Update of the A2A 2021-2030 Strategic Plan

Industrial, economic and environmental objectives
of the first 2021-2030 ten-year Plan confirmed

Diversified and integrated businesses ensure the financial solidity to the Group

A2A's contribution to the country's decarbonization continues thanks to a differentiated portfolio of renewable plants, bioenergy and circular economy

- 16 billion euros in investments over 10 years (3.5 billion euros already invested in 2021-2022) of which:
  - ~5 billion euros for the Circular Economy
  - ~11 billion euros for the Energy Transition
- Over 80% of projects planned by 2026 already completed and in progress
- ~85% of investments in line with the UN Sustainable Development Goals (SDGs)
- ~65% of investments in line with EU Taxonomy
- EBITDA of ~2.6 billion euros at the end of the Plan, with an average yearly growth rate of 7% within the plan period
- ~13 TWh of green energy and energy recovery produced at 2030
- Over 40% of margins at 2030 generated from low-volatility assets
- FFO/Net Debt above 23% already from 2025

"During the first two years, the Group has demonstrated its ability to implement the Plan presented in January 2021. We have been able to achieve planned objectives in advance, by building infrastructures and industrial plants, through internal growth and seizing acquisition opportunities" - comments Renato Mazzoncini, CEO of A2A - "2022 has been characterized by a complex geopolitical and economic situation and a volatile energy scenario: in the light of this context, we have decided to update our Plan to continue guaranteeing the Group's solidity and face the upcoming challenges. Investments have been updated, prioritizing organic growth in the domestic market and confirming Circular Economy and Energy Transition as pillars of A2A's strategy."

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Milan, 22nd November 2022** – The Board of Directors of A2A, chaired by **Marco Patuano**, examined and approved the update of the **2021-2030 Strategic Plan**, which renews the Group's commitment to decarbonization, in advance of EU targets.

The 2021-2030 Plan update confirms **Circular Economy** and **Energy Transition** as pillars of A2A's strategy, to which all the Business Units (Energy, Waste and Smart Infrastructures[1]) contribute**.** Unchanged investment objectives of the first ten-year Plan presented in January 2021, with a remodulation focused on the development of **distinctive businesses** in the **domestic market** mainly through **organic growth**.

Results achieved and beyond expectations in the first two years of the Plan

In the first two years of the ten-year Plan, investments in infrastructures nationwide reached **3.5 billion euros**.

As part of the **Circular Economy**, the Group finalized strategic investments in plants for the treatment of organic waste and agro-food by-products (Lacchiarella and Cavaglià with a production capacity of about 13 Mcm of biomethane), for the treatment of sludge (Corteolona with a treatment capacity of 55 kt), for water purification (Gavardo, Alfianello and Val Trompia with a treatment capacity of around 130 thousand inhabitants equivalent) and in the conversion of the Biofor plant (capacity of about 5 Mcm of biomethane). In the M&A area, two significant transactions were finalized. In the industrial waste sector, the acquisition of TecnoA, a leading company in central and southern Italy, whose plant hub has a treatment capacity of about 300 kt/year of waste destined to energy recovery. In heat recovery, the acquisition of Sea Energia, a company that supplies electric and thermal energy to the Milan Linate and Milan Malpensa airports, with the aim of fostering their decarbonization process.

To support the **Energy Transition**, in the first phase of the Plan's implementation, the Group acquired green generation plants with a nominal power of 436 MW through two significant acquisitions: the Octopus portfolio, exclusively photovoltaic of 173 MW, and the Ardian wind and photovoltaic portfolios of 263 MW. These transactions have enabled the Group to become the fourth-ranked industrial player in the renewable energy sector in Italy.

During 2022, an additional **RES development platform** was acquired, with a pipeline of projects amounting to 800 MW, including the 30 MW Matarocco wind power plant, under construction.

[1] New denomination of BU Networks

In order to develop **new flexible energy** to support renewables, the Chivasso and Cassano power plants were upgraded and two primary substations were built to ensure the resilience of the electricity grid in the city of Milan (Rozzano and San Cristoforo).

Finally, the acquisition of retail customers from digital channels exceeded expectations with over 180 thousand new customers in the first two years of the Plan.

