



## Strategic Plan 2020-24

Pieve di Soligo, 15 January 2021



## 1. Strategic guidelines



## 2. Ascopiave Group



## 3. Context and market trends



## 4. Strategic Plan 2020-24



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## 6. Annex



# 1. Strategic guidelines

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# Ascopiave at a glance



*Ascopiave Group, listed on the STAR segment of the Italian Stock Exchange, is a solid, reliable and transparent counterpart for its stakeholders*



## Gas distribution

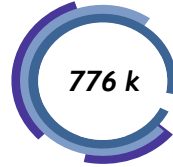
Gas distribution activities represent the core business of the Group, currently leader in the Veneto region and 5<sup>th</sup> largest operator at a national level



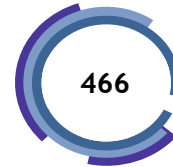
## Gas and power retail

Portfolio of investments in retail companies, such as EstEnergy

# PDR<sup>1</sup> '20<sup>2</sup>



Employees '20<sup>2</sup>



*We innovate the present*

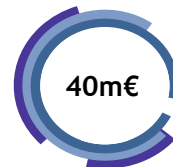


*and improve the future*

EBITDA '20<sup>2</sup>

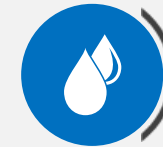


Net income '20<sup>2</sup>



## Energy Services

Energy Service Company (ESCO) controlled by the Group in charge of district heating and energy efficiency



## Water Management Services

Recent entry into the Integrated Water Service business, synergistic with the other Group activities





# Sustainable growth



*The plan envisages a growth path that will allow to increase company profitability, maintaining a balanced financial structure and a stable and profitable dividend distribution*



The economic-financial objectives are combined with those of the main stakeholders and are integrated with the social and environmental goals



# Strategic pillars



*Ascopiave Group's strategy is based on sustainable growth, developing resources and competences in order to seize the opportunities generated by new market trends*

Ascopiave's positioning and competences constitute solid foundations to support growth in the core business

Innovation management is a crucial activity for Ascopiave and targets both short and medium-long term goals



By anticipating market dynamics, Ascopiave can leverage its competences to expand the business perimeter and diversify the risk

Improving economic and operational efficiency is at the heart of Ascopiave's management policies



# Sustainability goals



*The "Sustainable Development Goals" identified by Ascopiave will be the elements on which the Group will base its sustainable growth path*





## 2. Ascopiave Group

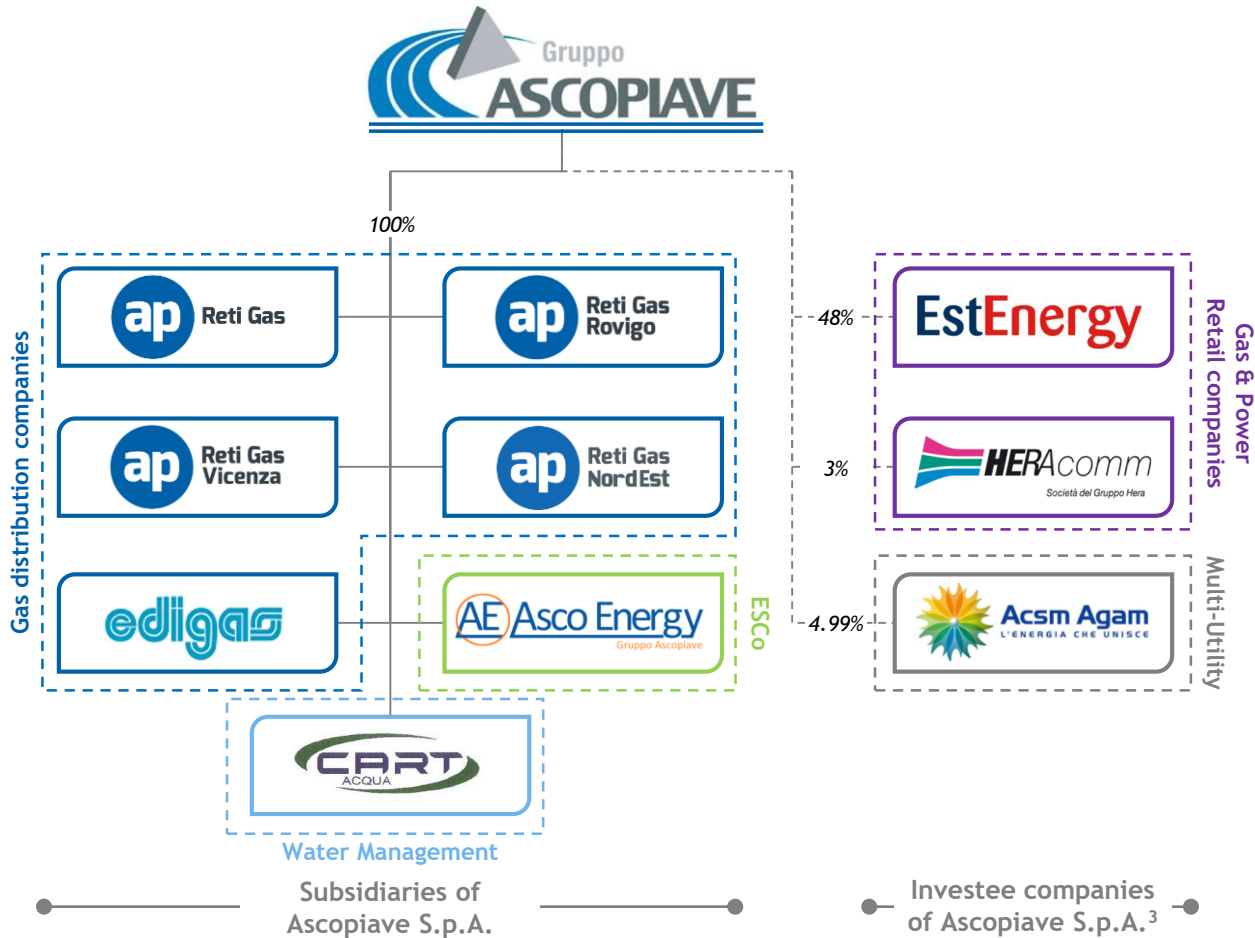




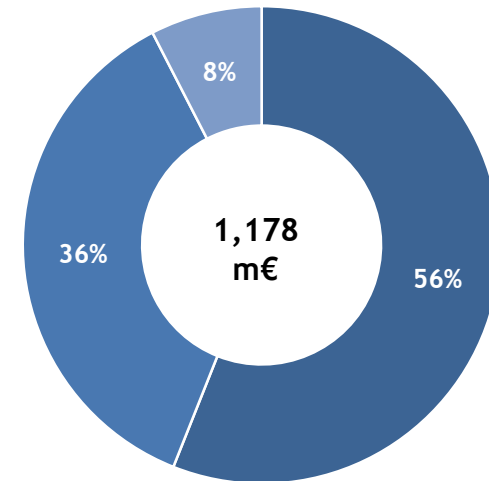
# Corporate structure



Ascopiave Group holds a portfolio of assets with stable profitability and a low risk profile



Net Invested Capital 2020<sup>1</sup>



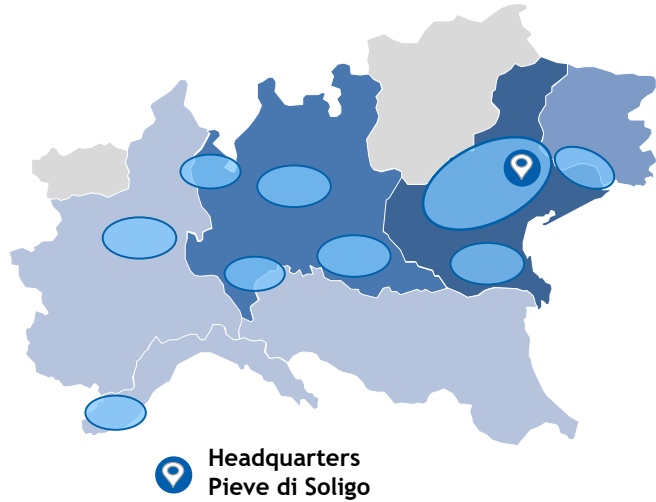
- Internally consolidated investments<sup>2</sup>
- Investment in EstEnergy
- Other investments



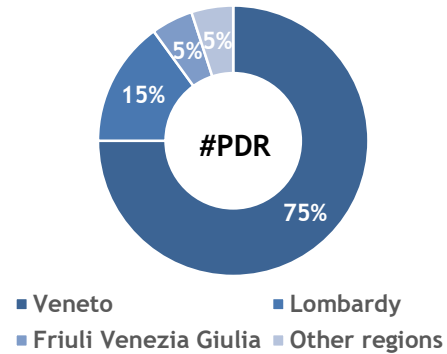
# Gas distribution - Positioning and operating data



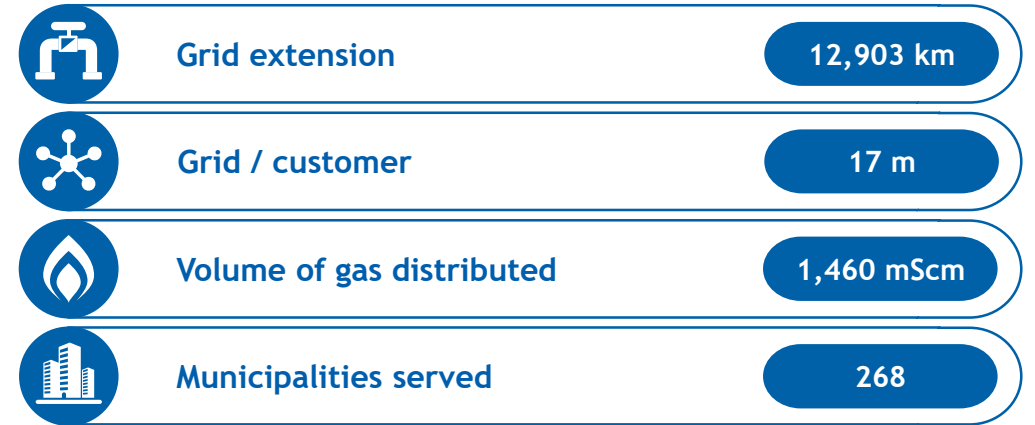
*Thanks to its size and favorable territorial positioning, Ascopiave Group has been and will continue to be among the protagonists of the consolidation of the sector*



Regional distribution of Ascopiave customers 2020<sup>1</sup>



Ascopiave Group - Operating data 2020<sup>1</sup>



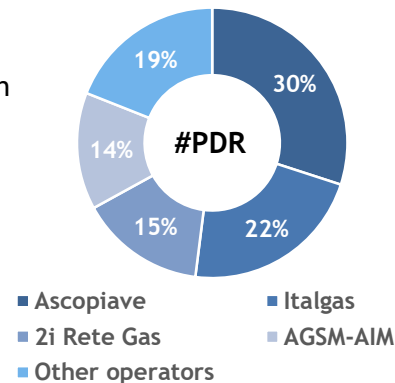
## Group consolidation

- Ascopiave Group has completed 12 company acquisitions since 2000
- Significant increase in the customer base and in the municipalities served
- Expansion of the geographic basin

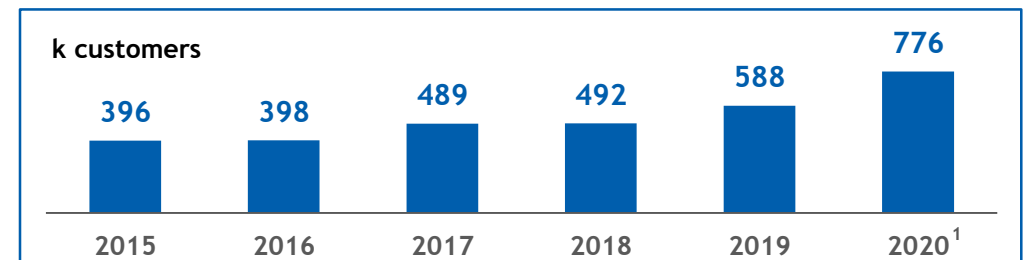
## Current territorial presence

- 5th largest national operator in the sector
- Regional leader in Veneto
- Significant presence in some areas of Lombardy and Friuli Venezia Giulia

Competitive context in Veneto<sup>2</sup>



## Customers served



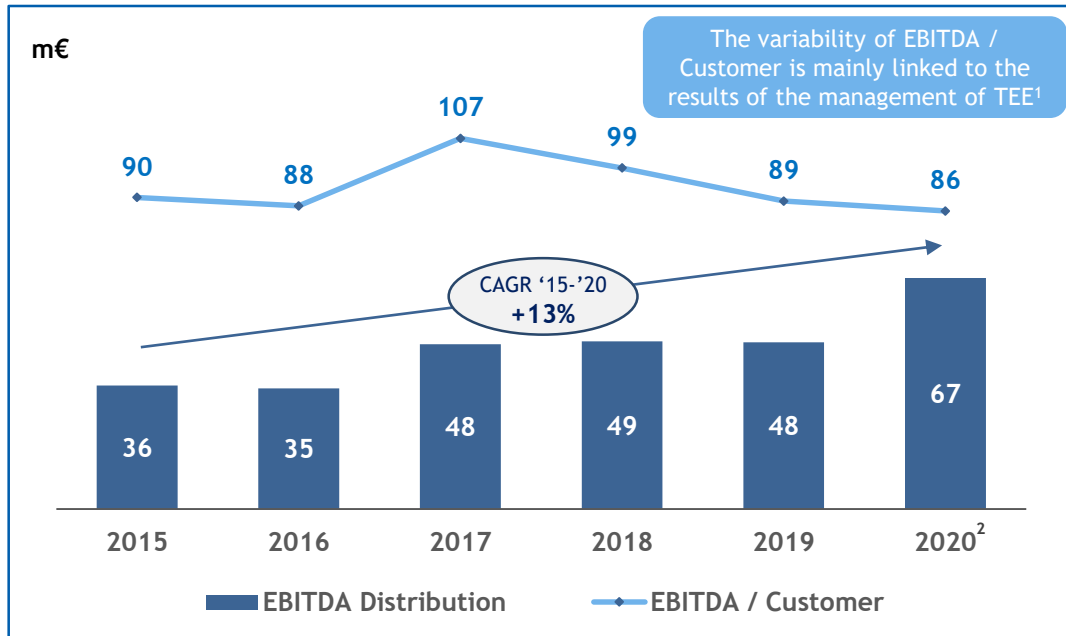


# Gas distribution - Main economic-financial data



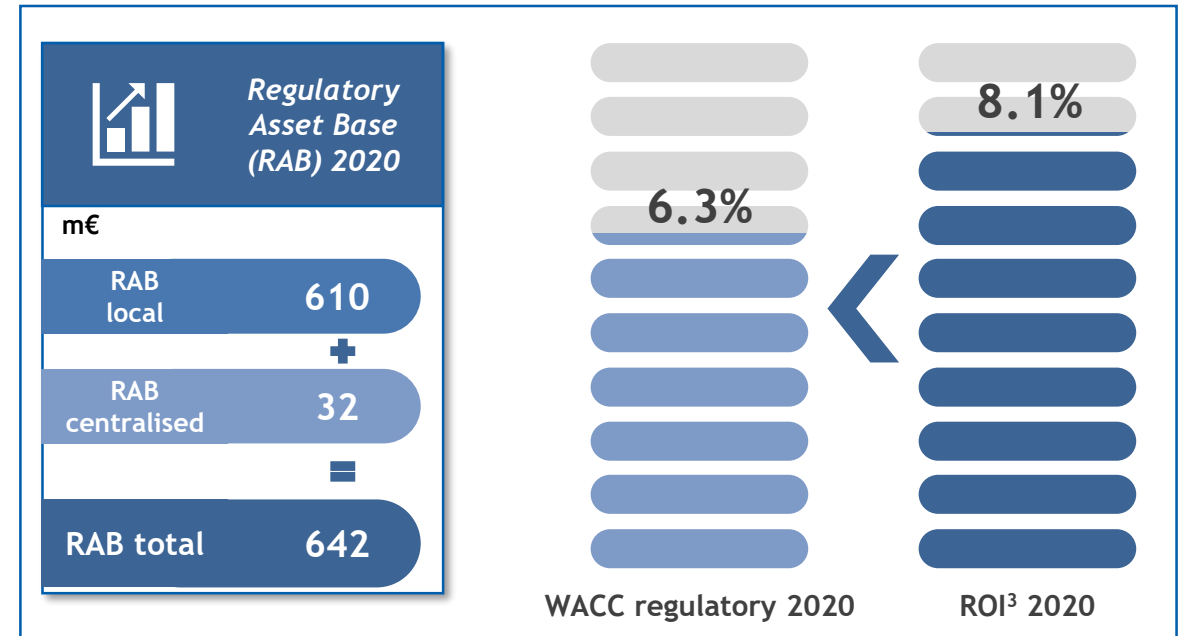
*Gas distribution is a regulated business, characterised by a low level of risk and mostly stable and predictable economic results*

