



PRESS RELEASE

Milan, 19th March 2020 – The A2A Group has developed its new 2020-2024 Strategic Plan, which represents an evolution of the TEC Plan approved last year, with a renewed focus on sustainability actions and targets.

The new Plan was, in fact, designed starting from the definition of challenging ESG objectives for each business unit, set out within three main sustainability spheres:

- *Climate Action*: our long-term vision is aimed at decarbonizing, targeting the phase-out of oil and coal plants by 2025, with a tangible commitment to supporting the energy transition through the development of new renewable sources and solutions to improve flexibility and adequacy of the electricity system;
- *Circular Economy*: our mission is to make concrete the recovery of materials and energy in the areas where we operate according to the best waste management standards and the management of the integrated water cycle;
- *Smart Solutions*: our model is based on the digitalization of services and the adoption of innovative and cutting-edge technological solutions to support, in particular, energy efficiency and the electrification of consumption.

In each of these spheres, we identified challenging objectives to be achieved by 2024, but we also set out a longer-term development path that reaches 2030.

In particular, the Plan accelerates significantly along four lines:

- **+ RES**: Further expansion in renewables, through M&A and greenfield developments, reaching 500 MW by 2024 and with a growth target of >1.5 GW by 2030, to reach a 40% share of renewable energy in the A2A generation portfolio. Investments of over 600 million euros have been planned for this goal;
- **+ Customers**: the Plan foresees a new, more ambitious role for the A2A of the future, participating in a national and no longer local market, reaching a share of 10% following the complete liberalization of the market in 2022. Moreover, a new company has been set up and will shortly launch a new fully accessible online platform with the aim of acquiring 500 thousand fully digital customers in five years;
- **+ Recycle**: in the context of an inefficient and fragmented waste market, A2A aims to become a leader in material recovery, with 12 new municipal solid waste (MSW) treatment plants, of which nine have already received authorization;
- **+ Resilient electrical networks**: rebalancing the mix between gas and electricity in the distribution segment, with an increase in RAB by 2024 (+299 million euros in electricity grids, +61 million euros in gas), and with an improvement in the network's resilience through the installation of 2G smart meters (96% by 2024) and the development of infrastructure for electric mobility.



The ordinary EBITDA is expected to grow by 434 €M to reach 1,626 €M by 2024, with growth distributed among all the different A2A business units.

In particular:

- Market BU + 142 €M, driven by the expected growth of the customer base thanks also to the complete liberalization of the markets starting from 2022;
- Generation BU +125 €M, mainly supported by renewables and capacity market auctions;
- Waste BU +105 €M, driven by the positive contribution provided by the new treatment plants under construction;
- Networks BU + 51 €M, whose main growth driver is attributable to the increase in the integrated water cycle tariffs and the commercial development of the heat sector.

Total investments amount to approximately 4.5 €B in five years, of which around 0.6 €B related to development in the RES segment.

In the same way as in the previous Strategic Plans, the Plan includes neither potential M&A transactions (excluding those relating to renewables) nor the effects of future local aggregations.

To date, however, one local aggregation is at an advanced stage of development (incremental EBITDA of 35 €M) and another is at an advanced stage of analysis.

The Plan confirms A2A's focus on a balanced capital structure: despite the growing investments and the increase in dividends, the Plan is expected to self-finance all the ordinary development (generation of financial flows 0.23 €B) in the five-year period and needs cash just to finance the acquisitions.

The net financial position in 2024 should therefore grow by 0.6 €B compared to 2019 (from 3.15 €B to 3.77 €B), but with a reduction in the NFP / EBITDA ratio up to 2.3x by 2024 (from 2.6x in 2019), thanks to the growth in operating profitability.

The new Plan confirms last year's growing dividend policy. The dividend is expected to increase from 7.75 €c per share in 2019 to 8.00 €c in 2020, confirming the proposal for an average annual minimum dividend growth of 5% from 2021 to 2024.

The Board of Directors of the A2A Group has examined and approved the Strategic Plan 2020-2024. However, the Board has taken note that i) the renewal of governance envisaged with the forthcoming shareholders' meeting could significantly change the composition of the Board itself, and ii) the Strategic Plan was drawn up before the Covid-19 health emergency; although the company has carried out sensitivity analysis on the effects of the epidemic, and the first measures to contain the possible effects in the current year have been identified, the great uncertainty of the current global macroeconomic context will certainly require further and more detailed analysis in the coming months.

For both reasons, the Board of Directors considers it useful that this Plan is submitted to the attention of the incoming Board of Directors for any changes, additions, updates.



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