



# **A2A Group 9M 2012 results & 2013-2015 Business Plan**

Conference Call

Milan, November 8<sup>th</sup> 2012



# Agenda

- **A2A 9M 2012 results**
- **Business Plan 2012-2015 and strategic guidelines**
- **Focus on business areas**
  - Energy
  - Waste
  - Cogeneration and District Heating
  - Networks

# 9M2012 - Main financial highlights

€M	9M2011 <sup>*</sup>	9M2012	Change	Change %
<b>NET SALES</b>	<b>4,305</b>	<b>4,917</b>	<b>+612</b>	<b>+14.2%</b>
<b>EBITDA</b>	<b>648</b>	<b>776</b>	<b>+128</b>	<b>+19.7%</b>
<b>EBIT</b>	<b>270</b>	<b>405</b>	<b>+135</b>	<b>+50.0%</b>
<b>NET INCOME</b>	<b>114</b>	<b>169</b>	<b>+55</b>	<b>+48.2%</b>
	2011 <sup>*</sup>	9M2012	Change	
<b>NET CAPITAL EMPLOYED</b>	<b>7,614</b>	<b>8,226</b>	<b>+612</b>	
<i>NFP NET OF EDIPOWER ACQUISITION IMPACT</i>	<i>4,021</i>	<i>3,497</i>	<i>-524</i>	
<i>EDIPOWER ACQUISITION IMPACT ON NFP</i>	<i>-</i>	<i>1,083</i>	<i>+1,083</i>	
<b>TOTAL NFP</b>	<b>4,021</b>	<b>4,580</b>	<b>+559</b>	
<b>EQUITY</b>	<b>3,593</b>	<b>3,646</b>	<b>+53</b>	

- First consolidation of Edipower NFP **+959**
- Share of Edipower acquisition **+124**

<sup>\*</sup> Coriance reclassified according to IFRS5

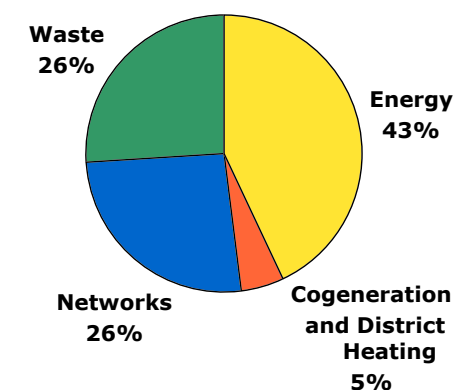
# 9M2012 vs 9M2011 - EBITDA breakdown

€M

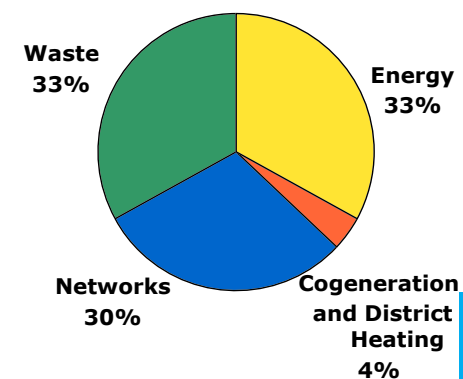
	EBITDA 9M2011	EBITDA 9M2012	Δ vs 2011	KEY POINTS
<b>ENERGY</b>	223	332	109	<ul style="list-style-type: none"> <li>↑ Edipower consolidation starting from June 2012</li> <li>↑ Higher margin of Monfalcone plant</li> <li>↑ <i>Non current items</i> (Cassano power plant insurance reimbursement)</li> </ul>
<b>COGENERATION AND DISTRICT HEATING</b>	27	36	9	<ul style="list-style-type: none"> <li>↑ Increase of customers (+12% heated volumes)</li> <li>↑ <i>Non current items</i> (environmental markets)</li> </ul>
<b>WASTE</b>	216	206	-10	<ul style="list-style-type: none"> <li>↓ Expiry of Cip6 revenues of WTE plants</li> <li>↓ Bergamo WTE planned stoppage for extraordinary maintenance</li> <li>↑ Higher margins on Italian and int'l projects</li> </ul>
<b>NETWORKS</b>	199	205	6	<ul style="list-style-type: none"> <li>↑ Positive regulatory impact on gas and water revenues</li> </ul>
<b>OTHER SERVICES &amp; CORPORATE</b>	-16	-3	13	<ul style="list-style-type: none"> <li>↑ <i>Non current items</i></li> </ul>
<b>CONSOLIDATION ADJUSTMENTS</b>	-1	0	1	
<b>TOTAL</b>	<b>648</b>	<b>776</b>	<b>128</b>	

## EBITDA BREAKDOWN

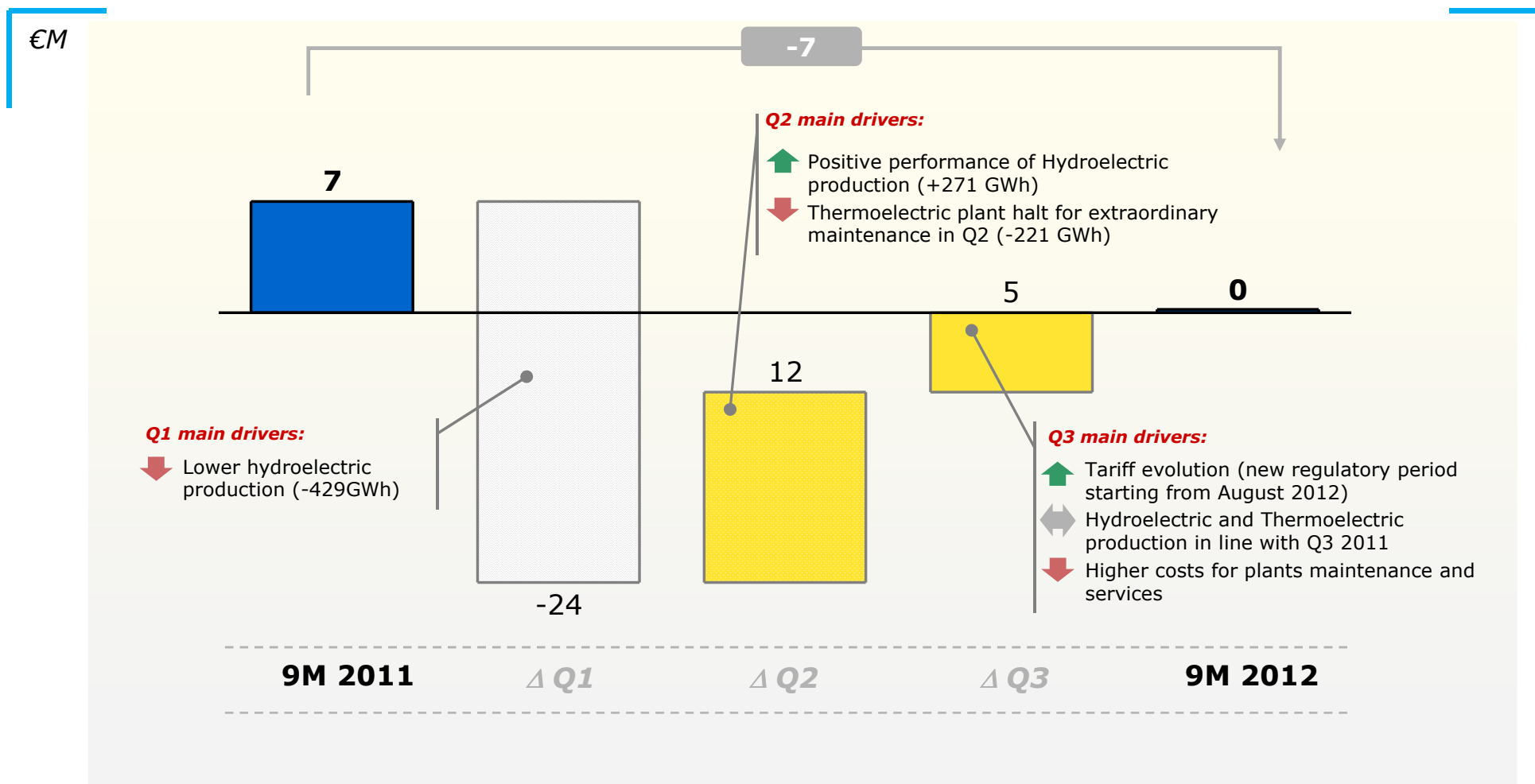
9M2012



9M2011



# 9M2012 vs 9M2011 – EPCG: EBITDA analysis



	9M2011	9M2012	Δ %
<b>HYDROELECTRIC PRODUCTION (GWh)</b>	<b>1,009</b>	<b>930</b>	<b>-8%</b>

	9M2011	9M2012	Δ %
<b>THERMOELECTRIC PRODUCTION (GWh)</b>	<b>1,055</b>	<b>864</b>	<b>-18%</b>

# 9M2012 - From EBITDA to Net Income (1/2)

€M

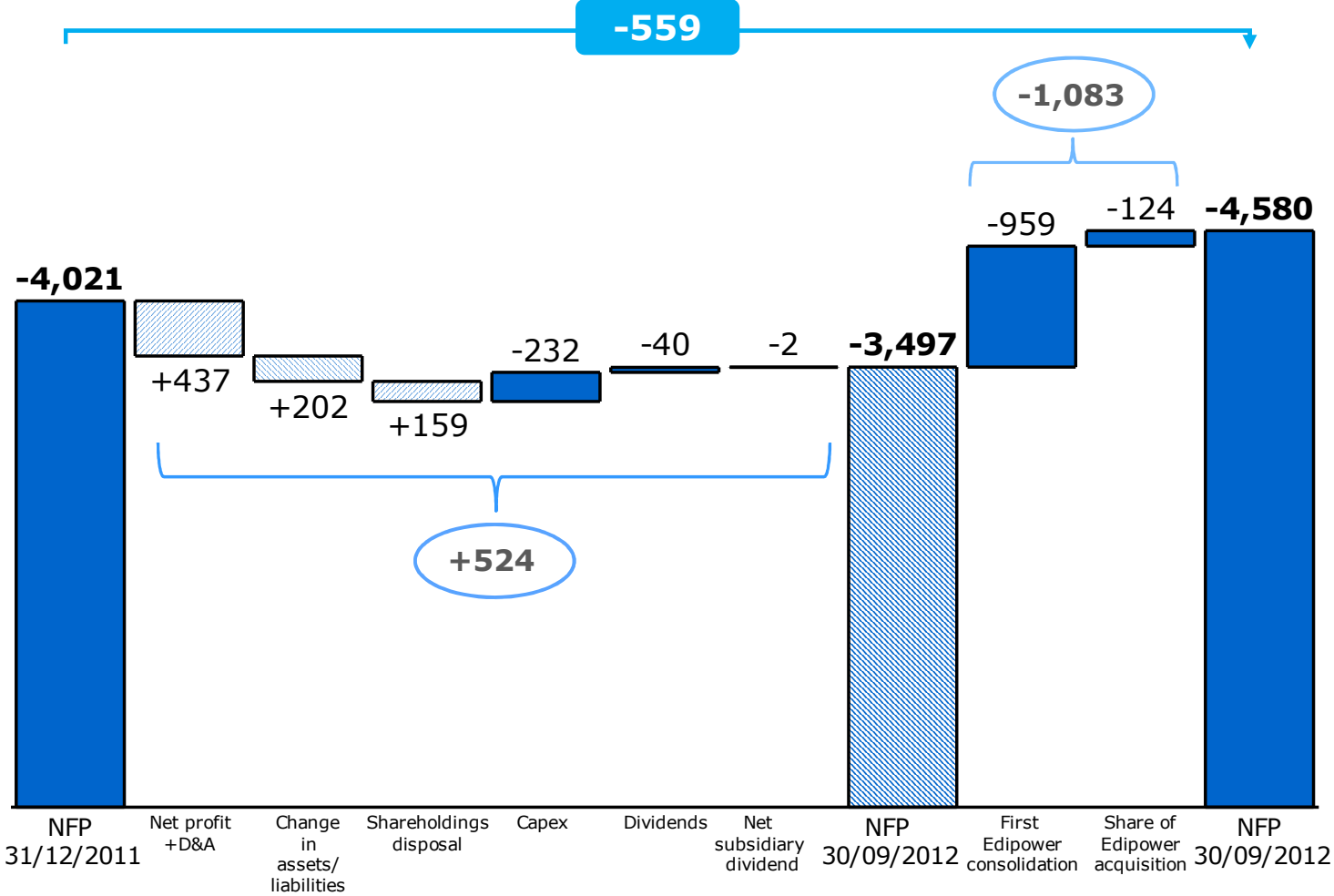
	9M2011	9M2012	Change	Key points
<b>EBITDA</b>	<b>648</b>	<b>776</b>	<b>+128</b>	
<b>D&amp;A, write downs and provisions</b>	<b>-378</b>	<b>-371</b>	<b>+7</b>	<i>Edipower consolidation/ new regulation of hydro plants concessions</i>
<b>Financial charges</b>	<b>-130</b>	<b>-126</b>	<b>+4</b>	
<b>Fair value derivatives</b>	<b>+22</b>	<b>-41</b>	<b>-63</b>	<i>Bond fair value: -42 Other derivatives: -21</i>
<b>Associates and JV and others</b>	<b>+21</b>	<b>+16</b>	<b>-5</b>	
<b>Others</b>	<b>-5</b>	<b>-</b>	<b>+5</b>	
<b>EBT</b>	<b>178</b>	<b>254</b>	<b>+76</b>	