Macroeconomic Context and Plan Update Criteria

A complex geopolitical and economic context and a volatile energy scenario have characterized the year 2022: the price of electricity has reached peaks never seen in the past, touching 700 €/MWh last August; inflation in the EURO area has soared reaching 10% in July and the 12-month Euribor interest rate exceeded 2% in September.

If, on the one hand, the framework outlined has generated considerable economic uncertainty, on the other hand, it has made the A2A Plan's growth assets even more relevant. In fact, a renewed push towards decarbonization and the need to increase energy autonomy is emerging from Europe: in particular the new REPowerEU package, published by the European Commission in May 2022, establishes a series of measures aimed at rapidly reducing **dependence on fossil fuels** and **accelerating the green transition**.

In Italy, we have witnessed in recent months a renewed commitment to supporting the construction of plants aimed at contributing to the country's energy independence, for example with the adoption of lighter procedures for the development of photovoltaic plants up to 20 MW, with the Single Simplified Model for the installation of photovoltaics on rooftops, and with incentives on biomethane of up to 40% of the investment.

The strong focus on energy autonomy pushes to maximize the **exploitation of the resources available** in the territory to **unlock the potential of renewable sources in Italy** in line with the Group's main lines of development.

The uncertain economic context and the impacts generated (e.g. increased procurement costs, increased nominal value of receivables, customer payment instalments and increased cost of debt) have made it opportune to **update the next few years of the Plan** from a **cautious** standpoint and with a greater focus on managing the **risks deriving from the changed context**, **reshaping investments** while **keeping the 10-year targets unchanged** (EUR 16 billion cumulative between 2021 and 2030 in line with the first 10-year Plan).

The update of the 2021-2030 Plan, in strategic continuity with the previous version, **confirms the Circular Economy and the Energy Transition** as the pillars of A2A's evolution, following a more selective approach to investments, focused on distinctive businesses and the domestic market and with greater organic growth. The adoption of a flexible approach to investments and economic-financial indicators will be fundamental in guaranteeing stability for the Group.

Circular Economy and Energy Transition

Circular Economy and Energy Transition reinforce their key role in fostering the efficient use of resources and helping to increase Italy's level of energy autonomy. The wide availability of renewable energy sources and the need to fill the plant gap in the treatment and valorization of waste represent today more than ever great opportunities for the country and are the cornerstone of A2A's strategy.

On the **Circular Economy** side, A2A has already invested more than 1 billion euros in the two-year period '21-'22 and plans total investments of around **5 billion euros**, focusing on closing the waste cycle, the recovery of materials, energy and heat and the development of bioenergy, reaching an **EBITDA** of **0.8 billion euros** in 2030. With the Plan update, the Group will increase its waste treatment and valorization capacity, consolidating its leading role in waste-to-energy and a significant position in the biomethane market segment. Thanks to its investments, by 2030, A2A will have plants capable of producing 1.9 TWh of thermal energy for district heating, 2.5 TWh of electricity, and plants for the treatment of organic waste and agro-food by-products to produce 170 Mmc of biomethane.

Leveraging on the Group's leadership in the circular economy, A2A will launch the **lithium battery recycling** business. Thanks to this new business, A2A will be able to process around 10 kt of batteries each year.

A2A's plan for the **Energy Transition** envisages total investments of around **11 billion euros**, mainly focused on the development of renewable energies, flexibility and electrification of consumption, with an **EBITDA target** of around **1.7 billion euros** in 2030.

Over 2 billion euros have already been invested in the first two years of the Plan and have enabled A2A to strengthen its position in the field of generation from renewable sources, consolidating a platform for subsequent greenfield developments. By 2030, the Plan aims to build a 5 GW portfolio between hydro, solar and wind, capable of producing around 9 TWh of green energy.

To ensure greater penetration of non-programmable renewable sources, it will also be necessary to invest in the **flexibility** of the electricity system. To this end, A2A will develop a mix of solutions that will contribute to the increase of 1.7 GW of new flexibility by 2030, thanks to a new gas combined cycle enabled to blending with hydrogen (winner of a Capacity Market auction), a new gas peaker (already authorized), electrochemical storage solutions and upgrades aimed at increasing the level of flexibility of the plants (two of which have already been built).

