



A2A

9M 2014 Results

Milan, November 6th, 2014



Agenda

- Main messages
- 9M 2014 Main financial highlights
- Segment analysis
- From EBITDA to net income
- Net debt and cash flow
- Major business achievements in the last few months

- Q&A

Main messages

9M 2014 – MAIN MESSAGES



Positive contribution to 2014 results from Q3:

- Stable Q3 Ebitda reduces 9M contraction
- 9M Net Profit now in line with 2013
- Further significant debt reduction



Negatives still outweigh positives at business level:



- Negatives:** electricity prices; thermal generation volumes; EPCG hydro slump; waste incentive expiry; reduction of heat volumes
- Positives:** strong domestic hydro production; trading and environmental markets; gas portfolio optimization; networks resiliency; ongoing cost cutting



Positives boost net profit:

- Lower D&A after generation assets impairments in 2013
- Lower provisions from more favorable risk profile
- Lower debt service due to ongoing financial optimization

9M 2014 - Main financial highlights

€M	9M 2013	9M 2014	Change	Change %	KEY FACTS
NET SALES	4,080	3,632	-448	-11.0%	<ol style="list-style-type: none"> 1 Climate effects 2 Negative market price/volume trend 3 Positive Operating Efficiency <ul style="list-style-type: none"> • Expiry of CIP 6 revenues <p><i>n Detailed afterwards</i></p>
EBITDA	839	783	-56	-6.7%	
EBIT	407	419	+12	+2.9%	
NET INCOME	159	159	-	-	
	2013	9M 2014	Change		
NET CAPITAL EMPLOYED	7,222	6,874	-348		
TOTAL NFP	3,874	3,466	-408		
EQUITY	3,348	3,408	+60		

1 Climate effects

Negative
Climate
effects

EPCG HYDRAULICITY

GWh

**EPCG
HYDRO PRODUCTION**

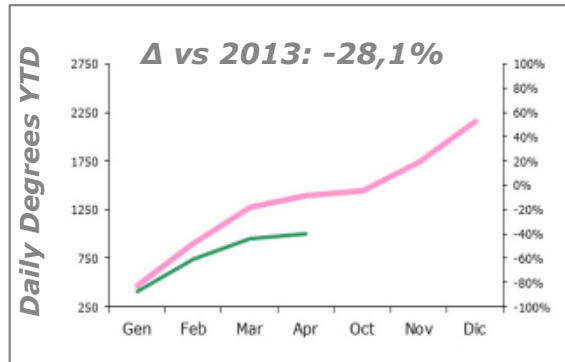
**Δ 9M '13 VS
AVG 10 YRS**

+724

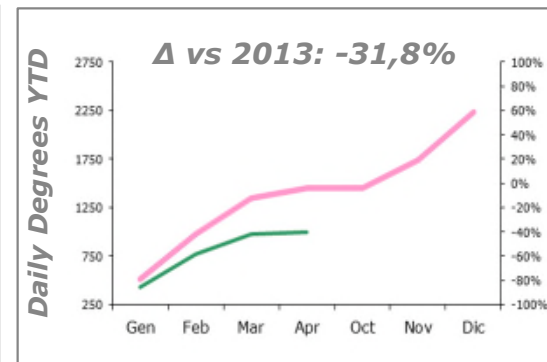
**Δ 9M '14 VS
AVG 10 YRS**

-84

MILAN
DAILY DEGREES



BRESCIA
DAILY DEGREES



■ Previous Year ■ Current Year

Positive
Climate
effects

A2A HYDRAULICITY

GWh

**A2A
HYDRO PRODUCTION**

**Δ 9M '13 VS
AVG 10 YRS**

~+500

**Δ 9M '14 VS
AVG 10 YRS**

~+1,450

2 Market price/volume trend

9M 2014 ENERGY SCENARIO

Average data		9M 2013	9M 2014	Δ	Δ %	Q3 2013	Q3 2014	Δ	Δ %	
PRICES	PUN baseload ⁽¹⁾	€/MWh	62.2	49.8	-12.5	-20.0%	65.5	50.4	-15.1	-23.0%
	PUN peak ⁽¹⁾	€/MWh	68.6	55.3	-13.3	-19.4%	68.5	53.5	-15.0	-21.9%
	PUN off-peak ⁽¹⁾	€/MWh	58.7	46.7	-12.0	-20.4%	63.9	48.7	-15.2	-23.7%
MARGINS	Clean Spark spread vs Peakload ⁽²⁾	€/MWh	2.8	3.1	0.3	9.7%	2.3	5.0	2.7	n.s.
	Clean Spark spread vs Baseload ⁽²⁾	€/MWh	-3.6	-2.4	1.1	31.7%	-0.7	1.8	2.4	n.s.
	Clean Dark Spread vs Baseload ⁽³⁾	€/MWh	21.7	11.3	-10.4	-48.1%	25.6	11.3	-14.3	-55.9%
QUANTITIES	CCGT load factor ⁽⁴⁾									
	- North zone	%	17.3	12.9	-4.4	-25.5%	18.6	14.5	-4.2	-22.4%
	- South zone	%	17.1	14.1	-3.0	-17.7%	23.8	18.4	-5.4	-22.7%
	Coal load factor									
	- North zone	%	59.6	49.2	-10.4	-17.4%	49.7	46.1	-3.6	-7.1%
Italian electricity demand ⁽⁵⁾	TWh	239.0	231.8	-7.2	-3.0%	80.9	78.1	-2.8	-3.5%	

SOME CRITICAL FACTORS...

