

PRESS RELEASE – November 13, 2018

The Board of Directors of A2A S.p.A. has examined and approved the quarterly information at September 30, 2018

Group net income up significantly to €335 million (+48% compared to the same period of 2017¹)

Gross operating margin steady at €875 million.

Gross operating margin net of non-recurring items at €824 million (up 1% with respect to the same period of 2017¹)

Capex of €304 million, up 24% with respect to the same period of 2017

Net financial position down significantly to €2,877 million (€349 million lower than registered at December 31, 2017)

Milan, November 13, 2018 – The Board of Directors, met today under the chairmanship of Giovanni Valotti, examined and approved the quarterly information at September 30, 2018.

Higher gas and electricity prices marked the first nine months of 2018 and, particularly, the third quarter of the year: the average gas price on the Virtual Trading Point (VTP) was €23.6/MWh, up 25.6% compared to the same period of 2017; the PUN base load rose by 14.7% to €58.9/MWh. CO2 prices nearly tripled on 2017, bouncing from €5.3/ton to €14.4/ton.

A2A consolidates the accounts of ACSM-AGAM group on a line-by-line basis, starting from July 1, 2018. The ACSM-AGAM group is the multi-utility company of Northern Italy resulting from the combination of the Como, Monza, Lecco, Sondrio and Varese public utility companies, bringing forward the industrial and corporate partnership of public utilities in the Lombardy region.

¹ The restated figures reflect the reclassification of the EPCG group's results in accordance with IFRS 5.

Consolidated results at September 30, 2018

<i>millions of euro</i>	9 months 2018	9 months 2017 <i>Restated</i>	Δ	Δ%
Revenues	4,518	4,147	+371	+9%
Gross operating margin - EBITDA	875	876	-1	-
Gross operating margin net of non-recurring items	824	818	+6	+1%
Net operating income - EBIT	544	559	-15	-3%
Group net income	335	226	+109	+48%
Group net income net of non-recurring items	309	318	-9	-3%

The A2A Group's revenues amounted €4,518 million in the reporting period, up €371 million compared to the same period of the previous year (+9%). The increase in revenues was mainly due to revenues from the sale of electricity - following growth in wholesale volumes and rise in electricity prices - the increase in sales on the free electricity market, particularly to large customers, and the increase in green certificate revenues. The first-time consolidation of the ACSM-AGAM group generated a positive impact of €67 million on consolidated revenues in the third quarter of the year.

Gross operating margin amounted to €875 million, in line with €876 million in the same period of the previous year. The effect of consolidating the ACSM-AGAM group since July 1, 2018 on the gross operating margin was €18 million.

Gross operating margin grew by €6 million (+1%), excluding non-recurring items (€33 million in the first nine months of 2018, compared to €54 million in the same period of 2017) and greater consolidation scope.

Net operating income, at €544 million decreased by €15 million compared to the same period of 2017 (€559 million) - although the gross operating margin was substantially in line with 2017 - due to the increase in amortization and depreciation, following the changes in the consolidation scope and new capex. Lower net risk provisions in the period, due to the release of surplus in the provisions for risks and the bad debt provision, partially offset compensated the above trend.

Group net income reached €335 million (compared to €226 million in the nine months ended on September 30, 2017), showing a significant increase of €109 million (+48%).

2017 Group net income was influenced by the put option exercise of A2A S.p.A.'s entire stake in EPCG on July 1, 2017: the put option exercise led to the recognition of negative components of €93 million affecting the Group net income for the first nine months of 2017.

On the other hand, in 2018:

- the put option agreement was renegotiated, generating a positive impact of approximately €20 million (€4 million due to the actuarial effect of the exercise of this put option and €16 million due to the collection of dividends from the investee EPCG);
- in addition, the equity shareholding in the Rudnik Ugljia ad Pljevjia coal mine was sold, generating a gain of €6 million.

Excluding the effects of above transactions, the Group net income net of non-recurring items amounted to €309 million (€318 million for the period ended September 30, 2017); the ACSM-AGAM group contribution was €2 million.