The Group's commitment to support the **electrification of consumption** continues, which will be enabled by investments in the reinforcement and development of A2A's electricity network, with the construction of 16 new primary substations, the laying of 2,500 km of new grids and greater peak power managed. On the market side, we will expand the customer base by offering new VAS[2] solutions, promoting electric mobility and the development of distributed generation and self-consumption through small-scale solar and Energy Communities.

In A2A's vision, circular economy and energy transition are integrated, developing synergies between the Business Units. By 2030, the Group will produce a total of around **13 TWh of green energy and energy recovered**, combining the contribution of hydroelectric, photovoltaic and wind power with that of waste-to-energy and bioenergy.

A2A's strategy for stability

A2A can count on several elements that guarantee stability to the Group and on which it will continue to focus in the coming years in light of the current economic context. In the power generation business, A2A has a diversified portfolio of plants that guarantees stable margins (around 500 million euros of average contribution margin between 2013 and 2021) and a low risk profile thanks to a portfolio diversified by technology, revenue model (regulated vs. market) and geographical area.

The development of renewable plants, a key element within the Strategic Plan, is protected by the control of the entire value chain within the BU Energy. The large retail customer base is, in fact, able to guarantee the purchase and therefore the coverage of all the renewable energy produced. The goal for 2030 is to reach 9 TWh of electricity production from RES with more than 100% coverage by the residential market.

Regarding the Waste Business Unit, the control of the entire value chain in the waste cycle allows risks to be mitigated, with the goal of managing and processing in-house, in 2030, 85% of the 2 million tonnes of waste collected.

[2] Value-added service

In terms of capacity to build infrastructures and to make investments, A2A can consider itself in a strong position, with more than 80% of the projects planned by 2026 being already completed or in progress.

The Group can also count on potential upside with respect to the investments envisaged in the Plan, which can act both as a back-up for initiatives and as an accelerator should the conditions arise, or further developments enabled through partnerships.

Environment, Social & Governance

Commitment to ESG remains at the centre of the Industrial Plan, focused on a just, ecological and shared transition. Great attention is, in fact, paid to environmental sustainability, the development of communities served, and harnessing of the potential of the Group's employees by building and spreading an inclusive approach in the corporate culture.

The update of the 2021-2030 Plan confirms the decarbonization targets which see A2A reaching net-zero by 2040, ten years ahead of the EU objectives, and the strategy focused on increasing the production of energy from renewable sources on the use of new technologies.

In 2022, numerous initiatives were implemented in the field of human resource management dedicated to harness the potential of the Group's employees.

A2A's approach to **diversity and inclusion** is based on the principles of respect, integrity and the protection of the individual within the working environment. In the last year, an Inclusion Team has been set up; an action plan on Diversity, Equity & Inclusion issues has been launched and the employment of people receiving international protection has been promoted in cooperation with non-profit organizations and the UNHCR.

In 2022, the Group achieved 48% of the Group's **Boards of Directors with women**[3] and 25% of **women managers**: A2A continues to set challenging objectives for the coming years (e.g. 90% of Boards of Directors with women in 2030). 25% of employees with **disabilities have been involved in personal development projects** and 12% of Group employees have had **cascaded objectives formally assigned**: the target is to reach 100% for both KPIs by 2030.

The injury frequency index is expected to improve continuously.

The Leadership in Health & Safety project continued to spread the culture of working safely, and a

[3] Companies that comply with the criterion of 1/3 female members, exclusively appointed by A2A.

Technical Academy was launched to enhance corporate know-how, encourage the exchange of skills between different generations and reduce the on-boarding time of new recruits. A great deal of attention has been paid to talent management, with the expansion and strengthening of the Induction path for resources joining the Group, and the implementation of a transversal Mentoring programme with the aim of promoting the development of managerial culture.

The activity aimed at making the Supply Chain sustainable also continued, confirmed by the progress achieved in 2022 with 60% of orders assigned to suppliers assessed with ESG scoring and the publication of a Sustainable Procurement policy. The Plan confirms the commitment to achieve by 2030 an incidence of sustainability criteria in the vendor rating process of more than 30% and 90% of orders assigned to suppliers assessed with ESG scoring.

