



# **A2A 2007 Results & 2008-2012 Plan**

Analyst Presentation

Milan, April 1<sup>st</sup> 2008



# Agenda

- Strategic Overview  
*Giuliano Zuccoli*

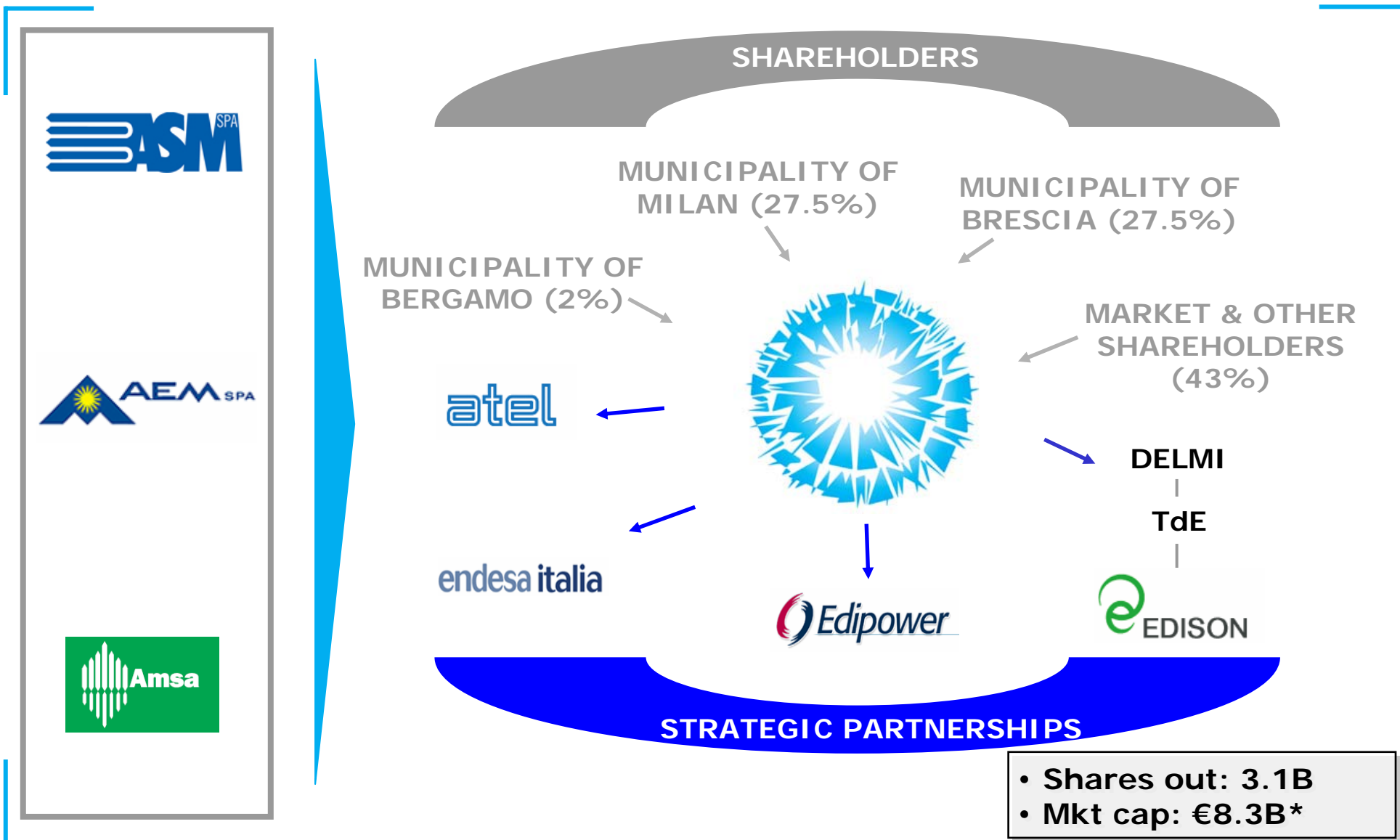
- Asset & Business Outline  
*Paolo Rossetti*

- FY 2007 Results & 2008-2012 Business Plan  
*Renato Ravanelli*

- Final remarks

- Q&A

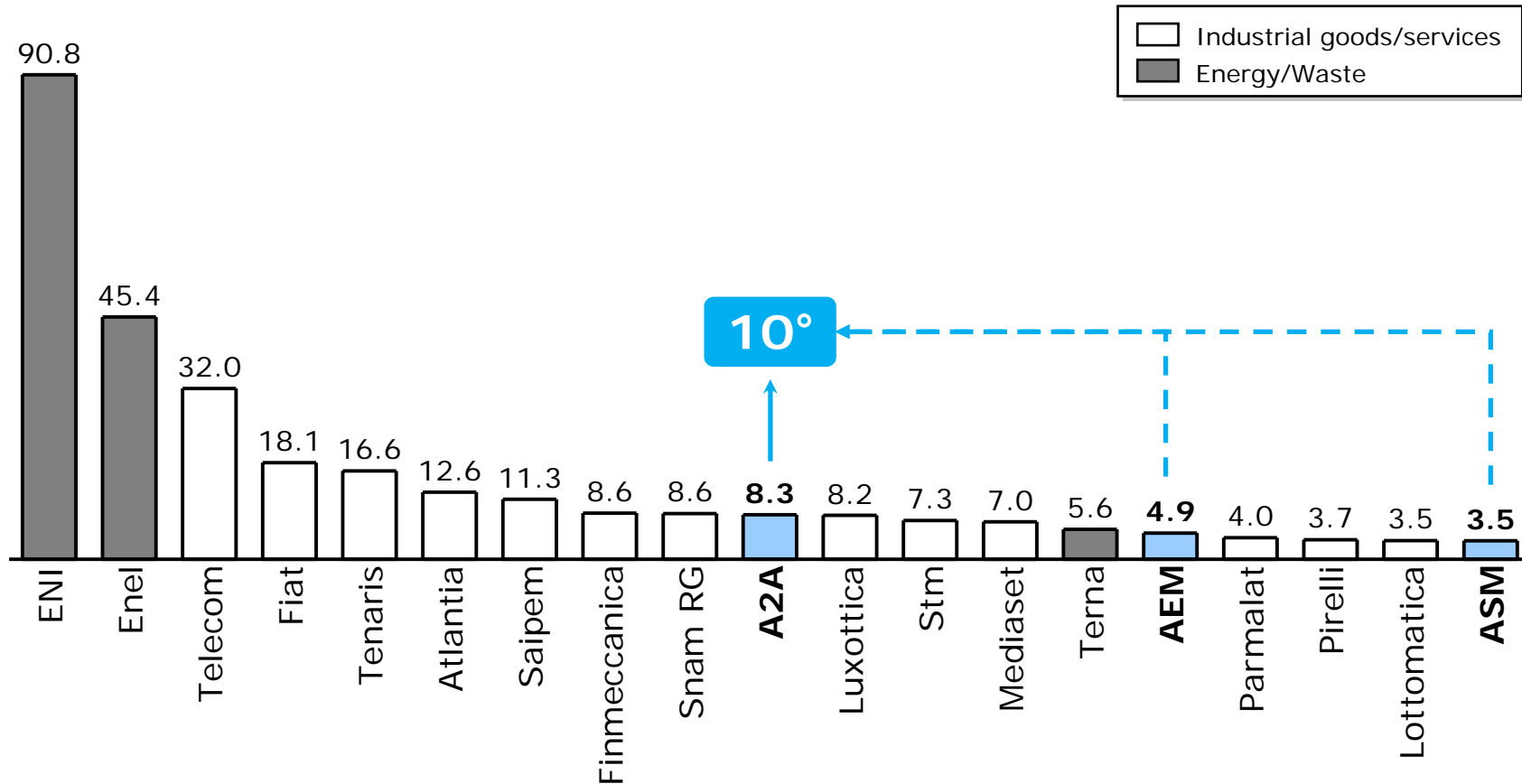
# Creation of a new player (1<sup>st</sup> Jan 2008)



\*As of average value of market capitalization since Jan, 1<sup>st</sup> 2008

# A significant player in Italy

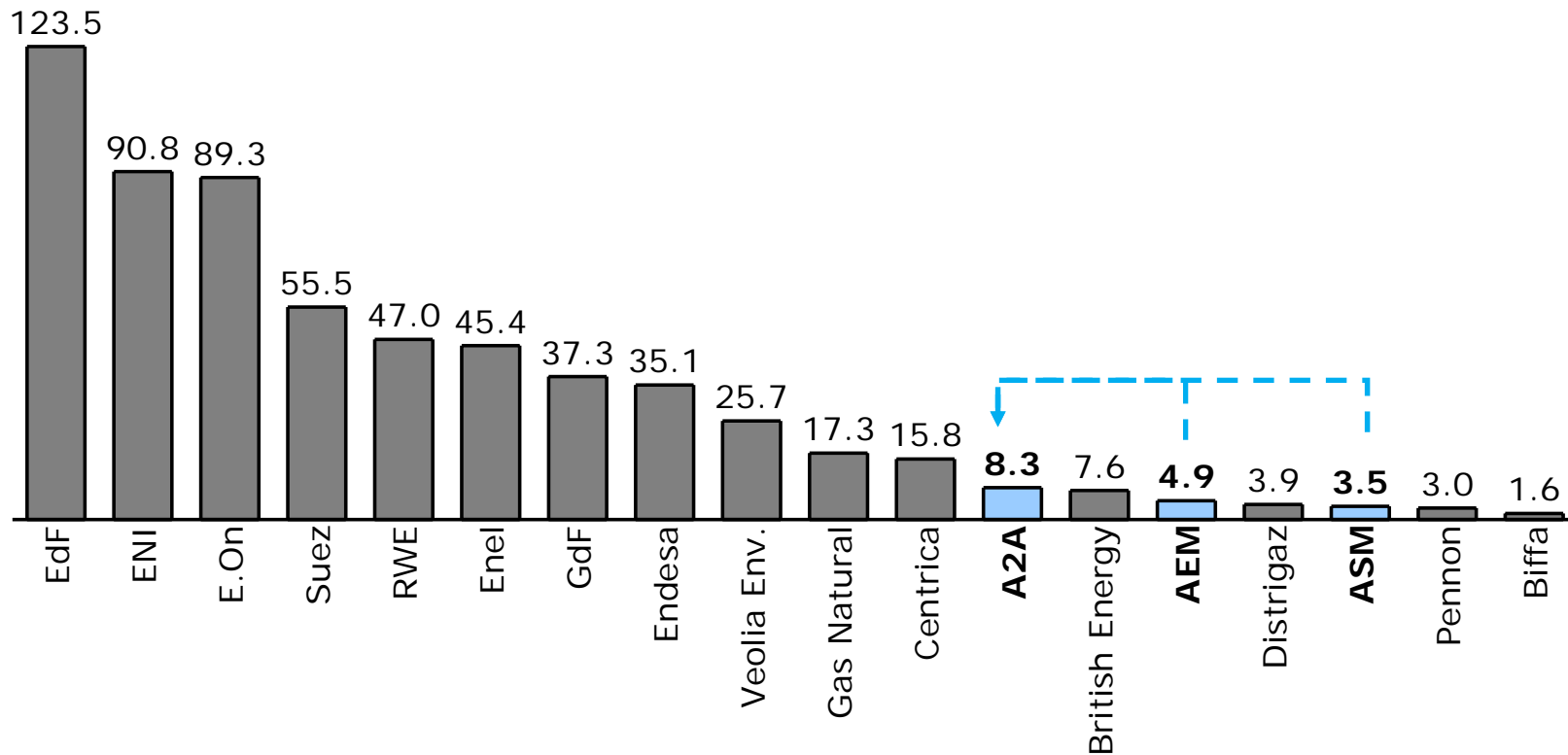
JAN-MAR 2008 AVERAGE MARKET CAPITALIZATION (€B)  
ITALY - S&P MIB, INDUSTRIAL COMPANIES



Note: AEM and ASM average market capitalization values since July, 1<sup>st</sup> 2007

