



A2A

2013 Results

Milan, March 14th, 2014



Agenda

- **2013 Results**
- **Update on Business Plan**

2013 - Main financial highlights

€M

	2012 <i>Restated</i>	2013	<i>Change</i>	<i>Change %</i>
NET SALES	6,480	5,604	-876	-13.5%
EBITDA	1,068	1,133	+65	+6.1%
NET INCOME	260	62	-198	-76.2%
«Adjusted» NET INCOME	116	156	+40	+34.5%

	2012	2013	<i>Change</i>
NET CAPITAL EMPLOYED	8,069	7,222	-847
TOTAL NFP	4,372	3,874	-498
EQUITY	3,697	3,348	-349
NFP/EBITDA	4.1x	3.4x	

Significant deleveraging during 2013 due to positive cash generation from **ordinary business activities** and positive effects from **extraordinary operations**

Focus on Adjusted Net Income

€M	2012 <i>Restated</i>	2013	Change
NET INCOME	260	62	-198
<i>of which</i> Write down by impairment test	-	-267	-267
<i>of which</i> Funds Release and other	15	-	-15
<i>of which</i> Edipower badwill	18	-	-18
<i>of which</i> Capital gain	81	83	+2
<i>of which</i> Taxes	30	90	+60
EXTRAORDINARY ITEMS	144	-94	-238
«Adjusted» NET INCOME	116	156	+40

- +33 Coriance capital gain
- +46 Metroweb and e-Utile capital gains
- +2 other

- -237 Write-down on assets
- -30 Write-down on Joint venture

- +60 Edipower demerger
- +23 Small hydroelectric plants

2013 vs 2012 - EBITDA breakdown

€M

	EBITDA 2012	EBITDA 2013	Δ vs 2012	KEY POINTS
ENERGY	541	540	-1	<ul style="list-style-type: none"> ↔ Steady domestic industrial portfolio performance ↓ Environmental markets ↑ Higher EPCG margin
WASTE	246	255	9	<ul style="list-style-type: none"> ↓ Expiry of Cip6 revenues (WTE plants) ↓ Lower margins on international projects ↑ Positive industrial performance
COGENERATION AND DISTRICT HEATING	70	89	19	<ul style="list-style-type: none"> ↑ Network and customer development
NETWORKS	242	268	26	<ul style="list-style-type: none"> ↑ Higher electricity and gas allowed revenues ↑ Water tariff increase ↓ Lower water volumes
OTHER SERVICES & CORPORATE	-7	-18	-11	<ul style="list-style-type: none"> ↓ Postive non current items recorded in 2012 ↓ Intercompany contracts redefinition
TOTAL ADJUSTED EBITDA	1.092	1.134	42	
<i>COSTS OF REDUNDANCY SCHEMES</i>		-25	-25	<i>Costs recorded in the current year, related to the whole business plan period (2013-2015)</i>
<i>AEEG OPINION 535/12</i>	-24	24	48	
TOTAL EBITDA	1.068	1.133	65	

2013 - From EBITDA to net income (1/2)

