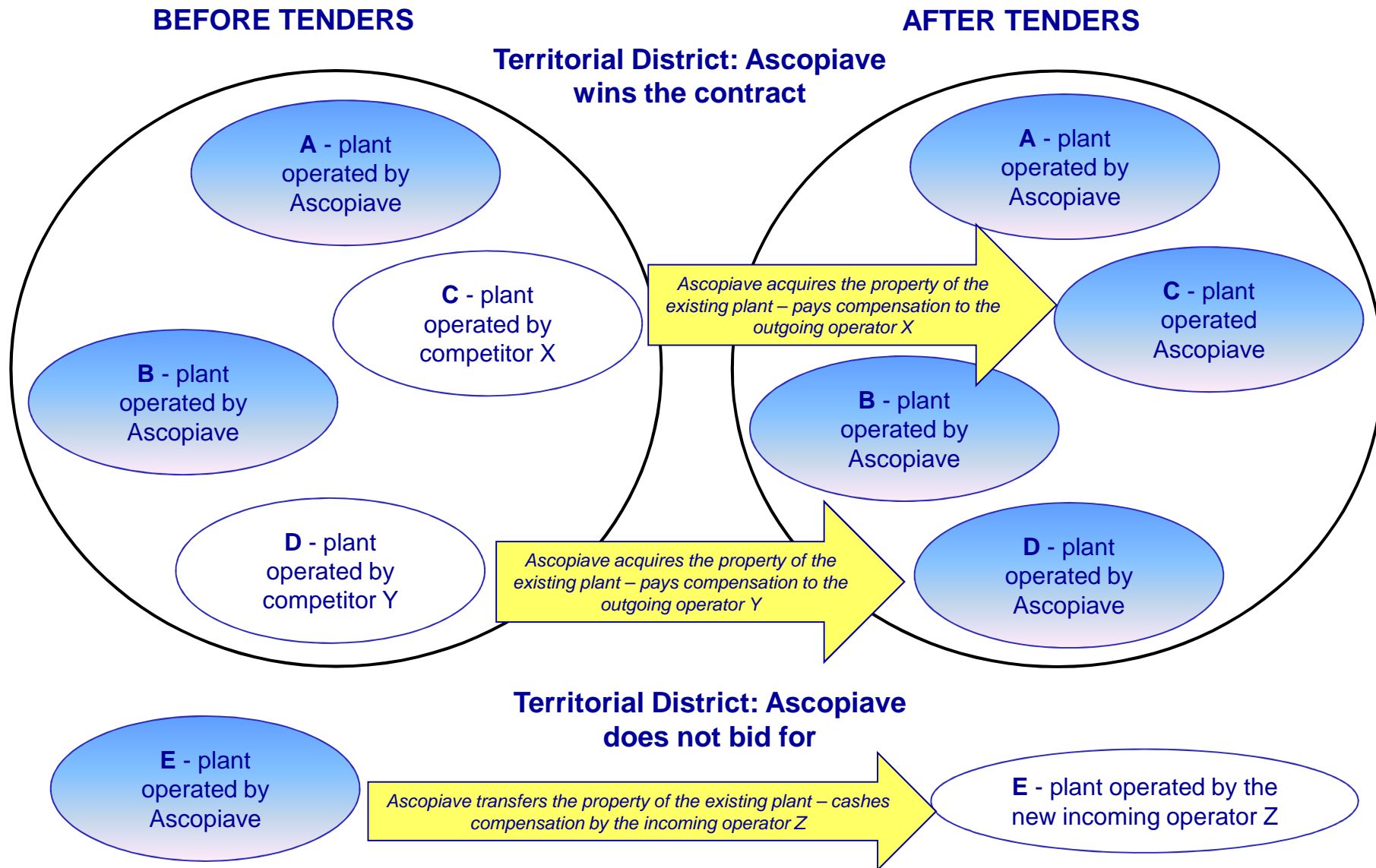
**(A) in the target Territorial District (Ascopiave wins the contract):**

- Ascopiave will continue to operate the service in the municipalities where it currently carries out the activity (**continuity**)
- Ascopiave will operate the service in the municipalities where the activity is currently carried out by other operators (outgoing operators) (**new municipalities served**). Ascopiave will acquire the property of the plant and will pay to the outgoing operators a compensation, calculated in accordance with the law (value of the existing plants).

**(B) in the other Territorial District (Ascopiave does not bid for or loose in the competition)**

- Ascopiave will cease the operation of the service in the municipalities where it currently carries out the activity. It will cash by the ingoing operator (the winner of the contract) a compensation calculated in accordance with the law.

## Ascopiave strategy in the gas distribution market (3)



### Standards to evaluate economic and technical offers

#### **A - Economic offer** (*maximum score: 28*)

- /// Discount on gas distribution tariffs
- /// Discount on prices for other services provided by the distributor to the end users
- /// Fee to be paid to municipalities awarding the concession (cap on the fee level: 10% of the capital cost components of VRT (Total Revenues Constraint) =  $10\% \times (CI \times rd + AMM)$ )
- /// Obligation to extend the distribution network (meters of pipes per end users that imply the obligation to connect new potential end-users)
- /// Investments to improve energy efficiency

#### **B - Offer concerning safety and service quality** (*maximum score: 27*)

- /// Network inspections in order to prevent gas leaks (percentage of gas network annually checked)
- /// Performance of the emergency service and of the gas odorization service
- /// Improving the level of other quality standards set by the Authority

#### **C - Offer concerning the development and the maintenance of the network** (*maximum score: 45*)

- /// Appropriateness of the network operation analysis
- /// Investments plan for the extension and the increase of the capacity of the distribution network; the evaluation concerns: the tangible benefits expected by the investment proposed, the accuracy of the technical projects as well as the quantities of new pipes to be made
- /// Investment plan for the maintenance
- /// Technological innovation

## Compensation to be paid to the outgoing distributor

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In the event that the public tender should not be awarded to Ascopiave, the winner must pay to the Group, as the current owner of the networks, a compensation:

- (a) the compensation must be calculated in accordance with the terms of the agreement implementing the concession or direct award (as the case may be), provided that the agreement is signed before February 11th, 2012
- (b) or, if this is not provided for, the compensation must be calculated in accordance with the Guidelines set by the Ministry of Economic Development (Decree May, 22nd 2014)
- (c) contributions paid by private users in the past for the construction of part of the network must be deducted (valuation of these are in accordance with the tariff regulation) (\*)
- (d) whenever the compensation is higher than 110% of the net invested capital remunerated by the tariff system (RAB), the Energy National Authority (i.e. AEEGSI) must verify whether the compensation has been evaluated in accordance with the law
- (e) the organizer of the tender bid must take into account the observations issued by the AEEGSI.

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(\*) In the evaluation of RAB contributions paid by private users are currently deducted.



### 2016 VRT (\*) (Gas Distribution Revenues) and 2016 RAB (Net Invested Capital)

$$\text{2016 VRT (**)} = \text{CO} + \text{AMM} + \text{CI} \times \text{rd} \\ = \text{Euro 65.9 mln}$$

where:

**CO:** quota covering management operating costs

**AMM:** quota covering depreciation

**CI (RAB):** net capital invested in distribution

**rd:** real pre-tax rate of return on net invested capital (~ 6.10%)

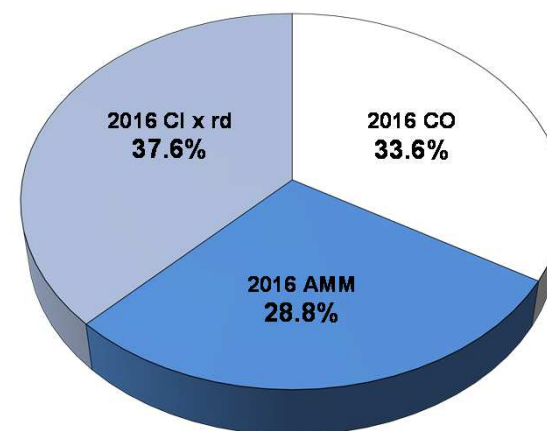
$$\text{2016 RAB (***)} = \text{Euro 404.4 mln}$$

#### 2016 VRT (Thousand of Euro)

2016 CO	22.130
2016 AMM	18.961
2016 CI x rd	24.810

<b>2016 VRT</b>	<b>65.901</b>
-----------------	---------------

<b>2016 RAB</b>	<b>404.430</b>
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(\*) Ascopiave 2016 provisional VRT has been approved by Gas, Electricity and Water Authority (AEEGSI) with Resolution n. 173/2016/R/GAS; (\*\*) VRT of the companies consolidated with the full consolidation method = Euro 60.2 mln + VRT of the company consolidated with the equity method = Euro 5.7 mln (pro-quota); (\*\*\*) RAB of the companies consolidated with the full consolidation method = Euro 372.5 mln + RAB of the company consolidated with the equity method = Euro 32.0 mln (pro-quota).

### Tariff regulation: standard investment costs

National Energy Authority (AEEGSI) announced that starting from 2019 the value of the investments considered by the tariff system will be not the effective cost but it will be estimated using standard costs to be defined by the AEEGSI. For this reason the regulatory value of the assets will be different from their effective cost.

Resolution is expected to be issued in October 2017.

### Tariff regulation for the incoming Territorial District concessions

#### **Difference between Compensation and RAB**

At the starting date of the new concession:

- if the winner of the public tender is the current incumbent operator, the new RAB is equal to the previous one;
- if the winner of the public tender is a newcomer, the new RAB is equal to the compensation paid by the newcomer to the outgoing operator.

#### **Compensation at the end date of the minimum territorial district concession**

The compensation is calculated as the sum of (a) the value of the stock of capital existing at the start date of the concession, that is equal to the initial compensation properly updated to take into account the depreciation occurred during the concessional period, and (b) the value of the investments made during the concessional period, calculated as the average between the effective costs of the assets and the regulatory value of the assets.

## SWOT analysis – Gas Distribution SBU

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### Strengths

- Dimensional level that allows exploitation of interesting management economies of scale
- Contiguity in gas network, with advantages in terms of operative efficiency
- High network management operative standards
- Part of the local municipalities granting the gas distribution concessions are shareholders of the Group
- Independence by large municipalities
- Current financial leverage

### Weakness

- We expect that legal framework uncertainty and the time needed by municipalities to organize competitive tender procedures will delay the tenders start

### Opportunities

- Possibility to achieve critical mass as of aggregative pole in Veneto and Lombardy in the utility sector
- Tenders for gas distribution concessions
- Temporary push towards aggregations of companies operating in the sector increase in geographical coverage by expanding the corporate structure

### Threats

- Regulatory uncertainty
- Uncertainty on financial needs for the compensations to be paid to outgoing distributors
- Gas concession expiring
- Risk to lose tenders

### Gas sales

→ Gas sales sector .....	Pag. 37
→ Gas sales to end customers: the customer base .....	Pag. 39
→ Gas selling price to residential end customers .....	Pag. 40
→ CMEM indexation mechanism .....	Pag. 42
→ Gas procurement costs .....	Pag. 43
→ Sinergie Italiane .....	Pag. 45
→ Ascopiave strategy in the gas sale business .....	Pag. 46
→ Swot analysis – Gas Sales SBU .....	Pag. 47

### Gas sales sector: key figures

- /// No. of operators in the Italian market: over 160
- /// First 10 operators (volumes of gas sold higher than one billion of standard cubic meters) supplying over 73% of overall consumption to the final market (45,6 billions standard cubic meters on a total of 62,4 billions standard cubic meters)

Since liberalization introduced by Letta decree in the early 2000s, gas sale market has experienced two well distinct phases:

- /// **organic growth**
- /// **consolidation** through company aggregations / mergers and vertical integrations

The current phase of market concentration - that is happening through M&A activities (external growth) and the exit from the market of minor gas sales companies - will cause a further reduction in the number of operators.

## Gas sales sector (2)

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- ⚡ Since 2008 economic crisis continues to affect natural gas demand. Together with the structure and constraints of take or pay contracts it has contributed to create a long market
- ⚡ Decoupling between gas price and oil gas price is very significant
- ⚡ All these factors (decoupling, long market and spot prices) have contributed to considerably raise margins for retail operators not tied by procurement to take or pay contracts
- ⚡ The difference between tariff component of raw material and real purchase costs has been very high
- ⚡ Resolution n. 196/2013 has changed the criteria to define and update the component of the selling price aimed at covering the cost of the raw material that, now refers entirely to the gas spot market (TTF forward prices)
- ⚡ Although gradually, extra margins outcoming from the difference between tariff component of row material and real purchase costs will be reduced significantly in the coming years.



