

**A2A 2021-2030 Strategic Plan**  
**presentation to investors and analysts**  
**Transcript**

January 20<sup>th</sup>, 2021

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*IMPORTANT NOTE: THIS TRANSCRIPT IS A WRITTEN TRANSLATION OF THE ORIGINAL EVENT IN ITALIAN AND THEREFORE DOES NOT PERFECTLY COINCIDE WITH THE REAL-TIME SPOKEN TRANSLATION*

**IR:**

Good morning everyone and welcome to the presentation of A2A's Business Plan. The presentation schedule can be seen on the side: the CEO, Renato Mazzoncini, will start with the presentation of the 2030 strategy, to be followed by the section on economic and financial data, by our CFO, Andrea Crenna. Our CEO will close the presentation prior to the Q&A session for financial analysts.

Let me give the floor to Renato Mazzoncini. To you.

## **First part - CEO**

**Renato Mazzoncini:**

Good morning everyone and welcome to this presentation of A2A's new 2021-2030 Business Plan. We are broadcasting live from the centre of Milan, from the beautiful location of the Museo del Novecento. We were privileged to be able to be hosted here and for that I am really thankful to the Museum. It's a nice opportunity to feel a little bit at home, even though the pandemic forces us to be connected with you remotely.

Let's start by sharing our Business Plan with you. You will find some paradigm shifts within the Plan, the first of which you see in the title: Life is our duty. "Duty" is a term that encapsulates two concepts that are dear to us: the concept of task and the concept of obligation.

Our Company deals with the basic elements of life, the environment, water and energy. We have worked to present this new Business Plan and our entire new strategy, also from the perspective of positioning the brand of our Group. The paradigm shift is basically from Service Company to Life Company, i.e. from the means, which are the services we provide, to reach our ends.

How do we accomplish that? We do it the way a Company like us can do it, by providing the most advanced technologies in the world of circular economy and energy transition, at the service of our citizens, cities and planet. This is in order to manage the certainly infinite energies that "mother nature" gives us and which we must be able to capture sufficiently in the coming decades, and our planet's finite resources, starting with water and raw materials which, without circular use, will become the real hinder to development.

Let's get straight into the details of our Plan and find some other key elements: it will be fully informed by two strategic pillars, the circular economy and the energy transition.

In the circular economy you will find the activities that historically in our Group fall under waste, water and district heating, to the extent that for us district heating will increasingly focus on the retrieval of recovered or renewable heat sources.

Everything else in the Company is in the world of energy transition, so electricity generation, networks, sales and market.

From a strategic point of view, we have divided our Company into two pillars. These pillars are implemented by three players. Here, too, you see that the novelty is that there are three players, whereas you are probably used to knowing five Business Units in the Group: Market, Generation, Waste, Networks and International BU. Let's simplify this world, let's unify – and then I will provide the strategic rationale – the energy world into a single business unit, and that leaves waste and networks, three players that intersect and work together to achieve the two strategic pillars.

Why a ten-year Plan? Because it allows us to look out over a medium-to-long horizon, to get out of our comfort zone, which is the classic three- or five-year plan, where we know with almost absolute precision what will happen. It is a functional horizon for grounding the ambitious and necessary infrastructure investments needed to implement the Plan, and which incorporates all the complexities of the scenarios that bring together the unstoppable trends we anticipate in this very important decade for the planet: renewable energy sources, but also the role of gas in the energy transition; what will happen in waste management, whether it will be waste-to-energy, waste-to-chemical or waste-to-material; the electrification of consumption, how pervasive electric mobility really will be; the role of hydrogen; and, developments in smart cities. In short, technological developments which, over a ten-year horizon, must be studied carefully, as we have studied them carefully, and must therefore be hinged within the Plan.

The important thing is that we are within a truly mainstream macro-trend, a macro-trend in which the circular economy – you see some figures here, and you know them too – just in energy recovery of materials, in terms of land preservation, is expected to reach 2 trillion dollars in 2030, compared to a figure that is half that today, in 2020; in the energy transition, the development of electrification of

consumption and renewable energies leads to estimates of between 2 and 3 trillion dollars and global investment in 2030.

By this I mean that we have a Plan, which we are going to present to you now, that is characterized by a very strong acceleration, but we are in the direction of the current that the whole planet is waiting for, above all to get out of this pandemic, this crisis, and to face what in Europe has been defined as the New Green Deal with courage and determination.

In this slide, I basically spoil the key elements of our ambitions, both in terms of sustainability and economics.

-30% emission factor in the Group. The Plan, you will see, is strongly ESG, focused on making us a declared ESG Company. We are certified under the Science-based target and, compared to 2017, which is the reference point, the target is to reduce the emission factor by 47%; i.e. with respect to the Plan, from 2021 to 2030, 30%. We will achieve this goal by installing 3.7 GigaWatts of new renewable capacity, and we will see the targets later; 4.4 million more tonnes processed, diverted from landfill, which means waste-to-energy and waste-to-material; and 31 million tonnes of CO<sub>2</sub> avoided, for those who are a little less familiar with magnitudes, it is the equivalent of stopping all the trucks, the lorries that drive around Italy, for an entire year, releasing about this volume of CO<sub>2</sub>; 90% of the CapEx linked to the UN SDGs targets.

Here you see the figures, certainly very ambitious but feasible for a Company like ours: 16 billion CapEx accumulated over ten years. Already in 2021, we are working towards the goal of increasing from 700 million in CapEx in 2020 to 1.2 billion in 2021, so very strong growth immediately; 2.5 billion in EBITDA in 2030, compared to 1.15-1.2 today; a net profit that grows at a CAGR of 8% plus per year and a financial balance that is always very careful, which is typical of our Company, so throughout the Plan we should return to 2.5 leverage between the net debt and EBITDA, starting from the current value, which is just under 3, and arriving to a maximum value of 3.5, over the Plan period, thanks to major CapEx.

6,000 direct hires, 40% turnover over the Plan period and 2,000 new hires: this means that, in 2030, we will have a Group with around 14,000 people, 6,000 of whom will join the Group in the course of this Plan.

In term of the circular economy pillar, as I said before, we find activities related to waste, water and district heating.

Speaking of waste, you know that we are active on the whole cycle. If you look at the graph on the left, we find ourselves with the product that, of course, is turned into waste as it is used in the cities, it goes to sorted collection – and that is an activity we are involved in, as you know - unsorted waste goes directly to energy and heat production and what is sorted becomes recyclable material sent to our treatment plants. The treatment plants have a processing residual, which, of course, goes back to energy and heat production, but the main part obviously goes back to raw and secondary materials.

We played a bit, we tried to place A2A in the right-hand graph, together with the European countries, as if we were a country. The most virtuous European countries, which, as you know, are obviously those of northern Europe, as well as Germany, have basically reduced “landfilling” to zero. They are the ones on the green traffic line and have a good mix of energy and material recovery. Today, of the 2 million tonnes we collect, we have about 70% material recovery and 30% energy recovery. Landfilling is limited to very low values, much lower than the Italian average, which unfortunately is still over 20%.

This is to emphasise two things. The first is that A2A is bringing virtuous management to the waste cycle, the other is that electricity and heat production plants are fundamental to close the cycle in a circular manner.

Returning to these numbers, in terms of collection, we set ourselves the target of going from 71% to 76%. I remember that within these numbers we have Milan which, like all metropolitan cities, has lower sorted collection rates. Despite this, Milan is now the leading metropolitan city in Italy and one of the most virtuous in Europe in terms of the percentage of sorted waste collection, and over the period of the Plan we see it rise from the current 63-64% to 70%.

A 76% sorted collection rate including a metropolitan area like Milan is a possible but certainly ambitious target.

We see the material and energy recovery in the following charts, as well as the topic of district heating from heat recovery.

However, I would stress the issue of network leakages in the water cycle, which is one of the issues in which we need to invest more in Italy today. You know that we have an average of 47% leakage on the Italian water network, our Group, in the cities it manages, such as Brescia, has a 30% leakage, but we want to get it down to 20%.

On the issue of purification. As you can see, we are aiming to increase the number of inhabitants served by sewage treatment from 600,000 to 1,900,000. We have carefully studied this issue and want to introduce another paradigm shift: the water cycle, in order to be circular, must be closed in the waste cycle. Purification, which Italy still poorly practised, so much so that we are consistently fined by the EU for violations, 500 million for violations levied, yields sewage sludge, which is a by-product of purification. The sludge has to be disposed of: depending on what is being cleaned, it can be disposed of in agriculture, or it must be disposed of, again, in waste-to-energy plants, so that it does not end up in landfills.

You can understand that a Group that is active both in the waste sector, which is therefore able to close the cycle in the waste-to-energy plants, and in the water sector, can create that synergy that allows the water cycle to be circular, closing with the waste cycle. We will be pushing this very hard, not least because we believe that there absolutely must be room to bring private investment, by companies such as ours, alongside public investment in the water cycle, which today is one of those that will need more investment and which, I must say, thanks to ARERA, the Regulatory Authority, has reached significant levels of remuneration.

Going into the details of material recovery, today we recover 1 million tonnes, which we want to increase to 2.2 million; 900 million CapEx during the course of the Plan to reach 140 million EBITDA. As you can see, the bulk of it is on organic matter, on the organic fraction, on which there is a lot of room. In Italy, we have calculated about 2 million plant gaps needed but, not only that, today in Italy there are 7 million tonnes of organic fraction that are managed without the extraction of biogas, biomethane, namely only with the transformation into compost. We therefore believe that there is enormous room for growth in this sector and we intend to seize it.

As far as paper, glass and plastic are concerned, the growth is lower, because the objective we have is to close the cycle of our collection, i.e. to ensure that what we collect we dispose of in our own facilities so as to reduce the price risk of deliveries.