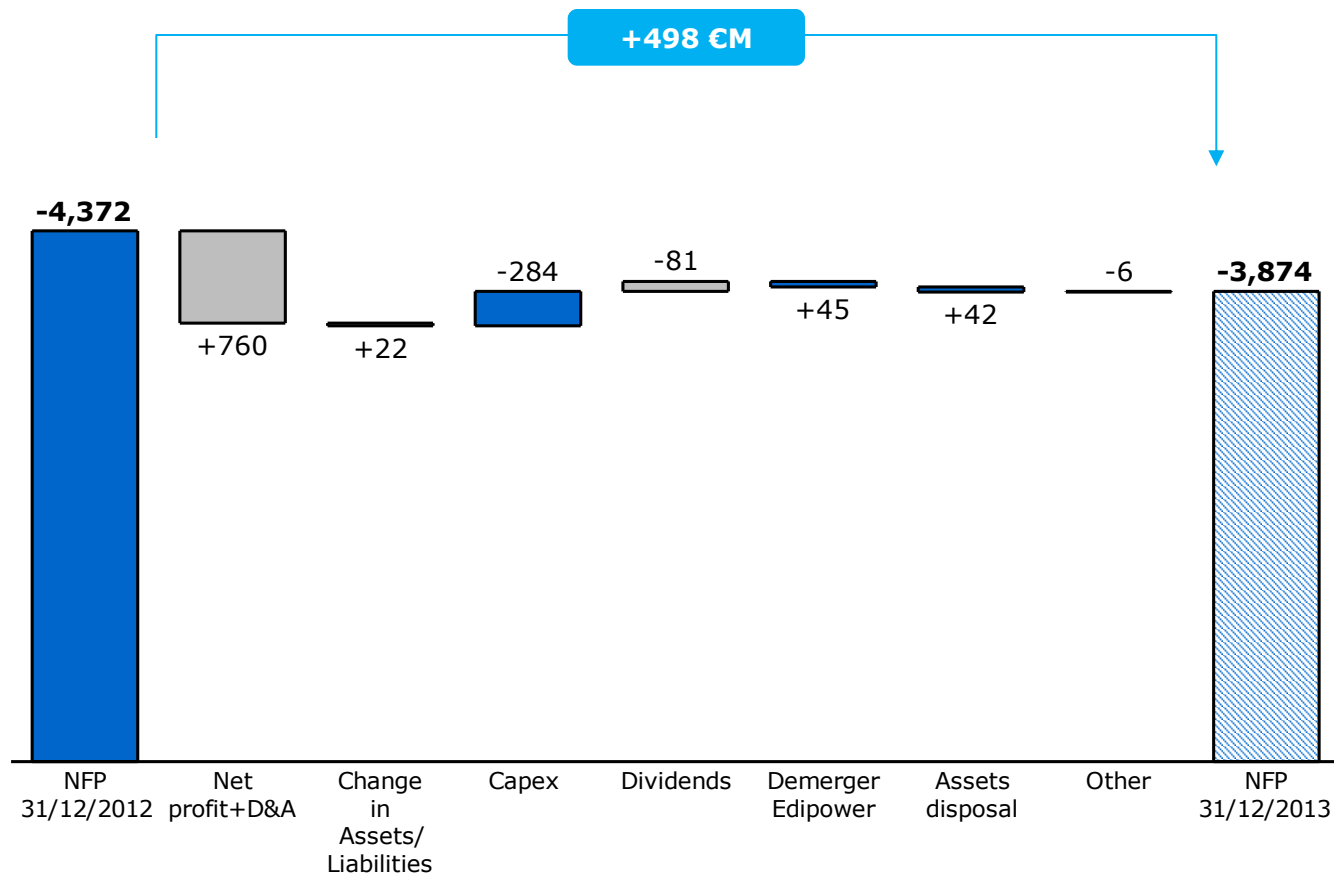
€M	FY 2012	FY 2013	Change	Key points
EBITDA	1,068	1,133	+65	
D&A and provisions	-567	-639	-72	↓ <i>Edipower consolidation</i>
Write down by impairment test on assets	-	-237	-237	↓ <i>Thermoelectric plants</i>
EBIT	501	257	-244	
Result from non-recurring transactions	45	75	+30	↑ <i>Edipower demerger (+60) and small hydroelectric plant sale (+23)</i> ↓ <i>FY 2012: Metroweb and e-Utile capital gains (-46)</i>
Financial charges and derivates	-193	-183	+10	↓ <i>Financial charges</i> ↑ <i>Derivatives</i> ↓ <i>2012 Edipower badwill</i>

2013 - From EBITDA to net income (2/2)

	FY 2012	FY 2013	Change	Key points
€M				
Associates, JV and others	+13	+7	-6	↓ 2012 Edipower valuation (-12)
Write down by impairment test on JV	-	-30	-30	↓ Ergosud write down (Scandale CCGT)
EBT	366	126	-240	
TAXES	-128	-51	+77	
IFRS 5	+33		-33	↓ 2012 Coriance capital gain
MINORITIES	-11	-13	-2	
NET INCOME	260	62	-198	
PROVISIONS, CAPITAL GAINS, FUNDS RELEASE AND IMPAIRMENT LOSS	144	-94		
ADJUSTED NET INCOME	116	156	+40	+34.5%

2013 - Net debt and cash flow

A2A GROUP NET FINANCIAL POSITION EVOLUTION 2012-2013 (€M)