**External growth (through M&A) becomes again a driver of development in the gas market as opposed to the organic growth.**

**Increase in profitability comes from low gas procurement costs (by entering the mid-stream segment of the value chain)**

## Gas sales to end customers: the customer base

- Ascopiave customer base is constituted for the most part by loyal residential customers (about 60% of the gas volumes sold)
- Despite gas sales business was completely liberalised in 2003, so that any end consumer may sign a supply contract with any gas sales company, the National Energy Authority (AEEGSI) continue to regulate activities to assure that the market works properly and to protect certain categories of customers (residential customers); for these customers, maximum tariff levels are still set.
- The National Energy Authority announced that from **2018 it will stop fixing maximum tariff levels**, so that supply prices will be set only through the free negotiations occurring in the market.

Volumes of gas sold to end customers Market segmentation		Pricing	
Residential customers (protected market)	~ 60%	➤	Mandatory maximum price level set by the Authority of Energy, Gas and Water
Small business customers	~ 20%	➤	Mass market free prices
Business customers	~ 20%	➤	Prices tailored on the individual consumption demand and capacity requirement
Volumes of gas sold to end customers (*)	961		

(\*) 2015 data in million of standard cubic meter. Operating data of companies consolidated proportionally are considered pro-quota.

## Gas selling price to residential end customers (1)

$$P = \text{CMEM} + \text{CCR} + \text{QT} + \text{Cpr} + \text{GRAD} + \text{TD} + \text{QVD} + \text{GCT} + \text{VAT}$$

**CMEM + CCR** = Wholesale cost of gas

**QT** = Gas transportation cost via national network

**Cpr + GRAD** = Price components for the gradual implementation of the new regulation

**TD** = Gas distribution tariff

**QVD** = Gas retail sales cost

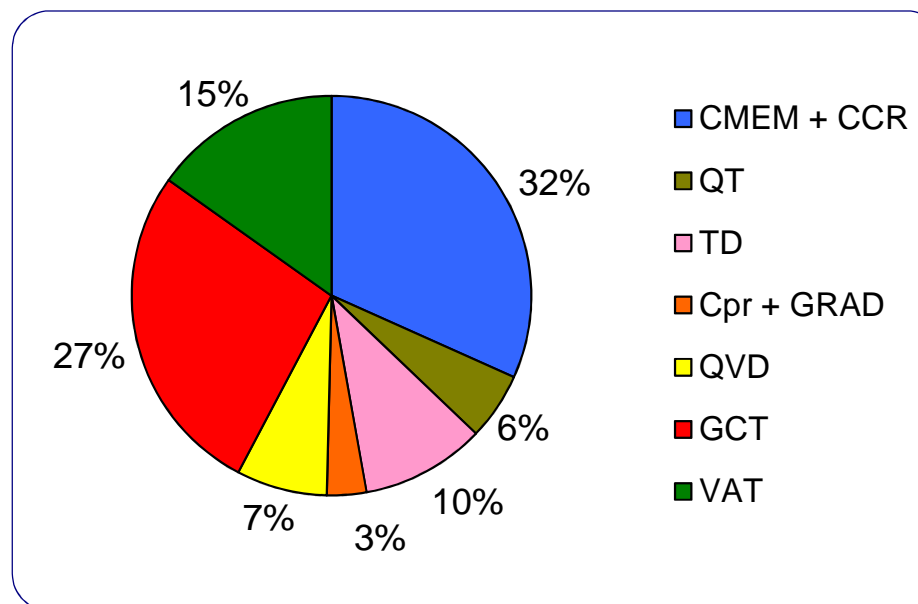
**GCT** = Gas consumption taxes

**VAT** = Value added tax

### Gas selling price to a typical residential end customer (annual consumption: 1,400 scm)

Price component	Eurocent / scm	%
CMEM + CCR	21,54	32%
QT	3,69	5%
Cpr + GRAD	2,17	3%
TD	6,84	10%
QVD	5,00	7%
<b>Price</b>	<b>39,24</b>	<b>58%</b>
GCT	18,41	27%
VAT	10,31	15%
<b>Taxes</b>	<b>28,72</b>	<b>42%</b>
<b>Price + taxes</b>	<b>67,96</b>	<b>100%</b>

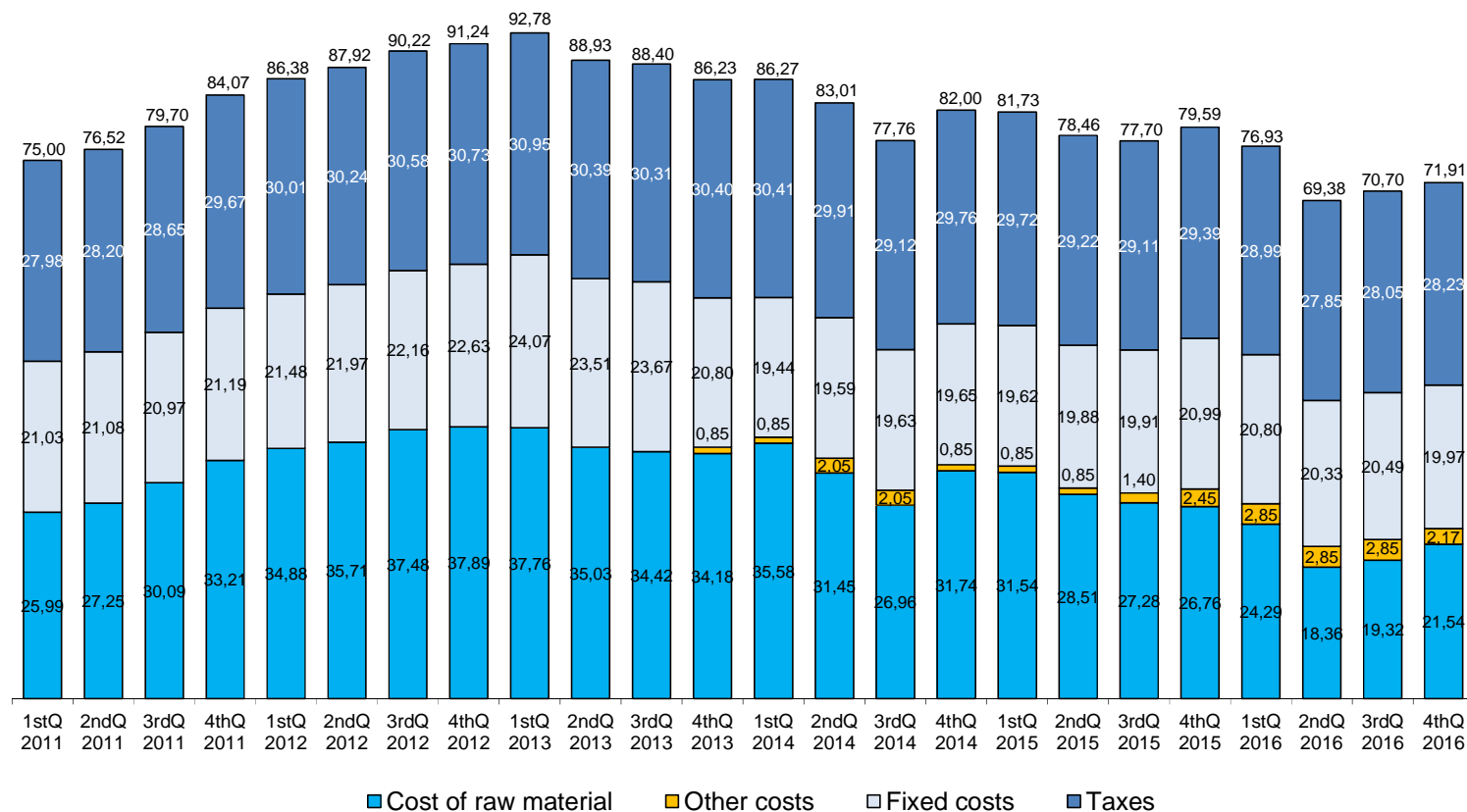
1st October 2016 (Municipality: Conegliano)





## Gas selling price to residential end customers (2)

Gas selling price to residential end customers (€cent/scm): from 1stQ 2011 to 4thQ 2016



**Average gas price for a family with autonomous heating and annual gas consumption of 1,400 scm.**

Until 3rdQ 2013: Cost of raw material = QE; Fixed costs = QTI+QS+TD+QVD+QCI; Taxes = GCT+VAT;

From 4thQ 2013: Cost of raw material = CMEM; Fixed costs = QT+TD+QVD+CCR; Taxes = GCT+VAT; Other costs: Cpr+GRAD.

## CMEM indexation mechanism

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The **price component covering the wholesale cost of gas** set by the Authority for the protected market (CMEM) is currently linked to the European gas spot prices and not to the medium-long term take or pay contracts.

Current regulation provides that the price component is **quarterly up-dated** and is equal to:

$$\text{CMEM} = P_{\text{for}} + QT(\text{int}) + QT(\text{psv}) + QT(\text{mcv})$$

where:

**P(for)** = component price covering the cost of the raw material (energy), calculated as the **average of the forward OTC quarterly prices in the Dutch TTF hub occurring in the penultimate month** before the reference quarter and published by ICIS-Heren

**QT(int)** = cost of the gas transport through international pipelines

**QT(psv)** = cost of the gas transport from the national boundary to the virtual national hub (PSV)

**QT(mcv)** = other transportation costs

## Gas procurement costs (1)

### Gas procurement costs

- /// Gas procurement costs are negotiated on a free market
- /// Incumbent shippers have strong market position
- /// Declining gas demand gives economic opportunities to sales companies with loyal customer base

Uses		Sourcing	
Sales to end customers (residential and small business)	~ 30%	➤	Imported gas (long term take or pay contract up to 2021)
Sales to end customers (residential and small business )	~ 50%	➤	Annual contracts (thermal year) (*) (**) Delivery: entry of local distribution network Penalty for excess capacity use
Sales to business customers	~ 20%	➤	Gas procurement contracts: same duration and indexation as the selling contracts

To procure gas for the most stable part of its customers base (residential and small business customers) Ascopiave relies:

- 1) on a long term take or pay contract signed in 2008 by Sinergie Italiane (in liquidation) (current capital stake of Ascopiave: 30.94%).
- 2) on annual contracts stipulated with several shippers for almost all the rest of the clients.

### Renegotiation of the long term take or pay contract

- /// The economic conditions provided by the contract signed in 2008 with Gazprom have been renegotiated several times in the past
- /// Economic conditions need to be renegotiated periodically as the prices become significantly different from the ones prevailing in the market.
- /// In the recent past all the main national shippers that signed long term take or pay contracts renegotiated their economic conditions, because the contracted prices became out of the market; due to the economic crisis and the system overcapacity the spot market prices fell dramatically.
- /// **Renegotiation has likely allowed the national shippers to recover margins on their activities and improve their economics.**



Sinergie Italiane is a company established in 2008 (\*) to create a partnership among Italian downstream energy companies strongly rooted to local areas and with solid and loyal customer bases.

Sinergie Italiane signed a long-term import take or pay (ToP) contract with Gazprom for the supply of 1.0bcm of gas per year up to 2021.

In April 2012 Sinergie Italiane shareholders meeting resolved for the voluntary liquidation of the company and appointed the liquidators.

The scope of the company during 2012-2014 was limited to import russian gas and to sell it to the sales companies participated by the shareholders, as well as to manage the agreements, transactions and disputes relating to the regulation of contractual relations, improved before the liquidation.

(\*) Former shareholders structure included the current shareholders and also Alto Milanese Gestioni Avanzate and Utilità Progetti.

## Ascopiave strategy in the gas sale business

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Ascopiave has the possibility to act in the market successfully, taking opportunities from the further incoming market liberalization and concentration:

- It is one of the main operator in Italy, with an extensive **and good expertise** in the sector, as well as **good standing and reputation**
- It currently has an **important size**, that allows it to exploit economies of scale (efficient cost for operations and marketing)
- it has **a loyal and stable customer base**, that makes it an appealing partner for experienced up and mid stream operators
- it has **strong financial capability** so it can support external growth by M&A and/or vertical integration.

