



# **A2A: diversification, growth and green activities in a challenging world**

February 2011



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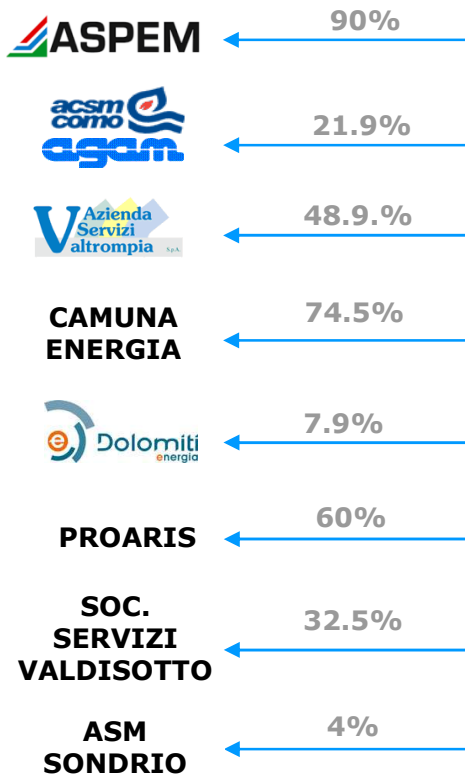
- A2A Group in a snapshot
- 2010-2014 Business Plan
- Appendix: back-up and 9M 2010

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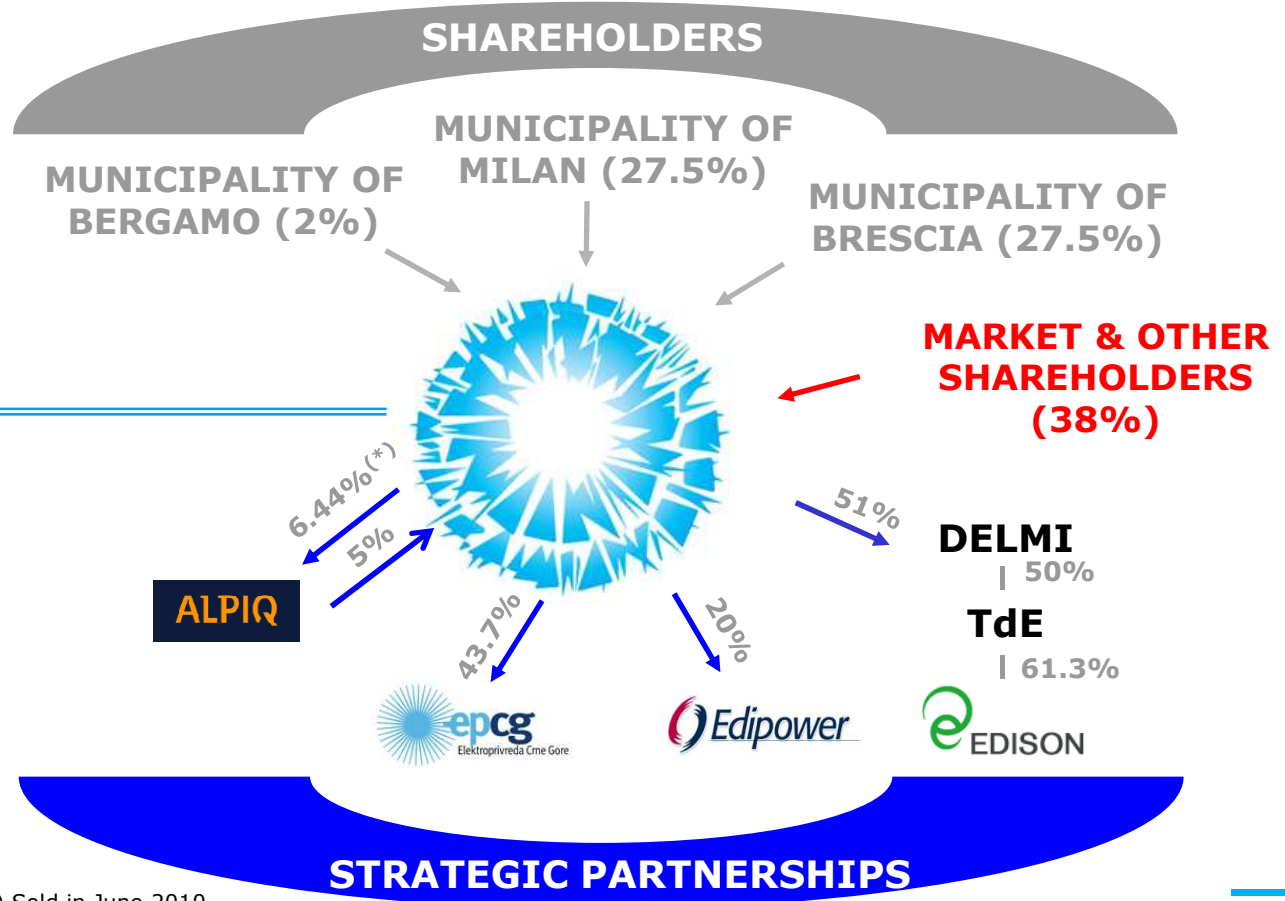
# A2A Group in a snapshot: ranking, shareholding structure and key facts

- **A2A** originates from the **merger among AEM, ASM and Amsa**, three companies that date back to **over 100 years ago**
- **1<sup>st</sup> Local Utility in Italy** by revenues, margins and market cap
- A2A is an **energy-focused player** with a deeply **rooted customer base in Northern Italy** and a **solid asset base** across the country
- A2A selectively grows its **international presence** in **Montenegro** (power production and distribution), **France** (cogeneration and district heating), **UK, Greece & Spain** (waste treatment plant development) and **Europe** (energy trading)

## A2A "LOCAL" PARTNERS

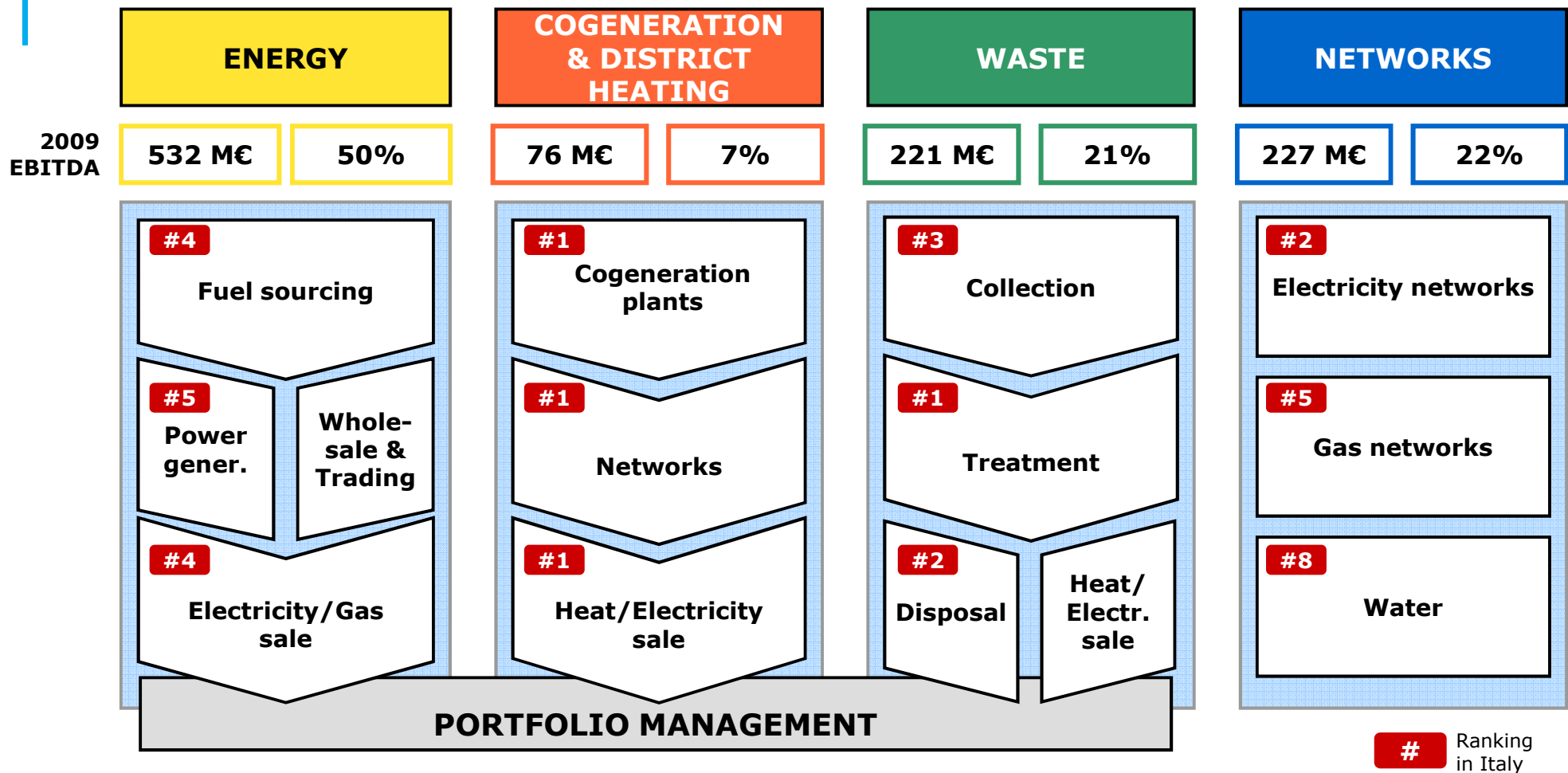


Share capital: 3,132,905,277 shares (par value=0,52 €/share)  
Treasury shares: 26,917,609 shares



(\*) Sold in June 2010

# A2A Group in a snapshot: presence in diversified and complementary business areas



**Total 2009 EBITDA 1,032 €M spread among 4 major business areas**

Note: 2009 results represented do not include -24 M€ negative EBITDA from "Other services & Corporate"

# A2A Group in a snapshot: key competitive advantages

## BALANCED BUSINESS MIX

- **High diversification between deregulated and regulated businesses**
- **Capital employed spread among different business areas with a sound risk/return model**
- **Balanced exposure to external factors (GDP, weather conditions, etc.)**