2013 A2A Group debt structure

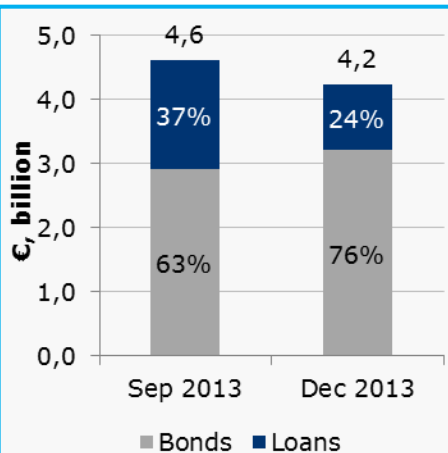
FULL YEAR 2013 GROSS DEBT - 4.2 €B

	9M 2013	FY 2013
AVERAGE RATE* (%)	~4.1%	~4.0%
AVERAGE MATURITY (yrs)	4.5	6.0

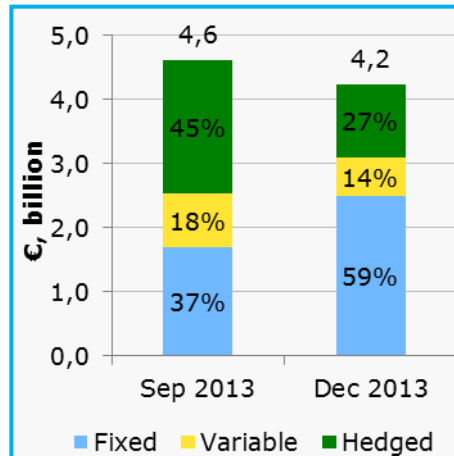
Q4 2013 KEY FACTS

- Reimbursed 500 €M Senior bond due October 2013
- In December, issued 300 €M 10yr-long private placement and 500 €M due January 2022
- **Proforma average maturity for the repayment of the outstanding 299 €M bond due May 2014: ~6.4 yrs**

DEBT BREAKDOWN BY SOURCES



DEBT BREAKDOWN BY INTEREST



LIQUIDITY POSITION

1.8 €B liquidity position, of which:

- 0.3 €B cash
- 1.5 €B undrawn committed lines and loans, of which 1.4 €B with maturities longer than the next 12 months

Note: EPCG not included.

(*) Average forward rate, based on interest rate curves as of 31/12/2013; does not include accounting charges.