As far as energy recovery is concerned, it is not in millions of tonnes but in TeraWatt/h, i.e. the good part, the circular part, the part where waste becomes new energy. You can see that investments here are important; today, our Group is the leader in Italy and one of the most important in the world for EBITDA in waste-to-energy; with 1.8 billion CapEx, we want to consolidate this leadership.

You see that the ambition is to reach 540 million EBITDA in 2030, the goal is to build plants for the recovery of electricity, heat and biomethane, and to build them on a European playground, not just Italian. The aim, therefore, is to move with international partners, even in other countries, since that the waste market is European is now a fact. As a result, we decided that our domestic market, as far as waste is concerned, must necessarily be Europe, and it will no longer be only for urban waste, on which we now have a consolidated leadership, but also for special waste, where the JV with Suez, which you know about because you have already written about it and we have also spoken about it in the newspapers in recent months, makes it possible to create a market leader in the pre-treatment and energy recovery market. It is one of the elements of potential growth, which is very strong, given the absolute lack of reference players at the moment.

Let's go back to the issue of heating. A2A is the Italian leader in district heating. We continue to invest in district heating because the new district heating, what we call district heating 4 or 4.0, is sustainable and basically recovers heat from other industrial activities. We are very concrete, we have recently connected steel mills in Brescia, we have connected the ORI Martin [steelworks], we are connecting Alfa Acciai, we have an investment of about 70 million euros to recover the heat of the fumes of our waste-to-energy plant in Brescia. You will find an important project for heat recovery from thermal power stations.

The aim is to reach 750,000 housing units, which means growing by around 30% compared to the current volume, reaching 190 million EBITDA, with 900 million CapEx but, simultaneously with this growth, with an equally significant increase in the share of heat recovered from renewable energy or thermal recovery, from 50% to 73%.

Let me point out these CapEx data concerning water resources: 1,1 billion invested. I think you all know how the ARERA investments are remunerated today, it is perhaps the most interesting infrastructure today as far as investments are concerned, and it is certainly one of the infrastructures that, if we go further than our Plan, to 2050, will be one of the most important infrastructures operating on the whole planet.

155 million EBITDA and an important growth in the amounts of purified water, an increase from 600,000 to 1,900,000 inhabitants: these are the volumes in cubic metres, because we think that there is an enormous added value that our Company

can bring, imagining that the purification plant is basically a waste treatment plant and that, therefore, within the water cycle, certainly this ends with purification, but purification is much more synergistic, in terms of know-how, with those who manage waste treatment plants, than with those who manage water distribution and drinking water infrastructures.

We close this overview of the circular economy by mentioning the Cassano d'Adda project. This is a project that we included in the Recovery Fund proposals, with support from the Municipality of Milan and the Lombardy Region. It is a 550 million euros investment project that aims to recover 1 TeraWatt/h of heat, produced as heat from the electricity production of the Cassano power plant, and bring it to Milan, distributing it along the road to about 150,000 equivalent residential units.

This objective allows Milan to reach 20% of its de-carbonisation target on the building side by 2030, and us to consolidate a leadership position in district heating that sees Milan as one of the cities with the greatest potential for expansion.

Keep in mind that in these occasions the energy transition gives a huge advantage to sector coupling, i.e. in order to de-carbonise Milan, we need to electrify consumption – and we will see this in the energy transition section – but being able to convert with electrification everything that today is heated by fossil fuels, for example in the building sector, is difficult. The contribution of district heating, on the other hand, makes this possible, provided, of course, that district heating is sustainable, i.e. the heat is produced from renewable sources and heat recovery.

Let's move to the energy transition pillar. Today A2A is Italy's second largest producer by installed capacity; we have 9 GigaWatts installed, mainly thermoelectric and 2 GigaWatts of hydroelectric energy.

These are the goals we set ourselves in the energy transition.

Renewable energy from electricity production, rising from 31%, which today is mainly hydroelectric, a little photovoltaic and very little wind power, acquired in recent weeks, to 58%, thus bringing us in line with European targets and what we believe is important for our business. Obviously, most of the 31 tonnes of CO2 emissions avoided come from here.

Refer to the green electricity sold. Today, we sell about 15 TeraWatt/h of energy, of which 3.9 is green. Basically, it is the mass market. Today, we have a strong mass market orientation, for us it is about 30% of sales. B2B today mainly buys non-green energy.

We assume that we will grow to 28-29 TeraWatt/h of sold energy, but will increase to over 50% as a percentage of green energy sold.

The last two elements you see, peak power and interruption, are two indicators, one quantitative and the other qualitative, of our electricity grid. There is no point in producing renewable energy if we cannot distribute it. As A2A is also involved in electricity grid distribution, we are pushing investment in the electricity grid to enable electrification of consumption. Over the Plan period, this would mean an increase in peak power to almost double it, in terms of GigaWatts – you can see that it would go from 1.7 to 3.2 – and, at the same time, the index of low-voltage user interruptions, one of the most widely used, would drop from a level that is already benchmark today to a very low level indeed, which means a more powerful and more resilient network.

Here you see the objective I mentioned earlier: some time ago we chose to align and certify ourselves with Science-based targets. The aim is to achieve no more than 230 grams of CO<sub>2</sub> per kiloWatt/h produced by 2030. To date, we are at 226, taking into account all our emissions, i.e. both those from renewable and thermoelectric power generation and those from waste-to-energy plants.

Growth in renewable sources is definitely one of the figures in the Plan. Today, we are at 2 GW, which is basically hydroelectric, we create a development pipeline – I'll say a few words about that now – and then we grow to 5.7.

CapEx is important: 4 billion, about 25% of the CapEx during the course of the Plan. The 2030 EBITDA target of 580 million is important. The total production, as you can see, rises from the current 15 TeraWatt/h to 20 TeraWatt/h.

Clearly to achieve this goal we need to acquire, in fact, expertise for greenfield development and we see this in this slide. You can see that the bulk of the growth will be organic, in the pie chart on the left we see that 36% of the existing growth is basically hydroelectric energy, all the growth is done mainly in organic growth, M&A will be 12% and concentrated in the acquisition of RES development platforms, which will prepare us to the next organic growth. Basically, we do not have the objective of buying plants that are already in operation, we are clearly interested in re-powering, but we are mainly interested in acquiring platforms and greenfield developments, i.e. developing the capacity, both in Italy and in Europe, both in solar and wind power plants from greenfield.

The decision to once again have the European market as a domestic market

also aims to reduce the regulatory risk, the permitting risk, and to allow people to move around within a European market which is now clearly the market for anyone working in the renewable energy sector.

The future mix will be hydroelectric, solar and wind energy in a very balanced way: 34, 38 and 28, respectively. One of the characteristics of our Company has always been to have a mix with more than one production sources that have hedged generation between them. If we look at the generation of recent years, the stability of gross operating margins has always been ensured by a natural hedging between the various sources.

Here we are in a situation where the important development will be on renewable energy sources, but we will, of course, maintain thermoelectric production, which is a key element in the energy mix of the coming years. The thermoelectric part will drop, today we are at 7 GigaWatts and you see that in 2030 we assume it to be 5.2 GigaWatts. Generation, therefore, will be substantially concentrated in the current plants, where there will be the upgrading of at least two existing plants by 2022, with capacity markets already awarded, which will already be effective in the first six years of the Plan, and the construction of at least one new state-of-the-art hydrogen blending plant. We are convinced that, given the way Northern Italy is organised – from the point of view of wind production, which is essentially unusable, and with solar production certainly not at the highest levels of performance – thermoelectric generation will be important, but since the objective of reducing CO<sub>2</sub> remains the fundamental one, there are two elements that can ensure that thermoelectric plants in Northern Italy continue to have value in the future: one is to increase the efficiency of the plant, and efficiency can only be significantly increased by coupling a district heating system to the plant, so that there is also energy recovery of heat lost, which today is one of the fundamental elements that reduces the efficiency of the plant; and the second is the prospect, certainly a long one, of hydrogen blending. We have signed a memorandum with Snam to discuss on some power stations, such as Monfalcone, and on the possibility of working in hydrogen blending, obviously with the fundamental objective of reducing CO<sub>2</sub>.

Network services and gas peakers: a plant will be ready by 2022, and on which we are already working, in addition to the synchronous condensers we have built in Brindisi. These are investments in our historic thermo structure, aimed at

providing services to the network, which have proven to be very profitable in recent years. 600 million CapEx in this sector, with 130 million EBITDA over the Plan period.

Lastly, because the size is smaller but it is a very important and interesting perspective: we assume 50 million EBITDA to come from new capacity installed with flexibility. It is clear that CapEx in renewable energy sources bring with them investment in storage capabilities; we need to start with electrochemical and battery storage to integrate them into our predominantly solar installations. We have already begun to invest very successfully in thermal storage for district heating, with tens of thousands of cubic metres of thermal storage that are producing extraordinary efficiency gains in the plants, but also the development of electrolysers or synchronous condensers in the logic of network stability. You see that we have made an estimate of 0.3 GigaWatts for green hydrogen production and we will see in a later slide that we already have concrete projects we are working on.

Demand side management, the whole UVAM world, the whole world of distributed generation, is basically leading us to see these new figures of prosumers, those who become producers and consumers at the same time and who are asking, at this point, to enable a management of the world of energy that is different from that of the past.

We have said that you will find the two Business Units, Market and Generation, unified, precisely because the natural hedging that is generated between the two worlds will be one of the fundamental elements in enabling investment in renewable energy and in facing up market competition.

Here you can see the ambition we have set ourselves in the Plan to grow our customer base from 2.9 million to 6 million. Obviously, this is positively affected by the end of the protected market, from which we believe we will be able to acquire about 1 million customers; 1 million customers from traditional channels, from the activity we do every day, which has allowed the continuous growth of our customer base; and 1 million from digital channels, mainly from NeN, which is the digital attacker that started in 2020, which is growing at a remarkable pace and which, in the horizon of the Plan, has the objective of reaching 700,000 customers.