PRICES	➤ Strong decrease in PUN
MARGINS	➤ Ongoing Dark Spread reduction
	➤ Gas plant margins still at low levels
QUANTITIES	➤ Continuing decrease in Electricity demand , impacting thermal Load Factors

...PARTIALLY OFFSET BY HIGHER HYDRO PRODUCTION

TWh	9M			Q3		
	9M 2013	9M 2014	Δ %	Q3 2013	Q3 2014	Δ %
ITALIAN HYDRO PRODUCTION	42.0	46.2	+10%	14.0	15.9	+14.2%

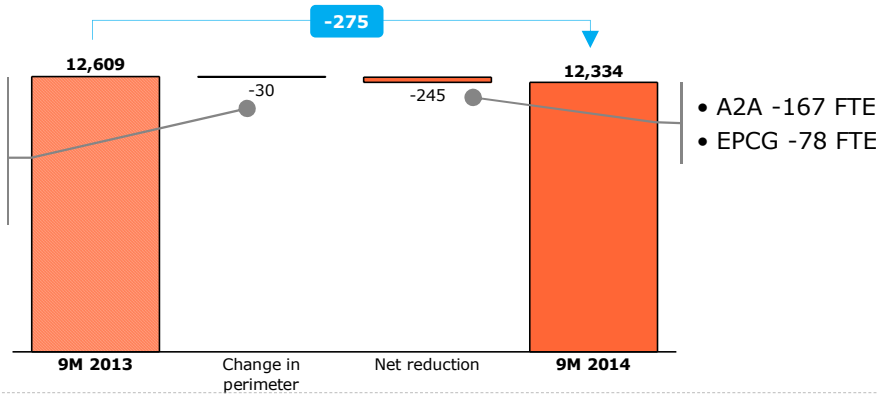
(1) hourly average; (2) 53% efficiency – spread between energy prices and gas cost at virtual trading point (transport cost included); (3) 35% efficiency – spread between energy prices and API2 coal cost (transport cost included); (4) load factor related to CCGT merchant plants; (5) data subject to update by Terna

3 Operating Efficiency

9M 2014 OPERATING EFFICIENCY

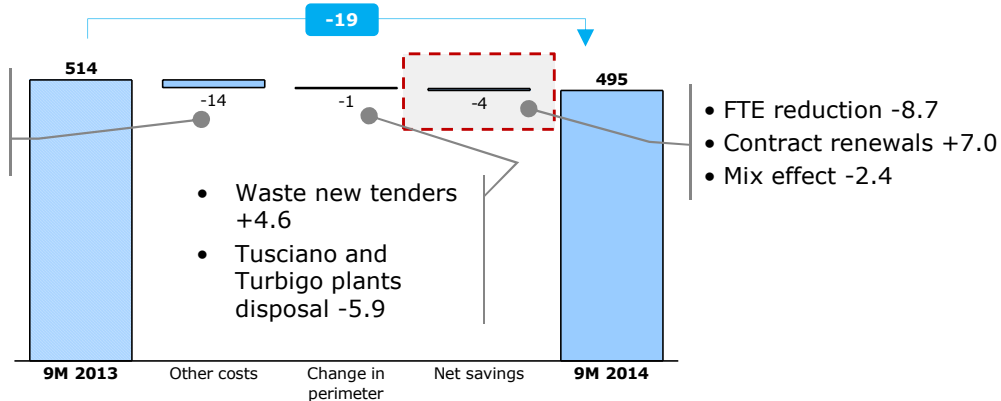
FTE(1)

- Waste new tenders +103 FTE
- Tuscano and Turbigio plants disposal -133 FTE



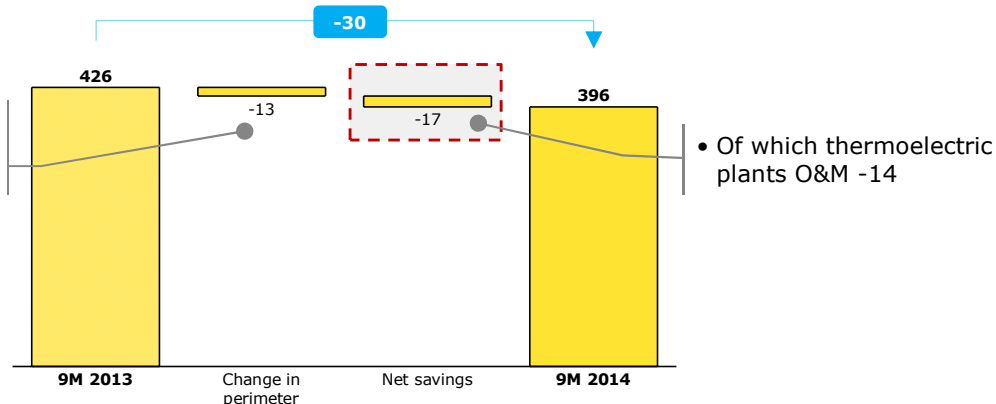
LABOUR COSTS (€M)