# 9M2012 - From EBITDA to Net Income (2/2)

€M	9M2011	9M2012	Change	Key points
<b>EBT</b>	<b>178</b>	<b>254</b>	<b>+76</b>	
<b>TAXES</b>	<b>-94</b>	<b>-125</b>	<b>-31</b>	<i>In 9M2011 higher benefit from deferred tax assets for Robin Hood Tax</i>
<b>IFRS 5</b>	<b>-3</b>	<b>43</b>	<b>+46</b>	<i>9M2012 Coriance: +33 e-Utile capital gain: +8 9M2011 TdE result: -45 Metroweb capital gain: +36</i>
<b>MINORITIES</b>	<b>+33</b>	<b>-3</b>	<b>-36</b>	
<b>NET INCOME</b>	<b>114</b>	<b>169</b>	<b>+55</b>	

# 9M2012 - Net debt and cash flow

€M

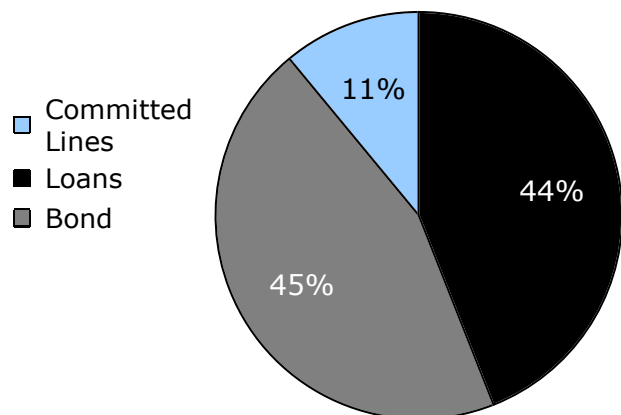


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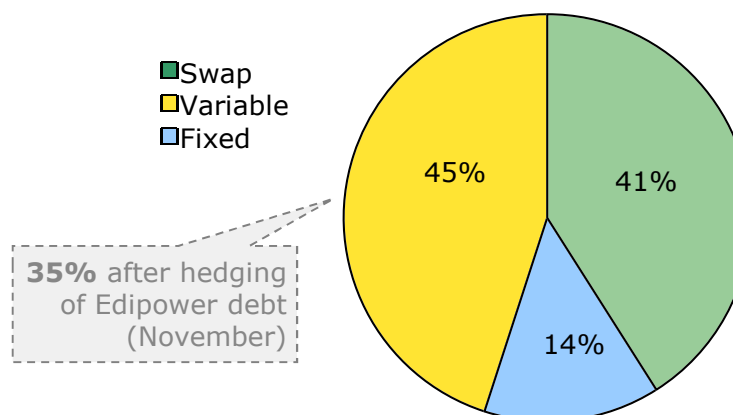


# A2A Group debt structure: situation at 30/9/2012

## DEBT BREAKDOWN BY SOURCES

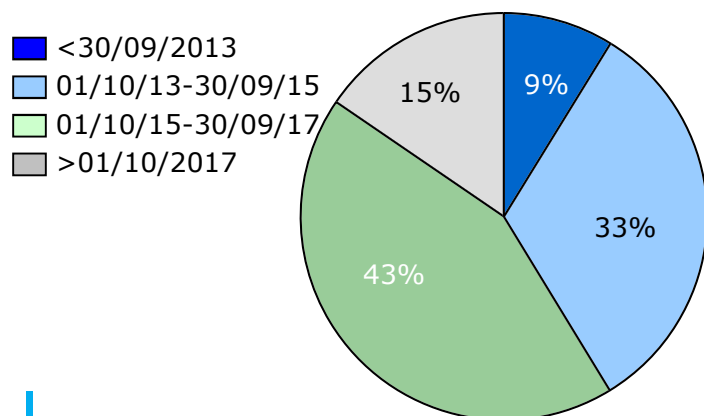


## DEBT BREAKDOWN BY INTEREST



**TOTAL DEBT: 4,724 €M - AVG. MATURITY: 4.0 YEARS - UNDRAWN LINES\*: 1,325 €M - 9M2012 AVG. RATE 3.42%**

## DEBT MATURITY



## CORPORATE CREDIT RATING



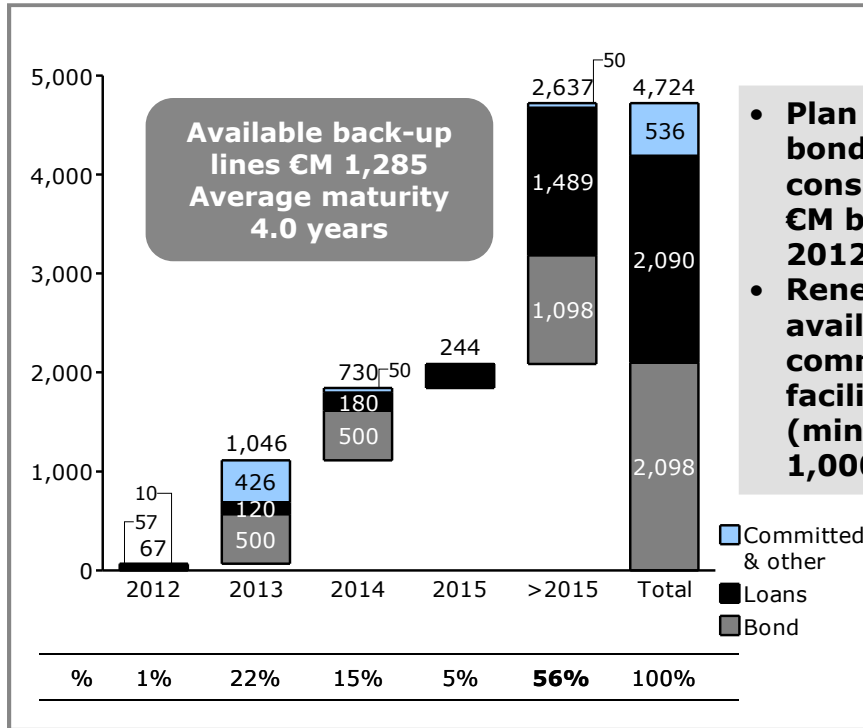
**EMTN PROGRAM 2,000 M€**

\* of which 1,285 €M committed lines, 40 €M IEB loan

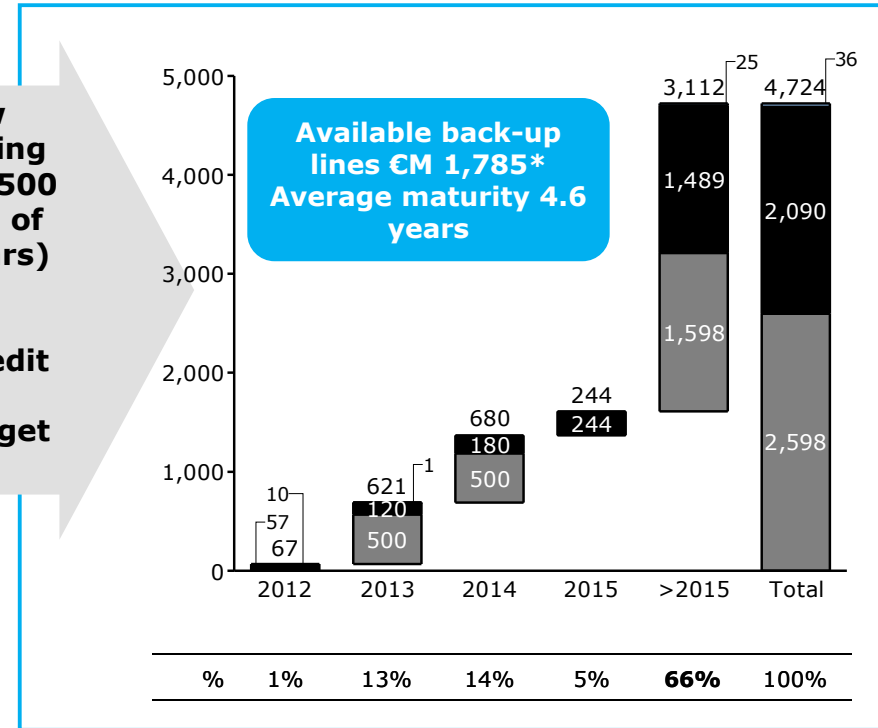
Note: EPCG not included

# A2A Group debt structure: debt maturity profile

**CURRENT DEBT MATURITY PROFILE (as of 30/9/2012)**



**DEBT MATURITY PROFILE (30/9/2012 pro-forma with new 7-years 500 €M bond)**



**FUNDING STRATEGY**

**Debt duration, flexibility and diversification of sources**



(\* ) not included new revolving facilities

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- Waste
- Cogeneration and District Heating
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# Roadmap for strategy implementation

## BUSINESS PLAN 2013-2015

### CONSOLIDATION

1. **Balance sheet optimization and deleveraging**
2. **Waste project**
3. **Edipower integration**
4. **Operating efficiency and capital discipline**

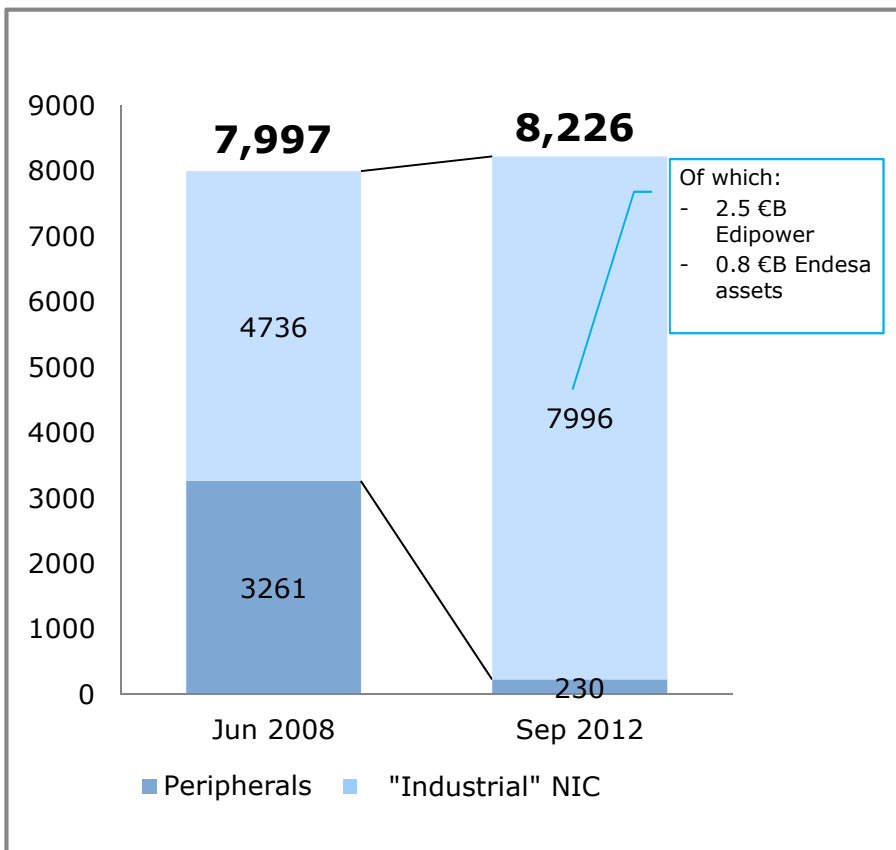
## MEDIUM/LONG TERM

### GROWTH

- **Boost industrial growth through the financial stability achieved via consolidation**
- **Invest on key priority areas:**
  - **Waste industrial plants**
  - **Cogeneration and district heating systems**
  - **Repowering of power production plants**

# 1. Balance sheet optimization and deleveraging - Track record

## A2A GROUP NET INVESTED CAPITAL (€M)



## 2008-2012 TRACK RECORD

### From financial stake to industrial assets

- **Asset swap of the financial stake in Endesa Italia (20%) into power generation plants**
- **Swap of financial stake in TdE/Edison (17% diluted share) gaining control of Edipower**

### Disposals

- **Sale of 5% financial stake in Alpiq (305 €M)**
- **Sale of Coriance (160 €M)**
- **Sale of Bergamo water cycle company (25 €M)**
- **Sale of other non-core assets (140 €M)**