The net financial position at September 30, 2018 amounted to €2,877 million (€3,226 million at December 31, 2017). Net cash flow generation was €304 million, additionally a positive cash flows of €75 million arose from the change in perimeter, offset by the net financial debt of €30 million arising from the first-time consolidation of ACSM-AGAM.

Results by Business Unit

The following table provides an analysis of the gross operating margin by Business Unit:

Millions of euro	09.30.2018	09.30.2017	Change	% change
Generation and Trading	265	255	10	3.9%
Market	152	166	-14	-8.4%
Waste	197	195	2	1.0%
Networks and District Heat	273	270	3	1.1%
A2A Smart City	6	4	2	50.0%
International	-1	-2	1	n.s.
Other Services and Corporate	-17	-12	-5	n.s.
Total	875	876	(1)	-0.1%

Generation and Trading Business Unit

The Group produced 13.0 TWh of electricity in the period, in addition to purchases of 24.0 TWh, resulting in total availability of 37.0 TWh.

The 17% increase in thermoelectric production with respect to the first nine months of 2017 was mainly due to the greater quantities produced by the CCGT plants, particularly the Scandale plant - fully dispatched in 2018 - and the Sermide plant.

The comparison with the first nine months of 2017 shows growth in overall hydroelectric production (+12%) - despite the slowdown solely in the third quarter of the year - mainly due to the Valtellina catchments, and in photovoltaic production (approximately +31 GWh) following the consolidation of new companies acquired in late 2017 and early 2018.

Revenues amounted to €2,640 million, up €362 million compared to the same period of the previous year. Higher sales electricity sales, increase in prices and higher green certificate revenues drove the increase.

The gross operating margin amounted to €265 million, up €10 million compared to the first nine months of the previous year.

Gross operating margin, net of non-recurring items (€7 million in the first nine months of 2018 versus €2 million in the first nine months of 2017) and of the changes in perimeter, increased by €5 million

The higher profitability generated in the first half of 2018 due to the margins on the ancillary services market (the "MSD"), the full dispatching of Scandale in 2018, the photovoltaic production, the sale of the long position in prior-year green certificates and the contribution of Ampezzo green certificates in May, was partially offset by the the worsening of certain factors on the energy market. In fact, the third quarter of the year saw a significant and sudden spike in the cost of gas and environmental expenses (CO₂), which substantially reduced the spread on the day-ahead market (the "MGP") compared to the same period of 2017. Moreover, gas portfolio profit margins narrowed considerably due to higher procurement costs.

Capex amounted to €30 million in the first nine months of 2018 (versus €17 million in the same period of 2017).

Market Business Unit

The Market Business Unit sold 8.0 TWh of electricity, up 30% compared to the same period of 2017 (6.1 TWh), and 1,192 million cubic meters of natural gas (+13% compared to the same period of 2017). Greater volumes sold to large customers on the free market drove the growth in both the electricity and natural gas segments and more than offset the lower sale volumes to "Maggior Tutela" customers.

Revenues rose by 17% to €1,525 million (€1,305 million in the period ended September 30, 2017) due to larger quantities sold, particularly to large electricity customers. Revenues rose by €27 million in the third quarter of 2018 following the consolidation of the ACSM-AGAM group.

The gross operating margin amounted to €152 million, including €24 million from non-recurring items (compared to €42 million in the same period of 2017) and €2 million from the first-time consolidation of the ACSM-AGAM group in the third quarter.

Net of non-recurring items and changes in the consolidation scope, the gross operating margin grew by €2 million (+2%). In the reporting period, the contribution margin of the electricity and natural gas segments rose by over €13 million due to the increase in the number of mass market customers (+128 thousand on the end of 2017) and larger electricity and natural gas sales volumes to large customers on the free market. Growth in the retail energy sector was only partially offset - especially in the third quarter of 2018 - by higher costs for marketing and external communication to attract new customers. The €2 million increase in the gross operating margin was also driven by the contribution of the new energy solutions segment in view of the optimization of the energy efficiency certificate portfolio.