## EBITDA



Constancy of economic results and cash flows guaranteed by the stability of the regulation and increase in EBITDA supported by the growth in the number of customers served over the years

## Return on invested capital 2020<sup>2</sup>



Ascopiave achieves excellent profitability of operational management, confirmed by a return on investment (ROI) higher than the rate of return envisaged by the regulator (regulatory WACC)



# Investment in EstEnergy - Gas and power retail



*Ascopiave holds a stake in the EstEnergy group, leader in northeastern Italy in the sale of gas and electricity*

Extraordinary transaction completed with Hera in December 2019

- Strategic repositioning of the Group
- Valorisation of sales activities
- Risk mitigation of commercial activities



52% — 48%

**EstEnergy**

EstEnergy - Operating data 2020<sup>1</sup>

	EBITDA	80 m€
	Retail customers gas	748 k
	Retail customers power	312 k
	Gas sold	1,003 mScm
	Electricity sold	1,205 GWh

## Governance



- Control by the Hera group
- Ascopiave's representation in the administrative and control bodies
- Veto rights on relevant decisions

## Dividend distribution



- Annual distribution of 100% of generated profits



# EstEnergy and Hera Comm - Put option



*Ascopiave holds a put option on the current equity investments in EstEnergy and Hera Comm, characterized by excellent operating conditions*

**EstEnergy**

- Option that can be fully or partially exercised by December 2026
- Strike price equal to the maximum between:
  - Fair market value;
  - Floor price: value of the initial investment increased by 4% (net of distributed dividends);
  - Initial investment value: equal to 395 m€.
- In 2020 Ascopiave subscribed an EstEnergy capital increase for 32.5m€ to service the tax relief of the higher value of the equity investments it acquired compared to the net book value. The benefits for Ascopiave will be represented by higher dividends in the years 2023-2032. If the put option is exercised, the benefits not yet obtained will be recognized as a supplement to the price.

**HERA comm**

- Option that can be fully or partially exercised between December 2021 and December 2026
- Exercise price equal to the value of the initial investment (54 m€) increased by 5% (net of distributed dividends)



## Option exercise strategy

1. Maximisation of the strike price
2. Reinvestment of the proceeds from the sale



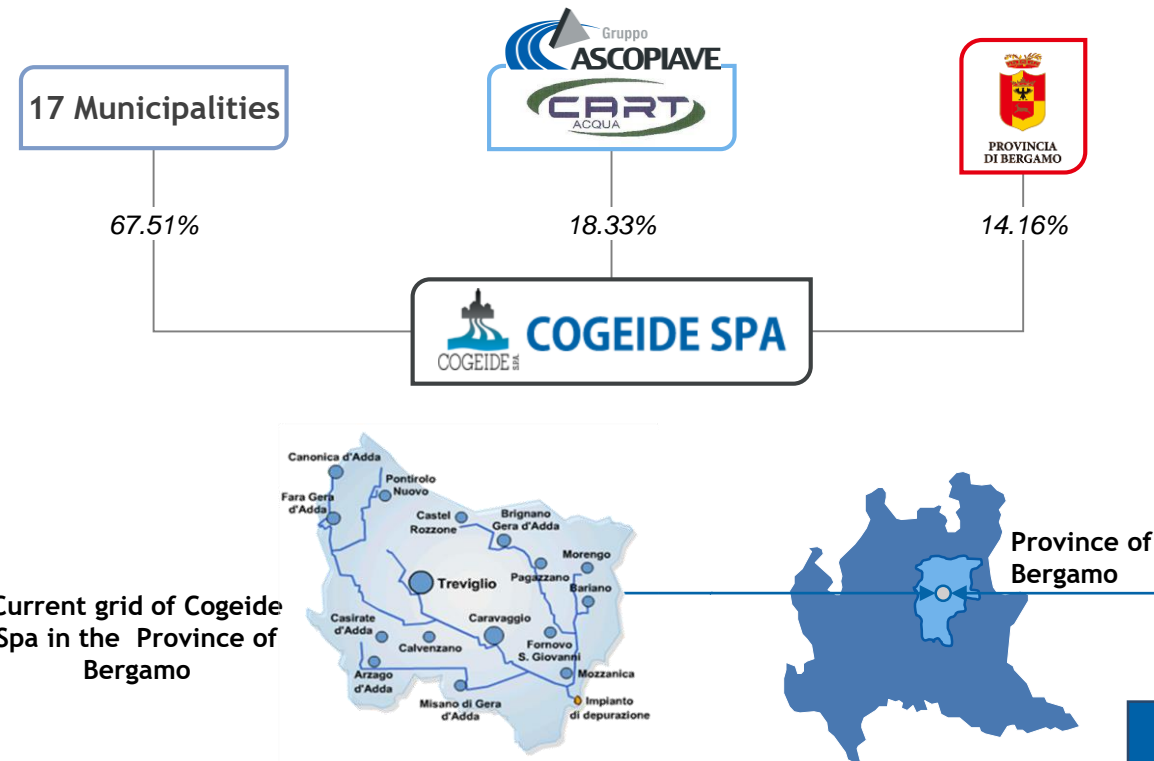


# Investment in Cogeide - Water management services



*Ascopiave has recently acquired Cart Acqua, active in the Water Management Service in an area already covered by the Group in gas distribution, with potential operational and geographical synergies*

Entry into the water management service through the acquisition of Cart Acqua in 2020, investor and technological partner of Cogeide, manager of the Integrated Water Service in 15 municipalities in the Province of Bergamo



## Cogeide - Data 2019

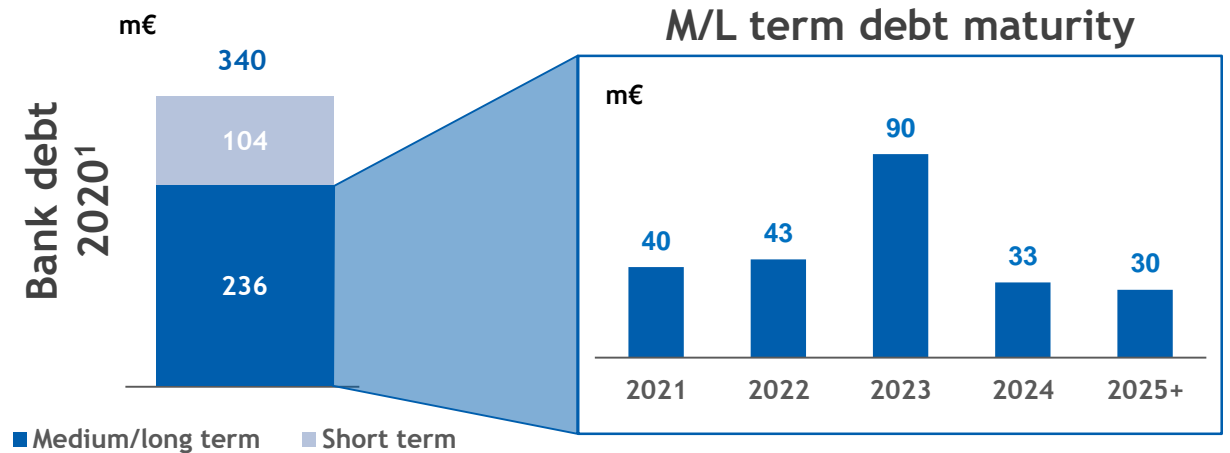
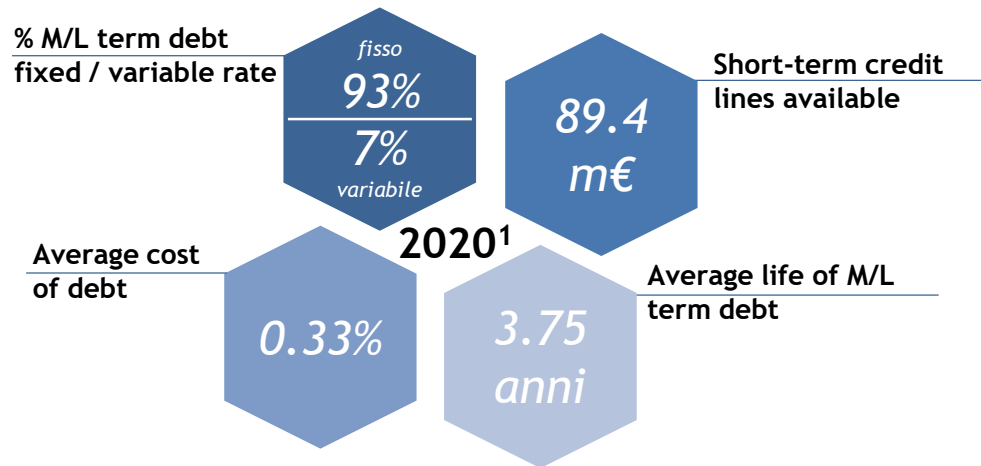
	EBITDA	4.7 m€
	Grid extension	880 km
	Customers served	101 k
	Water sold	8 mcm
	Investments	3.1 m€



Current geographical coverage of Ascopiave Group in the gas distribution sector with over 60% of the population served by its subsidiary Edigas

# Group debt and financial structure

The low debt in relation to the risk profile of the assets held allows to seize new investment opportunities in line with the strategic pillars





# Sustainability of Ascopiave



*Ascopiave's initiatives aim to combine sustainability and industrial growth, focusing on the optimisation of ESG objectives with a view to creating value for all stakeholders*



## Environmental

Ascopiave is committed to the fight against climate change and intends to contribute to the decarbonisation goals defined at national and European level, through initiatives aimed, for example, at reducing CO<sub>2</sub> emissions and reducing the use of plastic in company offices



## Social

Ascopiave promotes the improvement of the social quality standards of corporate activity with initiatives and policies that promote social values in its organisation and in favor of the local community, for example through training and inclusion programs for employees



## Governance

Ascopiave, as a listed company, is aligned with the Best Practices of the sector in the composition of its Board of Directors and its Board of Statutory Auditors, respecting for example the legislation on gender equality



## Sustainable Finance

ESG linked loan: credit lines with a rate linked to the achievement of specific targets of some ESG indicators



In 2020 Ascopiave subscribed the **first ESG linked loan** with Intesa Sanpaolo S.p.A. for a total amount of **€ 50 million** and a duration of **3 years**



*Ascopiave Group has always paid great attention and commitment to environmental issues, with the aim of minimising the environmental impact of its activities*



**Renewable energy sources:** thanks to a 200 kW photovoltaic system and a geothermal system, we guarantee a significant reduction in pollution and consumption at the company headquarters

**CO<sub>2</sub> emission reduction:** for some time we have been implementing the best technologies for constant monitoring of consumption and instilling sustainable behaviors

**Extension of the company green spaces:** the company roofs were converted in gardens, for a total of 28.000 square meters of outdoor greenery equipped with an intelligent irrigation system and a rainwater collection system

**Plastics:** drastic reduction in the consumption of plastic bottles at the offices thanks to the installation of various dispensers in common areas and the distribution of reusable bottles to each employee

**District heating/cogeneration:** Through the management of 3 cogeneration plants with adjoining district heating networks serving about 700 civil-, commercial- and public customers and some heating systems serving condominiums, we contribute to the improvement of air quality in urban centers

**TEE Management:** Through the subsidiary Asco Energy (ESCo), Ascopiave manages the procurement of the Group's energy efficiency certificates in the most effective way



*Ascopiave Group promotes the involvement of personnel in the achievement of sustainability goals and values the contribution of people in a context of mutual trust and collaboration*



**Formation:** Ascopiave promotes the professional skills of its employees through training and continuous growth, also in order to increase the current digital skills of the staff

**Inclusivity:** the Group, following an inclusive approach, is sensitive to the issues of equal opportunities both for the management and for the selection of personnel, focusing on a minimum recruitment quota of 65% under 35

**Work/life balance:** Ascopiave pays particular attention to the work / life balance of its employees: in particular, with a 2<sup>nd</sup> level contractual agreement, the company provides flexibility in the entry and exit of the working day

**Maternity:** for working mothers with children up to 11 years of age, Ascopiave allows part-time work and / or have a more conciliatory working schedule

**Cafeteria service:** Availability of the canteen service with a focus on the provision of sustainable menus with the aim of reducing the use of water related to the production and consumption of food and CO<sub>2</sub> emissions





## 3. Context and market trends



# The energy transition



*The road to a decarbonised future brings with it new challenges and development opportunities for energy sector operators*

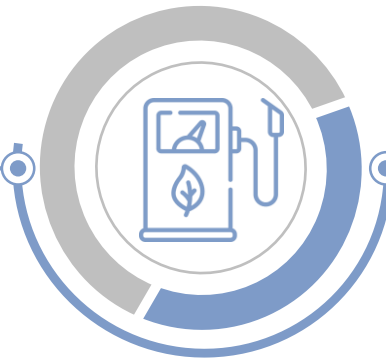
Reduction of CO<sub>2</sub> emissions



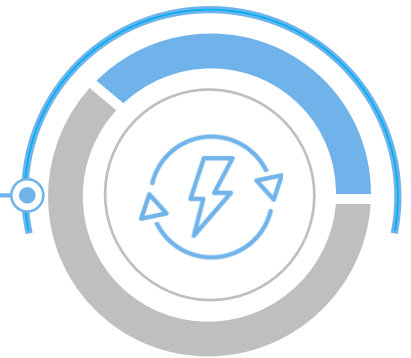
Increase the share of renewables



Bio-fuel penetration



Energy efficiency



*New challenges for the "gas system" and for infrastructure managers*

*New development opportunities in sustainable sectors*



Innovation



Efficiency



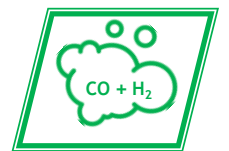
Sustainability



Biomethane



Hydrogen



Synthetic gas



# The European and Italian decarbonisation goals



*Both the European Union and Italy have based their growth targets for the next decade on the transition to a sustainable economy model*



## Main European goals

## Carbon neutrality

## Main Italian goals



### EU 2030 - Clean Energy for All Europeans

- ✓ 40% reduction of greenhouse gases
- ✓ 32% share of RES in energy consumption
- ✓ 32.5% reduction of primary energy consumption

### EU 2050 - Climate Long-term Strategy

- ✓ Efficient use of resources
- ✓ Transition to a clean and circular economy
- ✓ Restoration of biodiversity and reduction of pollution

### National Hydrogen Strategy - 2050

- ✓ 20% of hydrogen penetration in final consumption
- ✓ Large-scale hydrogen applications
- ✓ Complete decarbonisation by 2050

