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

February 2011

Index

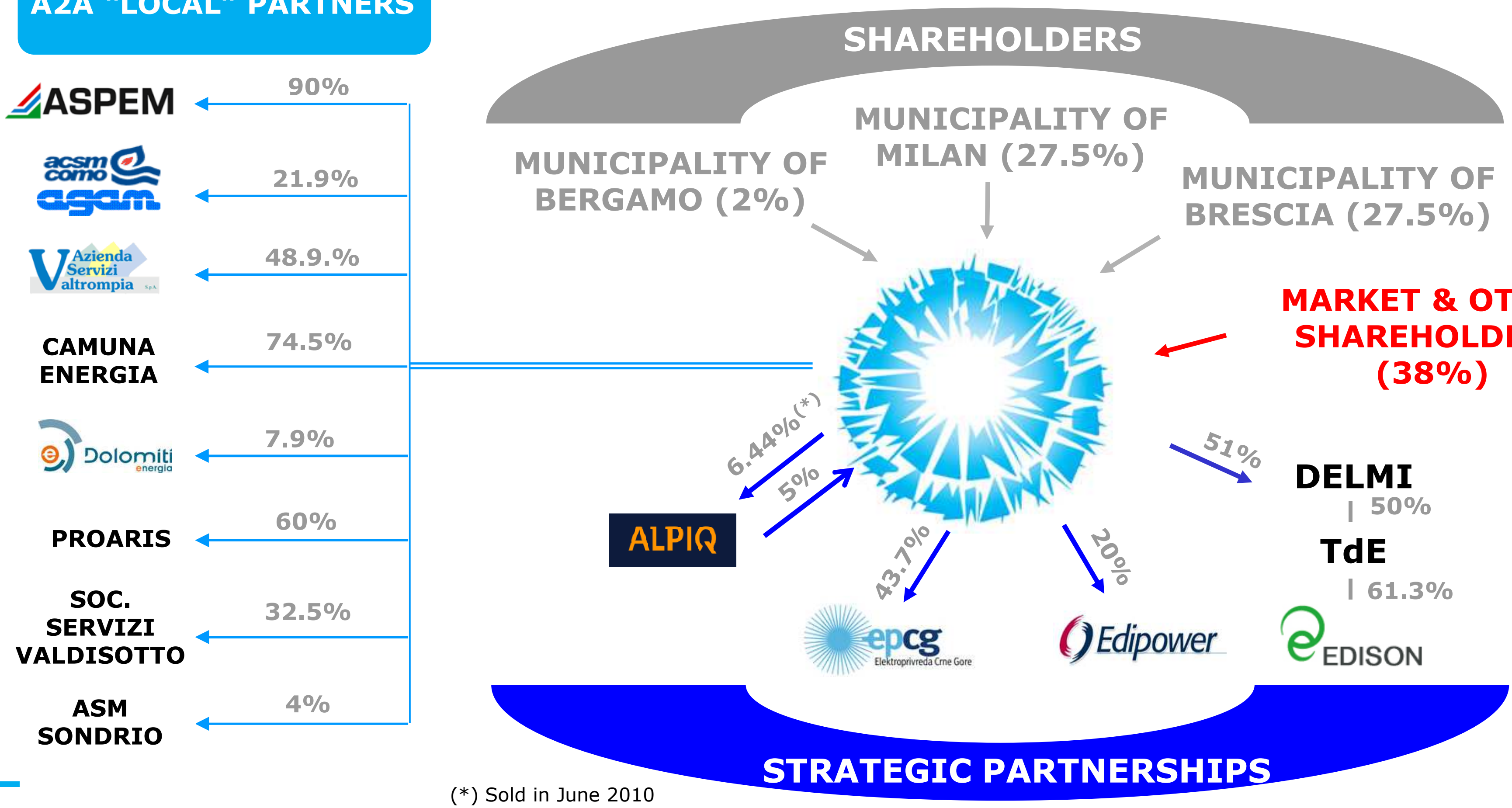
- A2A Group in a snapshot
- 2010-2014 Business Plan
- Appendix: back-up and 9M 2010

This document has been prepared by A2A solely for the use at investor and analyst meetings. This document does not constitute an offer or invitation to purchase or subscribe any shares and neither it nor any part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. Some information contained herein and other material discussed at the meetings may include forward-looking information based on A2A's current beliefs and expectations. These statements are based on current plans, estimates, projections, and projects and therefore you should not place undue reliance on them. 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.

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**
- **1st 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)

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

	ENERGY	COGENERATION & DISTRICT HEATING	WASTE	NETWORKS
2009 EBITDA	532 M€	76 M€	221 M€	227 M€
	50%	7%	21%	22%
	#4 Fuel sourcing	#1 Cogeneration plants	#3 Collection	#2 Electricity networks
	#5 Power gener. / Whole-sale & Trading	#1 Networks	#1 Treatment	#5 Gas networks
	#4 Electricity/Gas sale	#1 Heat/Electricity sale	#2 Disposal / Heat/ Electr. sale	#8 Water

PORTFOLIO MANAGEMENT

\# Ranking in Italy

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.)

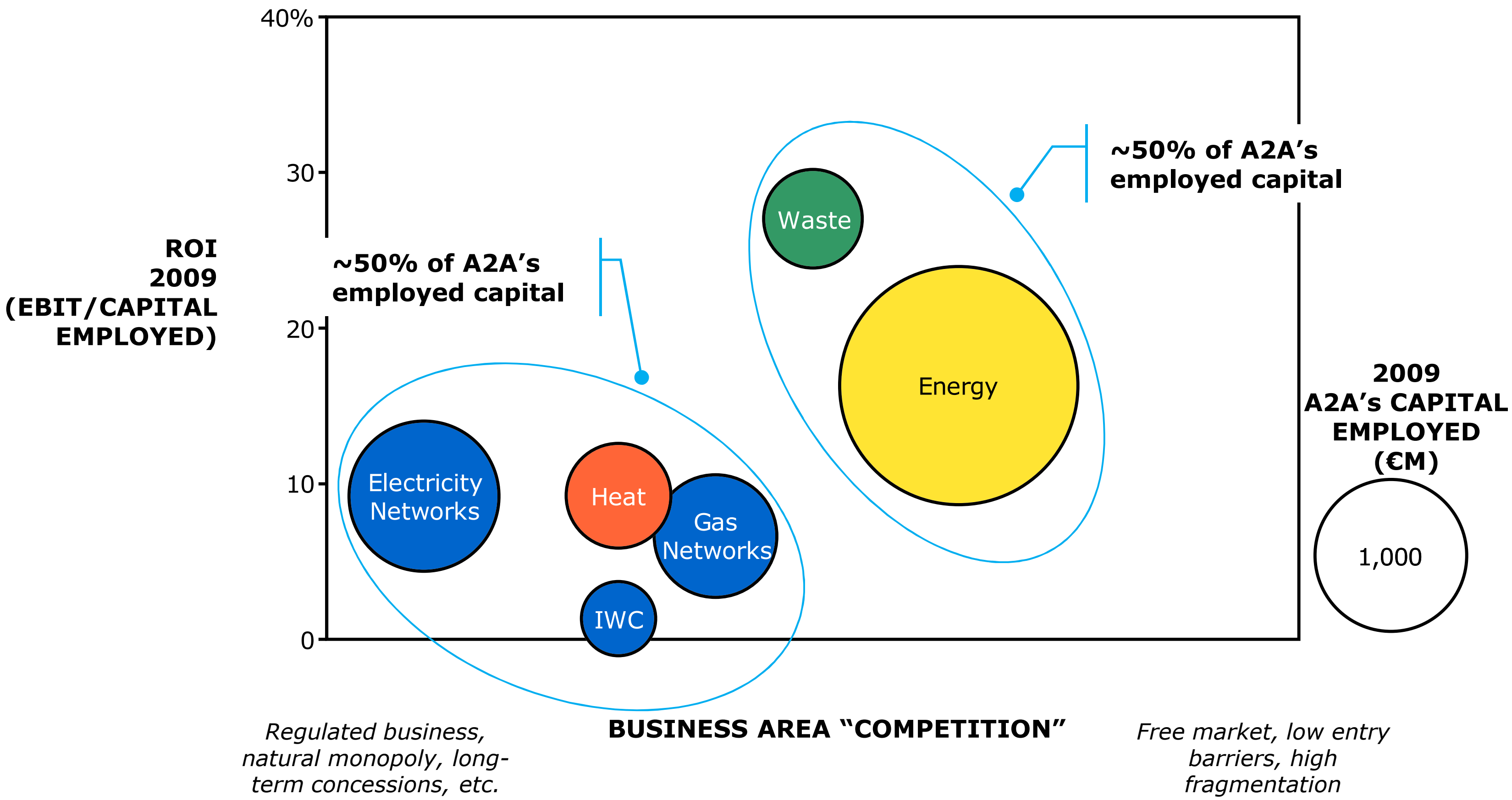
FLEXIBLE AND ENVIRONMENT-FRIENDLY POWER PRODUCTION

- 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*	GDP	WEATHER	COMMODITIES	REGULATION	COMPETITION
Power 30%	◕ Power demand strongly affected by GDP growth	◑ Hydro production impacted by snow/rain falls	◑ Sources and uses prices indexed at commodities price partially "off-set"	◔	● Competition increases in each step of the value chain
Gas 5%	◔ Margins deriving from residential customers	● Results strongly affected by winter cold temperatures	◑	◑	◕
District heating 9%				◔	◔
Waste 33%	◑ Industrial waste volumes affected by macroeconomic downturn	○	◑ WTE revenues and margins linked to commodity price level	◑ Concessions and rules impacting regulated segments	◑ Increasing competition in free market
Gas Networks 9%	◔ New tariffs decoupled from volumes	○	○	◕ Strong relevance of concession durations and remuneration criteria	○
Water 4% Electricity Networks 11%	◑ Revenues and margins depending on volumes	○	○	◕	○