## FLEXIBLE AND ENVIRONMENT-FRIENDLY POWER PRODUCTION

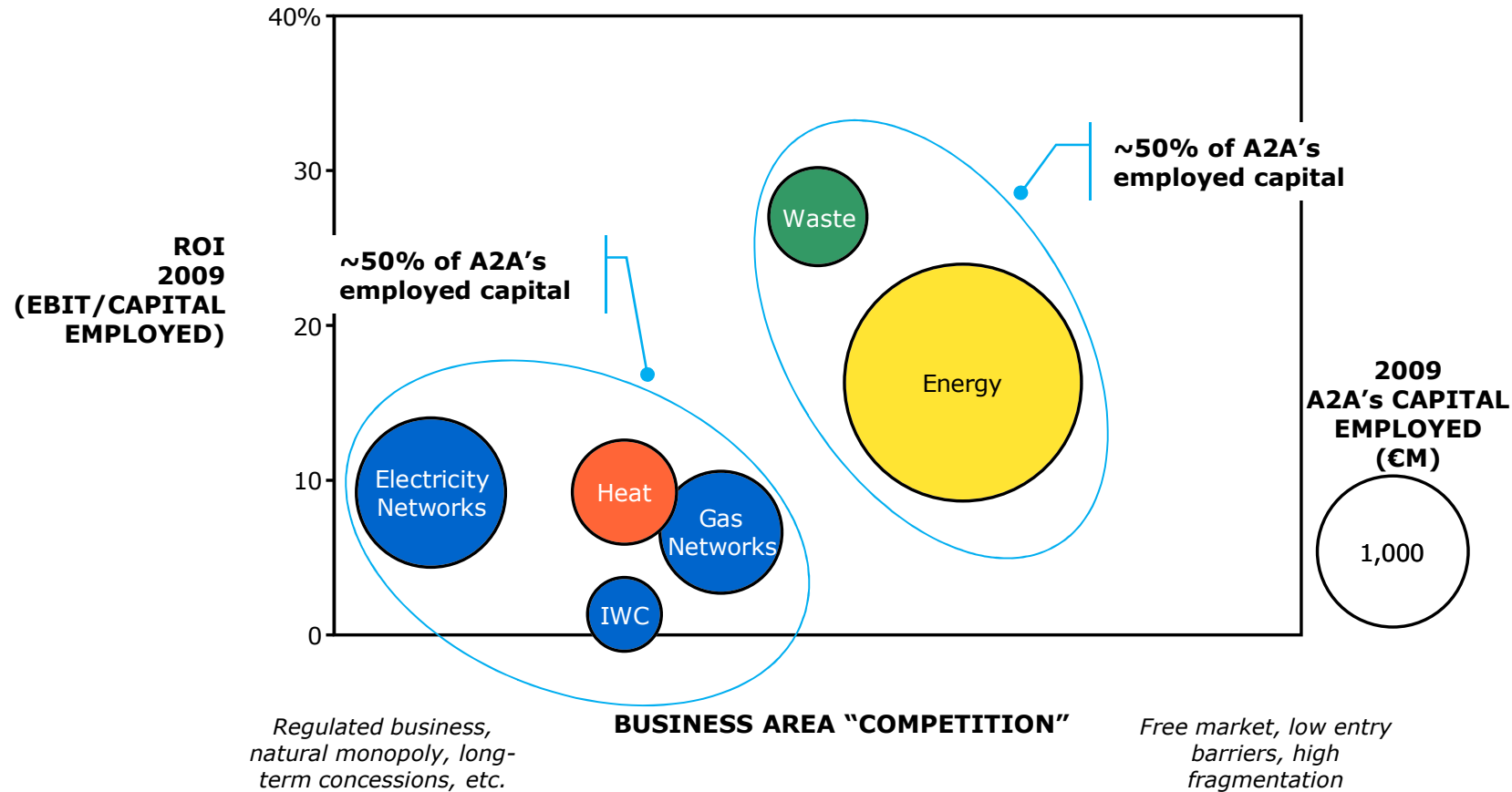
- **Primary role in “environmentally sustainable” energy production and services**
- **Cost-based competitive advantage vs. market peers**
- **Power plants characterized by low emission rates**

## MULTI-UTILITY IN NORTHERN ITALY

- **Long-lasting presence in Northern Italy, richest area of the country, with a multi-business approach**
- **Strong customer loyalty**
- **Primary player in all “local” businesses managed**

# Balanced business mix (1/2)

## Capital allocation, industrial margins and business risk profile

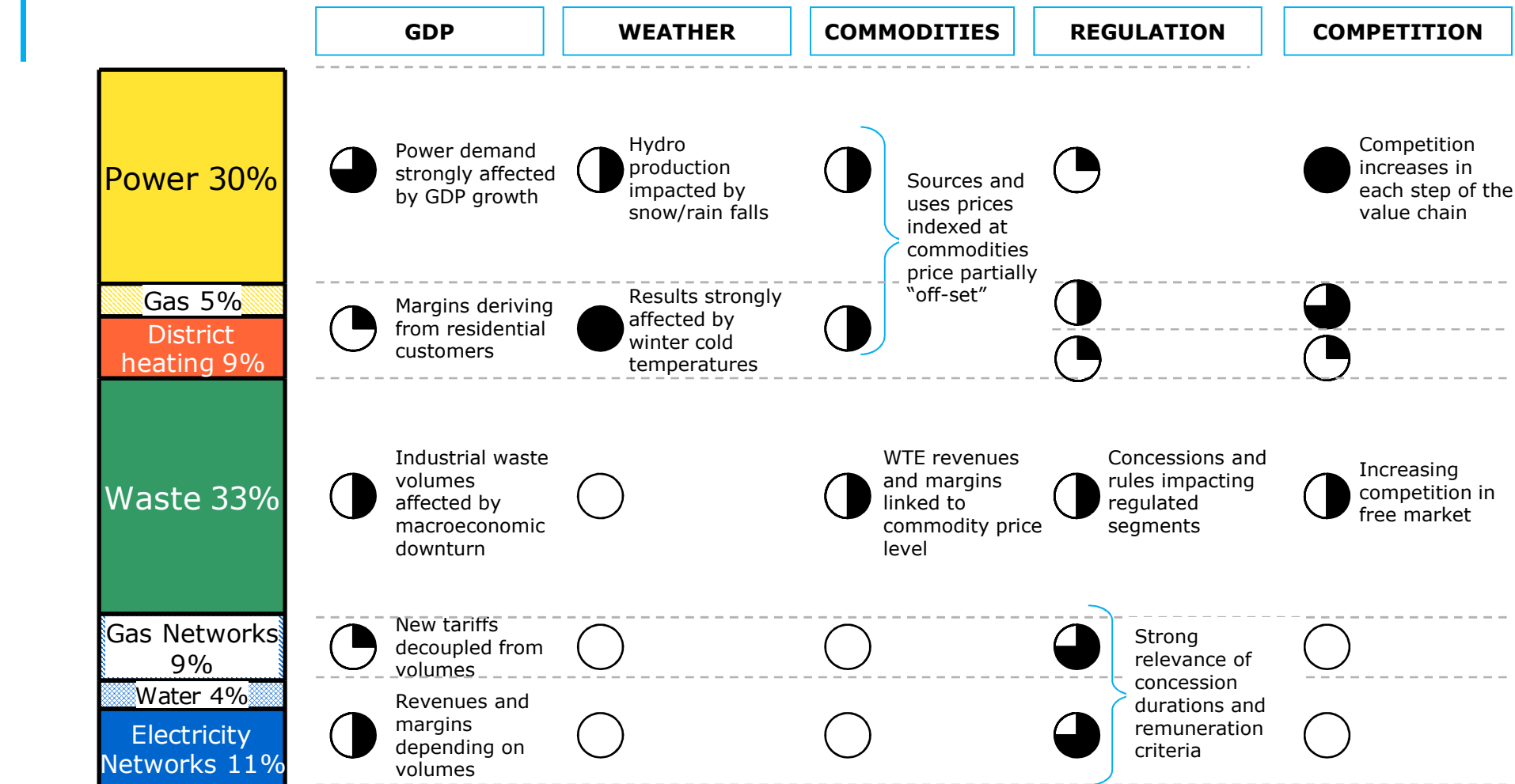


**Well balanced business mix arenas with different competition level, with a high capital investment diversification and coherent risk/return model**

Note: EBIT by business area does not include the negative contribution of Corporate area. Employed capital does not include "Corporate" assets, such as financial stakes (TdE, Edipower, etc.) for almost €4B

# Balanced business mix (2/2)

## Exposure to exogenous risk factors



"Standard" A2A Contribution Margin\*

### Business areas with diversified risks/opportunities

Most impacted  
 No impact

\* "Standard" contribution margin breakdown calculated as average of 5-years Business Plan contribution margins (revenues - variable costs) by business area

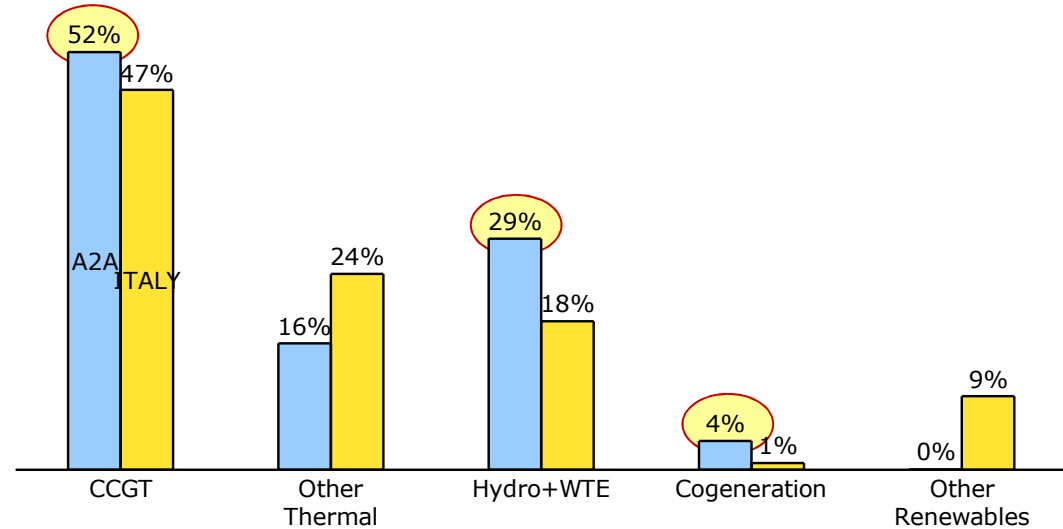
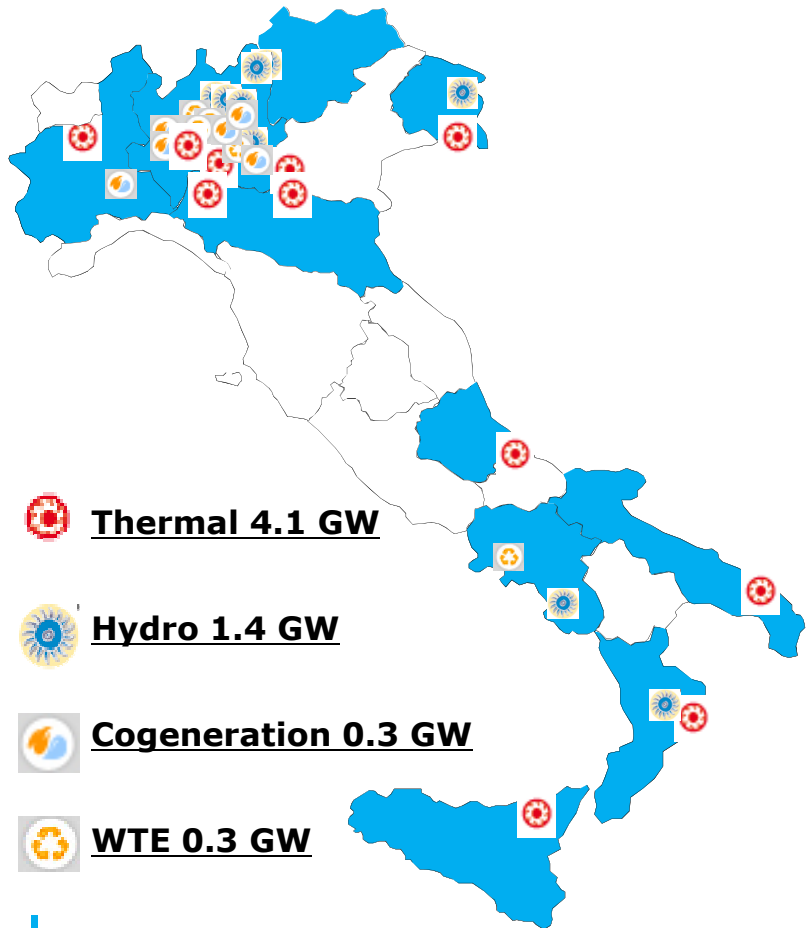
# Flexible and environment-friendly production (1/2)