### Integrated National Energy and Climate Plan - 2030

- ✓ 33% reduction of greenhouse gases
- ✓ 30% share of RES in energy consumption
- ✓ 43% reduction of primary energy consumption



# Role of the gas sector in the energy transition



*Gas is a key source for achieving sustainability goals through the evolution of infrastructure and new network management methods*



Green infrastructure adaptation



Integration with renewable electricity system

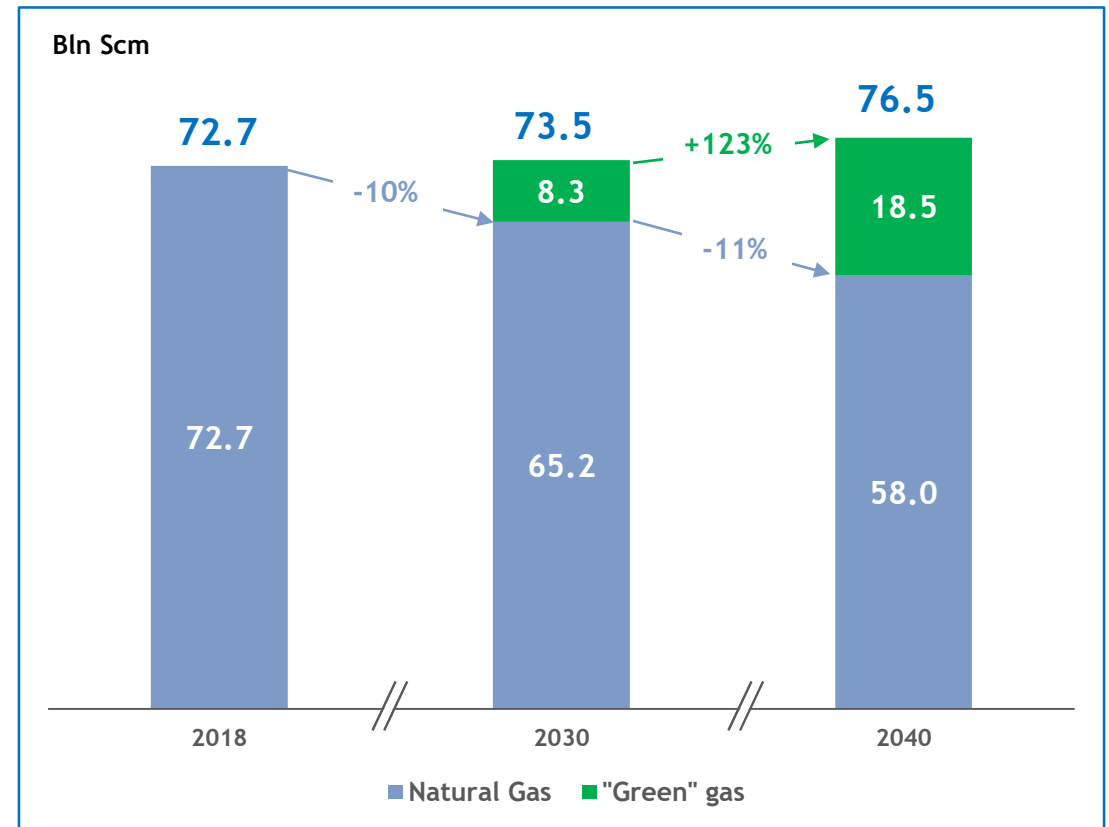
## RISKS

- Reduction in final gas consumption
- Reduction of use of existing infrastructures

## OPPORTUNITIES

- “Green” gas transportation and storage with existing infrastructure
- Non-programmable renewable energy storage

Expected gas consumption Italy<sup>1</sup>



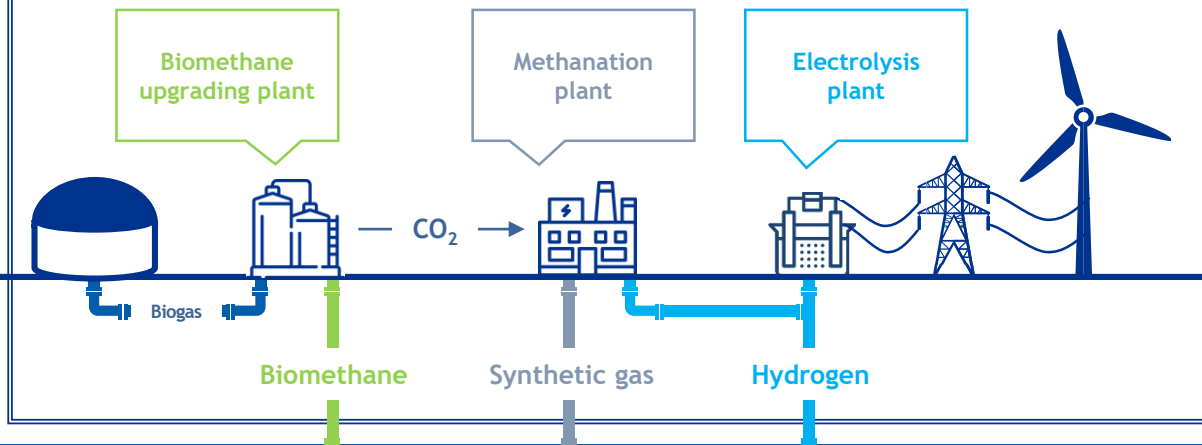


# The new infrastructure grid

*The gas network will require technological and infrastructural adjustments to facilitate the introduction and transport of "green" gases in order to decarbonise the system*

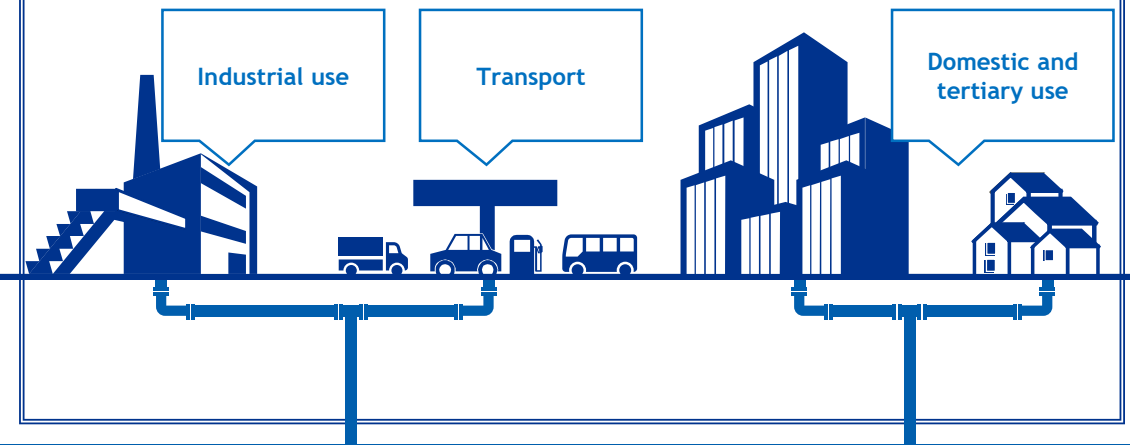
## "Green" gas production and injection

- ✓ Starting with the significant production of biogas, a substantial increase in the production and injection of biomethane into the grid is expected
- ✓ Integration with the electricity system will allow the production and injection of both hydrogen and synthetic gas into existing networks, allowing for a reduction in emissions



## Withdrawal and final uses

- ✓ Existing gas infrastructures can transport and store "green" gases and will be indispensable for supplying increasing quantities of gas to end users
- ✓ The final uses will be many: from industry to residential, from transport to the tertiary sector



Gas grid





# The new infrastructure grid - Biomethane



*A significant contribution from biomethane is expected in the future demand for gas in Italy, also thanks to its key role in decarbonisation and a circular economy*

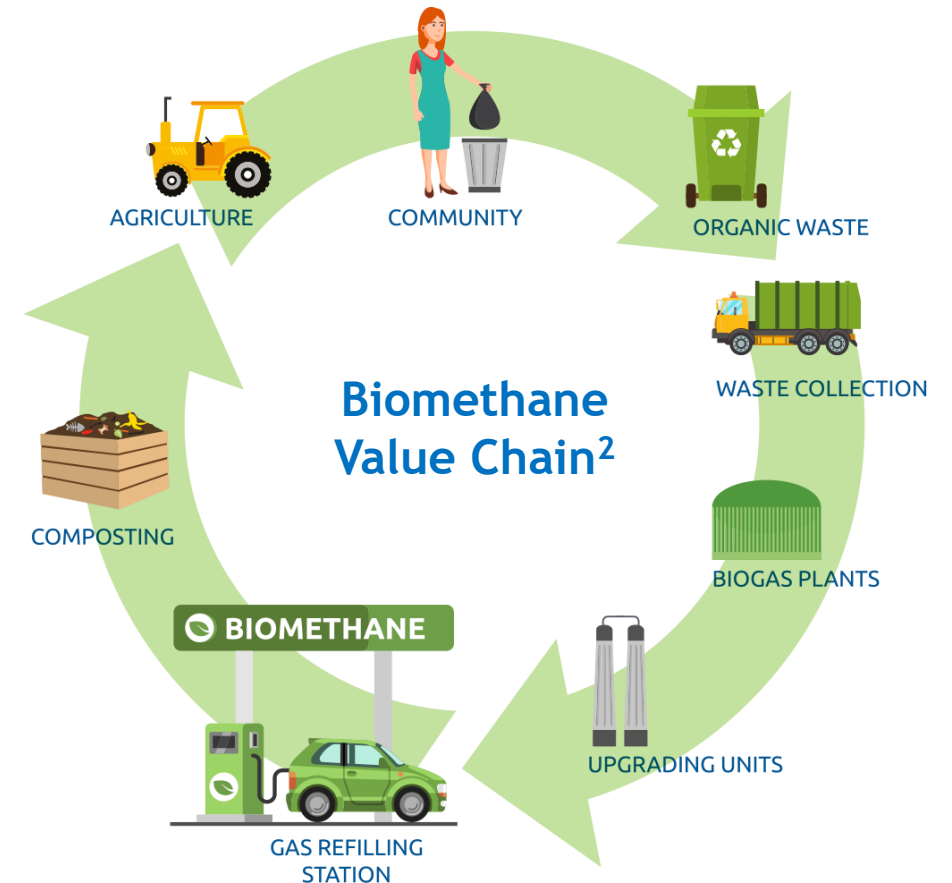
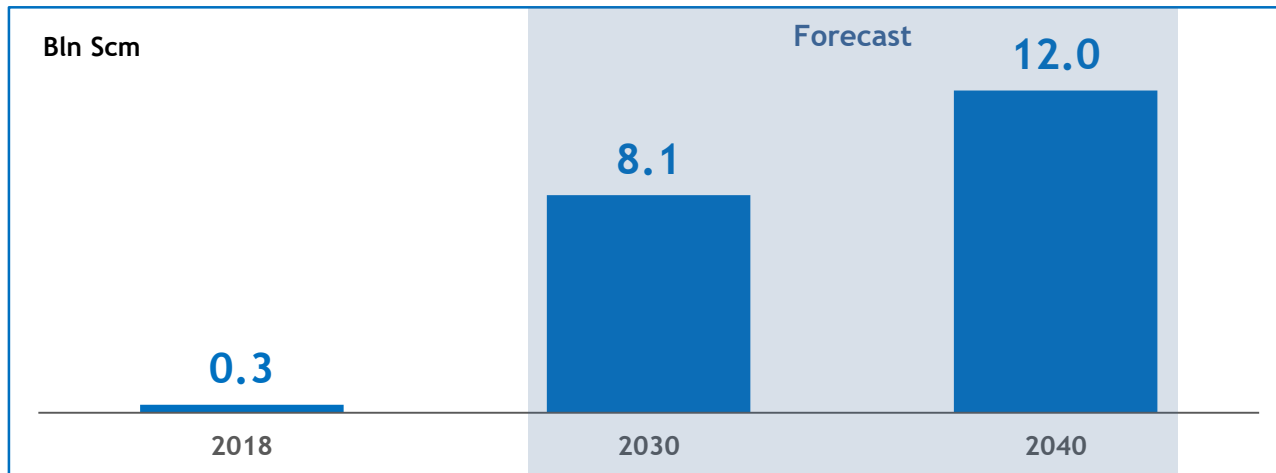
**12 bln Scm**

*Biomethane production expected in Italy by 2040<sup>1</sup>*

**15% of demand**

*Contribution of biomethane to the total gas demand in Italy by 2040<sup>1</sup>*

**Biomethane demand in Italy<sup>1</sup>**





# The new infrastructure grid - Green hydrogen



Thanks to multiple advantages in terms of uses and production, also considering the integration with other energy carriers, hydrogen will represent a key technology underlying the energy transition

## Potential benefits of hydrogen



### Flexible production

Manufactured from a wide variety of sources, including renewable energy



### Emission reduction

Significant contribution to the response to the threat of climate change



### Efficient Energy Vector

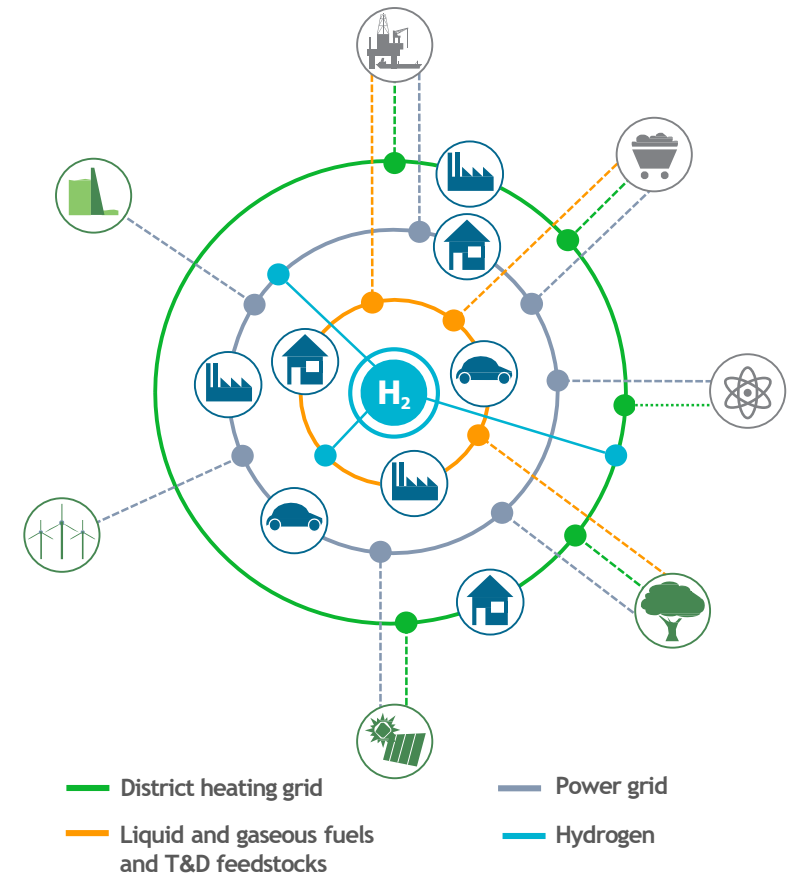
Energy carrier capable of storing and supplying significant volumes of energy