# Business Plan 2013-2015

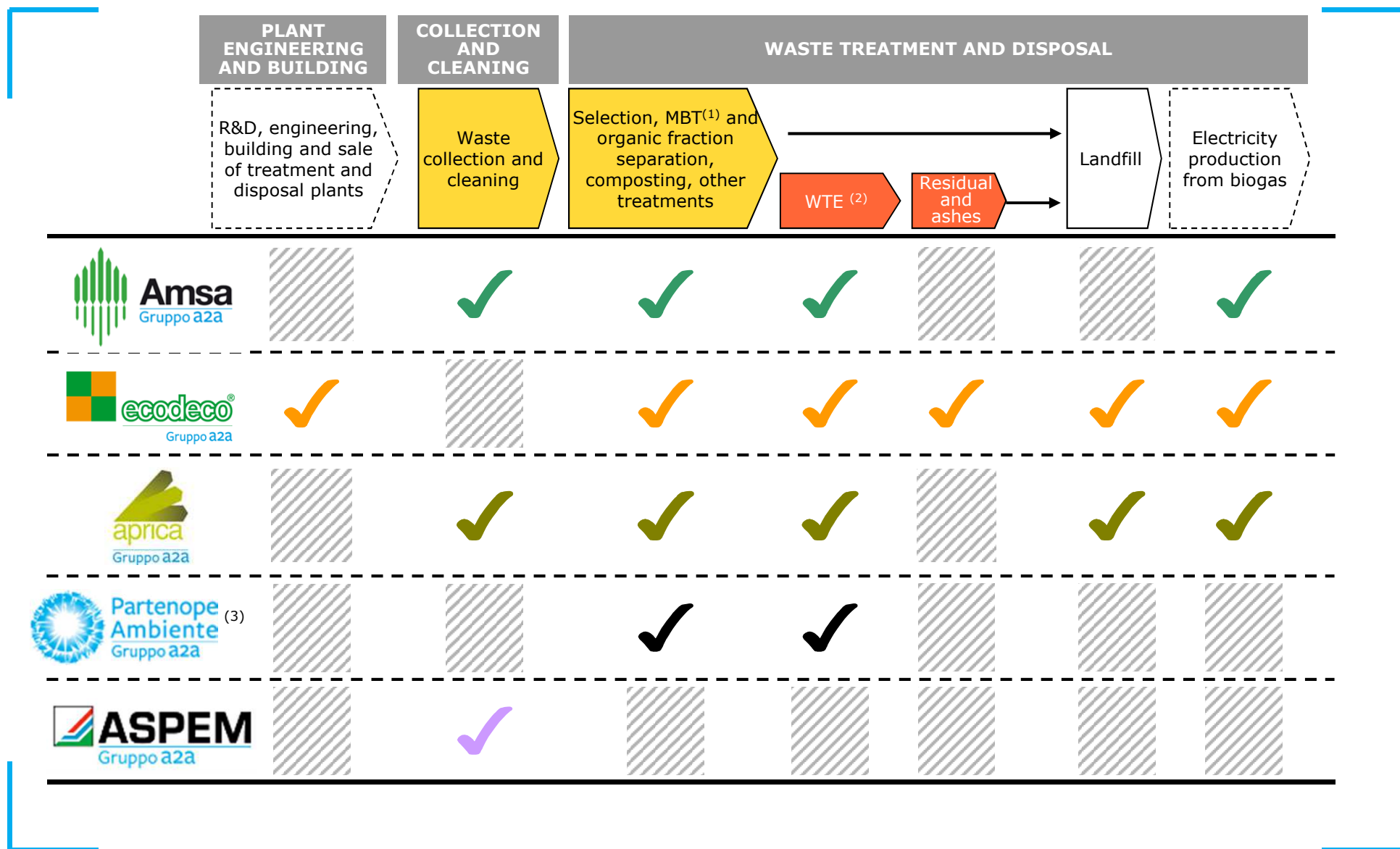
## 1. Balance sheet optimization and deleveraging – Actions

**One-offs aimed at NFP quick reduction, maintaining industrial control on core business activities**

- **Disposal of minority stakes in subsidiaries**
- **Disposal of non-core assets**
- **Deconsolidation of Integrated Water Cycle business**

**Expected impact  
on Group NFP:  
~500 €M**

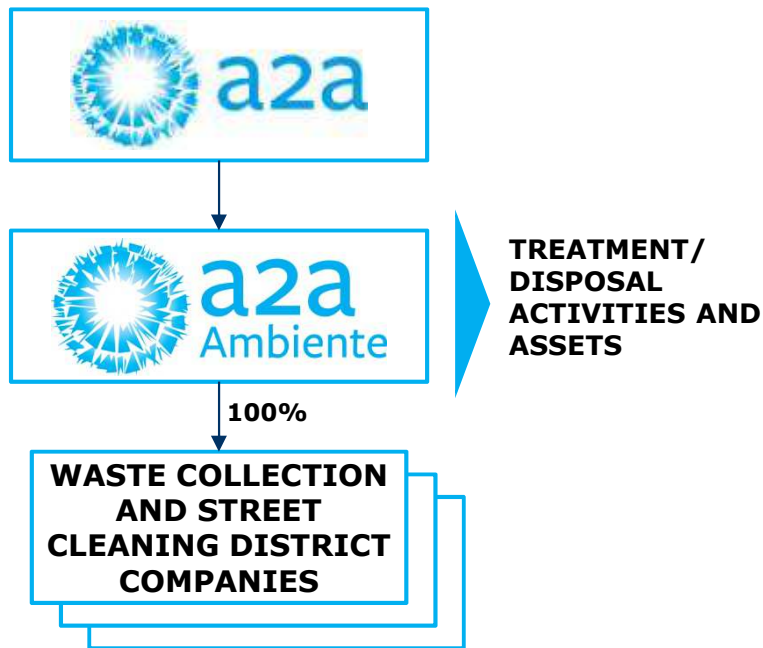
## 2. Waste project – Current business structure



# Business Plan 2013-2015

## 2. Waste project – Launch of A2A Ambiente

### POST-DEAL COMPANY STRUCTURE



### KEY NUMBERS

- 5 WTEs owned (1.4 Mton disposed) + 1 WTE managed (Acerra)
- 16 treatment plants (1 Mton treated)
- 7 landfills (2 Mcm residual capacity)
- 1.5 TWh electricity and 0.9 TWh heat produced
- Collection: 2.3 millions inhabitants served and 1.2 Mton collected

#### Concessions:

City	C	S	T	D	Tr	R	Expiry
Milano	X	X	X	X			31/12/2021
Brescia	X	X	X	X	X	X	31/12/2050
Bergamo	X	X	X	X	X	X	31/12/2023
Varese	X		X				31/12/2034

**Creation of the largest waste company in Italy with potential integration synergies from waste flow optimization, cost reduction and plant management**

Key: C = Collection; S = Street sweeping; T = Transport; D = Disposal; Tr = Treatment; R = Recovery

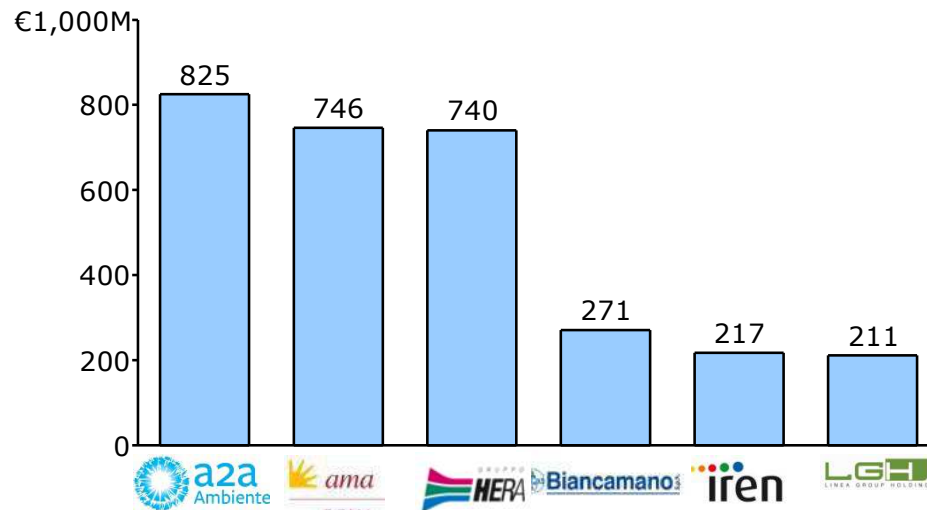


# Business Plan 2013-2015

## 2. Waste project – A2A Ambiente positioning

### A2A AMBIENTE'S POSITIONING

Waste 2011 turnover



EBITDA (M€)	287	139	194	32	42	62
EBITDA %	35%	19%	26%	12%	19%	29%

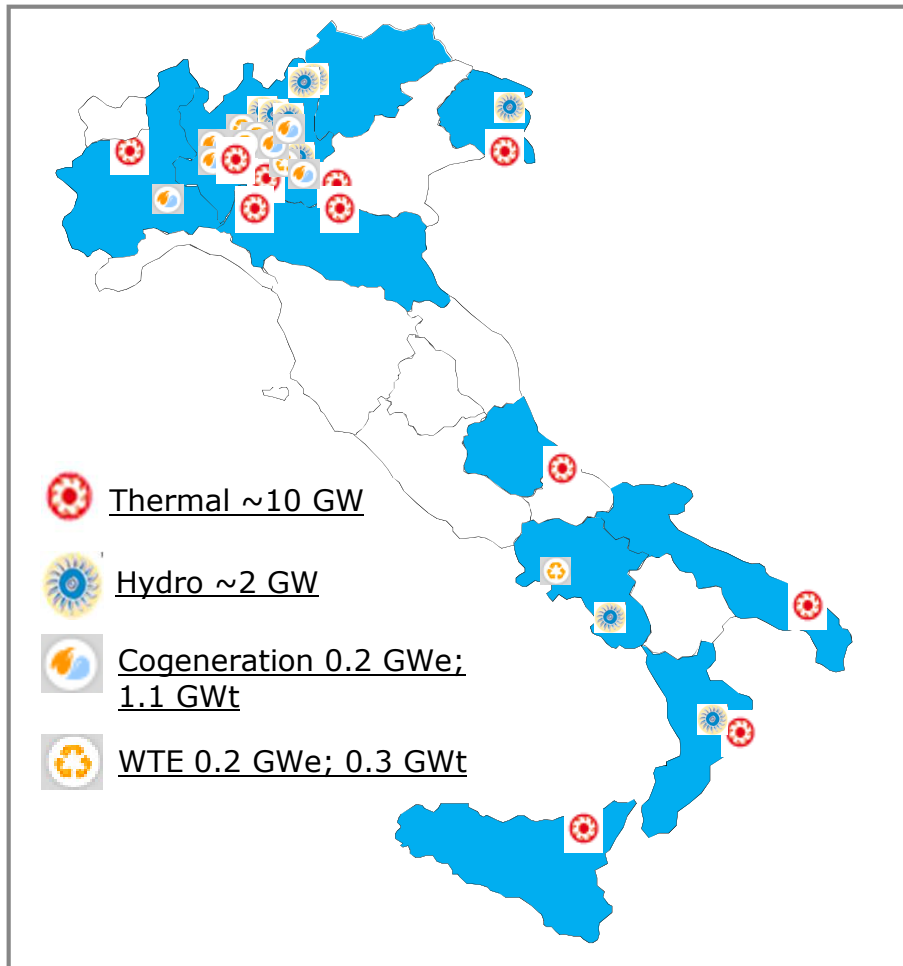
### MAIN BENEFITS

- Creation of the most important waste management company in Italy
- Formal separation between regulated and free-market businesses
- Optimized waste stream planning and management to maximize margins and plant utilization, also through improved mutual back-up scheme of plants during planned and unplanned stoppages
- Stronger commercial efficiency and effectiveness through a consistent marketing approach
- Integration synergies on fixed costs, both "staff" (i.e. engineering, human resources, ...) and "line" activities

**A2A Ambiente will be the first Italian company in waste business both by revenues and profits, with untapped potential benefits from the integration**

### 3. Edipower integration – Current generation portfolio

#### A2A GROUP POWER GENERATION PORTFOLIO IN ITALY



#### A2A COMPETITIVE ADVANTAGES

- **Diversified and well-balanced generation mix, in order to exploit market opportunities and mitigate overall risk**
- **CCGT investment cycle completed - all plants are new or recently revamped , with limited maintenance Capex needed**
- **Highly flexible plant portfolio:**
  - **70% of hydro flexible reservoir/basin vs. run-of-river**
  - **CCGT plants with an average of 39% of technical minimum load**
- **Relevant market share in Northern Zone (e.g. 34% CCGT share)**

# Business Plan 2013-2015

## 3. Edipower integration – Expected benefits

### A2A GENERATION ASSETS – CURRENT COMPANY STRUCTURE



**Thermal:**

- Cassano
- Ponti sul Mincio
- Monfalcone
- Gissi

**Hydro:**

- Valtellina
- Calabria

56% → up to 77%\*



**Thermal:**

- Brindisi
- Chivasso
- Piacenza
- San Filippo
- Sermide

**Hydro:**

- Mese
- Udine

\* Assuming Iren's exit from Edipower shareholding structure in exchange for Turbigo and Tusciano plants

### EDIPOWER CONSOLIDATION: PERFORMANCE OPTIMIZATION OPPORTUNITIES

#### PLANT DISPATCHING OPTIMIZATION

- **Previous tolling inefficiencies overcome** through new **dispatching model** assigning A2A a more relevant role
- **Instant improvements** achieved in Group's generation portfolio management

**Dispatching optimization already in place (potential further improvement in 2013)**

#### COST SYNERGIES

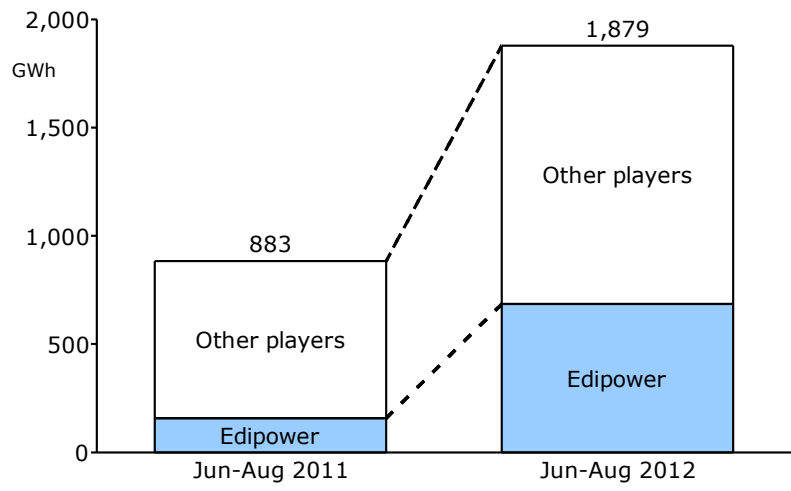
- Relevant opportunities to **improve cost base efficiency** through **integration with A2A functions**:
  - **corporate** central costs and staff structures
  - **power plant O&M**