## A2A generation mix



### A2A PLANTS IN ITALY

### POWER PRODUCTION MIX: A2A vs. ITALY (2009; % of total production)



### KEY A2A COMPETITIVE ADVANTAGES

- **A2A power plants' flexibility higher than market average (hydro vs. other renewables and CCGT vs. conventional thermal); moreover, most hydro capacity is reservoir (i.e. storage proxy)**
- **Capability to effectively face future market swings due to growing renewables share of overall production and increasing peak-load consumptions (4.5% peak '08-'19 CAGR vs. 1% total load\*)**
- **WTE and cogeneration production with lower CO<sub>2</sub> emissions**

Note: cogeneration includes plants connected to DH networks - \* source: Terna demand forecast



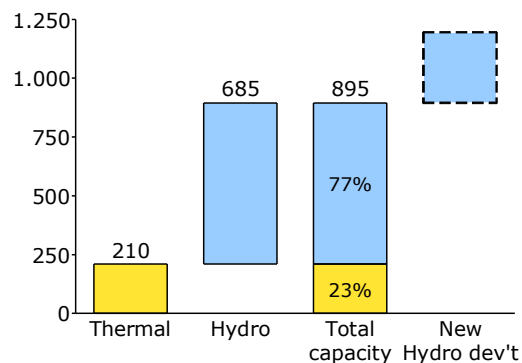
# Flexible and environment-friendly production (2/2)

## EPCG deal - Overview and main expected benefits



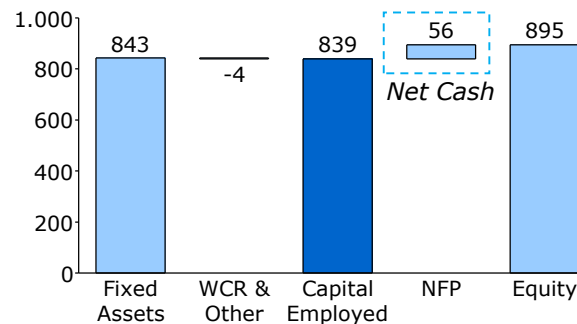
- With the acquisition of **43.7%** of Elektroprivreda Crne Gore (**EPCG**) A2A has become a strategic industrial partner of the largest electricity player in the **Republic of Montenegro**
- **EPCG** operates in **electricity generation** (3 main plants and 7 "small hydro"), **distribution** (19,000 km), and **sale of electricity** (300,000 users)

### INSTALLED CAPACITY (MW)



- More than **75%** of current EPCG installed power is **hydro**
- **New developments** to increase overall hydro production included in the business plan, to be sold in the future also in Italy through the new undersea connection

### EPCG BALANCE SHEET (2009F; €M)



- EPCG is **debt free** and can **self-finance** its development plan (non-recourse debt on A2A Group)
- Opportunity to **improve balance sheet ratios**

### GREEN CERTIFICATES AND EMISSIONS TRADING

- Italian targets to accomplish **20-20-20** include **~12 "green" TWh imported** from foreign countries
- Italian government declared that **6 TWh** should be imported **from Montenegro**, through the planned **undersea connection**
- Most certainly there will be a possibility for **A2A Group** – currently under analysis – to **obtain green certificates** for its incremental green electricity (**new hydro plants**) produced in Montenegro, with potential extra-revenues

# Green Activities

A2A business model includes a significant mix of green activities, which represent a growing reality. A2A green activities are focused on electricity production from renewable sources and energy saving through the development of cogeneration and network efficiency. The purpose is to further optimize A2A asset portfolio through green operations with high industrial content. Below a summary table with supporting rationale.

A2A VOLUMES IN "GREEN" ACTIVITIES			
Energy	Cogeneration & District Heating	Waste	Networks
<ul style="list-style-type: none"> <li>- Hydroelectric production:                             <ul style="list-style-type: none"> <li>* 3.2 TWh in Italy</li> <li>* 1.5 TWh in Montenegro<sup>(*)</sup></li> </ul> </li> <li>- Green Certificates (GCs): 900 GWh produced</li> <li>- CO2 emissions: 1.5 Mton reduction</li> <li>- RECS: 700 GWh produced</li> </ul>	<ul style="list-style-type: none"> <li>- Cogeneration production:                             <ul style="list-style-type: none"> <li>* 1.3 TWht in Italy</li> <li>* 0.8 TWht in France</li> </ul> </li> <li>- GCs: 55 GWh produced</li> </ul>	<ul style="list-style-type: none"> <li>- WTE production:                             <ul style="list-style-type: none"> <li>* 1 TWhe and 700 GWht produced</li> </ul> </li> <li>- GCs: 50 GWh produced</li> </ul>	<ul style="list-style-type: none"> <li>- White certificates:                             <ul style="list-style-type: none"> <li>* 29-ktoe savings through internal projects</li> </ul> </li> </ul>
- Revenues from green activities: 1.5 bn € (~ 25% @2009 revenues)			

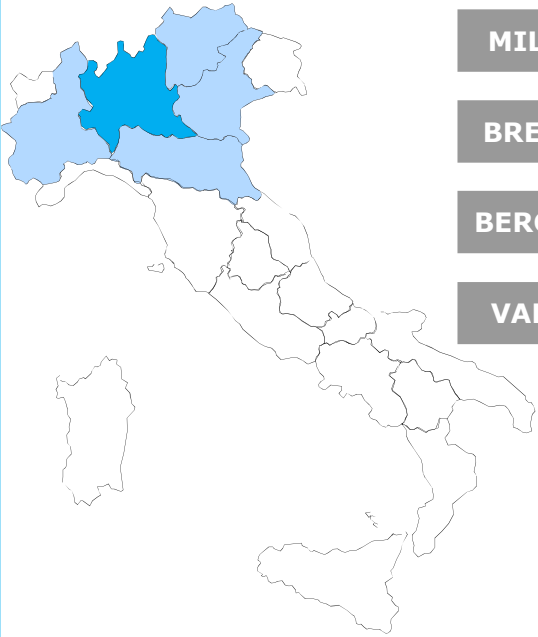
(\*) EPCG not included in 2009 operating figures





GREEN ACTIVITIES IN THE A2A BUSINESS MODEL		
Main Green Activities	A2A presence	Notes
<b>Electricity Generation</b>		
• Hydro	✓	High industrial content: programmable source and market-based valorisation
• Urban Waste and Biomass	✓	High industrial content: programmable source and partly based on incentives
• Wind		Low industrial content: non-programmable source and heavily based on incentives and fiscal grants
• Photovoltaic		
<b>Energy Efficiency</b>		
• District Heating	✓	High industrial content
• Electricity and Gas Distribution	✓	
<b>Environmental Markets</b>		
• Environmental Certificates	✓	Activity based on industrial operations and with high added-value, which also entails trading activity

A2A - Ethical indices
- FTSE4GOOD Global and Europe
- FTSE ECPI Benchmark
- Axia Csr and Ethical
- ECPI Ethical Index Global, Euro and EMU
- Solactive Climate Change
A2A is among the <u>leading companies</u> of the <u>Carbon Disclosure Project 2010</u> (based on 2009 data)

# Multi-business approach A2A local presence in Lombardy



A2A DIRECT PRESENCE		GAS NETWORKS	ELECTRICITY NETWORKS	WASTE	INTEGRATED WATER CYCLE	DISTRICT HEATING
	MILANO	✓	✓	✓		✓
	BRESCIA	✓	✓	✓	✓	✓
	BERGAMO	✓		✓	✓	✓
	VARESE	✓		✓	✓	✓
<b>KEY NUMBERS</b>		<ul style="list-style-type: none"> <li>• 2.0 Bcm</li> <li>• 8,500 km network</li> <li>• 1.3 M customers</li> </ul>	<ul style="list-style-type: none"> <li>• 11.3 TWh</li> <li>• 15,000 km network</li> <li>• 1.1 M customers</li> </ul>	<ul style="list-style-type: none"> <li>• 1.2 Mtons collected</li> <li>• 2.8 M tons treated</li> </ul>	<ul style="list-style-type: none"> <li>• 85 Mcm distributed</li> <li>• 7,400 km network</li> <li>• 1.1 M served inhabitants</li> </ul>	<ul style="list-style-type: none"> <li>• 2.5 GWht sold</li> <li>• 1,000 km network</li> </ul>

A2A PARTNERS NETWORK					
		CAMUNA ENERGIA	SOC. SERV. VALDISOTTO		

**Multi-business deeply-rooted presence in Lombardy (which accounts for 20% of Italian GDP) and Northern Italy with directly managed businesses and growing partnerships**

# 2009 results – Main financial highlights

€M data	2009	2008	Change	Change %
<b>NET SALES</b>	<b>5,910</b>	<b>6,094</b>	<b>-184</b>	<b>-3.0%</b>
<b>EBITDA</b>	<b>1,032</b>	<b>1,068</b>	<b>-36</b>	<b>-3.4%</b>
<b>EBIT</b>	<b>609</b>	<b>699</b>	<b>-90</b>	<b>-12.9%</b>
<b>GROUP NET INCOME</b>	<b>80</b>	<b>316</b>	<b>-236</b>	<b>-74.7%</b>
<b>GROUP NET INCOME ADJUSTED*</b>	<b>324</b>	<b>316</b>	<b>+8</b>	<b>+2.5%</b>

## ONE-OFF EVENTS

- Expiry of CIP6 incentives (- €61M)
- Non-recurring electricity distribution equalization fund accounted for 2008 (- €45M)

\* Adjusted for fiscal moratorium

	2009	2008	Change
<b>NET CAPITAL EMPLOYED</b>	<b>9,245</b>	<b>8,206</b>	<b>+1,039</b>
<b>NFP</b>	<b>(4,650)</b>	<b>(3,484)</b>	<b>+1,166</b>
<b>EQUITY</b>	<b>4,595</b>	<b>4,722</b>	<b>-127</b>
<b>NFP/EBITDA</b>	<b>4.5x</b>	<b>3.3x</b>	
<b>NFP/EQUITY</b>	<b>1.01</b>	<b>0.74x</b>	