In 2022, the Group has also reinforced the monitoring and involvement of the main stakeholders in the reference territories, also involving the local supply chain. Nine multi-stakeholder forums were held, generating 30 shared-value proposals to support the ecological transition of the territories, and the promotion, through ad hoc campaigns, of awareness-raising initiatives to adopt responsible behaviour in terms of energy efficiency and resource protection.

Innovation continues to remain strategic in creating an open, widespread and interconnected ecosystem. In 2022, the Group entered the Eureka and Tech4Planet funds and committed 17 million euros to the development of seven start-ups, with a focus on energy transition and circular economy, through the main venture fund, A+360. A2A is also committed to spreading the culture of innovation by stimulating the widespread and continuous participation of employees in various **initiatives** such as competitions of ideas and intrapreneurship programmes: over the course of the year, more than 3,000 employees were involved, submitting more than 300 innovative proposals, from which 10 concrete projects emerged and are currently under implementation.

Economic targets

Billions of euros	2021	2022F	2026	2030
Energy EBITDA	0,6	0,6	1,1	1,2
Waste EBITDA	0,3	0,4	0,5	0,7
Smart Infrastructures EBITDA	0,5	0,5	0,5	0,7

Billions of euros	2021	2022F	2026	2030
Group EBITDA	**1,4**	**1,45-1,50**	**2,1**	**2,6**
Group Net Profit[1]	**0,4**	**0,34-0,38**	**0,6**	**0,7**

[1] Excluding non-recurring items

GROUP EBITDA AND NET PROFIT

The 2021-2030 Strategic Plan Update presents an EBITDA evolution from about 1.4 billion euros in 2021 to 1.45-1.50 billion euros in 2022, about 2.1 billion euros in 2026 and 2.6 billion euros in 2030 in line with the first ten-year Strategic Plan announced to markets in January 2021. More than 40% of EBITDA in 2026 and in 2030 is regulated or contractualized, i.e., characterized by low volatility; for the remaining 60%, it is mainly composed of margins related to electricity generation, energy retail, and unregulated waste treatment plants, the risk is mitigated by the hedging offered by the diversification of electricity generation sources, the consolidated customer base, and the leadership position in the waste treatment sector in an infrastructurally undersized market.

The EBITDA of the Energy Business Unit is expected to grow from 0.6 billion euros in 2021 and in 2022F to 1.1 billion euros in 2026 and finally to about 1.2 billion euros in 2030, mainly following the strong contribution of the new renewable capacity (+2.5GW vs 2022 due to organic growth), developments in plants aimed at increasing the flexibility of the electricity system and of the customer base (5 million gas and power customers to 2030) also following the end of the protected market.

The growth in the Waste Business Unit is attributable to the acquisition of treatment plants for the closure of the waste cycle as well as the strengthening of material and energy recovery. EBITDA is expected to increase from 0.3 billion euros in 2021, to 0.4 billion euros in 2022, to 0.5 billion euros in 2026 and to 0.7 billion euros in 2030.

Finally, in the Smart Infrastructures Business Unit, EBITDA, equal to 0.5 billion euros in 2021, 2022F and 2026 is expected to grow, reaching 0.7 billion euros in 2030 with a strong focus on power grids, which are functional in supporting the electrification of consumption.

The Group Net Income shows a growth trend consistent with the trend in operating margins, rising from 0.4 billion euros in 2021, to 0.34-0.38 billion euros in 2022, to 0.6 billion in 2026 and to 0.7 billion in 2030 (CAGR 2021-2030 of 6%), corresponding to an EPS of 22 cents per share in 2030 (13 cents per share in 2021).

INVESTMENTS

The Update of the Strategic Plan, characterized by flexibility, cautiousness, risk management and financial resources optimization, pushes towards focusing on distinctive businesses in the domestic market, through organic growth.

Between 2021 and 2022, the Group has invested 3.5 billion euros, 1.7 billion euros yearly average.
The four-year period 2023-2026, sees a cumulative 5.8 billion euros, corresponding to an annual average of 1.4 billion euros down by 0.3 billion euros from what was observed in the 2021-2022 period.
The following period, 2027-2030, forecasts a cumulative investment effort of around 6.5 billion euros, equal to a yearly average of 1.6 billion euros invested. The mentioned investment path allows the company to reach an overall amount of 16 billion euros invested in the ten-year Plan period in line with the first Strategic Plan.