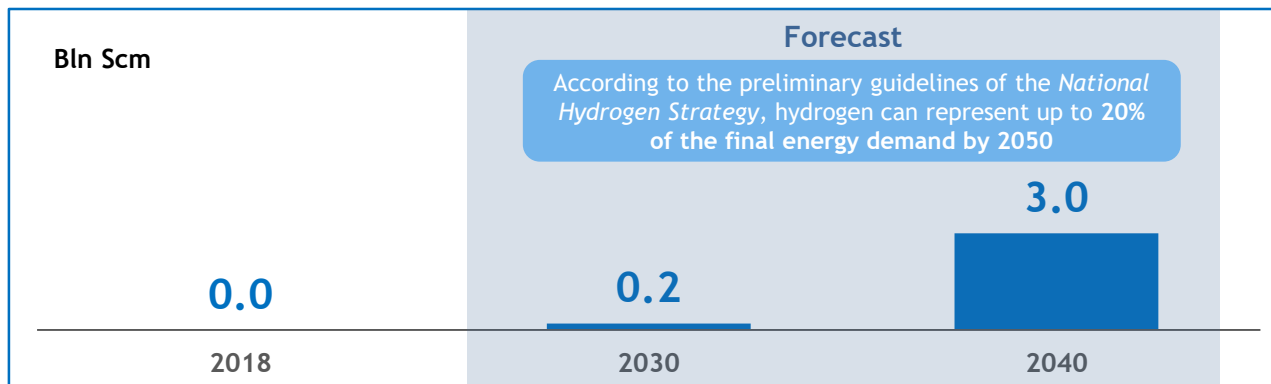
### Multiple final uses

Wide variety of sectors, including generation, transportation and industrial uses

## Role of hydrogen<sup>2</sup>



## Green hydrogen demand in Italy<sup>1</sup>





# The new infrastructure grid - Synthetic gas

*The production of synthetic gas represents a further opportunity to decarbonise the gas networks through the valorisation of the generated emissions*

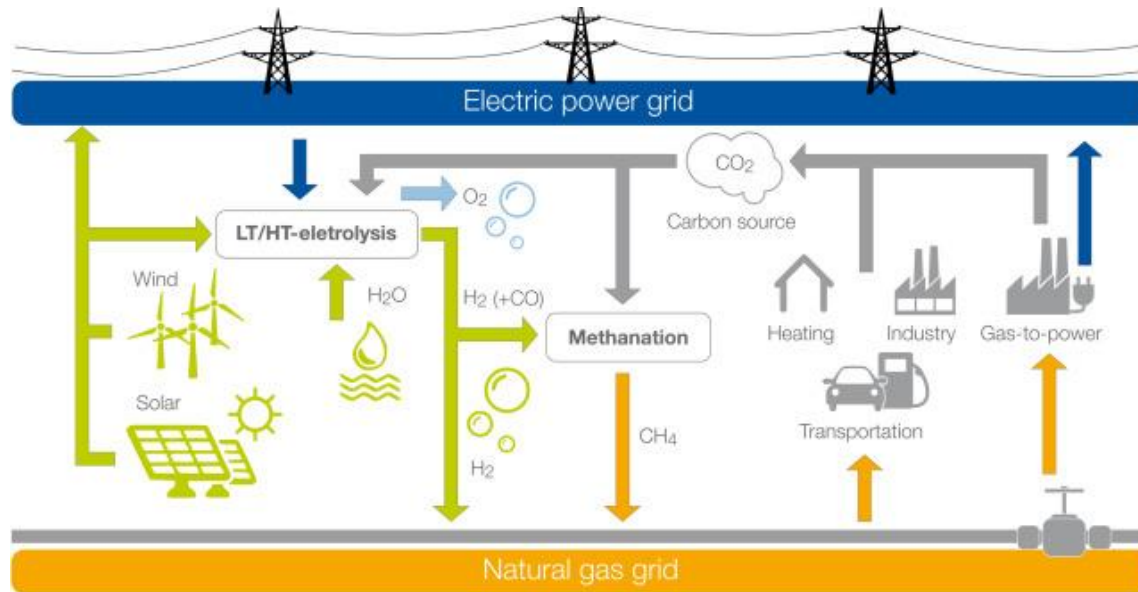
3.5 bln  
Scm

*Syngas production  
expected in Italy  
by 2040<sup>1</sup>*

5% of  
demand

*Contribution of  
syngas to the total  
gas demand in  
Italy by 2040<sup>1</sup>*

## Role of synthetic gas<sup>2</sup>



## Potential benefits of synthetic gas

- ✓ Valorisation of CO<sub>2</sub> emissions
- ✓ Possibility of storage and transport with existing gas networks
- ✓ Flexible and programmable energy source
- ✓ Potential wide availability of production sources
- ✓ Application in power-to-gas-to-power processes in order to be integrated with the electricity grid



# Dynamics of the gas distribution sector in Italy



*Gas distribution in Italy is now a mature and consolidated sector, with the need to renew itself to meet the challenges arising from the evolution of the energy system*

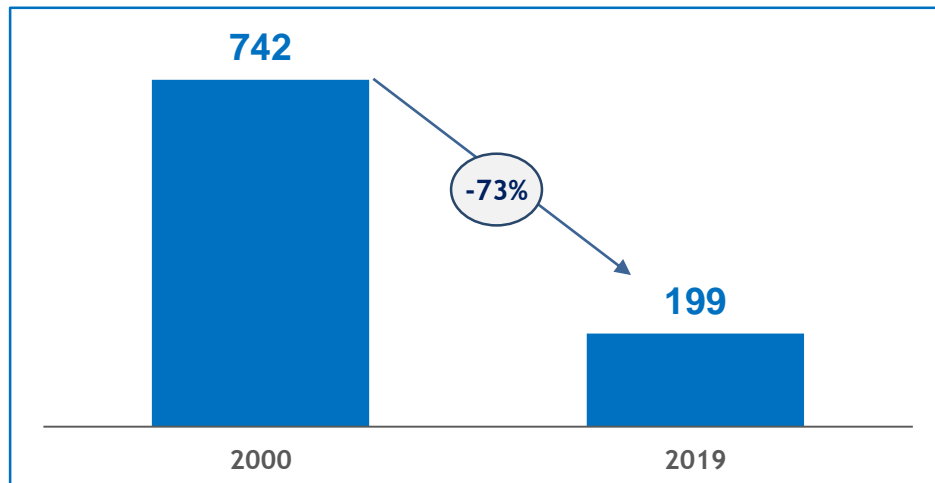
The **gas distribution sector** recorded a **gradual consolidation**, favored by:

- ✓ Rules for awarding concessions for ATEM<sup>1</sup>
- ✓ Economies of scale deriving from centralised management

The energy system transformation scenario will require a **renewal** of the sector, in terms of:

- ✓ Technological and industrial renewal
- ✓ Rethinking of the business management methods

*No. of gas distribution operators in Italy<sup>2</sup>*



*Examples of necessary renovations*



## Upgrade of distribution networks

- ✓ To safely allow the distribution of gas with increasing percentages of hydrogen



## Reduction of CO<sub>2</sub> and CH<sub>4</sub> emissions

- ✓ Through operational efficiency measures aimed at greater sustainability of the activities



*The current sector regulation guarantees stability and risk containment. Furthermore, the regulatory evolutions expected by ARERA will lead to greater attention on cost efficiency and innovation*



## Current regulation

- The current legislative and regulatory framework is characterised by **stability and transparency** and guarantees:
  - ✓ **Stability of economic results and cash flows**
  - ✓ **Recovery of the value of the investments** made at the end of the concession
  - ✓ Recognition of operating costs based on **predefined productivity recovery rates**
  - ✓ Rate of return on capital **updated periodically** on the basis of market parameter evolution
- The current regulation therefore ensures a **limited operational risk** for gas distribution activities



## Regulatory evolution

- For the future, ARERA foreshadows the introduction of **output-based tariff methods**, with greater attention to cost management:
  - ✓ Remuneration of new investments based on **standard costs**
  - ✓ **Selectivity of recognisable investments**, to be justified with **cost-benefit analyses**
- The paradigm shift will support the rationalisation of the sector:
  - ✓ **Opportunity** for efficient companies to **improve their profitability**
  - ✓ **Risk** of under-remuneration of capital for **inefficient companies**
  - ✓ **Incentives for aggregations**



## Regulatory innovation

- **DCO 170/2019/R/gas** - Innovative incentivised initiatives
  - ✓ Injection of **biomethane** and other "green" gases into the networks
  - ✓ **Convergence** between the gas and electricity sectors
  - ✓ Reduction of **methane emissions** into the atmosphere
- **DCO 39/2020/R/gas** - Pilot projects of innovative solutions
  - ✓ **Optimised management** of networks (e.g. bi-directionality, accumulation, loss reduction)
  - ✓ **Innovative uses** of networks (e.g. power to gas, power to hydrogen, etc.)
  - ✓ **Technological / management innovation** (e.g. digitisation of networks and processes)





## 4. Strategic Plan 2020-24

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## 4. Strategic Plan 2020-24



**Strategic  
pillars**

**Quantitative  
projections**

**Shareholder  
remuneration**



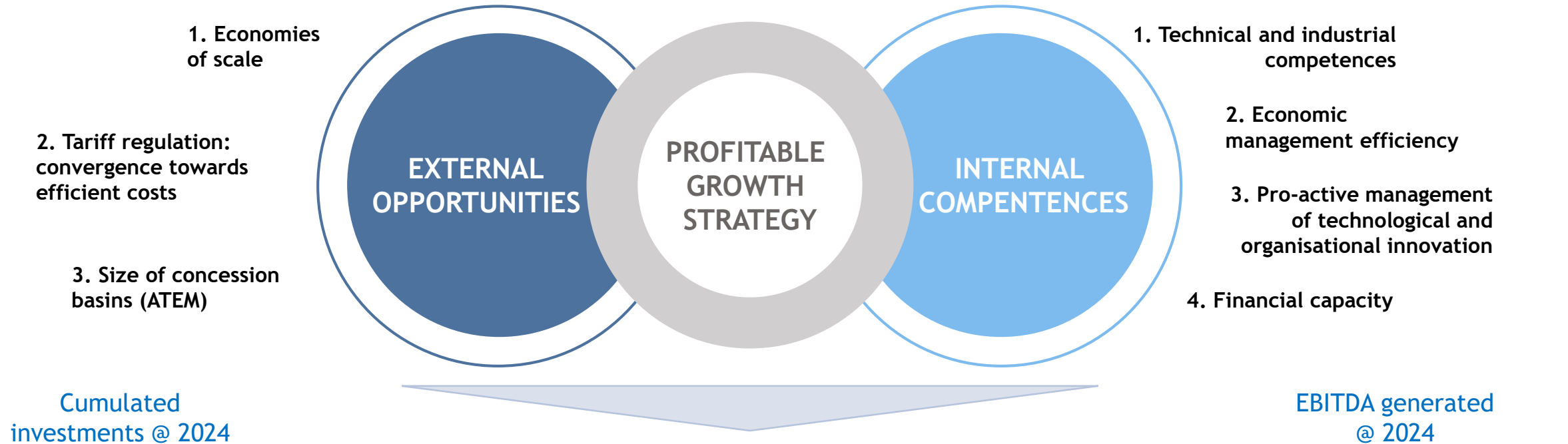
Growth

Diversification

Efficiency

Innovation

*Ascopiave's current positioning and competences in the gas distribution sector constitute solid foundations to support the growth of the perimeter of the activities managed in a sector undergoing consolidation*



ATEM tenders<sup>1</sup> ~188 m€

M&A / Partnership<sup>2</sup> ~65 m€

Cumulated investments @ 2024

- 1. Awarding of a significant number of tenders of minimum territorial scope (ATEM)
- 2. M&A of small to medium-sized companies operating in the gas distribution sector
- 3. Establishment of partnerships aimed at joint participation in tenders

~20 m€ ATEM tenders<sup>1</sup>

~6 m€ M&A / Partnership

EBITDA generated @ 2024



# The ATEMs of interest



Growth

Diversification

Efficiency

Innovation

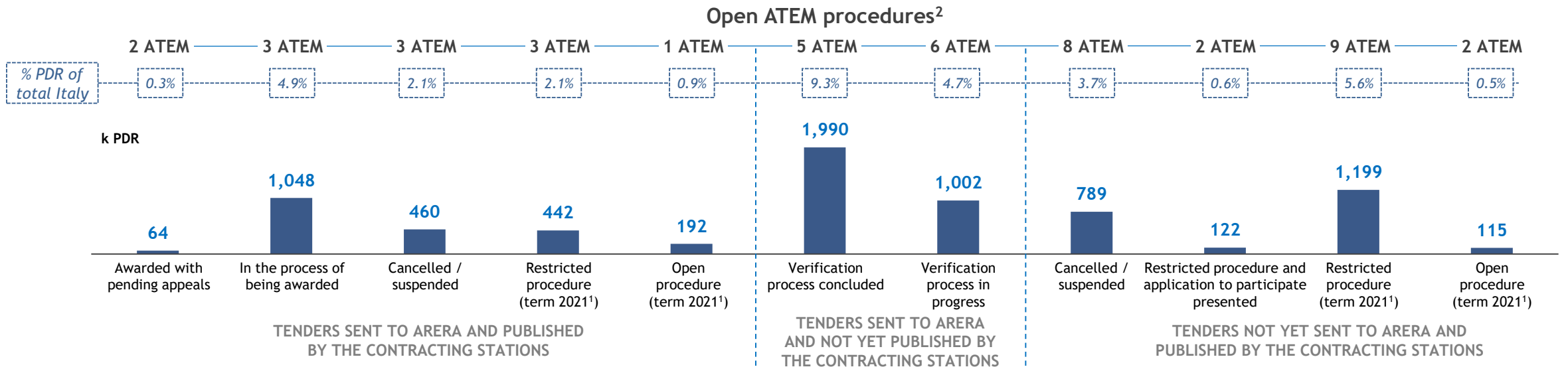
*The Group has identified some tenders of interest, defining the different levels of priority with the aim of establishing a portfolio of territorially contiguous concessions*

### Selection criteria for ATEM of interest

- Valorisation of economies of scale and synergies
- Competitive advantages over potential competitors
- Fair risk/return balance

The definition and implementation of the strategy depends on the timing of publication of the tender notices and any delays in the deadlines. This implies the need to establish an order of strategic priority and a continuous updating of decisions regarding participation in future tenders

1. Priority to development in the Veneto region, consolidating the current leadership position
2. Territorial focus: Northern Italy
3. Participation in tenders in currently managed ATEM and in other contestable ATEM





Growth

Diversification

Efficiency

Innovation

*Thanks to its characteristics and track record, Ascopiave is a credible counterpart in possible acquisitions and/or partnerships in the gas distribution sector*



## Partnership Model

- Acquisition of control through M&A or qualified holding that guarantees the consolidation of activities for the Group
- Balanced and functional governance for effective industrial management
- Other possible directions of development:
  - recognition of put options
  - modification of the quotas in relation to the needs of capitalisation of the partnership
  - possibility of entering the capital of Ascopiave or other companies of the Group

## Advantages



### PARTNER

Ascopiave is a partner with strong commitment to the sector characterised by:

- Financial capacity necessary to participate in tenders
- Decades of experience in business management
- Expertise in organising activities for participation in tenders



Ascopiave is looking for strategic partners with complementary competences to:

- Increase competitive chances
- Diversify financial and operational risks



### TERRITORIAL EFFECTS

- The increase in the number of participants and the intensity of the competition allow administrations and users to benefit from better economic and service conditions