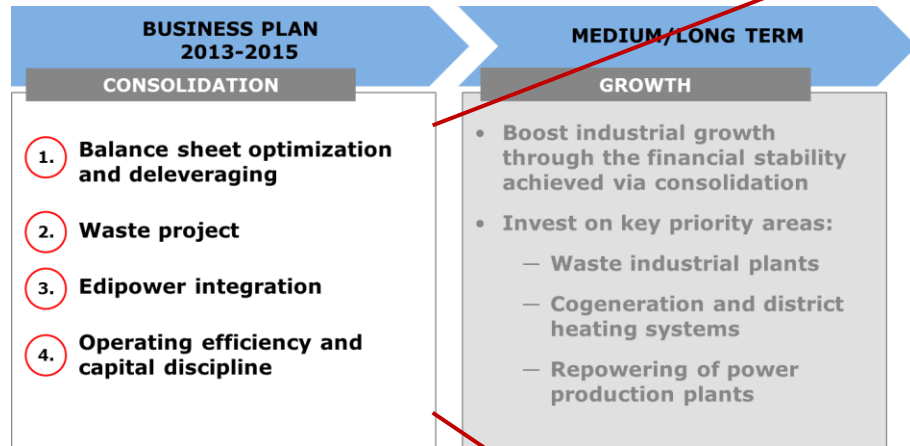
Agenda

- **2013 Results**

- **Update on Business Plan**

Strategy implementation: results achieved

2013



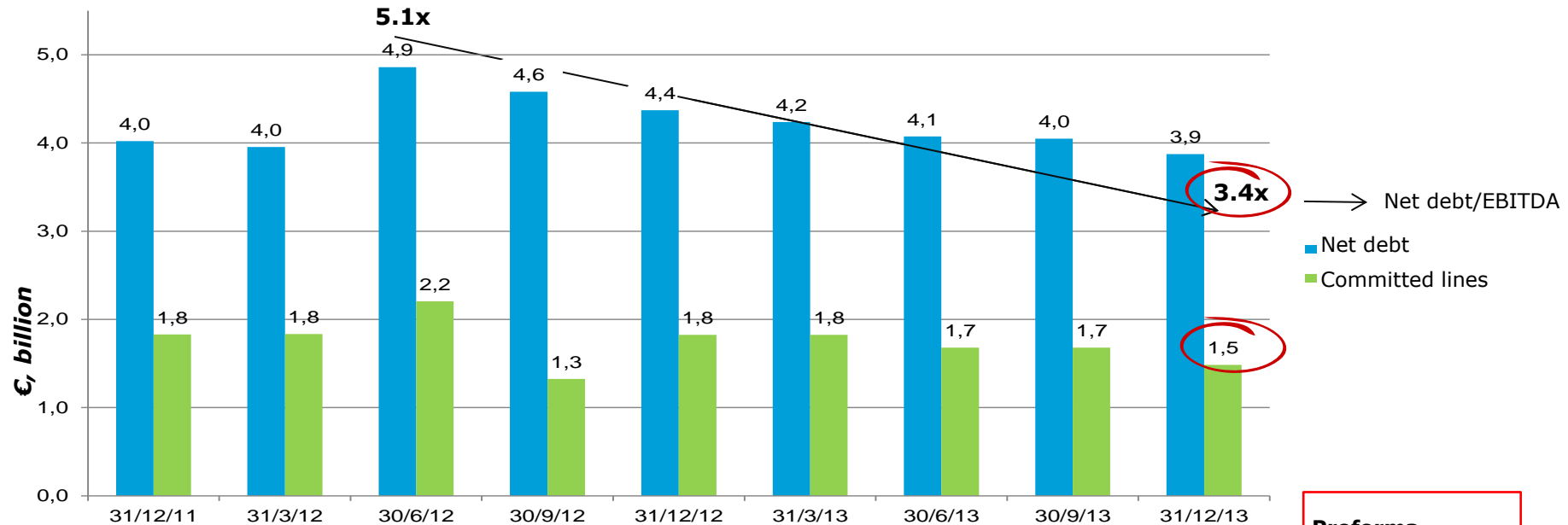
Progress ahead of schedule in each priority area

1.	<ul style="list-style-type: none"> • Deleveraging: -1€B vs 1H12 with no major disposals • Debt maturity over 6 years 	0%	100%
2.	<ul style="list-style-type: none"> • A2A Ambiente established • Full vertical integration 	0%	100%
3.	<ul style="list-style-type: none"> • Iren exit Nov13 • Corporate staff integration with A2A • Refinancing of Edipower debt • Plant costs reduction 	0%	100%
4.	<ul style="list-style-type: none"> • Medium-term saving targets already achieved in 2013 	0%	100%

Consolidation targets achieved, growth phase already in progress

1. Balance sheet optimization and deleveraging

A2A NET DEBT AND COMMITTED LINES EVOLUTION (€B)



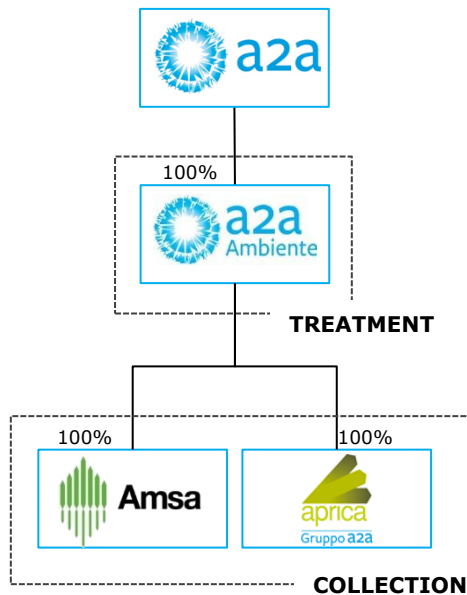
Net debt (€B)	4,0	4,0	4,9	4,6	4,4	4,2	4,1	4,0	3,9
Avg. maturity (y)	4,0	3,9	4,1	4,0	4,6	4,3	4,1	4,5	6,0

Proforma average maturity for repayment of outstanding 299 €M bond due May 2014: **~6.4 years**