Capex amounted to €11 million (compared to €6 million in the same period of 2017), including the ACSM-AGAM group's capex amounting to €1 million.

Waste Business Unit

In the first nine months of 2018, the quantities of waste collected, amounting to 1.2 million tons, were up 3.5% with respect to the first nine months of 2017. Quantities of waste treated totalled 2.6 million

tons, up 2.5% with respect to the first nine months of 2017, mainly due to the greater quantities disposed at waste-to-energy plants, particularly at the Silla 2 plant, thanks to repowering activities carried out in 2017, and at other group treatment and recovery plants.

In the first nine months of the year, the Waste Business Unit generated revenues of €750 million (€722 million in the period ended September 30, 2017), up €28 million on the same period of the previous year. The first-time consolidation of the ACSM-AGAM group accounted for €7 million in Waste business revenues.

Gross operating margin amounted to €197 million (€195 million in the period ended September 30, 2017). The ACSM-AGAM group accounted for €2 million in the results growth.

Net of the non-recurring items (+€4 million in the nine months ended September 30, 2017; +€1 million in the same period of 2018) and changes in the consolidation scope, the gross operating margin grew by €4 million (+2%).

Results were driven by the management of waste-to-energy plants, thanks to greater revenues from the sale of energy, the increase in the quantities disposed of and, especially, the positive trend in urban waste transfer prices, as well as the management of industrial treatment plants (waste-to-energy plant in Filago and greater transfers to the landfill of Corteolona). These positive effects more than offset the lower profit margins following the decrease in disposals at certain landfills and – in the waste collection segment – the lower revenues from recycled paper due to the drop in sales prices and the increase in disposal costs of collected waste (multi-material and large items).

Capex amounted to €68 million (€58 million in the period ended September 30, 2017).

Networks and District Heating Business Unit

Distributed electricity amounted to 8.9 TWh, up 2.3% with respect to the first nine months of 2017; Gas distribution amounted to 1,716 million cubic meters, up 7.2% compared to the 1,601 million cubic meters in the first nine months of 2017.

Water distributed amounted to 52 million cubic meters, in line with the volumes distributed in the first nine months of the previous year, partially due to the volumes distributed by the new ACSM-AGAM group.

Heat sales came to 1.8 TWh in the first nine months of 2018, up 5.8% with respect to the same period of 2017, following greater sale volumes arising from commercial development and lower winter temperatures compared to 2017 average.

Revenues amounted to €788 million (€711 million in the first nine months of 2017). Revenues related to the consolidation of the ACSM-AGAM group amounted to €33 million in the third quarter of 2018.

Gross operating margin amounted to €273 million (€270 million in the period ended September 30, 2017). The consolidation of the ACSM-AGAM group accounted for €14 million in the third quarter.

Net of non-recurring items (+€6 million in the first nine months of 2017 versus +€1 million in the same period of 2018) and changes in the consolidation scope, the Networks & District Heating Business Unit registered a €4 million decrease in gross operating margin. The positive effects of the increase in allowed gas distribution revenues, the water regulator's approved increase in water rates and the decrease in fixed costs only partially offset the lower per-unit district heating profit margins, penalized

by the rising cost of CO₂ and coal and the reductions in allowed revenues from electricity distribution and in other revenues from gas distribution.

Capex amounted to €174 million (€144 million in the first nine months of 2017), including €6 million related to ACSM-AGAM group.

International Business Unit

The International Business Unit comprises the Group's activities on foreign markets to exploit know-how and technologies in A2A's core business.

The International Business Unit generated revenues of €5 million in the first nine months of 2018 through the construction of high-tech waste treatment plants.

The gross operating margin was negative for €1 million (gross operating margin negative for €2 million in the first nine months of 2017).

No capex were posted in 2018.

A2A Smart City Business Unit

In the first nine months of 2018, A2A Smart City S.p.A. reported revenues of €33 million, up €14 million with respect to the same period of the previous year.