● Most impacted
○ No impact

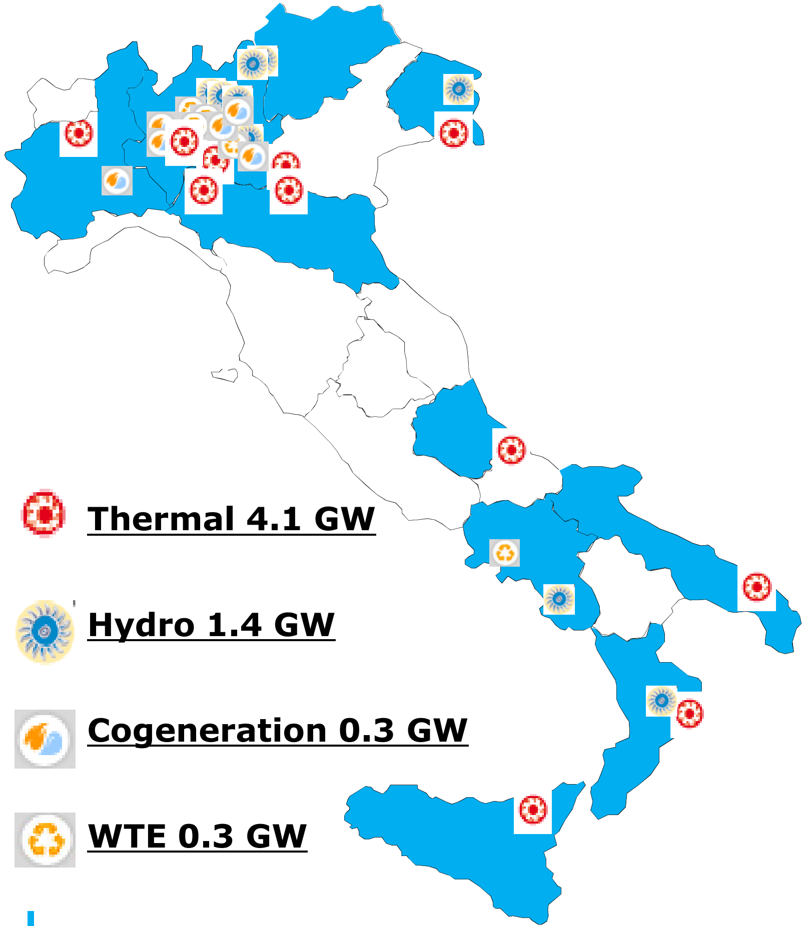
Business areas with diversified risks/opportunities

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

a2a

Flexible and environment-friendly production (1/2)
A2A generation mix

A2A PLANTS IN ITALY



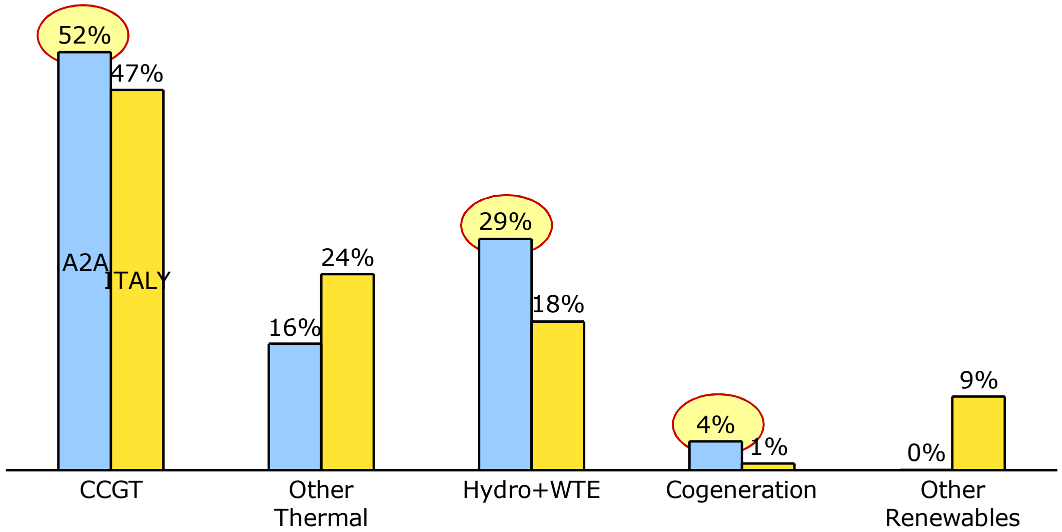
Thermal 4.1 GW

Hydro 1.4 GW

Cogeneration 0.3 GW

WTE 0.3 GW

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



KEY A2A COMPETITIVE ADVANTAGES

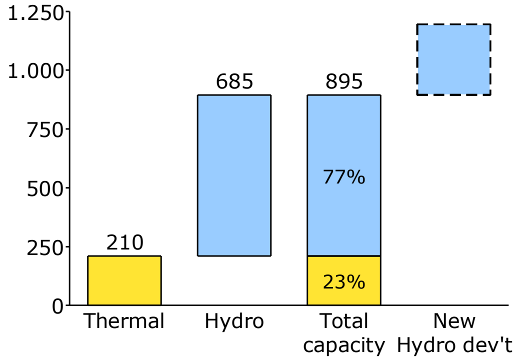
- **A2A power plants' flexibility higher than market average (hydro vs. other renewables and CCGT vs. conventional thermal); moreover, most hydro capacity is reservoir (i.e. storage proxy)**
- **Capability to effectively face future market swings due to growing renewables share of overall production and increasing peak-load consumptions (4.5% peak '08-'19 CAGR vs. 1% total load*)**
- **WTE and cogeneration production with lower CO_2 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

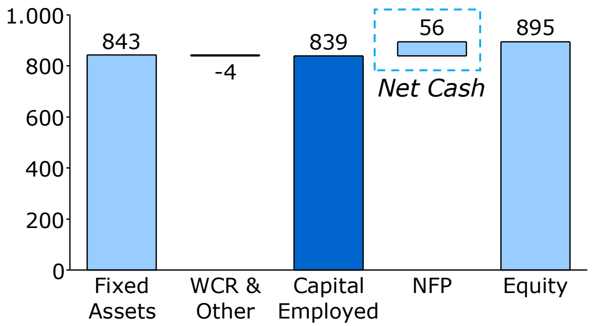
- With the acquisition of **43.7%** of Elektroprivreda Crne Gore (**EPCG**) A2A has become a strategic industrial partner of the largest electricity player in the **Republic of Montenegro**
- **EPCG** operates in **electricity generation** (3 main plants and 7 "small hydro"), **distribution** (19,000 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
- Hydroelectric production: * 3.2 TWh in Italy * 1.5 TWh in Montenegro(*) - Green Certificates (GCs): 900 GWh produced - CO_2 emissions: 1.5 Mton reduction - RECS: 700 GWh produced	- Cogeneration production: * 1.3 TWht in Italy * 0.8 TWht in France - GCs: 55 GWh produced	- WTE production: * 1 TWhe and 700 GWht produced - GCs: 50 GWh produced	- White certificates: * 29-ktoe savings through internal projects
- 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
Electricity Generation		
• 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		
Energy Efficiency		
• District Heating	✓	High industrial content
• Electricity and Gas Distribution	✓	
Environmental Markets		
• Environmental Certificates	✓	Activity based on industrial operations and with high added-value, which also entails trading activity