### Ascopiave: actions in the gas sales market

To improve its competitive positioning in the gas sales market, Ascopiave Group intends:

- ☐ **to grow through M&A (external growth)** to compensate the natural loss of gas sales customers in the geographical area where it is the incumbent operator
- ☐ **to develop the electricity business** as a tool to retain current gas customer base (cross selling)
- ☐ **to reduce the cost to serve**, through a more efficient management of the core operations (billing, back office and front office activities, credit cash, credit recovery, etc)
- ☐ **to improve the gas supply process** by exploiting the competitive advantage of having stable consumption in a long gas market

## SWOT analysis – Gas Sales SBU

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### Strengths

- Large end customer base
- High per-capita consumption
- Front offices capillarity
- Efficient customer care service
- Differentiation of offered services (dual fuel)
- Independence by big customers
- Deeply rooted presence in reference geographical area
- Strong local brand reputation
- High degree of customer loyalty

### Weakness

- Limited diffusion and knowledge of the brand outside of the geographical area where the Group is the current incumbent

### Opportunities

- Presence in territory with good development capabilities in the segment of residential customers
- Opportunity to acquire new customers in locations not served by distribution SBU
- Total market 'opening' – Cross selling on customer base

### Threats

- Risk exposure connected to gas purchase cost
- Activity partially regulated by the Italian Gas, Electricity and Water Authority, focused on keeping low price levels
- Competition in a fully liberalized market
- Competitive pressure increase and attacks from new entrants
- Entrance and consolidation of foreign groups and major Italian utilities



## **Annexes: financial data**



### Annexes: financial data

#### ❖ FY 2016 financial results

→ FY 2016 consolidated income statement .....	Pag. 50
→ Consolidated balance sheet at 31th December 2016 .....	Pag. 51
→ Volumes of gas distributed .....	Pag. 52
→ Volumes of gas sold .....	Pag. 53
→ Volumes of electricity sold .....	Pag. 54
→ Revenues bridge .....	Pag. 55
→ EBITDA bridge .....	Pag. 57
→ EBITDA breakdown .....	Pag. 59
→ Gas distribution tariff revenues .....	Pag. 61
→ Gross margin on gas sales .....	Pag. 63
→ APR mechanism .....	Pag. 65
→ Gross margin on electricity sales .....	Pag. 67
→ Other net operating costs .....	Pag. 68
→ Number of employees .....	Pag. 70
→ Consolidated cost of personnel .....	Pag. 71
→ Consolidated capital expenditure .....	Pag. 72
→ Net Financial Position and cash flow .....	Pag. 73

#### ❖ 2009-2016 financial comparison

## FY 2016 consolidated income statement

(Thousand of Euro)	2016	2015	Chg	Chg %
<b>Revenues</b>	<b>497.689</b>	<b>581.655</b>	<b>(83.966)</b>	<b>-14,4%</b>
(Cost of raw materials and consumables)	(249.916)	(346.431)	96.516	-27,9%
(Cost of services)	(107.503)	(119.151)	11.648	-9,8%
(Cost of personnel)	(24.233)	(21.573)	(2.660)	+12,3%
(Other operating costs)	(21.377)	(14.106)	(7.271)	+51,5%
Other operating income	596	591	5	+0,8%
<b>EBITDA</b>	<b>95.255</b>	<b>80.983</b>	<b>14.271</b>	<b>+17,6%</b>
(Depreciations and amortizations)	(20.227)	(20.029)	(198)	+1,0%
(Provisions)	(2.891)	(4.004)	1.112	-27,8%
<b>EBIT</b>	<b>72.137</b>	<b>56.950</b>	<b>15.186</b>	<b>+26,7%</b>
Financial income / (expenses)	(544)	(518)	(26)	+5,0%
Evaluation of companies with net assets method (*)	7.750	7.449	301	+4,0%
<b>EBT</b>	<b>79.343</b>	<b>63.881</b>	<b>15.461</b>	<b>+24,2%</b>
(Income taxes)	(22.401)	(18.519)	(3.882)	+21,0%
<b>Earnings after taxes</b>	<b>56.942</b>	<b>45.362</b>	<b>11.579</b>	<b>+25,5%</b>
(Net loss from discontinued operations)	-	-	-	n.a.
<b>Net income</b>	<b>56.942</b>	<b>45.362</b>	<b>11.579</b>	<b>+25,5%</b>
(Net income of minorities)	(3.307)	(2.349)	(958)	+40,8%
<b>Net income of the Group</b>	<b>53.635</b>	<b>43.014</b>	<b>10.621</b>	<b>+24,7%</b>

(\*) Result of the companies consolidated with net equity consolidation method (data are considered pro-quota): sale companies, Euro 5,4 mln (Euro 5,0 mln in FY 2015); distribution companies, Euro 1,2 mln (Euro 1,0 mln in FY 2015); Sinergie Italiane, Euro 1,2 mln (Euro 1,5 mln in FY 2015).

## Consolidated balance sheet as of 31st December 2016

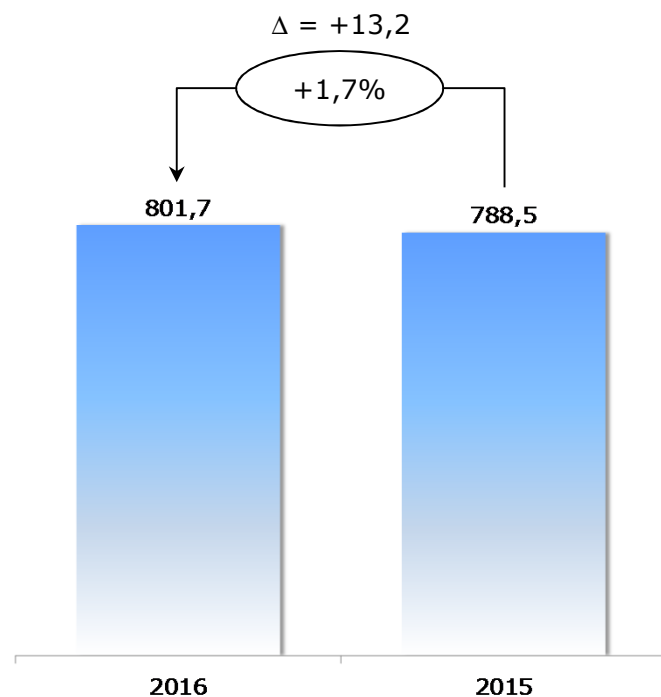
(Thousand of Euro)	31/12/2016	31/12/2015	Chg	Chg %
Tangible assets (*)	32.364	34.987	(2.623)	-7,5%
Non tangible assets (*)	397.664	397.418	246	+0,1%
Investments in associates (**)	68.738	68.078	659	+1,0%
Other fixed assets	23.808	26.699	(2.891)	-10,8%
<b>Fixed assets</b>	<b>522.574</b>	<b>527.182</b>	<b>(4.608)</b>	<b>-0,9%</b>
Operating current assets	201.908	223.484	(21.576)	-9,7%
(Operating current liabilities)	(138.003)	(166.796)	28.792	-17,3%
(Operating non current liabilities)	(48.151)	(49.698)	1.546	-3,1%
<b>Net working capital</b>	<b>15.754</b>	<b>6.991</b>	<b>8.763</b>	<b>+125,3%</b>
<b>Total capital employed</b>	<b>538.328</b>	<b>534.173</b>	<b>4.155</b>	<b>+0,8%</b>
<b>Group shareholders equity</b>	<b>438.055</b>	<b>415.264</b>	<b>22.791</b>	<b>+5,5%</b>
<b>Minorities</b>	<b>6.154</b>	<b>4.873</b>	<b>1.281</b>	<b>+26,3%</b>
<b>Net financial position</b>	<b>94.119</b>	<b>114.037</b>	<b>(19.917)</b>	<b>-17,5%</b>
<b>Total sources</b>	<b>538.328</b>	<b>534.173</b>	<b>4.155</b>	<b>+0,8%</b>

(\*) Applying IFRIC 12 involves categorising the infrastructures under concession from tangible to intangible assets; (\*\*) Value of the associated companies consolidated with net equity consolidation method: sale companies, Euro 48,0 mln (Euro 47,9 mln as of 31st December 2015); distribution companies, Euro 20,7 mln (Euro 20,2 mln as of 31st December 2015).

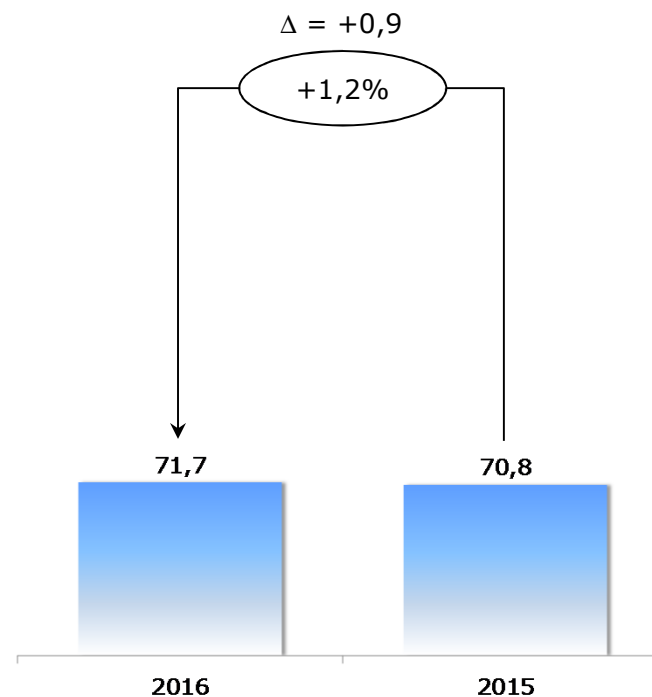
## Volumes of gas distributed

### Volumes of gas distributed

(Million of standard cubic meters)



**Companies consolidated  
with full consolidation method**



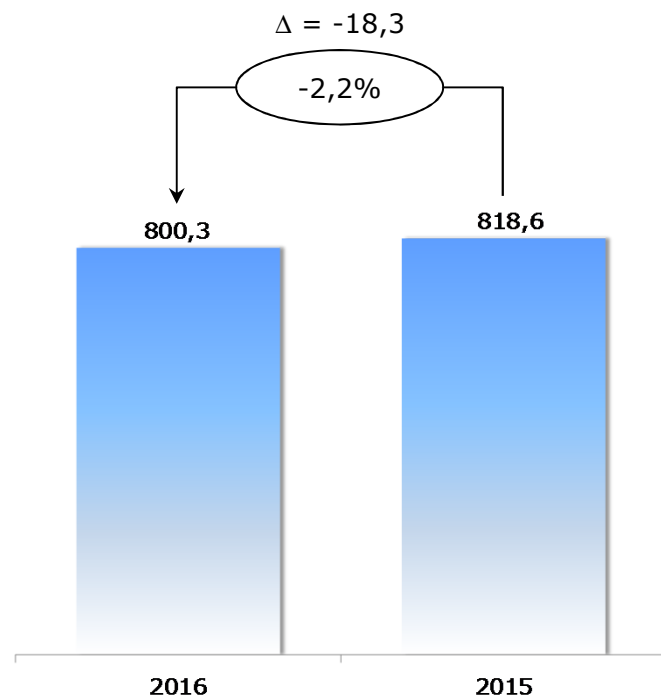
**Companies consolidated  
with net equity consolidation method (\*)**

(\*) Data are considered pro-quota.