The gross operating margin at €6 million, rose by approximately €2 million with respect to 2017. The improvement in profit margins was due to the contribution of Linea Com - a company active in the LGH group's telecommunications segment, which merged into A2A Smart City in February 2018 – as well as to the projects that began in the fourth quarter of 2017 to develop infrastructure for the laying of optical fiber cables in Milan and Brescia.

Capex amounted to €8 million (€6 million in the nine months ended September 30, 2017).

Balance sheet

The figures at September 30, 2018, compared to December 31, 2017, reflect the impact of the first-time consolidation of the ACSM-AGAM group on July 1, 2018 and the acquisition by A2A Rinnovabili S.p.A. of companies owning five photovoltaic plants in Italy.

Furthermore, the company Fair Renew S.r.l., 60% owned by A2A Rinnovabili S.p.A. and 40% by Ente Autonomo Fiera International Milan, was incorporated and is consolidated on a line-by-line basis.

The consolidated values arising from the line-by-line consolidation of the ACSM-AGAM group do not reflect the effects of the purchase price allocation required by IFRS 3. The process will be completed by the deadline established in the Standard.

(millions of euro)	09/30/2018	12/31/2017	Change
CAPITAL EMPLOYED			
Net Fixed assets	6,018	5,780	238
- Tangible assets	4,632	4,606	26
- Intangible assets	2,129	1,863	266
- Shareholdings and other non-current financial assets (*)	25	71	(46)
- Other non-current assets/liabilities (*)	(133)	(117)	(16)
- Deferred tax assets/liabilities	272	301	(29)
- Provisions for risks, charges and liabilities for landfills	(595)	(625)	30
- Employee benefits	(312)	(319)	7
<i>of which with counter-entry to equity</i>	<i>(54)</i>	<i>(47)</i>	
Net working capital and other current assets/liabilities	163	235	(72)
Net working capital:	493	437	56
- Inventories	247	147	100
- Trade receivables	1,467	1,671	(204)
- Trade payables	(1,221)	(1,381)	160
Other current assets/liabilities:	(330)	(202)	(128)
- Other current assets/liabilities (*)	(310)	(305)	(5)
- Current tax assets/liabilities	(20)	103	(123)
<i>of which with counter-entry to equity</i>	<i>(36)</i>	<i>(39)</i>	
Assets/Liabilities held for sale (*)	109	224	(115)
<i>of which with counter-entry to equity</i>	<i>109</i>	<i>224</i>	
TOTAL CAPITAL EMPLOYED	6,290	6,239	51
SOURCES OF FUNDS			
Equity	3,413	3,013	400
Total financial position beyond one year	3,501	3,488	13
Total financial position within one year	(624)	(262)	(362)
Total net financial position	2,877	3,226	(349)
<i>of which with counter-entry to equity</i>	<i>23</i>	<i>29</i>	
TOTAL SOURCES	6,290	6,239	51

(*) Net of the balances included in the net financial position.

Net Fixed assets

Net Fixed assets amounted to €6,018 million, up €238 million with respect to December 31, 2017.

The main changes are detailed below:

- Tangible assets increased by €26 million, mainly due to:
 - capex of €187 million, essentially in the Networks & District Heating Business Unit (€75 million), the Waste Business Unit (€66 million) and the Generation and Trading Business Unit (€29 million). In addition, the Market Business Unit, A2A Smart City and Corporate recorded combined capex of approximately €15 million;
 - €85 million increase following the acquisition of the ACSM-AGAM group;
 - €32 million increase due to A2A Rinnovabili's acquisition of a portfolio of five photovoltaic plants;
 - €270 million reduction due to the depreciation and amortization for the period;
 - other decreases of €8 million.