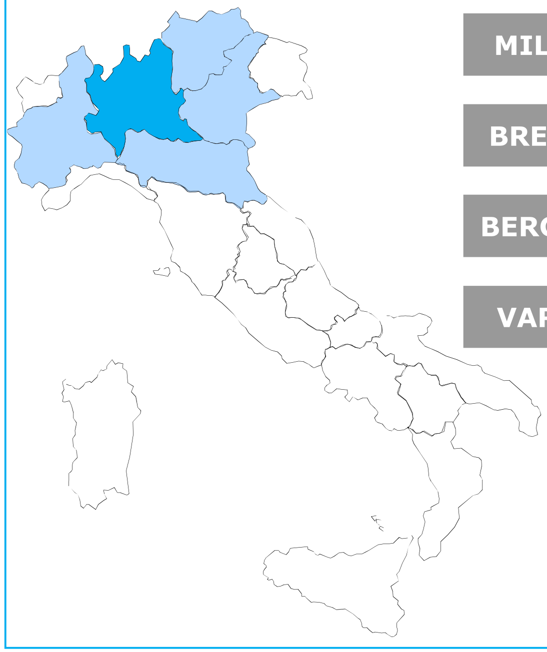
A2A - Ethical indices

- *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 leading companies of the Carbon Disclosure Project 2010 (based on 2009 data)

a2a

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	✓		✓	✓	✓
KEY NUMBERS	• 2.0 Bcm • 8,500 km network • 1.3 M customers	• 11.3 TWh • 15,000 km network • 1.1 M customers	• 1.2 Mtons collected • 2.8 M tons treated	• 85 Mcm distributed • 7,400 km network • 1.1 M served inhabitants	• 2.5 GWht sold • 1,000 km network

A2A PARTNERS NETWORK

Azienda Servizi Valtrompia

Dolomiti energia

CAMUNA ENERGIA

SOC. SERV. VALDISOTTO

A.S.M. SONDRIO

acsm | agam

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 %
NET SALES	5,910	6,094	-184	-3.0%
EBITDA	1,032	1,068	-36	-3.4%
EBIT	609	699	-90	-12.9%
GROUP NET INCOME	80	316	-236	-74.7%
GROUP NET INCOME ADJUSTED*	324	316	+8	+2.5%

* Adjusted for fiscal moratorium

ONE-OFF EVENTS

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

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

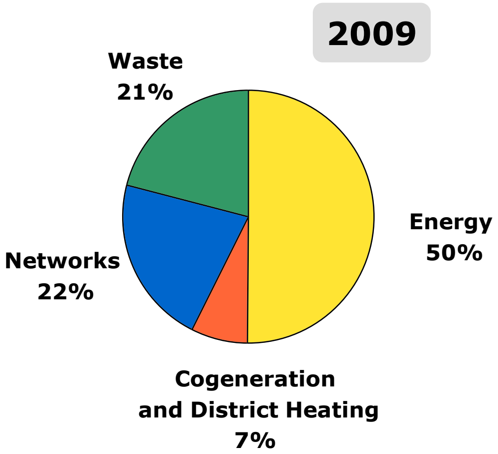
EXTRAORD. ITEMS

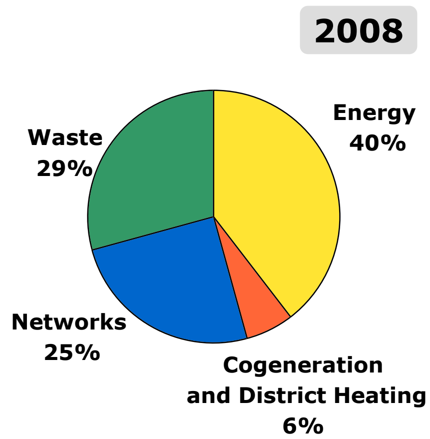
- EPCG acquisition (~€450M)
- Consolidation of debt related to E.ON Produzione's asset swap (~€250M)
- Fiscal moratorium (€284M)

2008-2009 EBITDA breakdown

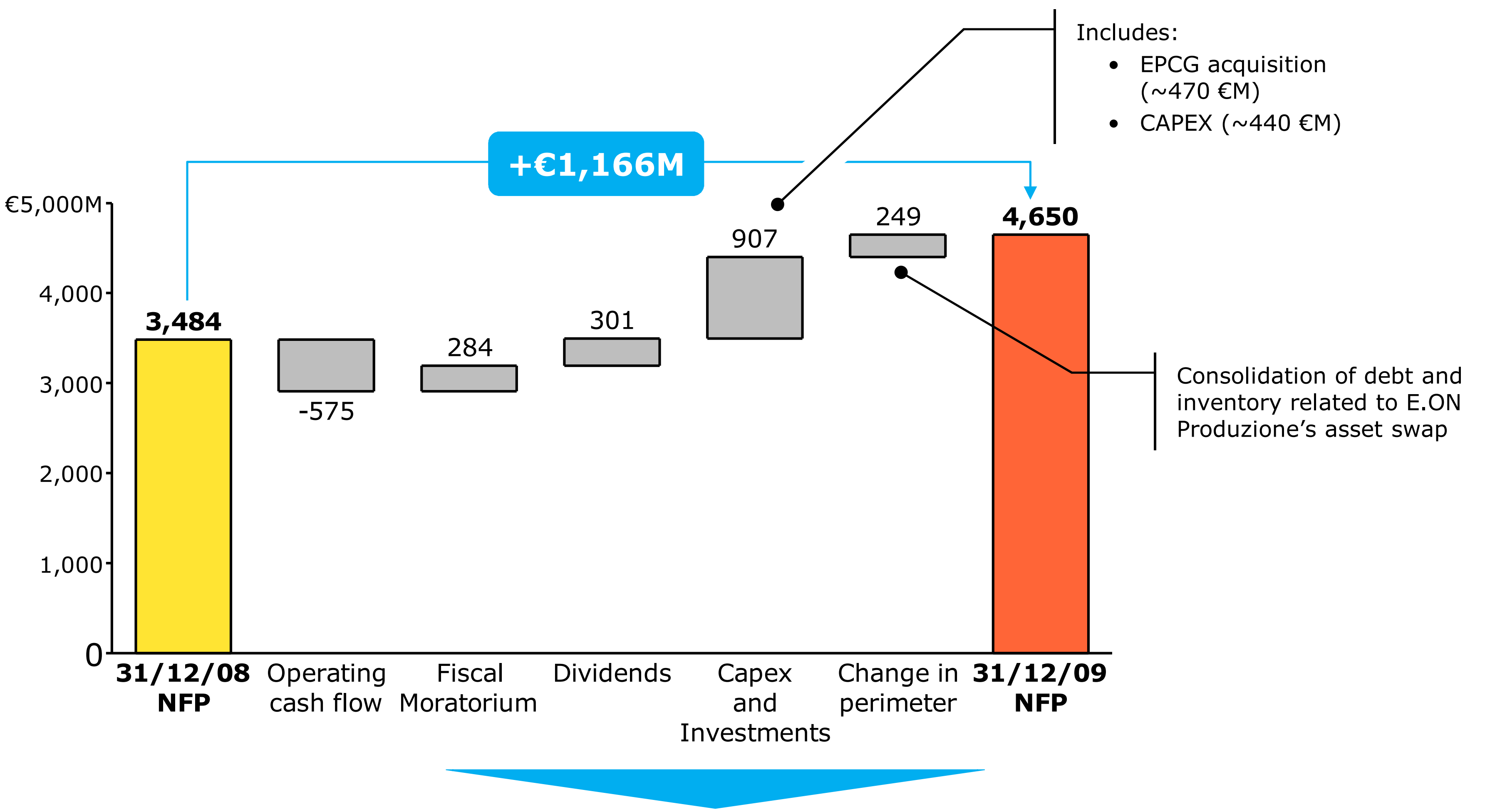
€M data	EBITDA 2008	EBITDA 2009	Δ Vs 2008	
ENERGY	433	532	+99	
COGENERATION AND DISTRICT HEATING	67	76	+9	
WASTE	320	221	-99	• Expiry of CIP6 • BS WTE stop for extraord. maintenance
NETWORKS	275	227	-48	• Non-recurring electricity distribution equalization fund
OTHER SERVICES & CORPORATE	-27	-24	+3	
TOTAL	**1,068**	**1,032**	**-36**	

EBITDA BREAKDOWN





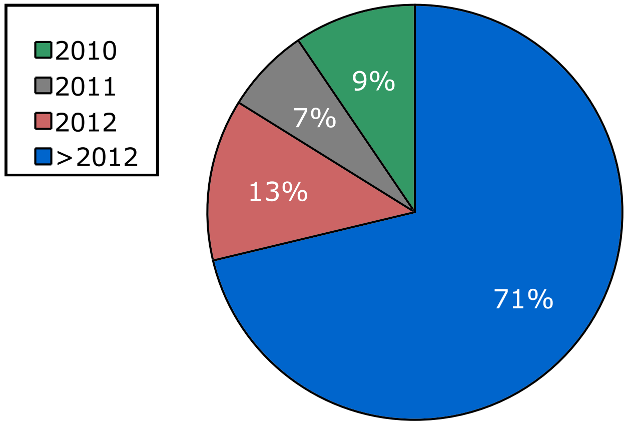
2009 results - Net Financial Position



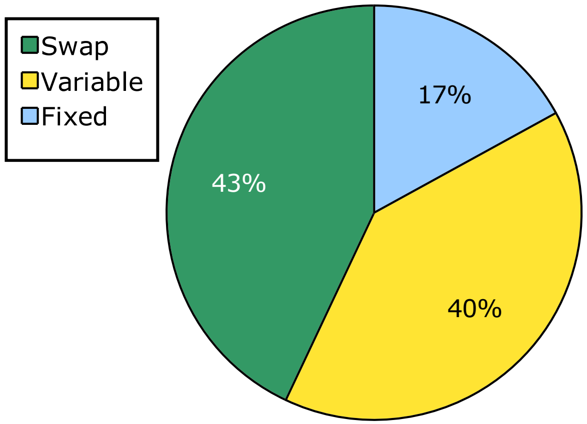
Increase in NFP mainly due to acquisitions (EPCG, Endesa) and fiscal moratorium