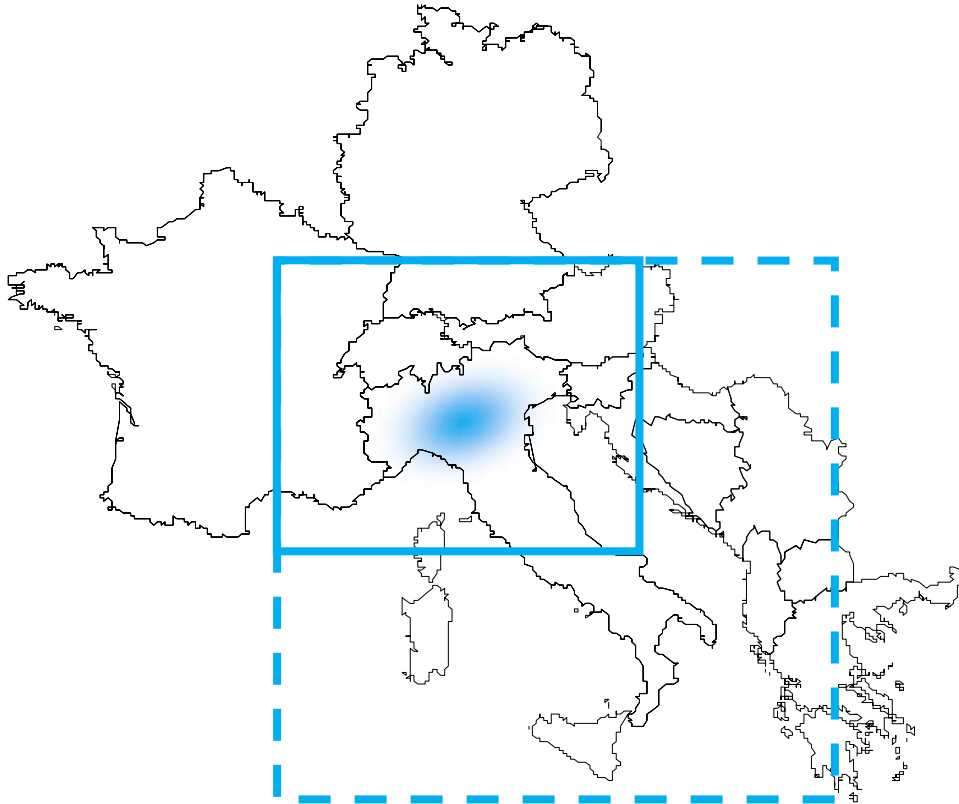
# A growing player in the European competition arena

JAN-MAR 2008 AVERAGE MARKET CAPITALIZATION (€B)  
EUROPE - ENERGY/WASTE OPERATORS



Note: AEM and ASM average market capitalization values since July, 1<sup>st</sup> 2007

# A2A today

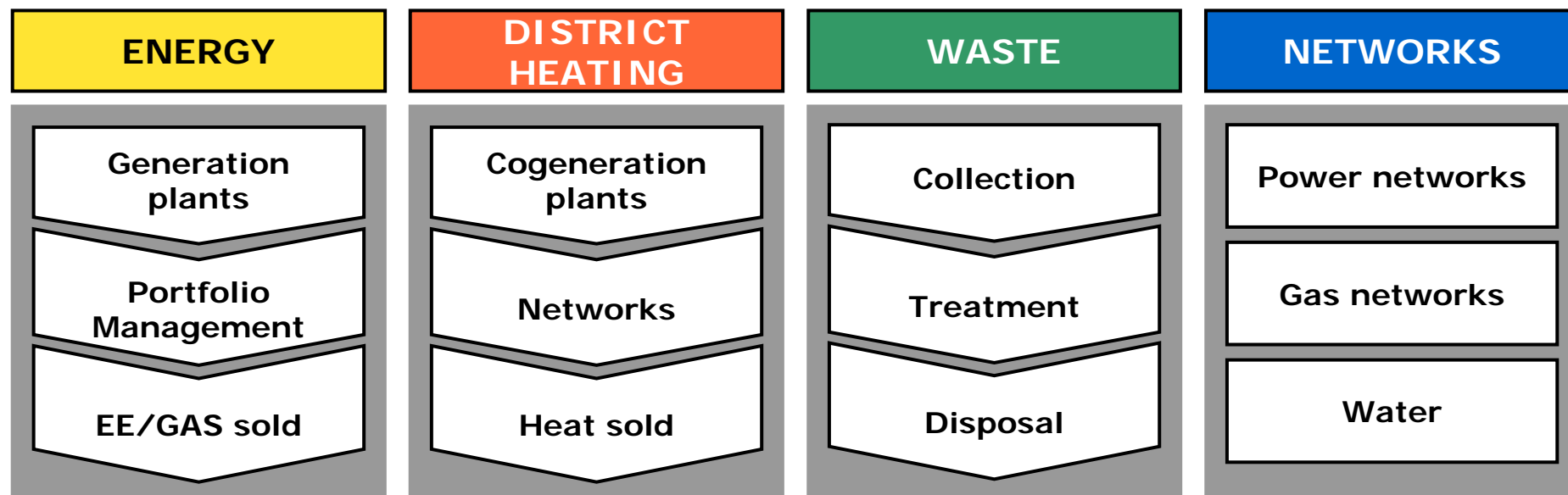


- **First Italian Local Utility by market capitalization, revenues and margins**
- **Right balance between regulated and non-regulated markets, supported by a solid asset base**
- **Diversified business portfolio:**
  - **Energy**: important player in the Italian market, vertical integration, further exploitation of Edison position in upstream gas market
  - **Networks**: strong local coverage and longstanding relationships with local stakeholders
  - **Waste**: leading position in Italy across value chain and promising potential for international expansion
  - **District heating**: first Italian player with innovative technology
- **Clean-energy and service-oriented player, with a large and loyal customer base**
- **Catalyst in the Local Utilities sector for potential consolidation with a solid M&A track record**

# A2A's focus areas

- **Integration, organizational rationalisation and synergy extraction**
- **Industrial development in Italy and abroad**
- **Edison: strengthening A2A's industrial role**
- **Endesa Italia: assets swap**
- **M&A opportunities**

# Key strategic guidelines by business



- New plants' start-up
- Consolidation of industrial partnerships
- Further development of trading activities

- Focus on development in Northern Italy
- Asset scale optimization
- Clean and cutting-edge technology

- New plants' start-up
- Exploitation of best practice and technology excellence
- Expansion abroad by leveraging international partnerships

- Beating the Regulator
- Service quality
- Start-up of bidding systems

# Highlights for shareholders

## EBITDA GROWTH

- **Highly sustainable targets for 2008-2012 Plan**
- **EBITDA expected growth: 7-8% CAGR**

## DIVIDENDS POLICY

- **Proposed 2007 dividend per share equal to € 0.097 (+38.6%)**
  - Pay-out ~58%
  - Current Yield 4.2%
- **Distribution of a dividend per share at least in line with 2007**

## SHARE BUY-BACK

- **Continuing share buy-back program**

# Agenda

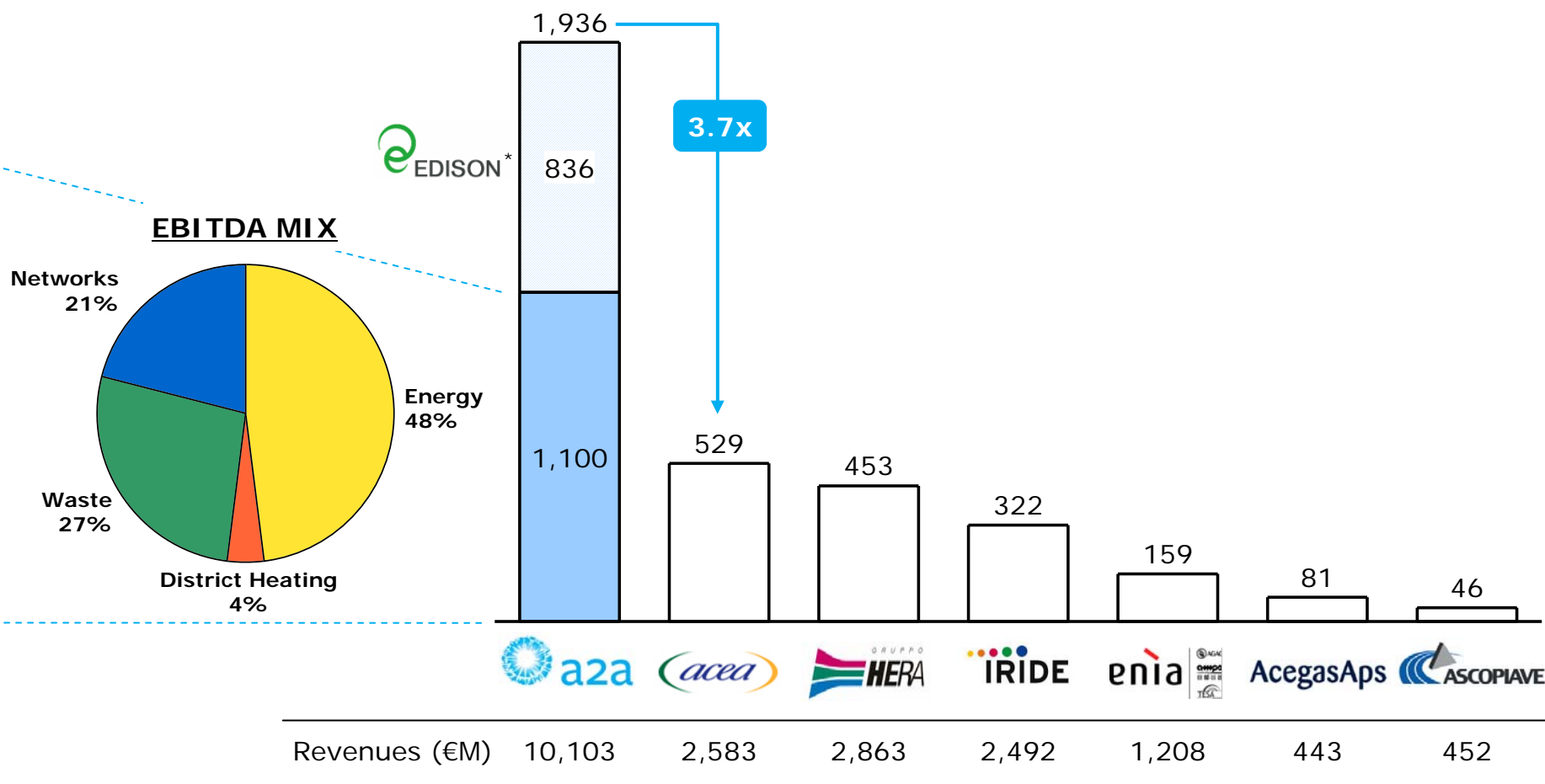
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# First local utility in Italy by sales and margins

LISTED LOCAL UTILITIES' 2007 EBITDA (€M)



\* As for Edison means the pro-quota consolidation through Delmi/TdE

Source: A2A pro-forma data, Annual Reports 2007

# A significant presence along the Energy value chain



- **3.4-GW thermal and hydro** plants, with diversified and flexible fuel mix
- **Consolidated experience** in plant operation

- **~28-TWh** energy portfolio, including **20%** of **Edipower** plants
- **Active** in **CO<sub>2</sub>-EUA** and **Green Certificates** markets
- **Growing** presence in **Europe**

- **~15 TWh** sold to **retail customers**
- Strong presence in **Northern Italy** with long-lasting relationship with customers/citizens
- **Partnerships** with wholesalers



- **Industrial partnerships** with upstream players (e.g. **Edison**)

- Full consolidation of **Plurigas** (gas wholesaler)
- **~ 5-Bcm** gas portfolio under management
- Significant **import** and **trading activities**

- **~ 3 Bcm** of gas sold
- **Consolidated** presence in **Northern Italy**
- **Commercial partnerships** with **local utilities**

Note: 2007 data

# An important role in generation

## A2A's ASSETS: GEOGRAPHIC PRESENCE

## A2A's ASSETS: GENERATION PORTFOLIO

### **Thermoelectric plants**

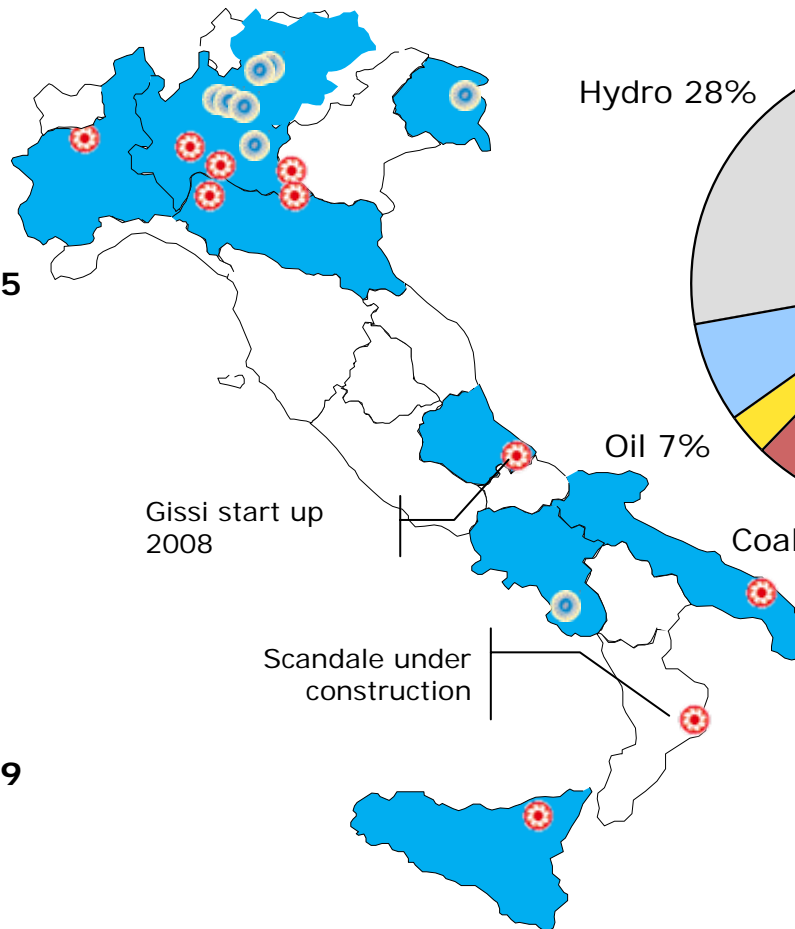
- Cassano d'Adda
- Ponti sul Mincio
- Chivasso
- Turbigo
- Piacenza
- Sermide
- Brindisi
- San Filippo del Mela
- Gissi
- Scandale

