



## **A2A presents its New Strategic Plan to 2030**

Sustainability directs the new strategy.  
Circular economy and energy transition pillars of the Plan  
in a new approach to business.

- **16 billion in investments over 10 years of which:**
  - **6 billion for the Circular Economy**
  - **10 billion for the Energy Transition**
- **90% of investments in line with the United Nations Sustainable Development Goals (SDGs)**
- **EBITDA more than doubled to over 2.5 billion at the end of the Plan**
- **Net profit up by over 8% on average per year**
- **Minimum dividends expected to grow by 3% on average per year**
- **47% reduction of the CO<sub>2</sub> emission factor (*Science Based Target initiative*)**
- **The installed capacity from renewable sources tripled, equal to 5.7 GW at the end of the Plan**
- **Additional 4.4 million tonnes of waste recovered as material or energy and taken from landfill**
- **6,000 direct hires over the course of the Plan**

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*Milan, 19<sup>th</sup> January 2021* – The Board of Directors of the A2A Group has examined and approved the 2021-2030 Strategic Plan, the first Business Plan of A2A with a 10-year horizon. Sustainability guides the new strategy that focuses the Plan on two industrial macro-trends, circular economy and energy transition, to which all the Group's Business areas, Energy, Waste and Networks contribute. A2A is committed over the next decade to making a concrete contribution to the achievement of 11 of the 17 Sustainable Development Goals of the UN 2030 Agenda.

*"A new Plan that marks a turning point for A2A. By combining courage and concreteness, we pursue challenging sustainability objectives and economic growth targets that are very important for the Group, which faces the European market" - commented Renato Mazzoncini, CEO of A2A - "For the first time, A2A has a long-term strategy, with 16 billion euros of investments dedicated to the development of the circular economy and the energy transition. These are the solid foundations that will allow us to create strategic, innovative and essential infrastructures for the growth and relaunch of the country, to be ambitious and to look to Europe. Our new model is a shared vision of the world that is sustainable and respectful of the future, to which we want to make our contribution every day."*



## A2A from multi-utility to Life Company

The title of the Plan, "*Life is our Duty*", refers to the strategic and cultural repositioning of A2A from multi-utility to "Life Company", defining a new brand territory in which to operate. By dealing with energy, water and the environment, thanks to the circular use of natural resources, A2A takes care of the conditions necessary for life and its quality.

## Circular Economy, 6 billion in investments 2021-2030

It is an industrial trend in which **A2A is a leader** and which embraces its entire activity, with particular reference to the **water cycle, district heating and, above all, waste management**. Recovery of waste heat, reduction of water losses and closure of the waste cycle are the main drivers of sustainability.

With **6 billion** euros available, A2A envisages strategic actions aimed **at increasing the recovery of materials and energy from waste**, and **reducing waste** (e.g. water losses, waste heat). The balance between recycling and energy recovery is the prerequisite for reducing the use of landfills until such use is completely abandoned, a decisive contribution to preserving our land. In the environmental sector, A2A can evolve from being an Italian leader to becoming a **player of European relevance**.

An evolution supported by external growth operations, presence in growing market segments such as organic waste, strengthening in the industrial waste segment as a partner for industry, large-scale distribution and retail, and enhancement of know-how on specific and significant issues such as sludge treatment and water purification. The Plan foresees the construction of **new material recovery plants** for a total of 2.2 million tonnes from sorted collection treated by 2030, the construction of new energy recovery plants for a total of 5.4 million tonnes and an **increase in the percentages of sorted collection** in the areas served to **76%**. Further developments are also planned in the recycling of plastics and paper recovery, sectors in which A2A will be able to grow further until full closure of the waste cycle is achieved.

Investments in the water cycle will also be increased with the aim of contributing to resolving EU infringements. A2A aims to **reduce pipeline water losses by 20%** (m<sup>3</sup> / km / day) and develop new **purification capacities (1.9 million inhabitants served by 2030)**.

For **district heating**, the focus will be on the development of the network, with an investment of approximately 1 billion euros, and the **recovery of heat sources from production activities** otherwise dispersed into the atmosphere. The main project, in the event of access to funds from the Recovery Fund, is the connection of the **Cassano d'Adda power plant** to the Milan district heating network, which will save approximately **200,000 tonnes of CO<sub>2</sub> per year** by connecting an additional 150,000 equivalent housing units in Lombardy.



