A2A unveils the new 2024-2035 Strategic Plan

Investment growth to strengthen the Group's industrial resilience, thanks to the extraordinary results achieved in the first three years of the 2021-2030 Plan

Businesses aligned with long-term trends to create sustainable value, ensuring financial soundness and returns for shareholders

Infrastructures, people, businesses, decarbonisation and future-fit development are the key elements of the strategy

Continued commitment to Italy's ecological transition

- 22 billion euros in CAPEX over 12 years of which:
  - 6 billion euros for the Circular economy
  - 16 billion euros for the Energy transition
- Over 70% of projects scheduled for completion by 2030 authorised or already in progress
- CAPEX eligible for European Taxonomy: 78% average over the Plan period
- RAB electricity networks at 3.4 billion euros at the end of 2035, with an average yearly growth rate of more than 10% thanks to new investments and expansion of the scope of operations
- EBITDA: 2.2 billion euros at 2026 and over 3.2 billion euros at 2035
- Over 40% of EBITDA at 2035 generated from regulated or low-volatility assets
- Ordinary net profit of 0.6 billion euros at 2026 and more than 1 billion euros at 2035
- Dividend policy: yearly growth of at least 3% over the Plan period
- NFP/EBITDA below 2.8x over the Plan period
- We confirm Group commitment to maintain the current rating
- Sustainable Debt: over 80% at 2026 and 100% at 2035

"Today we unveil a new Industrial Plan that looks ahead to 2035, a key year in Europe for ecological transition. The Group has demonstrated its ability to achieve significant industrial and economic goals, earlier than expected in the first 10-year Plan presented in January 2021. Building on these results, we have chosen a wider horizon to define an intermediate milestone towards the net zero target for the continent by 2050. We have increased investments to 22 billion euros, with 44% allocated to businesses with low volatility, for infrastructures dedicated to Circular economy and Energy transition, which are confirmed as the pillars of our strategy," commented **Renato Mazzoncini**, CEO of A2A. *"Our goal is to continue contributing to the country's decarbonisation process through significant investments to support electrification of consumption, renewables development, closing the waste cycle, and improved water cycle efficiency. In this long term context, the extraordinary operation of 1.2 billion euros for the expansion of the power grid also fits, allowing us to reach a RAB of 3.4 billion euros by 2035, consolidating our position as Italy's second-largest operator and among the leaders in Europe for electricity distributed. We will be able to create sustainable value, ensuring financial soundness and returns for shareholders."*

Milan, 12th March 2024 – The Board of Directors of A2A, chaired by **Roberto Tasca**, has examined and approved the new **2024-2035 Strategic Plan**, which relaunches and extends the Group's long-term industrial growth objectives.

The **ecological transition** is confirmed as the cornerstone of the Group's strategy, with the two pillars, Circular economy and Energy transition, guiding a 22-billion-euro CAPEX plan over 12 years, focusing on infrastructure, people and business, decarbonisation and future-fit development.

The outstanding performance of the last three years

The previous **2021-2030 Strategic Plan** accelerated the Group's **industrial growth**, marking an important change of course from the past and achieving **higher-than-expected financial targets.** The **average annual CAPEX** in the first three years of the Plan were more than double those of the 2018-2020 period (1.6 vs. 0.7 billion euros), ordinary EBITDA grew to over 1.9 billion euros in 2023 (+63% vs. 1.2 billion euros in 2020) and ordinary **net profit** stood at 0.6 million euros (+90% vs. 0.3 million euros in 2020). The economic targets achieved are the result of the industrial and commercial effort that led A2A, in the three-year period 2021-2023, to grow and exceed what was forecast in the first 10-year Plan[1] on several business KPIs, including the **customer base** (from 2.9 million in 2020 to 3.5 million customers in 2023 and +0.2 million vs. 2023P[1]), **power generation capacity from renewable sources (RES)** (from 0.1 in 2020 to 0.6 GW in 2023 and +0.2 GW vs. 2023P[1]) and the **leakage reduction in the water cycle** (from 20.2 in 2020 to 16.7 m3/km/day in 2023, less than the

[1] Value forecasted in the first 10-year 2021-30 Plan, presented in January 2021

18.3 planned for 2023P[1]). On the foundation of the extraordinary results achieved, the Group has decided to relaunch its ambitions to 2035 with a new Plan.