GW 2.5

### **Hydroelectric plants:**

- Braulio
- Stazzona
- Lovero
- Grosio
- Grosotto
- Premadio
- 5 plants close to BS
- Mese
- Udine
- Tusciano

GW 0.9



Hydro 28%

GW 3.4

CCGT 62%

Oil 7%

Coal 3%

**Italy's second independent generation company, considering cocontrolling stake of Edison**

\* A2A pro-quota directly dispatched

Note: 20% of Edipower included, Gissi: starting operations in 2008, Edison capacity 12.5GW

# Italian leading player along district heating chain

Cogeneration  
Plants

Networks

Heat sold



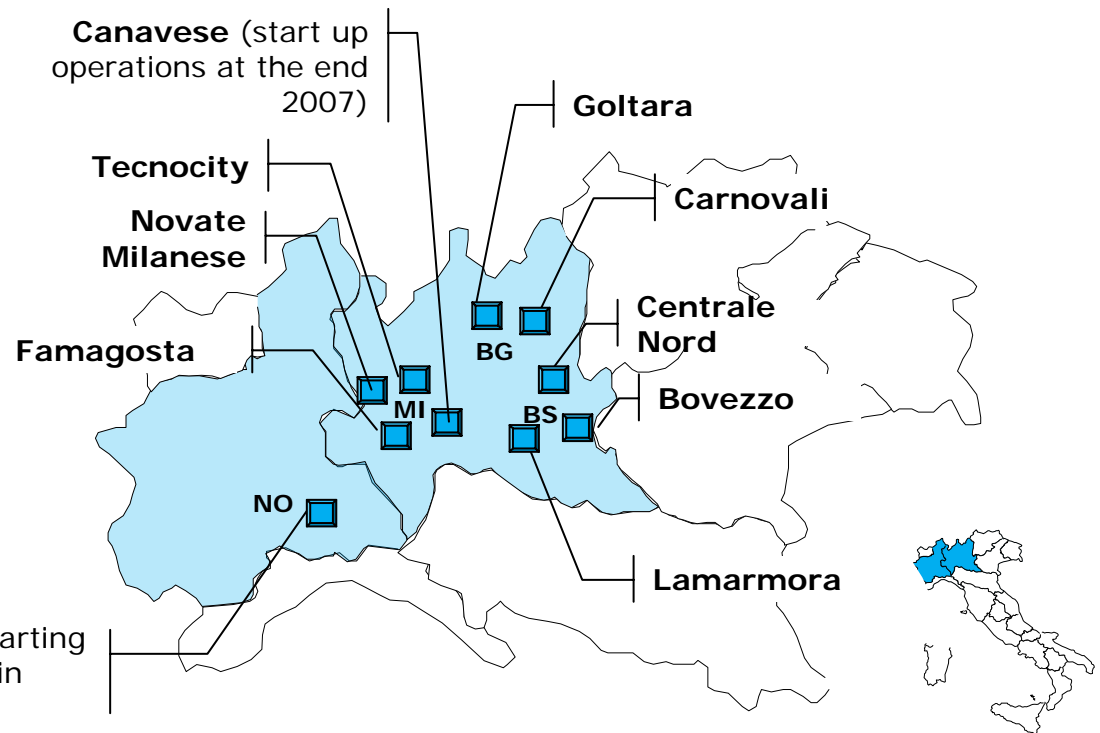
- **5 major plants** in Northern Italy
- **Significant assets base:**
  - Thermal installed capacity: ~ MWt 800
  - Electric installed capacity: ~ MWe 180



- **Technology excellence centre**

- Network: **km 710**
- Strong presence in the **Northern Italy**

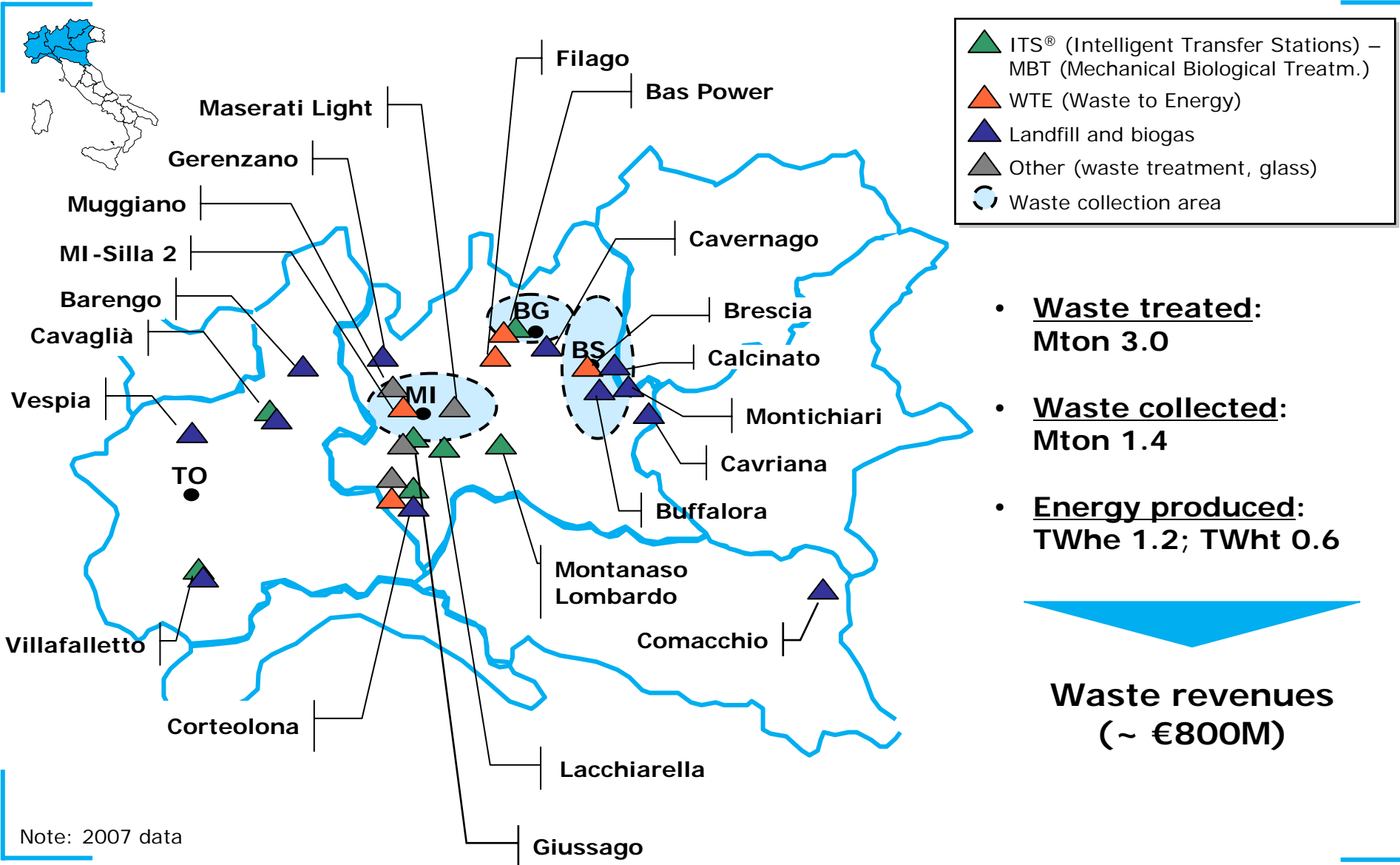
- **First player** in Italy:
  - **TWh 1.5** of heat sold



**Novara** (starting operations in 2008)

Note: 2007 data

# Major national player in waste sector



Note: 2007 data

# A major presence in regulated businesses



## POWER:

- # Clients: ~ M 1.1
- Distributed volumes: ~ TWh 12.0
- Power distribution networks: ~ km 15,000
- Power transmission networks: ~ Km 180



## GAS:

- # Clients: M 1.2
- Distributed volumes: ~ Bcm 2\*
- Distribution network: ~ Km 8,000



## WATER:

- # Inhabitants: ~ K 940
- Water distribution: ~ Mcm 88; network: ~ Km 5,000
- Purification: ~ Mcm 66
- Sewage: ~ Mcm 55; network: ~ Km 2,400

\* Included volumes sold to clients directly connected to transport grid

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# Group 2007 Pro-forma figures

€M data

	2007	2006	YoY %
Sales	10,103	9,540	+5.9%
EBITDA	1,936	1,813	+6.8%
EBIT	1,134	983	+15.4%
Group net income	521	535	-2.6%
	2007	2006	Δ
NFP	5,771	5,843	-72
NFP/EBITDA	2.98 x	3.22 x	
NFP/EQUITY	0.89 x	1.06 x	
ROI *	9.2%	8.7%	

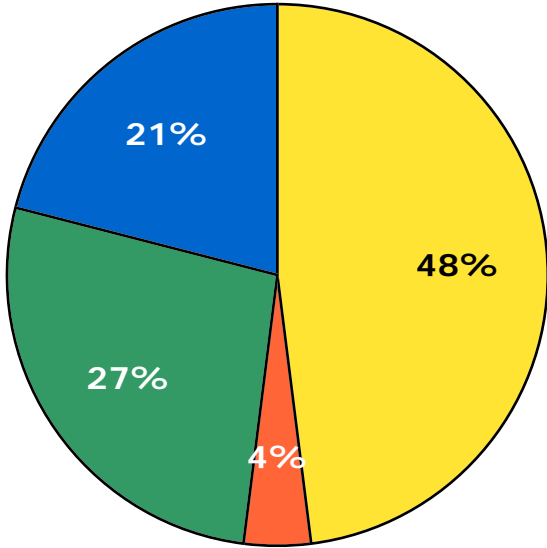
\* Capital invested as of 31/12 (whereas Invested capital = Equity + NFP)

# 2007 Pro-forma figures – TdE/Edison cons.d at equity

€M data	2007	2006	YoY %
Sales	5,724	4,992	+14.7%
EBITDA	1,100	1,030	+6.8%
EBIT	712	645	+10.4%
Group net income (of w. Delmi/TdE contrib.)	521 72	535 64	-2.6%
	2007	2006	Δ
NFP*	3,732	3,061	+671
NFP/EBITDA	3.39 x	2.97 x	
NFP/GROUP EQUITY	0.96 x	0.88 x	
ROI **	8.2%	8.5%	

\* Includes ~ €900M for Edison stake acquisition; \*\* Capital invested as of 31/12 (whereas Invested capital = Equity + NFP)  
 Note: Group Equity: net of minorities

# 2006-2007 Pro-forma EBITDA breakdown

€M data	EBITDA 2007	EBITDA 2006	Δ	EBITDA BREAKDOWN 2007
<b>ENERGY</b>	546	516	+30	
<b>DISTRICT HEATING</b>	48	62	-14	
<b>WASTE</b>	310	259	+51	
<b>NETWORKS</b>	244	226	+18	
<b>CORPORATE &amp; OTHER SERVICES</b>	-48	-33	-15	
<b>TOTAL</b>	1,100	1,030	+70	