## Energy Transition, 10 billion in investments 2021-2030

The challenging objectives - both Italian and European - linked to **decarbonisation** and the **reduction of emissions**, as well as technological and market evolution, require acceleration of the energy transition from fossil to renewable resources. The transition process is still long - considering the objectives that indicate 55% of renewables in the Italian electricity mix by 2030 - and presents two main challenges: ensuring a **high annual rate of development of the plants** (photovoltaic and wind power plants in particular) and guaranteeing **safety, stability and flexibility of the electrical system**.

The Group is also determined to maintain alignment with the **emission reduction targets defined by the Paris Agreement and approved by the Science Based Targets initiative (SBTi)** by reducing the Group's emission factor by 47% by 2030 compared to 2017, in line with a global warming containment trajectory below 2°C. The initiatives of the Plan that focus on the energy transition envisage the **decommissioning of coal plants** by 2022, the **development of new RES** (renewable sources) that will contribute to 58% of the Group's energy production by 2030 and interventions to improve resilience and adequacy of the electricity system.

A2A will contribute to the country's energy transition with investments of **10 billion** euros in support of **decarbonisation** and **electrification of consumption**.

The two main strategic actions in the electricity generation segment are **acceleration of the growth of renewables** and support for the **flexibility needs of the electricity system**. The generation capacity from renewable sources will reach **5.7 GW** thanks to over **4 billion euros of investments and acquisitions**. The two technologies on which investments will focus will be solar and wind, also thanks to a contribution from M&A operations in the first years of the Plan to create a development platform that enables international and diversified growth. **A2A will implement the phase-out from coal in 2022**, in advance of the national target for 2025. The energy transition will be guaranteed, also thanks to the capacity market, by the flexibility of highly efficient gas combined cycles for which plant upgrades are planned, by the construction of a new hydrogen-blending-ready combined cycle plant and a "gas peaker". In terms of flexibility, innovative projects such as batteries for solar systems, pumping and thermal storage in the case of district heating complete the Plan. The Group will also contribute to the stability of the Italian electricity system grid through investments in synchronous compensators and electrolyzers (~ 0.3 GW for green hydrogen).

1.9 billion euros of cumulated investments up to 2030 are planned for the electricity grids managed by A2A. A significant part of the resources will be allocated to the construction of new electrical substations, of which 13 primary and 1,000 secondary, and 2,000 km of new lines. These investments, together with those planned for the gas networks (1.1 billion euros), are aimed at promoting resilience, the development of smart grids and the installation of smart meters. Resilient and digital electricity networks are fundamental for the development of smart cities, a segment in which A2A plans to invest over 300 million euros, becoming a national player.

A2A has set out on a path of expansion on a national scale that will transform the company from a territorial operator with 2.9 million customers (electricity and gas) into a **national player with 6**



**million customers by 2030.** A2A will also promote **responsible consumption** by end customers, increasing the **sale of green energy** to the market, developing the offer to customers of products and services for energy efficiency and sustainable mobility. Actions aimed at the energy transition (development of renewable sources, sale of “green” products and services, electric mobility) will globally produce an environmental benefit equal to over **26 million tonnes of CO<sub>2</sub> avoided** over the course of the Plan.

A2A intends to promote the **decarbonisation of the automotive sector** through **electric mobility** by setting three objectives to be achieved by 2030: **the installation of over 6,000 charging points** for electric vehicles, becoming a leading Charging Point Operator (CPO) in its main areas; the signing of **200 thousand contracts for recharging services**, to become one of the main Mobility Service Providers (MSP); **the sale of over 50,000 domestic charging points** for home use.

### Strategic factors

To achieve the challenging objectives defined by the 2021-2030 Plan, A2A introduces a **new operating model** that foresees simplification, a lighter corporate, decentralization, skills development and digitalization. The main change is the **reduction of the Business Units from five to three**, which will make it possible, on the one hand, to focus the business areas towards a **European domestic market** and, on the other, with the **creation of the Energy BU**, to better face the challenges posed by energy transition, characterized by distributed generation and consumers who actively participate in energy markets. In this context, the development of no longer incentivized RES requires close coordination with the growth of a long-term stable customer base, natural cover to guarantee the return on investment. A **new Digital Plan** is also envisaged, which will allow digital to “permeate” into all A2A activities, the shortening of the decision-making chain with greater responsibility given to the Business Units and the streamlining of procedures to speed up activities while guaranteeing high quality standards. Over the duration of the Plan, **6,000 new direct hire positions** will be created.