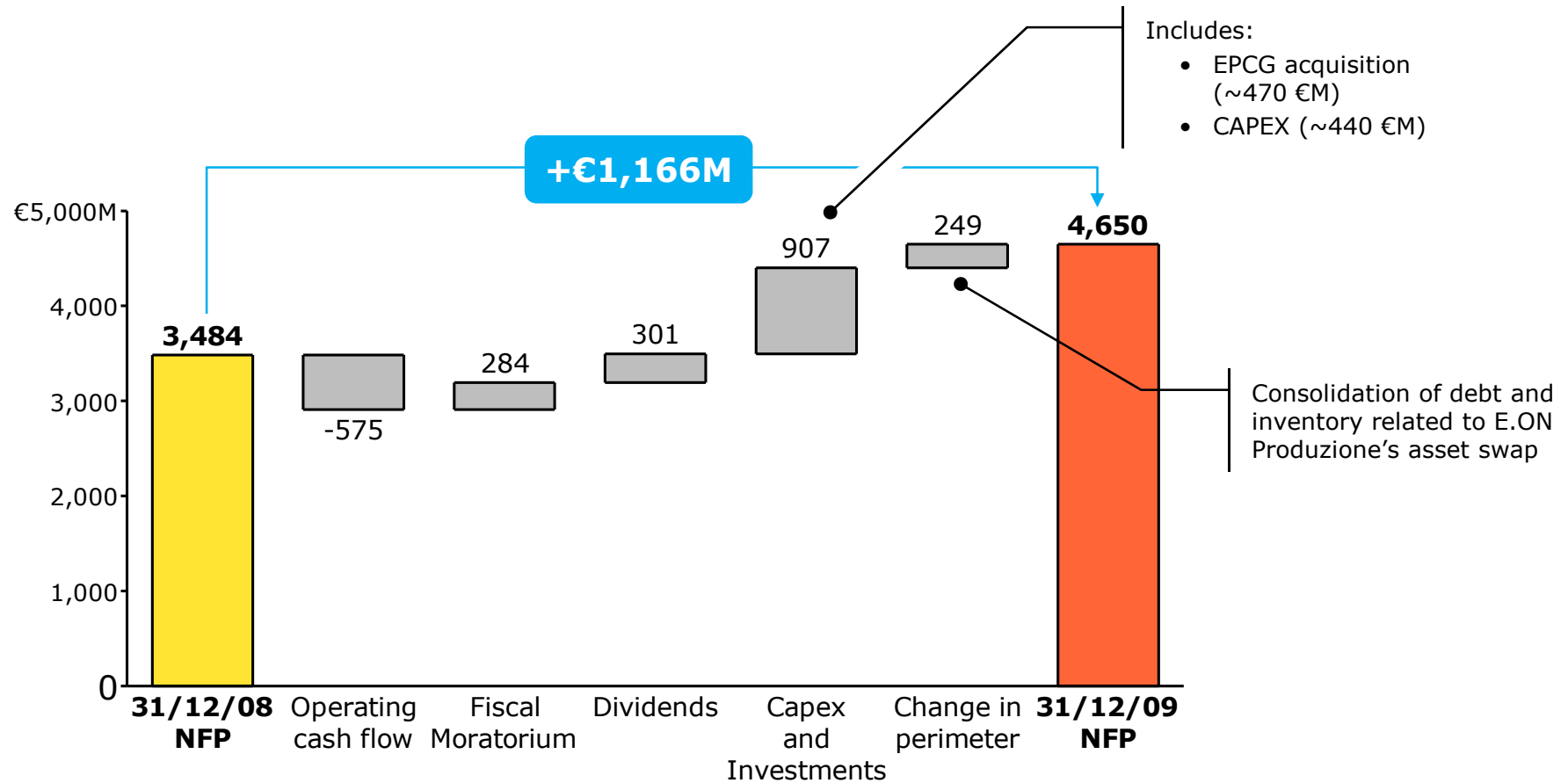
## EXTRAORD. ITEMS

- EPCG acquisition (~€450M)
- Consolidation of debt related to E.ON Produzione's asset swap (~€250M)
- Fiscal moratorium (€284M)

# 2008-2009 EBITDA breakdown

€M data	EBITDA 2008	EBITDA 2009	Δ Vs 2008	EBITDA BREAKDOWN	
<b>ENERGY</b>	433	532	+99	<p><b>2009</b></p> <p>Waste 21%</p> <p>Energy 50%</p> <p>Networks 22%</p> <p>Cogeneration and District Heating 7%</p> <p><b>2008</b></p> <p>Waste 29%</p> <p>Energy 40%</p> <p>Networks 25%</p> <p>Cogeneration and District Heating 6%</p>	
<b>COGENERATION AND DISTRICT HEATING</b>	67	76	+9		
<b>WASTE</b>	320	221	-99		<ul style="list-style-type: none"> <li>• Expiry of CIP6</li> <li>• BS WTE stop for extraord. maintenance</li> </ul>
<b>NETWORKS</b>	275	227	-48		<ul style="list-style-type: none"> <li>• Non-recurring electricity distribution equalization fund</li> </ul>
<b>OTHER SERVICES &amp; CORPORATE</b>	-27	-24	+3		
<b>TOTAL</b>	<b>1,068</b>	<b>1,032</b>	<b>-36</b>		

# 2009 results - Net Financial Position

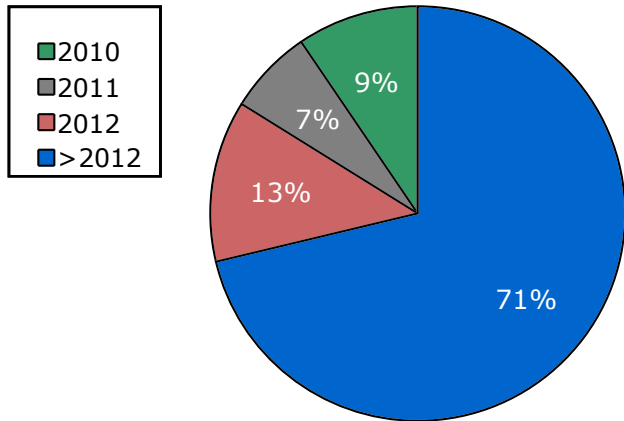


**Increase in NFP mainly due to acquisitions (EPCG, Endesa) and fiscal moratorium**

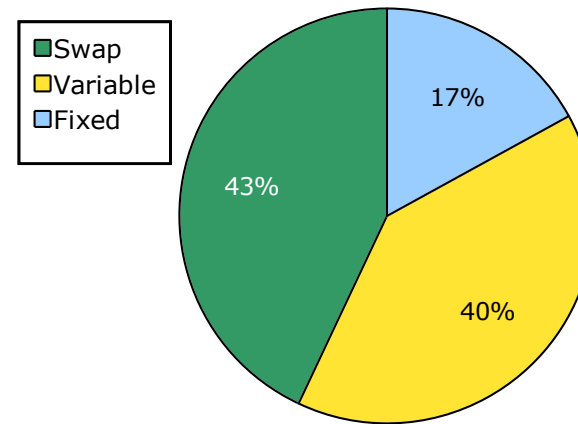
# Group Financial structure (as at December 2009)

## Total debt – Maturity

### DEBT MATURITY

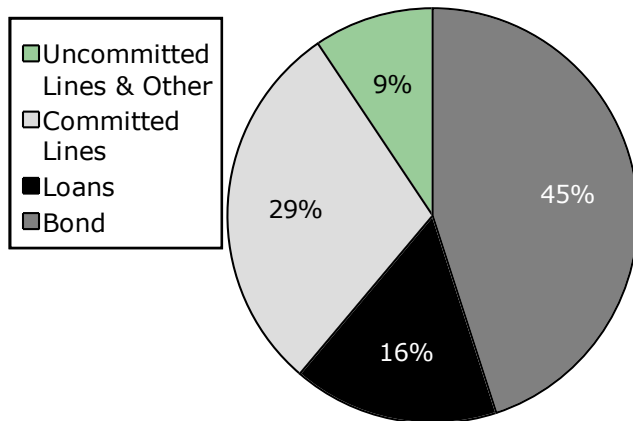


### DEBT BREAKDOWN BY INTEREST



**TOTAL DEBT: 4.7 €B - AVG. MATURITY: 4.6 YEARS – UNDRAWN LINES: 1.8 €B – 2009 AVG. RATE 2.84%**

### DEBT BREAKDOWN



### COMPANY'S CREDIT RATING



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- Appendix: back-up and 9M 2010



# 2010-2014 strategic priorities

1

## FOCUS ON HIGH-GROWTH BUSINESSES

- **Focus on high-return investments in short-supply business areas (waste and district heating)**
- **New developments in renewables in Montenegro**
- **Redefinition of low-return investments vs. previous BP (i.e. "freeze" of thermal production CAPEX)**

2

## COST OPTIMIZATION

- **CAPEX efficiency plan**
- **Fixed costs reduction (both external and labour costs)**
- **Group streamlining to facilitate synergies extraction**

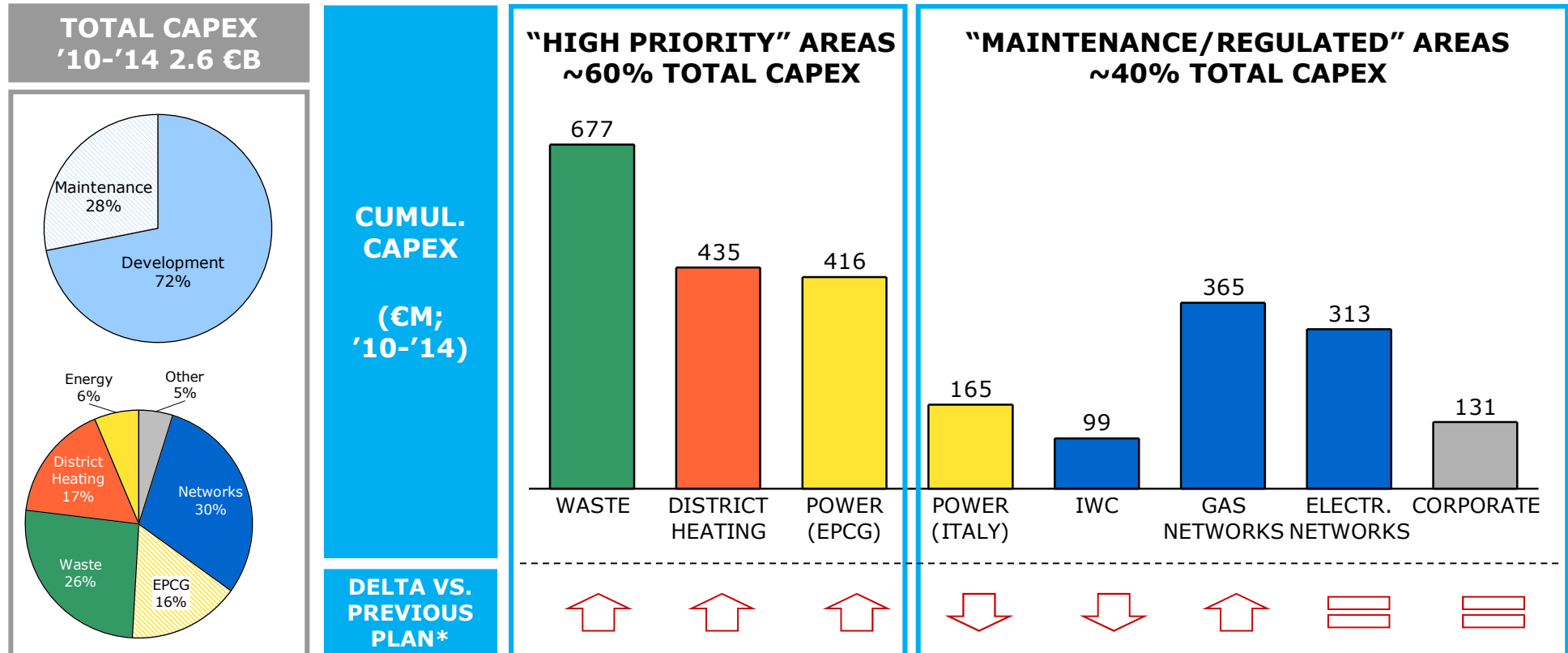
3

## CAPITAL EMPLOYED RATIONALIZATION

- **Divestment of not strategic assets**
- **Edison stake redefinition**

# 1. Focus on high-growth businesses

## Investments focus on Waste, District Heating and Renewables



**2.6 €B investments, 60% of which addressing high-growth businesses**

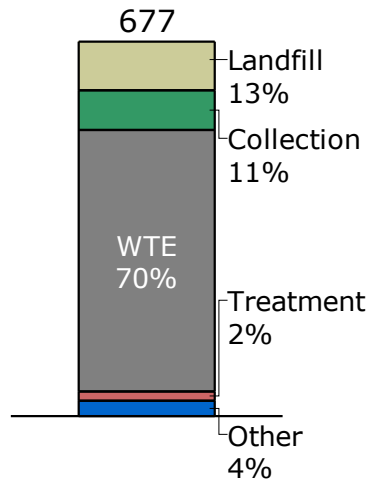
\* Comparison between 2010-2013 CAPEX in previous Business Plan vs new Business Plan