We have assumed a declining marginality of 3% per year on the commodity, so 30% of reduced profitability on the sale of the commodity over the Plan period, offset by the introduction of customers with new services and products. The

objective is to arrive, in 2030, with at least 10% of customers not only buying commodities from A2A but also purchasing products and services. For example, as we will see in a later slide, in the area of electric mobility, or in the area of air conditioning. These are the value-added services that are increasingly demanded by customers today and which are also able to significantly reduce churn.

As you can see, in the growth of energy sales, we start from the current 15 TeraWatt/h to 28.5, with 400 million EBITDA in 2030, compared to 250 million today.

Electric mobility is a good example of what I was talking about earlier. The objective is to reach 200,000 recharging service contracts, to enable 6,000 public recharging points – we are already the second-third operator in Italy in this field – but, above all, also domestic recharging points. According to our researches, we have a customer base that is already largely ready for electrified mobility, as they have the possibility of recharging in the private sector and have a daily emission profile that allows them to switch to electric mobility immediately. On these, we propose ourselves both as operators of charging points and as mobility service providers, which will certainly be one of the interesting prospects in the coming years.

In terms of electrification, I told you about the major investments in the electricity grid. Today we have the two energy networks, the gas network and the electricity network. The gas network today has an RAB of 1.5 billion and we anticipate investing 1.1 billion to maintain the efficiency of the current network. You can see that on the right-hand side of the pie chart 78% of investments in the gas network are maintenance investments, whereas on the electricity network the situation is completely different: 1.9 billion euros of investment, 66% in development and digitisation to enable that growth in peak power that I showed you at the beginning. At the end of the Plan, we find ourselves with an electrical RAB of 1.7 billion investments.

Both networks today have a very good level of remuneration: 5.9% on electricity RAB and 6.3% on gas RAB. If I had to bet on whether these values will change, I would bet that the electric RAB will grow, just to push the investments that will be absolutely necessary for electrification.

The project is very concrete. It is Unareti operating in this area. You can see that there are 13 primary substations, already with names and surnames, projects in an advanced state, 1,000 secondary substations and 2,000 km of new network

installed.

I will pause here for a moment to underline this very important issue, which I would not like it to be overshadowed, that of the creation of the new Energy Business Unit, which incorporates the historic Generation and Market Business Units.

The rationales are very strong: to provide a natural hedge between increasing renewable energy production in grid parity and consumption, thus ensuring stability of integrated margins and sufficient returns to stimulate investment in new renewable capacity, even if not incentivised, and to protect against the expected pressure on retail margins from increased competition.

Obviously, this also makes it possible to integrate Trading and Dispatching into a single organisational unit and thus cope with what is happening in the market with the figure of energy communities, prosumers, distributed production and UVAM.

We have carefully watched the market and realised that if our customer becomes a prosumer, we must also organise ourselves in a parallel manner; moreover, we realised that the development of renewable energy sources, which is clearly unavoidable, with energy scenarios that today are also absolutely favourable, leads, however, for a Company like ours that is used to investing prudently, to a fundamental organisational and strategic decision that will allow the entire sector to be stronger on the market, more credible, stronger with our customers and able to enable the necessary investments.

Here, too, we close with a couple of flashes. The Hydrogen Valley: I was telling you about it, perhaps it is the only concrete case we have today in Italy. Ferrovie Nord Milano has decided to purchase hydrogen-powered trains for the Valcamonica Brescia-Iseo-Edolo line, with a view to the 2026 Olympics. The first trains will arrive in 2023. The aim is to provide green hydrogen.

We have several plants, both hydroelectric plants in the area and the Brescia waste-to-energy plant: we are working on the best solution.

On the networks side, talking about smart grids means talking about significant investments in advanced services in digitalisation, advanced analytics, artificial intelligence and everything that will be needed to manage increasingly digital and increasingly efficient networks, as well as reduce costs. We are working a lot with predictive maintenance projects and want to be absolutely at the forefront of distribution network management, particularly in metropolitan areas.

Today A2A Smart City is probably the largest Italian company for EBITDA in

smart cities. We have a major growth project to reach around 70 million EBITDA by 2030, with 300 million investments. The sectors we are working on are mainly smart utilities, smart city and smart mobility, but also smart land, on which we are doing interesting initiatives with various partners.

Having finished this overview, I will give you a few more elements on the enabling levers and then hand over to Andrea Crenna, who will focus on economics.

What are the enabling levers? We want and need to become a data driven Company. In order to become a data driven company, i.e. a company where every manager makes decisions based on data, we need to invest both in new technologies, in technological innovation, and in digitisation. In the Plan there are 2.8 billion investments in these two areas, more or less balanced.

In the technology part there is of course also hardware, ranging from storage generation technologies – hydrogen batteries – to open innovation, working with start-ups. As you probably know, A2A started a corporate venture capital activity a couple of years ago, which is bringing a very close relationship with start-ups and innovation.

On the digitisation side, there are three important elements. One is to increase the availability performance of our plants. This is done by investing in the ability to make digital twins in our plants, which then allow us to increase the efficiency and automation of operations. This is an important, absolutely essential work that we are doing.

The second important element is the multi-channel customer experience. Our customers are increasingly digital, the launch of NeN has shown that it covers an important niche. Just think that only 5% of NeN's customers come from A2A: this means that we are on completely different ground, a completely different target. To do this, we need to invest heavily in the multichannel experience.

Last but not least, our workers, who after a year of working remotely, also experimenting with smart working platforms, are asking for more and more advanced tools to be able to make their work more efficient, in a scenario that will certainly take the experience of these months with it in an important way.

Very significant savings come from these activities, mainly from the digital transformation plan and from important work already started in the last Business Plan with the Mistral project on supply chain excellence. We expect 200 million EBITDA by 2030, about 8%, to come from savings and operational excellence

initiatives.

And last but not least, those of synergies with the territorial multi-utilities, on which we are working to integrate them more and more within the Group and, therefore, obviously extract the maximum of synergies that were envisaged.

In this slide, we have tried to summarise a couple of elements that you can only take home in the logic of mindset, in the sense that we are a Company that has set for itself a major goal, but also a Company that is used to working with investors who ask us to be cautious. Therefore, we have worked hard to increase the resilience of the business, reducing the level of risk. Two examples for all, which I think are good examples: hedging the production of renewable energy, with the customer portfolio.

You see that by 2030 we will have sales of 29 TeraWatt/h: 16 TeraWatt/h of green energy sold, 12 TeraWatt/h of RES energy produced. Basically we are able, with internal PPAs, to fully hedge our RES production with our customer base. In fact, we have an important margin.

The other example is the closing of the waste cycle. When China put waste paper management into crisis last year, there were very significant pressures on input prices. The goal we are setting for ourselves is to achieve the complete closing of our waste cycle, i.e. to treat 2.1 million items of waste collected and process 2.2 million items of waste in our plants, i.e. to be able to basically close the waste cycle completely within our plants.

The same reasoning applies to heat recovery, i.e. when we are able to supply our district heating with the heat produced by our plants, we again have a natural hedge, or the ability to grow in the field of purification, in a sector that requires the management of sludge treatment with waste-to-energy plants, about which we have availability.

The other enabling element is the organisational element: a new operating model. Here I would like to emphasise just two aspects: one is simplification, the reduction in the number of Business Units from five to three. The International Business Unit is naturally absorbed into the other Business Units, within the logic of a domestic market that is no longer Italian but European, and the Generation and Market Business Unit, with the rationale I mentioned earlier, is merged into the new Energy Business Unit.

In order to enable the significant growth acceleration that we have envisaged

within this Plan, the decentralisation and empowerment of these three actors is crucial. In particular, what we are going to do is to enable the Business Units to have the levers in their hands, particularly those of Business Development, which must be within their reach if we want the investments and the growth to follow the pace we have set ourselves.

A more simplified Company, therefore, with a lighter corporate structure and strong responsibility for development in the hands of the Business Units.

Obviously, the issue of human resources and human capital is far from secondary. We have only taken a few elements here today, but the work being done alongside the Business Plan, with the human resources plan, is important because, in order to enable a growth plan of this kind, we need to work on human capital in a resolute manner.

Women managers today make up 21%, which is certainly not tragic for our sector, but it can be improved. The aim is to increase it to 30%, to 40% within Group companies' Boards.

We have a project to formalise objectives for all employees. Today, only managers, middle managers and executives have formally assigned objectives. We want all our employees to have formally assigned objectives, in agreement with the trade unions.

Obviously reducing the accident rate is a very strong focus that the Company has always had in recent years, including working on health improvement programs. I think that COVID has taught us that companies can do a lot, in terms of prevention, by working alongside public health management.

In terms of employees with disabilities: today we are in line with the numbers required by law, we have about 300 employees with disabilities and want them all to be included in enhancement projects.

We have discussed adding about 6,000 direct hires over the Plan period; those 300,000 are man-years of indirect employment, divided by 10, we can say 30,000 equivalent FTEs per year, which is basically the indirect employment that our investments enable.

At this point, I can catch my breath and give the floor to Andrea, who will discuss with you economic and financial data. Please, Andrea.

## Second part - CFO

**Andrea Crenna**

Thank you, Renato. Good morning to all. Before going into the details of what are the main assumptions on growth over the Plan period of the various BUs, I think it is useful to make two or three more general considerations on long-term objectives.

The first one is actually very short-term and relates to the baseline against which we then compare ourselves in analysing the numbers, namely 2020. You see that we added a forecast at about 1.180 billion, which is better than the guidance we gave in the last quarterly report, especially in light of a fourth quarter that was obviously much better than we expected. We will then of course comment on the full year 2020 when we will present the results.

The second aspect is clearly very important growth. EBITDA is expected to more than double, 1.3-1.4 billion in growth, which implies a CAGR of 8%, significantly higher than what we had in the previous Plan.