## Economic Targets

Billion euros	2020F	2022	2026	2030
Energy ordinary EBITDA	0.45	0.61	0.9	1.2
Waste ordinary EBITDA	0.28	0.33	0.5	0.7
Networks ordinary EBITDA	0.45	0.49	0.6	0.8

	2020F	2021	2022	2026	2030	CAGR 20-30
Ordinary Group EBITDA (Billion euros)	~1.18	~1.20	~1.35 – 1.39	~1.90 – 2.00	>2.50	~+8%
Group Net Income (Million euros)	~300	~300	~330-350	~450 – 500	>650	>8%

### GROUP EBITDA

The Strategic Plan foresees significant growth in terms of EBITDA, going from about 1.18 billion euros in 2020 to **over 2.5 billion euros in 2030**, with a 2020-2030 CAGR close to 8%.

The EBITDA of the Energy Business Unit is set to grow from 0.45 billion euros in 2020 to **1.2 billion euros in 2030**, mainly following the strong contribution of the **new RES capacity** that is developed together with the **customer base**, also following the end of the protected market. **Investments in flexibility** and the start-up of at least one new high-efficiency CCGT plant, already set up for blending with hydrogen, are also planned to ensure safety and flexibility of the national grid in the important transition phase to renewables.

The projected strategy for Waste Business Unit is centered on making A2A a **leading operator in Italy and Europe** in the circular economy by leveraging existing skills and it will develop through organic growth and acquisitions in **treatment plants** (mainly Organic Fraction, Biomass) and **energy recovery** (WtE) increasing profitability from around 0.28 billion euros in 2020 to **0.7 billion euros in 2030**.

Finally, in the Networks Business Unit, EBITDA is expected from 0.45 billion euros in 2020 to **0.8 billion euros in 2030**. The important investments planned will be directed above all to the development of the **electricity and water networks** (with management of purification plants) and the **upgrading of district heating**.

The development of margins is well balanced, not only between the various Business Units but also in terms of the timescale. Growth is already expected starting from the first years with EBITDA expected to increase (CAGR), between 2020 and 2022, by approximately 7.5%.



## INVESTMENTS

The new Business Plan, to enable the achievement of the ambitious objectives as described above, foresees **16 billion euros** in the period 2021-2030.

Of this investment, most is focused on the energy transition (61%, equal to about 10 billion euros), with about 6 billion euros destined for the development of the circular economy.

The Group's commitment to sustainability is strong: **about 70% of total investments fall into the category of sustainable investments in line with the criteria identified by the EU Taxonomy. 90% of the investments contribute to the sustainability objectives defined by the United Nations (UN SDGs).**

From the point of view of the Business Units, the Energy BU is the recipient of around 6 billion euros (40% of the total) of investments, the Waste BU of around 4 billion euros (24%) and the Networks BU the remaining 36%.

Finally, well over half of the investments (73%) concern regulated or contractualized businesses.

## DIVIDENDS

The new Plan, following the significant pipeline of initiatives and expected growth in margins over the course of the Plan, adjusts the dividend policy, proposing an increase in the expected dividend per share on the 2020 profit of **at least 8.0 euro cents per share** (compared to 7.75 euro cents approved in relation to the net profit of 2019), on the profit for 2021 at least equal to 8.2 euro cents per share, on the profit for 2022 at least equal to 8.5 euro cents euro per share. For the following years, a **minimum growth of 3% per year** is expected.

## CAPITAL STRUCTURE

The attention to a balanced capital structure aimed at maintaining A2A's profile at a solid investment grade, which has characterized the past years, is confirmed. The significant investment plan concentrated in the first part of the Plan is expected to increase the Net Financial Position destined, in the second part of the Plan, to decrease without, however, ever determining debt coverage ratios exceeding the safety thresholds: the **FFO / NetDebt** ratio is expected, in fact, to remain above **21%** for the entire duration of the Plan, peaking at 29.6% in 2030.

Funding needs will be managed with the most suitable instruments to ensure adequate diversification of sources and investors. The average cost of debt is expected to decrease over the next 10 years (<1.5%), thanks to the general reduction in rates.

### For more information:

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