Group Financial structure (as at December 2009)
Total debt – Maturity

DEBT MATURITY

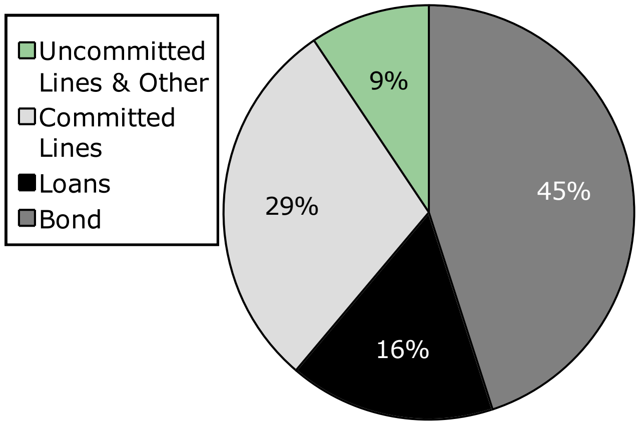


DEBT BREAKDOWN BY INTEREST



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

a2a

STANDARD & POOR'S	**BBB+/A-2** **Watch Negative**
Moody's Investors Service	**A3** **Stable Outlook**

Note: EPCG consolidated from 2010

Index

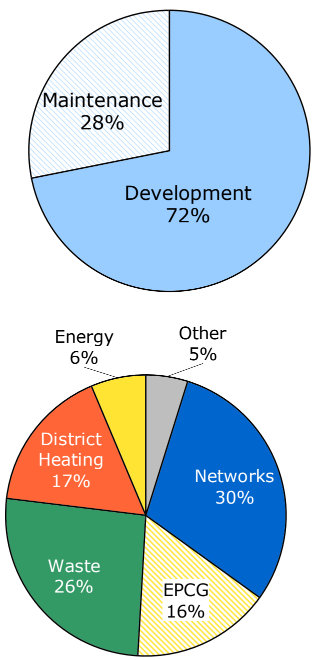
- A2A Group in a snapshot
- 2010-2014 Business Plan
- Appendix: back-up and 9M 2010

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

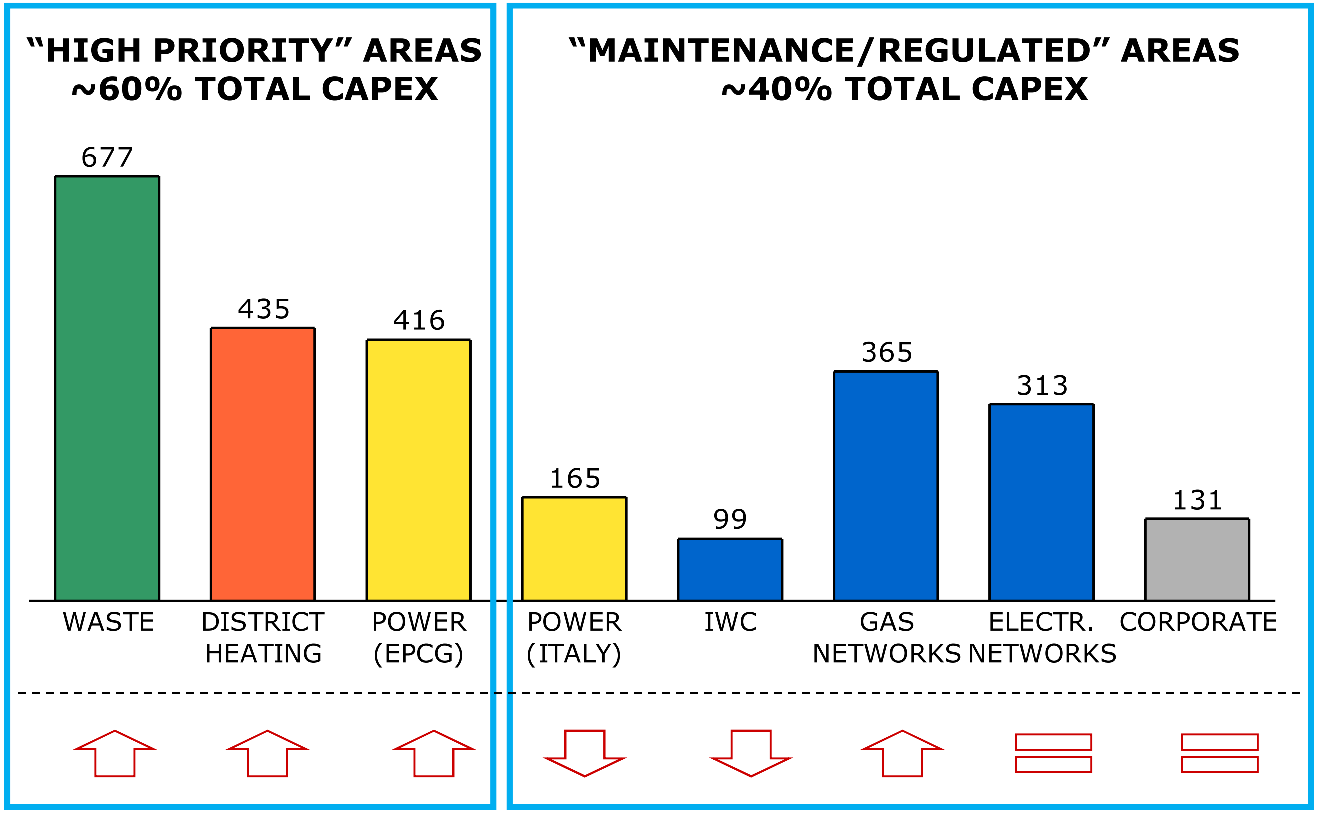
1. Focus on high-growth businesses
Investments focus on Waste, District Heating and Renewables

TOTAL CAPEX '10-'14 2.6 €B



CUMUL. CAPEX (€M; '10-'14)

DELTA VS. PREVIOUS PLAN*



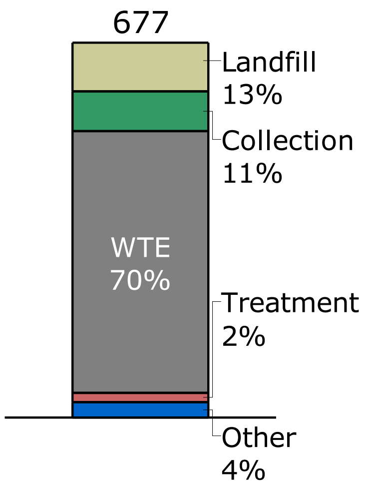
2.6 €B investments, 60% of which addressing high-growth businesses

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

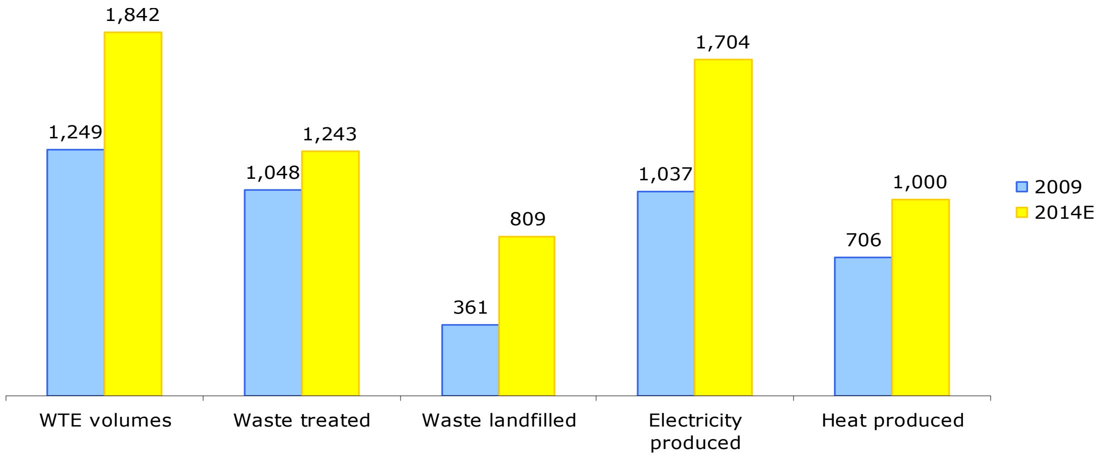
1. Focus on high-growth businesses
Waste and DH CAPEX - Breakdown and impact on volumes