I think it is useful to point out that already in the first two years the expected growth is 7% and in the first five years 11%. Of course, we will see how and why. It is certainly not a Plan whose growth is all back ended.

If we look at the breakdown by BU, the Energy BU is substantially stable in terms of weight on total EBITDA, and there is a permutation of the Networks BU in favour of the Waste BU, despite the fact that investments are unbalanced towards Networks for an obvious reason, which is the different remuneration between the two investments.

This allows me to emphasise that we have made two assumptions. In the case of the Networks, regulation is assumed to be constant, so we do not expect regulation in both structure and yields, for the purposes of the Plan forecast, to be different from the current one, and that obviously investments in the Waste BU expect a higher rate of return than in the Networks BU.

In the past we have already used expected rates of return for investments differentiated by Business Unit and, typically, in the investments we plan, we expect returns above our WACC, which overall is not very different from what you analysts use in estimating the value of A2A, using the DCF method.

If we look at EBITDA growth from an ESG perspective, I would say two things.

First of all that the 2020 baseline is already good, it is already 60% on the European Union's upcoming taxonomy and 80% on the United Nations Sustainable Development Goals.

Obviously, investments are unbalanced in the ESG world: 70% in new taxonomy and 90%, which will allow a 10 percentage point growth in the EBITDA mix. The difference between the European taxonomy and the SDGs is almost entirely due to the investment and margin of waste-to-energy plants.

On the next page we re-propose the classic division between activities, investments and regulated and unregulated margin, focusing on a definition of contracted work, that we believe helps to better explain the nature of the activities that A2A already does and, above all, will do with the new Business Plan. Obviously the regulated part is, strictly speaking, what comes from regulation or, in the case of A2A, from the capacity market, therefore, assets and margins not subject to volume or price risk. The part on the market is of course pure merchant, while the contracted part in our case is very important, because it relates to all those activities that, although not regulated in the strict sense, are either contracted in the long term, typically with public administrations – think for example of collection, or public lighting – or subject to low volatility, such as district heating – which is a very long-term concession, where the volatility of results is typically attributable to temperatures – and, finally, we have also included in this cluster the future development of renewable energy sources in grid parity, whether assisted or PPAs, according to the forecasts that we have made, or, as the CEO explained earlier, by a natural hedging made up of the customer portfolio base.

Let me point out that we have a sales forecast of 16 TeraWatt/h at B2B to 2030, so it is entirely conceivable that part of this portfolio could be covered through PPAs.

Let us now discuss in greater detail, albeit briefly, the underlying drivers of the development hypothesis in the BUs. Obviously, starting this year, we have an Energy BU which is the synthesis and merger of the previous Generation and Market BUs. From here on, we will give the integrated margin between the two BUs, which is that of the Energy BU, certainly full year 2020 and at the beginning of 2021 we will continue to provide the detailed data to enable you to reconcile.

The growth of the Energy BU is essentially attributable to three macro-elements, which are most significant in the three periods. From 2020 to 2022, it is

about Capacity Market. The auctions, as you know, have already been held. A2A was awarded 4.4 GigaWatts of power. The contribution, in terms of EBITDA, of this capacity already awarded is approximately 145 million in 2022 and 2023, which represents a variation of approximately 100-125 million compared to what A2A already obtains today from the Capacity Payment.

In those two years, we have made an assumption of a reduction in the MSD margin of some 50 million. You are well aware that in recent years, including 2020, the MSD has been a major contributor to the profitability of the Generation BU. Obviously with the introduction of the Capacity Market we expect a partial cannibalisation and the 50 million is an estimate of this effect.

We have the scenario assumptions you see in the annexes. On 2021 we have, of course, assumed Forward curves, which are absolutely in line with current levels, and also on 2022, at least during these days, Forward curves indicate that our assumptions are quite in line with the assumptions we have made.

Of course, there is the subsequent development, for the following years, of scenario assumptions that are very dependent on the assumptions that are made, as you know, about gas and CO2 trends.

In the first part of the Plan, from 2020 to 2022, the contribution of new renewable energy sources is quite modest. We expect an increase of 120 MegaWatts of installed power.

In the later part, from 2022 to 2026, growth is more sustained. Among the main drivers, we will have the assumptions about overcoming the electricity protected market. The auctions are expected to take place in 2022, and, in particular, the start of overcoming the protected market is scheduled for July 2022; however, in 2022, there will only be six months of impact, while in 2023 we will have 12 months. It is an important scenario, we are counting a lot on the overcoming of the protected market and we have made a forecast of acquiring about 15%, so not a lot, of the mass of customers that we believe will be auctioned.

In 2024, 2025 and 2026 we have made assumptions about the continuity of the Capacity Market mechanism, but at worse conditions than those of the auctions already allocated: about 7% per year, so a reduction in marginality, starting from 2023, with auctions allocated, of about 7% less year after year. As the CEO mentioned earlier, we have instead assumed that a new high-efficiency gas plant, for which we are now working to obtain permits, will be authorised and approved. I

have to say that we are working on getting more than one authorisation, so on more than one plant, but the assumptions in the Plan are to have one plant going into operation in this period.

In this part of the Plan, RES are beginning to make an important contribution, 1.5 GigaWatts of installed power for approximately 120 million is the expected contribution of this line of development to the EBITDA variance of the period. At the end of the Plan, however, the contribution of renewable energy will be more important, with around 2 GigaWatts of installed capacity, while the customer growth is expected to be smaller, at around 3% per year.

The assumptions underlying the growth of the Waste BU are essentially that of a growth in treatment volumes, and, therefore, in the amount of waste processed, and increase from 5 to 9.5 million. This is about 4.4-4.5 million increase of processed waste, or a growth of 6% per year. Of the 4.5 million increase, 60% comes from energy recovery, i.e. development of waste-to-energy plants; 23% from development of organic waste treatment plants; and the remainder from treatment of other materials.

It is the BU from which we expect the greatest contribution from external growth and, in particular, from external growth of energy recovery plants abroad: it accounts for about 20% of terminal EBITDA.

The growth of the quantities processed is not only external but also organic growth. We have discussed many times before that organic growth is clearly also a function of the authorisation regime, i.e. the speed and possibility of obtaining authorisations. You will find in the backups a page where we give evidence of how many authorisations there are, how much authorised capacity has already been processed, how much we still need to get authorised for and also how much will be the share attributable to M&A.

The growth in the early years is again in line with A2A's last two or three years, a CAGR of 5-6%. It is very visible because it comes from the consolidation of the acquisitions that we made in 2020, from the biomass processing plants for about 20 million, and for 6 million from the development of organic waste treatment plants that have already been authorised. The growth from 2020 to 2022 is very visible.

In the next part, 2022-2026, where the CAGR is higher, i.e. 10%, the Corteolona and Parona waste-to-energy plants will come into operation. You know

that they have already been authorised, so we are in the construction phase, just as the Brescia fumes purification plant will come into operation, which Renato mentioned earlier, this too of course has been authorised and is in the construction phase. We expect that the three plants will contribute about 60 million of increased EBITDA, which is more or less 1/3 of the total; another third will come from the first operation on waste-to-energy plants abroad – we are expecting to finalise the agreement with a partner to manage the plants abroad, in Europe; and 1/3 from organic and external growth developments on organic waste processing.

In the longest part of the Plan, the final part, growth is just over 10%. Again, this growth is very much linked to the development of energy recovery plants. There is again the possibility of a second investment abroad, but we have also considered the possibility of realizing plants in Italy. The assumption is that plants in Italy will be regulated according to the indications we are receiving from discussions with ARERA. Obviously, these are plants in Central and Southern Italy, where there is a lack of plants in general and of waste-to-energy plants in particular.

The development of the Networks BU is simpler. Basically, it derives from the development of electricity networks in the first place, the development of water networks and, as a third contributor, the development, this time unregulated, of district heating. The gas network part, on the other hand, having investments to keep the RAB stable, is much less important.

Here too, in the first part of the Plan a good share of growth is very visible. Apart from what depends on the investments on the electricity network, some 20 million is nothing more than the full consolidation of AEB, which is mainly EBITDA coming from gas networks, so we did not consider it over 12 months in 2020, but we will do it from 2021.

In the period 2022-2026, we have 2.5 billion CapEx expected, a CAGR of 6.5 is in the measure of 50% RAB development and the other 50% is commercial development of the district heating network, and commercial development of smart cities initiatives. In the last part of the Plan, 2.2 billion of investment, with a CAGR of 6%, basically with the same drivers.

Financially speaking, we will have the first part of the Plan, the first five to six years, calling for 60% of the total investment, with an increasing demand for funding. The total financing over the period of the Plan is 10.5 billion. This amount includes, in addition to the need for new debt, all refinancing – or bank loans or bonds – that

will expire during the period.

We will have a lower average cost of debt than in 2020, we will end 2020 at around 2.2-2.3%. Clearly, we have made the assumptions considering the points on the current mid-swap and credit spread Forward curves, and we will have the effects of a particularly favourable rate scenario today.

With 90% of SDG investments and 70% in European taxonomy, the majority, if not almost all, of all new finance will obviously be sustainable.

The focus on capital strength was very important. Today we have a rating from the two agencies that is satisfactory to us. We aim to maintain it, it is a rating that is 2 notches above sub-investment grade. We have planned to maintain this rating, aware of the need for solid debt coverage ratios.

On slide 41 you see the FFO projection. As for Net Debt/EBITDA, Renato mentioned earlier that, although increasing from the 2.9x or 3x we expect to end the year with, we will have a first part of the Plan of increasing debt but never more than 3.5x. In the worst period, at the peak of the debt, the coverage ratio will remain lower than A2A had only a few years ago.

We will also finance all this debt through asset rotation operations, for an unimportant share.