- Of which costs of redundancy schemes -13



OTHER FIXED COSTS (€M)

- Tuscano and Turbigio plants disposal



More than **20 €M net savings** in 9M 2014 compared to 9M 2013, in line with H1 savings level despite **~6€M increase in non-compressible costs** registered in Q3

9M 2014 vs 9M 2013 - EBITDA breakdown

€M	EBITDA 9M 2013	EBITDA 9M 2014	Δ vs 2013	KEY POINTS
ELECTRICITY	296	283	-13	<ul style="list-style-type: none"> ↑ Higher environmental markets (+46) ↑ Trading portfolio margin (+4) ↓ Industrial portfolio margin (-63)
GAS	56	76	20	<ul style="list-style-type: none"> ↑ Gas portfolio optimization
ENERGY	352	359	7	
WASTE	190	165	-25	<ul style="list-style-type: none"> ↓ Expiry of Cip6 revenues - Brescia WTE plant (-24)
COGENERATION AND DISTRICT HEATING	51	34	-17	<ul style="list-style-type: none"> ↑ Higher environmental markets margin (+6) ↑ Network and customer development (+2) ↓ Lower sales due to climate effect (-20) ↓ Non current items (-5)
NETWORKS	195 ⁽¹⁾	208 ⁽²⁾	13	<ul style="list-style-type: none"> ↑ Higher Electricity allowed revenues (+20, of which +8 related to current year and +12 related to previous years) ↓ Lower Gas allowed revenues (-5) <p><i>(1) of which 95€M Electricity Networks, 85€M Gas Networks, 10€M IWC</i> <i>(2) of which 114€M Electricity Networks, 80€M Gas Networks, 12€M IWC</i></p>
OTHER SERVICES AND CORPORATE	-15	-15	0	
EPCG	65 ⁽³⁾	42 ⁽⁴⁾	-23	<ul style="list-style-type: none"> ↓ Lower hydraulicity (-26) <p><i>(3) of which 54€M Energy, 8€M Electricity Networks</i> <i>(4) of which 28€M Energy, 13€M Electricity Networks</i></p>
TOTAL ADJUSTED EBITDA	838	793	-45	
<i>Costs of redundancy schemes</i>	<i>-23</i>	<i>-10</i>	<i>13</i>	
<i>AEEGSI OPINION 535/12</i>	<i>24</i>		<i>-24</i>	
TOTAL EBITDA	839	783	-56	

9M 2014 - From EBITDA to net income (1/2)