# 1. Focus on high-growth businesses

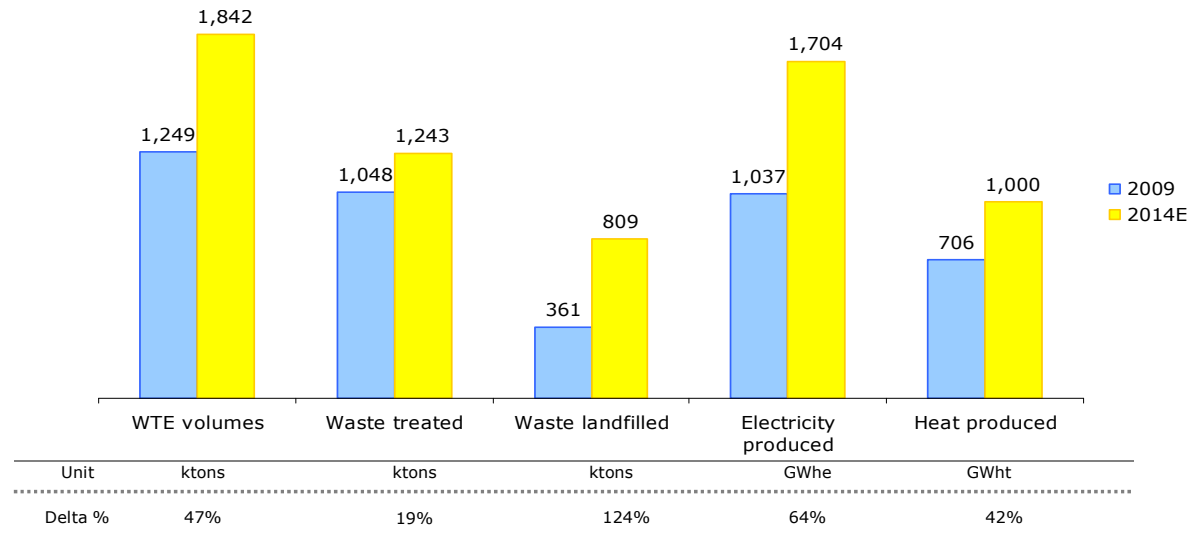
## Waste and DH CAPEX - Breakdown and impact on volumes

WASTE

10-'14 CAPEX (€M)

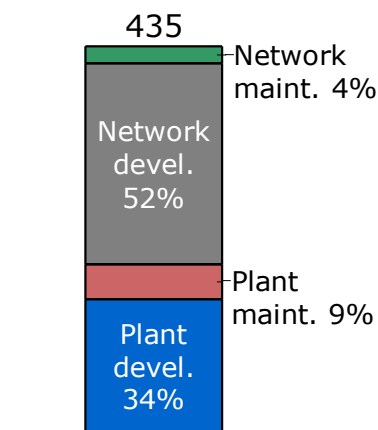


2009-2014E PHYSICAL DATA EVOLUTION

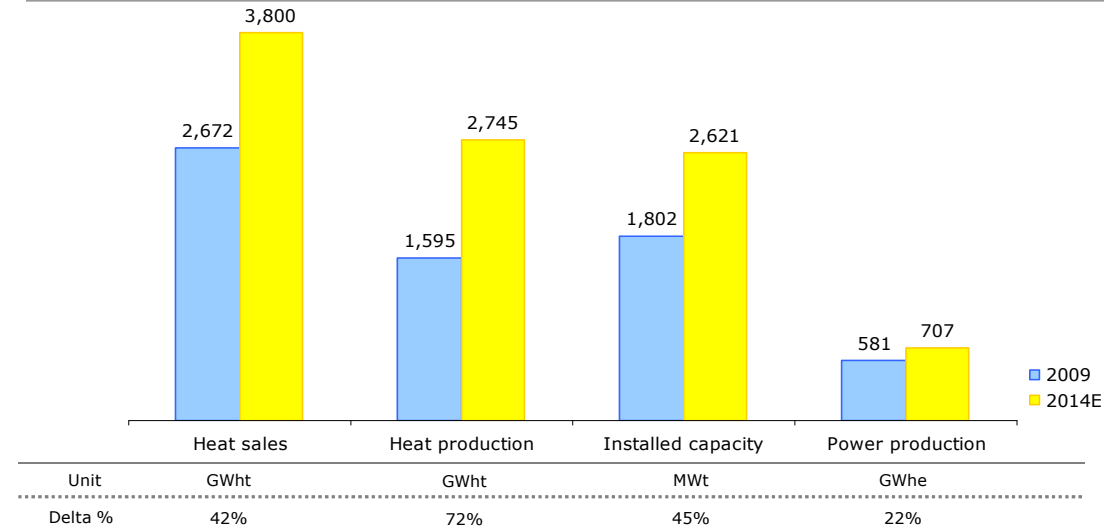


COGENERATION & DISTRICT HEATING

10-'14 CAPEX (€M)



2009-2014E PHYSICAL DATA EVOLUTION

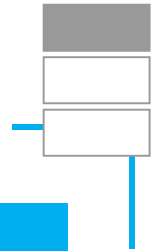


Note: Heat Sales and Installed Capacity figures include WTE and third parties plant available production and capacity

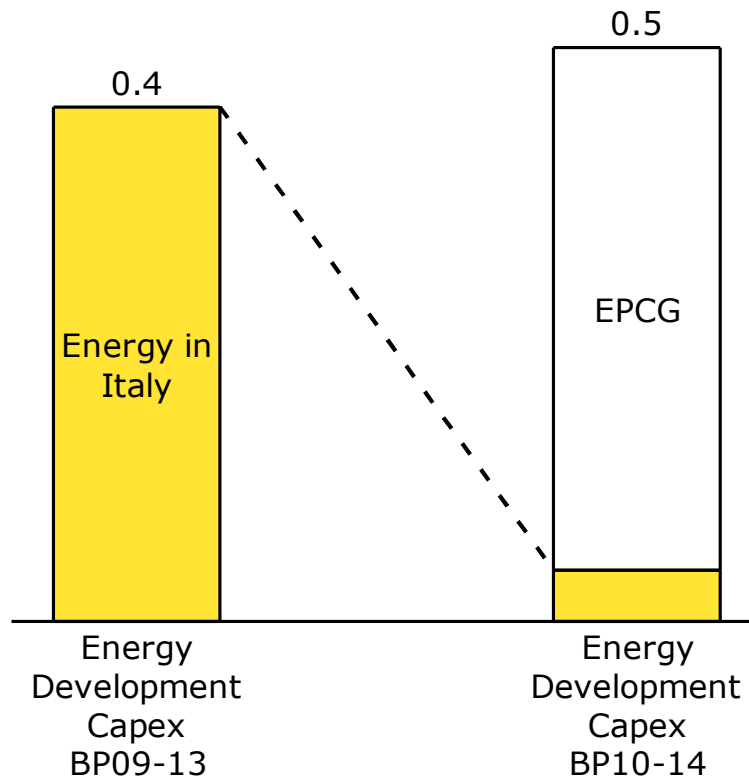
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# 1. Focus on high-growth businesses

## Investment rationalization in Energy



### DEVELOPMENT ENERGY CAPEX (€B)



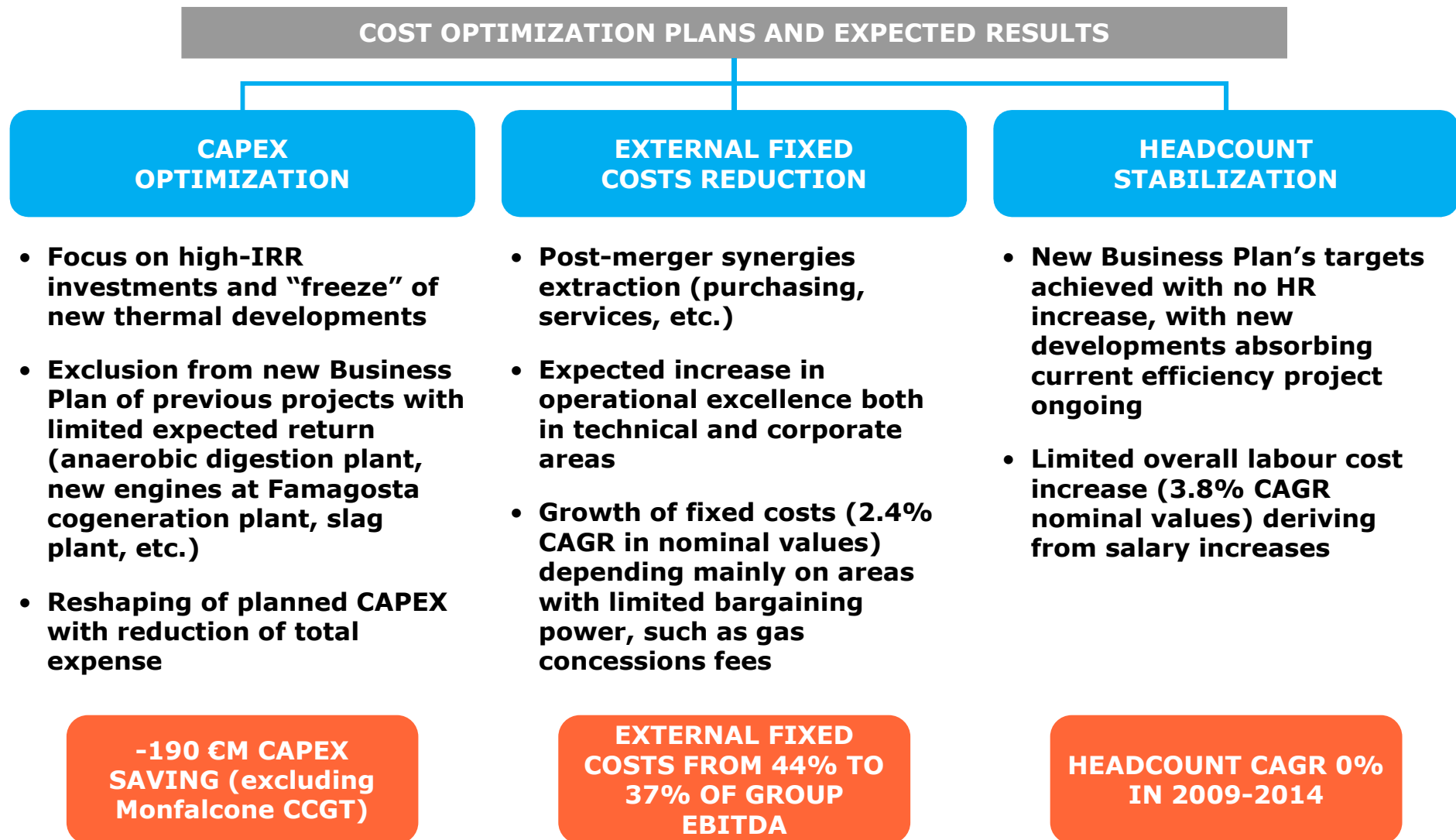
### MAIN RATIONALES

- **Current overcapacity in the Italian energy market, potentially lasting also in mid- and long-term, affects thermal plants profitability**
- **Focusing only on investments with higher expected profitability, A2A decided to keep the Monfalcone plant repowering into CCGT "on hold"**
- **EPCG deal in Montenegro represents an alternative opportunity in a high-return business (prudentially accounted for A2A Business Plan net of potential upsides in environment market)**

