PRESS RELEASE – 6 April 2016

The Board of Directors has examined and approved
the 2016-2020 Strategic Plan of the A2A Group

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Strategic guidelines for the 2015-2019 Plan confirmed

Further increase in investments

2.2 billion euros of investments in five years (+7% compared to the previous 2015-2019 plan)

Important rebalancing and innovation in the industrial portfolio

strong developments planned for the environment, smart networks and new energy services

Substantial growth of the EBITDA

1.30 billion euros of gross operating margin in 2020 (+24.4% compared to the 2015 results)

Expected increase in dividends confirmed

After the uptick in dividends for the years 2014 and 2015 an increase to 7.5 cents/share is expected from 2019

Further substantial reduction of the Net Financial Position

At 2020 Net Financial Debt reduced further, by over 500 million euros compared to 2015 despite larger investments and dividends

Additional benefits from local aggregations

The EBITDA and the profit per share will be further strengthened by the territorial aggregation transactions currently in progress but not yet incorporated into the Plan

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The 2016-2020 Strategic Plan
of the A2A Group

Milan, 06 April 2016 – At yesterday's meeting of the Board of Directors of A2A the Board examined and in the late evening approved the 2016-2020 Strategic Plan of the A2A Group.

The main aim of the new Industrial Plan, which does not yet include the further benefits deriving from the local aggregations plan in progress, is to confirm and strengthen the strategic approach announced last year in light of the new, worse, energy scenario: transform A2A into a more modern multi-utility company, a leader in environment, smart networks and new energy models, which is more balanced, profitable, and capable of seizing the opportunities that will open up in the Green Economy, Smart Cities and Smart Grids.

The 2016-2020 Strategic Plan of the A2A Group confirms all the business objectives already defined one year ago, and in addition plans new initiatives aimed at countering the adverse conditions that have occurred in the energy market as well as some negative exogenous factors (delayed start of the Capacity Market; lower remuneration in the networks sector; reduced tariffs in Montenegro). The main new initiatives that have helped to, at least partially, offset the aforementioned scenario include, in particular:

- the identification of further operational efficiency initiatives – through the implementation of the "EN&A Project" – for around 50 million euros incremental of EBITDA when fully operational, as the result of greater savings (40 million euros) and margins;
- the strengthening of the growth through around 160 million euros of incremental investments focused primarily in the integrated water cycle, "smart" energy distribution systems, commercial development and smart gas meters in Montenegro too and external growth transactions (M&A and development initiatives);
- the identification of further territorial aggregation routes and business partnerships in addition to those already finalised in the previous Plan.

The main development lines of the Plan continue to be characterized by three macro-areas of intervention, namely:

1. Restructuring and reduction of exposure in the thermoelectric sector;
2. Relaunch of the investments in the key areas of the environment, networks and the energy free market;
3. Redesign of A2A's mission to seize the opportunities deriving from the future technological and industrial evolution of some businesses of the Group.

RESTRUCTURING AND REDUCTION OF THERMOELECTRIC EXPOSURE

The validity of the strategic approach defined in 2015 – reduction of exposure and simultaneous modernization of its thermoelectric generation – becomes even more relevant in light of a scenario that has become even more complex, with continuously falling energy prices and expectations of a lower and delayed capacity market (at 2018). In line with this scenario the new Plan provides for a reduction of the contribution to growth deriving from the restructuring of the thermoelectric sector (from 148 to 65 million euros) but it has:

- increased the cost reduction targets by a further 5 million euros (from 21 to 26 million euros);
- speeded up the process to create a single company in the CCGT sector, "Genco Gas", a prerequisite for future, possible, operations to optimize capacity. This company will be operational by 31 December 2016;
- confirmed the actions to reduce capacity (over 3 GW of installed thermoelectric capacity)

RELAUNCH OF INVESTMENTS

In the five-year period 2016-2020 overall investments of around 2.2 billion euros are planned, a significant effort – entirely self-financed – of investments on the territory to transform the Company. Around 1.3 billion euros will in fact be used for development activities, internal and/or external (excluding the territorial aggregations); 80% of the total will be allocated to the regulated or quasi-regulated sectors (+7% compared to the 2015-2019 strategic plan). Specifically:

- the development plan of the Environment segment, confirming the ambitious objectives defined in the previous strategic plan, will provide the greater contribution to the overall growth. This growth will be achieved by increasing the number of residents served in the collection segment (around 100 thousand residents per year; target exceeded in 2015) and strengthening the presence in the segment of treatment of the residual portion after separate waste collection through the construction of new plants and the completion of important M&A transactions. The relaunch of the environment will contribute to the growth of the Group EBITDA for around 75 million euros and will allow the achievement in 2020 of an overall margin in the segment of 285 million euros (around 24% of the overall 2016-2020 investments of the Group are intended for the environment business);
- most of the investments will be concentrated in the networks and heating sector (around 49% of the total) and aimed at consolidating and reinforcing the Group's presence in the areas covered following participation in gas distribution tenders, to promote the development and maintenance of the electricity distribution networks as well as to boost the development of the water business, also as a consequence of the excellent earning prospects. The relaunch of the networks and district heating will

contribute to the growth of the Group's EBITDA by around 29 million euros and will allow it to achieve an overall margin of 359 million euros in 2020;

- the retail segment has recorded the biggest increase compared to the previous Plan. Factors that have contributed to the upgrading of the targets in the Plan - in addition to the decisions recently made by AEEGSI on the remuneration of marketing activities for the sale of electricity, are the excellent results achieved in 2015 in the acquisition of new customers; a specific project finalized during this plan and relating to the sale of energy and services with high added value for the widespread customer base; a specific project aimed at SMEs; the decision, after years of careful selectivity in the industrial portfolio, to strengthen the customer base also with select large customers from whom to benefit from the subsequent integration with the Generation & Trading Business Unit. The contribution to the growth of the EBITDA in the retail segment is expected to be around 61 million euros;
- the margin of EPCG, the Montenegrin subsidiary of the Group (11% of total investments in the five-year period), shows reduced margin growth with respect to the plan of the previous year for around 60 million euros in the period 2015-2019 deriving from a downgrading of the tariff increase estimates and the lower hydroelectric and thermoelectric production of reference.