The vision of A2A, Life Company

In a context where **climate change**, **pollution** and the **waste of resources** are factors with an ever-increasing impact on the quality of life, A2A's responsibility and commitment as a Life Company is strengthened. With the aim of contributing to the achievement of national and international decarbonisation targets, the Group aims to increase its leadership in the **electrification of consumption**, the **development of renewables** and the **circular economy**.

Sustainability continues to define the strategy of the new Plan, with the aim of generating **value**, from an environmental, social and economic-financial point of view. One of the key points is to build **infrastructures on our territories** to involve and support **people and businesses** in the Energy transition and in virtuous models of Circular economy. **Decarbonisation** characterises the entire Plan: the 2030 target set in the first 10-year Plan (2021-2030) is confirmed and the 2035 target is reinforced, with a forecast of a 65% reduction in the Group's overall emission factor compared to the 2017 figure. A result that can be achieved thanks to concrete action, such as the reduction of Combined Cycle Generation (CCGT), the start-up of a carbon capture plant and the zeroing of Scope 2 emissions for energy purchases. The third key element of the Plan is the **development in *future-fit* logic**, which aligns investments with the main market macro-trends and optimises risk-return, focusing on businesses that will drive the future of the sector[2].

About 90% of the cumulative CAPEX envisaged in the new Plan are allocated to future-fit activities that will generate 90% of the Group's EBITDA by 2035.

Relaunching ambition on the pillars of ecological transition

Total CAPEX of **22 billion euros**, of which 10 billion euros in low-volatility businesses. The industrial commitment will make it possible to generate sustainable value, bringing EBITDA associated with the Circular economy businesses to 1 billion euros by the end of the Plan, and EBITDA generated in the area of Energy transition to over 2.2 billion euros.

[2] These include: RES development, CCUS, Capacity Market and storage, electricity grids, e-mobility, material and energy recovery, hydroelectric generation, water cycle.

The Plan presents important elements of concreteness with more than 70% of the CAPEX foreseen by 2030 already authorised or in progress.

Furthermore, 78% of the CAPEX are eligible for the EU Taxonomy Regulation.

Towards greater circularity of materials and energy

As part of the **Circular economy**, the Group plans around **6 billion euros** of CAPEX in waste treatment and closure of the waste cycle, integrated water cycle and district heating.

A2A aims to strengthen its national leadership in the environmental sector through the expansion and construction of new infrastructures for urban and industrial waste, arriving at treating over 7 million tonnes of waste in 2035 (from 5.5 million tonnes in 2023) thanks to approximately 4 billion euros of new CAPEX. In addition to the Group's ongoing commitment to zero landfill disposal, there is also the objective of favouring the closure of the waste cycle with its transformation into End-of-Waste products in the wood, plastic, ash, glass, paper and compost chains. A further line of development in the new Plan concerns the treatment of industrial waste, which, thanks to a new integrated and digitalised business and operating model, will increase the treatment to 2.4 million tonnes by the end of the Plan (from 1.1 million tonnes at 2023) thanks to about 1.4 billion euros of new CAPEX.

The protection of water resources is confirmed as a central element in the new Plan, on which the Group has invested heavily in recent years (130 euros per inhabitant served in 2023, about double the Italian average for 2022-23). The 700 million euros envisaged in the Plan will bring the RAB and EBITDA of the segment to 1 billion euros (from 0.5 billion euros at 2023) and over 100 million euros respectively by 2035.