# Strategic drivers for diversification

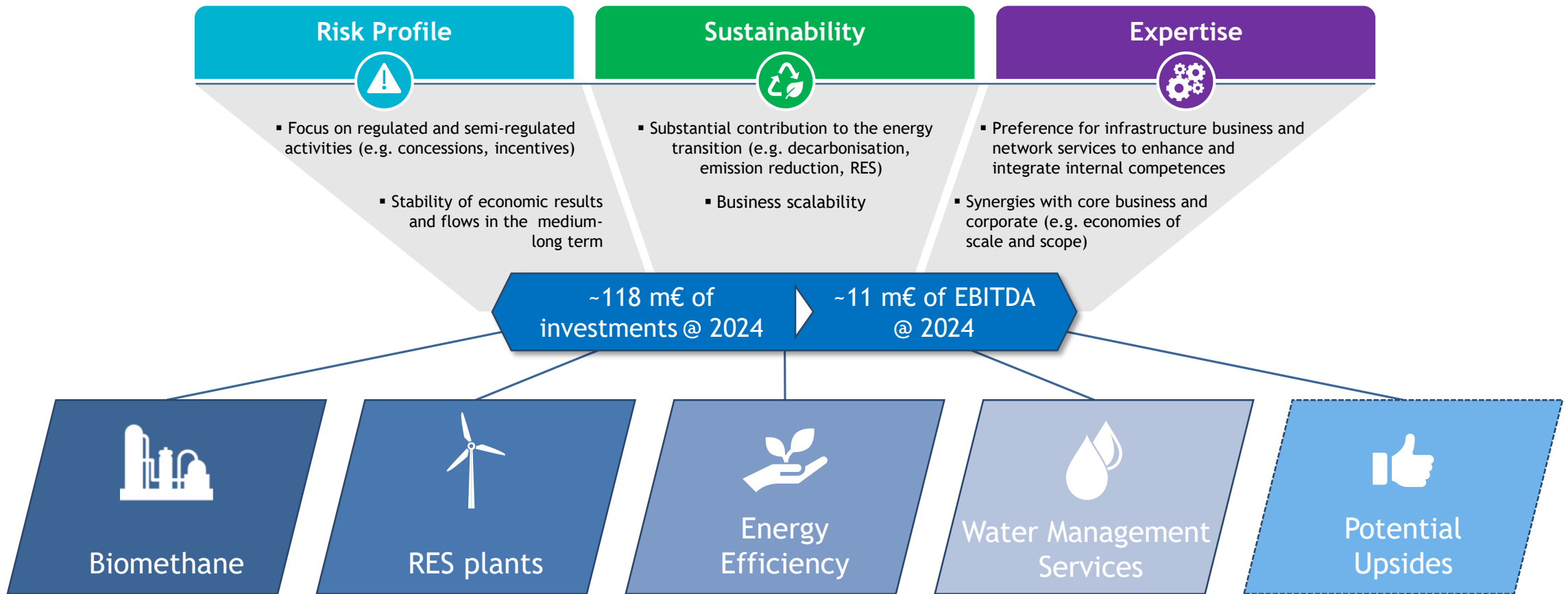
Growth

Diversification

Efficiency

Innovation

*The entry into activities with synergies with respect to the core business allows Ascopiave to maximise the value generated by the Group, exploiting and enhancing the internal competences*





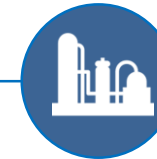
- Presence of **ten-year incentives** (ca. 0.6€/Scm) on biomethane production for transport (up to production of 1.1 mScm by 2022)



- **Reduction of greenhouse gas emissions** in the agricultural sector (equal to 7% of national emissions)<sup>1</sup>
- Conversion of existing plants following the expiration of the incentives for the production of electricity (over 100 MW of incentivised power expiring by 2028 in Veneto)<sup>2</sup>



- Infrastructural complementarity with gas distribution networks
- Consolidation of competences in terms of "flexible" management of distribution networks (experimentation with bidirectional REMI cabins<sup>3</sup>)



### ACTION PLAN

- Focus on areas where the core business is located
- Investment in upgrading of existing agricultural biogas plants and exploitation of potential greenfield investments
- Structuring of partnerships with operators in the agricultural sector with a view to «revenue sharing», leveraging on internal management competences

**~ 10 m€**  
cumulated  
investments  
@ 2024

**~0.1 m€**  
EBITDA generated  
@ 2024\*

\*It is expected that the biomethane initiative will be fully operational starting from 2027, generating from that moment an EBITDA equal to approximately 2 m €/year and therefore does not fall within this strategic plan



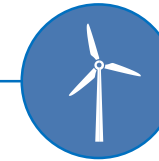
- Presence of **incentive mechanisms** (especially for small plants)
- Potential development of **new contractual forms to contain price fluctuations** (PPA)
- Priority of dispatching of non-programmable RES compared to traditional sources



- **Central role of renewable sources** in the context of the ongoing **energy transition** (expected coverage of 55% of electricity consumption by 2030 on a national basis through RES vs 35% in 2017)<sup>1</sup>



- Possibility of leveraging competences in terms of remote management of infrastructures, developed in the core business
- Presence of operators specialised in the management of RES plants, enabling the potential sharing of competences



## ACTION PLAN

- Structuring of a plant portfolio, preferably under an incentive scheme, through M&A operations
- Consolidation of management competences through external growth and/or partnership agreements with specialised operators

**~73 m€**  
cumulated  
investments  
@ 2024

**~7.5 m€**  
EBITDA generated  
@ 2024



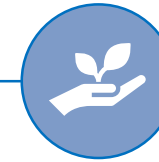
- Presence of medium-long term contracts with counterparties, similar to concession contracts
- Presence of incentive mechanisms to support investments (in particular TEE, which are an obligation for DSOs)



- **Primary role in reducing emissions**, at the heart of national and European policies (the PNIEC sets an annual savings target of 0.8% in terms of primary energy, corresponding to a cumulative savings of 51 Mtoe<sup>1</sup> in 2021-2030)



- Possibility of leveraging internal competences in terms of energy service management, as well as corporate services



## ACTION PLAN

- Focus on areas where the core business is located
- Supervision of energy services aimed at Business customers and Public Administration, both through ESCo contracts, Project Financing and public tenders
- Consolidation of internal competences and preparation for potential growth for external lines (through M&A) aimed at sharing know-how and achieving economies of scale

**~ 10 m€**  
cumulated  
investments  
@ 2024

**~ 1.5 m€**  
EBITDA generated  
@ 2024



# Water management services



Growth

Diversification

Efficiency

Innovation



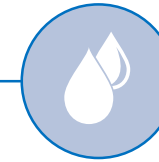
- Regulated activity with **return on invested capital through a tariff mechanism defined by the sector Authority - ARERA** (WACC for the regulatory period 2020-2023 equal to 5.24%)



- **High potential need for investments** in the sector in order to reduce the infrastructure gap and contain water losses (60% of the national water network is over 30 years old and 25% over 50 years old, while the losses exceed 40%)<sup>1</sup>
- Growing trend in investments (+ 24% in 7 years from 2011 to 2017) with forecast for the two-year period 2018 - 2019 of an annual amount of c. 3.5 billion €<sup>2</sup>



- Complementarity from the point of view of competences in the management of network infrastructure businesses
- Acquisition of background for potential participation in tenders for service assignment



## ACTION PLAN

- Investments in partnerships with industry operators through M&A and participation in tenders for the award of the service
- Provision of technical services to sector operators
- Integration and consolidation of internal and external technical competences

**~25 m€**  
cumulated  
investments  
@ 2024

**~2 m€**  
EBITDA generated  
@ 2024



# Potential upsides



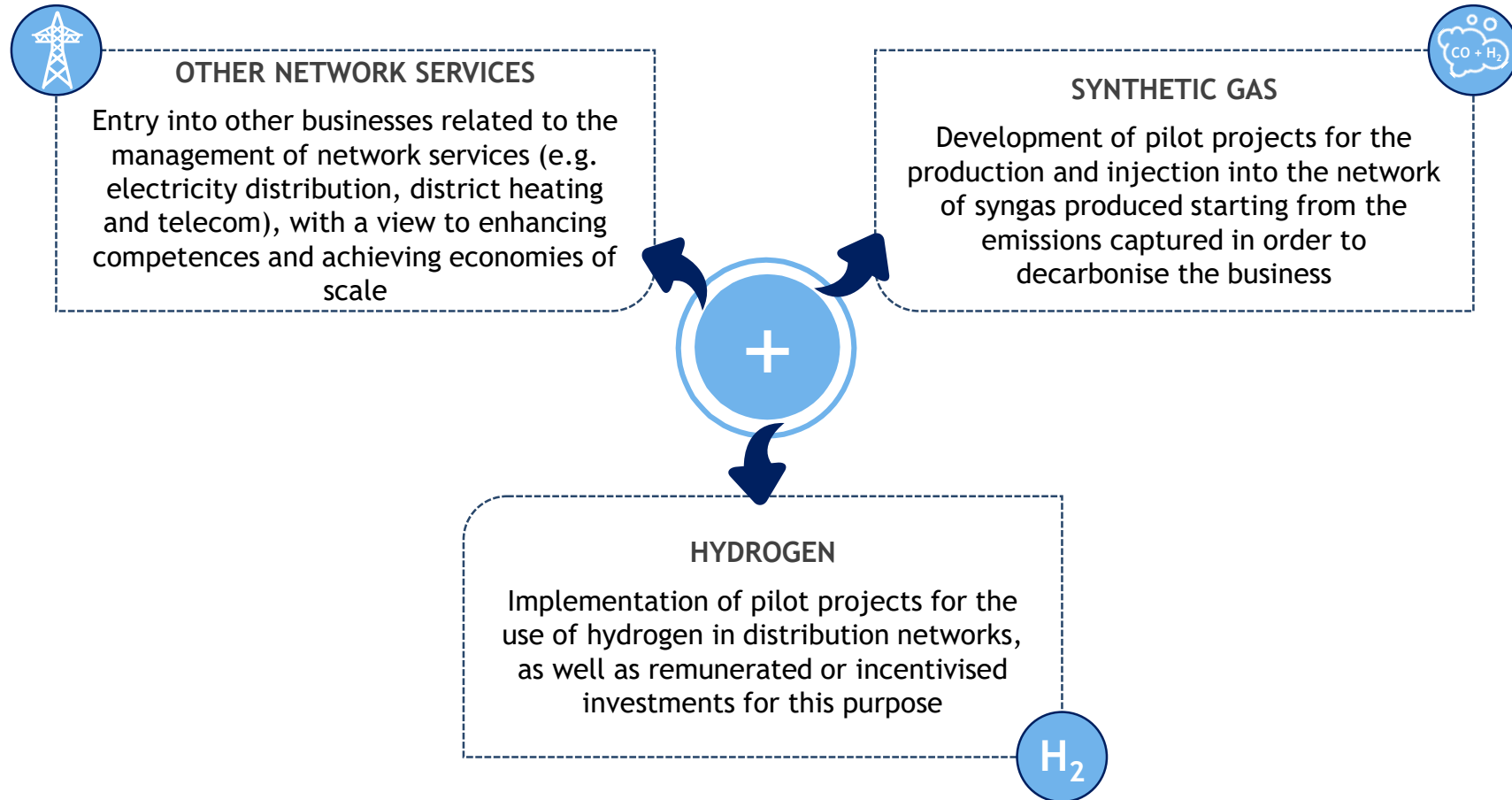
Growth

Diversification

Efficiency

Innovation

*Based on the evolution of the market context, the regulatory framework and technological progress, further potential areas of development have been identified, currently not valued in the plan*







# Efficiency goals achieved



Growth

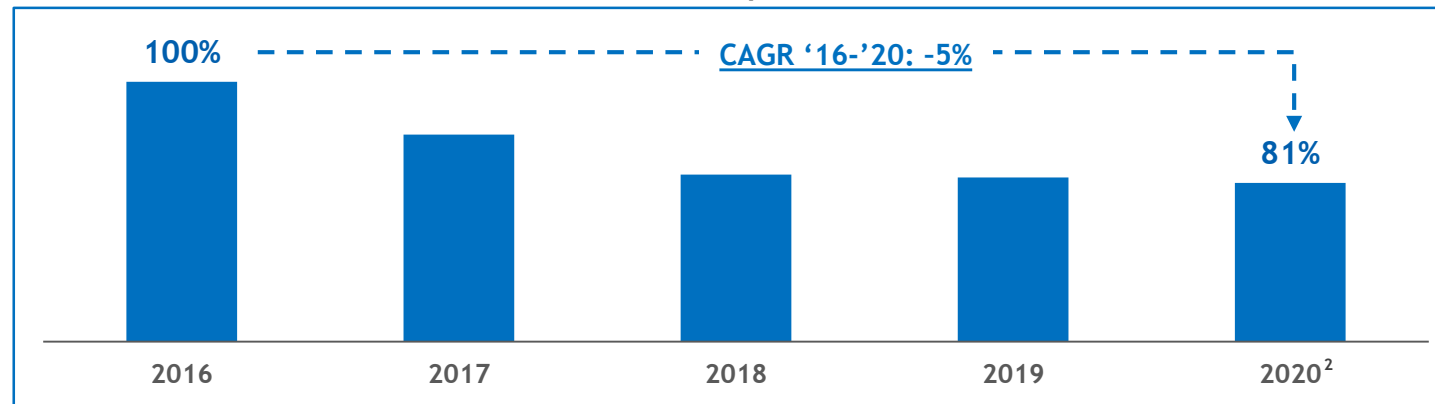
Diversification

Efficiency

Innovation

*Ascopiave has achieved appreciable results in terms of management efficiency, implementing organisational and technological solutions functional to the purpose*

Historical costs per customer<sup>1</sup>



## Reorganisation of activities

Starting from 2016, an extensive process of reorganisation of the distribution activities was launched which involved all the companies of the Group:

- Renewal and re-engineering of systems and procedures;
- Rationalisation of the operational and logistic offices in the area;
- Centralised and integrated management of all the main processes;
- Adoption of new state-of-the-art information systems for the management of the workforce and commercial distribution services.

