



a2a

2017
Company
Profile

December 2017



Our World

- A2A is active in environment, energy retail, networks and district heating, generation and trading – a **business diversification** which spans from regulated to market exposure thus considerably lowering its economic risk profile
 - Born in 2008 from the merger of AEM, ASM and AMSA, A2A operates **throughout Italy**, predominantly in Lombardy. The activities in Montenegro were deconsolidated as of July 2017
 - The business units of the company have a **first class asset base** - both plants and networks. Long term concessions increase visibility
 - **A2A business model is very flexible**. It allows for optimizations both in the business units and across them
 - The current strategy has been set out in the **2017-2021 Strategic Plan**. The main lines of the Plan are the following:
 - **Relaunch**: growth in environment, smart network and energy services
 - **Regeneration**: active role in the energy market transformation
 - **Reshape**: buying options in smart city and green economy
 - **Discipline** in operations and capital structure
 - **Dialogue** & engagement with key stakeholders
 - **Digital** & technological transformation
- EBITDA expected to grow to around 1.3€ bn in 2021, cumulated CAPEX of the period equal to around 2.5 € bn.

Our Results

- **Positive 2016 results** were achieved: EBITDA up by almost 18%, strong growth in Net Profit. Investments were up by 23%
- With respect to these external dynamics, the Group reacted by continuing with the initiatives to **improve operational efficiency**, which helped to sustain the profitability
- **Debt optimization** continued posting satisfactory results also in 2016
- A **dividend** of 0.0492 euros per share, **up by 20%**, was submitted to AGM approval
- A2A medium-term financial strategy is aimed at lengthening the average debt maturity, maintaining an adequate financial flexibility and lowering the cost of debt to **support the Company rating**
- A2A adopts a **prudent energy risk policy**, part of its Enterprise Risk Management model, whose purpose is to further develop and integrate risk management activities into the business process

Our Responsibilities

- A high weight of **green components** characterizes A2A asset portfolio. Large scale renewable production (hydroelectric, WTE), high efficiency production (cogeneration with lower CO2 emissions) and innovative technologies to increase energy savings (LED lighting). A2A may also leverage on a large and loyal customer base as a natural hedge for its energy portfolio.
- These mark the Company **commitment to sustainability**, further strengthened in 2016.
- The shift to a **traditional governance model**, occurred in June 2014, facilitates decision making and emphasizes the central role of the Board of Directors
- Milan and Brescia cities are the **major shareholders** with a joint control