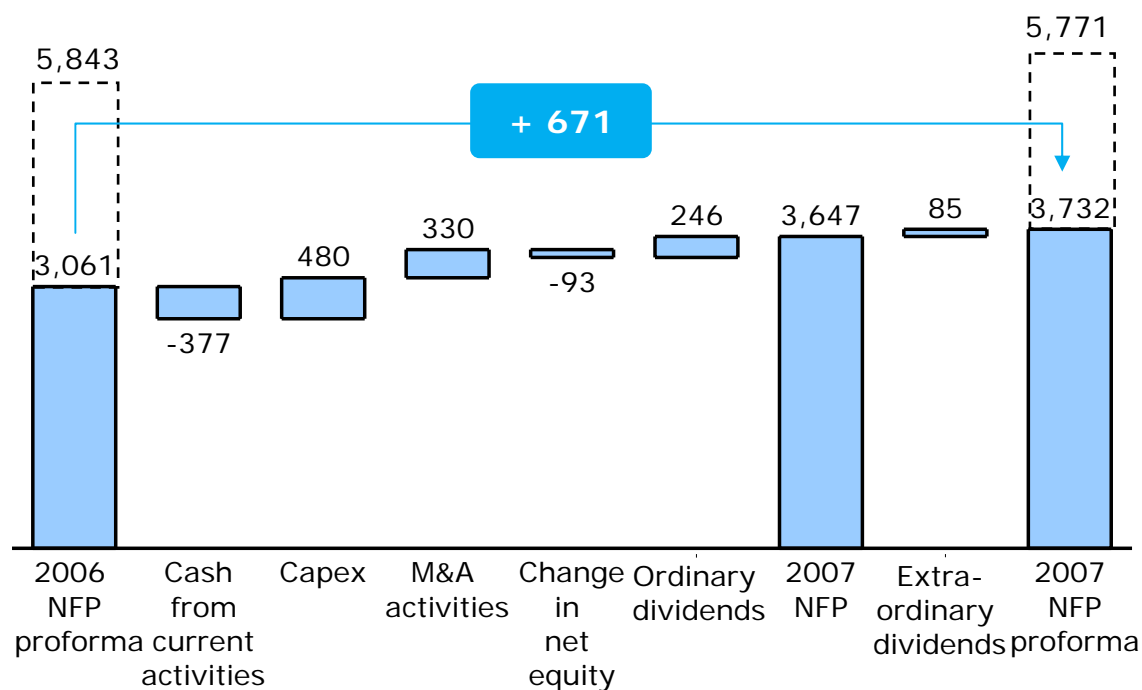
Note: TdE/Edison excluded

# 2006-2007 Pro-forma NFP bridge

## 2006-2007 NFP BRIDGE (€M)

## KEY FACTS

TdE/Edison

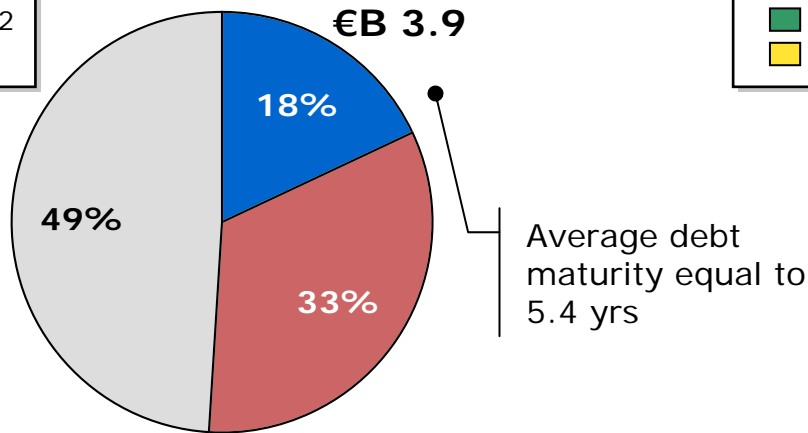
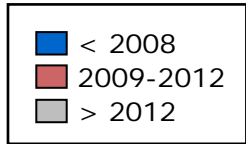


- **Development CAPEX: Gissi and Scandale, cogeneration plants**
- **One-off equity investments:**
  - Ecodeco's acquisition (64%)
  - Edipower put option
- **Share buy-back**

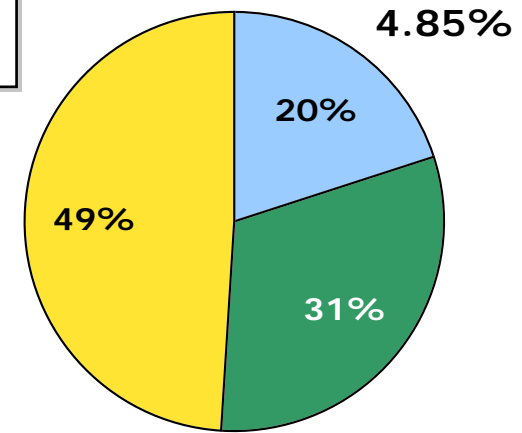
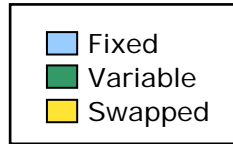
\* 2006 pro-forma NFP, equal to €3,146M, includes extra-ordinary dividends

# 2007 debt and interest rate structure

## DEBT STRUCTURE (Dec 2007)



## INTEREST RATE STRUCTURE



## CURRENT RATING



S&P

BBB/Positive  
Outlook/A-2

BBB+/Positive  
Outlook/A-2

MOODY'S

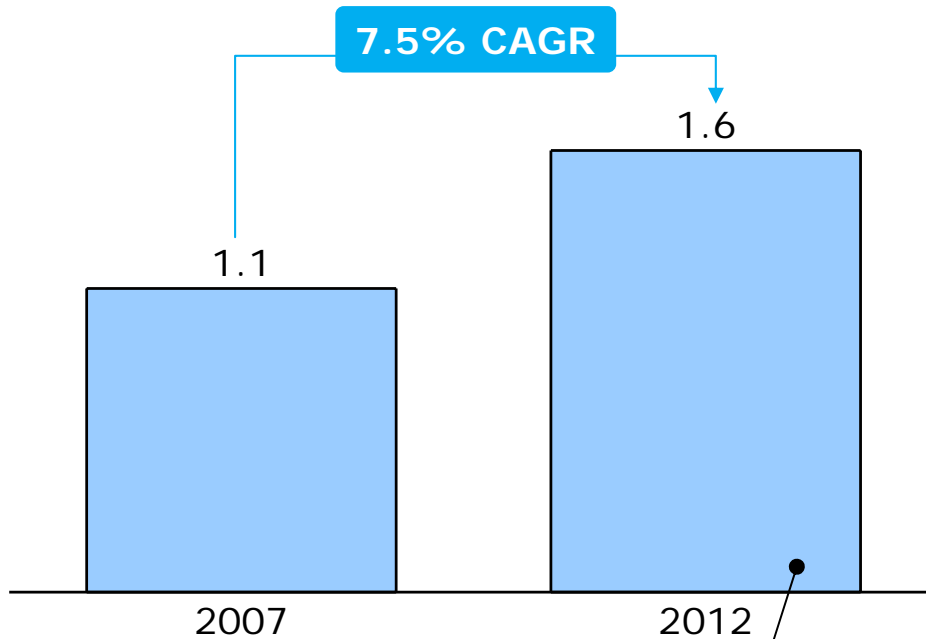
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BBB2/Stable

Balanced and efficient  
debt structure

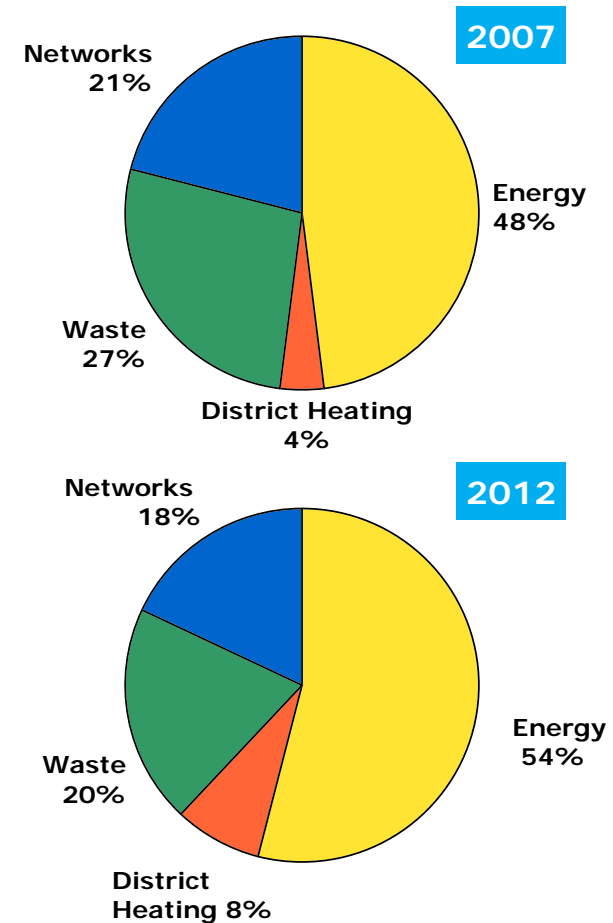
# Industrial Plan – EBITDA target (TdE/Edison excl.)

2007-2012 EBITDA TARGET (€B)



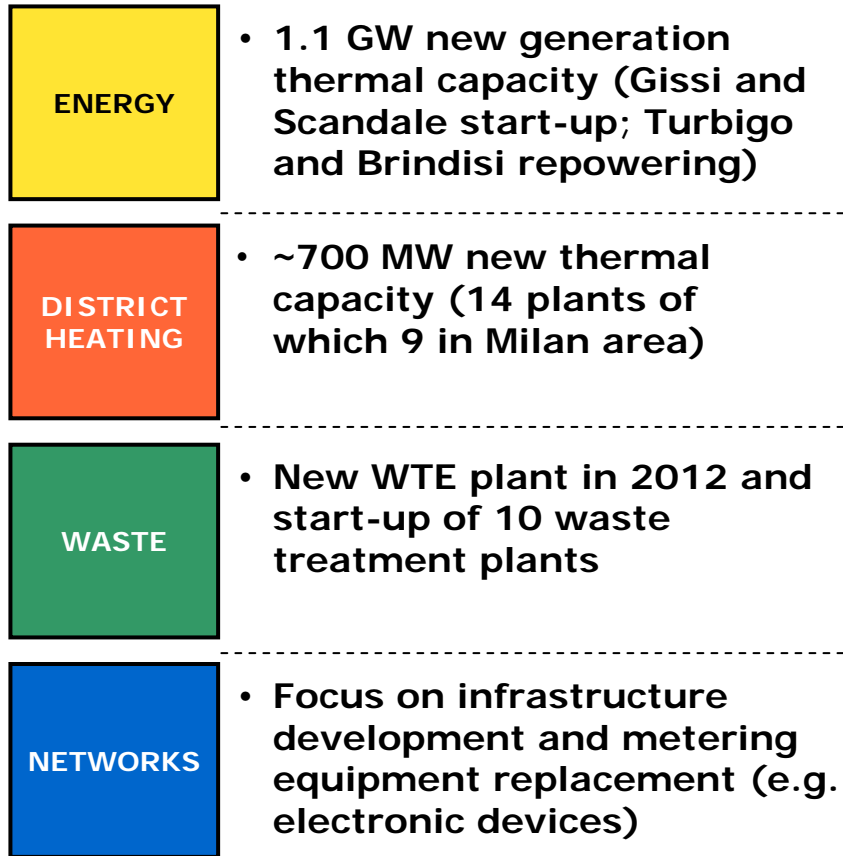
**Synergies:** ~ €110M estimated in 2012, of which 64% development synergies and 36% efficiency gains