Strong deleverage, with no major disposal of assets or shares

2. Waste project

CURRENT SITUATION



- 5 WTEs owned + 1 WTE managed (Italy's 3 largest plants)
- 14 treatment plants and landfills
- 1.4 TWh electricity and 1 TWh heat produced
- 3.3 Mton treated
- Milano, Brescia, Bergamo and other 160 towns
- Recently won the concession for Como
- 3 millions inhabitants served
- 1.3 Mton collected

RESULTS ACHIEVED

- Optimization of waste cycle in order to **maximize margins and plant saturation**. Revenue growth through **marketing coordination**
- **4 new bids won for** collection direct concessions in 4 cities (incl. Como) + other **78 smaller municipalities** in partnership
- **Increase in citizens served** (+500,000) and **tons collected** (+220,000/year)
- **Fixed costs reduction** from synergies both in staff and line organizational units
- **Benefits from integration of activities:** reduction of legal entities and related costs, consolidation of IT systems, efficiency of flows, etc.
- **Additional waste and recyclables volumes internalized** (+60,000 tons/year)

A2A Ambiente is the leading Italian player in Waste Management, fully integrated on the whole value chain (treatment-collection)

3. Edipower integration

IREN EXIT

- Iren has exercised its "put option", therefore A2A increased its stake in Edipower up to 71% in Q3 2013
- The operation brought a 60 €M capital gain and 45 €M debt reduction for Edipower (and A2A consolidated figures)

RE-FINANCING

- Edipower repaid the outstanding debt with the banks thanks to an intercompany loan from A2A (financial resources have been raised through a new bond emission)
- Reduction of Edipower's cost of debt

CORPORATE INTEGRATION

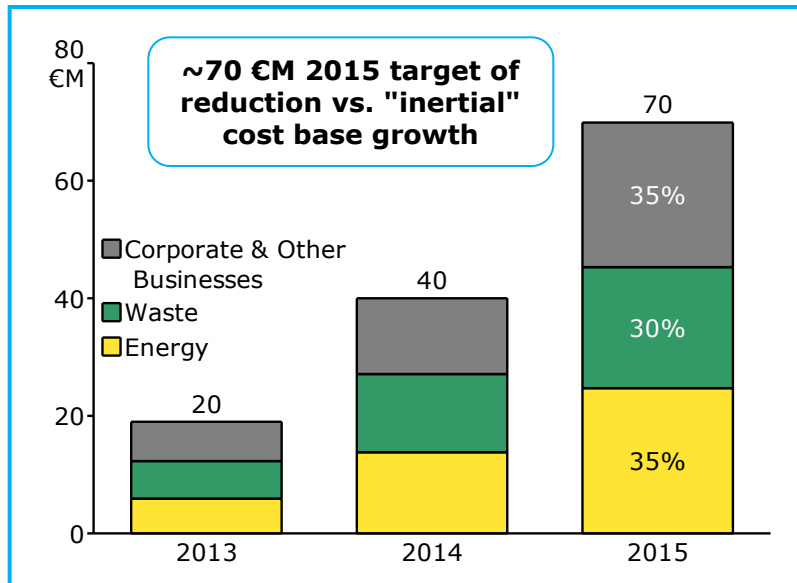
- Edipower Corporate Staff integrated within A2A: organizational process streamlined, efficiency improved, cost reduction in progress

PLANTS EFFICIENCY

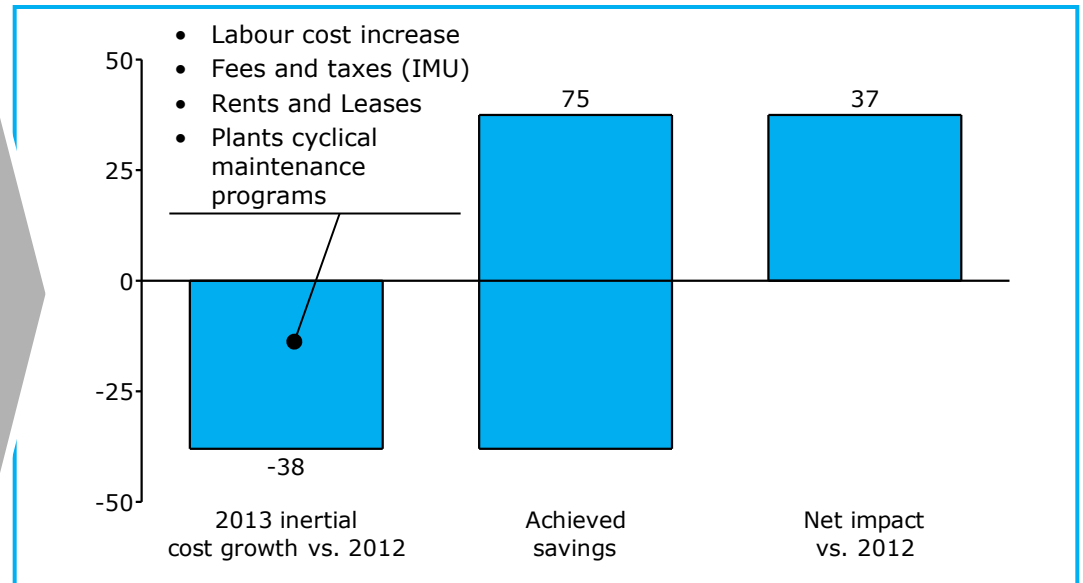
- A2A's control on the entire combined generation portfolio enables major cost-cutting initiatives and sharing of operational best practices: plant costs reduction already in place