Business units: top strengths

Environment

n. 1 for electricity produced by WTE plants

Energy Retail

market leader for quality and customer satisfaction

Networks and District Heating

incumbent in its 3 key gas areas first domestic operator in DH

Generation & Trading

~2 GW hydro installed capacity in Italy

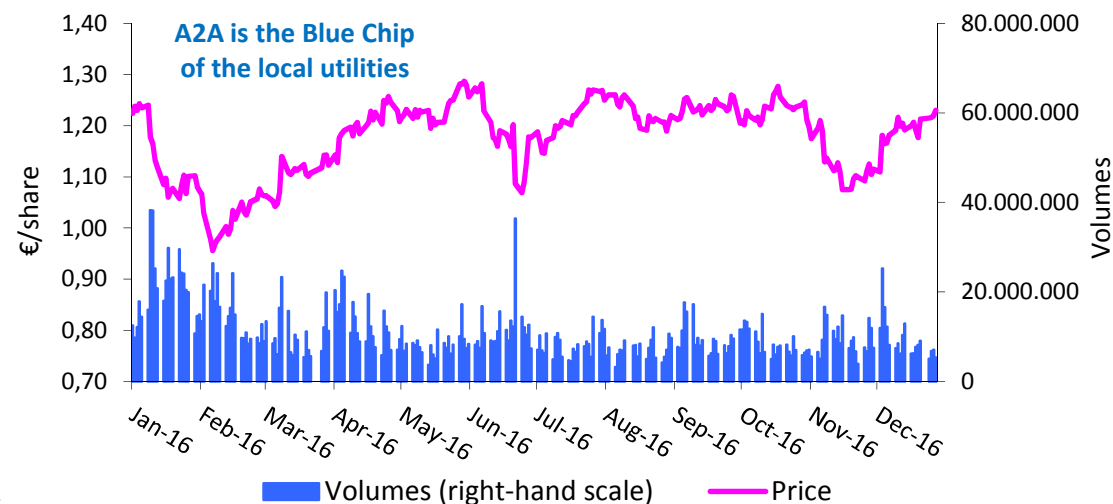
Financial Highlights

(million euros)	2016 ⁽¹⁾	2015	2014	2013
Revenues	5,093	4,921	4,984	5,604
EBITDA	1,231	1,048	1,024	1,133
Group net income ⁽²⁾	232	73	-37	62
Distributed Dividend	153	126	113	102
Dividend Yield (%)	4.2%	3.8%	4.3%	5.2%
Net Capital Employed	6,415	6,156	6,542	7,222
Net Financial Position	-3,136	-2,897	-3,363	-3,874
Net Equity	3,279	3,259	3,179	3,348
Market cap. (year-end)	3,853	3,929	2,624	2,665
Manpower (units)	13,494	12,083	11,971	12,392

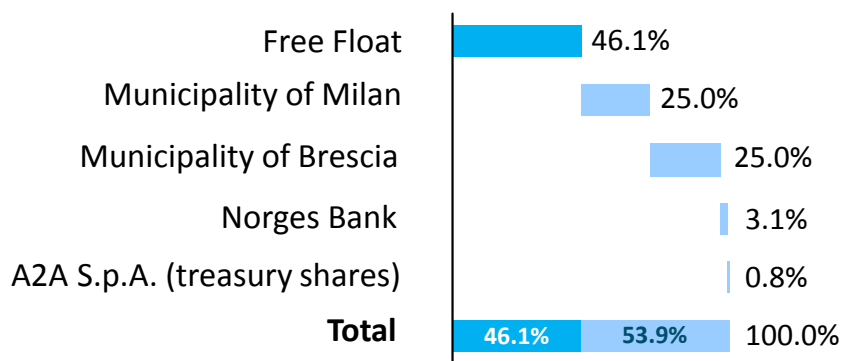
(1) 2016 figures restated after the completion of the Purchase Price Allocation (PPA) process on LGH Group assets.

(2) Group net income adjusted for the impact of extraordinary items: 2016 = 377 €M; 2015 = 278 €M; 2014 = 175€M; 2013 = 156€M

A2A in 2016

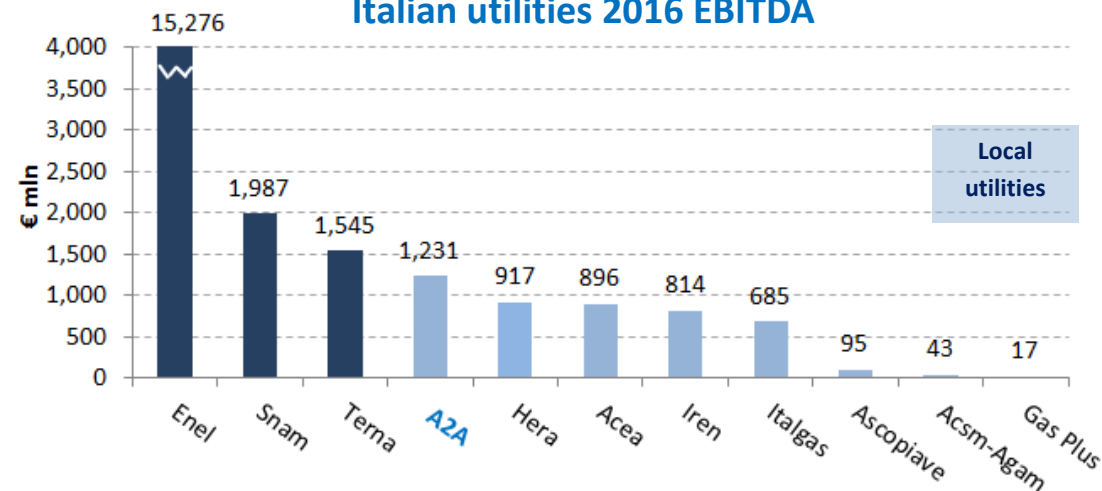


A2A shareholding structure⁽³⁾



(3) At December 31, 2016. Recent updates available at the following [link](#).