WASTE

10-'14 CAPEX (€M)



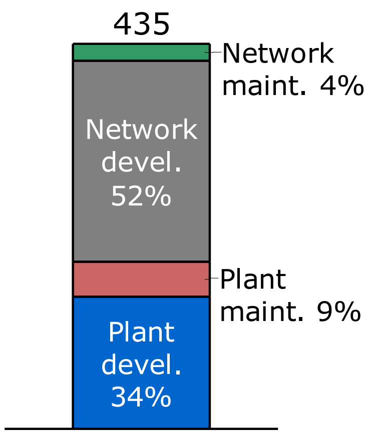
2009-2014E PHYSICAL DATA EVOLUTION



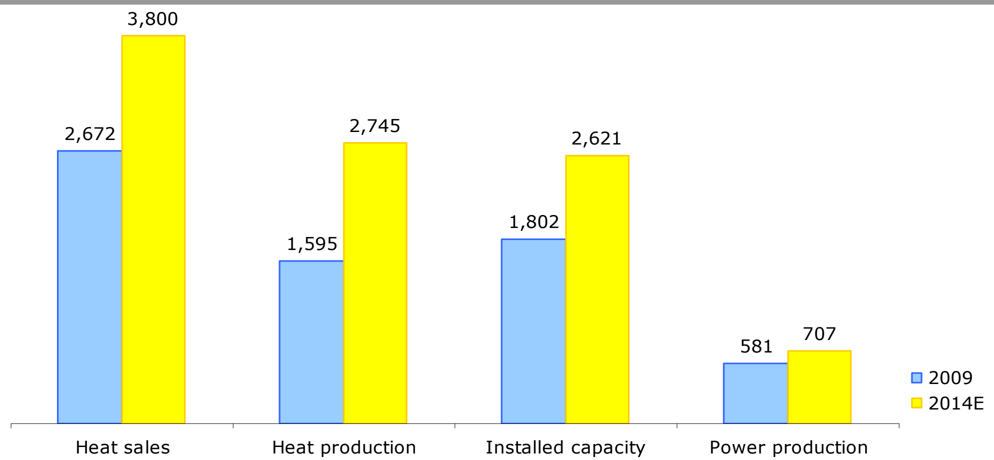
Unit	ktons	ktons	ktons	GWhe	GWht
Delta %	47%	19%	124%	64%	42%

COGENERATION & DISTRICT HEATING

10-'14 CAPEX (€M)



2009-2014E PHYSICAL DATA EVOLUTION

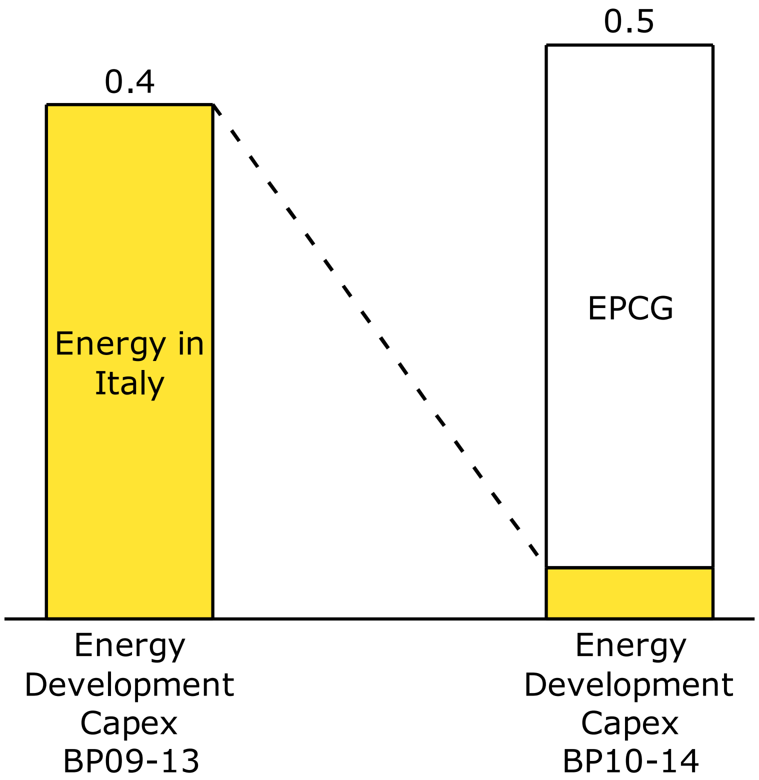


Unit	GWht	GWht	MWt	GWhe
Delta %	42%	72%	45%	22%

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

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

COST OPTIMIZATION PLANS AND EXPECTED RESULTS

CAPEX OPTIMIZATION

- Focus on high-IRR investments and "freeze" of new thermal developments
- Exclusion from new Business Plan of previous projects with limited expected return (anaerobic digestion plant, new engines at Famagosta cogeneration plant, slag plant, etc.)
- Reshaping of planned CAPEX with reduction of total expense

-190 €M CAPEX SAVING (excluding Monfalcone CCGT)

EXTERNAL FIXED COSTS REDUCTION

- Post-merger synergies extraction (purchasing, services, etc.)
- Expected increase in operational excellence both in technical and corporate areas
- Growth of fixed costs (2.4% CAGR in nominal values) depending mainly on areas with limited bargaining power, such as gas concessions fees

EXTERNAL FIXED COSTS FROM 44% TO 37% OF GROUP EBITDA

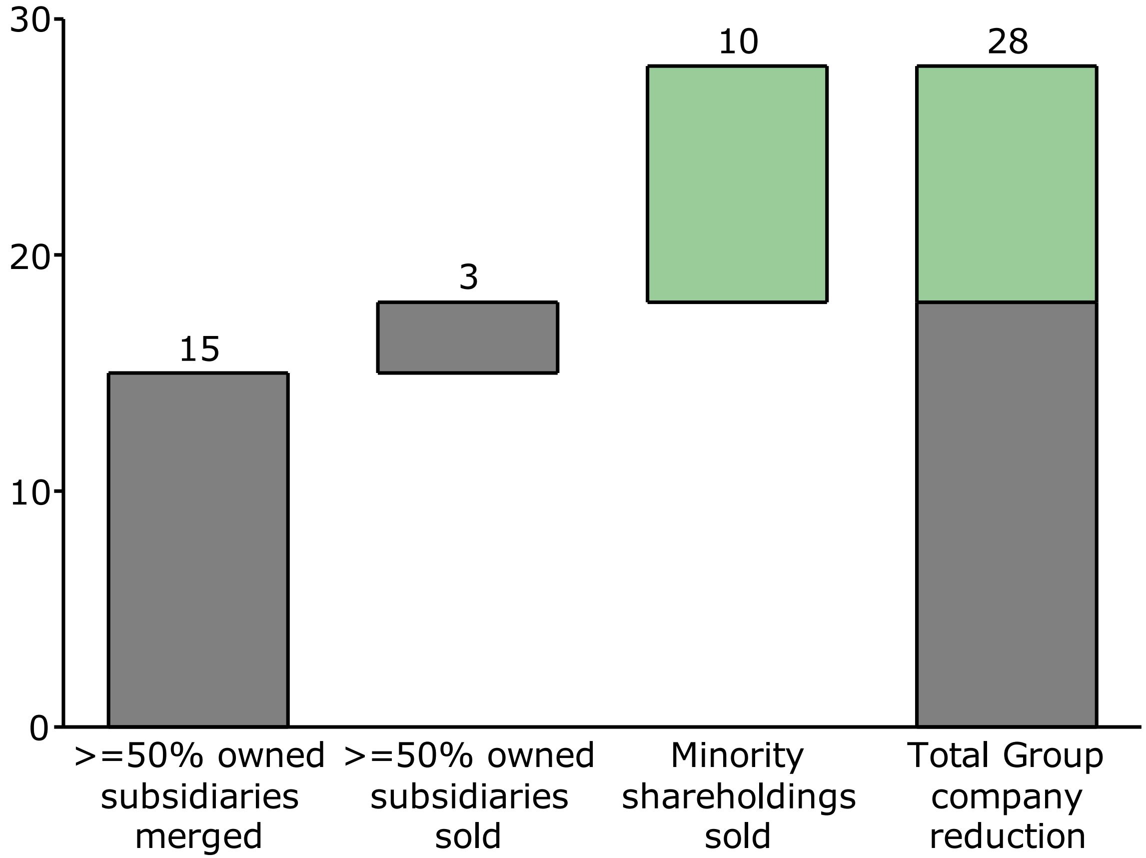
HEADCOUNT STABILIZATION

- New Business Plan's targets achieved with no HR increase, with new developments absorbing current efficiency project ongoing
- Limited overall labour cost increase (3.8% CAGR nominal values) deriving from salary increases