Of the total 16 billion euros, about 5 billion are related to the circular economy, with focus on WtE (36%), district heating business (about 19%) and bioenergy and FORSU (12%). The remaining 11 billion euros allocated to energy transition will be focused on the development of renewable plants (35%), distribution networks (30%) and actions to ensure greater electric flexibility (12%).
BU perspectives:

- 6.3 billion euros of investments for the Energy Business Unit between 2021 and 2030, including 2 billion expected in the period 2023-2026 and 3.1 billion in the period 2027-2030. Renewable development accounts for 42% and 75% respectively in each of the two periods;
- Waste Business Unit reports 3.6 billion euros investments in the ten-year period, of which 1.5 billion euros between 2023-2026 and 1.2 billion euros in 2027-2030. The WtE plant development accounts for 58% and 25% in each of the two periods;

- The Smart Infrastructures Business Unit accounts for 4.8 billion euros between 2021 and 2030, 1.9 billion euros in the period 2023-2026 and 1.8 billion euros between 2027 and 2030. Around 70% of investments are allocated to grid developments during the Plan period.

CASH GENERATION

Balanced growth in operating margins allows for the generation of a solid cash flow to be used for investment financing.
Specifically:

- over the period 2023-2026, a cumulative Operating Cash Flow of 6.2 billion euros is expected aimed at supporting maintenance investments for 2 billion euros and development investments for 3.8 billion euros. The residual cash flow is thus 0.4 billion euros;
- in the following period (2027-2030), the expected cumulative operating cash flow of 6.8 billion euros will finance maintenance investments of 1.7 billion euros and development investments of 4.7 billion euros. The residual cash flow is thus 0.4 billion euros: the increase in investment over the period was fully covered by cash generation.

CAPITAL STRUCTURE AND SUSTAINABLE FINANCE

The Update of the Strategic Plan confirms the Group's focus on a balanced capital structure aimed at maintaining A2A's credit profile at a solid investment grade.

The FFO/Net Debt is forecasted to grow from 20% in 2022 to more than 23% starting from 2025.

Funding needs will be managed with the most suitable instruments to ensure adequate diversification of sources and investors and a balanced maturity profile. In continuity with recent years, proactive funding management will allow the Group's financial structure to be optimized, thus mitigating the unfavorable effect on the average cost of debt generated by the scenario of rising interest rates, which are expected to increase by year-end and also along the Plan horizon. In the update, the average cost of debt is expected to be in the 3 percent area to 2026 while the average maturity of long-term debt is still above five years.

The Group's path in Sustainable Finance was further strengthened in 2022. During this year, A2A issued three sustainable bonds totaling approx. 1.8 billion euros (i.e. the second Sustainability-Linked Bond for 500 million euros, the third and fourth Green Bonds for 600 million euros and 650 million euros, respectively, with investments aligned with the European Taxonomy). Following these transactions, the share of sustainable debt in the Group's total gross debt reached 60% as of 30 September 2022 (38% as of 30 September 2021).

In June 2022, A2A also signed a new 410-million-euro Sustainability-Linked revolving credit line, linked to the achievement of three Social and Governance targets, which provides for the donation of the lower (or higher) interest to the non-profit Energy Bank.

The Plan Financial Strategy will increase the weight of Sustainable Finance to more than 75% by 2026 and 90 percent by 2030, improving on the targets set in the previous Plan update (70% and 80% respectively).

Moreover, A2A has continued the path of improvement in all ESG assessments by major agencies: S&P, Moody's, Vigeo, Sustainalytics. A2A is currently listed in the following ethical indexes: MIB ESG; FTSE4Good Index; ECPI Euro ESG Equity; Ethibel Sustainability Index Excellence Europe; EURO STOXX Sustainability Index; Euronext Vigeo index: Europe 120; Standard Ethics Italian Index; Solactive Climate Change Index; and Bloomberg Gender Equality Index. In addition, in June 2022, Standard Ethics independent rating agency, which measures corporate sustainability, raised A2A's Corporate Rating to "EE+" from the previous "EE" with "Positive" Outlook. With this rating, A2A has become the highest-rated Italian company in the relevant sector.

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