Tangible assets include "leased assets" totaling €55 million, recognized in accordance with IAS 17; the outstanding payable to lessors at September 30, 2018 amounted to €53 million;

- Intangible assets increased by €266 million on December 31, 2017, due to:
 - €117 million increase generated by capex of the period, essentially in the Networks & District Heating Business Unit (€93 million), the Other Services and Corporate Business Unit (€9 million) and the Waste, Market and Generation Business Units (totaling €9 million);
 - €277 million increase following the acquisition of the ACSM-AGAM group;
 - €15 million increase due to A2A Rinnovabili's acquisition of a portfolio of five photovoltaic plants;
 - €77 million decrease mainly due to the €74 million reduction in the industrial portfolio's green certificates;
 - €3 million decrease following disposals during the period, net of accumulated depreciation;
 - €63 million decrease due to depreciation of the period.
- Shareholdings and other non-current financial assets decreased by €46 million to €25 million with respect to December 31, 2017. The change was due to: the different consolidation method applied to the equity investment in ACSM-AGAM (€44 million), the sale of the equity investment in Rudnik Ugljia ad Pljevlja (€7 million), the acquisition of the stake in Gelsia Environment (€3 million) and the equity investments of the ACSM-AGAM group (€2 million).
- Other non-current assets and liabilities, which show a net increase of €16 million mainly due to the growth in other non-current payables for the acquisition of the photovoltaic portfolios in the first months of 2018;
- deferred tax assets/liabilities, down €29 million to €272 million; €15 million of the decrease was due to the first-time consolidation of the ACSM-AGAM group and €14 million due to the net effects of deferred tax assets and liabilities for IRES (corporate income tax) and IRAP (regional production tax) arising on adjustments made to the provisions exclusively for tax purposes;
- €30 million decrease in the provisions for risks, charges and liabilities for landfills. The changes in the period were due to: the net decrease of €11 million in the provision for tax disputes,

mainly following the subsidiary A2A Ambiente's release of €10.5 million in relation to a dispute with the Puglia Region; the €4 million decrease in the provision for landfill risks due to over-accruals following the actuarial calculations; net releases of €4 million from the provisions for legal disputes and other provisions, utilizations of €12 million in the period and other decreases of €7 million. The consolidation effect of the ACSM-AGAM group amounted to €8 million.

- employee benefits decreased by €7 million mainly due to payments of €12 million in the first nine months of 2018, offset by the net contribution of the first-time consolidation of ACSM-AGAM (€8 million).

Net Working Capital and Other Current Assets/Liabilities

Net working capital, defined as the sum of trade receivables, closing inventories and trade payables, amounted to €493 million. It increased by €56 million (€12 million reduction was related to the change in perimeter and €68 million increase was due to the consolidation of the ACSM-AGAM group) compared to December 31, 2017. Comments on the main items are provided below:

Trade Receivables

(millions of euro)	Balance at 12/31/2017	Changes in the period	Balance at 09/30/2018
Trade receivables - invoices issued	929	(59)	870
Trade receivables – invoices to be issued	897	(128)	769
Bad debt provision	(155)	(17)	(172)
Total trade receivables	1,671	(204)	1,467

At September 30, 2018, trade receivables amounted to €1,467 million (€1,671 million at December 31, 2017), down €204 million, net of the effect of the consolidation of the ACSM-AGAM group, which contributed €99 million.

The bad debt provision of €172 million increased by €17 million on December 31, 2017, essentially due to the €15 million contributed by the ACSM-AGAM group.

An ageing analysis of trade receivables is provided below:

(millions of euro)	09/30/2018	12/31/2017
Trade receivables	1,467	1,671
Current	546	615
Past due, of which:	324	314
<i>Past due up to 30 days</i>	44	56
<i>Past due from 31 to 180 days</i>	66	67
<i>Past due from 181 to 365 days</i>	29	37
<i>Past due over 365 days</i>	185	154
Invoices to be issued	769	897
Bad debt provision	(172)	(155)

Trade Payables

(millions of euro)	Balance at 12/31/2017	Changes during the period	Balance at 09/30/2018
Advances	2	0	2
Payables to suppliers	1,379	(160)	1,219
Total trade payables	1,381	(160)	1,221

Trade payables amounted to €1,221 million, down €160 million, net of the effect of the acquisition of the ACSM-AGAM group, which contributed €39 million.