€M

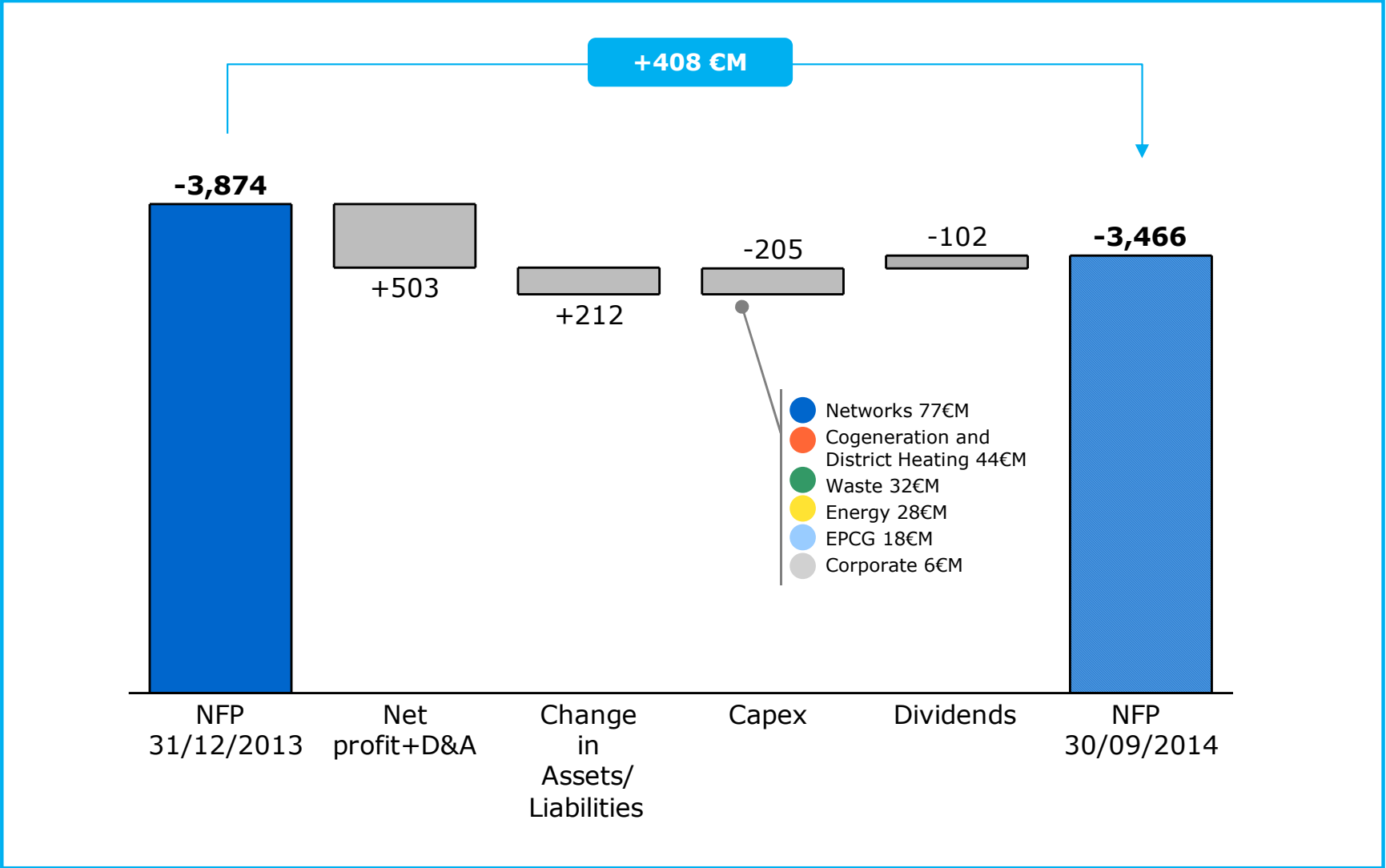
	9M2013	9M2014	Δ vs 9M 2013	Key points
EBITDA	839	783	-56	
D&A, provisions and write-downs	-432	-364	+68	<ul style="list-style-type: none"> ↑ Depreciation (+17) ↑ Bad debt provision (+23) ↑ Provision for risks (+28)
EBIT	407	419	+12	
Result from non-recurring transactions	17	11	-6	<ul style="list-style-type: none"> ↑ 9M 2014 Dolomiti Energia vs Edipower share swap (+12) ↓ 9M 2013 Small hydroelectric plants capital gain (-23)
Financial charges	-167	-134	+33	<ul style="list-style-type: none"> ↑ Net financial charges (+32) ↑ Derivatives realized (+1)
Derivatives FV	25	-5	-30	<ul style="list-style-type: none"> ↓ Decrease in interest rates
Associates, JV and others	8	7	-1	<ul style="list-style-type: none"> ↓ Acsm-Agam (-2) ↑ Others (+1)

9M 2014 - From EBITDA to net income (2/2)