**Start of integration plan with A2A on staff and overhead costs**

### 3. Edipower integration – Dispatching optimization

#### EXAMPLE OF DISPATCHING OPTIMIZATION (ALREADY IN PLACE)

**CCGT Plants: Edipower CCGT share in "MSD-up market" (Northern Zone)**

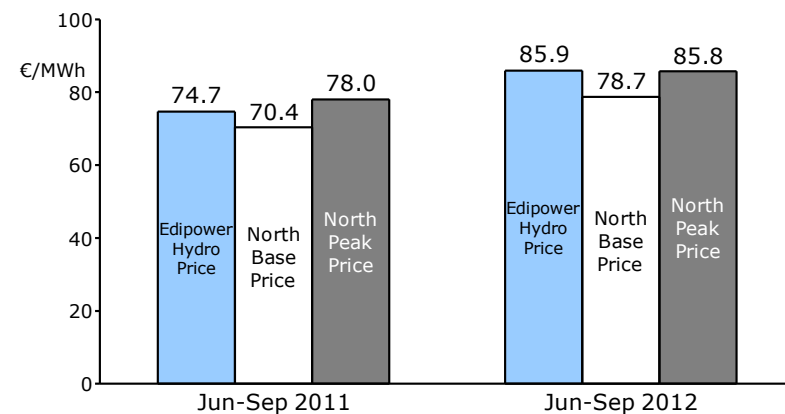


Edipower share (%) 18%

**36%**

Note: Edipower volumes accounted at 100%

**Hydro Plants: Hydro Edipower avg. achieved price vs. Northern Zone price (base & peak)**



Edipower price vs. BL North (€/MWh)	4.3	<b>7.2</b>	<b>+2.9</b>
Edipower price vs. Peak North (€/MWh)	-3.4	<b>0.1</b>	<b>+3.5</b>

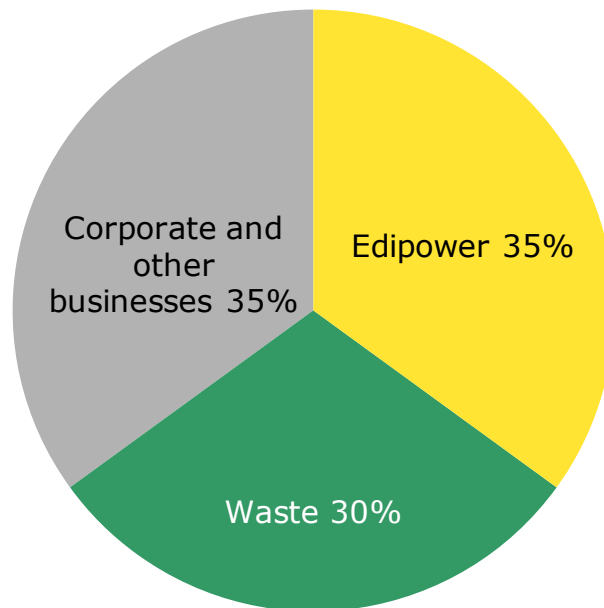
**Optimization of plant dispatching in considerably difficult market, increase of share in secondary services market (MSD) and maximization of hydro production during high-price hours**

# Business Plan 2013-2015

## 4. Operating efficiency and capital discipline – Cost cutting

### OPERATING EFFICIENCY PLAN BREAKDOWN BY BUSINESS AREA (2015)

**Comprehensive efficiency plan contributing ~70 €M to Group EBITDA by 2015 already started**



### WASTE

#### Launch of the largest Italian company and business rationalization

- Obtain scale benefits
- Integrate cross activities
- Optimize waste flows and plants planning

### EDIPOWER

#### Edipower consolidation and generation business integration

- Improve sourcing efficiency
- Integrate staff activities
- Share best practices

### CORPORATE & OTHER

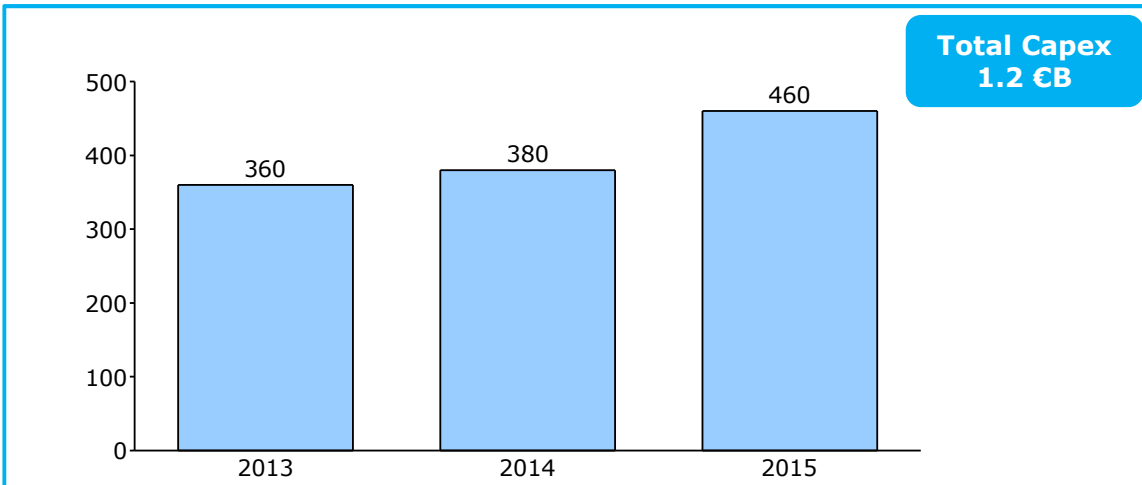
#### Stand-alone efficiency projects

- Re-engineer business processes
- Improve workforce management and productivity

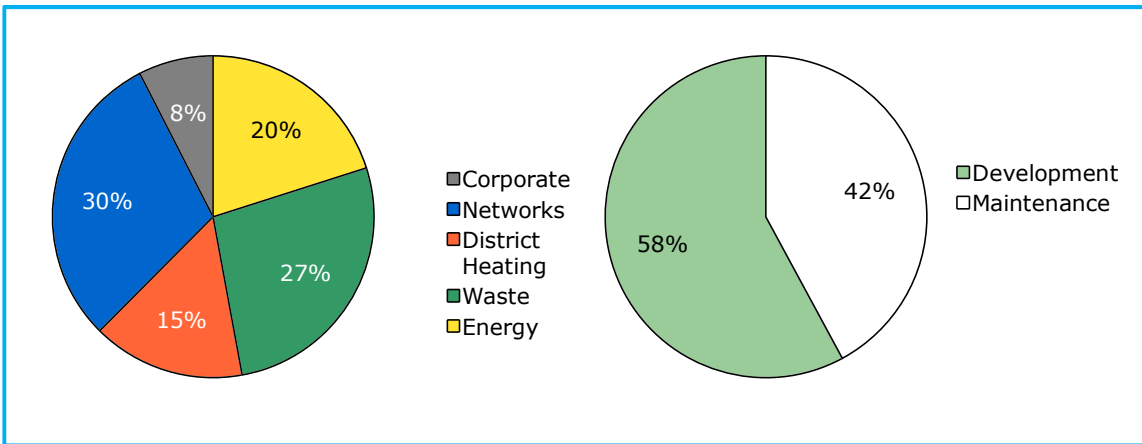
# Business Plan 2013-2015

## 4. Operating efficiency and capital discipline – Capex & NWC

2013-2015 CAPEX EVOLUTION (€M)



2013-2015 CAPEX BREAKDOWN BY BUSINESS AREA/TYPE (€M)



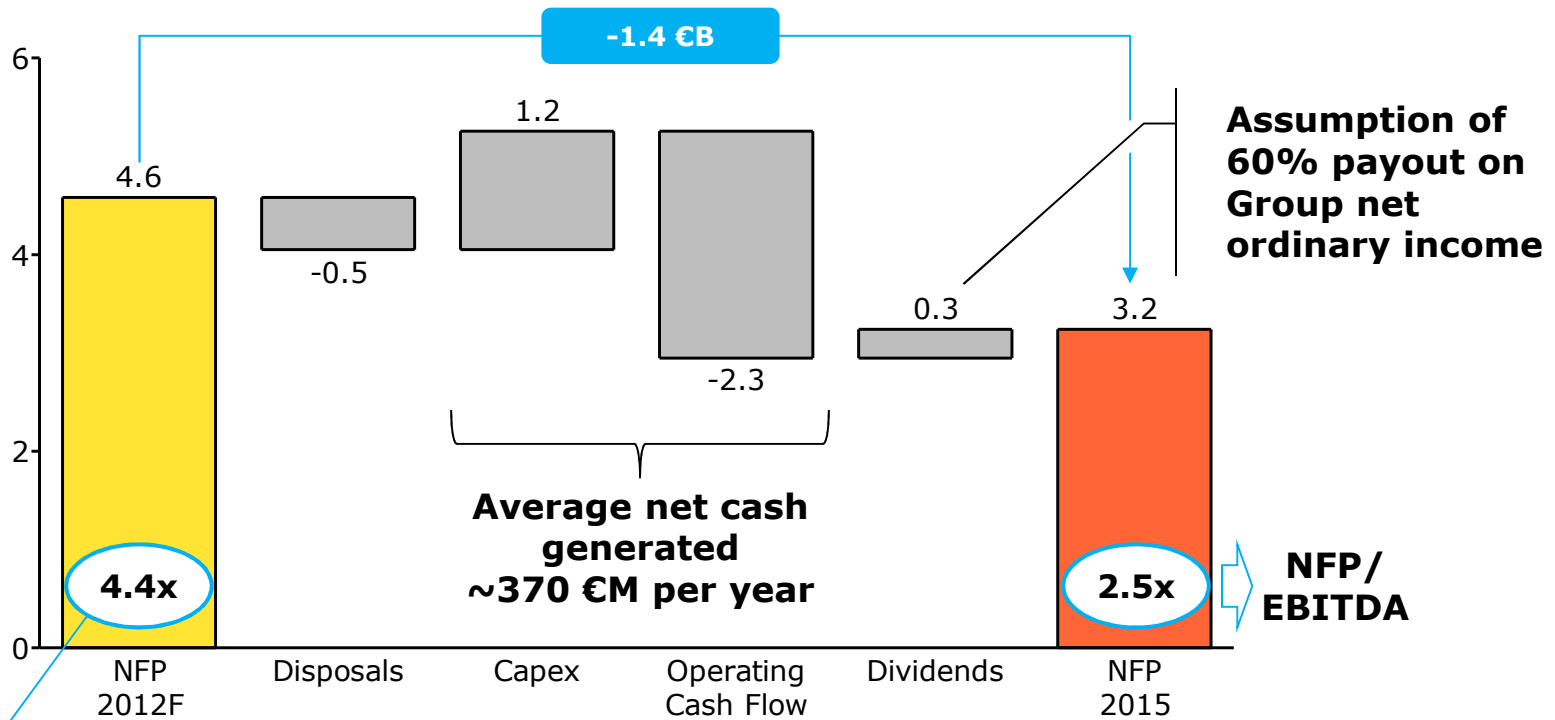
### KEY POINTS

- **Higher hurdle rate for new Capex (300-400 bps over internal WACC)**
- **Maintenance Capex optimization**
- **Further working capital optimization, e.g. credit management initiatives**

# Business plan 2013-2015

## Impact on Net Financial Position

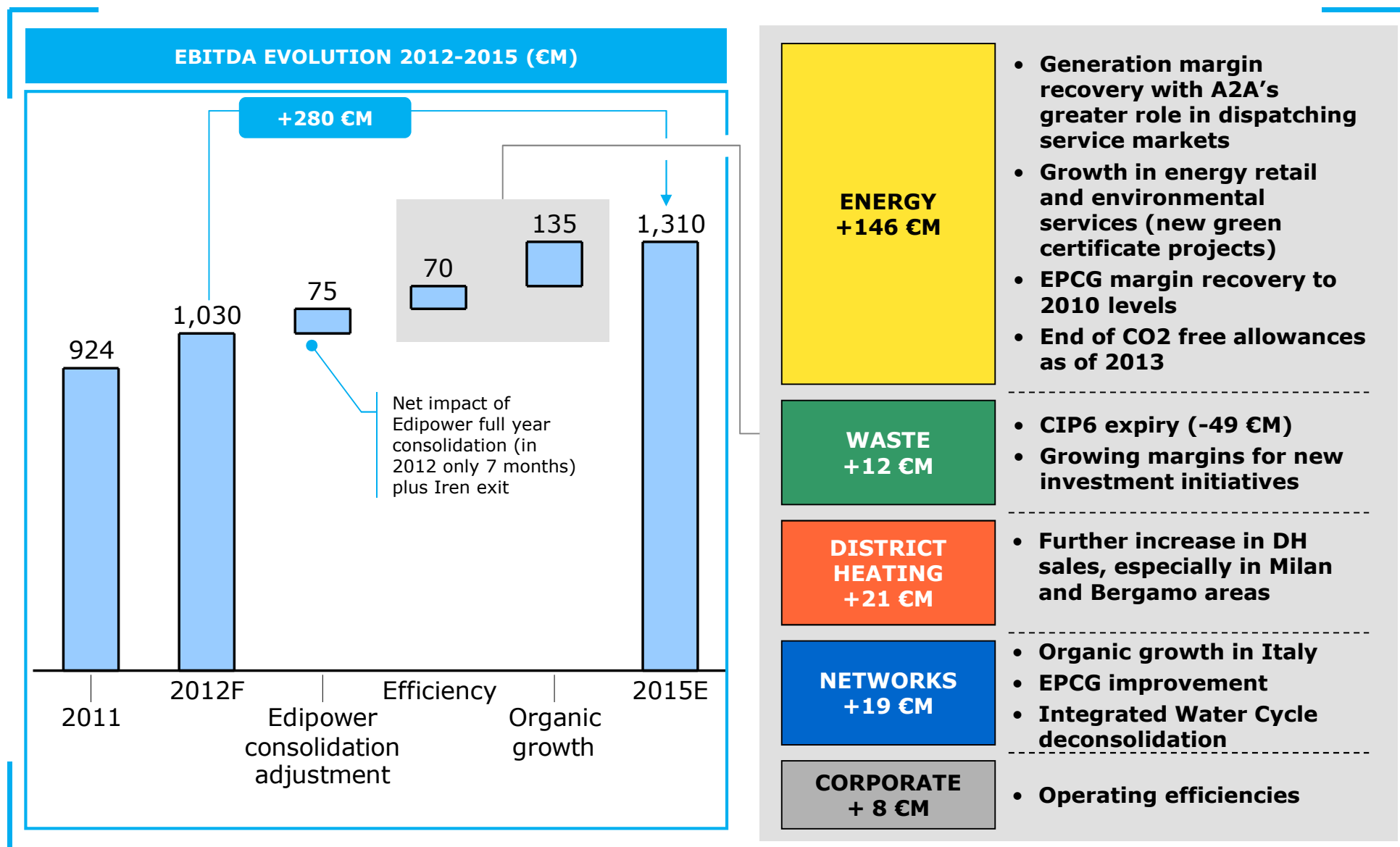
### A2A GROUP NET FINANCIAL POSITION 2012-2015 (€B)