Towards greater electrification of consumption and greener energy

A2A's commitment to the Energy transition will be expressed with 16 billion euros of CAPEX to support the electrification of consumption and the development of electricity distribution network, renewables and flexible energy.

In the **electricity distribution** sector, A2A will achieve important growth in size through an **extraordinary transaction** worth around **1.2 billion euros** to acquire a large part of the network in the province of Milan and, in the Brescia area, Valtrompia, and part of the Brescia province: 17 thousand kilometres of electricity network, on which 800 thousand PODs and 60 primary substations are located. The transaction is particularly strategic for the Group, as it focuses on future-fit assets in line with the EU Taxonomy, in areas adjacent to those already managed and where operational synergies can be activated. The deal will also make it possible to increase CAPEX by around 1.4 billion euros by 2035 on the electricity distribution network, to support the electrification of consumption and in line with the Strategic Plan and decarbonisation targets.

This acquisition is part of A2A's overall **electricity network development** strategy with **4 billion euros in planned CAPEX** during the Plan period, which will enable A2A to generate **500 million euros in EBITDA** by 2035 and consolidate its position as Italy's second-largest operator and among the top 20 in Europe for distributed electricity. The new perimeter outlined and the significant associated investments will allow **RAB** to increase from 1 billion euros in 2023 to **3.4 billion** in 2035.

The Group's contribution to the country's Energy transition and decarbonisation will also be achieved with **4.6 billion euros** in CAPEX dedicated to the **development of a 5.7 GW RES portfolio** by 2035, up by 3.1 GW compared to 2023, thanks to which more than **10 TWh of green energy** will be produced by 2035. To achieve the planned growth, A2A can count on a wind and solar plant pipeline of over 1.8 GW, 83% of which are internally developed projects.

The **generation portfolio, which is integrated and diversified** both from a technological and a geographical point of view, continues to be a distinctive characteristic of the Group, enabling it to contain its risk profile and dynamically exploit the opportunities offered by the market, even as the energy context evolves. Thanks to these distinctive levers, A2A's energy management has managed to achieve a premium of roughly 10% on the national power price over the last seven years.

With the perspective of supporting people and businesses along the path of Energy transition, the Group intends to increase its customer base from 3.5 million in 2023 to over 5 million in 2035, with an offer increasingly focused on the electrification of consumption, thanks also to VAS[3] and PPA[4] (B2B and mass market). To support the growth of its customer base, A2A can count on the success of past acquisition campaigns, a multi-channel strategy, a consolidated reputation and customer satisfaction, elements that will enable it to achieve a market share increasing from 6% in 2023 to over 9% in 2035.

The Group is also committed to the decarbonisation of transport, with around 0.5 billion euros invested in the development of electric mobility: the recharging network will grow from 2,000 points in 2023 to 34,000 in 2035. The focus on locations with high saturation potential and the adoption

[3] Value added services

[4] Power Purchase Agreement

of advanced technologies such as City Plug infrastructures will enable the Group to achieve EBITDA of around 200 million euros in this segment by 2035.

Economic targets

Billions of euros	2023	2026	2030	2035
Energy EBITDA	1.1	1.1	1.3	>1.5
Waste EBITDA	0.4	0.4	0.5	>0.7
Smart Infrastructures EBITDA	0.5	0.7	0.9	>1.1
Corporate EBITDA	(0.1)	(0.1)	(0.1)	(0.1)

Billions of euros	2023	2026	2030	2035
Group EBITDA	**1.9**[1]	**2.2**	**2.6**	**>3.2**
Group Net Profit	**0.6**[1]	**0.6**	**0.7**	**>1**

[1] Excluding non-recurring items

Group EBITDA and Net Profit

The 2024-2035 Strategic Plan envisages ordinary EBITDA growing from 1.9 billion euros in 2023 to 2.2 billion euros in 2026, to 2.6 billion euros in 2030 and above 3.2 billion euros in 2035. The 2023-2026 CAGR, net of the 2023 scenario effect, is 9%, while the corresponding value over the period 2023-2035 is 6%.