This has allowed the optimisation of the use of resources, allowing the internalisation of many contracted activities to third parties in order to reduce management costs and increase the possibility of making investments

## Post-merger integration

- Ascopiave has solid experience in the integration of post-acquisition companies, with the achievement of management improvements with a reduction in costs and an increase in the quality of services
- The following examples of integration are noted in particular:
  - ✓ 2017: **Pasubio Group** (90k PDR) integrated in **AP Reti Gas Vicenza**
  - ✓ 2019: **Unigas Distribuzione** (110k PDR) integrated in **Edigas**
  - ✓ 2020: Asset **Atem Padova 1, Udine 3 e Pordenone** (180k PDR) integrated in **AP Retigas Nord Est**



Growth

Diversification

Efficiency

Innovation

*Improving operating and economic efficiency is at the heart of Ascopiave's management policies which intends to follow up on the excellent results achieved over the last few years*

## Company policies and practices in support of efficiency

- Continuous monitoring of process efficiency through dedicated operating systems and organisational resources
- Incentive-based remuneration of staff, based on economic-management efficiency indicators

## Interventions in areas and tools subject to potential improvement

- Innovative technological solutions/digitisation
- Efficiency of internal organisational processes
- Optimised management of existing relationships with external suppliers



## Plan goals

- ✓ Reduction of the incidence of general and industrial costs
- ✓ Maintaining a lean and flexible cost structure



Growth

Diversification

Efficiency

Innovation

## Ascopiave plans to increase its operational and economic efficiency through the digitisation of networks and processes

### SMART METER INSTALLATION

- Ascopiave Group was **one of the first companies** to experiment with the installation of intelligent mass market meters and aims to achieve **100% of smart meters installed throughout its networks @ 2024**
- **Internalisation of installation activities** is envisaged, in compliance with the objectives set by the authority and in order to plan such interventions in the most opportune way
- The identification of the right mix between Radio Frequency and P2P<sup>1</sup> meters, and the economies of scale generated by the coverage of large areas of the territory, will allow a significant **optimisation of operating costs**

### DIGITISATION OF COMPANY PROCESSES

- The Group plans for process digitisation interventions, such as the evolution of **cartographic systems**, the efficiency of the Work Force Management system, **virtual and augmented reality** projects and **Robotic Process Automation** solutions
- This digitisation will allow the development of the execution of activities, achieving **greater efficiency and creating new opportunities** for using the data and information collected

**~5.5 m€**

cumulated investments @ 2024

### NETWORK DIGITISATION

- The Group aims to install sensors capable of detecting, recording, transmitting and executing commands by creating a digital twin of the physical infrastructure in order to:
  - **Optimise network monitoring** in terms of pressure and odourisation
  - Acquire **data in real time and simulate plant conditions**
  - Adapt the network for the introduction of **biomethane** and in the future of other "green" gases

**~2.1 m€**

cumulated investments @ 2024

### Benefits expected from efficiency initiatives



Network balancing



Consumption profiling



Reduction of operating costs



Intervention prioritisation



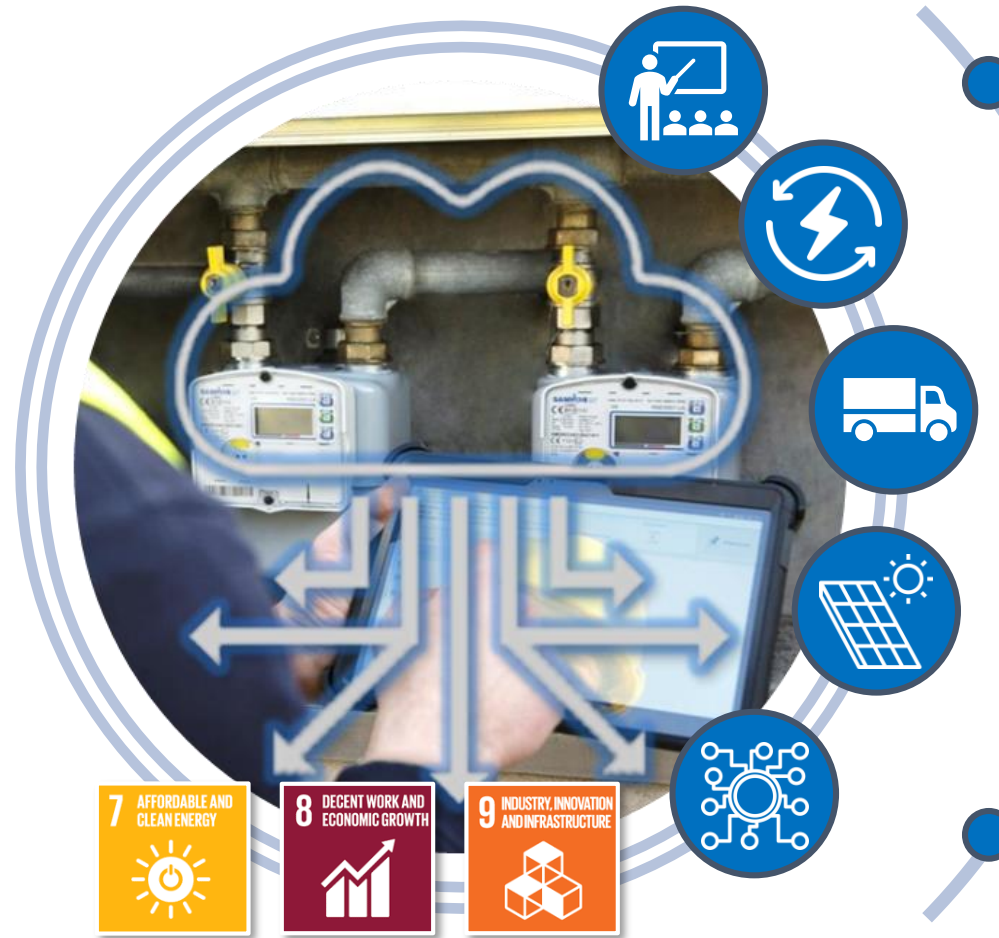
Predictive maintenance



Reduction of network losses



*The plan includes investments and initiatives aimed at improving corporate efficiency through greater sustainability in both environmental and social activities*



**Staff training:** target of 15 hours/year of training per employee by enriching the training offer in e-learning mode and offering online training content, collected within a structured platform

**Asset renewal:** conversion of the first six gas compression plants into gas / electric hybrids and start of energy efficiency initiatives on existing assets

**Sustainable vehicles:** company fleet renewal according to the highest industry standards, also experimenting with the use of vehicles powered by alternative fuels

**Renewable power:** further increase in the photovoltaic power installed at the company headquarters (+87%) which will allow a saving, in terms of tonnes of CO<sub>2</sub> avoided from 2020 to 2024, equal to 805 tonnes

**Reduction of CO<sub>2</sub> and CH<sub>4</sub> emissions:** through the implementation of interventions to improve the efficiency of the preheating in the REMI cabins and the adoption of innovative methods for the research of CH<sub>4</sub> dispersions in the networks



Growth

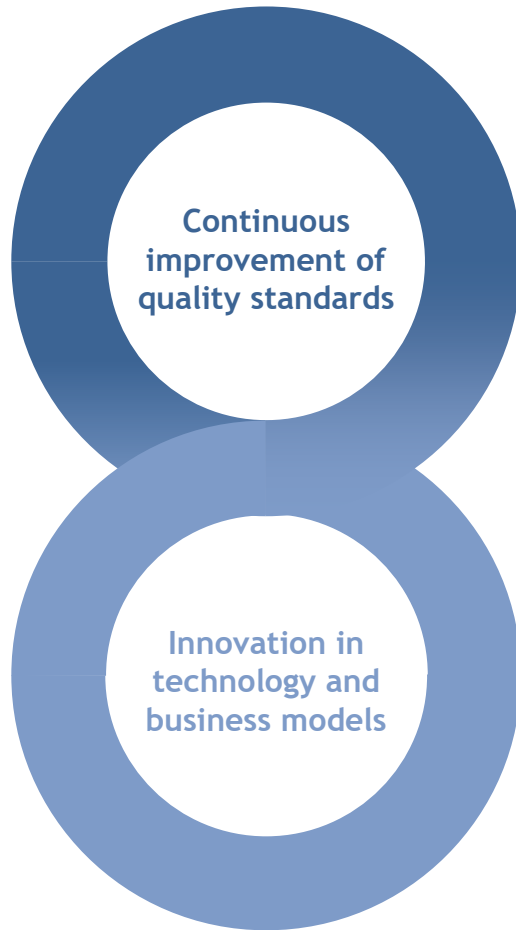
Diversification

Efficiency

Innovation

*Innovation management is a crucial activity for Ascopiave and targets both short and medium-long term goals*

Group guidelines to be pursued through innovation



### Short term goals

Interventions with immediate positive effects on income:

- ✓ Optimisation of operating costs
- ✓ Interventions encouraged by current regulations

### Medium term goals

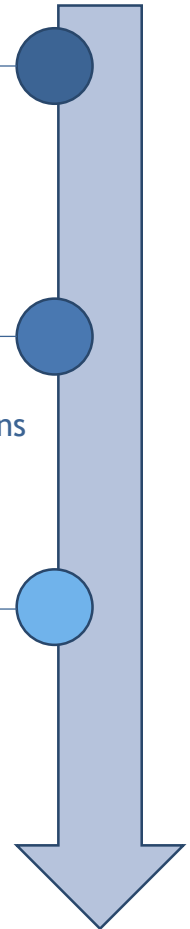
Strategic investments:

- ✓ Competitive potential improvement in ATEM competitions
- ✓ Offer improvement in innovation

### Long term goals

Strategic investments :

- ✓ Technological adaptation of networks and infrastructures as a contribution to the competitiveness of the "gas system" vs. alternative energy carriers:
  1. Cost competitiveness
  2. Convergence with environmental objectives





Growth

Diversification

Efficiency

Innovation

*In the next few years Ascopiave will execute an organic program of innovative interventions aimed at the evolution of the infrastructure and the improvement of its safety and functional efficiency*

### REMI Energy Efficiency



Optimisation of the pre-heating system with high-efficiency cogeneration, heat pumps, photovoltaic and solar thermal intended to reduce the energy consumption of REMI cabins

### REMI Energy Recovery



Implementation of turbo expansion combined with high efficiency cogeneration (CAR)

### Bi-directional distribution system



Bi-directional REMI cabins to ensure capacity and continuity in the injection of "green" gases into the distribution grid, in particular biomethane for which several connection requests have recently been received for the currently managed network

### Innovative system for leak detection



Through the use of vehicles equipped with special equipment and sensors which, with the help of sophisticated analysis software, guarantee a sensitivity of detection of the presence of gas in the air three times higher than traditional methods

Cumulated investments

~3.1 m€

~4.3 m€

~2.4 m€

~1.5 m€

Cumulated investments @ 2024 ~11.3 m€

Benefici attesi

- Significant reduction in operating costs
  - Contribution to TEE obligations
  - Reduction of CO<sub>2</sub> emissions

- Adjustment of the network for the future injection of "green" gases
- Lower connection and operating costs for "green" gas producers

- Improvement of safety conditions
- Reduction of leak reporting by third parties
  - Maintenance planning improvement
  - Reduction of CH<sub>4</sub> emissions into the atmosphere



## 4. Strategic Plan 2020-24



Strategic  
pillars

Quantitative  
projections

Shareholder  
remuneration



*The plan projections have been elaborated and defined taking into consideration both the main risk elements typical of the reference sectors, and the characteristics of Ascopiave*

## Main rationales



### Uncertainty about the start of ATEM tenders

- The uncertainty about the timing of tenders and subsequent award of concessions suggested the development of a scenario analysis based on various hypotheses<sup>1</sup>:
  - **Scenario A:** increase in the perimeter of activities managed in gas distribution sector only through M&A and organic growth as by the end of the plan period no ATEM tender is able to complete its award process;
  - **Scenario B:** in addition to the growth expected in scenario A, the launch and award of 2 ATEM tenders in the two-year period 2023-2024 is expected and, consequently, a significant increase in networks and served customers.



### Pursuit of rational goals in terms of efficiency and investments

- The projections reflect the goals reasonably achievable by the Group
- Operating and investment costs incorporate:
  - Inflation dynamics (+)
  - Economic-management efficiency targets (-)



### Implementation of M&A initiatives and diversification into other activities

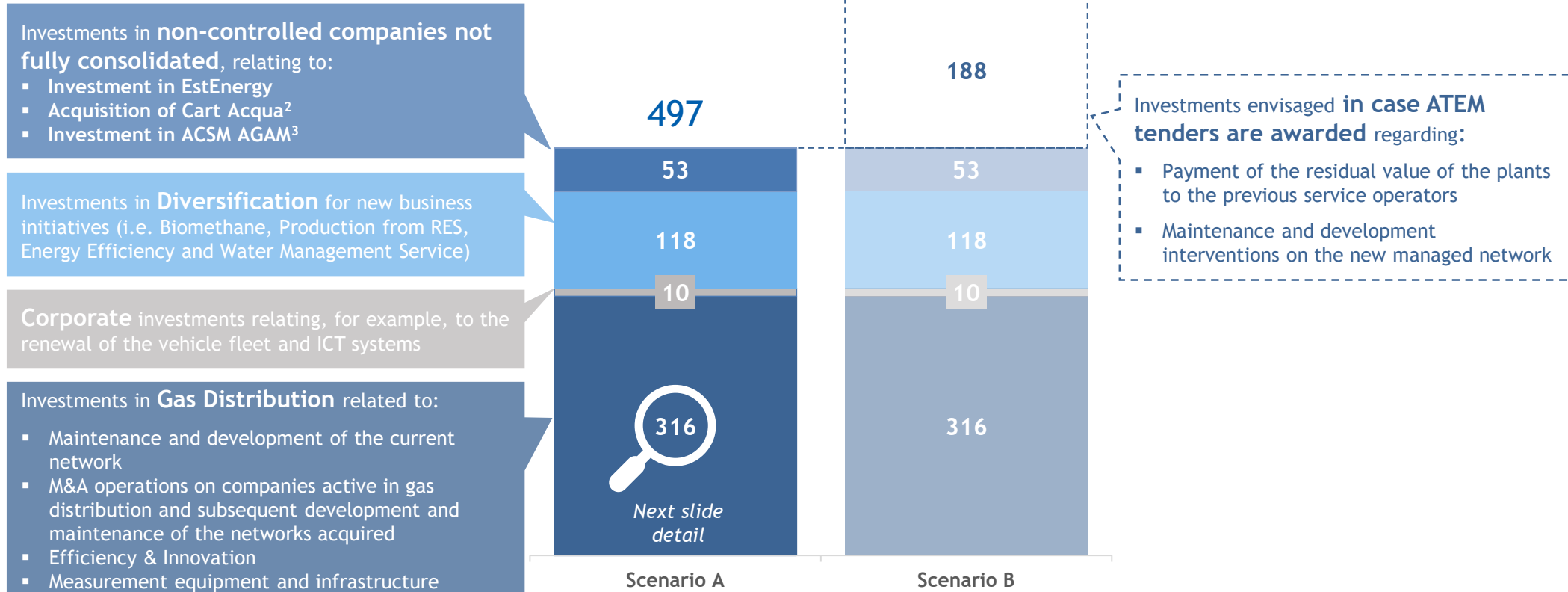
- Achievement of reasonable growth targets through M&A and diversified asset investment initiatives



The plan provides for the realisation of a significant volume of investments, aimed both at the maintenance and development of the existing network and at the expansion of activities on new synergistic businesses

## Cumulative net investments<sup>1</sup> @ 2024

m€





# Investments in gas distribution



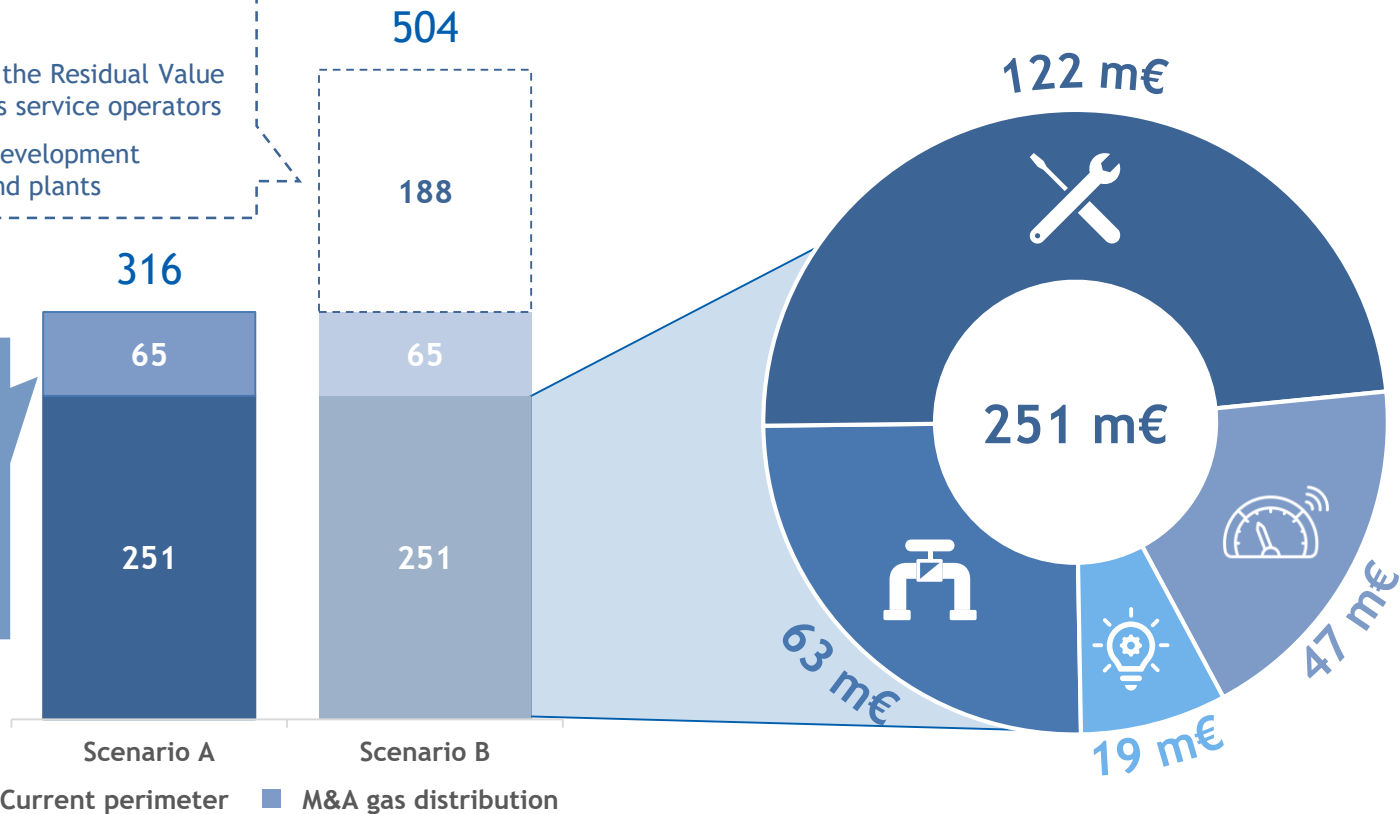
*Most of the planned investments concern gas distribution, with significant interventions in the current perimeter and possible further increases in the event that ATEM tenders are awarded*