At this point, I would leave the floor to Renato for the conclusions.

## **Closing remarks: CEO**

**Renato Mazzoncini:**

Thank you, Andrea.

Closing remarks. Here, you see summarised some years of the Plan, 2021, 2022, 2026 and 2030. We have decided to give you these numbers up to 2022 because these are years in which, in our current mandate, in my current mandate, investments start in a big way. Between 2021 and 2022, we have 3 billion euros of investments that will then enable the big EBITDA growth in the following years. So you see that already in 2022 we expect a range of just under 1.4 billion EBITDA, growing to 2 billion in 2026, and then to 2.5 billion in 2030.

The Group's net profit is growing at a significant rate, 8% plus CAGR per year. Here you see a hypothesis we made on the dividend, where we feel we can today certainly guarantee a 3% plus CAGR per year, so 8.2 cents already from 2021,

and growing steadily. Obviously, the Shareholders will define them, as it is customary. In spite of the clearly impressive investments, the Company will continue to guarantee an implied dividend yield of over 6%, which is certainly the highest within the sector today.

Last slide to close: a Company that will tell its story, from now on, only on these two pillars, circular economy and energy transition. In the circular economy: waste, water and district heating; everything else in our corporate world is energy transition.

The objectives are very clear: to be a leader in Europe in the circular economy, particularly in the waste sector, and, with investments in renewable energy, to consolidate our position as the second national player in the energy sector.

This will require a strong acceleration of investments, which will be tripled compared to 2019 and will be almost entirely in line with the UN SDGs.

To make these major investments possible, a huge simplification – which I stress; we remove bottlenecks. If you look at the investments per player, where there are three players (Networks, Waste and Energy), you will see that they are all feasible investment targets, when the Company gets organised with the necessary human capital. We have tailwind financing conditions, as Andrea said earlier, very low interest rates, the lowest ever, with a long horizon and a world that is moving in the direction of the circular economy and energy transition and makes this our moment. This is the moment when we have to hit the ground running, when we can take A2A and go and place it in another league. That is what we will do.

EBITDA growth of 8% plus per year is not, as Andrea said, a back-ended plan, we put our face to it now. Over the next two years, the growth is 7.5%, maintaining a strong investment grade capital profile, which is typical for a Company with our shareholder base, for which we are working.

I would close with this and move on to the questions.

## **Fourth part: Q&A Session**

**IR:**

This is the space for questions from financial analysts. Please ask the Chorus Call operator to proceed.

**Operator:**

The first question is from Enrico Bartoli, from Stifel. Go ahead.

**Enrico Bartoli:**

Good morning to all. Thank you for the presentation. A few questions on my part.

First of all, I was wondering, on the growth in renewable energy, if you can give us the view on the level of confidence you have on the targets of the Plan, considering that it is known that in the Italian market there are delays and difficulties, from the point of view of permitting and authorisations, and if there are discussions underway, at political level and with the Authority, to determine an acceleration and a simplification of this trend.

Then I was wondering, since you have high-growth targets anyway, if you could elaborate a little bit on the level of expertise and preparedness of the Company to handle a lot of investments in renewable energy, and then their operations, such as you have included in the Plan.

A second question concerns the water business. You have very significant investment and EBITDA growth targets. I was wondering if those targets relate to the scope of the assets you currently have, if you have also included M&A in that growth, and if, possibly, there will be the possibility, over the course of the Plan, of integrating the water business with the Milan water activities, i.e. Metropolitane Milanesi.

A third question is for the CFO, if he can give us some indication of the development of debt, particularly in the short term and the development of investments. You anticipated that there will be a strong acceleration of investments, so how do we see the debt evolving between now and 2022 and then 2026? And an indication of the CapEx profile you expect.

**Renato Mazzoncini:**

I would start by answering the first two questions.

With regard to the growth of renewable energy sources, once again we are clearly within a very important mainstream because Italy, like the whole of Europe, has set itself a target of reaching 55% of electricity produced from renewables by 2030. Today we have a 9% share of the country's electricity production market and our objective is basically to invest in new sources, in the new mix, in order to maintain this position. To do this, there is clearly the issue of permitting and the slowness with which our country is moving, which is obvious to everyone, not only to us, but also to the political decision-makers who have already begun to think about it in the first Simplification Decree, which we expect will be followed by others, on how to solve the problem of permitting, the problem of Conferenze di Servizi and the issues necessary to simplify the process.

We expect to be able to achieve this pipeline basically from a permitting point of view, for two reasons. The first is that we believe that, at a national level, an important debate has started on the need to accelerate renewable energy, so the answer is yes. There is an open debate that is seeing all operators like us pressing to say: "If we are to achieve this, we need to quadruple the speed of installation in Italy". On the other hand, A2A's decision to open up to the European market, which should not be overlooked, is a very important element. Our reasoning is: we want to get to that amount of production anyway and we do it in the markets that will give us that opportunity.

Obviously we will be very selective and cautious, as we always are, in our investments, but certainly the fact that we envisage 1 GigaWatt installation in other European countries is one of the elements that makes the Plan credible, in our opinion.

Skills are certainly needed, because today it is relatively easy to go and acquire new renewable energy sources that have already been installed, but basically we don't want to convert cash with EBITDA, with returns that can be interesting anyway, of 4-5%, we want to build greenfield plants that guarantee at least a 6-7% return on investment. To do this, you need the classic platform skills, i.e. to be able, for example, to set up the application for authorisation, identify the areas in which to develop, in terms of real estate, and so on.

To accelerate this process, we have decided to invest an amount, which in the Plan is around 300 million euros, in the acquisition of renewable development platforms. As you know, there are development platforms in Italy and Europe with pipelines already authorised, that may not have the resources to develop them, but have the engineering and administrative skills to do this strong acceleration. Our Plan, therefore, is not that we pull young people out of university, train them and in ten years' time we are ready to do the greenfield development platforms, but that we start with an acquisition of platforms so as to be ready, by 2022 at the latest, to start developing the greenfield part. This is certainly one of the central elements of the evaluations we have made.

As far as the water business sector is concerned, the big investment today is in our assets. As it pertains to water, the situation in Italy is very clear. Around 30 billion euros worth of investment is needed in the water sector, in all sectors, both in distribution and purification, and in intra-provincial and intra-regional investment. Basically, we lack a national water network, we lack a widespread purification network and we have 47% network leaks. Therefore, we have a situation in which the estimate of total investments within the water cycle is really very important, and ARERA, having regulated the remuneration of all phases of the cycle, has created the conditions for significant investments in the water cycle today.

We all know that there is an issue linked to a political theme, on the investments of private companies in the water sector, so much so that here we have planned to invest in our networks, on which we have concessions that go beyond 2030, but we are very determined – we also did it in Cernobbio in September – to reopen the debate on the need for private investments to go alongside public investments, in order to be able to make the necessary investments to ensure that the water resource will not be a problem in the coming years in Italy, but an opportunity. Just think how much investment will be needed in Central and Southern Italy. I repeat that we are talking not only about local distribution but also about large-scale water supplies. Think of a situation like the one we have in the South, with Apulia in dire need of water, Campania that has it in abundance, and lacking the infrastructure to connect these regions, just as there is no infrastructure between Milan and Brianza.

This is a very important issue, on which we are beginning to play our part on the downstream side. We have started to open a debate also with the Lombardy

Region on the possibility that, thanks to the availability of waste-to-energy plants that we have in the region, we can help the entire water cycle sector to close the issue of purification and sewage sludge management, which are becoming more and more of a problem, within the scope of our competences and activities.

It is a business that remains relatively small within our Group to date. You can see that in 2030 we have imagined an EBITDA of 155 million euros, compared to overall 2.5 billion euros, but you can be sure that whatever opportunities may arise on the water business front, we will seize them and push for more regulatory space for private operators within this sector.

Please, Andrea.

**Andrea Crenna:**

Enrico, the CapEx is expected to double on average, compared to what we did in the last year. When I talk about the CapEx, I am of course referring only to organic CapEx, so excluding all M&A. From 700 million this year, we expect it to average around 1.4 billion. In 2021 we will have a little less than this 1.4 billion, about 1.1 to 1.2 billion, and there will be years, as early as 2022 and especially in 2023, when it could be a hundred million more.

Then, of course, there is the CapEx part, i.e. the investments made for the M&A operation, which, if we think in terms of cash outflows and therefore debt evolution, add to this average 1.4 billion. We anticipate about a little over 2 billion, 2.250 billion, of M&A activity, spread over the decade. The singularly most important part relates to the hypotheses we have made regarding the acquisition of treatment plants abroad, which we have hypothesised in partnership with partners. However, these plants are expected in the second part of the Plan, i.e. from 2025 onwards.

So how will the leverage evolve? We will finish 2020, I think, between 2.9x and 3x, we clearly expect, given the investments, an increase, we are not expected to reach the peak point, which is the 3.5x we referred to earlier, in the first years of the Plan. We expect this peak to be reached around 2026.

**Operator:**

The next question is from Javier Suarez of Mediobanca. Go ahead.

**Javier Suarez:**

Good morning everyone and thank you very much for the presentation. I have three questions.

The first one is on the Plan assumptions in the generation business, because looking at your slide number 46, the assumption is a fairly high PUN price, I see a baseload PUN of 74.8 in 2030. The question is: don't you think that in a scenario where there is a strong development of renewable energy sources – not only by you, but from a systemic point of view – this should happen together with a major reduction in the price of electricity? Don't you see that perhaps the opposite can happen, i.e. that the PUN price falls and does not rise during the duration of the Plan? In that scenario, I was wondering if you could give us some kind of sensitivity analysis of what happens on your Business Plan or financial forecast, i.e. if the price of electricity just stays where it is, at 50, instead of going to 74-75.