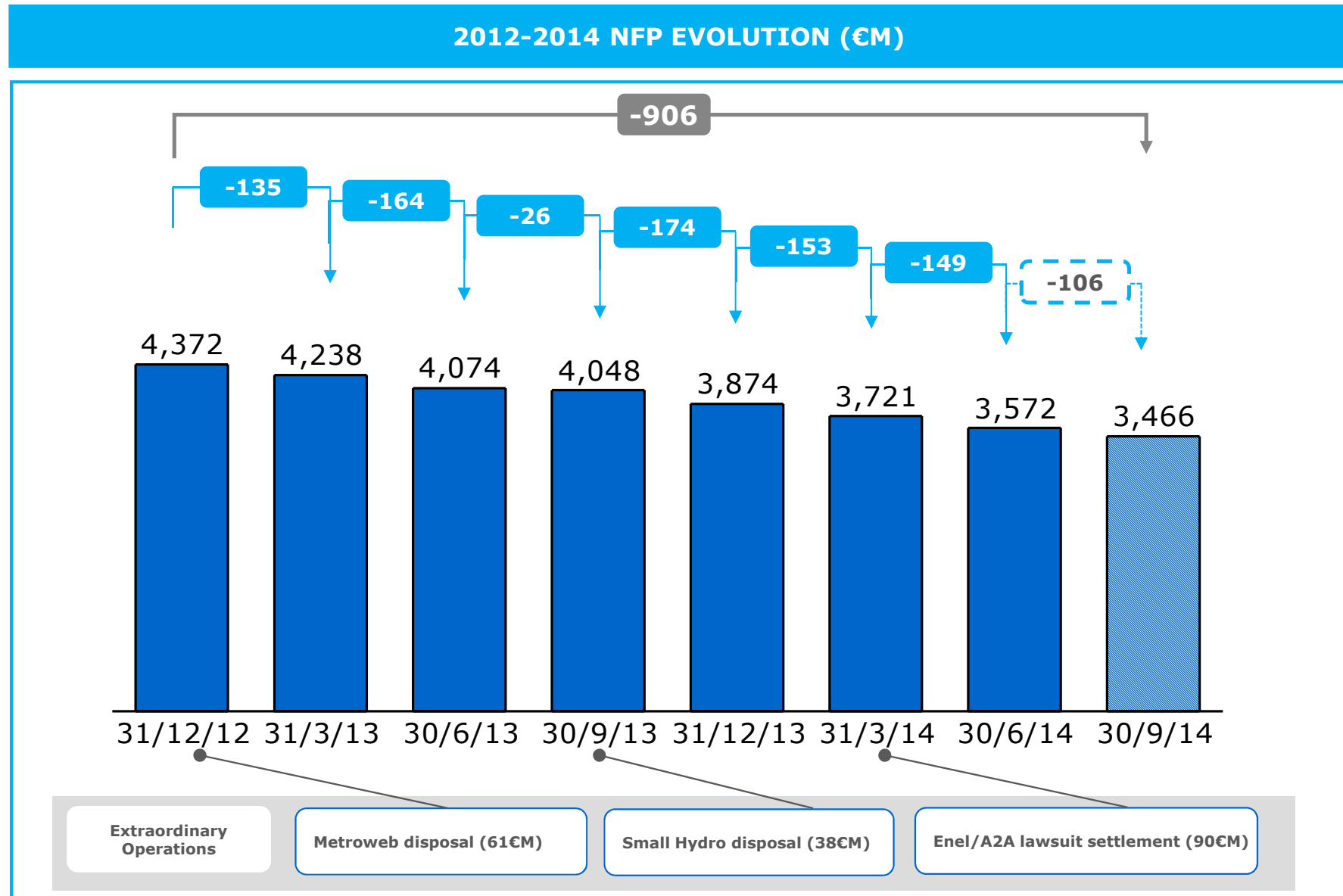
€M	9M2013	9M2014	Δ vs 9M 2013	Key points
EBT	290	298	+8	
TAXES	-118	-127	-9	↓ Deferred tax assets - Irap redefinition (-4)
IFRS 5	-	-	-	
MINORITIES	-13	-12	+1	↑ Epcg
NET INCOME	159	159	-	

9M 2014 - Net debt and cash flow

A2A GROUP NET FINANCIAL POSITION EVOLUTION 2013-9M2014 (€M)



Continued Deleveraging



9M 2014 - A2A Group debt structure

9M 2014 GROSS DEBT - 3.9 €B

	FY 2013	9M 2014
AVERAGE RATE* (%)	~4.0%	~3.8%
AVERAGE MATURITY (yrs)	6.0	5.7

LIQUIDITY POSITION

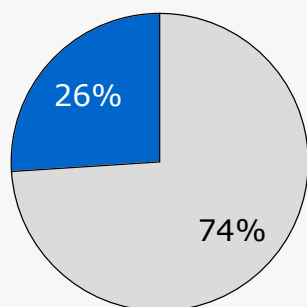
2.0 €B liquidity position, of which:

- **0.5 €B** cash
- **1.5 €B** undrawn loans and longer-than-12-months revolving committed lines with average maturity of 2.6 years

CORPORATE CREDIT RATINGS

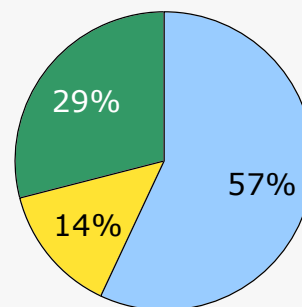
- **Moody's:** Baa3, Stable Outlook
- **Standard & Poor's:** BBB/A-2, Negative Outlook

DEBT BREAKDOWN BY SOURCES



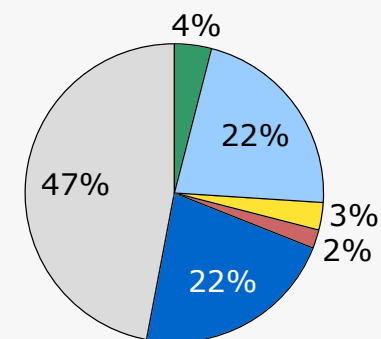
■ Bond ■ Loans

DEBT BREAKDOWN BY INTEREST



■ Fixed ■ Variable ■ Hedged

DEBT BREAKDOWN BY MATURITY



■ Within 2015 ■ 2016 ■ 2017
 ■ 2018 ■ 2019 ■ Beyond 2019

Note: EPCG not included; gross debt financial data and breakdown, excluding accounting adjustments
 (*) Average forward rate, based on interest rate curves as of 30/9/2014

Major business achievements in the last few months

ENERGY

- Hydro developments capex eligible for **Green Certificates** on stream in **Somplago** (Udine)
- At the end of June, **green electricity agreement** signed with **Telecom Italia** for the next two years

WASTE

- **New collection concessions awarded in 2014** and **other concessions confirmed** in Milan area
- Completion of one of the largest collection programs across Europe for **organic sorting in Milan**
- Start-up of the **glass selection and treatment plant** of Asti in July 2014
- Patent of a new product made from waste: **"Ecoergite"**
- Significant **emissions reduction targets achieved in the Acerra Waste-to-Energy plant**