EBITDA BREAKDOWN



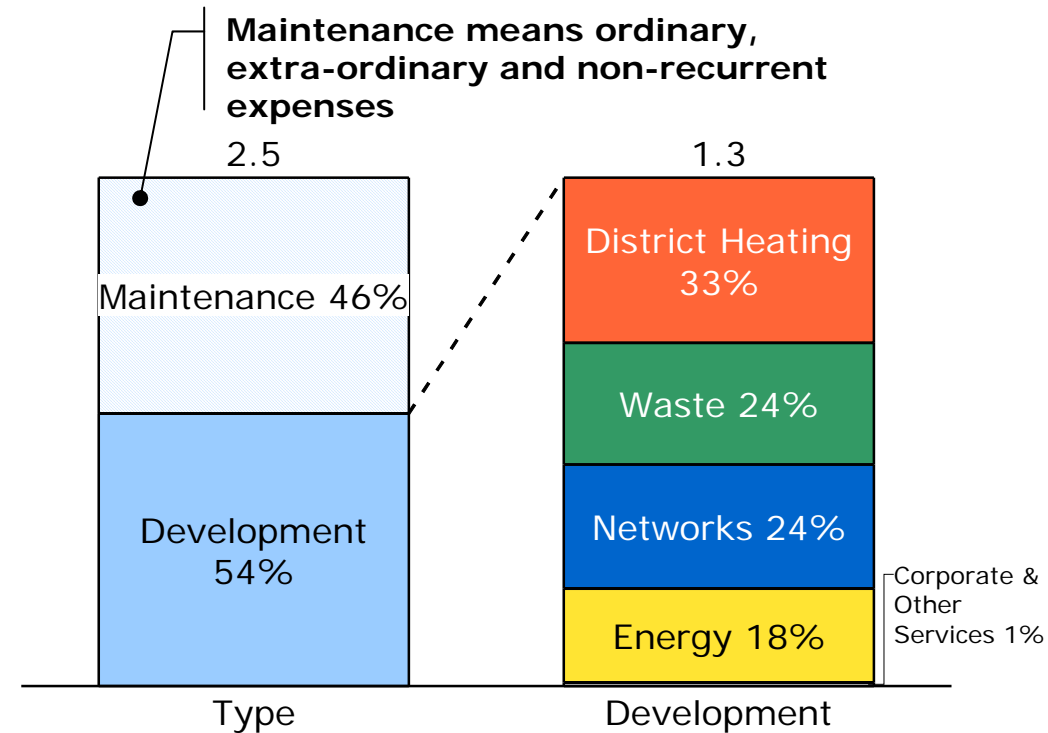
# Industrial Plan - Op. cumulated capex

## KEY INVESTMENT FACTS



Note: TdE/Edison excluded

## 2008-2012 OP. CUMULATED CAPEX (€B)

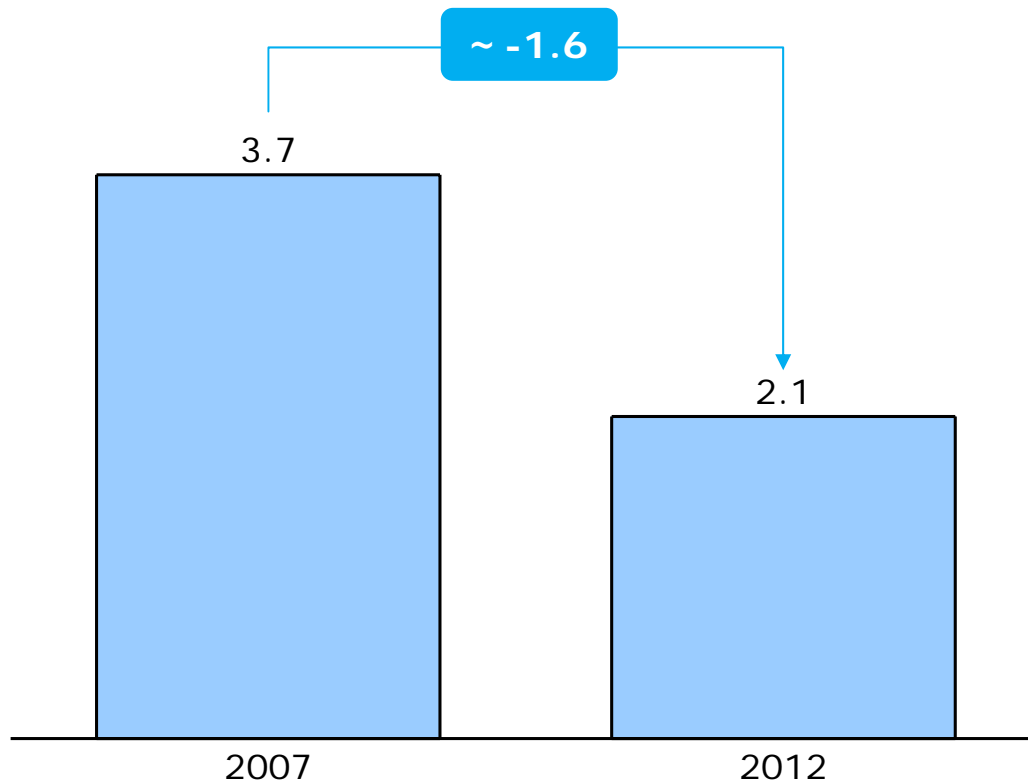


~ €210M estimated synergies cumulated over 2008-2012 period stemming from: asset portfolio rationalization, procurement efficiency and economy of scale

# 2007-2012 Pro-forma NFP - Dividends not included

2007-2012 PRO-FORMA NFP (€B)

KEY FACTS



- Significant cash flow from operations
- Share buy-back program in 2008
- M&A activities:
  - Endesa's assets acquisition
  - One-off equity investments (e.g. Ecodeco and Edipower)

Note: TdE/ Edison excluded

# Contribution of Edison partnership

## EDISON TARGETS IN POWER SECTOR

### MERCHANT PLANTS

- **Capacity development (currently: 8 GW): 800-MW new CCGT plant in Central Italy (2011), further 400 MW available for **free market** at CIP6 contract expiration and 500-MW captive generation to be divested by end 2011**

### CIP 6

- **Rationalisation of CIP6 portfolio:** 600 MW partially repowered in flexible merchant GT, 650MW to be divested after CIP6 expiration, with remaining 700MW maintained as cogenerative implying limited CAPEX

### RENEWABLE ENERGY

- **Capacity increase (+ 470 MW) :** Hydro from 1,300 MW to 1,400 MW, Wind from 270 MW to 570 MW, Photovoltaic and biomass up to 70 MW

### FOREIGN ACTIVITIES

- **Projects under evaluation or development for 1,000 MW (Edison share)**

## EDISON TARGETS IN HYDROCARBON SECTOR

### INFRA-STRUCTURES

- **Confirmed development** of new import infrastructures (**LNG Terminal, GALSI and IGI**) and of **gas storage** up to **1.6 Bcm** of working gas (2.2 Bcm total capacity)

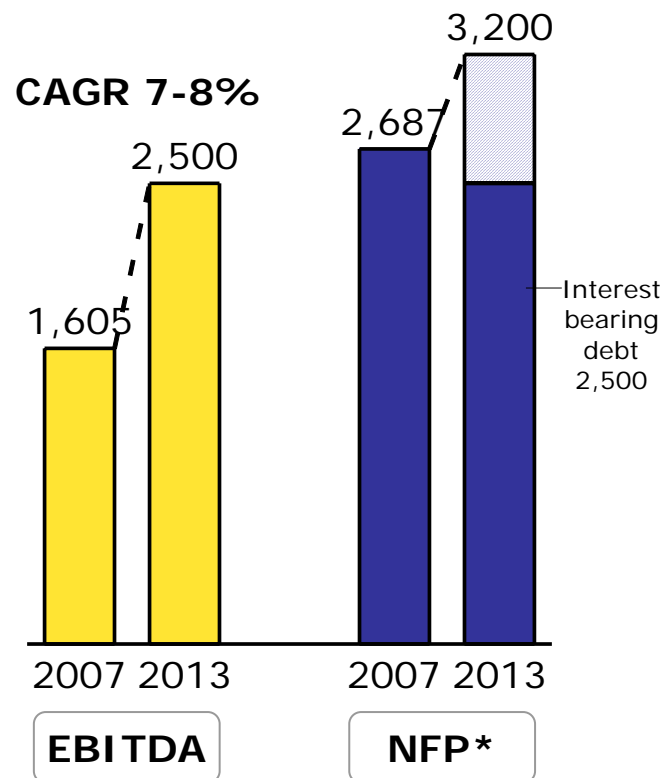
### GAS SUPPLY

- Reach **complete independence** in **gas supply** portfolio
- Enhance **geographical diversification** of gas sources mix

### E&P

- **Growth** towards **15% of equity gas** on total portfolio
- Focus on **exploration** and **selected acquisitions**

## EBITDA & NFP EVOLUTION (2007-2013, €M)



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# Disclaimer

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**Forward looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward looking statement. Such factors include, but are not limited to: changes in global economic business, changes in the price of certain commodities including electricity, gas and coal, the competitive market and regulatory factors.**

**Moreover, forward looking statements are current only at the date they are made.**

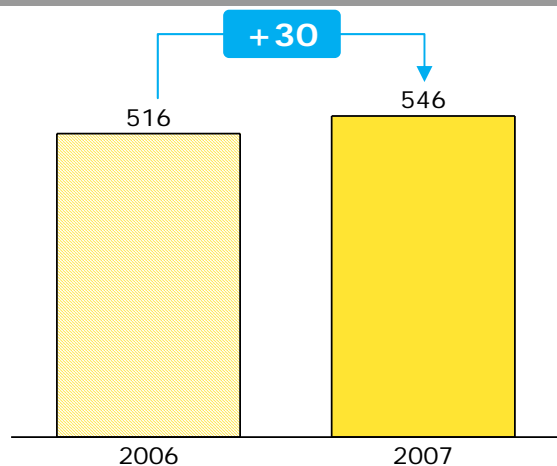
# Appendix

- Details by business

- ✓ - 2006-2007 Results
- Industrial Plan

# 2006-2007 Results (TdE/Edison excl.) - Energy

## EBITDA (€M)

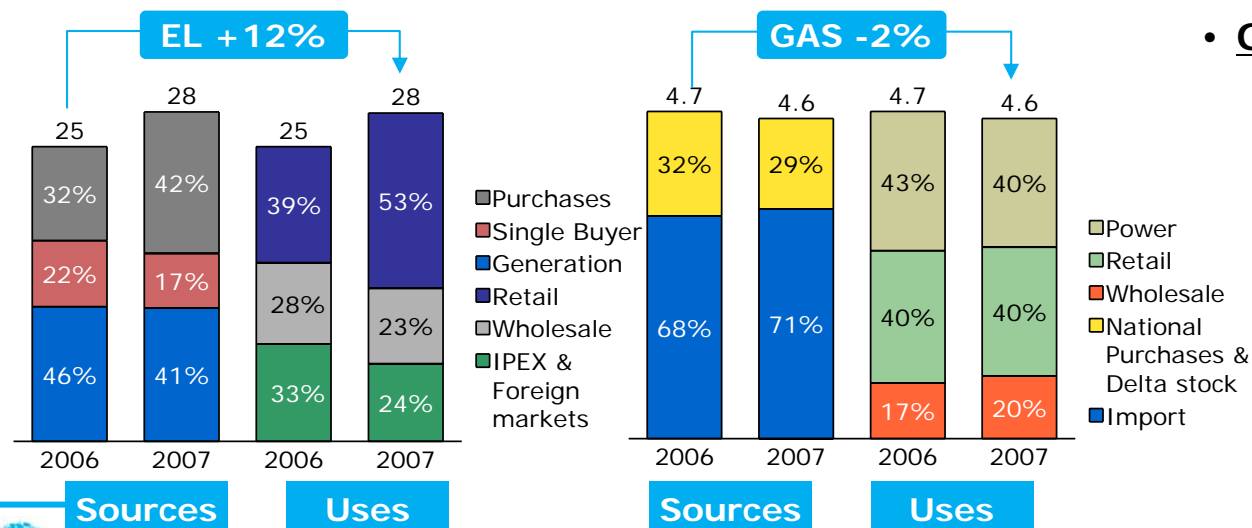


## KEY FACTS

### • Electricity:

- positive dynamics of power exchange prices in 2H07
- performance improvement in energy management portfolio
- one-off revenues in 2006
- negative impact of further maintenance of Ponti sul Mincio's plant

## VOLUMES (EL: TWh, GAS: Bmc)

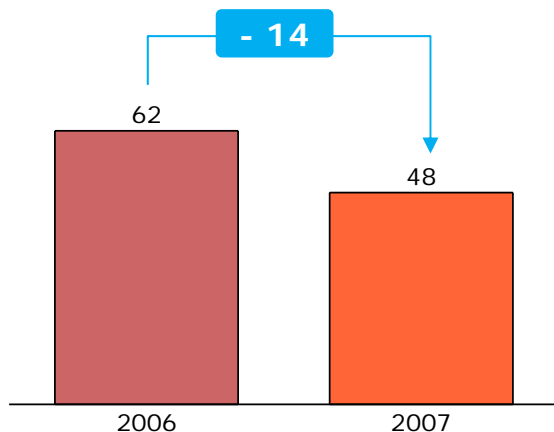


### • Gas:

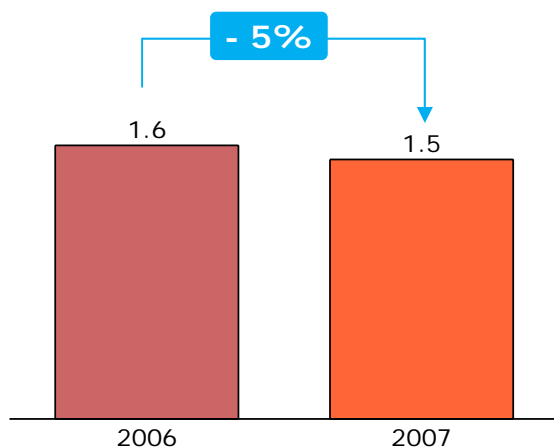
- efficient supply source portfolio management
- margin increase to end customers
- release of 2006 provisions related to AEEG's 248/04 and 298/05 resolutions
- volume reduction due to mild weather