Note: 2012 NFP/EBITDA ratio calculated assuming 31/12/2012 NFP in line with 9M 2012 NFP and without including the first 5 months of Edipower SpA results

# Business plan 2013-2015

## EBITDA evolution



Note: Coriance not included in 2011 and 2012 results

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# Business plan 2013-2015 → Medium/long term evolution EBITDA breakdown and key future developments

€M	2012F	2015E	MEDIUM/LONG TERM PLANNED DEVELOPMENTS		
			DESCRIPTION	PRELIMINARY VALUES	INCLUDED IN 2013-15 PLAN
<b>ENERGY<sup>(1)</sup></b>	506	652	<ul style="list-style-type: none"> <li>Reduction of current low-efficiency installed coal-fired capacity to 300 MW of coal plants with biomass co-firing ("green coal")</li> </ul>	<ul style="list-style-type: none"> <li>Total Capex ~400 €M</li> <li>Full potential EBITDA (2020) ~70 €M/year</li> </ul>	Capex ~30 €M
<b>WASTE<sup>(2)</sup></b>	225	284			
<b>DISTRICT HEATING</b>	72	93	<ul style="list-style-type: none"> <li>Two new disposal facilities (WTEs, ~600 and ~200-250 kton/year) and other small/medium size waste treatment plants</li> </ul>	<ul style="list-style-type: none"> <li>Total Capex ~600 €M</li> <li>Full potential EBITDA (2019) ~150 €M</li> </ul>	Capex ~160 €M
<b>NETWORKS</b>	268	287	<ul style="list-style-type: none"> <li>District heating network in the Milan metropolitan area</li> <li>Heat supply from A2A Cassano plant (30km east of Milan) converted to cogeneration</li> <li>Favorable legislation on White Certificates expected (pre-condition to invest)</li> </ul>	<ul style="list-style-type: none"> <li>Total Capex ~500 €M</li> <li>Full potential EBITDA (2025) ~75 €M</li> </ul>	Capex ~100 €M
<b>OTHER SERVICES &amp; CORPORATE</b>	-14	-6			
FULL YEAR EDIPOWER CONSOLIDATION	-75				
WASTE NON RECURRING ITEMS	+49	+1			
<b>TOTAL</b>	<b>1,030</b>	<b>1,310</b>			

(1) 2012F Energy proforma including Edipower contribution for the full year

(2) 2012F and 2015 Waste proforma excluding the effect of CIP6 expiry

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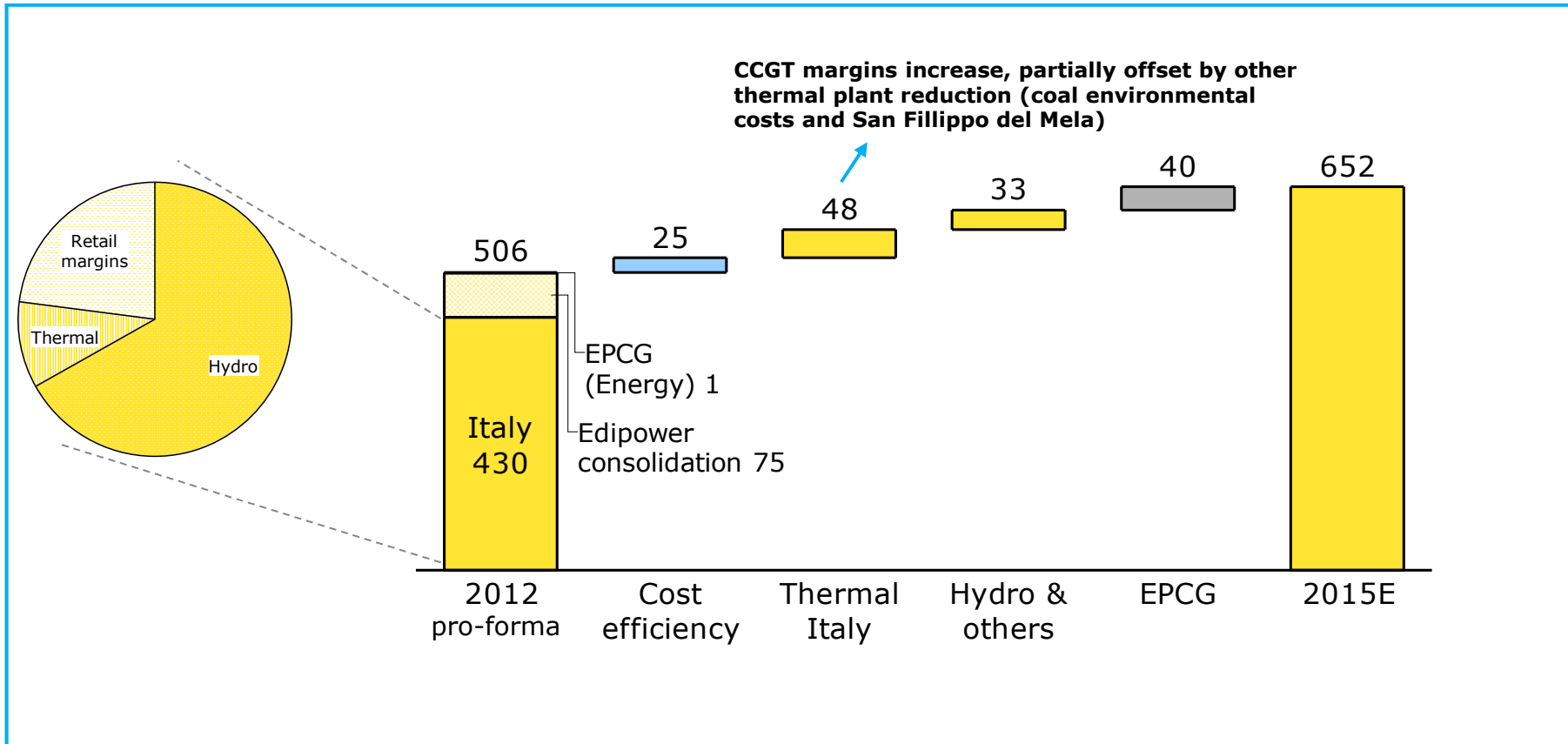
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# Energy

## 2012-2015 EBITDA bridge


ENERGY EBITDA EVOLUTION (€M)



**Energy EBITDA growing through cost efficiency programs and A2A industrial portfolio competitive advantage exploitation**

# Energy

## CCGTs context and expected evolution

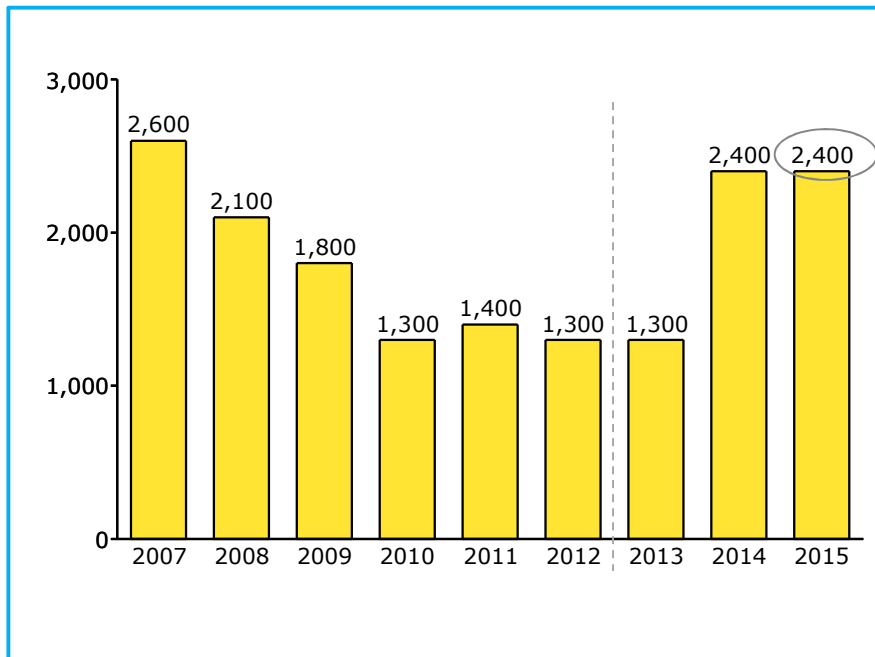
CURRENT SITUATION	EXPECTED MARKET EVOLUTION	KEY SUCCESS FACTORS
<ul style="list-style-type: none"> <li>• Huge CCGT investments in the last 15 years increased total installed capacity</li> <li>• Demand reduction due to adverse economic context</li> <li>• Strong development in subsidized renewables (PV, wind)</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Production overcapacity</li> <li>• Margin reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Slow recovery in demand (+0.9% CAGR 2012-2015) expected</li> <li>• Increased weight of renewables on total production (14% in 2015 vs. 7% in 2011)</li> <li>• Grid higher need for balancing services</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Slow recovery in load factors</li> <li>• Increased margin from ancillary services</li> </ul>	 <ul style="list-style-type: none"> <li>• High-efficiency plants ✓</li> <li>• Flexible plants (low minimum load) ✓</li> <li>• No contractual constraints (take-or-pay gas contracts) ✓</li> <li>• No demand constraints ("heat lead") ✓</li> <li>• High generation market share ✓</li> </ul>

**Significant competitive advantages of A2A CCGT portfolio will allow to catch new opportunities improving its economic performances**