HEADCOUNT CAGR 0% IN 2009-2014

2. Cost Optimization
Reduction of Group complexity - Internal rationalization

COMPANY SUBSIDIARIES SOLD OR MERGED IN 2009



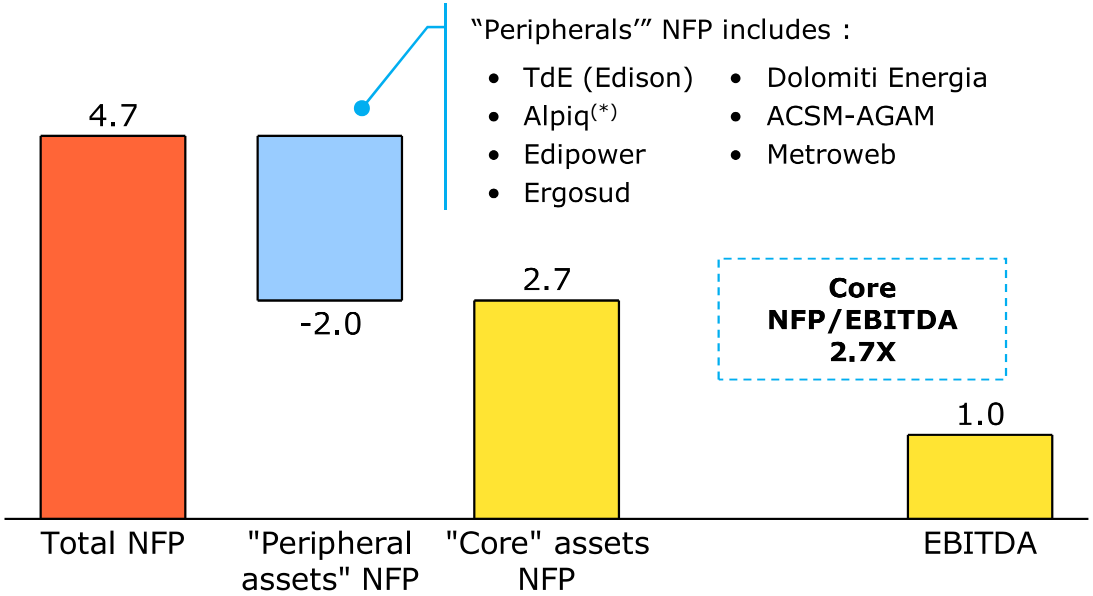
- **Internal Group rationalization process obtained by shedding almost 30 companies**
- **The benefits of this process are:**
  - **Reduction of direct costs (Board compensation, etc.)**
  - **Some regulatory benefits in business areas, such as electricity distribution thanks to scale increase**
  -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

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

DESCRIPTION

- 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)

CORE ASSETS NFP ANALYSIS (31/12/2009; B€)



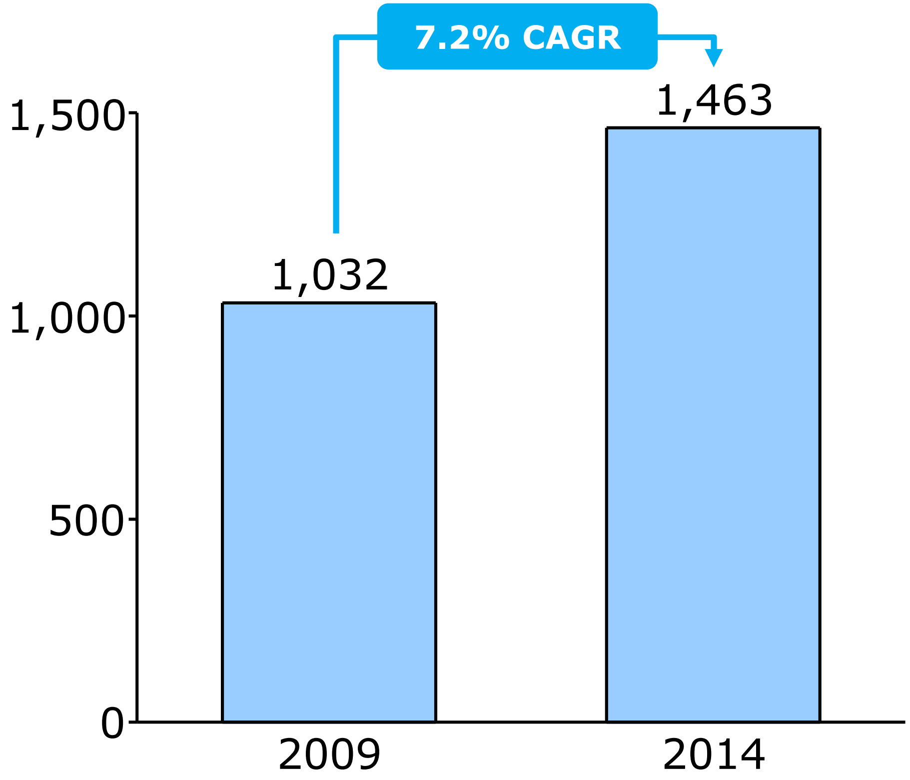
(*) Sold in June 2010

- **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**

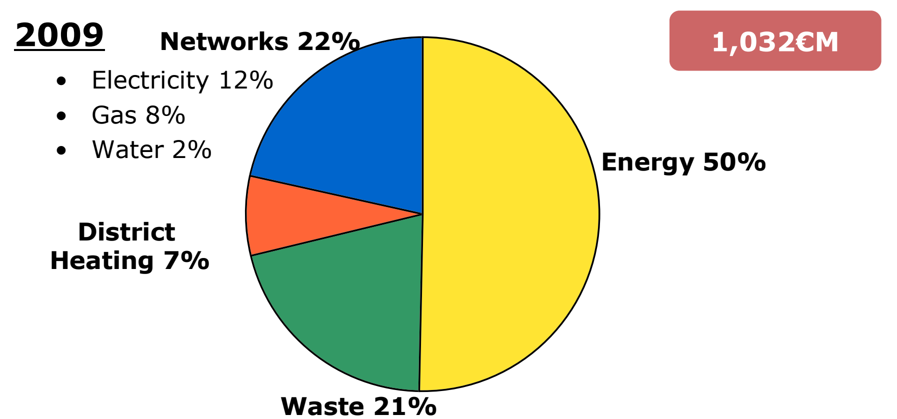
Note: peripherals' value calculated at book value as of 31/12/09 Balance Sheet, net of minorities, except Alpiq (market value)

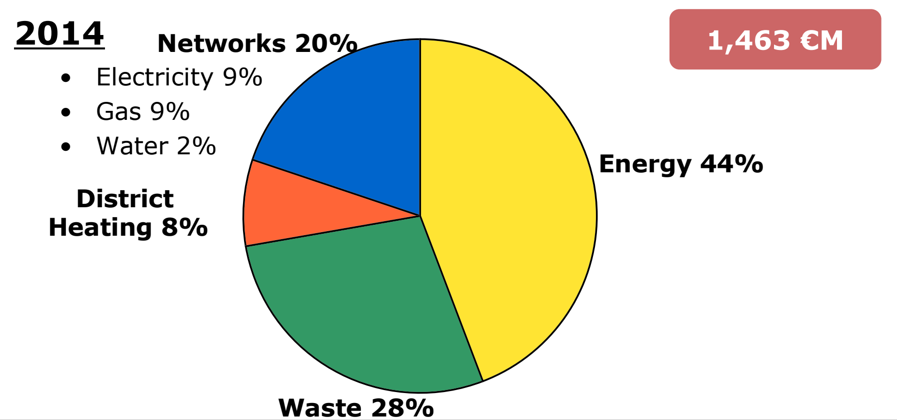
2010-2014 Business Plan: EBITDA

BUSINESS PLAN EBITDA (€M)



EBITDA BREAKDOWN (2009-2014)