# 2006-2007 Results - District heating

## EBITDA (€M)



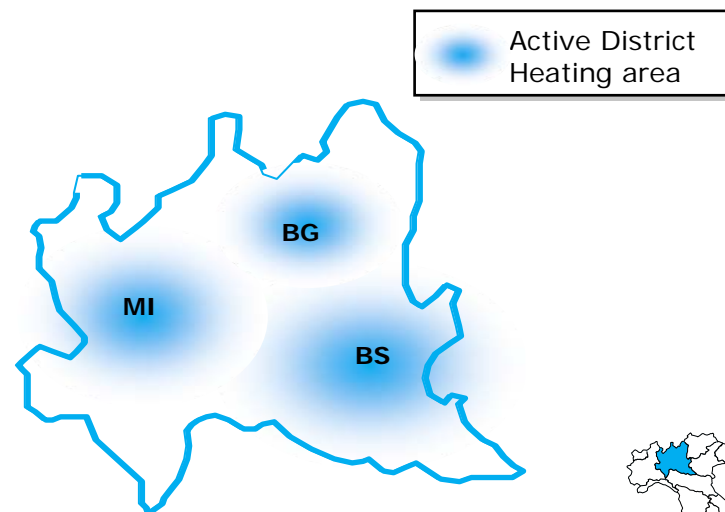
## HEAT VOLUMES (TWh)



Note: TdE/Edison excluded

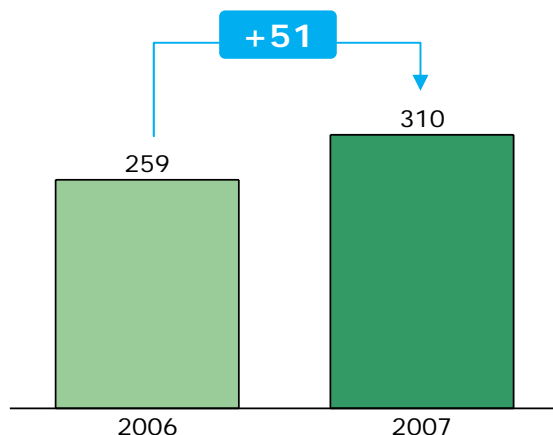
## KEY FACTS

- Negative impact on EBITDA mainly from volume reduction due to exceptional mild weather (1H07)
- Increasing margins in Energy Services and Facility Management



# 2006-2007 Results - Waste

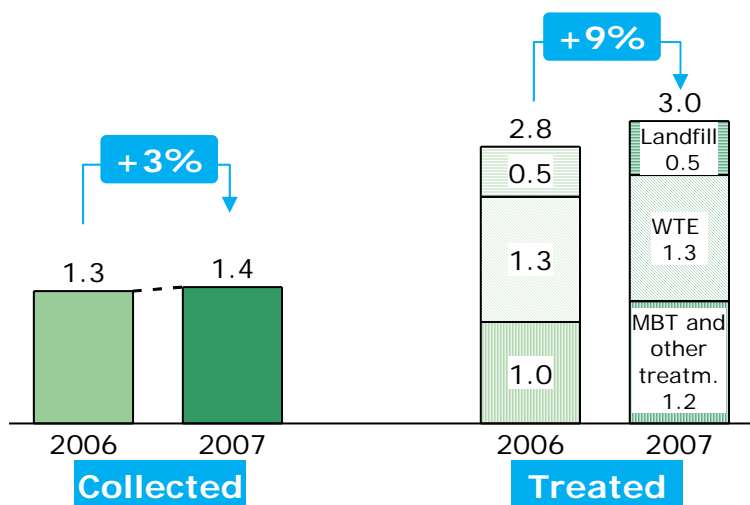
## EBITDA (€M)



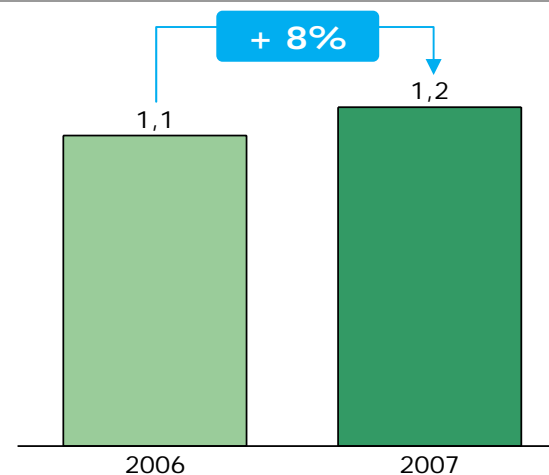
## KEY FACTS

- Ecodeco full-year consolidation in 2007
- Increase of electricity production in Brescia's WTE plant
- Increase of treated volumes
- Margin improvement due to new service revenues in Milan

## WASTE VOLUMES (Mton)



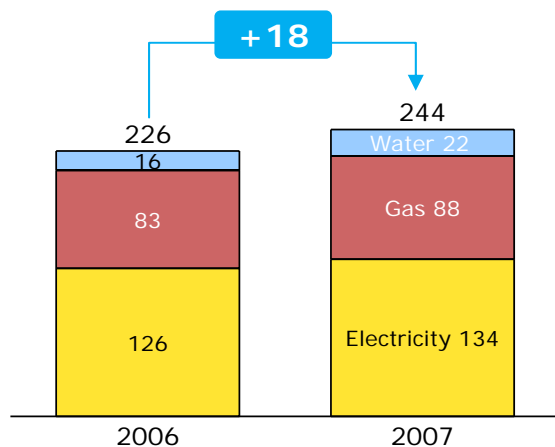
## ELECTRICITY PRODUCTION (TWh)



Note: TdE/Edison excluded

# 2006-2007 Results (TdE/Edison excl.) - Networks

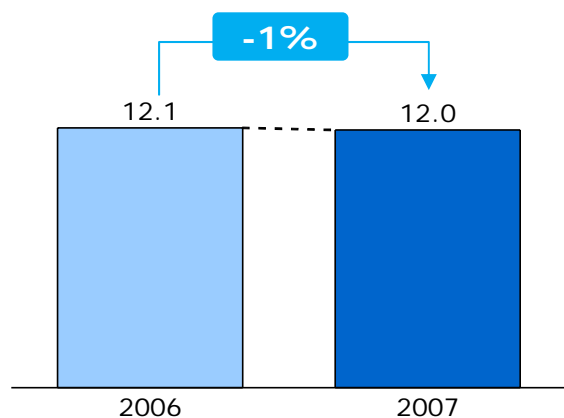
## EBITDA (€M)



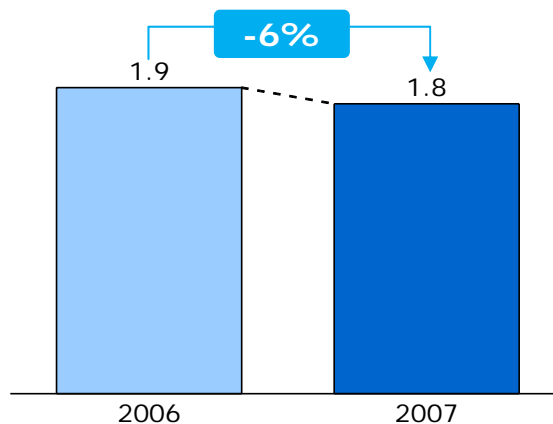
## KEY FACTS

- **Electricity:** specific company equalisation related to the Brescia's distribution network covering 2004-2007 period
- **Gas:** decreased volumes offset by revenues from services to end-customers
- **Water:** tariff increase following ATO's decision; acquisition of integrated water service in other Municipalities

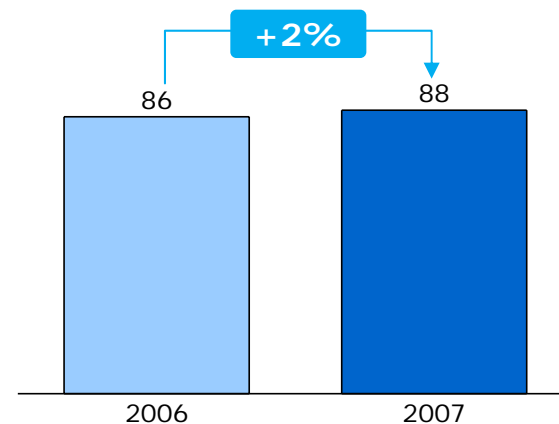
## ELECTRICITY (TWh)



## GAS DISTRIBUTED (Bcm)



## WATER (Mcm)



# Appendix

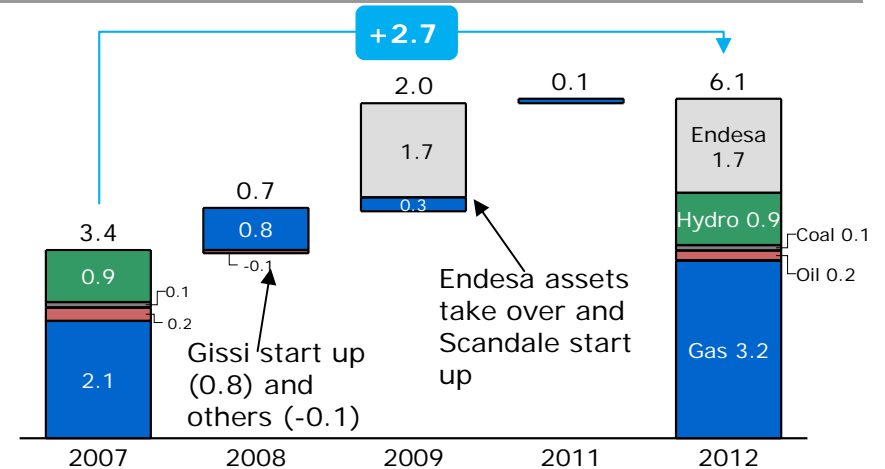
- Details by business
  - 2006-2007 Results
  - ✓ - Industrial Plan

# Industrial Plan - Energy highlights (excl. TdE/EDN)

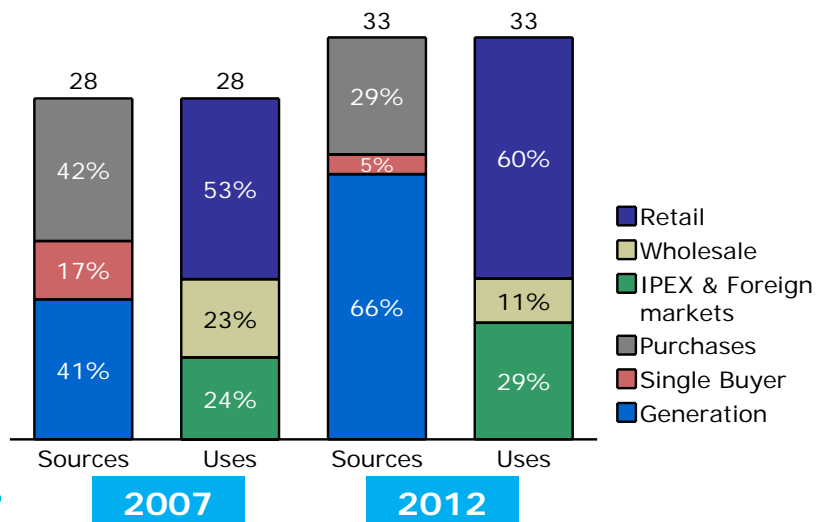
## KEY FACTS

- Development of power capacity
- Expansion of trading activities
- Energy portfolio management optimization
- Cross selling/Dual Fuel sales

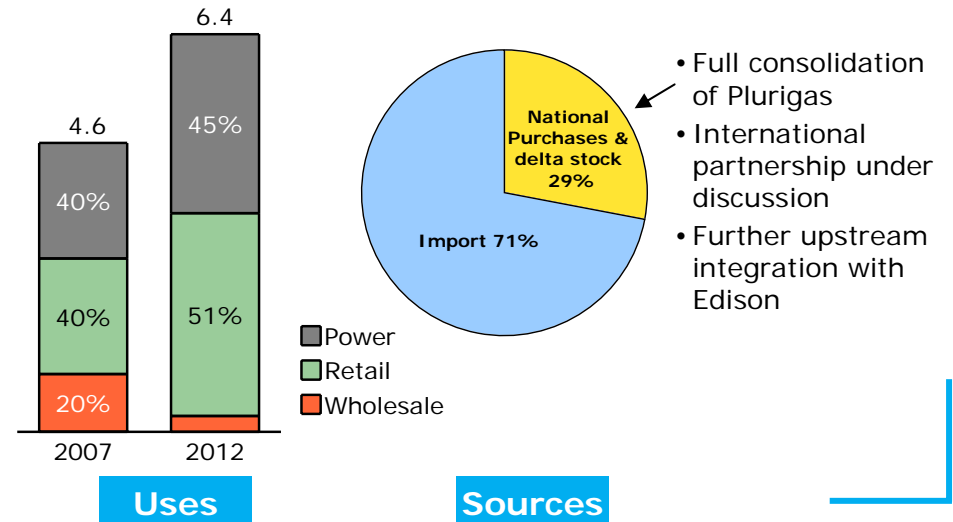
## CAPACITY DEVELOPMENT (GW)