The second question is about business supply. The customer business is doubling, when A2A has been trying to grow in the supply business for a few years. The question is whether you don't think it is too aggressive to double the number of customers in this period of time, and what are the levers you will use, different from those used so far, to achieve that goal.

The third question is from a strategic point of view. During the presentation, the management did not talk about A2A's role as a local utility consolidator, etc., and changed step to become a European player. In your Plan for 2030 how much of the EBITDA or net income are you assuming comes from this overseas business, and in which markets or which countries does the new management plan to do this?

Last question: in terms of management remuneration, can you give us details on which variable the performance delivery of management on this Plan will be assessed? Thank you very much.

**Renato Mazzoncini:**

Let's start with the assumption of PUN generation, which in the 2030 scenario is now over 70 euros per MegaWatt/h and is undoubtedly a high value. We introduced it not so much because we based our Plan, our Business Plan, on it, but as a kind of checkpoint. In fact, the big work we did to unify the two Business Units is like bottom-up work during the construction of the Plan. In constructing the Plan, we found ourselves with generation and the market, and therefore customers and

renewable generation, growing in parallel, and we realised that prudent assumptions led us to imagine, as I said during the presentation, the implementation of very effective internal PPAs mechanisms, but obviously considering price levels even at the end of the Plan significantly lower than the 74.8 euros per MegaWatt to which you referred.

When asked if the level will be at 50 euros instead of 74 euros, the answer is that in this case it will be perfectly in line with the predictions we have made. If, on the other hand, it is a little higher – fortunately for us and less fortunately for citizens and consumers – we will have a higher margin than in the Plan. The answer is that we have made far more conservative assumptions than the Forward curve scenarios.

As far as the growth in the number of customers is concerned, this is of course based on the end of the free market. The non-end of the free market is also one of the reasons why the major players have not grown significantly in recent years. What is it then that enables this growth? Basically two things. The first is the belief that the auctions will be done, to begin with. We are convinced that they will be done in 2022, but we are 100% sure that they will be done in the course of the Plan, I think you can imagine that too. They will be done with large packages, i.e. with packages of customers, to avoid sending customers to the 700 players that have emerged in Italy in the sale of energy in recent years. They will be done in packages that we imagine to be around 300,000 customers. The companies that will be able to access these packages are clearly not many.

We have assumed to arrive at a share market of about 15%, so not significantly different from what we have today and compared on the part that is free market. This is enabled by very significant investments in digitisation. NeN's experience is not trivial: it has shown that when you use new, digital channels there can be very important greenfield growth in customer numbers. NeN has just started, it has only been in existence for a few months and has already exceeded 30,000 customers. There are 30,000 new customers, only 5% from A2A, and they show that NeN's plan to reach 500,000 customers in the first five years is feasible. We have moved NeN and kept it within the new Energy Business Unit precisely so that this experience will benefit the entire Group, and the significant investments, around 300 million euros, planned in the digitalisation of the market, and, therefore of the

customer base, serve precisely to activate our multichannel sales capabilities in order to achieve this objective. So I think they are certainly possible goals.

On the subject of local utilities, the strategy of previous years was mainly based on this concept of aggregation. We have totally changed the logic here, which is not to say that if other multi-utilities come along and want to join our Group we will close the door to them, of course, we won't. There is definitely value in this synergy and integration, but that is not the main driver of development if you want to become a player of a different size. We want to consolidate our leadership in Italy on the circular economy and generation, but we want to start developing the capabilities we need to go to Europe.

We are scouting in a few countries, both for renewable energy and waste-to-energy plants. Basically, the goal with regard to waste is to export our capabilities about the waste-to-energy sector. In the Plan, we have assumed the acquisition of existing plants, therefore an M&A operation, not greenfield development of existing plants abroad, and we have assumed the acquisition of two plants for a total production of about 1-1.2 million tonnes, therefore, of the size of the plants we have here in Brescia or Acerra, with local minorities. So the idea is to move with local partners who will co-invest with us in a minority share and make the Plan viable. I could tell you that Spain is among the candidates, but we are still scouting there, so we will evaluate it.

At the end of the Plan, you can calculate the EBITDA abroad quite easily because we said that 25% of the renewable energy we do abroad, so 25% of that 580 million EBITDA on the renewable energy that you saw in the presentation. Two waste-to-energy plants of this size, with 1 million tonnes, again means around 20% of our production, so another 120-130 million EBITDA. The total EBITDA coming from abroad in 2030 will be just over 10% of EBITDA.

Above all, however, what we are doing is activating, and this brings me back to the very last question on management, a transversal development of skills to work in Europe as a domestic market. This cannot be done with an International Business Unit, which remains a kind of enclave within the Company, but it can be done by ensuring that all the managers in the Company and all the people who have skills that need to be fielded are able to work in an international environment. I have to say that I am strongly pro-European and I think that in order to build a strong Europe perhaps this occasion of the New Green Deal will be an important one. Companies

must first be in a position to be European companies. It is an operation that, as you may know, I have already carried out in Ferrovie, which in a short time has become a player in Europe as well, and I believe that there is this opportunity for A2A as well, because it has skills, starting with this leadership in the world of the circular economy and in the waste sector, which can absolutely match our European colleagues.

On the subject of management remuneration, today the Company, as you know, does not have an LTI, which is certainly an important tool when it comes to a ten-year Plan. We have, however, begun working with Mauro Ghilardi, Head of HR, on an important HR plan to support the development of the Business Plan: a ten-year plan that provides for a series of steps to develop skills, including obviously those necessary to move abroad, and including the reopening of a thought on LTI issues that can complement those already very well organised today, linked to MBOs, which are linked to all management, and today all aimed basically at two elements, EBITDA and investments. In this Plan, especially in the first years, investments are key, in the sense that the possibility of having the EBITDA growth that we have assumed already from 2022 onwards passes through the fact of grounding these investments. Investments are therefore, and already were, central to management compensation mechanisms, and will be even more so when, with our Remuneration and Appointments Board Committee, we reopen the issue of LTIs.

**Operator:**

The next question is from Stefano Gamberini, of Equita SIM. Go ahead.

**Stefano Gamberini:**

Good morning, everyone. I too have some questions.

The first is investment visibility from now until 2026: we have 1 billion investment in the Energy Business Unit in 2021 and 2022, and I see 2.7 in 2023-26. I was wondering what visibility we have on these. I see that we have about 2 GigaWatts of new renewable capacity in 2026: I ask you if you can tell us at least what the backlog is that we have today, if you tell us where we start from as a backlog; above all, when you point out these investments to 300 million euros to purchase platforms, if these already have more or less a name and surname and if we can see them in this first period, to give visibility to the EBITDA of 2026.

The second thing I wanted to understand is the assumption you have made in terms of tenders for hydroelectric concessions, so what do you think will happen from that point of view. Possible EBITDA that could be lost in those concessions on the already expired concessions and what assumptions have you made in terms of increased investments for tenders from this point of view.

Going back to the sensitivity on the energy price, 10 euros per MegaWatt/h, or tell us in the gas sector what a sensitivity might be, what impact they have on EBITDA and especially on your investment choices. If I'm not wrong, a large part of these investments are linked to sector trend, so having certain returns that you point out as being largely, 30% of the investments, contracted, but I think they are still linked to the trend of the price of energy, I'm asking if you can tell us how this investment choice will vary.

The last thing also in the waste sector, where will strong growth come from in 2026, what is the main risk we can see. My issue is still the change in regulation that the Regulator is expected to introduce in 2021: I ask if you are reasonably sure that this will not bring a change also for existing plants, but that application of the return to RAB, namely with a return on new investment, will only be on new plants, i.e. that there is no risk also on existing plants. Thank you very much.

**Renato Mazzoncini:**

Let's start with the first question. The 2021-26 investments in renewable energy sources are 1 billion on photovoltaic, 800 million on wind, 400 million euros on platforms and, as mentioned before, 12% M&A. At the moment, we have a number of open files, some of which you are probably aware of, on some installations of a certain size, i.e. a few hundred MegaWatts. As I said, however, the main objective is to achieve organic, greenfield developments, starting from the platforms.

The platforms don't yet have a first and last name, but the study we did to decide on the strategy was quite important: we analysed in detail the pipeline that could come from participating in beauty contests or tenders for the acquisition of existing plants, including re-powering activities and so on, as well as the speed and profitability that we could have in the course of the Plan, and the alternative of acquisition through platforms. Acquisition through platforms was considered the right strategy: a) because we have seen that there are several platforms that can

potentially be acquired, but on which I cannot give you any indication today; b) because they are actually a middle ground; in fact if you are able to do pure greenfield by starting without even acquiring the platforms, the profitability may be even higher, but it is a good middle ground to move up the renewable energy value chain. We have therefore assumed, I repeat, 1 billion in photovoltaic energy and 0.8 billion in wind power starting from the acquisition of these platforms and from M&A. In the next two years we will certainly go ahead, as we are already doing, with M&A acquisitions by participating in several beauty contests and in some situations also in some one-to-ones. In the meantime, we are selecting the platforms with which to open deals in order to achieve closing and acquisition.

With regard to the issue of hydroelectric tenders, today we have assumed a substantial continuity of management throughout the Plan. Bear in mind that, of the four hydroelectric groups of plants we have, three expire in 2029, therefore, at the end of this Plan. Valtellina is currently the one under discussion because the Lombardy Region is ahead of the others in terms of possible development, but we are also confident from the discussions we are having at all levels, including administrative levels. First of all, you know very well that there are laws in the combined provisions of national and regional legislation that need to be clarified, but in reality we are convinced that the objectives being set by the Lombardy Region, the only one on which there is a focus, are twofold: on the one hand, the increase in fees, which we have provided for in the Plan. In the profitability of hydropower, therefore, we have already discounted the expected increase in fees from the already approved law provisions; on the other hand an increase investments which are now in stand-by because of the law uncertainty that has been created. During the course of the Plan, we have foreseen important investments on these plants with CapEx of about 300 million euros, which would enable us to continue operating them and I do not exclude the possibility of project financing.