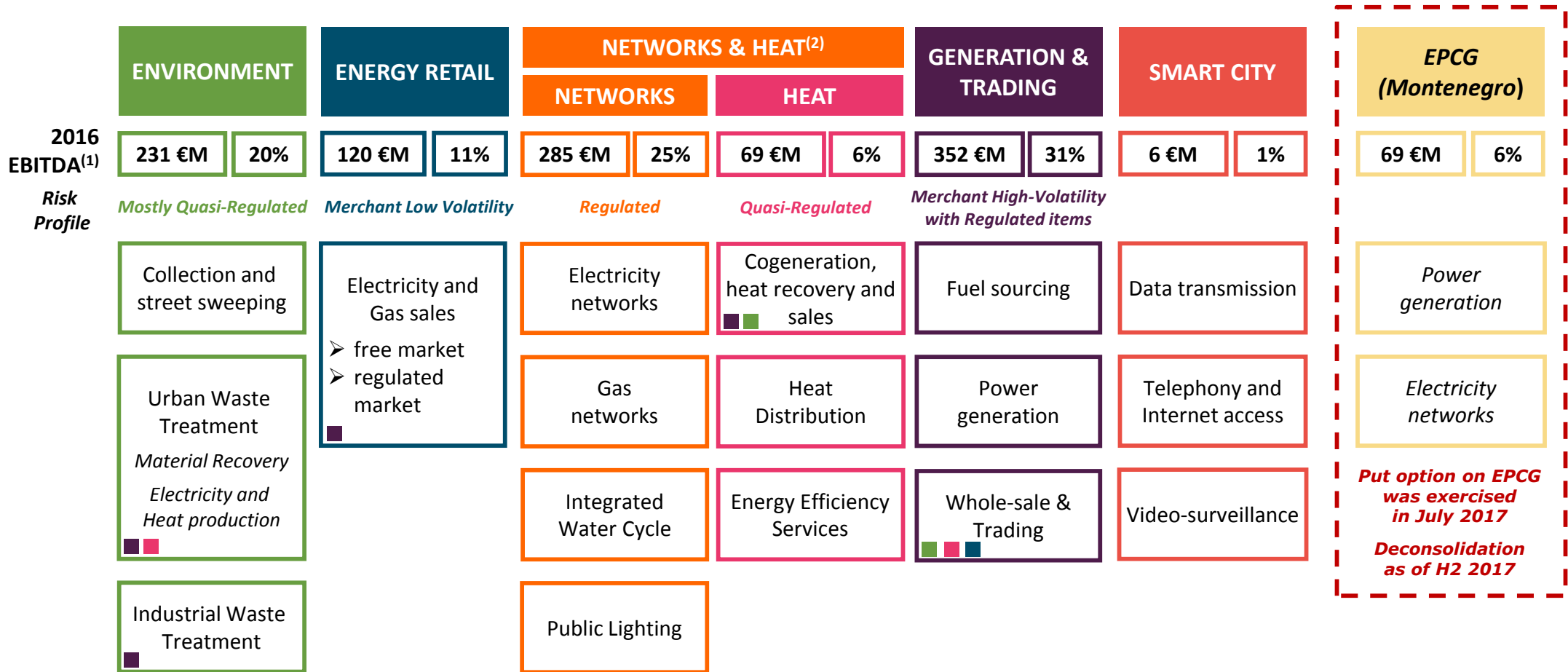
Italian utilities 2016 EBITDA



CURRENT CORPORATE CREDIT RATING

Standard & Poor's	Moody's
BBB/A-2 Outlook Stable	Baa3 Outlook Stable

A2A BUSINESS PORTFOLIO



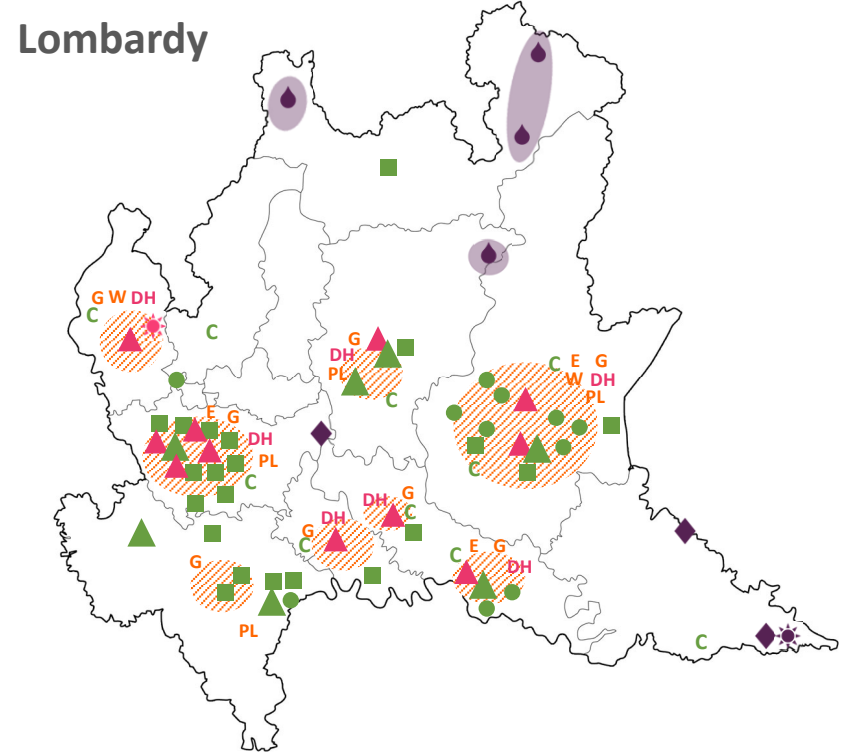
SIGNIFICANT SYNERGIES ACROSS THE BUSINESS UNITS

Ordinary EBITDA equal to 1,103 €M

(1) Equal to 1,132 €M, calculated as Reported EBITDA (1,231 €M) net of non recurring items (128 €M) and EBITDA from "Corporate" (-29 €M)
 (2) Infrastructure activities: electricity and gas networks, heating distribution and integrated water cycle. Energy efficiency activities: heat generation, recovery and sales, public lighting and other energy efficiency services.

Sources: A2A Strategic Plan, 2016 Results & Business Plan Update; Company Annual Reports

A2A GEOGRAPHICAL PRESENCE (AS OF H2 2017)



Legenda

Environment

- Waste collection C
- Treatment plants ■
- Biogas/Biomass plants ●
- Waste-to-Energy ▲

Generation & Trading

- Hydroelectric ●
- CCGT ◆
- Coal ●
- Fuel Oil ●
- Solar ☀

Networks

- Electricity E
- Gas G
- Water W
- Public Lighting PL

Heat

- Cogen. & thermal plants ▲
- Thermal solar plants ☀
- District Heating DH

Technological partnerships abroad on waste treatment plants (UK, Spain and Greece)

ENVIRONMENT

Inhabitants served: 3.38 millions
Waste collected: 1,453 Kton (excluding Lodi)
 Waste to energy plants: 7 (property plants):
 - thermal capacity: 351 MWt
 - electricity capacity: 389 MW
 - nominal treatment capacity: 4,166 Kton/y