COGENERATION & DISTRICT HEATING

- **Further network expansion** in Milan and Bergamo. Completion of west feeder (5 km) in Milan
- New agreements recently signed with third parties to **buy "waste heat" deriving from industrial processes** (e.g. steel factories)
- Started at the end of October the construction of a **new solar thermal plant for District Heating in the city of Varese**

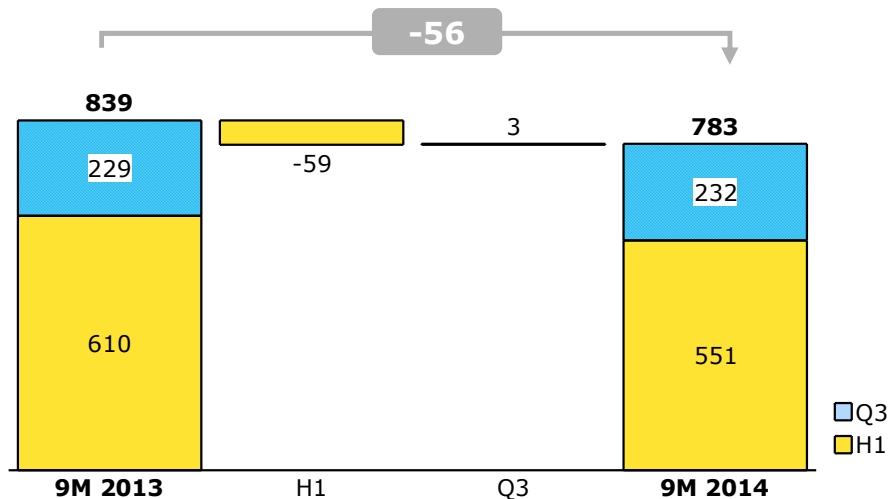
NETWORKS

- By August 2015, all the **public lighting of the city of Milan will be ensured by innovative LED technology**
- A similar project will be developed in the city of **Brescia** in the next few months

Back-up

Focus on Q3 performance

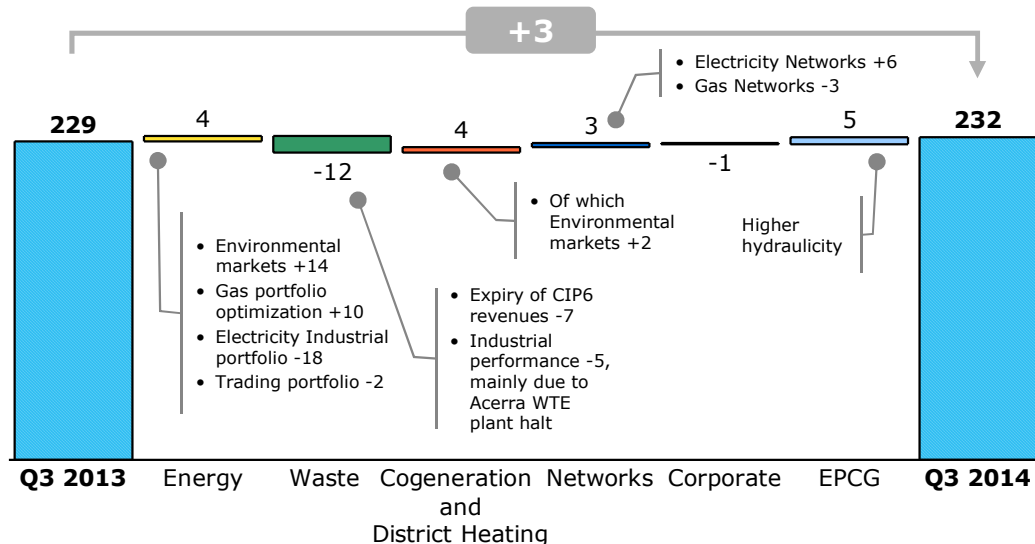
9M EBITDA ANALYSIS (€M)



- **9M 2014 Ebitda** equal to **783 €M**, **56 €M** lower than the same period of the previous year, of which:
 - **-59 €M recorded in H1**, reflecting lower margins due to negative climate effects, unfavourable Energy markets scenario and expiry of CIP6 revenues

➤ **+3 €M recorded in Q3**

Q3 EBITDA ANALYSIS (€M)



- **Positive contribution from core business activities in Q3**, offsetting the same negative dynamics already recorded in H1 related to Waste incentive expiry, negative Energy market price and volume trend

Climate effects

€M

Negative climate effects		EBITDA 9M 2013	EBITDA 9M 2014	Δ vs 2013
ENERGY	<i>EPCG HYDRAULICITY</i> *	32	-4	-36
GAS, COGENERATION AND DISTRICT HEATING	<i>TEMPERATURE EFFECT</i> **	6	-21	-27
SUBTOTAL		38	-25	-63