Cumulative net investments<sup>1</sup> @ 2024  
m€

Cumulative net investments @ 2024 on the current perimeter

- Of which:
- 148 m€ for the payment of the Residual Value of the plants to the previous service operators
  - 40 m€ for the subsequent development maintenance of networks and plants

- Of which:
- 54 m€ for the payment of the Enterprise Value of the companies to be acquired
  - 11 m€ for the subsequent development and maintenance of networks and plants



- Network and plant maintenance:** ~250 km of network, refurbishment of ~25k IDU<sup>2</sup> and ~400 GRF<sup>3</sup> and ~200 maintenance interventions on cabins
- Network and plant development:** ~300 km of new pipelines and ~12k new IDU<sup>2</sup>
- Measurement equipment and infrastructure:** installation of ~340k meters
- Digitisation, efficiency and innovation**

■ Current perimeter ■ M&A gas distribution  
 □ in case ATEM tenders are awarded (Scenario B)

Notes: <sup>1</sup>Net of € 22m deriving from divestments in current networks and plants in case ATEM tenders are awarded (Scenario B); <sup>2</sup>Impianto di derivazione d'utenza – User connecting gas pipes; <sup>3</sup>Gruppo di riduzione finale – Final pressure reduction station.



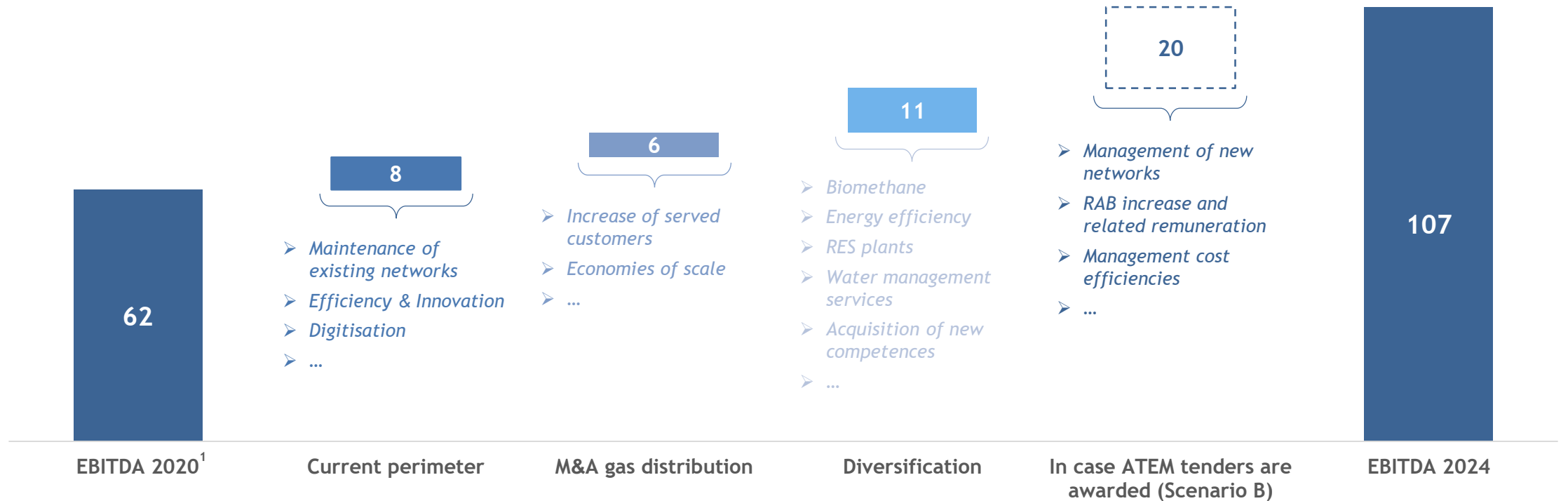
# Results expected from the individual initiatives



The implementation of the initiatives considered will lead, over the plan horizon, to a progressive and stable growth of the value generated in terms of EBITDA

CAGR EBITDA 2020-2024 +15%

m€

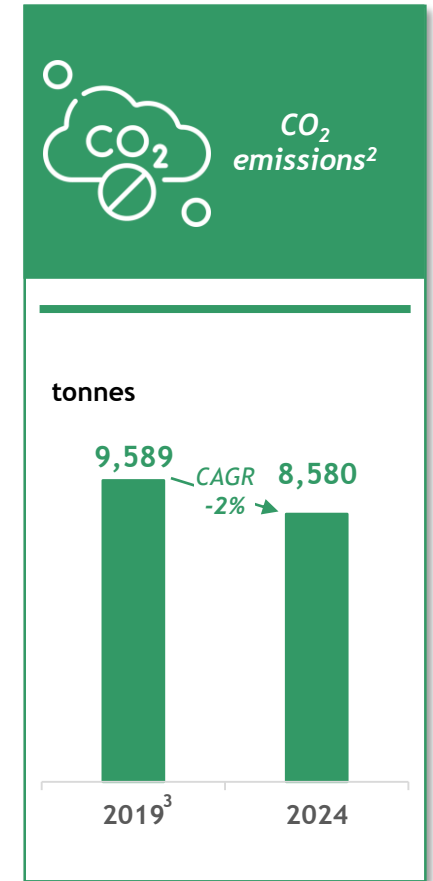
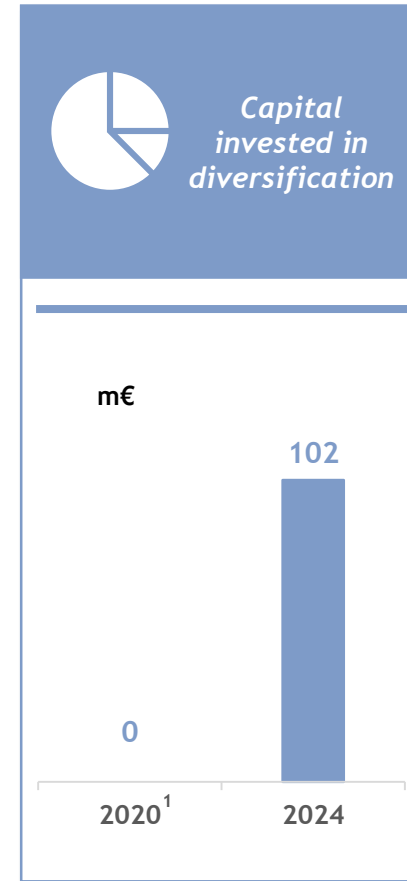
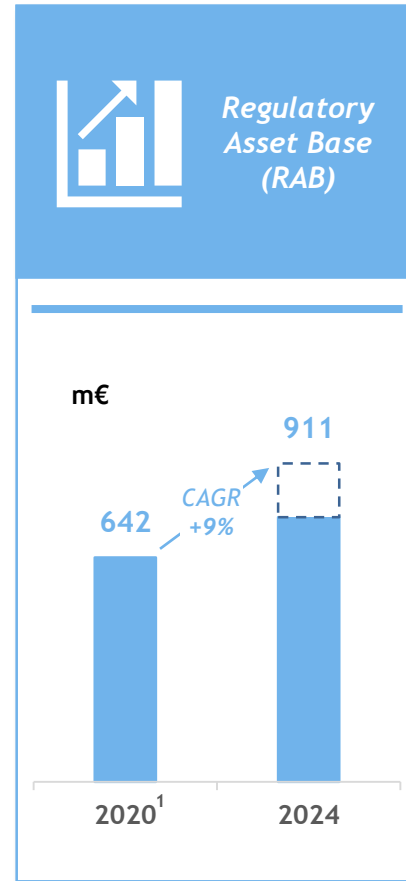
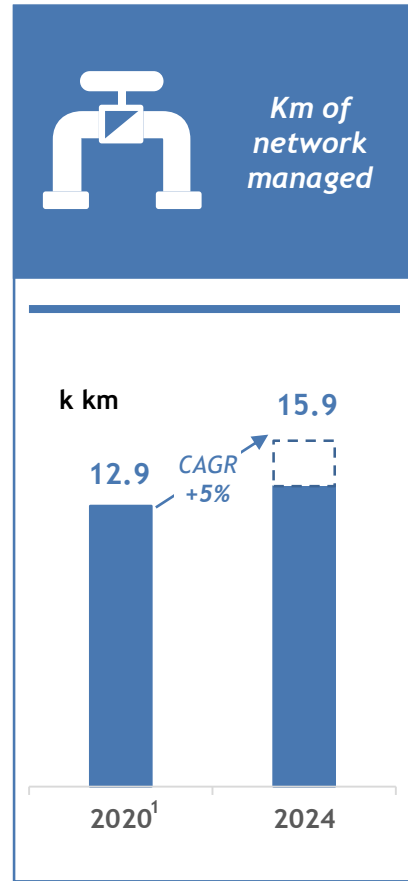
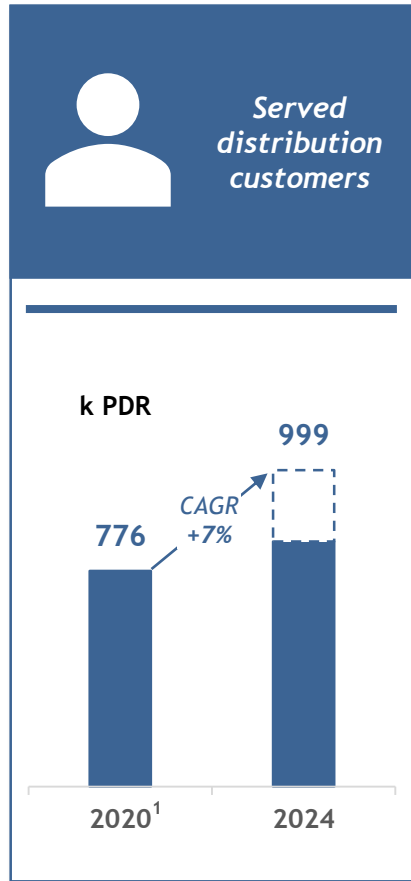




# Main prospective data



The growth prospects, both internally and externally, will determine further consolidation of the Group in the distribution sector and diversification into synergistic sectors



□ in case ATEM tenders are awarded (Scenario B)





# Overall economic results



*In both scenarios that were considered, the Group's economic results are expected to grow by 2024*

<i>m€</i>	2020 <sup>1</sup>	2024 Scenario A	CAGR	2024 Scenario B	CAGR	Δ 2024 Scenario B vs A
Revenues	216	270	6%	332	11%	62 (23%)
EBITDA	62	87	9%	107	15%	20 (23%)
EBIT	27	36	7%	47	15%	11 (31%)
Net financial income <sup>2</sup>	20	26	7%	24	5%	-2 (-8%)
Net income	40	51	6%	58	10%	7 (14%)

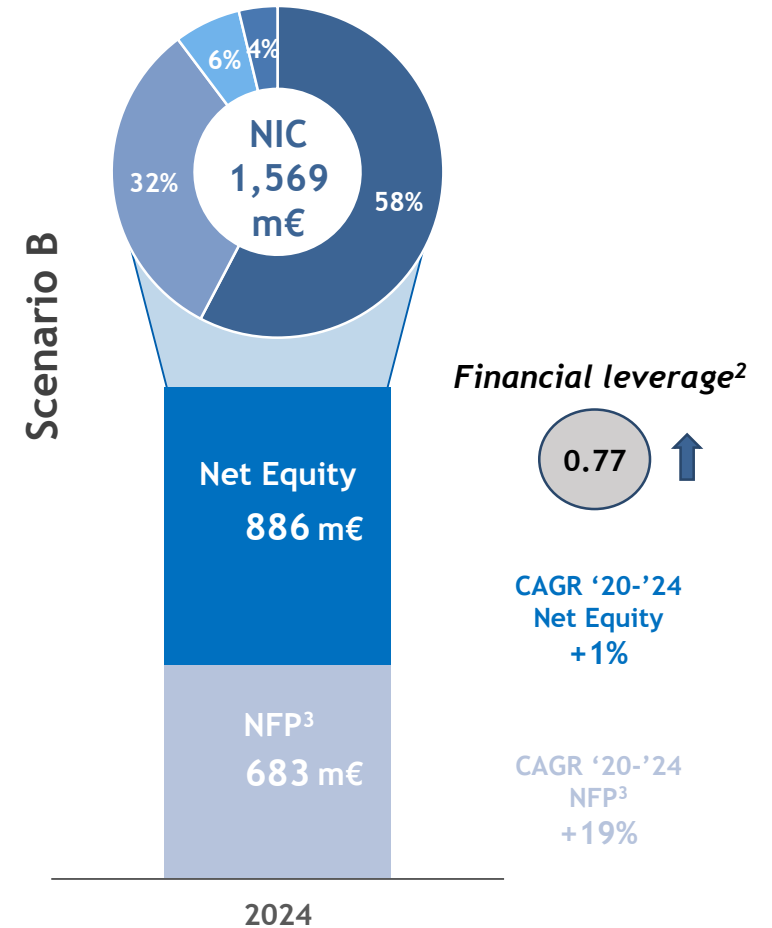
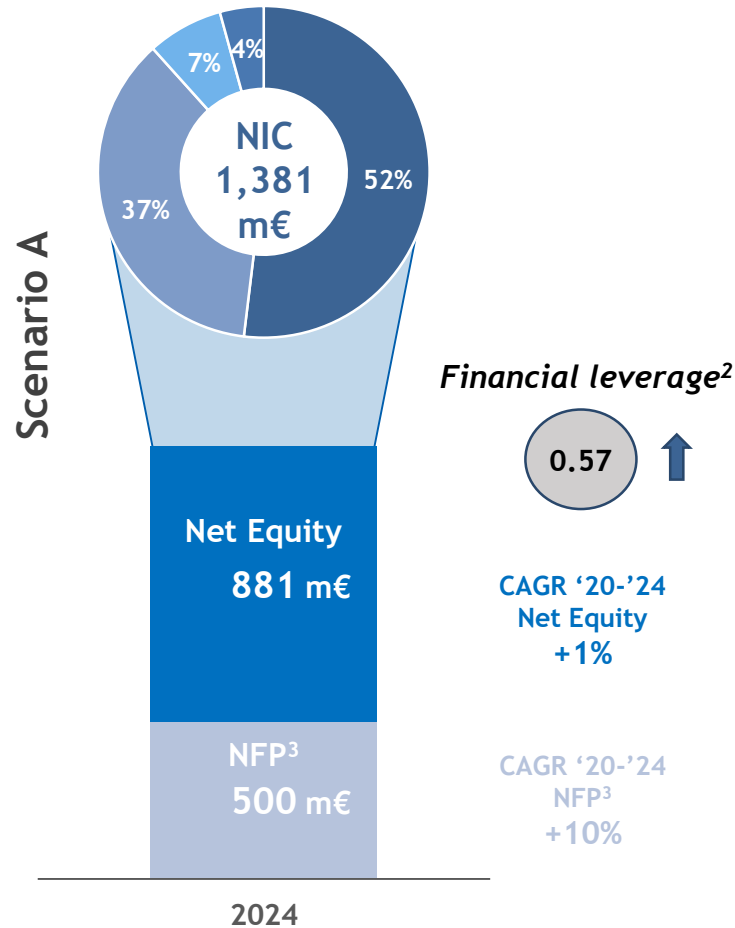
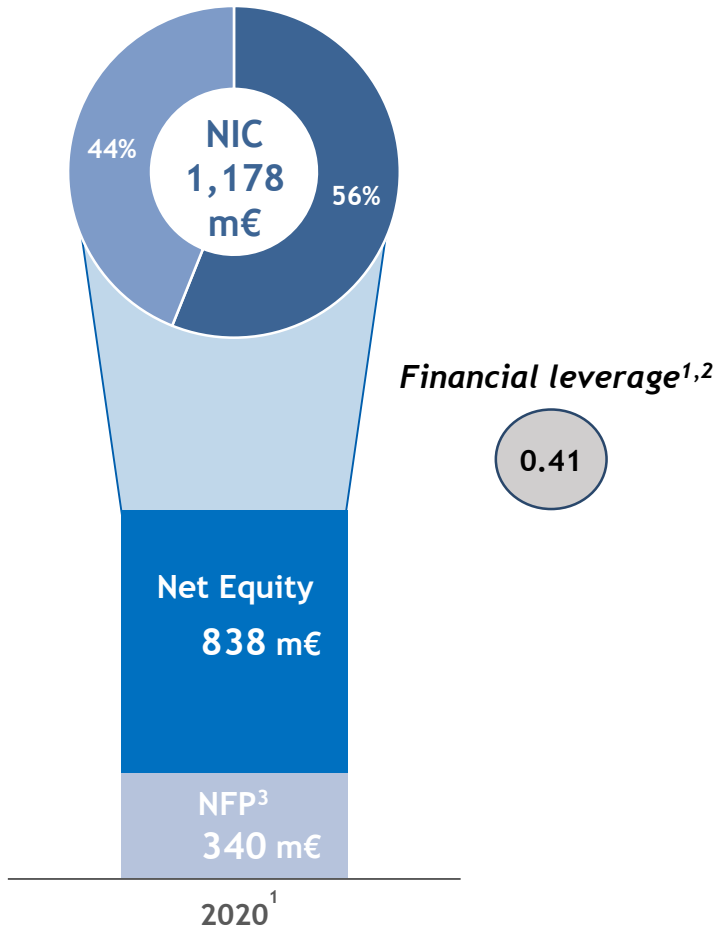