  Despite this downgrading the growth, at 2020, is in any case significant and amounts to around 56 million euros.

REDESIGN OF THE OPTIONS FOR THE FUTURE

The third group of activities, planned in order to lay the foundations to seize on the increasing options arising from the Smart Cities and the Green Economy, sees its target increase from 33 to 42 million euros, also thanks to the many initiatives that saw the light in 2015. This group includes the Public Lighting initiatives, with the projects already underway in Milan, Brescia and Bergamo and the extension of the model to other cities; the energy efficiency business line will be developed, still currently in the initial stages; the Smart City/Smart Grids project will become a reality, for which investments of around 30 million euros over the period of the plan have already been planned and for which many other initiatives, currently being studied, will probably be incorporated into the developments of the Plan as early as next year.

The achievement of these objectives will be pursued in respect of and through three further guidelines already anticipated in the 2015-2019 Strategic Plan:

- **Discipline in operations and in the structure of the capital,** broken down in accordance with the following directives:

- **Operational efficiency**: the new Strategic Plan confirms the cost reduction plan announced last year (around 130 million euros) and through the ambitious EN&A project (project to review the Group's Corporate and Business processes from the perspective of continuous improvement) it strengthens the operational efficiency objectives of the A2A Group. This project will enable the creation of around 50 million euros of increased additional margins compared to the previous plan (including greater revenues and lower variable costs and investments), of which around 40 million euros come from fixed cost reduction measures;
- **Policy on increasing dividends** in line with the development of the plan**, but compatible with the strengthening of the capital and financial solidity of the Group.** The 2016-2020 Strategic Plan provides for an increase in dividends in the years 2015 and 2016 (DPS equal to around 4.1 euro cents; 3.6 euro cents in the previous plan), and confirms the development of dividends policy for the subsequent years as announced in the previous plan (DPS up to 7.5 euro cents from 2019);

- **Dialogue aimed at increasing the value of employees and the quality of life in the territories.** In this context, in order to develop the active participation, a series of important projects were launched during 2015, some of which are currently in the deployment phase:
  - Gulliver Project, dedicated to the rotation of skills and working experiences within the company;
  - Futura2a Project, aimed at developing young talents, retaining them and developing social innovation;
  - Melograno Project: created to enhance and develop the expertise and strategic contribution of the female component of the Group;
  - Sustainability Report integrated into the Annual Financial Statements;
  - Initiatives for improving the quality of the reporting of projects, activities and results of the company.

- **Digitization and technological transformation**. Various projects were launched for the digital and technological transformation of A2A, through the broader and more modern use of digital channels and a new positioning of the company brand, with the purpose of acquiring new customers, developing cross-selling, expanding the range of services and preserving the quality level of the service, which is now at the top of the sector.

  In particular, new Apps were launched and the sales companies of the Group launched a digital sales channel.

The set of actions described above will help to achieve the following expected results:

Financial objectives of A2A Group

		2015	2020	CAGR 15-20
Ebitda	*Bln €*	~1.0	~1.3	~4.5%
Group Net Profits	*Bln €*	~ 0.1	~ 0.4	~43.8%
Dividend per share	*Cent.€*	~ 4.1	~ 7.5	~12.8%
Net Financial Debt	*Bln €*	~ 2.9	~ 2.4	
Net Financial Debt/Ebitda	*x*	~2.8	~1.8	

Other indicators

		2016-2020
Investiments	*Bln €*	~ 2.2
Operatiing Cash Flow	*Bln €*	~ 3.8
Net Free Cash Flow *(After investments and dividends)*	*Bln €*	~ 0.5

The CEO **Luca Valerio Camerano** commented as follows: "*The Plan aims to resume and relaunch the strategic issues identified in the previous plan, strengthening the efficiency measures, industrial development in the core business and external growth to tackle the worsening of the market energy scenario. The excellent economic-financial results of 2015 and the strategic achievements encourage us to continue along the path of gradually positioning the Group along the lines defined in the Plan. The end of Plan targets do not include any of the possible improvements deriving from the M&A and territorial aggregation activities in progress, which may represent at the same time opportunities for further improvement and occasions for balancing out the normal risk of execution of a Plan. Finally, the plan provides for accelerated growth in the markets of the future, a sign that we have strengthened and implemented some business options only initiated last year.*

The Chairman, ***Giovanni Valotti*** commented, "*This Plan comes after a year characterized by significant results, even higher than the even ambitious forecasts of the previous Plan. This strengthens management's conviction that it can keep the promises. The updated Plan is a* *demonstration at the same time of the solidity and flexibility of the company. A company capable of reacting even to less favourable market scenarios, in particular in the energy field, founding an even more challenging project for the future on the rebalancing of the various businesses and on the launch of new important business lines. A plan capable of combining ambitious objectives, great realism and a suitable dose of prudence, as demonstrated by the various initiatives not included in the numbers, but which we are focusing on. And last but not least, a Plan that marks strong strategic discontinuity on sustainability and corporate social responsibility issues, which have now become two pillars of A2A's new approach. A company, therefore, capable of combining a solid business development plan with the return of value, not only to the shareholders but to all the stakeholders, starting with the citizens."*

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<u>For further information:</u>

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