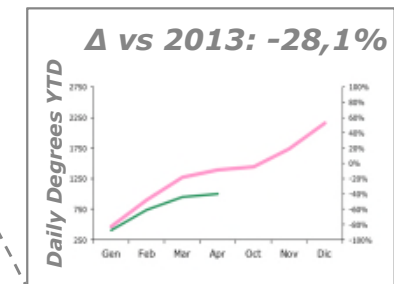
Positive climate effects		EBITDA 9M 2013	EBITDA 9M 2014	Δ vs 2013
ENERGY	<i>A2A HYDRAULICITY</i> *	39	103	64

Total climate effects	77	78	1
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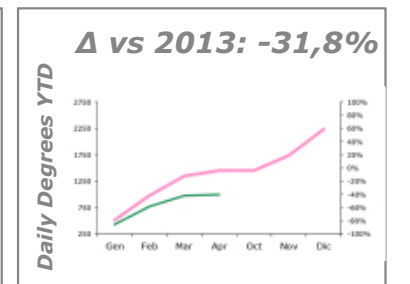
EPCG HYDRAULICITY

GWh	Δ 9M '13 VS AVG 10 YRS	Δ 9M '14 VS AVG 10 YRS
<i>EPCG HYDRO PROD.</i>	+724	-84

MILAN DAILY DEGREES



BRESCIA DAILY DEGREES



Previous Year Current Year

A2A HYDRAULICITY

GWh	Δ 9M '13 VS AVG 10 YRS	Δ 9M '14 VS AVG 10 YRS
<i>A2A HYDRO PROD.</i>	~+500	~+1,450

* vs ten-year average production

**vs sales based on ten-year average temperature

9M 2014 - Energy Scenario

Average data		H1 2013	H1 2014	Δ	Δ %	Q3 2013	Q3 2014	Δ	Δ %	9M 2013	9M 2014	Δ	Δ %
Brent	\$/bbl	108.0	108.8	0.8	0.8%	109.7	103.4	-6.2	-5.7%	108.5	107.0	-1.5	-1.4%
CO2 - EU ETS cost	€/Tonn	4.3	5.7	1.3	30.4%	4.7	6.1	1.5	31.4%	4.4	5.8	1.4	30.9%
Green Certificates	€/MWh	80.5	91.9	11.4	14.1%	84.5	96.7	12.2	14.4%	81.9	93.5	11.6	14.2%
€/€	€/€	1.310	1.370	0.1	4.6%	1.320	1.330	0.0	0.8%	1.320	1.360	0.0	3.0%
Brent €	€/bbl	82.2	79.4	-2.8	-3.4%	82.8	78.0	-4.8	-5.8%	82.4	78.9	-3.5	-4.2%
PSV ⁽¹⁾	€/MWh	27.7	23.2	-4.6	-16.5%	27.7	20.5	-7.2	-26.0%	27.7	22.3	-5.5	-19.7%
AEEGSI Gas Tariff ⁽²⁾	c€/mc	36.4	27.9	-8.6	-23.5%	34.4	21.3	-13.1	-38.1%	35.7	25.7	-10.1	-28.2%
Coal € (API2)	€/Tonn	63.3	55.9	-7.4	-11.6%	57.8	56.9	-1.0	-1.7%	61.5	56.2	-5.2	-8.5%
PUN baseload ⁽³⁾	€/MWh	60.6	49.5	-11.1	-18.4%	65.5	50.4	-15.1	-23.0%	62.2	49.8	-12.5	-20.0%
PUN peak ⁽³⁾	€/MWh	68.7	56.3	-12.4	-18.1%	68.5	53.5	-15.0	-21.9%	68.6	55.3	-13.3	-19.4%
PUN off-peak ⁽³⁾	€/MWh	56.1	45.7	-10.4	-18.5%	63.9	48.7	-15.2	-23.7%	58.7	46.7	-12.0	-20.4%
CCGT gas cost ⁽⁴⁾	€/MWh	59.9	49.6	-10.4	-17.3%	60.2	44.0	-16.2	-26.8%	60.0	47.7	-12.3	-20.5%
Clean Spark spread vs Peakload	€/MWh	3.0	2.3	-0.8	-24.8%	2.3	5.0	2.7	n.s.	2.8	3.1	0.3	9.7%
Clean Spark spread vs Baseload	€/MWh	-5.0	-4.5	0.5	9.6%	-0.7	1.8	2.4	n.s.	-3.6	-2.4	1.1	31.7%
Clean Dark Spread vs Baseload ⁽⁵⁾	€/MWh	18.9	11.3	-7.6	-40.1%	25.6	11.3	-14.3	-55.9%	21.7	11.3	-10.4	-48.1%
CCGT load factor ⁽⁶⁾													
- North zone	%	16.7	12.1	-4.6	-27.5%	18.6	14.5	-4.2	-22.4%	17.3	12.9	-4.4	-25.5%
- South zone	%	13.8	11.9	-1.9	-13.8%	23.8	18.4	-5.4	-22.7%	17.1	14.1	-3.0	-17.7%
Coal load factor													
- North zone	%	64.6	50.8	-13.8	-21.4%	49.7	46.1	-3.6	-7.1%	59.6	49.2	-10.4	-17.4%
- South zone	%	43.5	56.1	12.6	29.0%	58.4	53.9	-4.5	-7.8%	48.5	55.3	6.8	14.0%
Italian electricity demand ⁽⁷⁾	TWh	158.1	153.7	-4.4	-2.8%	80.9	78.1	-3	-3.5%	239.0	231.8	-7.2	-3.0%
Gas demand	bcm	37.0	32.3	-4.7	-12.7%	11.1	10.8	-0.3	-2.4%	48.0	43.2	-4.8	-10.1%