## POWER VOLUMES TRENDS (TWh)

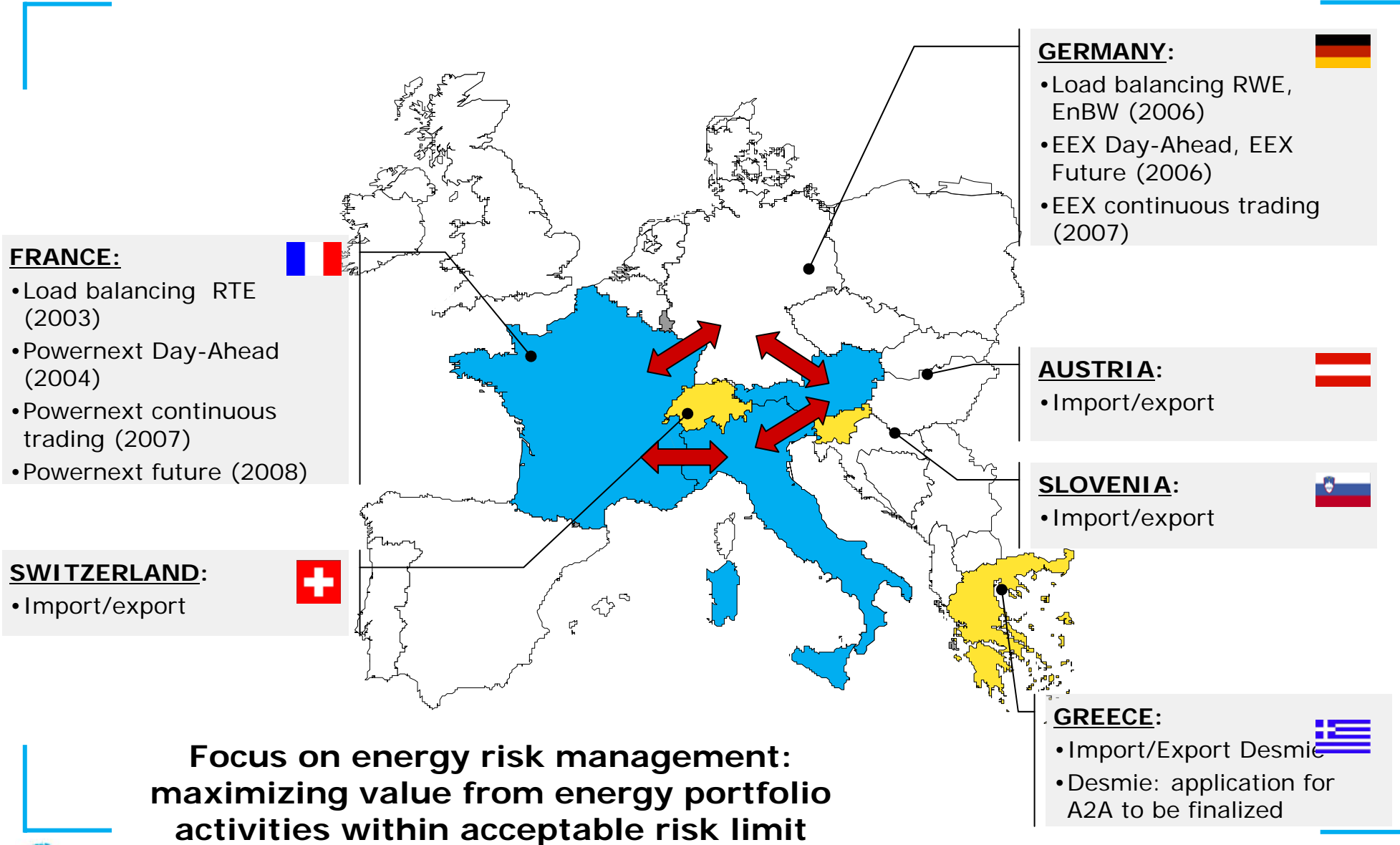


## GAS VOLUMES TRENDS (Bcm)



- Full consolidation of Plurigas
- International partnership under discussion
- Further upstream integration with Edison

# Trading activities on foreign power markets



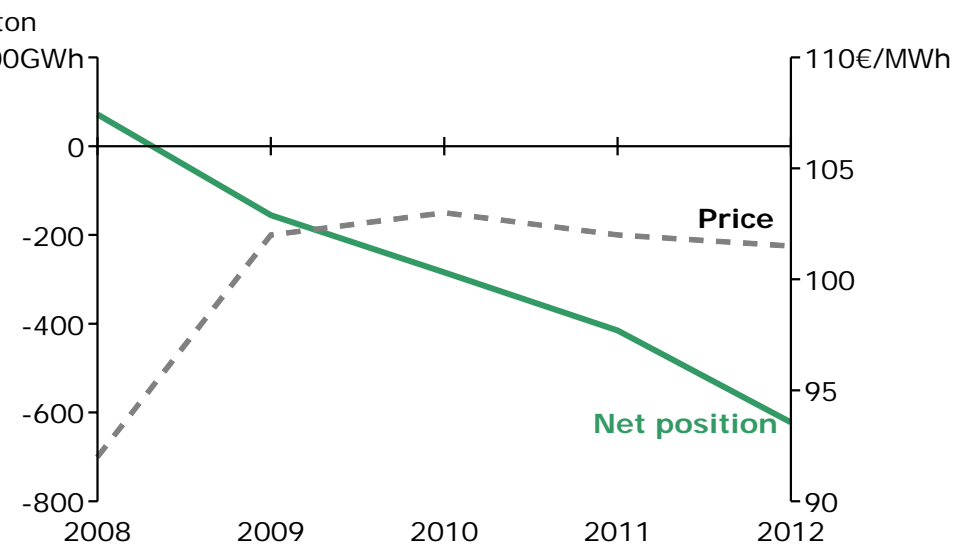
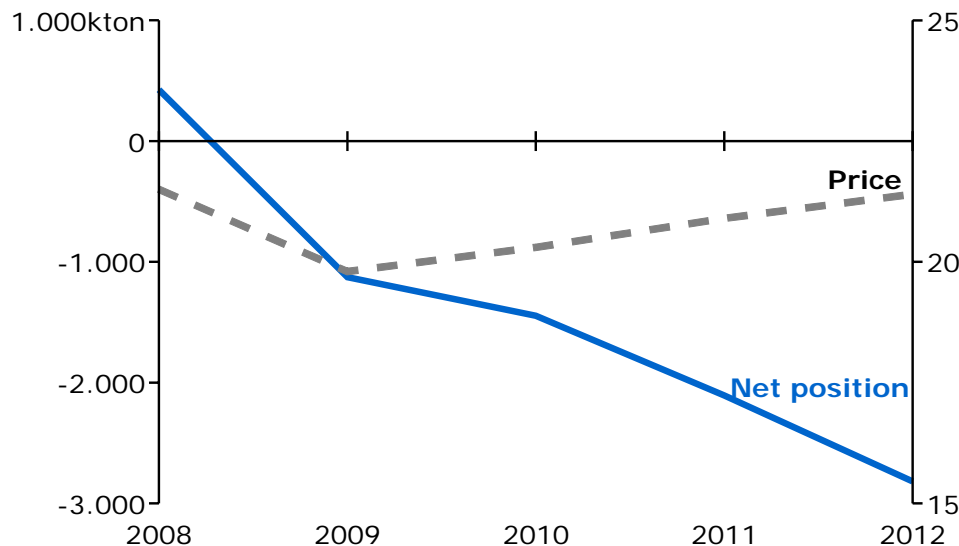
# CO<sub>2</sub> and green certificates A2A net position

## EMISSIONS TRADING

- CO<sub>2</sub> rights allocated according to Italian NAP regulations, as of March 2008
- Electricity price: CO<sub>2</sub> cost partially pass through to final customers

## GREEN CERTIFICATES

- Price increase from €/MWh 92 in 2008 to €/MWh 101.5 in 2012
- Requirements: gradual increase from 4.55% in 2008 to 7.55% in 2012



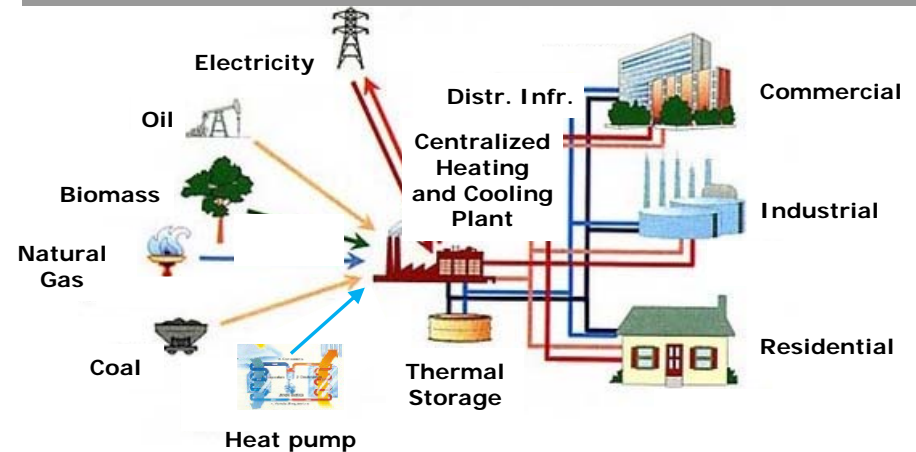
**A2A's position slightly long in 2008, progressively shortening after Endesa's asset acquisition**

# Industrial Plan - District heating highlights

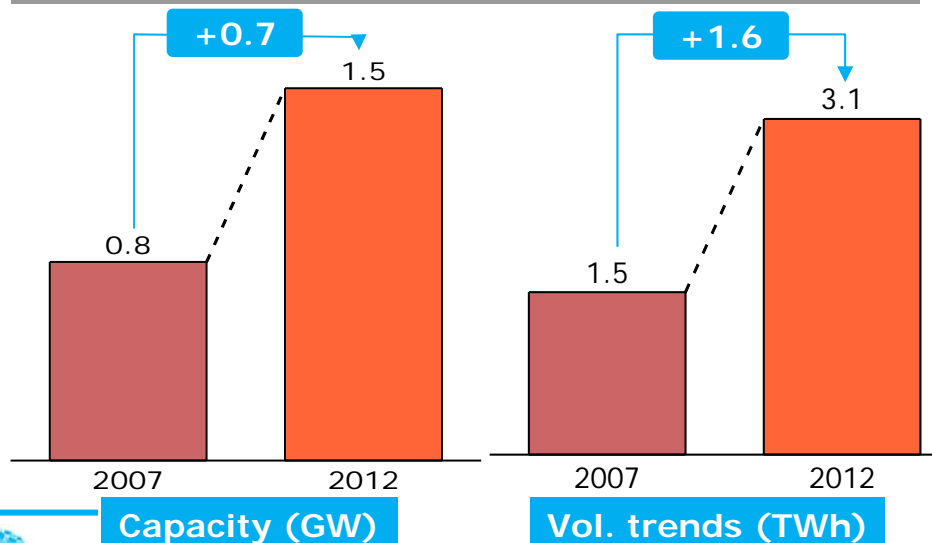
## KEY FACTS

- Development of ~ 700-MW new thermal capacity
- Further expansion of new distribution networks
- Strong investment in heat sold, doubling 2007 volumes by 2012

## BUSINESS MODEL



## HEAT CAPACITY AND VOLUMES



## COFATHEC CORIANCE (GAZ DE FRANCE)

- 4<sup>th</sup> district heating player in France ('07 REV : €63M; '07 EBITDA : €8.5M)
- Over 20 plants managed
- Installed capacity: 670 MWt
- Diversified technology/fuel mix (cogeneration, biomass, waste, etc.)