Waste disposed of: 2,800 Kton
WTE heat production: 1,305 GWht
WTE electricity production: 1714 GWh
 Acerra WTE (management only): 107.5 MW; 600 Kton/y
 Technological partnerships abroad: 8 plants in UK, Spain and Greece

ENERGY RETAIL

Points of electricity redelivery (n.) 1,039,999
 - regulated market (n.): 702,094
 - free market (n.): 337,905
 Points of gas redelivery (n.): 1,305,728
 - regulated market (n.): 949,905
 - free market (n.): 356,822
Electricity sales: 8,284 (GWh)
 - regulated market: 2,013 (GWh)
 - free market: 6,271 (GWh)
Gas sales: 1,372 (Mcm)
 - regulated market: 554 (Mcm)
 - free market: 818 (Mcm)

GENERATION & TRADING

Total installed capacity: 8,607 MW
 Thermoelectric capacity: 6,694 MW, of which:
 - CCGT: 5,503 MW
 - Fuel oil: 886 MW
 - Coal: 305 MW
 Hydroelectric capacity: 1,875 MW
 Photovoltaic capacity: 38 MW
Thermoelectric production: 8,826 GWh
Hydroelectric production: 4,279 GWh
Total electricity sales: 57,687 GWh
Gas portfolio: 6.9 Bcm
Trading activities in Italy and European energy markets:
 - power, gas & environmental markets (green/white certificates, CO2)

NETWORKS & HEAT

NETWORKS

Electricity Distribution network: 14,039 Km
Electricity distributed: 11,204 GWh
 Gas Distribution network: 8,057 Km
 Gas transport network: 398 Km
Gas distributed: 2,096 Mcm
 Water distribution network: 4,878 Km
Water distributed: 61.7 Mcm
 Public lighting (n.): 210,805, of which 196,000 LED
- LGH:
 Electricity Distribution network: 1,004 Km
 Gas Distribution network: 3,294 Km