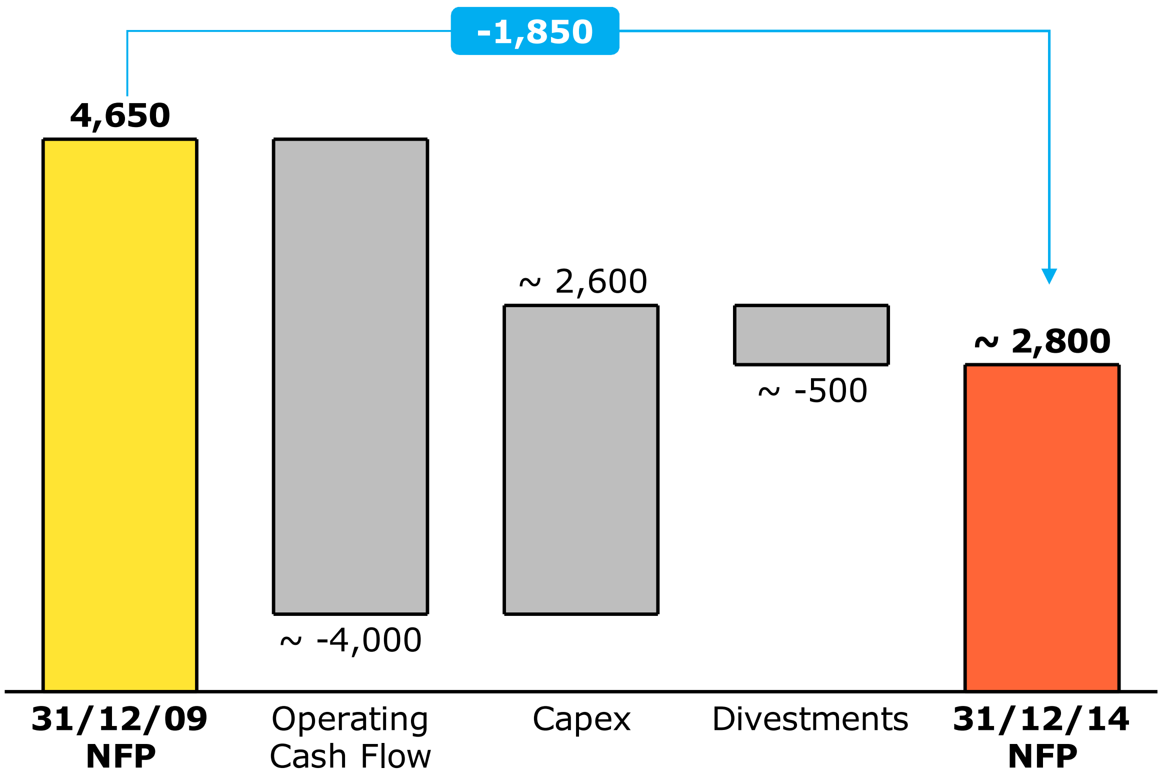




7.2% CAGR drives EBITDA up to almost 1.5 €B, with main contributions from renewables (EPCG), Waste (13% CAGR) and District Heating (9% CAGR)

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 <u>€4.4B</u>**

Note: EPCG consolidated from 2010

Index

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

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

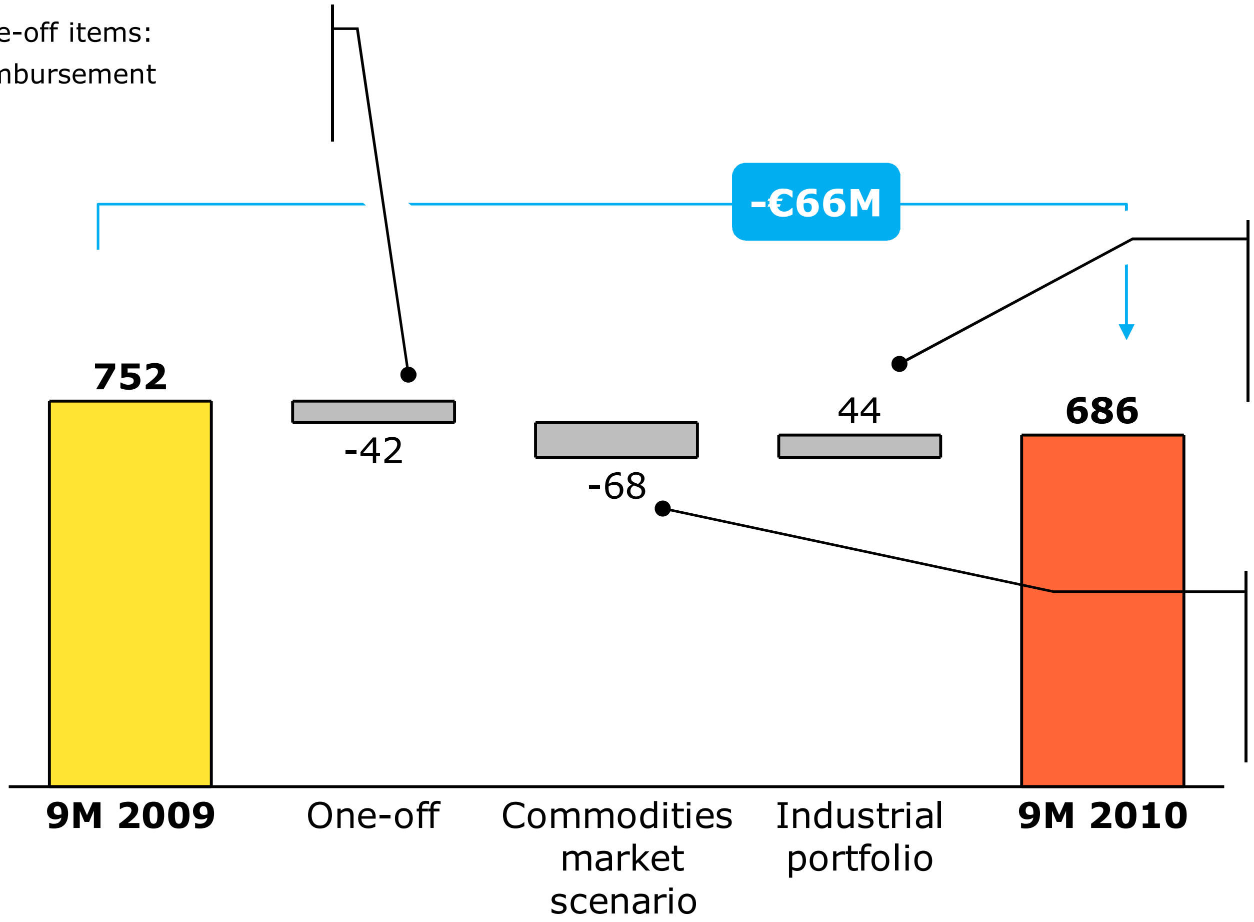
	9M 2009	9M 2010	*Change*	*Change %*
NET SALES	3,934	4,056	+122	+3.1%
EBITDA	752	686	-66	-8.8%
EBIT	474	342	-132	-27.8%
NET INCOME	2	436	+434	-

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

9M 2010 - Results and main strategic achievements
EBITDA

€M data

Positive 2009 one-off items:
- Insurance reimbursement
- Others



- Lower performance of power industrial portfolio balanced by waste and networks margin improvement

- Formulas indexation and price scenario
- Favourable fuel cost in 2009 in "Lamarmora" heat generation plant

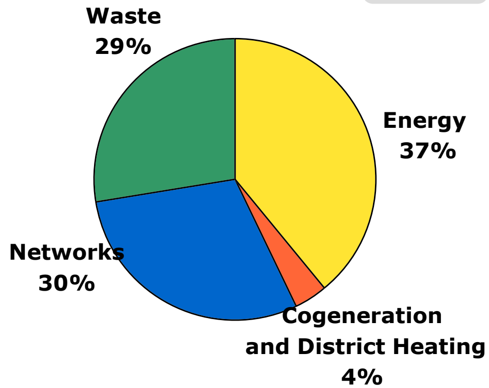
9M 2010 - EBITDA breakdown

€M data

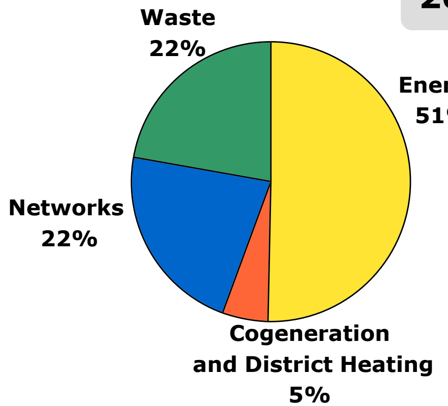
	EBITDA 9M2009	EBITDA 9M2010	∆ Vs 2009
ELECTRICITY	300	230	-70
GAS	91	35	-56
COGENERATION AND DISTRICT HEATING	41	30	-11
WASTE	173	202	+29
NETWORKS	173	211	+38
OTHER SERVICES & CORPORATE	-27	-23	+4
CONSOLIDATION ADJUSTMENTS	*1*	*1*	
TOTAL	**752**	**686**	**-66**

EBITDA BREAKDOWN

2010



2009



9M 2010 – EPCG: Financial highlights and Volumes

FINANCIAL HIGHLIGHTS (€M)