4. Operating efficiency and capital discipline

PROJECT AXE: TARGETS (€M)



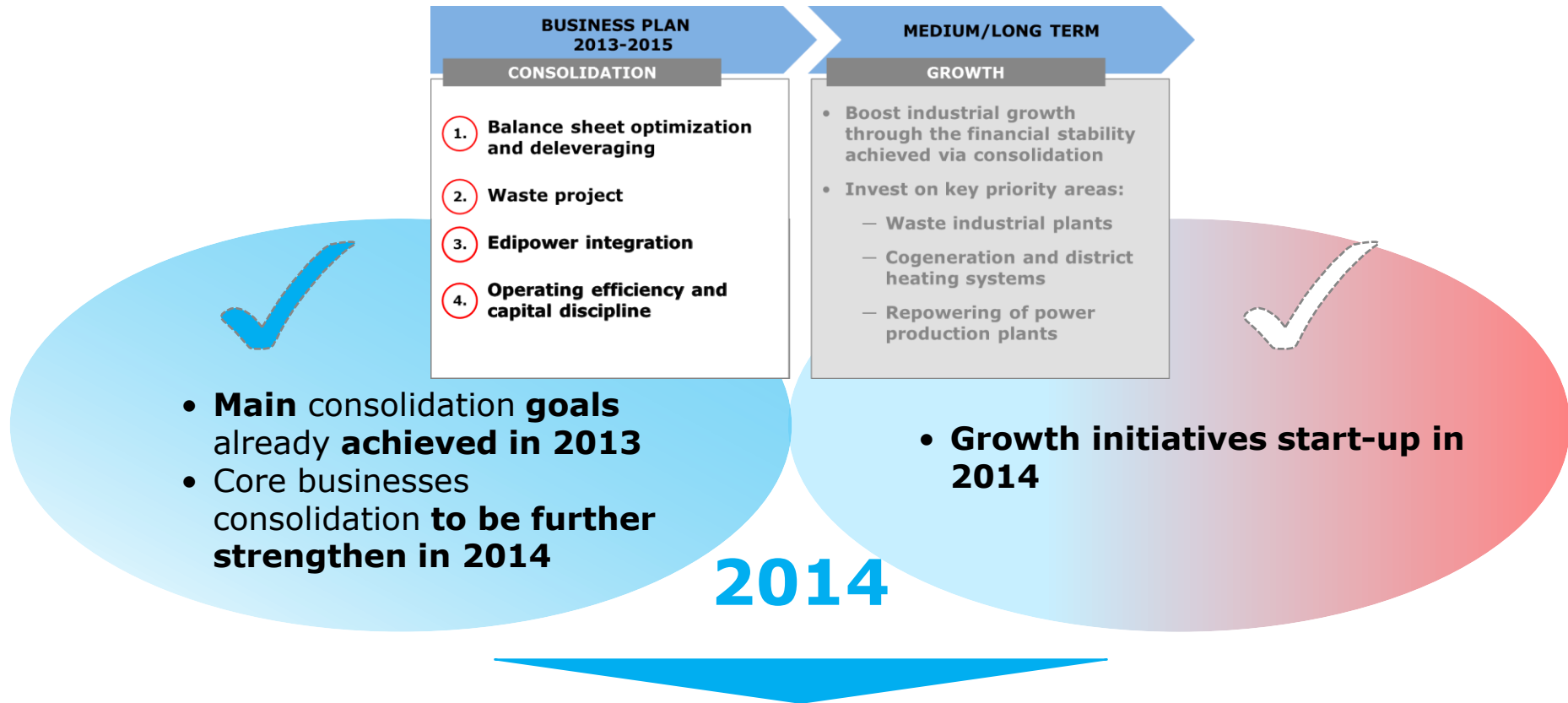
PROJECT AXE: 2013 RESULTS ON COST BASE EVOLUTION (€M)