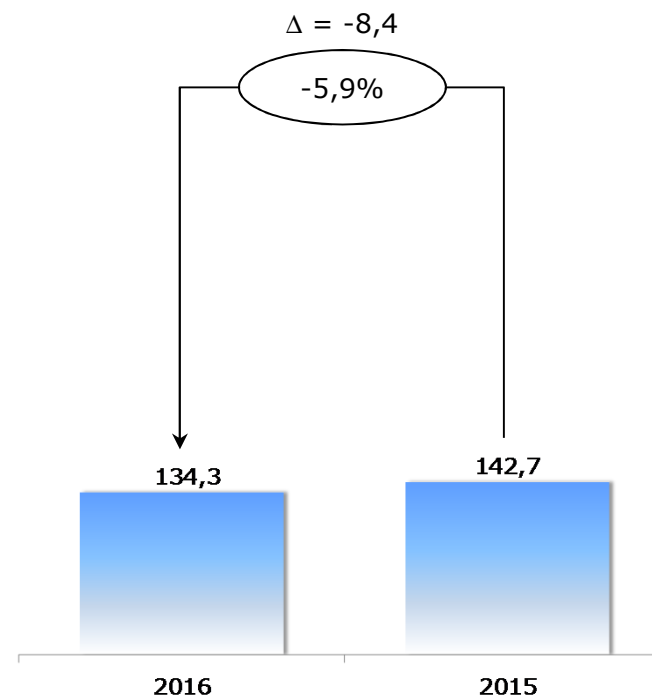
## Volumes of gas sold

### Volumes of gas sold

(Million of standard cubic meters)



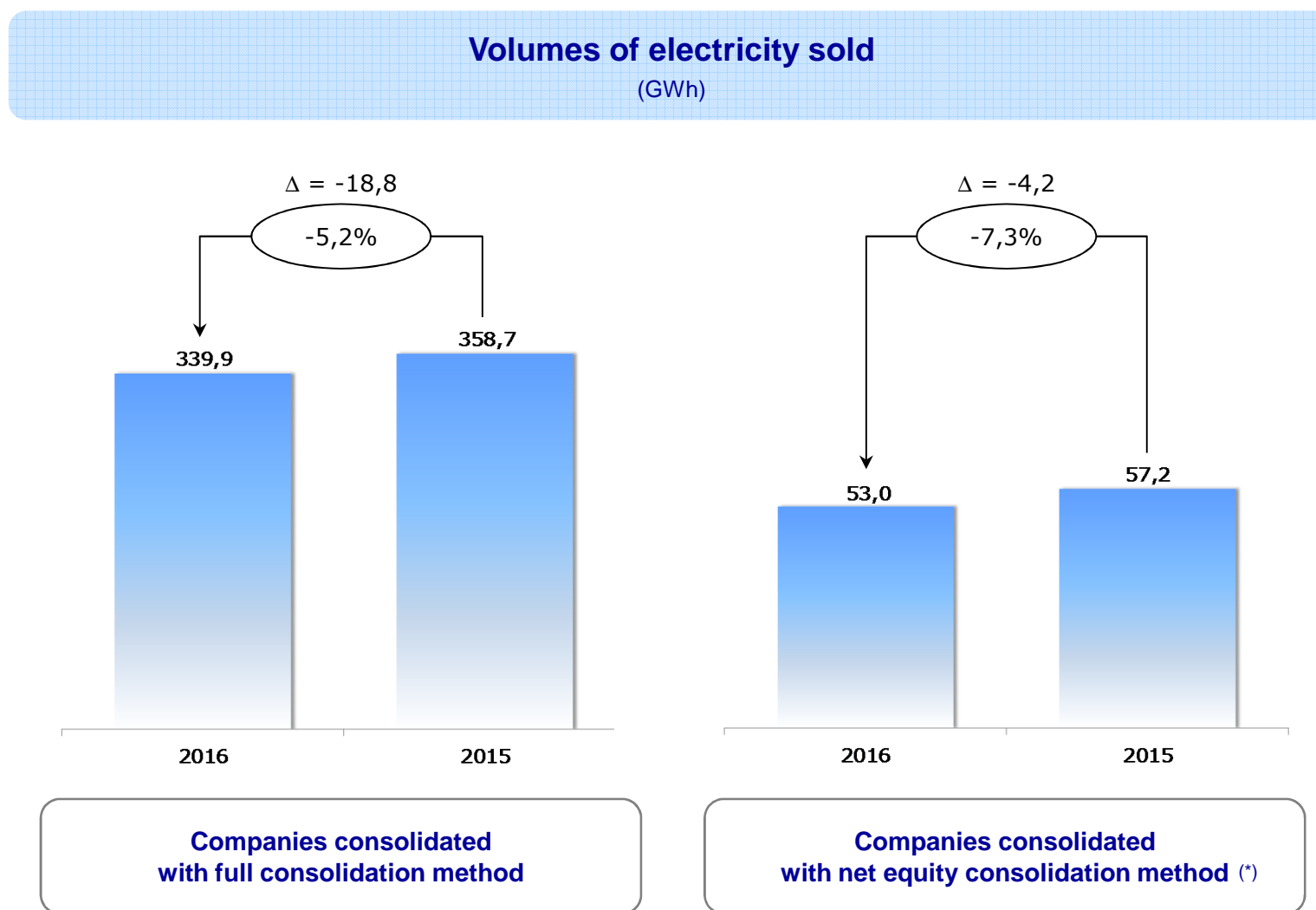
**Companies consolidated  
with full consolidation method**



**Companies consolidated  
with net equity consolidation method (\*)**

(\*) Data are considered pro-quota.

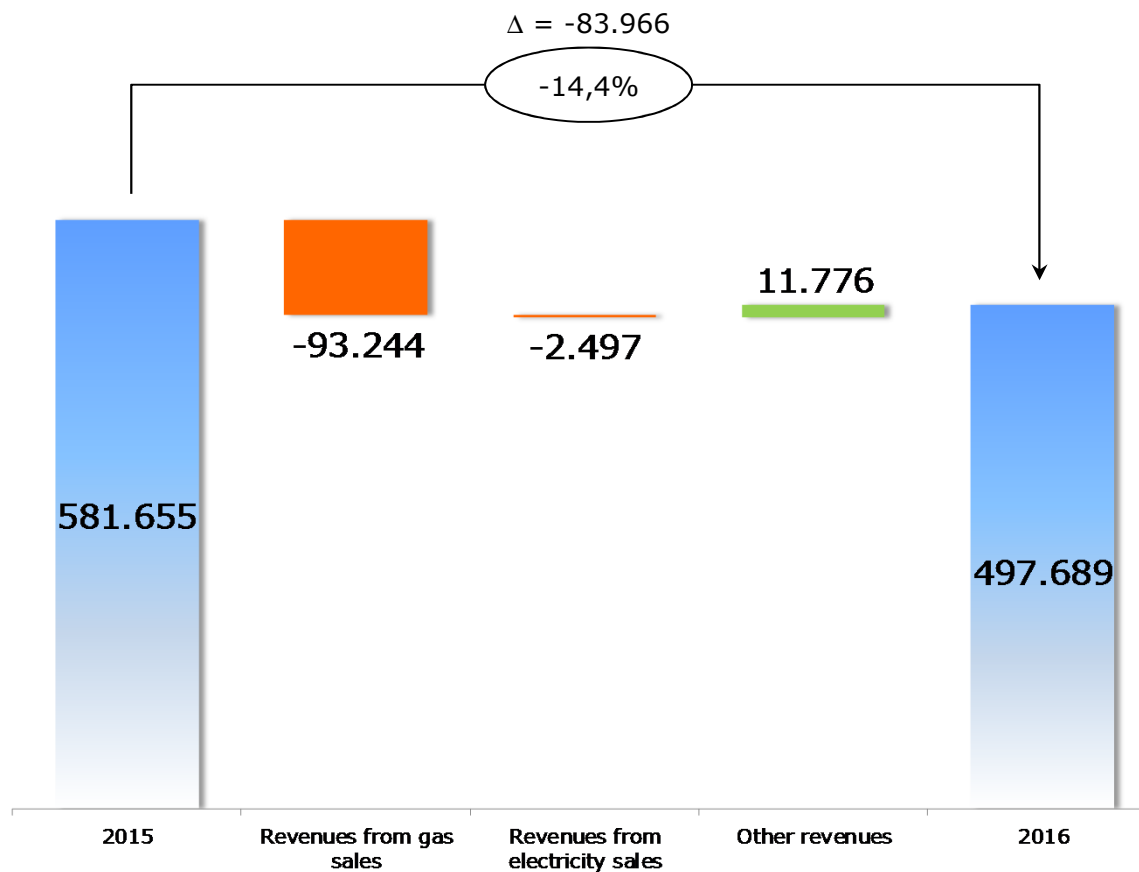
## Volumes of electricity sold



(\*) Data are considered pro-quota.

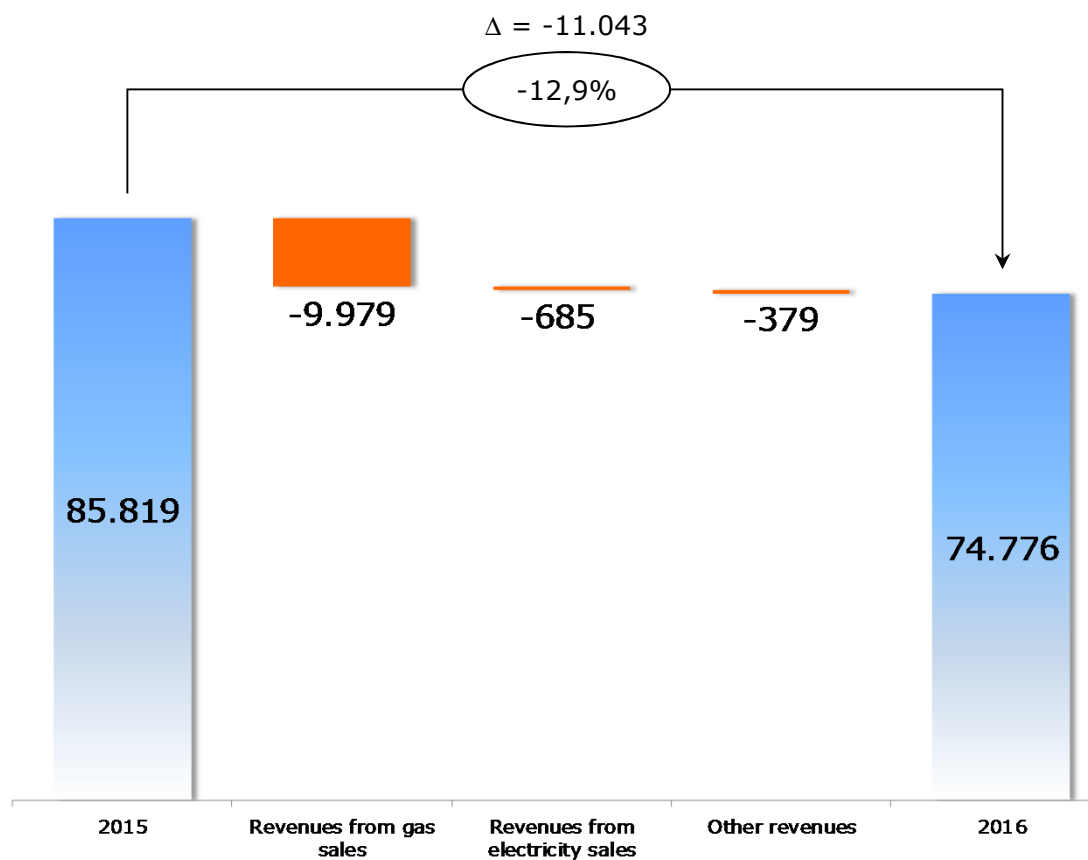
## Revenues bridge (1)

### Revenues bridge Companies consolidated with full consolidation method (Thousand of Euro)



## Revenues bridge (2)

### Revenues bridge Companies consolidated with net equity consolidation method (\*) (Thousand of Euro)

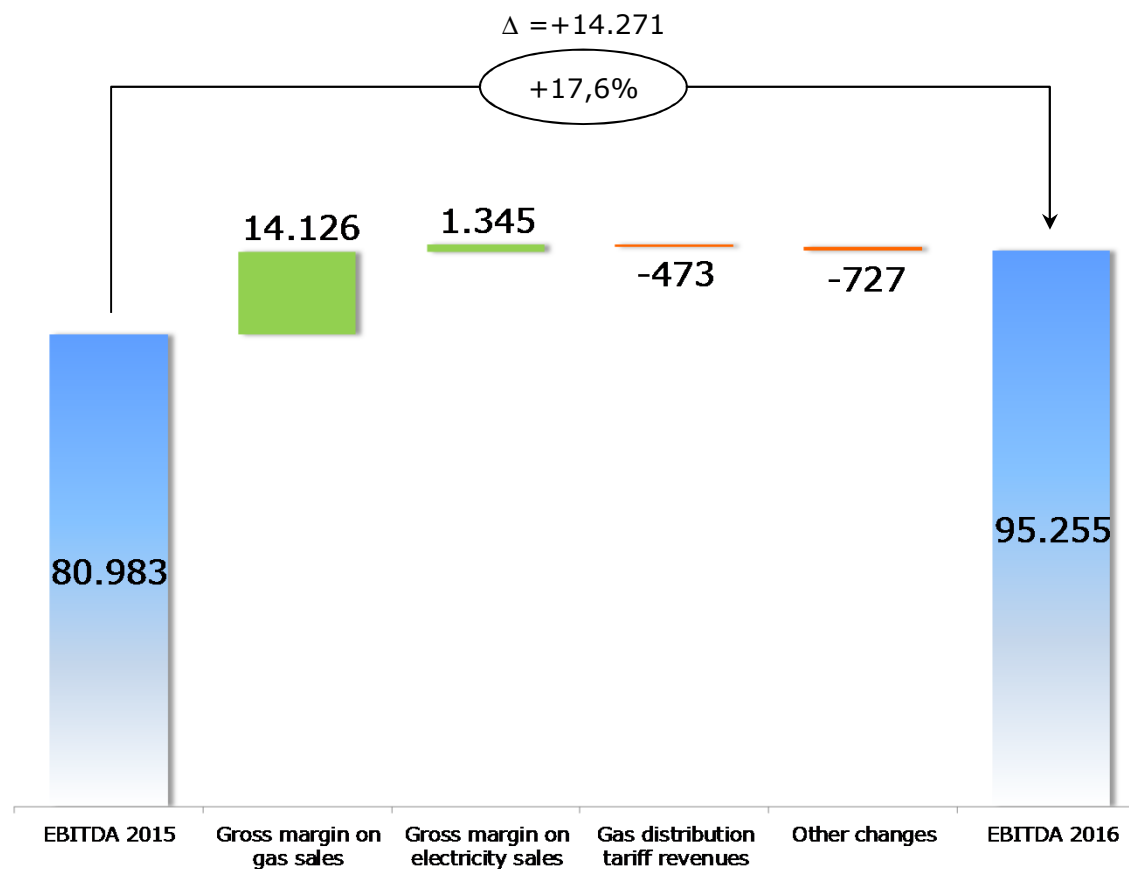


(\*) Sinergie Italiane excluded.