More than 40% of EBITDA, both in 2026 and 2030, is regulated or contractualised and characterised by low volatility; for the remaining part - mainly made up of margins related to electricity generation, energy retail and non-regulated 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 a market that is undersized in terms of plants.

The Energy Business Unit's EBITDA is expected to grow from 1.1 billion euros in 2023 and 2026, to 1.3 billion euros in 2030 and over 1.5 billion euros in 2035, mainly due to the contribution of new renewable capacity (+3.1 GW compared to 2023, mainly attributable to the growth of solar installed capacity) to developments in plants aimed at increasing the flexibility of the electricity system (more than 60 MW of BESS installed capacity achieved between 2024 and 2030 and start-up of the new

875 MW Monfalcone CCGT) and to the customer base (more than 5 million gas and power customers by 2035).

The growth of the Waste Business Unit is driven by the construction of treatment plants dedicated to closing the waste cycle and the strengthening of material and energy recovery. Gross operating margins (EBITDA) are expected to increase: from about 0.4 billion euros in 2023 and 2026, to 0.5 billion euros in 2030, to over 0.7 billion euros in 2035.

In the Smart Infrastructures Business Unit, the 2023 EBITDA of 0.5 billion euros is expected to reach 0.7 billion euros in 2026, 0.9 billion euros in 2030, and over 1.1 billion euros in 2035. These results also include the contribution of the merger transaction in the province of Milan and Brescia (closing expected in the last quarter of 2024), which will bring an additional EBITDA of 0.2 billion euros by 2035.

Ordinary net profit shows a growth trend consistent with the trend in operating margins, from 0.6 billion euros in 2023 and 2026 to 0.7 billion euros in 2030 and more than 1 billion in 2035. The CAGR 2023-2026 growth rate, net of the scenario effect on 2023, is 10%, while the corresponding rate for the period 2023-2035 is 7%.

Selective Capital Allocation

The Strategic Plan is based on a considered and selective capital allocation to ensure sustainable growth in profitability, based on three guidelines:

1) **Strategic**: investments are aligned with growth trends related to Circular economy and Energy transition, with a focus on infrastructures and low-volatility assets.
2) **Financial**: investments guarantee adequate returns, with a spread over the Group's WACC of at least 200 basis points, contributing to the generation and stability of cash-flow.
3) **ESG**: resources are earmarked for decarbonisation and combating climate change, reducing resource waste and protecting biodiversity through increasing alignment with European taxonomy.

Meeting priorities and criteria will allow the Group to steadily improve its ROI, which is expected to average over 9% over the Plan period.

Investments

The New Strategic Plan envisages total CAPEX of 22 billion euros, 44% of which are focused on low-volatility businesses.

Cumulative CAPEX of 5.1 billion euros are planned for the first 2024-2026 period, corresponding to an annual average of 1.7 billion euros, a 0.2-billion-euros increase compared to the 2021-2023 period. Excluding the effects of the extraordinary transaction and partnerships, the 2024-2026 annual average is 1.5 billion euros.
The 2027-2030 period projects a cumulative figure of approximately 6.9 billion euros, corresponding to an annual average of 1.7 billion euros while, for the 2031-2035 period, a total of 9.6 billion euros is expected, corresponding to an annual average of 1.9 billion euros.

Out of the total 22 billion euros, roughly 6 billion euros are related to the Circular economy, with a focus on WtE (32%), material recovery and waste treatment (25%), district heating (14%) and Integrated Water Cycle (12%). 16 billion euros are earmarked for Energy transition, mainly dedicated to the development of electricity grids (43%) and renewable energies (29%).