We are now considering how best to present ourselves, but we take into account a continuity of management, with three of four basins expiring in 2029, 300 million CapEx and an increase in CapEx of 10 million euros in 2021 compared to 2020.

On the other hand, with regard to the issue of waste-to-energy regulation, I have spoken personally with the Chairman of ARERA, pointing out to him what has also been confirmed to me as being his position: it is not in ARERA's interest to

regulate markets where they work well, so we expect, and this is what we have provided for in the Plan, asymmetric regulation in Italy, which will maintain the current market structure of waste-to-energy in Lombardy in particular, while regulation will act as an enabler of investments in Central and Southern Italy. So much so that, as Andrea told you earlier, the investments in waste-to-energy, which we have planned in Central and Southern Italy, are with a view to regulation, which we obviously view favourably in those cases. On the other hand, we have not foreseen a reduction in the margins of our waste-to-energy because, since the market is working perfectly, we believe that ARERA has no interest in regulating it.

As far as sensitivity is concerned, I will hand over to Andrea.

**Andrea Crenna:**

Stefano, I'm replying to you by referring to 2030 and bearing in mind that there is obviously a correlation between PUN and gas, so the numbers I'm giving now still assume the correlation PUN and gas, it's not a sensitivity to the variation of 1 or 10 euros per MegaWatt/h in the PUN assuming that gas is fully correlated. Attention: keep in mind, 1 euro decrease in the PUN is worth about 23-24 million, so 10 euros should be multiplied by 10. It depends, of course, on the development of expected productions and its mix, i.e. between baseload renewable energy sources, i.e., solar, hydro and thermoelectric production. This number of 24 million or so naturally assumes zero hedging, either the hedging activity that is realistically possible to do from one year to the next using derivative instruments - i.e. the hedges offered by the market - or more importantly it assumes zero hedging through natural hedging - i.e. the development of PPAs or how much we will be able to hedge by selling this energy produced to our customer base, as we explained earlier.

I would like to take advantage of this, extending the scope of the question but anticipating what could be a curiosity on the subject of sensitivities, because it has already emerged in the past, on the assumptions we have made on the maintenance of margins, of retail, particularly on the fact that we have assumed this 3% year-on-year decrease. A 1% change in unit margins on raw materials, again in 2030, is worth around 6 million euros, so you can flex your assumptions on the profitability of the retail portfolio by bearing in mind that a 1% loss in unit margin is worth around 6 million euros.

**Stefano Gamberini:**

Can I just ask you for a brief follow-up on this? If 1 euro is worth 23 million, if I had done it in 2020 or 2021 I have an idea of having about 5 TeraWatt/h between hydro and waste-to-energy, which are sensitive to the price of energy, so I would get a calculation of about 5-7 million euros for every euro change in the price of energy, even with a change in the price of gas. Is this correct? So there is a sensitivity that goes up so much. At this point I would like to ask if you could also tell us in 2026 what this sensitivity would be.

**Andrea Crenna:**

Yes, it's correct. Today it is actually not correct because we are hedged. It is correct if you assume that we were hedged zero but, since today, I mean in 2021, we are hedged, this sensitivity does not leverage 100% of production but only the non-hedged portion. I would like to take this opportunity to say that today, in 2021, we are hedged for about 50% of the expected production.

The reasoning is correct, today we are less exposed in terms of volumes, so the sensitivity is about 5 million. In 2026 it will be around ten million.

**Operator:**

The next question is from Emanuele Oggioni, of Banca Akros. Go ahead.

**Emanuele Oggioni:**

Good morning everyone and thank you for the excellent presentation. I have a number of questions.

The first concerns whether you can give more details regarding the projects that may be linked to funding or even grants from the Next Generation EU, in addition to Cassano d'Adda, which you have already mentioned, even if there are other projects that I imagine are also linked to the green hydrogen sector, rather than which projects or timeframes. If you can add more details in this regard.

The second question concerns cash distribution and gas tenders. I understand that you have rightly excluded CapEx, gas tenders focuses, from the new Plan compared to previous Plans. I would like to understand whether this is primarily a strategic choice, in the sense that in the event of a future, albeit potential unblocking of legislation to resume gas tenders in Italy, you would not be interested

under no circumstance, or whether it could represent additional CapEx and an additional upside for you.

A third question is more about the short term. In 2020, we saw EBITDA around 40 million euros higher than the consensus, and even higher in 2021, but the year-on-year growth is apparently around 20 million euros, at the beginning, despite the fact that there should be a contribution of more than 30-35 million euros from the consolidation of AEB, plus a scenario of electricity prices, at least in this first part of the year, with a very strong year-on-year recovery, which can therefore allow you to increase margins on electricity generation. I would like to have more details for this seemingly conservative 2021 variation target over 2020. Thank you.

**Renato Mazzoncini:**

On the funding side, we have submitted projects worth 3.156 billion euros under the Recovery. It happened that when, at the end of July, early August, we were asked to put together projects to be presented within the Recovery framework by October 15, also coordinated with Utilitalia, we presented the projects we had in our pipeline. When the whole of Europe was asked to present projects to populate the enormous investments of the Recovery within a very few months, I imagine that the only solution they all adopted was to pull out of the drawers the projects that had already been studied in detail and could be presented.

Within this 3 billion we find the District heating project in Lombardy, worth about 630 million in total CapEx and including the Cassano project. Other important things that we have included are about 1 billion related to the upgrading of combined gas cycles for the conversion of coal and fuel oil plants, therefore, the projects that we have in our subsidiary A2A Energie Future. 1 billion in the waste precisely because new waste-to-energy facilities could be financed within the Recovery. If the Recovery wants to accelerate the circular economy and we want to reduce the costs of delivery, so ultimately the Tari to our citizens, the only action is to co-finance with rents both WtE and WtM treatment plants, so that we can guarantee lower delivery prices, which are passed on back-to-back to citizens. We also presented smaller projects, 30 million euros for new charging points for the development of electric mobility.

Let's say that there have been many projects, at the moment it is not clear to us as well as to you how this money will be distributed, we expect that there will be

auctions, we are ready because we have the confidence that a lot of the money that is foreseen for Italy is within our sectors.

As far as gas tenders are concerned, it is quite easy to see that the Plan is not based on the development of the gas network. However, the gas network is a key network for the energy transition in the coming years, both in terms of urban distribution and combined gas cycles for thermal production. We envisage investments in the gas sector that are basically maintenance investments, so we have not assumed within this Plan any development through gas tenders, which could be potential upside. I don't rule out the possibility that, if there are tenders that provide good profitability in the areas where we operate, we will decide to participate, partly because we believe there is great value in the synergistic design of electricity and gas networks within the same areas. Let's think about Milan: we manage both networks and it is clear that in terms of energy transition we need to electrify consumption, but it is equally clear that the use of gas in the coming years is unavoidable. In fact, we have just won the gas tender for the next twelve years with around half a billion euro of investments. Smart investing means that where we can push electrification more, we will invest less in gas, and vice versa. The fact that we have a single player means that we do not have to send in "silly competition" two networks with the same objective, that of guaranteeing energy for our citizens.

It's true that we're closing it better on 2020, we've had more hydropower, on the other hand it's always raining and even now it's raining. Every time it rains, we "party" because we recharge the batteries of our hydroelectric plant for free. The last two months of the year have been quite extraordinary. Logically, for 2021, we assumed the average of the last ten years as hydropower, i.e. we did what any good family man would do in a budget. Let's see, now it has started raining again, let's see how it will go this year.

It's a COVID year, there's no point in hiding the fact that, even if you can never tell what colour zone we're in, we're still definitely in the middle of a pandemic for a few more months. We have shown with the numbers in 2020, I think, that we have extraordinary resilience, but from a budget perspective in terms of at least EBITDA, we felt it was right to be a little bit prudent.

Having said that, the big challenge for 2021, I think, is investment: 1.250 billion investment compared to 700 million this year is important. Take into account that this year we beat last year's investments, which were A2A's record investments,

by having two and a half months of real lockdown with our suppliers and factories stopped. When we look at the monthly investments for the second half of the year, we are confident that we will be able to maintain this growth curve and make the important investments we forecast in 2021, which, moreover, are those that enable, for example, returning to gas, the investments covered by the Capacity Market - the auctions that we won - and that must be deployed as early as 2022.

**Operator:**

The next question is from Antonella Bianchessi of Citi. Go ahead.

**Antonella Bianchessi:**

Good morning. I have a more general question. You have a lot of quite particular investments, very specific to your reality. What kind of assumptions have you made about return on investment? Is it more profitable to invest in waste or in district heating, for example, or in wastewater recovery? What are the projects that require greater investments?

The second question is about capital allocation. On international expansion in renewable energy, you expect a return of 7-8%: if this does not materialise, will you continue to proceed with these investments or how will you reallocate the capital?

Finally, I was looking at the assumptions about EBITDA growth taking into account the development CapEx: there is an implicit assumption of a return on investment of around 10%. Is this correct? Is this in line with your assumptions?

If I may, can you give some timing on when the Cassano district heating project will start and, on the wastewater issue, when we will see the first impacts in the income statement?

**Andrea Crenna:**

Antonella, I will address the first part on expected capital returns. Obviously we have differentiated assumptions depending on the investments, the regulated ones have a regulatory return, and then we estimate the expected returns, the WACCs, applying the methodology that you also apply: the higher the risk profile as expressed by the unlevered betas that we calculate by taking groups of reference companies, the higher the return we expect from the capital. I think I mentioned in

the initial part of my presentation that if we look at the overall WACC of the Company, which we get for our analysis, it is not very different from what you analysts use in your models.