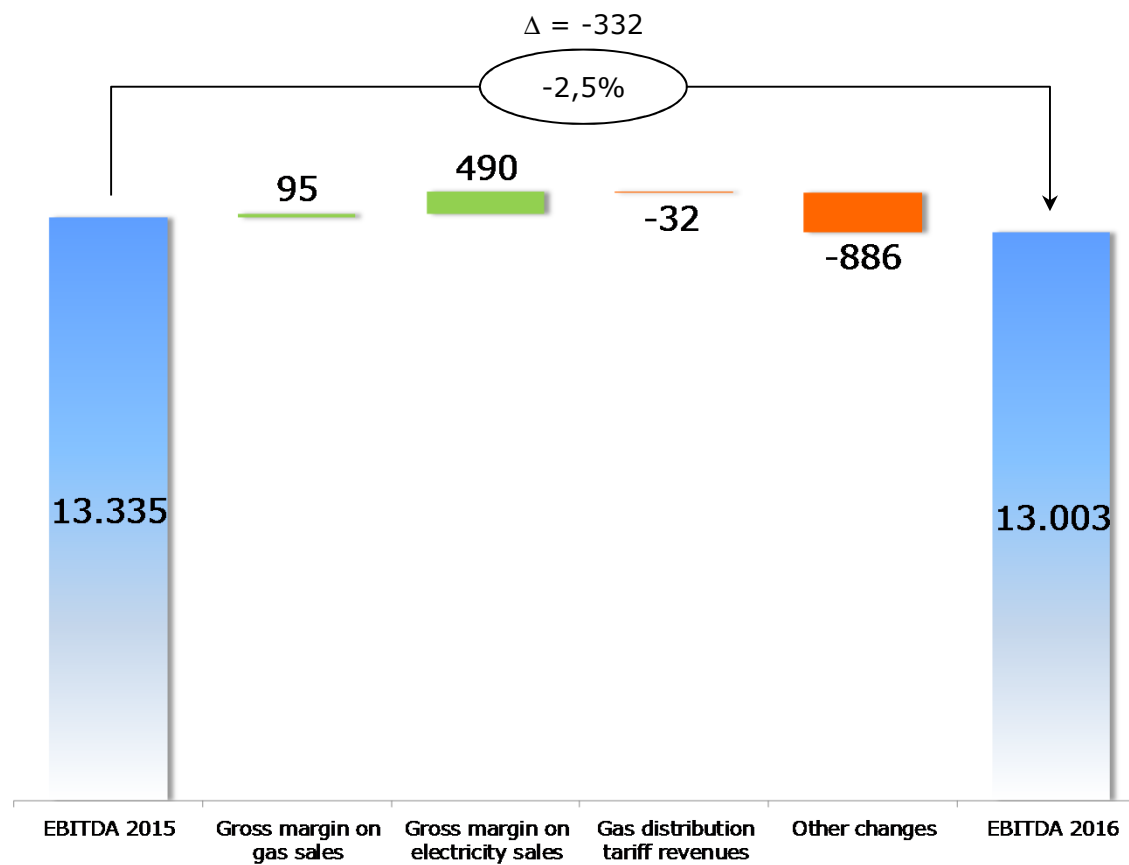
## EBITDA bridge (1)

### EBITDA bridge Companies consolidated with full consolidation method (Thousand of Euro)



## EBITDA bridge (2)

### EBITDA bridge Companies consolidated with net equity consolidation method (\*) (Thousand of Euro)

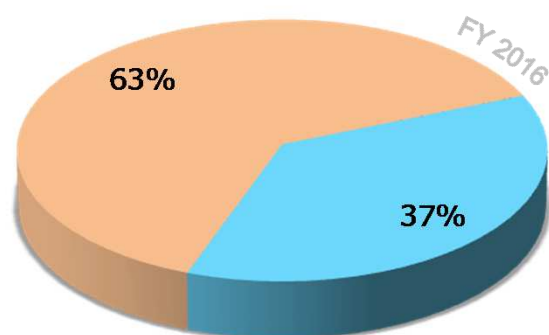


(\*) Sinergie Italiane excluded.

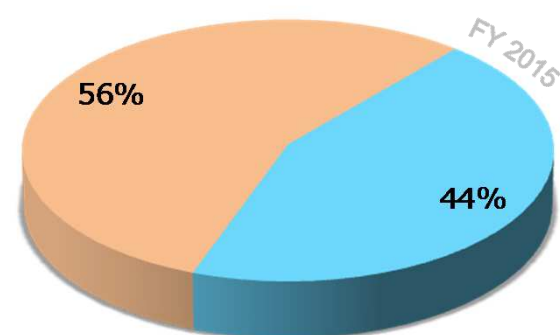
## EBITDA breakdown (1)

### EBITDA breakdown Companies consolidated with full consolidation method (Thousand of Euro)

(Thousand of Euro)	2016	2015	Var	Var %
<b>EBITDA</b>	<b>95.255</b>	<b>80.983</b>	<b>14.271</b>	<b>+17,6%</b>
EBITDA - Sale	60.235	45.167	15.068	+33,4%
EBITDA - Distribution	35.020	35.817	(797)	-2,2%
<b>EBIT</b>	<b>72.137</b>	<b>56.950</b>	<b>15.186</b>	<b>+26,7%</b>
EBIT - Sale	54.940	39.173	15.767	+40,3%
EBIT - Distribution	17.196	17.778	(581)	-3,3%



■ EBITDA - Sale (\*)    ■ EBITDA - Distribution (\*\*)



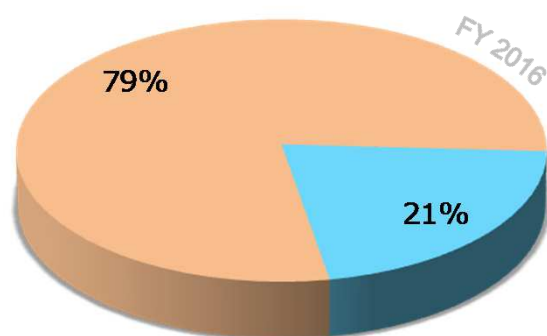
■ EBITDA - Sale (\*)    ■ EBITDA - Distribution (\*\*)

(\*) Sale companies; (\*\*) Distribution companies.

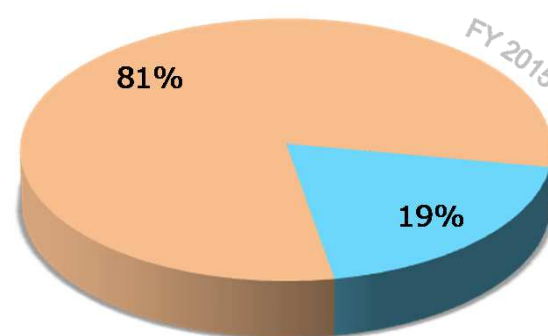
## EBITDA breakdown (2)

### EBITDA breakdown Companies consolidated with net equity consolidation method (\*) (Thousand of Euro)

(Thousand of Euro)	2016	2015	Var	Var %
<b>EBITDA</b>	<b>13.003</b>	<b>13.335</b>	<b>(332)</b>	<b>-2,5%</b>
EBITDA - Sale	10.221	10.752	(531)	-4,9%
EBITDA - Distribution	2.782	2.583	199	+7,7%
<b>EBIT</b>	<b>9.027</b>	<b>7.420</b>	<b>1.607</b>	<b>+21,7%</b>
EBIT - Sale	7.503	6.024	1.479	+24,6%
EBIT - Distribution	1.523	1.395	128	+9,2%



EBITDA - Sale (\*\*) EBITDA - Distribution (\*\*\*)



EBITDA - Sale (\*\*) EBITDA - Distribution (\*\*\*)

(\*) Sinergie Italiane excluded; (\*\*) Sale companies; (\*\*\*) Distribution companies.

## Gas distribution tariff revenues (1)

(Thousand of Euro) (*)	2016	2015	Chg	Chg %
Tariffs applied to sales companies	55.408	54.981	427	+0,8%
Equalization amount (+ / -)	6.080	6.979	(899)	-12,9%
<b>Gas distribution tariff revenues (A)</b> <i>Company consolidated with full consolidation method</i>	<b>61.488</b>	<b>61.960</b>	<b>(473)</b>	<b>-0,8%</b>

The decrease of gas distribution tariff revenues of the companies consolidated with full consolidation method (- Euro 0,5 mln) is due to:

- 1) change of gas distribution tariffs applied to gas sales companies: + Euro 0,4 mln;
- 2) equalization amount: - Euro 0,9 mln.

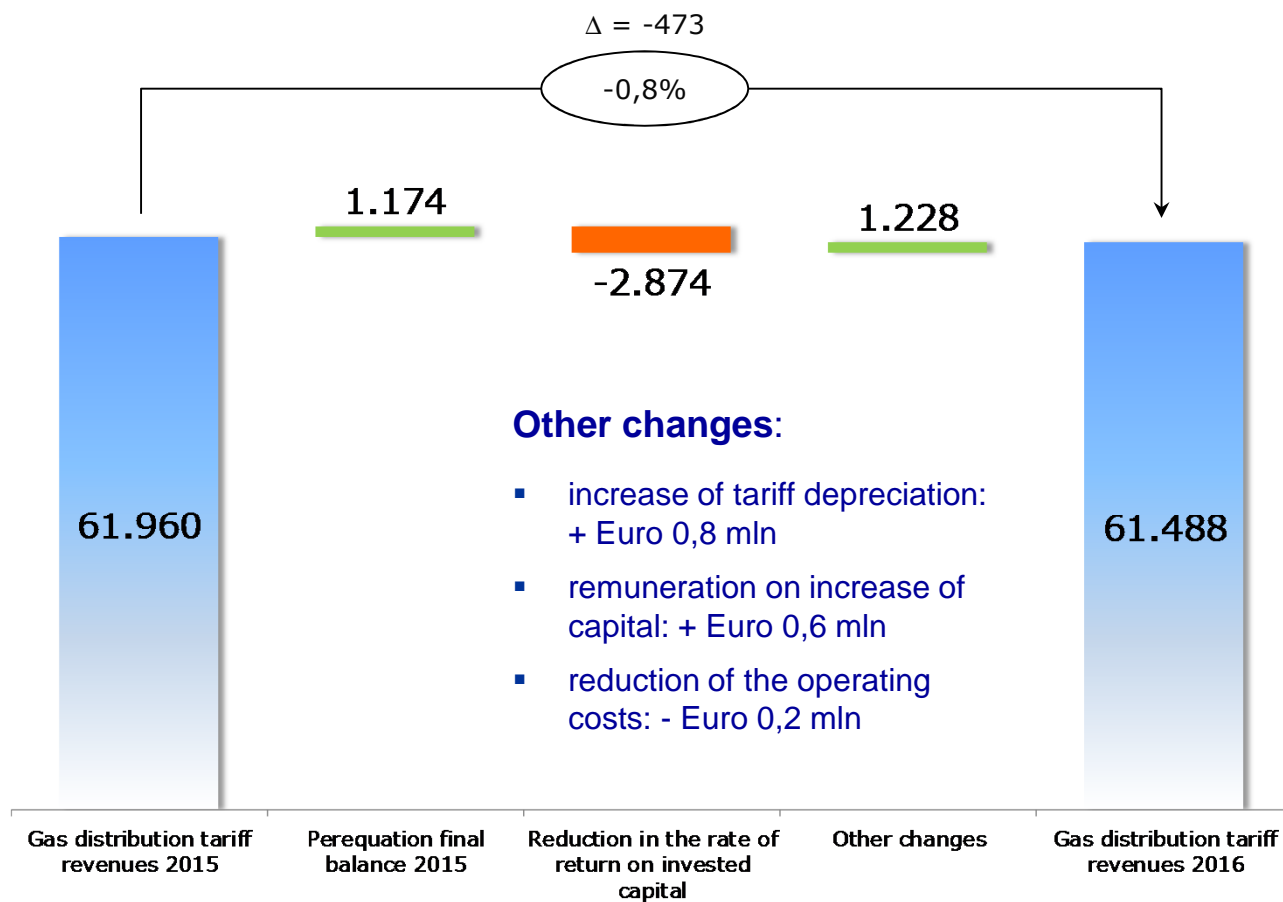
2016 gas distribution tariff revenues include the equalization amount accounted for the positive difference between the definitive and provisional tariffs related to year 2015 (+ Euro 1,2 mln).