HEAT

Points of delivery: 1,135k
 Points of delivery: 1,259k
Gas transported: 390 Mcm
 Sewage network: 2,203 Km
 Points of delivery: 46K
 Points of delivery: 267k

Total installed thermal capacity: 1,797 MWt
Heat production: 1,176 GWht
Heat volumes sales: 2,412 GWht
 Total installed electricity capacity: 334 MW
Cogeneration electricity sales: 231 GWh
 District heating network: 1,175 Km

STRATEGIC PLAN GUIDELINES



RELAUNCH

- Growth in environment, smart networks and energy services
- Focus on low-risk businesses



DISCIPLINE

- Operational excellence project adoption
- Further deleveraging, with higher Capex and DPS
- Dividend target of 7.5 €cent in 2019 confirmed



REGENERATION

- Active role in the energy market transformation
- Flexible fleet to serve shortening EU markets
- Re-alignment with EU Winter Package
 - Development by adjacencies



DIALOGUE

- Extension of multi-stakeholder forum and territorial sustainability reports
- Sustainability target in management MBO
- People: ageing policy, welfare, managerial development, talent management, employer branding



RESHAPE

- Buying options in smart city and green economy
- From pilot projects to market solutions



DIGITAL

- Further Business Units process digitalization
 - New HR ERP
 - Strong fiber development
- New IT and digital services to municipality
 - Strong investments in automation

Key takeaways 2017-2021

- ✓ Waste, Retail and Networks to lead the growth
- ✓ More options for generation and a more conservative energy scenario
- ✓ Resilience of net income growth to commodity prices
- ✓ Dividend target of 7.5 €cent in 2019 confirmed
- ✓ Positive free cash flow generation with increasing Capex and dividends

Key financial highlights

- **Ordinary EBITDA⁽¹⁾** to grow from around 1.1 €Bn in 2016 to around **1.3 €Bn in 2021**
- **Capex** for the period around **2.5 €Bn**
- **Net Debt⁽²⁾** from 3.136 €Bn in 2016 to around **2.5 €Bn in 2021** (NFP/EBITDA from 2.5x to 1.8x at the end of the period)
- **Ordinary Net Income⁽²⁾** from 377 €Mn in 2016 to **470 €Mn in 2021**
- **Dividend policy:**
 - **dividend target of 7.5€cent in 2019 confirmed;**
 - **minimum 60% pay-out ratio at 2021.**

(1) Reported EBITDA in 2016 = 1,231 €M. Includes non recurring items for 128 €M.

(2) 2021 guidance on Net Debt and Net Income does not take into account the effects of the put option exercised on EPCG.

A2A: what kind of company going forward?

NO LONGER A GEN.CO.

Growth mainly driven by non-generation businesses

Higher option value from generation assets and Winter Package

BOOST IN BUSINESSES WITH PROVEN TRACK RECORD

Strong CAPEX increase in regulated/ quasi-regulated markets

Annual investments 50% higher than past three years' average

Further optimization from operational excellence







ROOM FOR UPSIDES

Local aggregations, M&A, RES/DER and other projects to strengthen A2A positioning and to mitigate risk

Updated Project Pot

OUR FUTURE IS SUSTAINABLE, GREEN, OPEN, SMART

A2A SUSTAINABILITY PLAN GOALS

	2020 goals		2016 results
 CIRCULAR ECONOMY	99.0%	Urban waste sent for recycling or energy recovery	98.86%
	67.0%	Separated waste collection in the communities served	56.2%
	80.0%	Impact of the recovery capacity of the material in the Group's plants on the urban waste collected	84% 
 DECARBONIZATION	392.5	Carbon intensity in electricity generation (gCO2/kWh)	417
	-234	CO2 avoided thanks to the extension of the district heating network (ktonnes/year)	-161
	1,260	Green electricity sold (GWh)	769
 SMART GRID AND SERVICES	90%	The CSI Total in "multi-client of reference" surveys (CERVED DataBank) with a value never below	92.4% 
	400,000	customers with online A2A Energia services	268,818
	10	Million euro invested in the Smart City area	1.9
 PEOPLE INNOVATION	15	regional workshops with 30 actions to be implemented	2 workshop <i>(11 actions)</i>
	4,000	inspections/year at the roadwork sites of the A2A Group	1,406
	20%	Target employees involved in Smart Working projects	5%

 2020 goal already achieved