Of course, there is a whole continuum which, starting from the regulated assets increases along with the expected risk profile. So there are lines of development of investments foreseen in the Plan but also of investments already made in the past, which have returns expected at the time we make the investment, and, at least up to now, real, therefore after having made the investment, better than the rate we expected. Some of these, I think it is no mystery, have been good investments. Typically, in recent years at least, investments in the waste sector have been good investments. They are good because A2A had, and I believe it should be credited with, the vision that investing in the circular economy, when it was perhaps not yet so extensively called the circular economy, was strategically interesting because the country was experiencing a capacity deficit. We have seen, as has been reported every time in the quarterly reporting, increasing waste treatment prices, so we have had a very good performance. In some cases, not all, even more than 10%.

What are we planning now? As I said before, we have an overall WACC not too different from the one you use, and we have separate WACCs. In the Plan numbers we have included returns above the WACC. I don't want to copy the statements made by operators in the sector, who are much more important and structured than we are, but we too, in our own small way, have targets and results that exceed our WACC by a few percentage points. That's what we did in the planning. Certainly, the IRR that we foresee in the development of renewable energy sources, both solar and wind, in Italy and abroad, incentivised and in grid parity, have yields, at this moment foreseen in the Plan, obviously higher than the WACC that we expect and clearly lower than 10%. It would be unrealistic at this time to assume such returns, so we don't have them.

What happens if expected returns change? Will we change our assumptions? I would say Yes by definition, in the sense that this is the Plan today, these are the expected returns, the investments we are making are Thank God delivering the returns we are expecting. It is quite tautological to say that if yields fall below our cost of capital, we will revise the Plan. I can't imagine a scenario where we make significant investments below the cost of capital, it seems obvious to me of course.

When will the Cassano project get off the ground? Investments are planned in the second half of the Plan and we have the beginning of profitability, i.e. the contribution to Plan profitability, in 2029-30. I can't remember the year, but I do remember the number: 15 million EBITDA. Cassano is a fundamental project, very important as an infrastructure, very important for the targets, which Renato mentioned, of contribution to the reduction of CO2 and the Milan Goals, very important for A2A in the future, quite small in terms of contribution to EBITDA and, therefore, to the success of our business play over the Plan period. It is obviously a time-consuming project to deploy, we need to build 35 kilometres of network and of course revamp the power station.

I don't know if I have answered all the questions.

**Renato Mazzoncini:**

I would only add the fact that Cassano is a good example to understand why we make a ten-year Plan. When you have such long-term infrastructure projects, to measure them in a five-year horizon is frankly beyond me. The Cassano project starts immediately, I'm going by memory so I could get the numbers wrong: we have 16 million investment in 2021, 130-140 per year already from 2022 onwards. The first ones are obviously on the design side, but the assumption is that investments will start as early as 2022-23. Obviously, since a 35-km-long pipe that crosses several municipalities has to be pulled, it is a regional project, so much so that there is also support from the Region, with its own complications. Development is assumed with first profitability in 2026, then CapEx coming down heavily already by 2024 and EBITDA being generated in 2026. As Andrea rightly says, we are talking about a total EBITDA, district heating to date, to 2030, is 190 million euros and of this Cassano will contribute 20-30 million. It is very important because it is a demonstration of how sector coupling works in this case. Earlier I was talking about the synergy between electricity and gas networks: electricity, gas and district heating networks together can make the whole building part perform extremely efficiently in terms of de-carbonising the Milan Goals.

The last thing Andrea may not have said is that if there is a reduction in renewable energy, and I would like to go back to some of the questions I asked earlier, i.e. if our country cannot keep up the pace it needs to keep up in order to reach 55% renewable energy by 2030, it means that we will have to continue

producing energy with traditional plants, on which we are obviously very strong today. We therefore find ourselves with a natural hedging between these two sources. Obviously, we are pushing and we will do everything to make the shift happen, but it is clear that we are also in the fortunate position, compared to those whose only pipeline is renewable energy, of having an energy mix that, if there is a slowdown in those investments, will keep the value of other sources high, starting with hydroelectric but also a lot of thermoelectric

**Operator:**

The next question is from Davide Candela of Intesa Sanpaolo. Go ahead.

**Davide Candela:**

Good morning and thank you very much for the presentation, very well done. I have three questions.

The first is a follow-up on the Recovery Fund. What I am interested in understanding is how the projects will be remunerated in case of co-financing, for example referring to the Cassano d'Adda project; what can be the contribution in terms of funding, i.e. the potential to access funds at a low cost; whether this is consequently linked to a potential reduction in the cost of debt.

Still on the subject of funding, I'd like to understand whether you intend to issue instruments such as green bonds or hybrid instruments during the Plan period, linked to those refinancing needs that you mentioned in the slides.

The second question is related to the topic of renewable energy. Again, given the large capacity development, what I wanted to understand is in terms of the M&A, at what level are the multiples that you have assumed and whether in the future, assuming an increase in competitiveness, you see a risk of upward pressure on M&A prices in this area.

The last question on e-mobility. I am interested in understanding what the state of readiness of the network is today in terms of electric charging, whether there is widespread use of electric cars nowadays, and whether this could be remunerated RAB in the future, not only the part of the local electricity distribution network but also that of the charging infrastructure. Thank you.

**Renato Mazzoncini:**

I'll answer the part about Cassano and e-mobility, then I'll let Andrea speak about green bonds and multiples.

The Cassano project works in this way. It was already studied in 2015, district heating is market-based, you have to keep in mind that it is market-based, with one particularity that you do not miss: that the churn of district heating customers is negligible, it is almost homeopathic. When a district heating network is built, this network, by emptying buildings of traditional systems, effectively creates this very low churn. However, it has to be competitive against other sources, so if we build a district heating plant that brings heat into the home at a higher or significantly higher price than you can get from an ordinary gas boiler, at this point we are not competitive and we cannot develop it. At the time, when the Cassano project was studied, the profitability of the 500 million euros investment required took the heat we were bringing to Milan with the network out of the market. From the outset, therefore, the need was identified for a grant that would reduce the amount of capital to be remunerated, i.e. a non-repayable loan. The analysis we have done says that if there is at least 200 million euros of funding coming from the Recovery, this increases the return on capital in the Business Plan and makes district heating competitive. Then it starts and develops. This quite classic mechanism of the projects we have foreseen in the Recovery, i.e. if there are grants assisting our projects, this translates for the citizen in a reduction of his costs, be it waste, heat or other, and in some cases, as in the case of Cassano, it enables the possibility to make the investment.

As far as the e-mobility part is concerned, we are interested in both the CPO (Charge Point Operator) and the MSP (Mobility Service Provider) part. At present, these two worlds are interlinked and I personally think this is a mistake. We have to think from the point of view that the MSP has its own customer base and works in an interoperable way with any CPO, therefore any column, which must be interoperable. The problem is that, to date, there is still no remuneration model in Europe that works on the columns, so much so that the target for 2030 is 3 million columns while, to date, little more than 100,000 have been developed, in Italy 12,000. So the problem is serious and it is a problem at the whole European level.

My very personal opinion, which I have also discussed at various ministerial levels with the authorities, is that at least in the metropolitan area, where it is clear

that we are in a situation of market failure, the solution is to remunerate the CPO's investments by linking them to those of the distributor. The thing that is being underestimated is that the problem is not the column, which is a small investment, if you like, the problem is the investment in the electricity grid infrastructure that enables the possibility of having 100 or 200 MegaWatts of power at that point in the city to enable those columns.

So I see a lot of synergy between DSOs and CPOs, while I see a necessary separation between CPOs and MSPs. To sum up, I believe that the business model is widely to be studied and we want to contribute to this study. We are also doing this at European level, participating in the tables that are being set up at European level on the new green mobility, which is certainly one of the important elements. Bear in mind that today 28% of CO2 emissions is related to mobility, so it is clear that the climate change targets we want to achieve will never be achieved if we do not find working models on electric mobility.

**Andrea Crenna:**

On funding, we will certainly issue green bonds, sustainable bonds, we saw earlier that 90% of investments are SDGs, 70% will be in European taxonomy. A2A has already issued a green bond, we've done perhaps the first line in Italy linked to two indices and an ESG rating, so it's obviously a line that we will pursue to the fullest extent possible.

The hybrid is not foreseen in the Plan, the whole Plan has been assumed with recourse to normal senior, unsecured debt. The debt coverage ratios that we outlined earlier and that we have planned for, we believe, will allow us to maintain our rating with Standard and Poor's and Moody's, with whom we will have discussions to present the Plan in the coming days. We planned within the limits they gave us, so we are confident. I don't rule out the possibility of a hybrid if it would be useful or help us in some way to accelerate, so in an earlier roll-out of investments, because we have opportunities earlier than when we are imagining them, so being able to have a debt curve that rises faster than we have assumed. The hybrid could be an instrument. Today, the costs are really low even for such instruments, the legal and fiscal framework, so everything around the issue of hybrids, is much safer than it was years ago. It is therefore not foreseen in the Plan, but we do not exclude that it can be done.

On the subject of multiples, I would say that the answer is a corollary or another way of looking at the answer I just gave on expected returns. I do not think it is appropriate here to make a precise split of the multiples we have provided for the purchase of renewable energy, for waste-to-energy plants abroad, or other activities. Of course, when we make acquisitions we compare ourselves to the market, so if renewable energy goes eight or ten times higher, more or less the multiples will be those. Equally certain is that we are well aware that any investment we make must have the appropriate return on capital, depending on the specific risk of the investment. I have said this before and this is what has been done. I have to say that in the past we have been very careful at the multiple and then at the return, perhaps to the point where we have missed some opportunities, perhaps someone was more generous than A2A at some stages.

I think I have answered the two pending questions.

**IR:**

We have run out of time for questions from analysts. Thank you very much for your time and attention. Investor Relations is available for further information, and we will also answer questions received on the web platform.

From all of us, regards and see you soon.