(Thousand of Euro) (*)	2016	2015	Chg	Chg %
<b>Gas distribution tariff revenues (B)</b> <i>Company consolidated with net equity consolidation method</i>	<b>5.803</b>	<b>5.834</b>	<b>(32)</b>	<b>-0,5%</b>
<b>Gas distribution tariff revenues (A+B)</b>	<b>67.290</b>	<b>67.795</b>	<b>(504)</b>	<b>-0,7%</b>

(\*) Economic data before elisions.

## Gas distribution tariff revenues (2)

### Gas distribution tariff revenues bridge Companies consolidated with full consolidation method (Thousand of Euro)



## Gross margin on gas sales (1)

(Thousand of Euro) (*)	2016	2015	Chg	Chg %
Revenues from gas sales	343.127	415.962	(72.835)	-17,5%
(Gas purchase costs)	(182.079)	(258.281)	76.202	-29,5%
(Distribution costs)	(82.531)	(93.290)	10.759	-11,5%
<b>Gross margin on gas sales (A)</b> <i>Company consolidated with full consolidation method</i>	<b>78.517</b>	<b>64.391</b>	<b>14.126</b>	<b>+21,9%</b>

The increase of gross margin on gas sales of the companies consolidated with full consolidation method, equal to + Euro 14,1 mln, is due to:

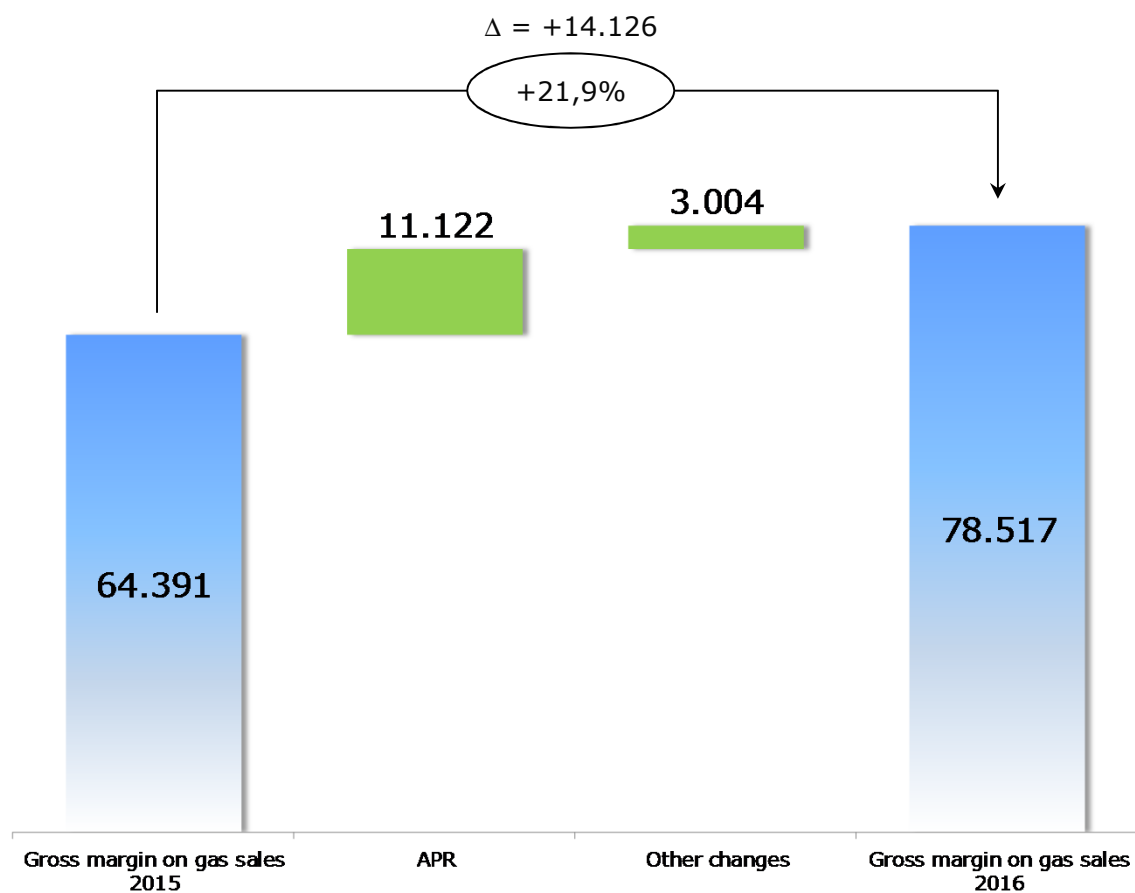
- 1) reduction of the gas purchase cost due to the accounting of the compensation entitled to the Group for the adhesion to the mechanism for the renegotiation of the long-term gas procurement agreements in the years 2014-2016 according to the AEEGSI Res. 447/2013/R/gas (- Euro 11,1 mln) (APR);
- 2) higher unit profit margins, in spite of the lower volumes of gas sold.

(Thousand of Euro) (*)	2016	2015	Chg	Chg %
<b>Gross margin on gas sales (B)</b> <i>Company consolidated with net equity consolidation method</i>	<b>14.300</b>	<b>14.205</b>	<b>95</b>	<b>+0,7%</b>
<b>Gross margin on gas sales (A+B)</b>	<b>92.817</b>	<b>78.596</b>	<b>14.221</b>	<b>+18,1%</b>

(\*) Economic data before elisions.

## Gross margin on gas sales (2)

### Gross margin on gas sales bridge Companies consolidated with full consolidation method (Thousand of Euro)





## APR mechanism (1)

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In 2013, AEEGSI concluded the review of the economic conditions applicable to protected customers, by adjusting them to the gradual and structural evolution of Italy's gas market, which led to the alignment of tariffs with those prevailing in other European countries.

In order to soften the impact of the afore-mentioned review on operators having long-term procurement portfolios, regulation AEEGSI (447/2013/R/gas) has envisaged the following:

- ✓ support the long-term gas price renegotiation by entering a specific CPR component within the general context for defining the new price on the protected market. The goal is the introduction of a compensation payment to offset the dislocation between long-term procurement prices, pegged to oil and its derivatives, and market rates, those prevailing on spot deals, to support the gradual migration of procurement benchmarks in the renegotiation process;
- ✓ guarantee an advantage to the protected customer if, during the mechanism's three-year application period, market prices on the whole turn out to be higher than the average procurement costs of long-term contracts.

Selling firms interested in the APR mechanism enjoyed the option of whether to join or decline admission.

## APR mechanism (2)

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In 2013, in relation to the Group's gas volumes, AEEGSI had planned the following for Ascopiave – in the event of admission:

- ✓ a total maximum compensation, during the mechanism's three-year application, to the tune of Euro 11,2 million;
- ✓ and, in the event of a reversal between procurement and spot price, a disbursement to end customers up to 3 times the figure that was initially defined: approximately Euro 33,5 million.

At the beginning, the Group had resolved to stay out of the APR mechanism, based on proven unfavourable operating conditions, challenging it in the Regional Court of Lombardy (TAR), by requesting a suspension.

Subsequently, having obtained the suspension of the regulation and – thanks to technical data collected in the meantime – having evaluated a high likelihood of success, the management resolved on joining the APR mechanism.

In November 2016, through regulation 649/2016/R/GAS, AEEGSI determined the actual compensation figure in favour of the Group, defining it to the amount of **+ Euro 11,1 million**.

## Gross margin on electricity sales

(Thousand of Euro) (*)	2016	2015	Chg	Chg %
Revenues from electricity sales	90.590	92.810	(2.219)	-2,4%
(Electricity purchase costs)	(48.779)	(51.181)	2.402	-4,7%
(Distribution costs)	(36.633)	(37.796)	1.163	-3,1%
<b>Gross margin on electricity sales (A)</b> <i>Company consolidated with full consolidation method</i>	<b>5.178</b>	<b>3.833</b>	<b>1.345</b>	<b>+35,1%</b>

The increase of gross margin on electricity sales of the companies consolidated with full consolidation method, equal to + Euro 1,3 mln, is attributable to the higher unit profit margins, in spite of the lower volumes of electricity sold.

(Thousand of Euro) (*)	2016	2015	Chg	Chg %
<b>Gross margin on electricity sales (B)</b> <i>Company consolidated with net equity consolidation method</i>	<b>1.129</b>	<b>639</b>	<b>490</b>	<b>+76,8%</b>
<b>Gross margin on electricity sales (A+B)</b>	<b>6.307</b>	<b>4.471</b>	<b>1.836</b>	<b>+41,1%</b>

(\*) Economic data before elisions.

## Other net operating costs (1)

(Thousand of Euro)	2016	2015	Chg	Chg %
Other revenues	30.300	20.741	9.560	+46,1%
Other costs of raw materials and services	(55.995)	(48.369)	(7.626)	+15,8%
Cost of personnel	(24.233)	(21.573)	(2.660)	+12,3%
<b>Other net operating costs (A)</b> <i>Company consolidated with full consolidation method</i>	<b>(49.928)</b>	<b>(49.201)</b>	<b>(727)</b>	<b>+1,5%</b>

**Increase of other net operating costs of the companies consolidated with full consolidation method: - Euro 0,7 mln**

*of which:*

- *increase of cost of personnel: - Euro 2,7 mln;*
- *increase of margin on energy efficiency tasks management: + Euro 0,3 mln;*
- *increase of cost for consulting services: - Euro 0,7 mln;*
- *decrease of cost of energy consumptions: + Euro 0,3 mln;*
- *decrease of gas concession fees: + Euro 0,6 mln;*
- *decrease of provisions for risks and charges: + Euro 0,5 mln;*
- *increase of capital loss: - Euro 0,4 mln*
- *increase of contingent assets: + Euro 1,4 mln.*

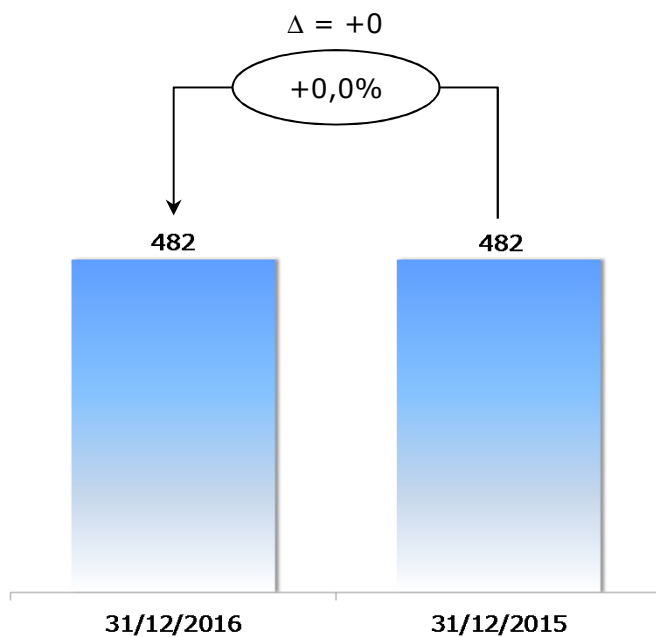
## Other operating costs (2)

(Thousand of Euro)	2016	2015	Chg	Chg %
<b>Other net operating costs (A)</b> <i>Company consolidated with full consolidation method</i>	(49.928)	(49.201)	(727)	+1,5%
<b>Other net operating costs (B)</b> <i>Company consolidated with net equity consolidation method (*)</i>	(8.229)	(7.343)	(886)	+12,1%
<b>Other net operating costs (A+B)</b>	(58.157)	(56.544)	(1.613)	+2,9%

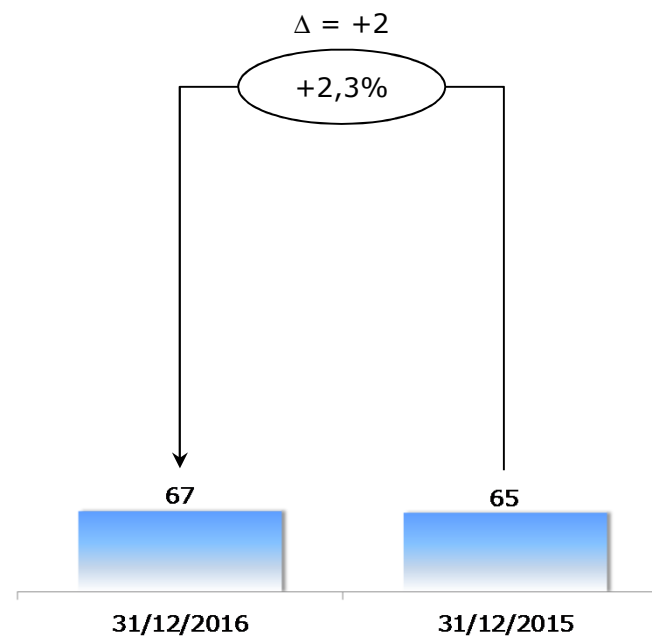
(\*) Sinergie Italiane excluded.