**CAPEX rationalization to reach A2A economic targets and reduce Net Financial Position**

## 2. Cost Optimization

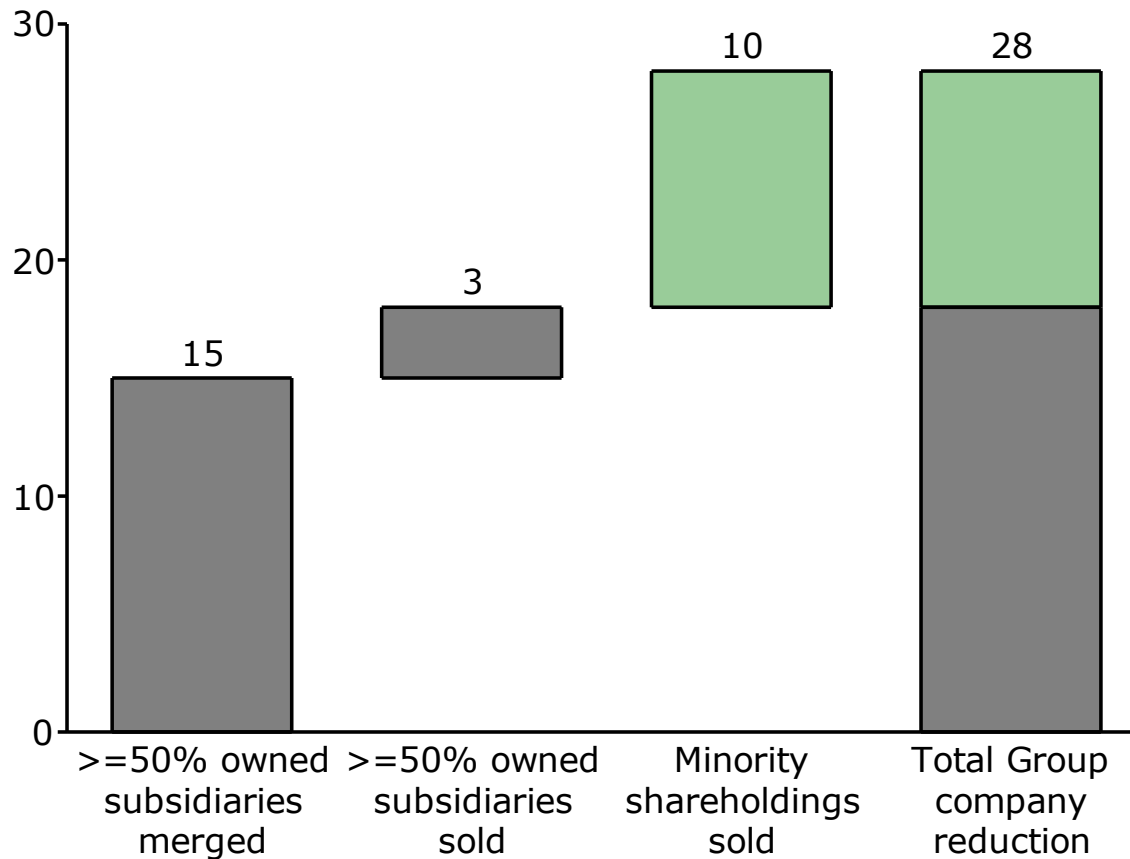
### CAPEX and OPEX reduction – Description and expected results



## 2. Cost Optimization

### Reduction of Group complexity - Internal rationalization

#### COMPANY SUBSIDIARIES SOLD OR MERGED IN 2009



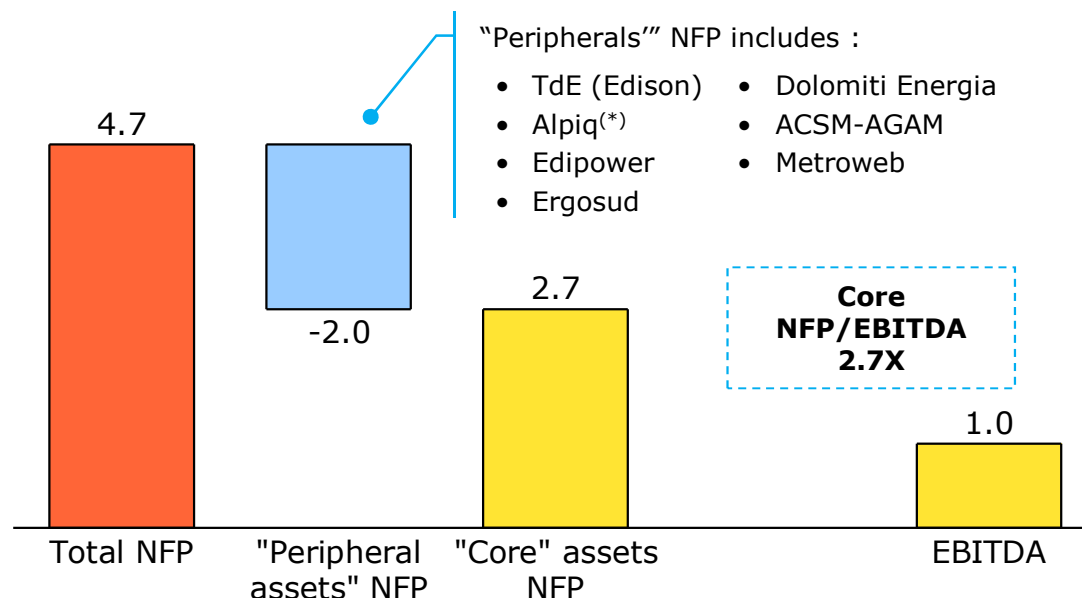
- **Internal Group rationalization process obtained by shedding almost 30 companies**
- **The benefits of this process are:**
  - **Reduction of direct costs (Board compensation, etc.)**
  - **Some regulatory benefits in business areas, such as electricity distribution thanks to scale increase**
  - **Operational optimization, reducing corporate activities (fiscal, planning and control, etc.)**
  - **Synergy extraction**

### 3. Capital employed rationalization "Peripherals" and "core asset" debt analysis



DESCRIPTION	CORE ASSETS NFP ANALYSIS (31/12/2009; B€)
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- A2A **does not consolidate** some relevant shareholdings, which therefore **do not contribute to A2A EBITDA**
- These, so called **"peripherals"**, represent a considerable amount of capital employed (almost **30% at yr end-2009**)
- **NFP/EBITDA** and **NFP/Equity** would be more meaningful if limited to the **"core asset" NFP** (assuming peripherals could be sold to reduce total NFP)



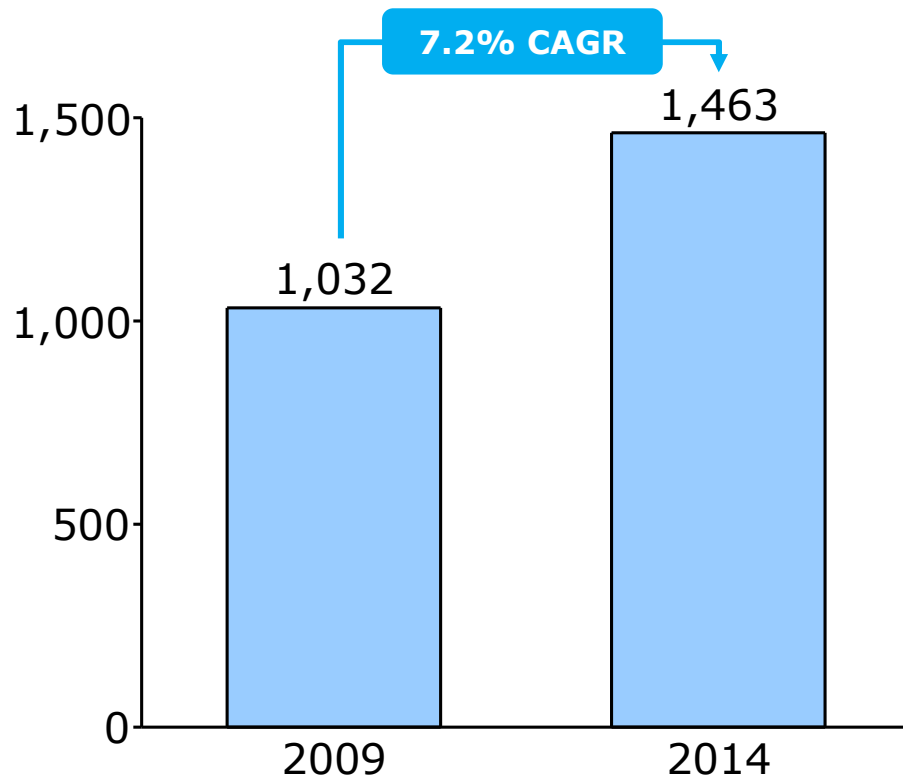
(\* ) Sold in June 2010

- **A2A's strategic goal is to reduce the weight of peripherals on overall company value**
- **Divestment plan underway with a target of an approximate €500M cash-in (Alpiq, Metroweb, etc.)**
- **A2A's share in Edison to be transformed into an industrial stake (EBITDA generation) or into cash**