In detail:

- approximately 7.8 billion euros are allocated to the Energy Business Unit between 2024 and 2035, of which 1.6 billion euros are expected in the period 2024-2026, 2.7 billion between 2027 and 2030 and 3.5 billion euros in 2031-2035. 34% will be dedicated to the development of renewables in the 2024-2026 period, rising up to 64% in the 2031-2035 period;
- the Waste Business Unit invests 4.3 billion euros in the Plan period, of which 0.9 billion euros between 2024 and 2026, 1.3 billion euros between 2027 and 2030 and 2.1 billion euros in the period 2031-2035. The development of new WtE plants between 2024 and 2035 accounts for a total of 43%, while material recovery and waste treatment account for 34%;
- 9.1 billion euros are planned for the Smart Infrastructures Business Unit between 2024 and 2035, of which 2.9 billion between 2024 and 2026, 2.6 billion between 2027 and 2030 and 3.6 billion between 2031 and 2035. Approximately 80% of the Strategic Plan investments will be dedicated to distribution networks.

Financial Sustainability and Cash Generation

The 2024-2035 Plan confirms the Group's focus on a balanced and sustainable capital structure aimed at maintaining A2A's credit profile at a solid investment grade.

The NFP/EBITDA ratio is expected at a level always below 2.8x (to then fall below 2.4x at the end of the Plan), respecting the Group's debt capacity.

The FFO/Net Debt ratio is always around 25% until 2030, in compliance with the metrics required by the agencies to maintain the current rating, and then exceeds 30% at the end of the Plan. We confirm Group commitment to maintain the current rating.

The balanced growth in operating margins allows the generation of a solid cash-flow to be employed for financing investments, with a cash conversion, given by the ratio of Operating Cash Flow net of maintenance investments to EBITDA, of about 50%.

Financial Structure and Sustainable Finance

The Group has adopted a flexible financial structure, which is necessary for a still volatile market environment with high interest rates.

In order to ensure the proper management of financial risks, a proactive approach to the capital structure is essential, seeking to adopt a mix of fixed-variable debt to ensure a sustainable average cost of debt. In particular, a reduction in the fixed-rate component is envisaged over the course of the Plan, in line with expectations of lower interest rates in the coming years.

Financing needs will be managed with the most suitable instruments to ensure adequate diversification of sources and investors and a balanced maturity profile.

Over the plan horizon, the average duration of debt is always expected to be above five years, thus reducing the refinancing risk. The cost of debt, thanks to careful management, is always kept below 3.5%.

A2A's path in Sustainable Finance was further strengthened in 2023, with the share of ESG debt in total debt reaching 70%. The Plan's Financial Strategy will further increase the weight of Sustainable Finance to more than 80% in 2026, more than 90% in 2030 and reach a fully sustainable debt share in 2035.

Dividend policy

The record-high profit for the financial year 2023 made it possible to propose the distribution of a dividend higher by 6% compared to the one distributed in 2023 for the financial year 2022.

The dividend policy envisages sustainable growth of the dividend per share of at least 3% per year over the Plan period.

Environment, Social & Governance

The commitment to ESG remains at the heart of the Strategic Plan, with concrete initiatives and measurable targets.

In the *Environment* sphere, the Group has started the definition of a Climate Transition Plan for each Business Unit. A2A has set itself the objective of completing the monitoring of the potential interference of industrial sites with biodiversity and defining, by 2025, an Action Plan aimed at protecting and improving the ecosystem health of the areas in which the Group operates.

With regard to the *Social* dimension, the main development concerns the launch of a 10-million-euro-per-year plan to support parenthood and enhance the family-work balance. With the desire to support the professional growth of all employees, the Group has embarked on a structured programme of upskilling and reskilling employees' technical and digital skills.

At the *Governance* level, the Group's commitment to fostering Training for employees on Compliance & Business Ethics is growing, with more than 80% of employees trained on Privacy, Human Rights, code of ethics, D.Lgs. 231/2001, anti-corruption and whistleblowing policies. Further measures concern sustainability criteria and targets for selecting and qualifying suppliers, such as achieving 90% of the orders assigned to suppliers assessed with ESG criteria.

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