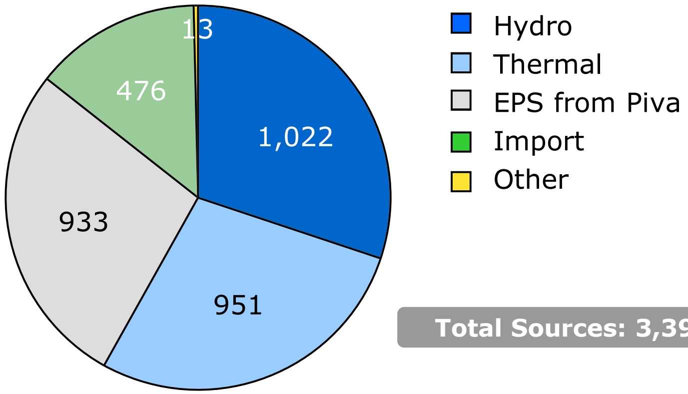
Elektroprivreda Crne Gore AD Nikšić

	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

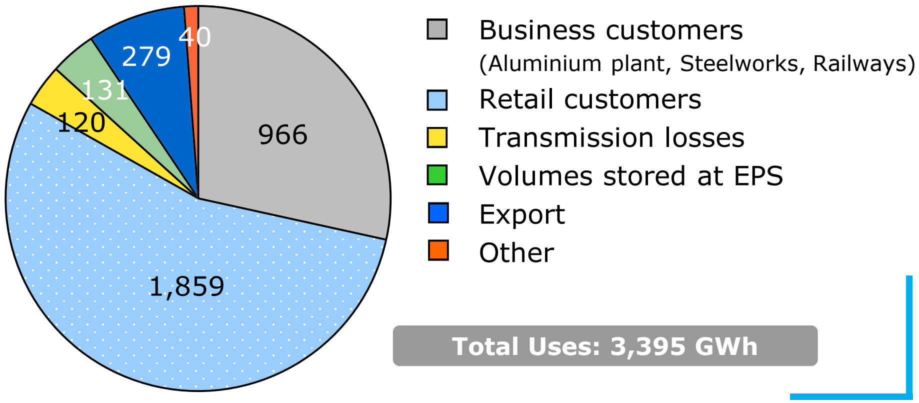
VOLUMES (GWh)

SOURCES



Total Sources: 3,395 GWh

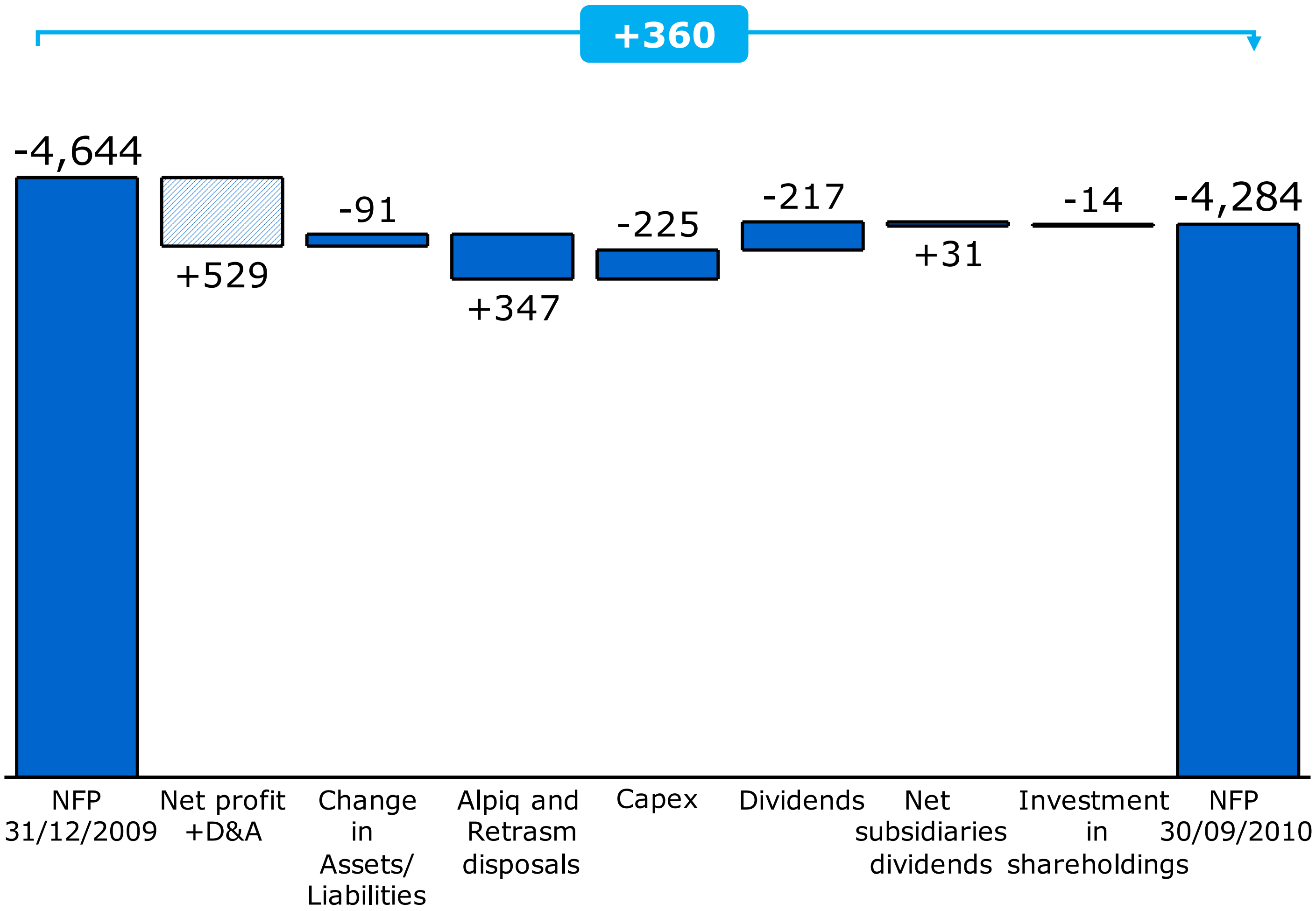
USES



Total Uses: 3,395 GWh

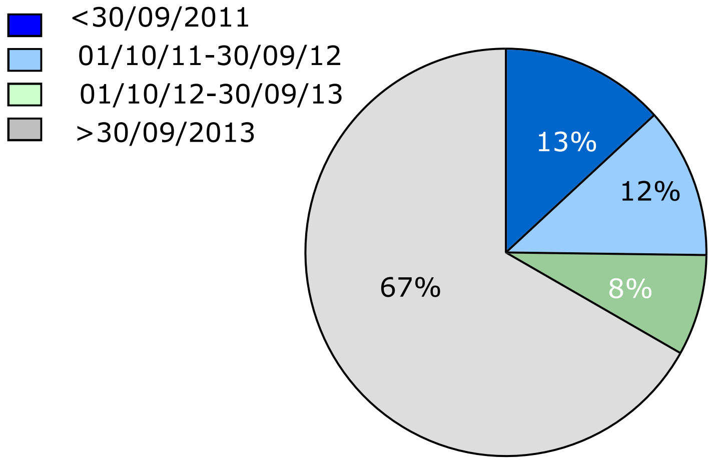
9M 2010 - Net Debt and Cash Flow

€M data

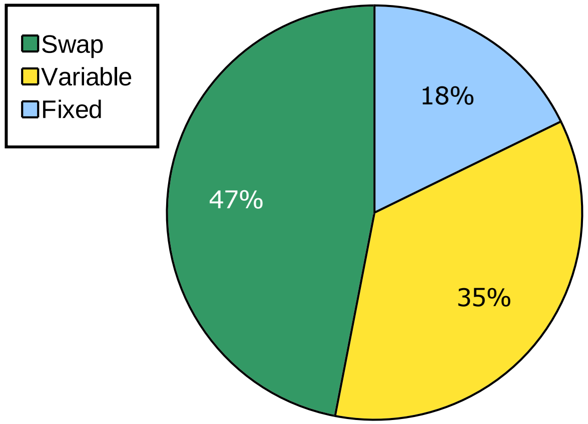


9M 2010 - Group Financial structure
Total debt - Maturity

DEBT MATURITY

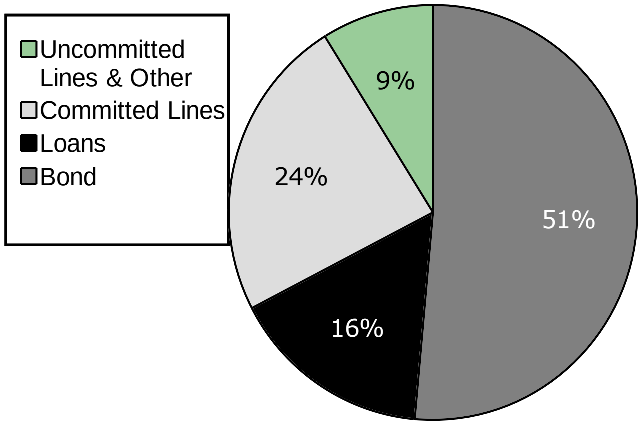


DEBT BREAKDOWN BY INTEREST



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

DEBT BREAKDOWN



COMPANY'S CREDIT RATING

a2a

STANDARD & POOR'S

BBB+/A-2

Outlook Negative

Moody's Investors Service

A3

Outlook Negative

Note: EPCG consolidated from 2010