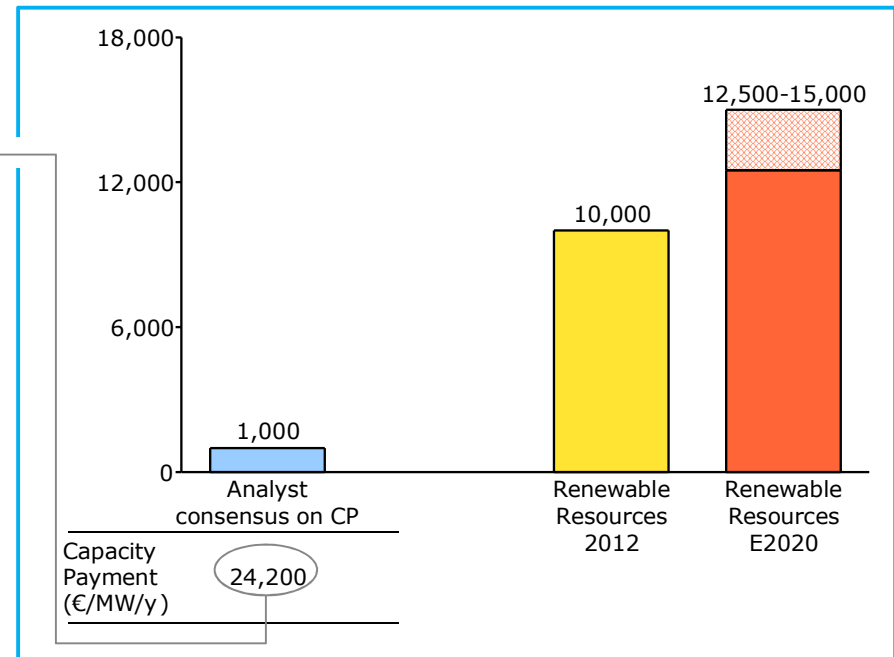
# Energy

## Capacity payment: a potential back-up solution from regulation

**CAPACITY PAYMENT  
IN A2A BUSINESS PLAN (€/MW/y)**



**COSTS FOR ITALIAN ENERGY SYSTEM:  
CAPACITY PAYMENT VS.  
INCENTIVES FOR RENEWABLES (€M)**



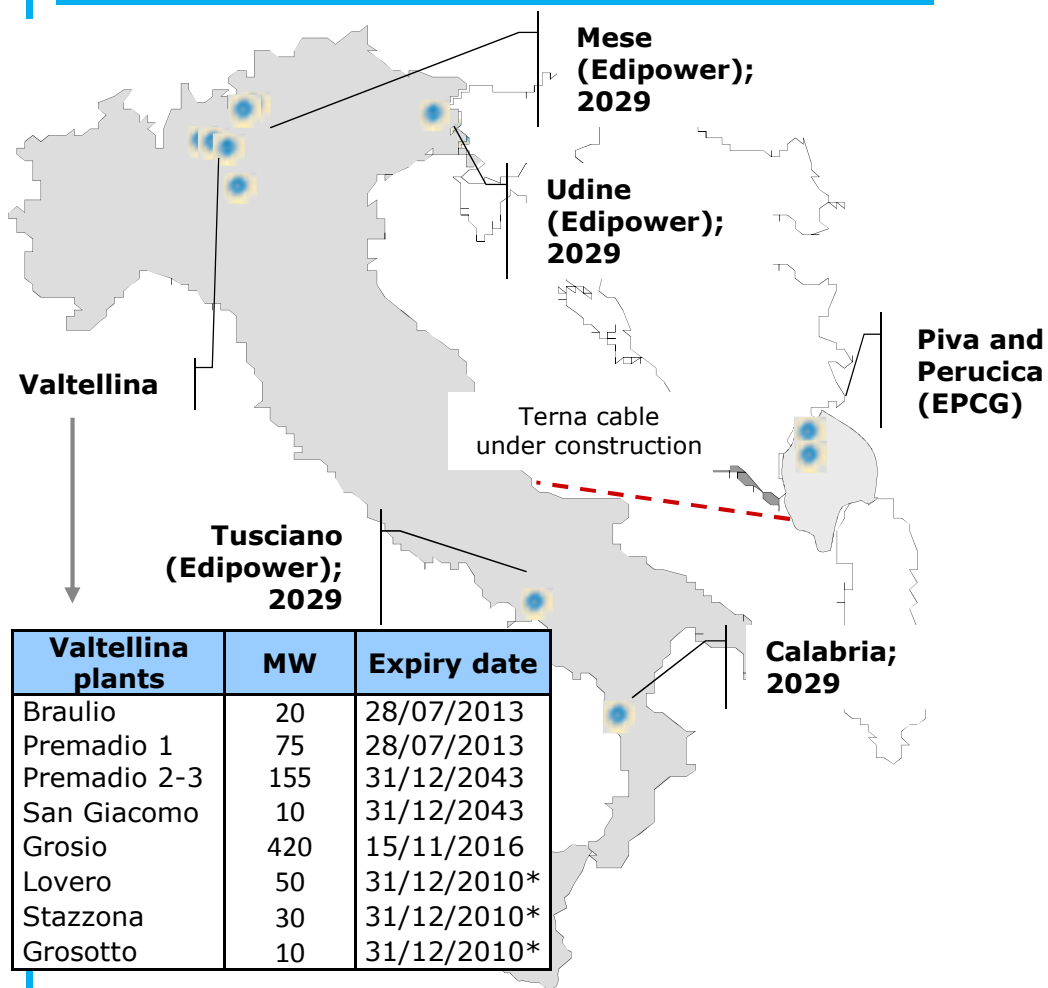
- **Capacity payment in A2A plan is very conservative: 2,400 €/MW by 2014, assuming that market dynamics will lead thermal plants to acceptable profitability levels**
- **If not, regulation should introduce a higher CP to support generation sources which are key for both energy supply and load balancing services (flexible thermal plants and especially CCGTs)**
- **Analysts consensus for a higher CP estimate. This would, however, generate an additional cost for the Italian energy system lower than 1/10 of the impact of green energy incentives**

Source: capacity payment market consensus (Goldman Sachs, Cheuvreux, Exane); green energy incentive costs "Strategia Energetica Nazionale: Sintesi degli elementi chiave del documento di consultazione pubblica", October 2012

# Energy

## Hydro concessions new regulation

### A2A HYDRO PLANTS AND CONCESSIONS EXPIRY DATE



\* The concession has been extended by the Decreto della Giunta Regionale n. 1205 of 29 December 2010 of Regione Lombardia, which declared the "Transitory continuation of the concession", until a new concession is awarded

### MAIN CONSIDERATIONS ON ITALIAN REGULATORY SCENARIO EVOLUTION

- The new "Development decree" (August 2012) set the criteria for the tenders of all large water concessions and the **value of the compensation** due to the **outgoing concessionaire** in exchange for the assets.
- The new winner of the concession shall pay to the outgoing concessionaire **a compensation** for its assets, as follows:
  - "dry" assets: **market value** of tangible assets
  - "wet" assets (dams, etc.): **revalued historical cost** taking into account both the ordinary deterioration and any public contribution received for the construction
- **If A2A loses** any public tender for the renewal of a concession, **it would receive a relevant compensation for both "wet" and "dry" assets**

**The new regulation introduces a stronger protection for A2A invested capital in hydroelectric assets**

# Energy

## EPCG: focus on industrial recovery

### EPCG COMPANY OVERVIEW

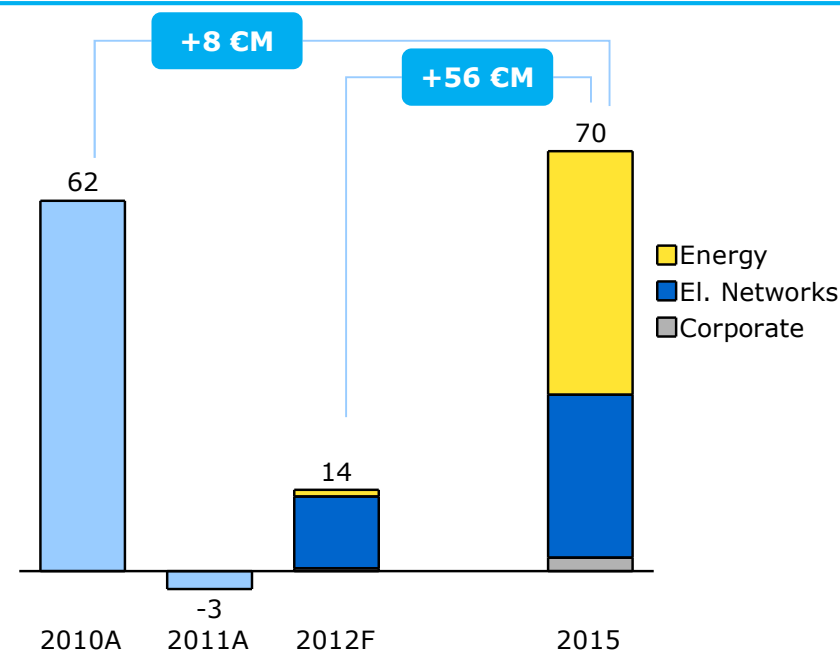


- **Integrated electricity Company (production, distribution, sale)**
- **Only producer of electric energy in Montenegro**
- **Distribution networks total length: ~19,000 km**
- **Served clients: ~350,000**

### INSTALLED CAPACITY

Plant name	Type	Capacity (MW)	Production (GWh; avg.)
PLJEVLJA	Thermal	218	1,400
PIVA	Hydro	360	800
PERUCICA	Hydro	307	900
Other (7)	Mini-hydro	7	10
<b>Total</b>		<b>892</b>	<b>3,110</b>

### EBITDA EVOLUTION ENERGY+NETWORKS (€M)



### Main drivers for 2012-2015 growth

- **Hydroelectric production at average historical level ('11-'12 below avg.)**
- **Regulatory framework: tariff increase**
- **Electricity loss reduction**
- **Operating efficiency increase**

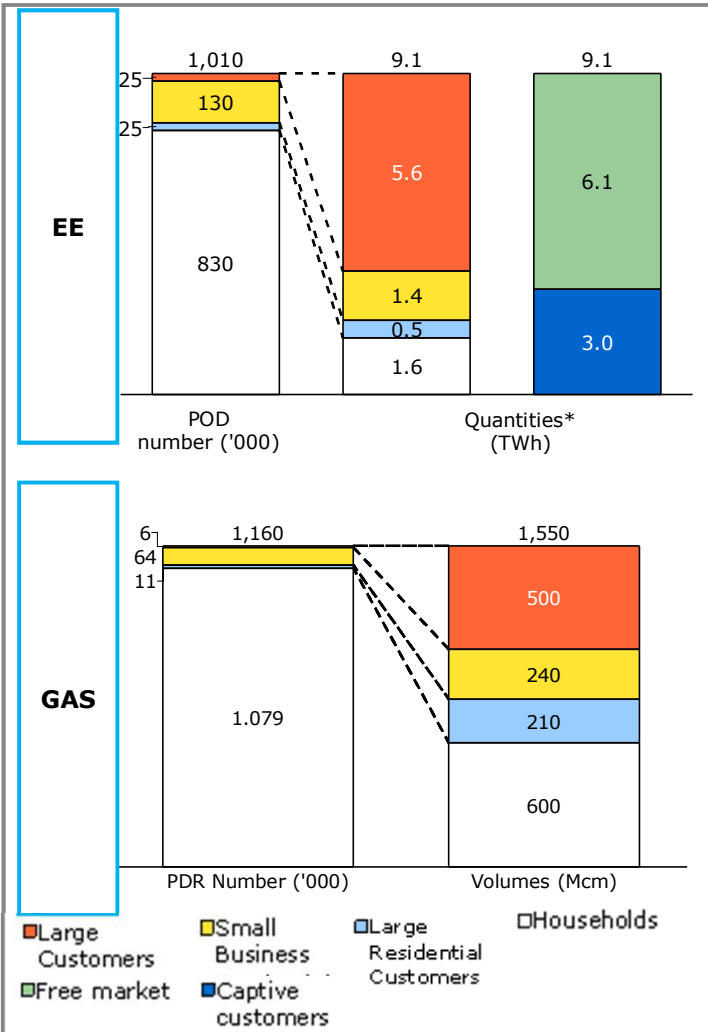
Note: EPCG results partially contribute also to Networks business area

This information was prepared by A2A and it is not to be relied on by any 3rd party without A2A's prior written consent.

# Energy

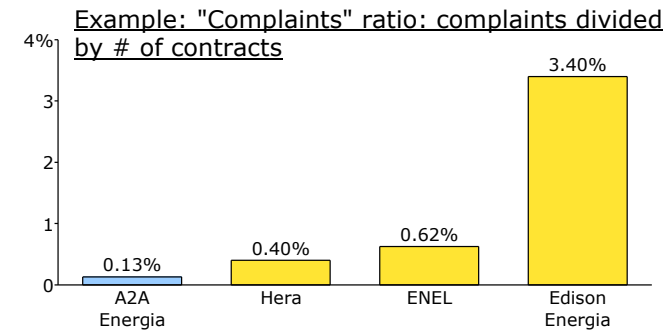
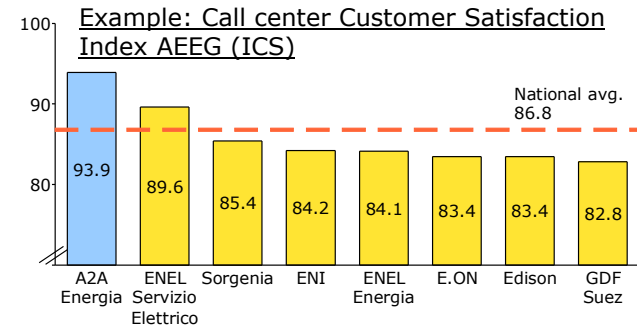
## A2A: high service quality for a loyal customer base

POINTS OF SUPPLY / VOLUMES BY SEGMENT (2011)



KEY POINTS FOR A2A DEVELOPMENT

**A2A BEST PERFORMER IN CUSTOMER RELATIONSHIP**



- Consolidate A2A customer base, a "natural hedging" for energy portfolio, leveraging on outstanding customer service
- Focus on lifetime customer value and optimize working capital



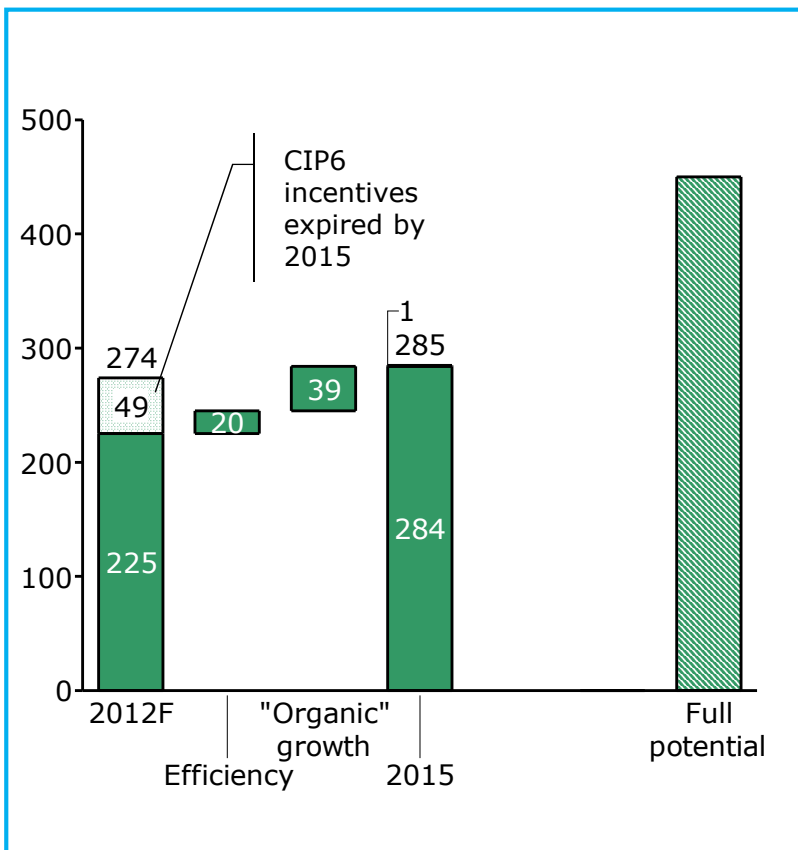
# Agenda

- **A2A 9M 2012 results**
- **Business Plan 2012-2015 and strategic guidelines**
- **Focus on business areas**
  - Energy
  - Waste
  - Cogeneration and District Heating
  - Networks