- **The 3-year cost-reduction target (~70 €M) already achieved in 2013**
- **Part of the extra-savings used to cover 25 €M redundancy costs that will provide a further improvement in 2014-2015 period**

Note: inertial cost growth calculated vs. 2012 pro-forma cost base (including Edipower consolidation in coherence with 2013 perimeter), including all the fixed external costs + labour costs, net of intercompany items

From consolidation to growth




- **2014 Business Plan update:**
 - **Renewed focus on consolidation and efficiency, to tackle economy and market prolonged downturn**
 - **Start-up of growth efforts in key priority areas**

Market trends and level of competition

LEGENDA
low ○ → ● high

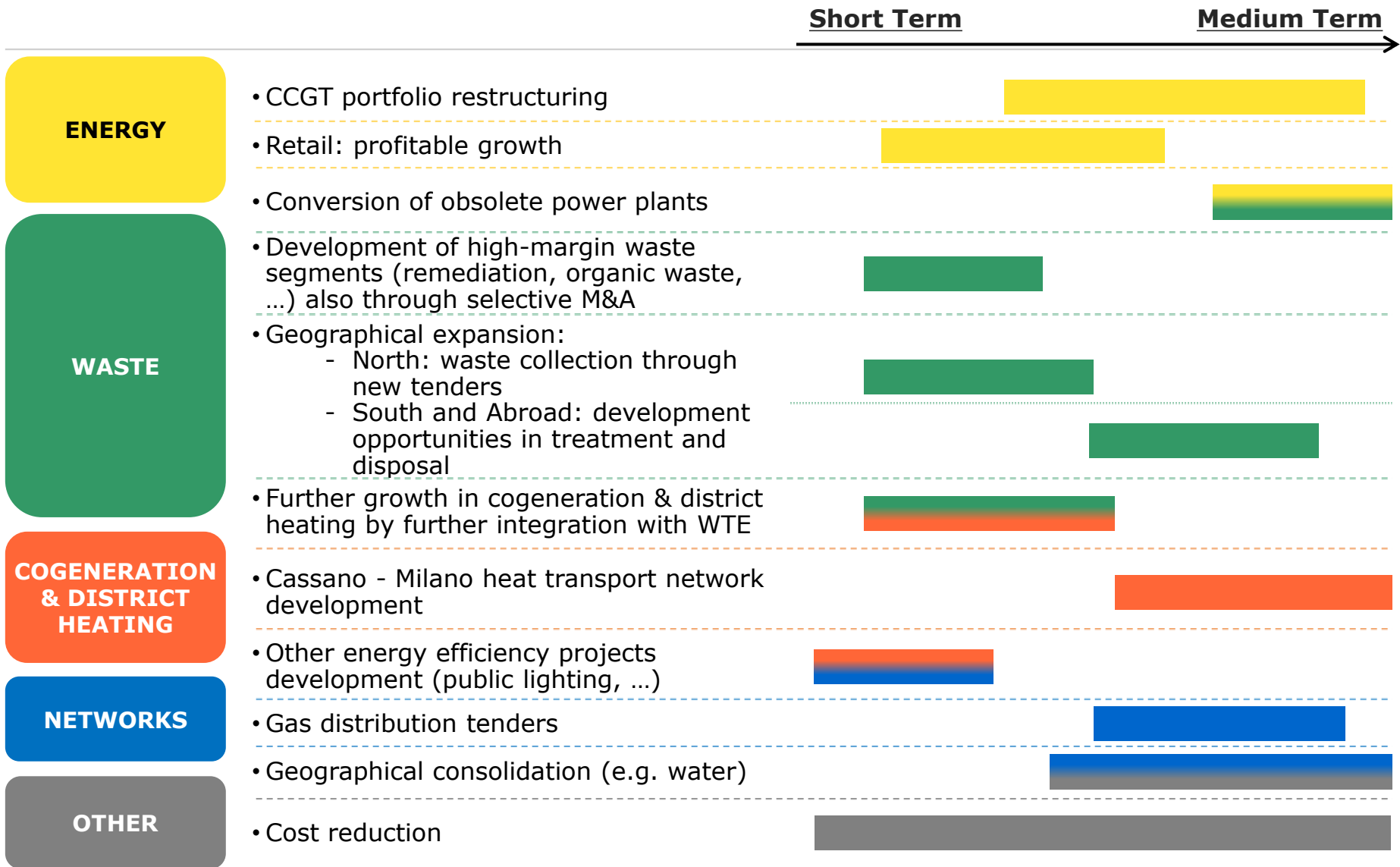
	Market trends 2010-13	Market trends 2014-16	Level of competition	Consolidation restructuring/ industry trend	A2A Market position	A2A growth opportunities/ strategic value
ENERGY			●	◐	◐	◐
WASTE			◐	◐	●	●
COGENERATION & DISTRICT HEATING			◐	◐	●	●
GAS NETWORKS			◐	●	◐	◐
ELECTRICITY NETWORKS			◐	○	◐	◐
INTEGRATED WATER CYCLE			◐	◐	◐	◐