# Net Invested Capital and financial leverage



Over the plan horizon a growth in invested capital and an optimisation of the mix of funding sources is expected

■ Current subsidiaries   ■ Current investee companies   ■ M&A gas distribution   ■ Diversification into new businesses



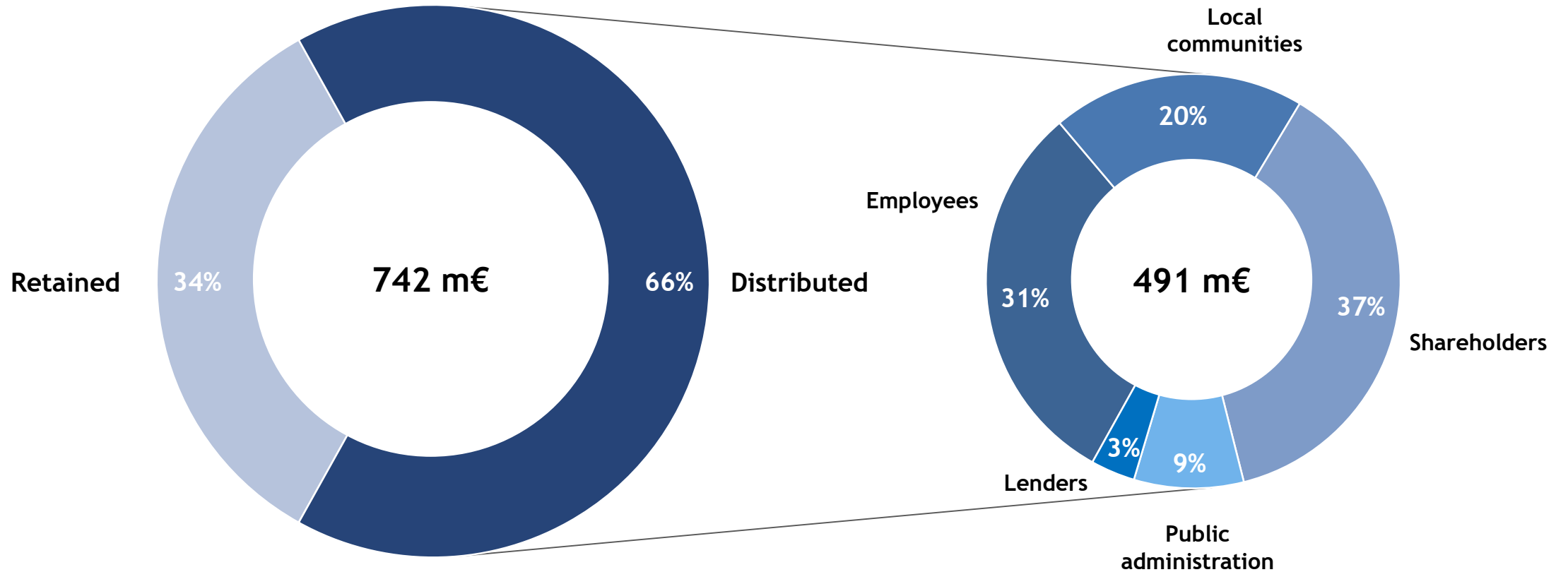


# Distribution of the generated economic value



*Ascopiave's strategy aims to create value for its stakeholders, distributing the wealth produced to contribute to the economic and social growth of the context in which the Group operates*

Added value<sup>1</sup> created by Ascopiave's activities over the course of the 2020-24 plan (Scenario A)



## 4. Strategic Plan 2020-24



Strategic  
pillars

Quantitative  
projections

Shareholder  
remuneration



# Financial management goals



*Ascopiave is focused on cost of capital efficiency and financial flexibility in order to create value for shareholders in the long term*

## Financial debt management



1. Pro-active management of deadlines
2. Optimised treasury management (cash pooling)
3. Consistency of the timing of sources and uses
4. Refinancing target: share of fixed rate loans in the plan period > 75%

## Equity management



1. No need to resort to new contributions from shareholders
2. Purchase of own shares for possible exchanges in extraordinary business transactions
3. Stable, profitable and sustainable distribution of dividends



Use of financial leverage to cover the needs of planned investments

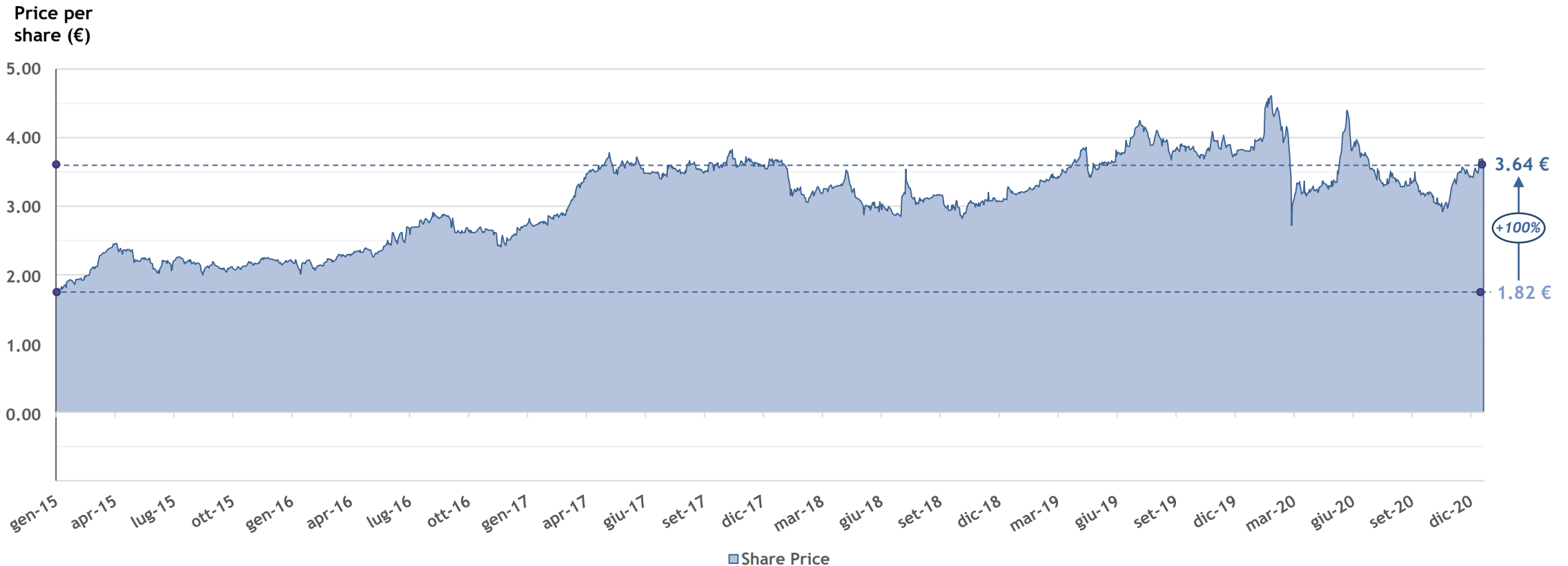
1. Efficiency of the financial structure and cost of capital
2. Financial flexibility

Value creation for shareholders



*Over the 2015-2020 period, the listing of the Ascopiave stock achieved a significant appreciation*

Stock performance (ASC.MI) on the stock exchange from 01.01.2015 to 31.12.2020







# Shareholder remuneration



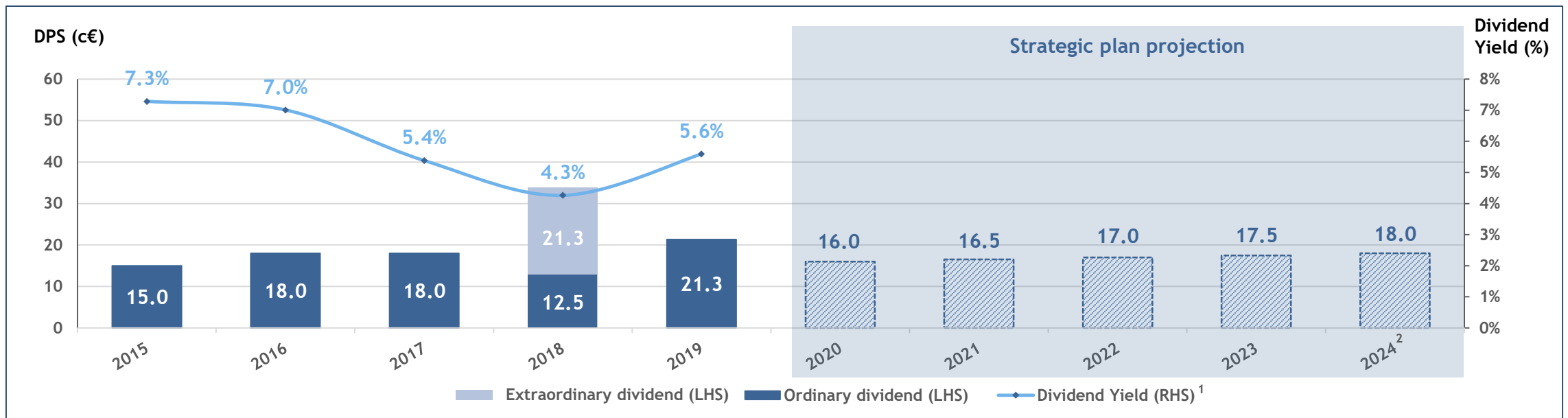
*The Group has consistently created value for its shareholders through the constant distribution of dividends. An attractive and sustainable dividend distribution is expected for the 2020-24 period*

In the 2015-2019 period, Ascopiave distributed ordinary dividends totalling approximately 189 m€ (annual average: 17.0 c€/ share<sup>1</sup>), thanks to:

- Cash flow stability
- Stability of business profitability
- Balance of the financial structure

Ascopiave expects to distribute a dividend growing from 16 c€/share in 2020 to 18 c€/share in 2024 (+ 13%)

Dividend distributed by Ascopiave and historical dividend yield 2015-19 and prospective 2020-24





## 5. Closing remarks



Ascopiave Group is a consolidated entity active in a regulated market and with a track record of business growth



The strategy that will guide the Group's action in the coming years is based on growth of the core business, diversification into new synergistic activities, economic efficiency and innovation



The investment plan, about 500 million euros in the more prudent context, is equally intended for the current perimeter and for the expansion of company activities



The expected results lead to sustainable growth capable of creating value for shareholders and other main stakeholders



The plan provides for the distribution of a remunerative and growing dividend for the period to the benefit of the Group's shareholders



## 6. Annex



# Comparison between the two scenarios

## SCENARIO A

### Gas Distribution

#### Continuity of the perimeter

- **No ATEM tender is able to complete its process.** The hypothesis is justified by the length of the award times found to date
- **No change in the perimeter of the current served customers.** Change in customers by 2024 for **organic growth only (+14k customers)**
- Operating costs and investments consistent with the assumption of **business continuity**

## SCENARIO B

### Award of 2 ATEM tenders

- Hypothesis of launch and award of **2 ATEM tenders in the two-year period 2023-2024.** The ATEMs were identified considering the current state of progress of the related procedure. **New customers in 2024: +183k**
- Hypothesis of **exit** from the management of some marginal ATEM plants. **Customers loss by 2024: -25k**
- Operating costs and investments consistent with the assumption of **business continuity**

### M&A Gas Distribution

- **+ 51k customers** served by 2024 through M&A transactions
- **Enterprise Value** of the targets of the M&A operations equal to **54 m€**
- **EBITDA increase** at the end of the plan through M&A transactions equal to **6 m€**

### Diversification

- **Sectors of diversification:**
  - Biomethane
  - RES plants
  - Energy efficiency
  - Water management services
- **Cumulative investments** expected equal to **118 m€**
- **EBITDA increase** at the end of the plan through diversification operations equal to **11 m€**

# Hypothesis underlying the plan

Parameter	Hypothesis
<b>Inflation</b>	0.6% - average annual inflation over the entire plan horizon
<b>Real pre-tax WACC (RAB distribution)</b>	6.3% - rate recognised in the year 2021 and for the entire plan horizon
<b>Tariff operating costs</b>	X-Factor currently provided by regulation
<b>Tariff capital costs</b>	Continuity of the cost recognition methodology (actual costs in distribution, maintenance of depreciation rates, etc.)
<b>EstEnergy result</b>	In line with the forecasts of the company's plan
<b>Dividends from other investments</b>	Equal to dividends distributed in 2020
<b>Tax Rate</b>	28.2% - IRES and IRAP rates, constant throughout the plan horizon
<b>Cost of debt</b>	1% - Average annual passive rate over the entire horizon of the plan
<b>Dividends</b>	16 c€ in 2020, up by 0.5 c€/year in subsequent years



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