# Waste

## EBITDA evolution and new developments

### A2A WASTE EBITDA EVOLUTION (€M)



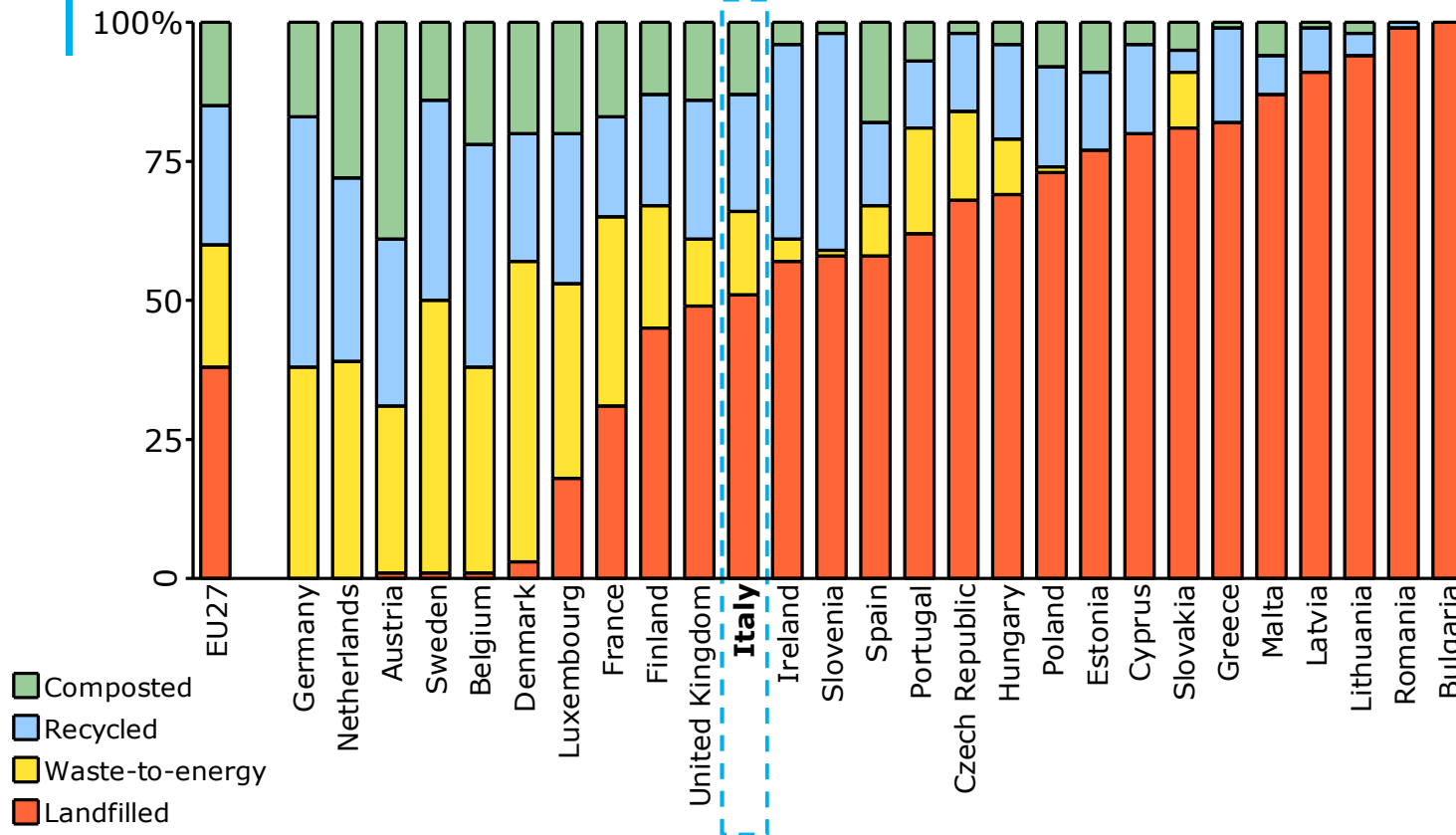
### KEY POINTS

- **Low risk EBITDA in waste: ~80% from regulated concessions or long-term agreements**
- **Short-term plan (3 years) focused on:**
  - **Offset CIP6 incentives expiry**
  - **Improve operating efficiency (A2A Ambiente consolidation)**
  - **Start new development projects (2-3 WTE/treatment plants) with full potential by 2018-2020**
- **New developments will strongly sustain Waste economic results**
- **Medium/long-term projects:**
  - **Further development Capex for new waste treatment plants (2016-2017) ~410 €M**
  - **When all plants fully on stream EBITDA increase of ~150 €M**

# Waste

## Strong gap in treatment and disposal assets in Italy

2010 breakdown of urban solid waste disposal in EU



- LANDFILL RELEVANCE REDUCED THROUGH:**
- 1. Reduction of waste production**
  - 2. Increase of differentiated waste collection**
  - 3. Increase of waste-generated energy**

**Nearly 50% of Italian waste currently landfilled, well above Europe's most advanced countries (Germany, France, ...)**

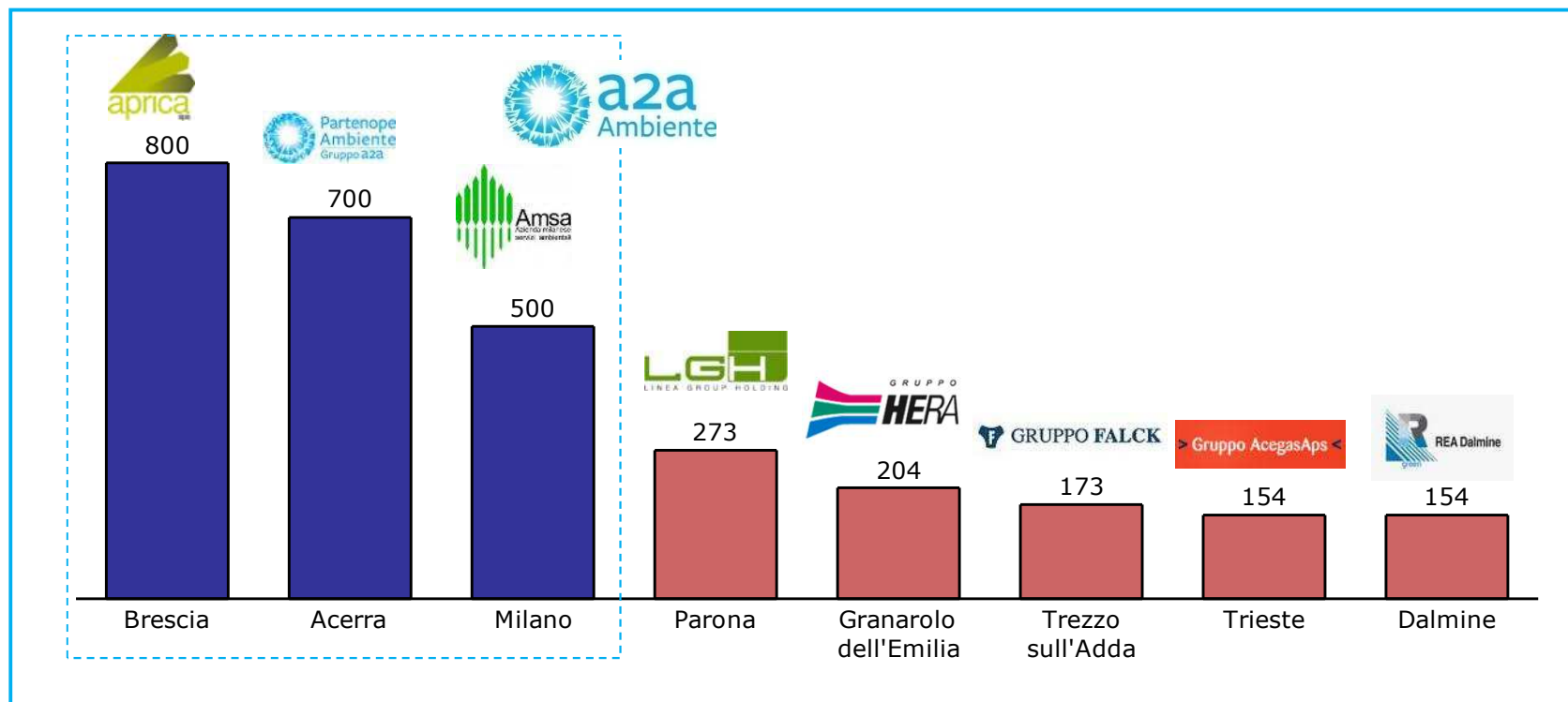
Source: Eurostat News release - 48/2012 - 27 March 2012



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# Waste WTE plants ranking in Italy

## MAIN ITALIAN WASTE-TO-ENERGY PLANTS (tons/year)



**Managing Italy's 3 biggest plants, A2A is best poised to exploit market current lack of plants**

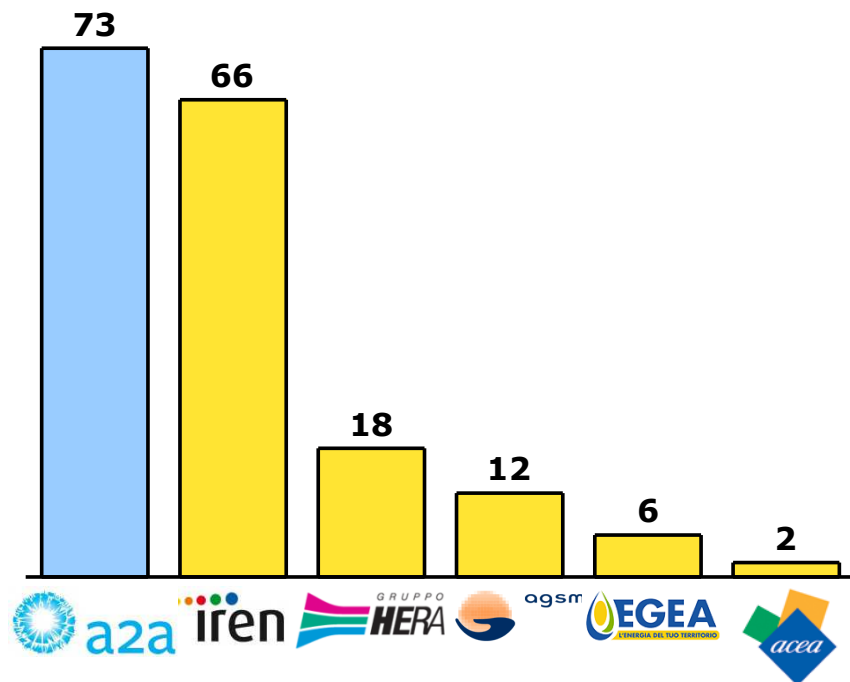
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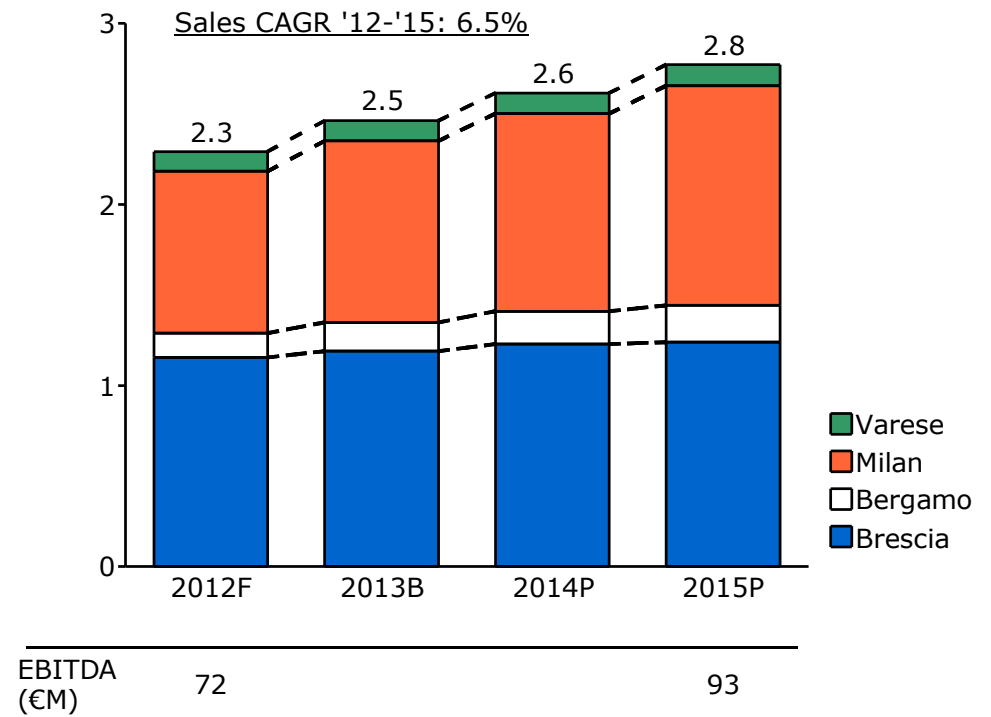
# Cogeneration and District Heating