## Number of employees

### Number of employees



**Companies consolidated  
with full consolidation method**

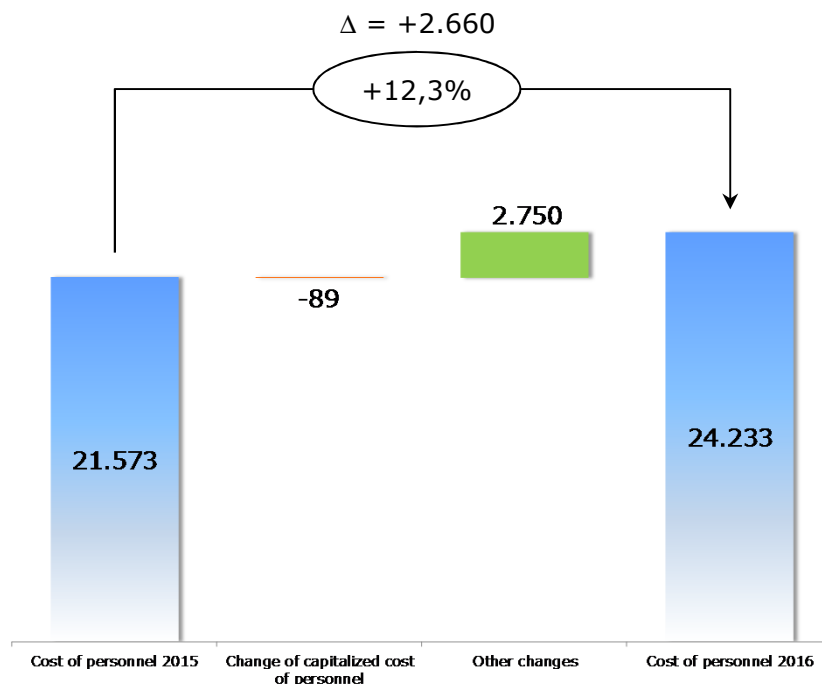


**Companies consolidated  
with net equity consolidation method (\*)**

(\*) Data are considered pro-quota.

## Consolidated cost of personnel

### Consolidated cost of personnel (Thousand of Euro)



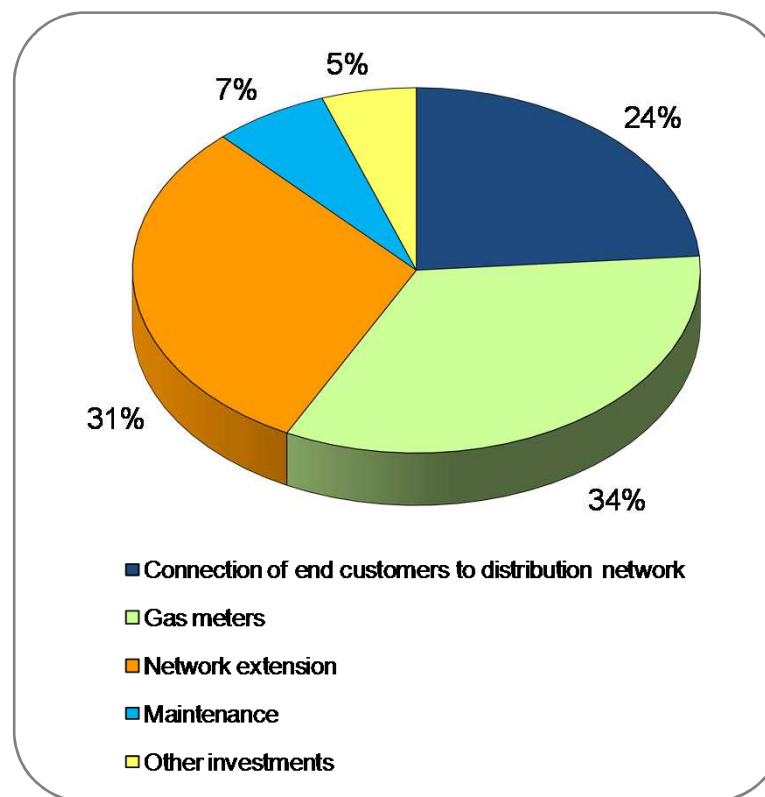
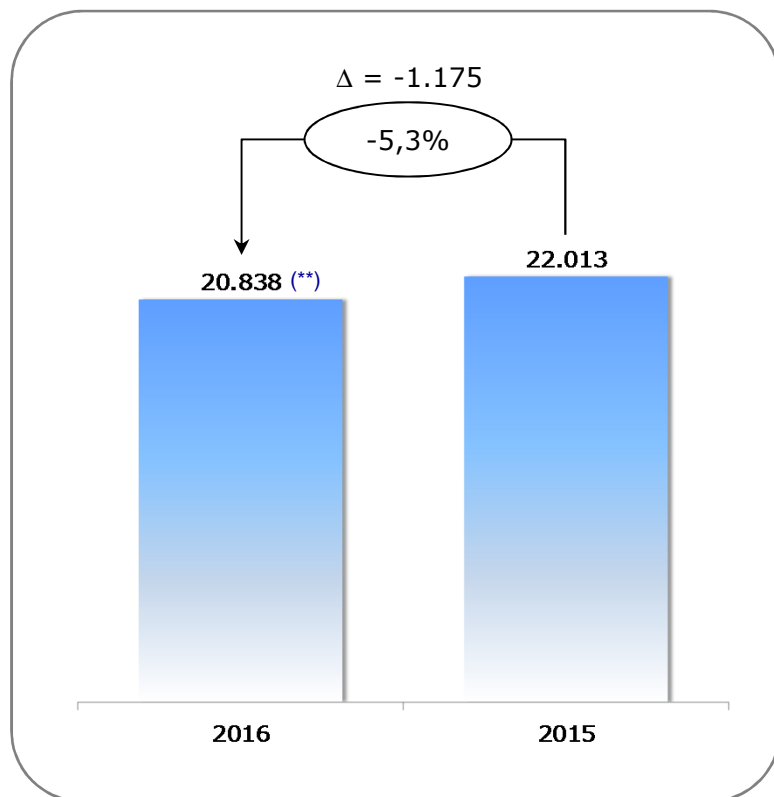
### Cost of personnel changes:

- capitalized cost of personnel: - Euro 0,1 mln
- other: + Euro 2,7 mln, of which:
  - + Euro 1,5 mln: compensations for the financial years 2015-2016 related to the long term incentive plan
  - + Euro 0,3 mln: settlement agreement for disputes with former employees
  - + Euro 0,3 mln: provision to pension funds according to the Law n. 125/2015
  - + Euro 0,4 mln: salary increases under the current labor contracts and for salary improvements
  - + Euro 0,2 mln: other changes

FY 2016 cost of personnel of the companies consolidated with net equity consolidation method (Sinergie Italiane excluded): Euro 3,2 mln (-7,8%).

## Consolidated capital expenditures

### Consolidated capital expenditures (\*)



FY 2016 investments of the companies consolidated with net equity consolidation method (Sinergie Italiane excluded): Euro 1,4 mln (-5,3%).

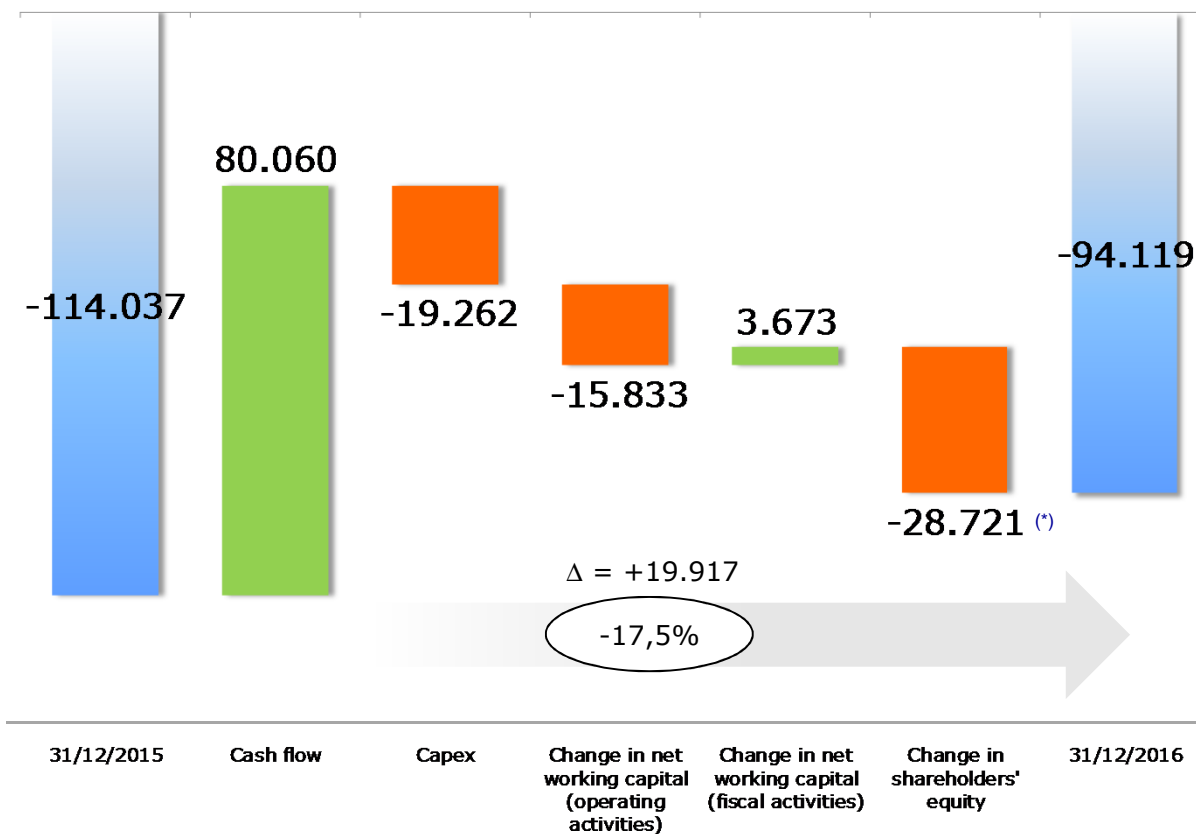
(\*) Excluding network extension in new urbanized areas that according to IAS are considered as operating costs and not investments.

(\*\*) Investments in tangible assets: Euro 1,2 mln; investments in intangible assets: Euro 19,7 mln (excluded realizations of tangible and intangible assets and investments in associated).