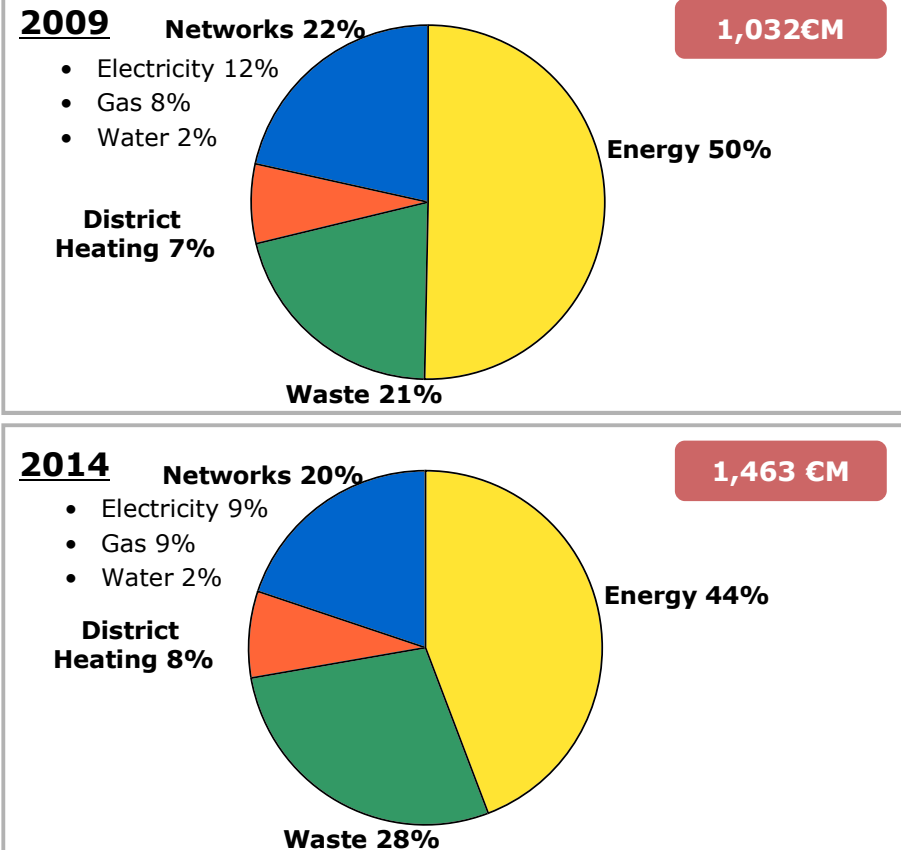
Note: peripherals' value calculated at book value as of 31/12/09 Balance Sheet, net of minorities, except Alpiq (market value)

# 2010-2014 Business Plan: EBITDA

## BUSINESS PLAN EBITDA (€M)



## EBITDA BREAKDOWN (2009-2014)

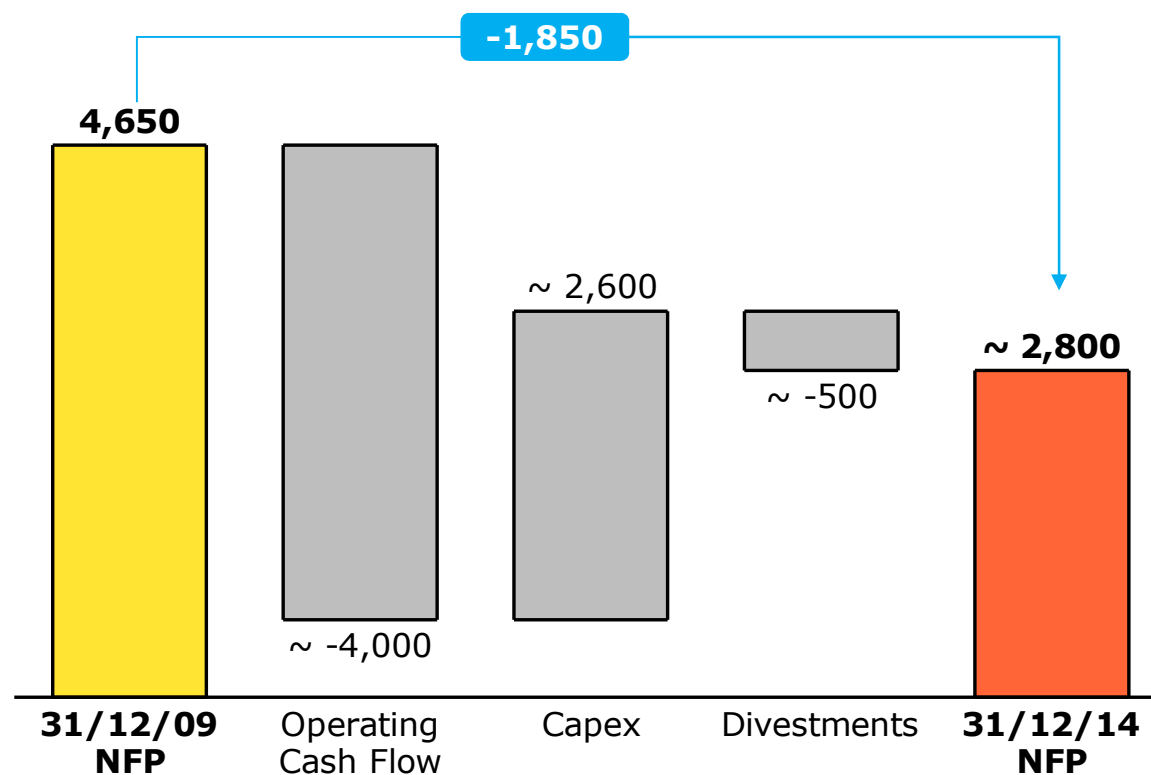


**7.2% CAGR drives EBITDA up to almost 1.5 €B, with main contributions from renewables (EPCG), Waste (13% CAGR) and District Heating (9% CAGR)**



# 2010-2014 Business Plan: Pre-dividends NFP evolution

PRE-DIVIDENDS NFP BRIDGE 2009-2014 (€M)



- **Financial targets:**
  - Debt/EBITDA ratio from 4.5x to 3x by 2014
  - FFO/Total debt adjusted ratio of 15-20%
- **Debt level target at 2014 €4.4B**

Note: EPCG consolidated from 2010

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# Business Plan details: Energy

## Scenario assumptions: Brent, Coal prices and Euro/USD FX

	UNIT	2009	2014	AVG. '10-'14
ICE Brent 1 st line	\$/bbl	62.6	95.0	84.0
Forward Euro/ Dollar	€/\$	1.39	1.30	1.35
ICE Brent 1 st line	€/bbl	44.9	73.1	62.5
Coal API 2	\$/ton	70.5	100.0	95.6
Inflation	%	1.0%	3.0%	2.5%

# 9M 2010 - Main financial highlights

€M data

	9M 2009	9M 2010	Change	Change %
<b>NET SALES</b>	<b>3,934</b>	<b>4,056</b>	<b>+122</b>	<b>+3.1%</b>
<b>EBITDA</b>	<b>752</b>	<b>686</b>	<b>-66</b>	<b>-8.8%</b>
<b>EBIT</b>	<b>474</b>	<b>342</b>	<b>-132</b>	<b>-27.8%</b>
<b>NET INCOME</b>	<b>2</b>	<b>436</b>	<b>+434</b>	<b>-</b>

	2009	9M 2010	Change
<b>NET CAPITAL EMPLOYED</b>	<b>9,239</b>	<b>8,741</b>	<b>-498</b>
<b>NFP</b>	<b>4,644</b>	<b>4,284</b>	<b>-360</b>
<b>EQUITY</b>	<b>4,595</b>	<b>4,457</b>	<b>-138</b>
<b>NFP/EQUITY</b>	<b>1.01x</b>	<b>0.96x</b>	

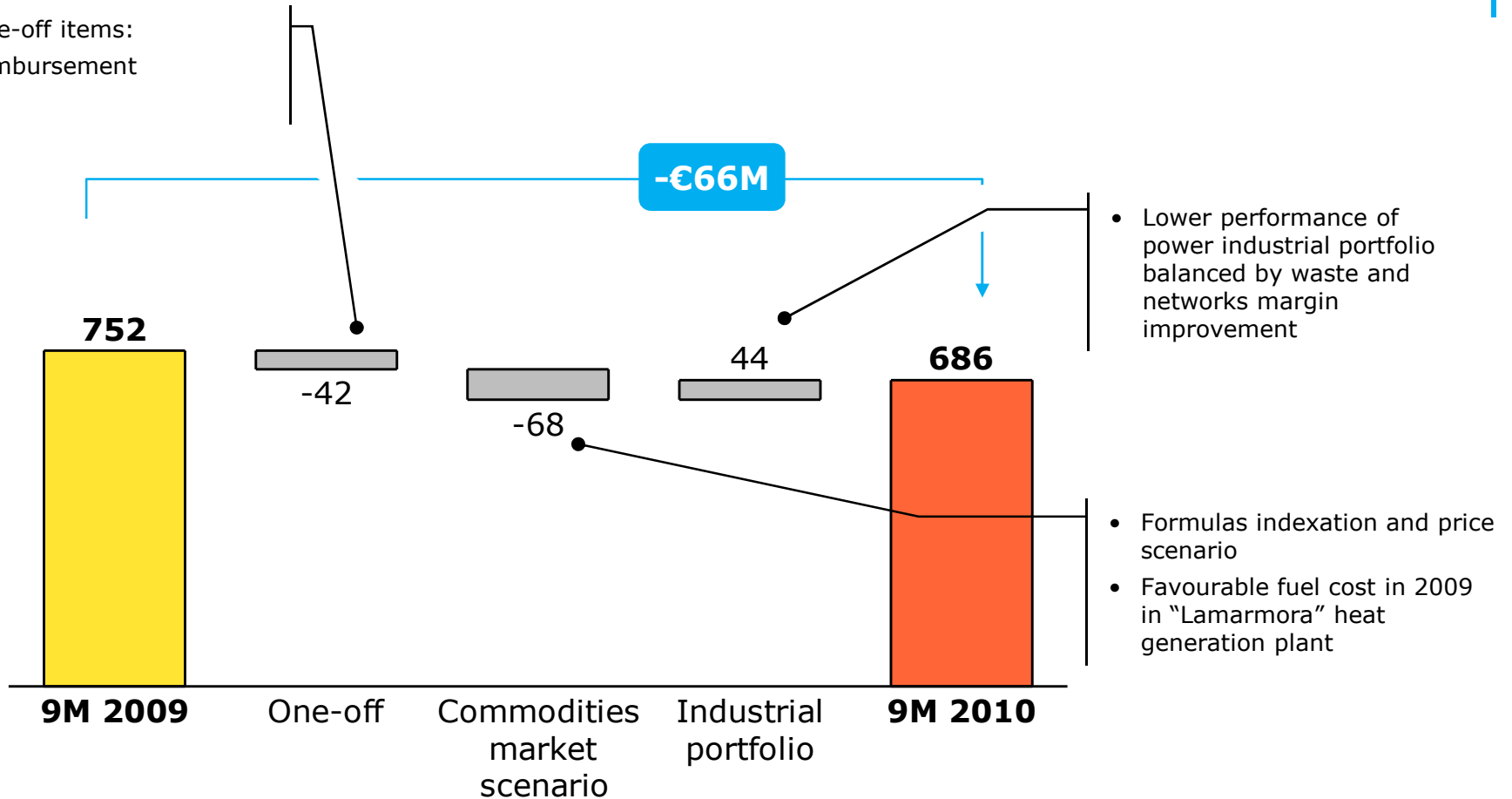
# 9M 2010 - Results and main strategic achievements

## EBITDA

€M data

Positive 2009 one-off items:

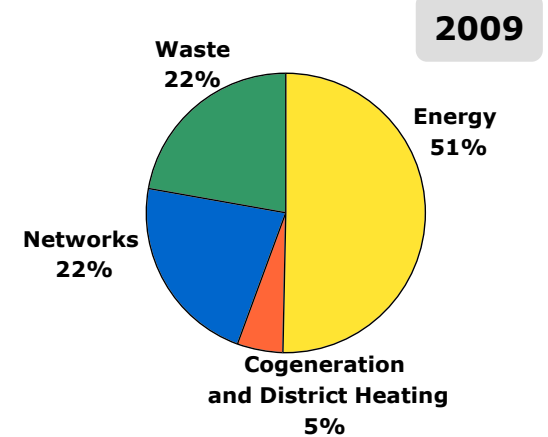
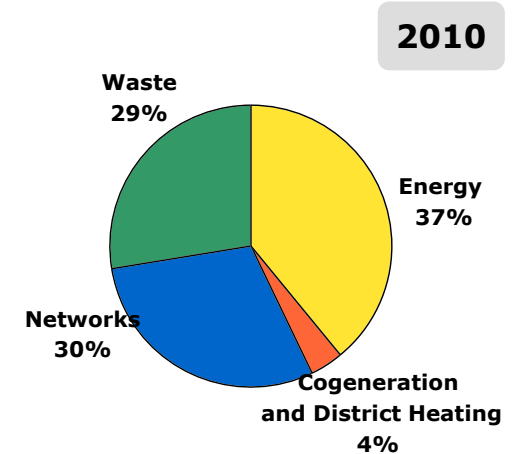
- Insurance reimbursement
- Others



# 9M 2010 - EBITDA breakdown

€M data	EBITDA 9M2009	EBITDA 9M2010	Δ Vs 2009
<b>ELECTRICITY</b>	300	230	-70
<b>GAS</b>	91	35	-56
<b>COGENERATION AND DISTRICT HEATING</b>	41	30	-11
<b>WASTE</b>	173	202	+29
<b>NETWORKS</b>	173	211	+38
<b>OTHER SERVICES &amp; CORPORATE</b>	-27	-23	+4
<i>CONSOLIDATION ADJUSTMENTS</i>	<i>1</i>	<i>1</i>	
<b>TOTAL</b>	<b>752</b>	<b>686</b>	<b>-66</b>

## EBITDA BREAKDOWN



# 9M 2010 – EPCG: Financial highlights and Volumes

## FINANCIAL HIGHLIGHTS (€M)



9M 2010

**NET SALES**

**221**

**EBITDA**

**52**

**EBIT**

**14**

**NET CAPITAL EMPLOYED**

**843**

**NFP**

**(73)**

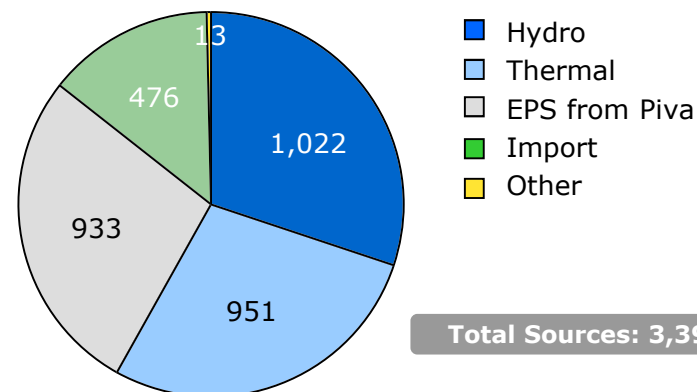
**EQUITY**

**916**

Note: EPCG consolidated on equity basis (43.7% of total) as of 2010

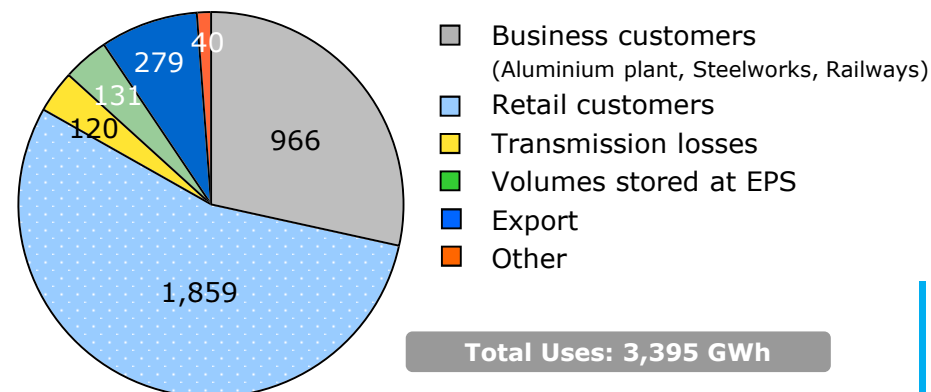
## VOLUMES (GWh)

### SOURCES



Total Sources: 3,395 GWh

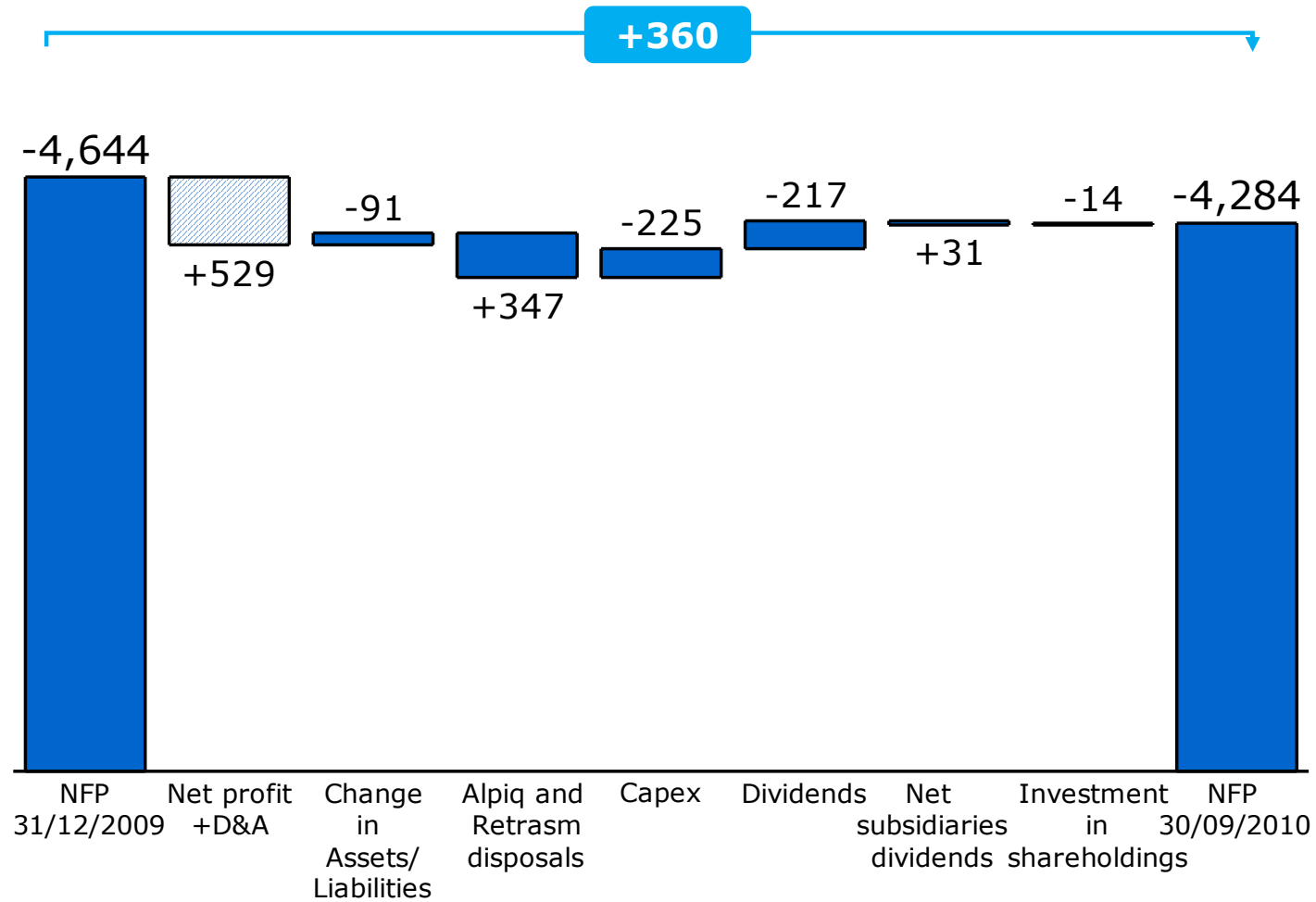
### USES



Total Uses: 3,395 GWh

# 9M 2010 - Net Debt and Cash Flow

€M data



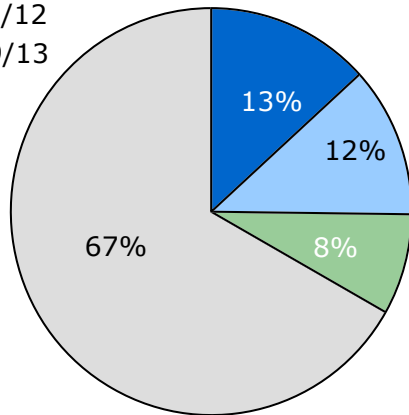


# 9M 2010 - Group Financial structure

## Total debt - Maturity

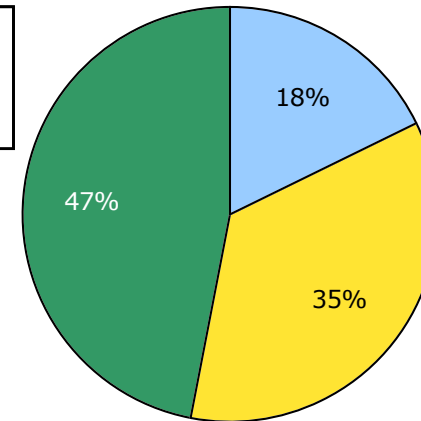
### DEBT MATURITY

- <30/09/2011
- 01/10/11-30/09/12
- 01/10/12-30/09/13
- >30/09/2013



### DEBT BREAKDOWN BY INTEREST

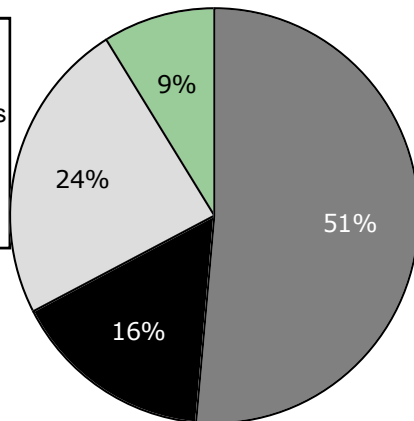
- Swap
- Variable
- Fixed



**TOTAL DEBT: 4.4 €B - AVG. MATURITY: 4.2 YEARS – UNDRAWN LINES: 2.1 €B – 9M 2010 AVG. RATE 2.91%**

### DEBT BREAKDOWN

- Uncommitted Lines & Other
- Committed Lines
- Loans
- Bond



### COMPANY'S CREDIT RATING