## Italian market ranking and expected sales growth

### DISTRICT HEATING RANKING – VOLUMES IN ITALY (Mcm)



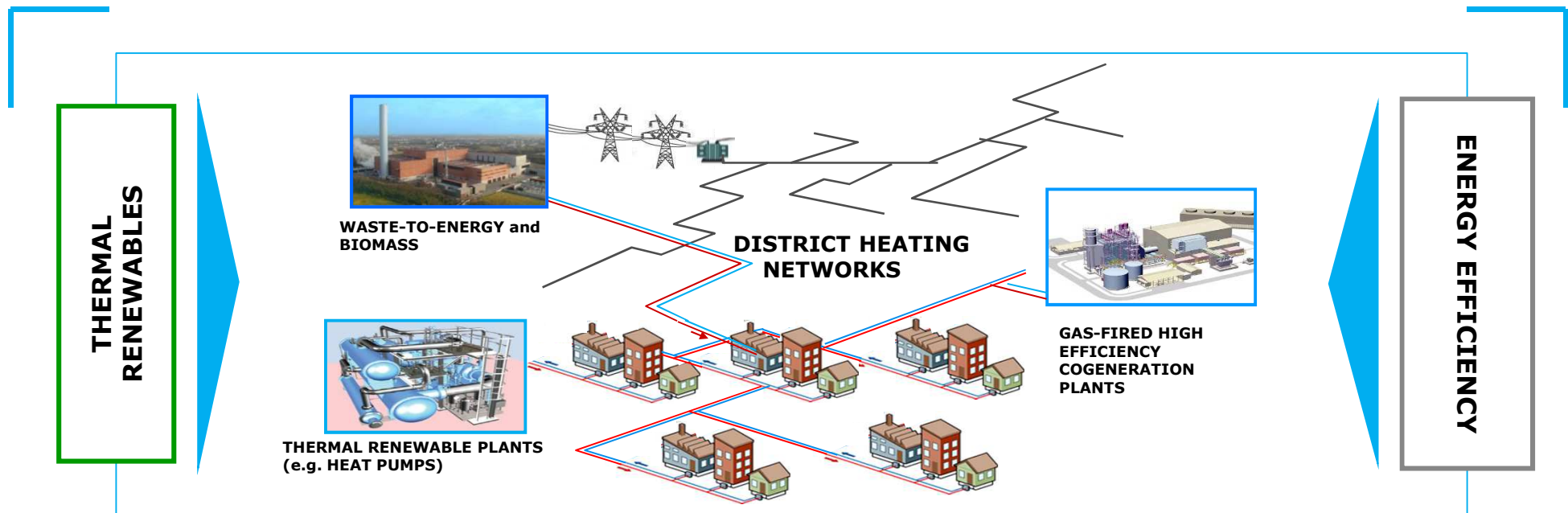
### EXPECTED A2A SALES GROWTH (TWh)



**A2A, 1<sup>st</sup> player in Italy by volumes, will increase its sales 6.5% per year focusing on Milan and Bergamo**

# Cogeneration and District Heating

## A smart grid for environmental sustainability



1. High efficiency cogeneration and district heating are the most widely used system in Europe to achieve energy efficiency targets
2. Environmental benefits: reduction of pollutant emissions in metropolitan areas (PM10, NOx, Sox, ...)
3. Boost for local investments

# Cogeneration and District Heating

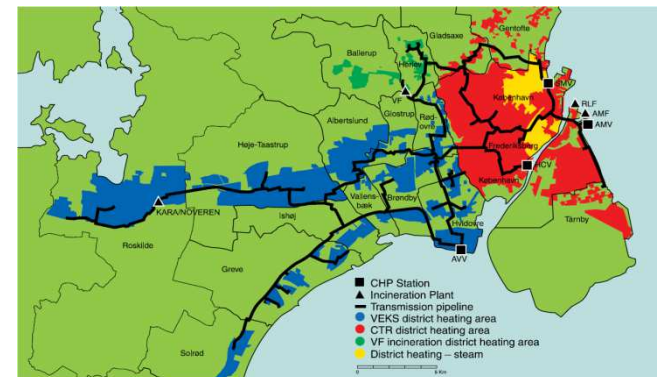
## Milan metropolitan area development (1/2)

### A2A DEVELOPMENT PROJECT IN THE METROPOLITAN AREA OF MILAN

- A2A is planning a major infrastructure project for Milan, through the construction of a district heating “ring” connected to the heat transportation infrastructures of A2A's Cassano d'Adda cogeneration plant.
- With this project A2A:
  - will triple the amount of heat distributed in Milan, from the current 900 GWh to 2.6 TWh distributed in 2017
  - will help achieve substantial savings equal to 25% of regional targets set by Burden Sharing
  - will improve the life and health conditions in the Milan area with significant reduction of pollutant emissions (NOx; Sox; CO2; PM10)

### EUROPEAN BENCHMARKS

- In Europe relevant district heating systems are already in place
- Copenhagen, Rotterdam and other European cities focus on district heating infrastructures to solve energy and environmental problems
- These projects are based on extensive infrastructure network projects to reduce air pollution in metropolitan areas

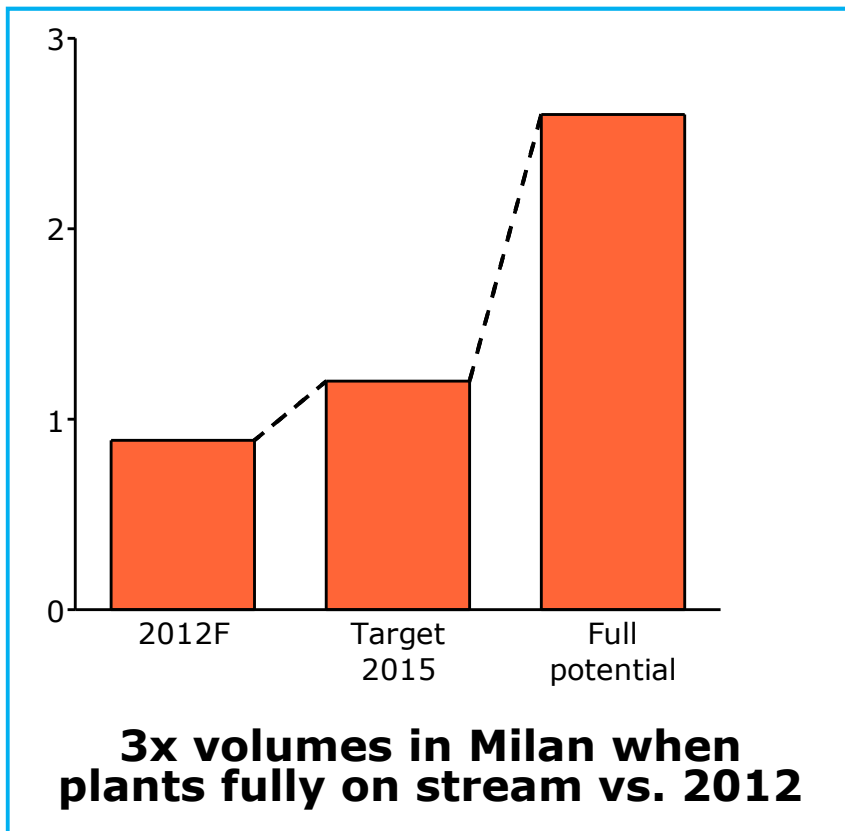


Example: Copenhagen (7.3 TWh of distributed heat; 50 km of network)

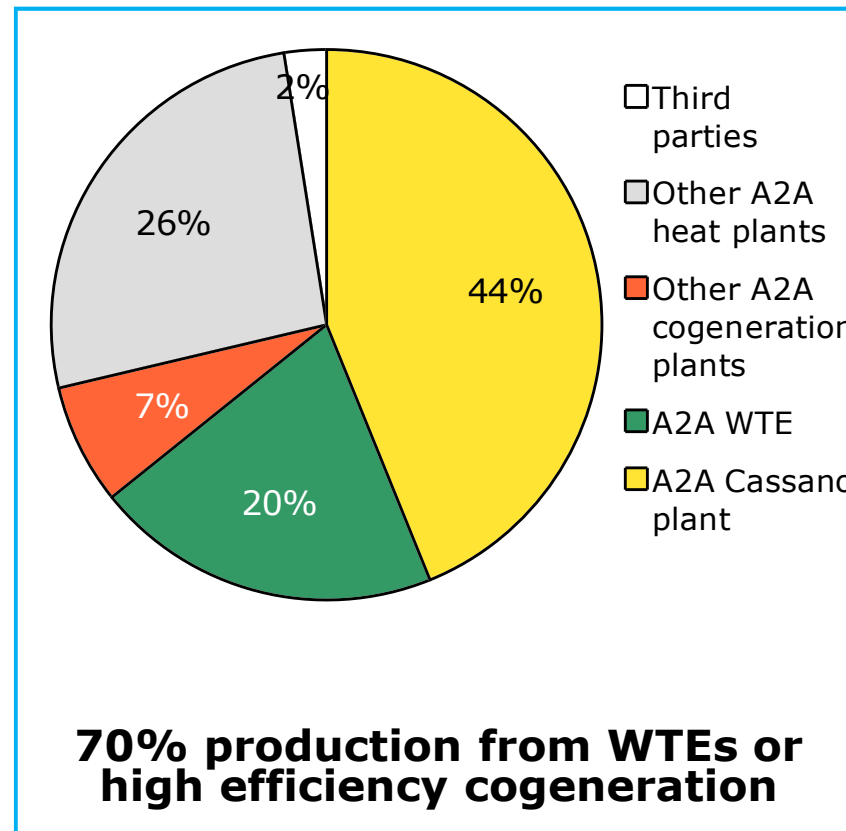


# Cogeneration and District Heating Milan metropolitan area development (2/2)

MILAN DH VOLUMES EVOLUTION (TWh)



PRODUCTION SOURCES BREAKDOWN



**~500 €M Capex for a long term project that will contribute ~75 €M in additional EBITDA**

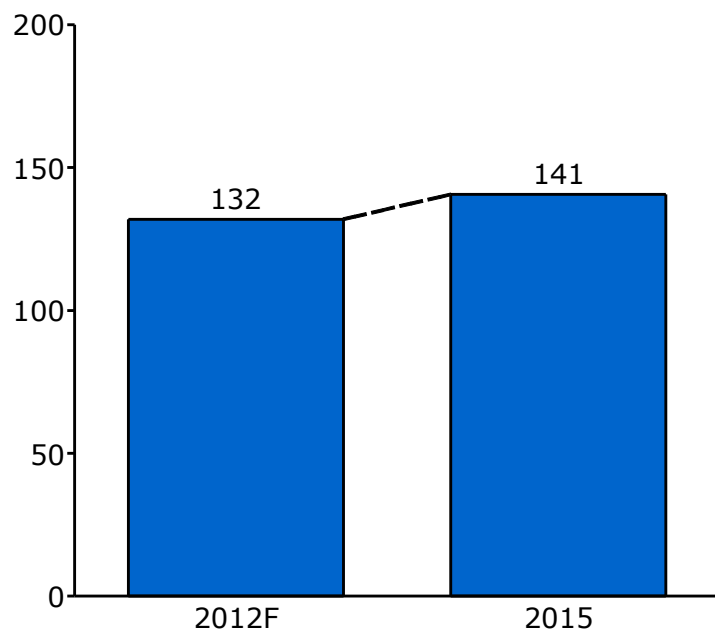
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# Networks

## Electricity distribution performance and regulatory framework

### A2A ELECTRICITY NETWORKS IN ITALY – EBITDA EVOLUTION (€M)



**TOTAL 2013-2015 Capex (ITALY): ~147 €M**

### CONCESSIONS AND REGULATORY FRAMEWORK

**CONCESSIONS:** Electricity distribution concessions will expire in 2030

#### **REGULATORY FRAMEWORK**

- **4th regulatory period (2012-2015):**
  - **ROI: 7.6% in distribution and metering service, increased to 8.6% for investments made after 2011**
  - **2.8% Price Cap(\*\*) in distribution, 7.1% in metering**
  - **Previous "Corporate specific equalization" (PSA) now included in allowed revenues**

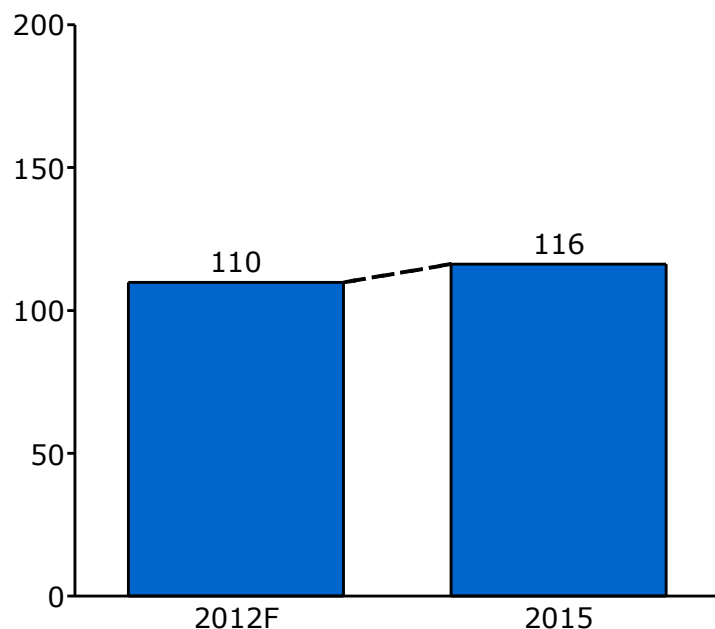
(\*) Del. ARG/ELT 199/11

(\*\*) "X-Factor", not including inflation rate.

# Networks

## Gas distribution performance and regulatory framework

### A2A GAS NETWORKS - EBITDA EVOLUTION (€M)



**TOTAL 2013-2015 Capex: ~162 €M**

### CONCESSIONS AND REGULATORY FRAMEWORK

- **Gas distribution reform completed: bids are expected to start in late 2013/spring 2014**
- **A2A main guidelines:**
  - Consolidation in Lombardy
  - Defense of highly strategic concessions
  - Limited cash-out
  - Achievement of internal operating efficiencies in order to increase competitiveness in new bids
- **Regulatory framework: 3rd regulatory period (2009-2012)<sup>(#)</sup><sup>(§)</sup>**
  - price cap<sup>(\*)</sup> progressively decreasing, from 3.0% in 2010 to 2.4% in 2013<sup>(§)</sup> (distribution); from 3.4% in 2010 to 2.8% in 2013<sup>(§)</sup> (metering)
  - ROI - gas Distribution: up to 2012, 7.6%; in 2013<sup>(§)</sup>, 7.7%; Metering: 8.0%
  - Continuity of the regulatory framework assumed also in the new business plan

(\*) "X-Factor", not including inflation rate.

(#) from Del. AEEG ARG/GAS 159/08 as amended: Featured data refer to "major distributors" (# of managed PoD > 300,000).

(§) in gas distribution, 2013 data refer to "consultation document" DCO 341/12 AEEG. AEEG's proposal is to extend the present regulatory period to 2013.