## Net financial position and cash flow (1)

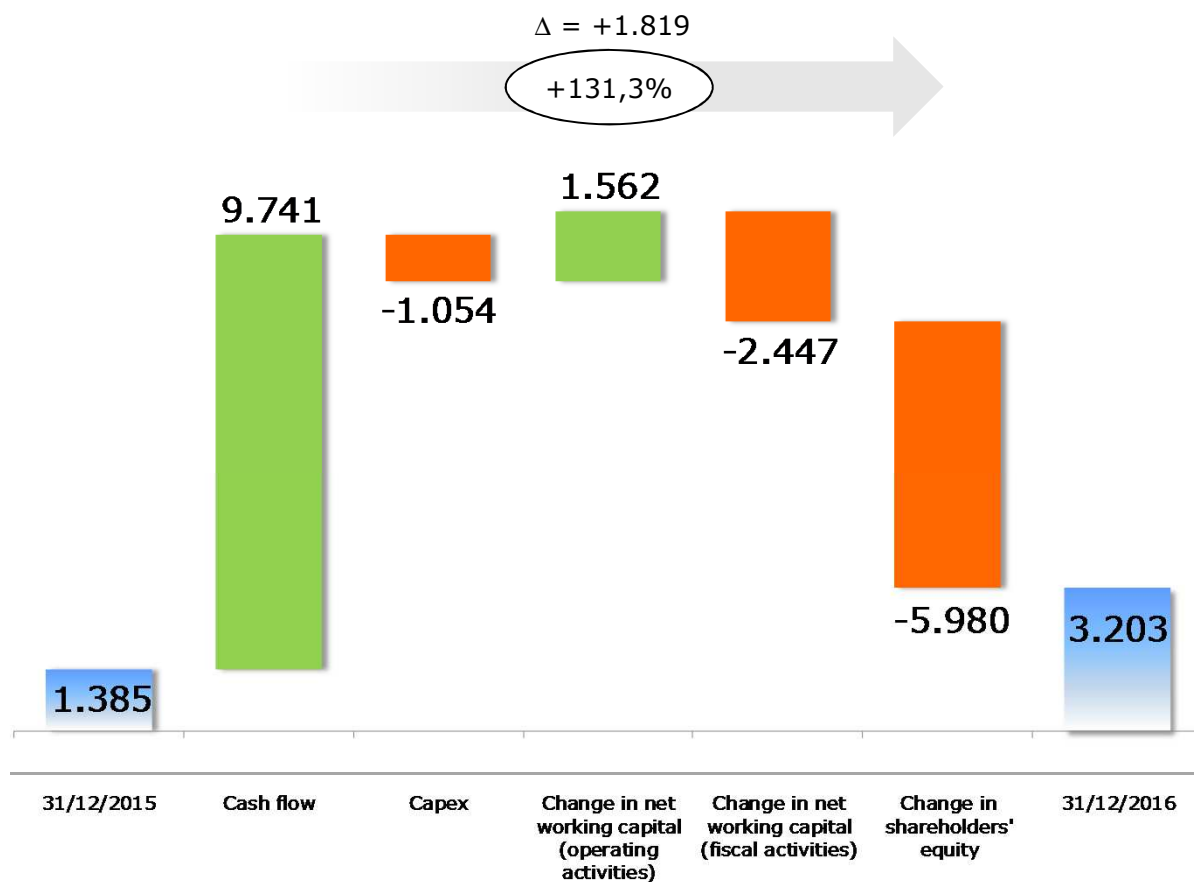
### Net Financial Position and cash flow Companies consolidated with full consolidation method (Thousand of Euro)



(\*) Dividends distributed to Ascopiave shareholders and third parties (Euro 35,6 mln) net of dividends received by companies consolidated with net equity method (Euro 5,9 mln).

## Net financial position and cash flow (2)

### Net Financial Position and cash flow Companies consolidated with net equity consolidation method (\*) (Thousand of Euro)

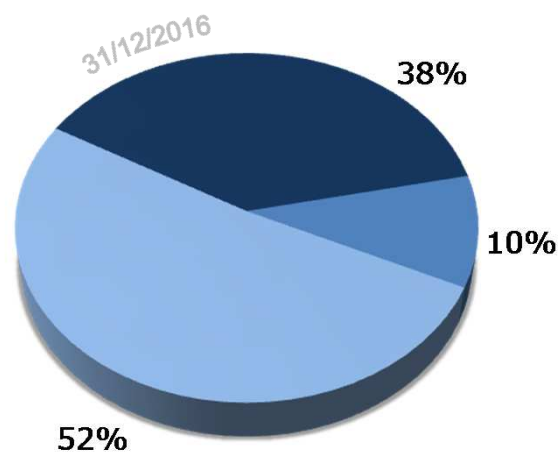


(\*) Sinergie Italiane excluded.

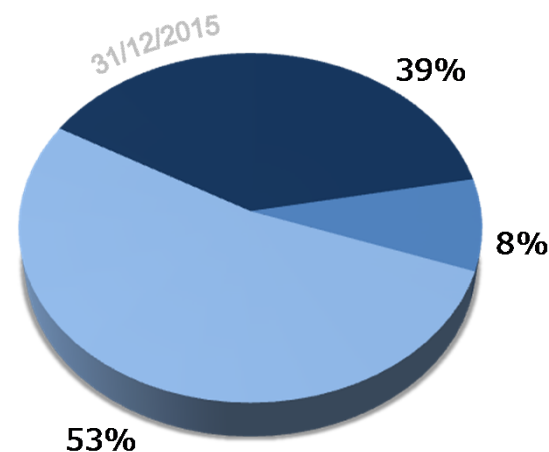
## Net financial position and cash flow (3)

(Thousand of Euro) (*)	31/12/2016	31/12/2015	Var	Var %
Long term financial borrowings (>12 months)	34.541	43.829	(9.288)	-21,2%
Current position of long term financial borrowings	9.287	9.628	(341)	-3,5%
Short term financial borrowings (<12 months)	46.288	59.937	(13.649)	-22,8%
<b>Total financial debt</b>	<b>90.116</b>	<b>113.394</b>	<b>(23.278)</b>	<b>-20,5%</b>
Fixed rate borrowings	-	342	(342)	-100,0%
Variable rate borrowings	90.116	113.052	(22.936)	-20,3%

**FY 2016 average cost of debt: 0,57% (vs 2015 rate: 0,81%)**



- Long term financial borrowings (>12 months)
- Current position of long term financial borrowings
- Short term financial borrowings (<12 months)



- Long term financial borrowings (>12 months)
- Current position of long term financial borrowings
- Short term financial borrowings (<12 months)

(\*) Data refers to only companies consolidated with full consolidation method.

### Annexes: financial data

#### ❖ FY 2016 financial results

#### ❖ 2009-2016 financial comparison

→ Income statement .....	Pag. 77
→ Balance sheet .....	Pag. 78

# Income statement

	IFRS 11 2016	IFRS 11 2015	IFRS 11 2014	IFRS 11 restated 2013	2013	2012	2011	2010	2009
(Thousand Euro)									
<b>Revenues</b>	<b>497.689</b>	<b>581.655</b>	<b>585.300</b>	<b>667.837</b>	<b>854.334</b>	<b>1.078.038</b>	<b>1.099.241</b>	<b>855.884</b>	<b>764.151</b>
(Cost of raw materials and consumables)	(249.916)	(346.431)	(359.366)	(473.469)	(574.518)	(780.822)	(844.268)	(660.030)	(617.384)
(Cost of services)	(107.503)	(119.151)	(107.740)	(73.751)	(133.442)	(152.434)	(124.572)	(87.528)	(58.888)
(Cost of personnel)	(24.233)	(21.573)	(22.726)	(22.822)	(27.193)	(25.442)	(24.323)	(21.091)	(18.377)
(Other operating costs)	(21.377)	(14.106)	(15.914)	(12.666)	(14.337)	(16.952)	(13.522)	(10.213)	(9.934)
Other operating income	596	591	32	1.146	1.148	247	612	989	1.976
<b>EBITDA</b>	<b>95.255</b>	<b>80.983</b>	<b>79.585</b>	<b>86.276</b>	<b>105.992</b>	<b>102.635</b>	<b>93.169</b>	<b>78.009</b>	<b>61.545</b>
(Depreciations and amortizations)	(20.227)	(20.029)	(20.099)	(18.273)	(20.570)	(22.116)	(19.081)	(17.414)	(16.283)
(Provisions)	(2.891)	(4.004)	(6.819)	(6.039)	(8.548)	(7.491)	(7.372)	(4.841)	(4.174)
<b>EBIT</b>	<b>72.137</b>	<b>56.950</b>	<b>52.667</b>	<b>61.964</b>	<b>76.874</b>	<b>73.027</b>	<b>66.717</b>	<b>55.754</b>	<b>41.088</b>
Financial income / (expenses)	(544)	(518)	(1.593)	(1.515)	(3.961)	(6.916)	(2.798)	(767)	(1.325)
Evaluation of companies with equity method	7.750	7.449	4.453	6.468	(262)	(11.007)	(22.425)	(735)	468
<b>EBT</b>	<b>79.343</b>	<b>63.881</b>	<b>55.527</b>	<b>66.917</b>	<b>72.651</b>	<b>55.104</b>	<b>41.494</b>	<b>54.253</b>	<b>40.231</b>
(Income taxes)	(22.401)	(18.519)	(18.194)	(25.807)	(31.541)	(29.509)	(33.874)	(21.408)	(14.340)
<b>Earnings after taxes</b>	<b>56.942</b>	<b>45.362</b>	<b>37.333</b>	<b>41.111</b>	<b>41.111</b>	<b>25.595</b>	<b>7.620</b>	<b>32.845</b>	<b>25.891</b>
Net income (loss) from discontinued operations	-	-	-	(71)	(71)	4.336	639	-	-
<b>Net income</b>	<b>56.942</b>	<b>45.362</b>	<b>37.333</b>	<b>41.040</b>	<b>41.040</b>	<b>29.932</b>	<b>8.259</b>	<b>32.845</b>	<b>25.891</b>
(Net income of minorities)	(3.307)	(2.349)	(1.750)	(2.361)	(2.361)	(2.067)	(1.993)	(1.671)	(603)
<b>Net income of the Group</b>	<b>53.635</b>	<b>43.014</b>	<b>35.583</b>	<b>38.678</b>	<b>38.678</b>	<b>27.865</b>	<b>6.266</b>	<b>31.174</b>	<b>25.288</b>

## Balance sheet

	IFRS 11	IFRS 11	IFRS 11	IFRS 11 restated					(*)
(Thousand Euro)	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2013	31/12/2012	31/12/2011	31/12/2010	31/12/2009
Tangible assets	32.364	34.987	36.614	37.840	39.277	40.534	61.983	43.814	329.970
Non tangible assets	397.664	397.418	394.530	387.500	447.898	450.457	459.046	410.765	114.542
Investments in associates	68.738	68.078	65.453	72.421	1	-	-	-	-
Other fixed assets	23.808	26.699	29.555	39.687	44.351	29.817	26.741	16.133	15.418
<b>Fixed assets</b>	<b>522.574</b>	<b>527.182</b>	<b>526.152</b>	<b>537.449</b>	<b>531.527</b>	<b>520.808</b>	<b>547.770</b>	<b>470.712</b>	<b>459.930</b>
Operating current assets	201.908	223.482	229.095	204.066	275.864	363.436	381.684	261.137	211.796
(Operating current liabilities)	(138.003)	(166.793)	(162.548)	(160.234)	(211.986)	(261.175)	(283.199)	(208.928)	(178.075)
(Operating non current liabilities)	(48.151)	(49.698)	(53.360)	(54.792)	(61.126)	(64.122)	(82.466)	(47.526)	(44.468)
<b>Net working capital</b>	<b>15.754</b>	<b>6.991</b>	<b>13.188</b>	<b>(10.960)</b>	<b>2.752</b>	<b>38.140</b>	<b>16.019</b>	<b>4.683</b>	<b>(10.747)</b>
<b>Total capital employed</b>	<b>538.328</b>	<b>534.173</b>	<b>539.340</b>	<b>526.489</b>	<b>534.278</b>	<b>558.948</b>	<b>563.789</b>	<b>475.395</b>	<b>449.183</b>
<b>Group shareholders equity</b>	<b>438.055</b>	<b>415.264</b>	<b>405.357</b>	<b>397.689</b>	<b>397.689</b>	<b>384.053</b>	<b>357.871</b>	<b>375.535</b>	<b>367.245</b>
<b>Minorities</b>	<b>6.154</b>	<b>4.873</b>	<b>4.310</b>	<b>4.989</b>	<b>4.989</b>	<b>4.765</b>	<b>4.696</b>	<b>3.866</b>	<b>2.851</b>
<b>Net financial position</b>	<b>94.119</b>	<b>114.037</b>	<b>129.673</b>	<b>123.810</b>	<b>131.600</b>	<b>170.130</b>	<b>201.221</b>	<b>95.995</b>	<b>79.088</b>
<b>Total sources</b>	<b>538.328</b>	<b>534.173</b>	<b>539.340</b>	<b>526.489</b>	<b>534.278</b>	<b>558.948</b>	<b>563.789</b>	<b>475.395</b>	<b>449.183</b>

(\*) Data are represented not considering the application of IFRIC 12.



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## Disclaimer

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