UPSIDE

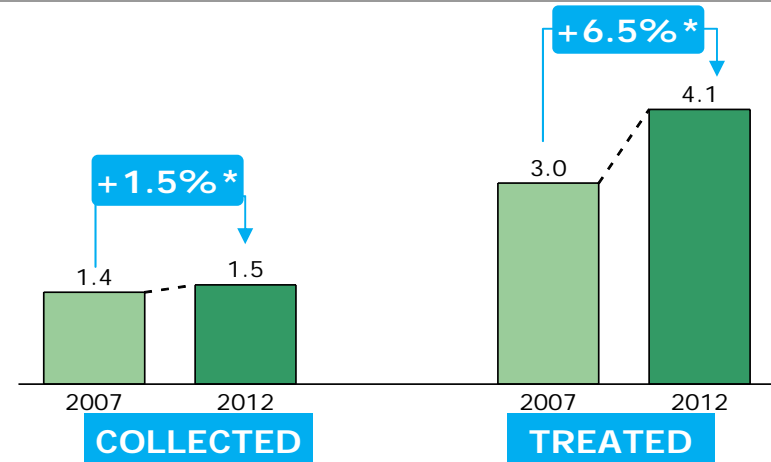
**A2A started exclusive negotiations (on 27<sup>th</sup> March 2008)**

# Industrial Plan - Waste highlights

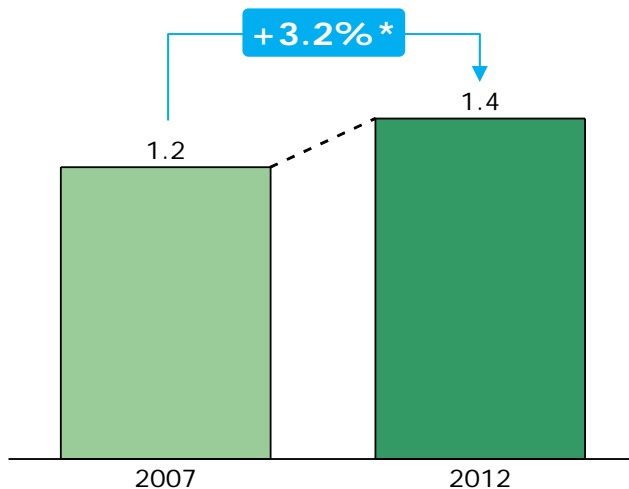
## KEY FACTS

- **Expiration of CIP6 incentives** offset by cash flow from new investments (e.g. new WTE plant in 2012) and operating synergies
- **Potential expansion also abroad**, leveraging innovation and technology advanced expertise

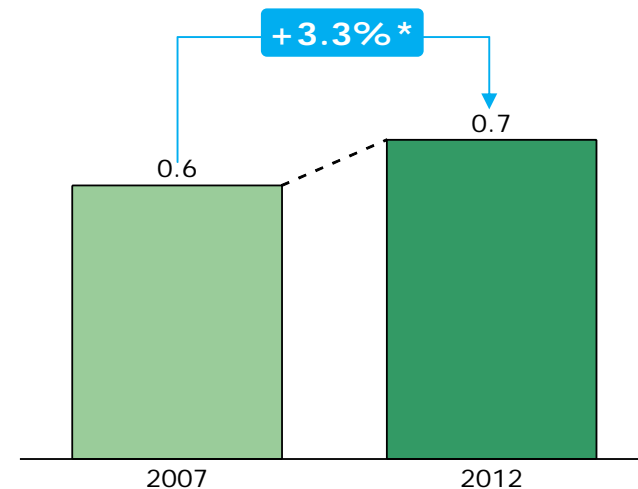
## WASTE VOLUMES (Mton)



## POWER PRODUCTION (TWh<sub>e</sub>)



## HEAT PRODUCTION (TWh<sub>t</sub>)

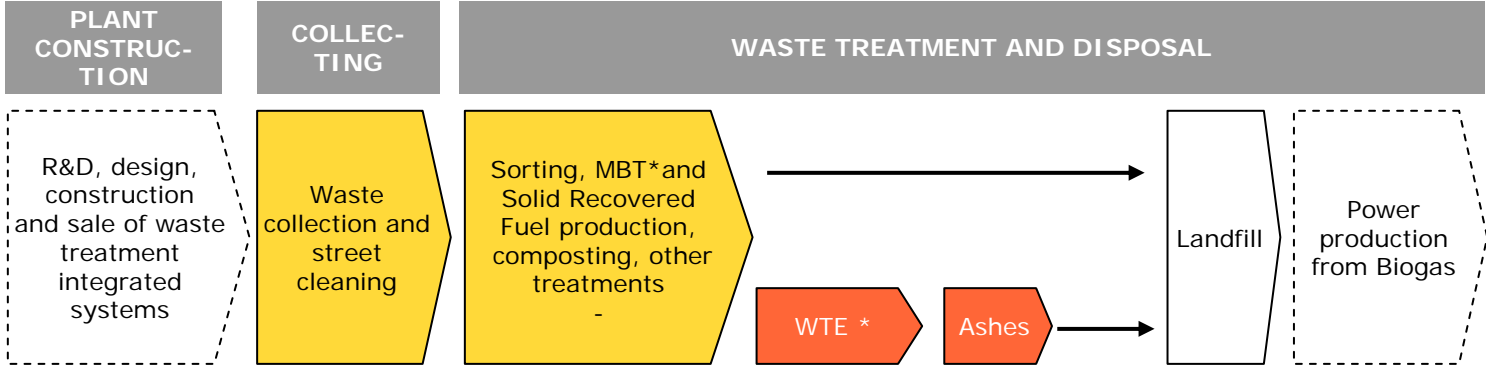


\*CAGR

Note: TdE/Edison excluded

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

# Presence along waste value chain

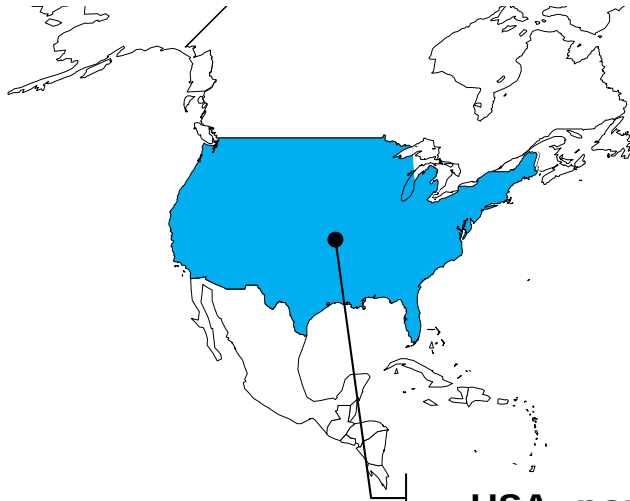


\*MBT: Mechanical Biological Treatment, \*\*Waste to Energy

# Waste business expansion leveraging innovation

## UK:

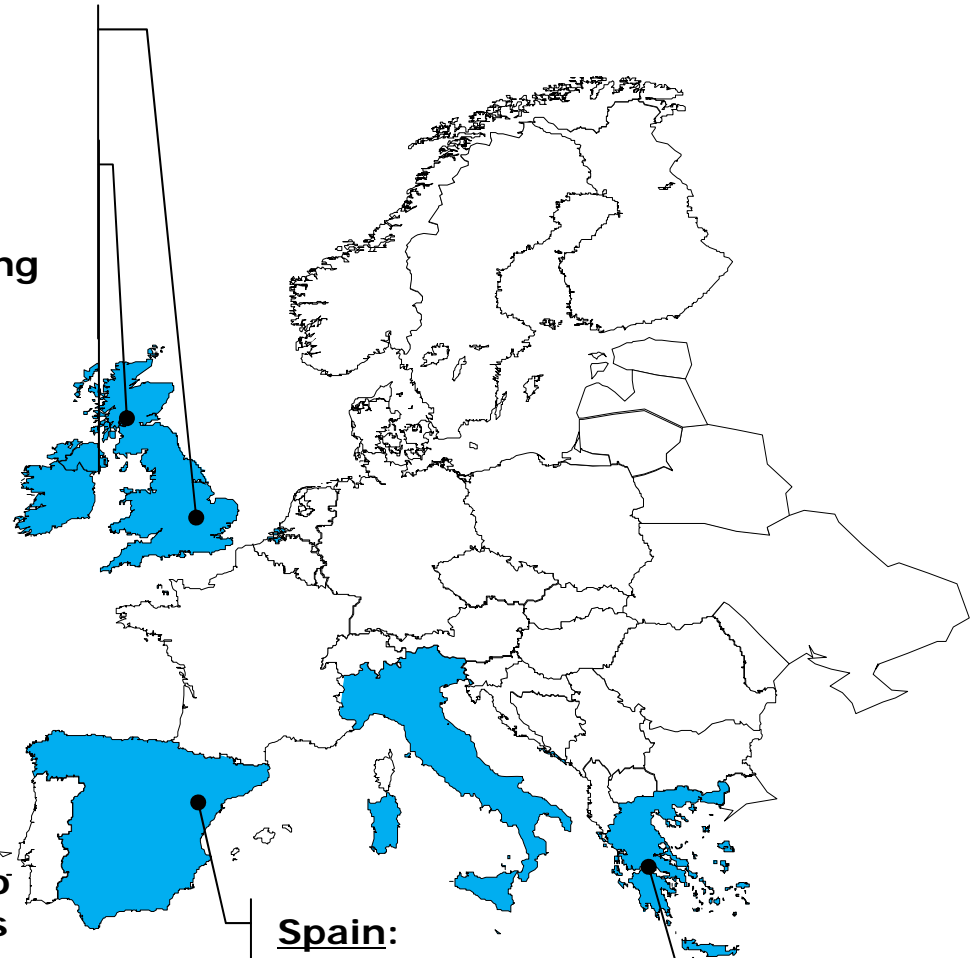
- 2 contracts signed in partnership with Shanks (i.e. ELWA\*, Dumfries & Galloway\*\*) implying 3 MBT plants already completed and operative
- Further several bids underway leveraging innovative A2A expertise



- USA: partnerships under discussion to develop new plants based on innovative A2A systems

\*East London West Authority (25 yrs contract to treat East London waste)

\*\*South West Scotland



## Spain:

- 1 contract signed (i.e. Castellon)
- Active in several bids

Greece: active in several bids

# Industrial Plan - Networks highlights (excl. TdE/EDN)

## KEY FACTS

- **Electricity and gas:** equalisation for electricity distribution grid, efficiency improvement and infrastructure maintenance (e.g. metering, networks)
- **Water:** increase in water tariff and infrastructure development (i.e. sewage and depuration)

## REGULATORY SCENARIO

**ELECTRICITY**

- 3<sup>rd</sup> regulatory period (2008-2011) – Del. 348/07:
  - ROI: 7% (distribution), 7,2% (metering)
  - Price cap\*: 1,9% (distribution), 5%(metering)

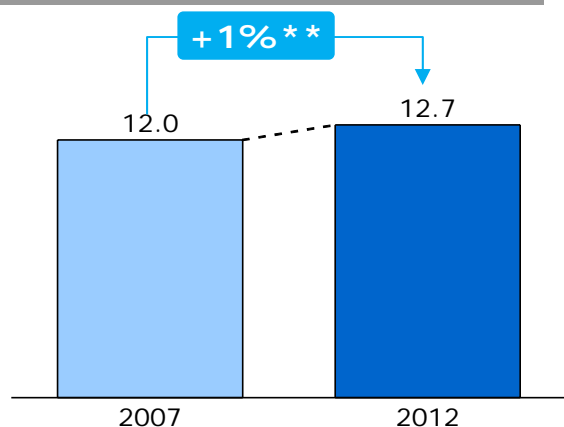
**GAS**

- 3<sup>rd</sup> regulatory period (2009-2012): DCO 4/08
  - X-Factor\*: between 2%- 3%
  - ROI: ~7%

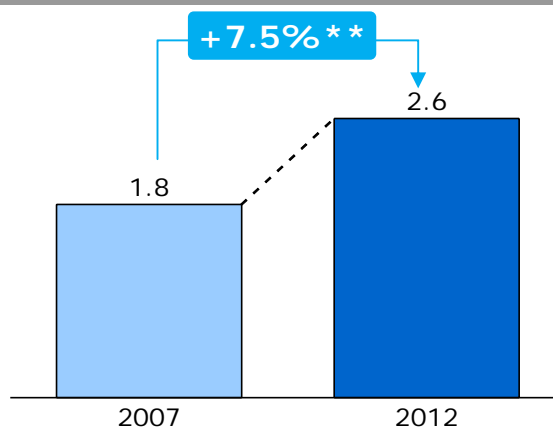
**WATER**

- Area Plan, 2007-2031 period:
  - Water tariff: return on invested capital: 7%
  - Efficiency improvement: 1%

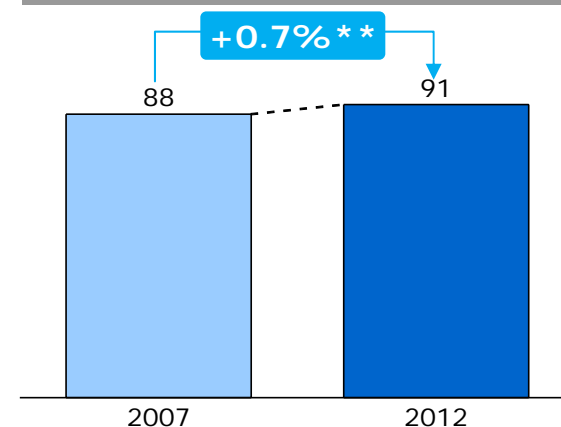
### ELECTRICITY (TWh)



### GAS (Bcm)



### WATER (Mcm)



\* "X-Factor" does not include inflation rate; \*\* CAGR

Source : AEEG, ATO