Guidelines for development

	<u>Costs</u>	<u>Revenues</u>	<u>Capex</u>	
EFFICIENCY	↓↓	-	↓	<ul style="list-style-type: none"> • Boost operating efficiency and capital discipline • Generation of additional resources for investments
SELECTIVE DEVELOPMENT	↑	↑↑	↑↑	<ul style="list-style-type: none"> • Growth in higher-margin, strong complementarity segments • Focus on Waste, District Heating
CROSS-SECTOR SYNERGIES	↓	↑	↑	<ul style="list-style-type: none"> • Development projects that combine expertise and critical success factors between core business areas 
STRATEGIC PARTNERSHIPS	↓	↑	↓	<ul style="list-style-type: none"> • Partnerships for Growth <ul style="list-style-type: none"> - Industrial partners: strategic partnership/JV - Financial partners: capital intensive business areas, major investments

**11
main
strategic
projects**

Main strategic projects



Back-up

2013 A2A Volumes

		2012	2013	Δ
A2A Group Thermal production	GWh	10,607	8,743	-1,864
	<i>of which</i>			
CCGT production	GWh	5,976	4,031	-1,945
Coal production	GWh	2,710	2,092	-618
Oil production	GWh	676	1,309	633
EPCG production	GWh	1,245	1,311	66
A2A Group Hydro production	GWh	5,500	7,524	2,024
	<i>of which</i>			
A2A and Edipower production	GWh	4,030	5,026	996
EPCG production	GWh	1,470	2,498	1,028
Eligibles and wholesale electricity sales	GWh	20,710	21,848	1,138
Captive customers electricity sales	GWh	2,954	2,671	-283
Ipex sales*	GWh	5,387	6,505	1,118
Foreign markets sales	GWh	11,983	12,699	716
Electricity sales to EPCG customers	GWh	3,228	2,649	-579
EPCG Electricity export	GWh	208	622	414
Gas sales	Mmc	3,845	2,435	-1,410
Heat volumes sales	GWht	2,217	2,382	165
Cogeneration electricity sales	GWh	310	300	-10
Collected waste	Kton	910	896	-14
Waste disposal	Kton	2,457	2,517	60
WTE electricity production	GWh	1,143	1,103	-40
WTE heat production	GWht	1,024	1,122	98
Electricity distributed	GWh	11,361	11,098	-263
EPCG Electricity distributed	GWh	2,596	2,530	-66
Gas distributed	Mmc	2,010	2,076	66
Water distributed	Mmc	69	63	-6

* without Intermediated Ipex volumes

As of June 2012 Edipower production includes 77% of production of the plants managed in tolling regime and 100% of production of the S. Filippo del Mela, Turbigo (groups 1-2-3) and Brindisi thermoelectric plants and some hydroelectric and photovoltaic plants.

As of November 2012 Tuscano and Turbigo productions are not included, while the quantities of the remaining Edipower plants are 100% of production

As of January to May 2012, Edipower production includes 20% of production of the plants managed in tolling regime

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