(1) Gas at virtual trading point

(2) QE 263/12 Jan 2013-Mar 2013; QE 124/13 Apr 2013-Oct 2013; Pfor 196/13 Oct 2013-Sep 2014

(3) hourly average

(4) based on gas at virtual trading point with 53% efficiency (transport cost included)

(5) 35% efficiency – spread between energy prices and API2 coal cost (transport cost included)

(6) load factor related to CCGT merchant plants

(7) data subject to update by Terna

9M 2014 - A2A Volumes

		H1 2013	H1 2014	Δ	Δ%	3Q 2013	3Q 2014	Δ	Δ%	9M 2013	9M 2014	Δ	Δ%
A2A Group Thermal production	GWh	4,040	3,247	-793	-20%	2,380	1,577	-803	-34%	6,420	4,824	-1,596	-25%
<i>of which</i>													
CCGT production	GWh	1,950	1,181	-770	-39%	986	462	-524	-53%	2,936	1,642	-1,294	-44%
Coal production	GWh	1,136	835	-301	-26%	581	397	-184	-32%	1,717	1,232	-485	-28%
Oil production	GWh	431	641	210	49%	417	326	-91	-22%	848	967	119	14%
EPCG production	GWh	522	590	68	13%	397	393	-4	-1%	919	983	64	7%
A2A Group Hydro production	GWh	4,172	3,915	-258	-6%	1,471	2,012	541	37%	5,643	5,927	284	5%
<i>of which</i>													
A2A and Edipower production	GWh	2,412	3,044	632	26%	1,262	1,723	461	37%	3,674	4,767	1,093	30%
EPCG production	GWh	1,760	870	-890	-51%	209	289	80	38%	1,969	1,160	-810	-41%
Eligibles and wholesale electricity sales	GWh	14,728	19,282	4,555	31%	9,295	9,011	-284	-3%	24,022	28,293	4,271	18%
Captive customers electricity sales	GWh	1,381	1,206	-174	-13%	626	526	-100	-16%	2,007	1,732	-275	-14%
Ipex sales*	GWh	3,097	4,198	1,101	36%	1,994	1,053	-941	-47%	5,091	5,251	160	3%
Electricity sales to EPCG customers	GWh	1,226	1,336	110	9%	728	690	-38	-5%	1,955	2,026	72	4%
Gas sales	Mmc	1,294	1,457	162	13%	354	612	258	73%	1,648	2,068	420	25%
Heat volumes sales	GWht	1,471	1,149	-322	-22%	97	100	3	3%	1,568	1,249	-319	-20%
Cogeneration electricity sales	GWh	191	153	-38	-20%	5	4	-1	-30%	196	157	-39	-20%
Cogeneration plants heat production	GWht	813	579	-234	-29%	52	69	17	33%	865	648	-217	-25%
Collected waste	Kton	460	465	5	1%	201	211	10	5%	661	676	15	2%
Waste disposal	Kton	1,284	1,276	-8	-1%	591	615	24	4%	1,875	1,891	16	1%
WTE electricity production	GWh	557	557	0	0%	274	274	0	0%	831	830	-1	0%
WTE heat production	GWht	646	564	-82	-13%	92	103	11	11%	738	667	-71	-10%
Electricity distributed	GWh	5,533	5,405	-128	-2%	2,769	2,661	-107	-4%	8,301	8,066	-235	-3%
EPCG Electricity distributed	GWh	1,274	1,207	-67	-5%	623	603	-20	-3%	1,897	1,810	-87	-5%
Gas distributed	Mmc	1,227	1,020	-207	-17%	138	119	-19	-14%	1,365	1,139	-226	-17%
Water distributed	Mmc	32	30	-2	-6%	16	16	0	0%	48	45	-3	-5%

* without Intermediated Ipex volumes

In 2013 Edipower production includes 77% of production of the plants managed in tolling regime and 100% of production of the S. Filippo del Mela, Turbigio (groups 1-2-3) and Brindisi thermoelectric plants and some hydroelectric and photovoltaic plants.

In 2014 Tusciano and Turbigio productions are not included, while the quantities of the remaining Edipower plants are 100% of production.

Contacts:

A2A Investor Relations Team

Mail: ir@a2a.eu

Phone: +39 02 77203974

<http://www.a2a.eu/en/investor/>

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