Inventories

(millions of euro)	Balance at 12/31/2017	Changes in the period	Balance at 09/30/2018
- Materials	71	8	79
- Material obsolescence provision	(20)	(1)	(21)
- Fuel	91	81	172
- Others	1	3	4
Raw and ancillary materials and consumables	143	91	234
Third-party fuels	4	9	13
Total inventory	147	100	247

Inventories amounted to €247 million (€147 million at December 31, 2017), net of the obsolescence provision of €21 million, up €1 million on December 31, 2017.

This growth was mainly due to the €81 million increase in fuel inventories resulting from the seasonal effect and the consolidation effect of the ACSM-AGAM Group, which contributed €8 million.

Other current assets/liabilities presented a net decrease of €128 million, mainly due to:

- €120 increase in net tax payables;
- €27 million increase in prepayments, mainly due to the payment water offtake fees in the first six months of 2018;
- €30 million increase in payables for excise taxes;
- €7 million reduction in payables to CSEA (the energy and environmental service fund);
- €14 million decrease in tax payables for VAT;
- decrease of roughly €14 million in payables to social security institutions;
- €36 million reduction due to the contribution of the ACSM-AGAM group.

Net Working Capital, including changes in other current assets/liabilities by Business Unit and the contribution of the ACSM-AGAM group, is detailed below:

(millions of euro)	09.30.2018	12.31.2017	CHANGE
Generation	212	50	162
Market	220	357	-137
Waste	9	-5	14
Networks and District Heating	-120	-91	-29
International	3	-1	4
A2A Smart City	-9	-6	-3
Corporate	-164	-69	-95
ACSM-AGAM Group	12	0	12
TOTAL	163	235	-72

Consolidated **Capital Employed** at September 30, 2018 came to €6,290 million, €3,413 million was financed by Equity and €2,877 million was financed by the net financial position.

Equity

The total change in equity was positive for €400 million.

Net profit increased equity by €342 million (€335 million Group net income). The change in minority interests was positive for €207 million, mainly due to the first-time consolidation of the ACSM-AGAM group and the positive variation resulting mainly from the valuation of cash flow hedges derivatives (€31 million) and the dividend distribution amounting to €180 million.

Financial position

Net free cash flow (millions of euro)	09.30.2018	09.30.2017
Gross operating margin	875	876
Change in net working capital	12	(26)
Change in other assets/liabilities	(10)	(119)
Utilization of provisions, net taxes and net financial charges	(89)	(187)
FFO	788	544
Capex	(304)	(245)
Distributed dividends	(180)	(153)
Net free cash flow	304	146
Changes in consolidation scope	45	(262)
Change in net financial position	349	(116)

The net financial position at September 30, 2018 amounted to €2,877 million (€3,226 million at December 31, 2017). Net cash flow generation was €304 million, additionally a positive cash flows of €75 million arose from the change in perimeter, offset by the net financial debt of €30 million arising from the first-time consolidation of ACSM-AGAM.

Regarding net cash flow generation:

- Net Working Capital, calculated as the sum of trade receivables, trade payables and inventories, generated an increase of about €12 million in the net financial position due to the €44 million decrease in receivables, the €17 million increase in trade payables, the €19 million increase in gas and other fuel inventories and other decreases of €4 million. These changes are mainly due to the seasonal effect.
In the first nine months of 2018, the Group occasionally factored receivables without recourse. At September 30, 2018, the total balance of receivables factored by the Group without recourse and not yet due was nil (€33 million at December 31, 2017). The Group does not have revolving factoring programs in place;
- the payment of net financial charges and provisions entailed expenditure of €89 million, while capex of the period, as detailed below, absorbed €304 million and the payment of dividends €180 million;
- the change in the consolidation scope generated a €45 million improvement in the net financial position due to: the collection of the first two tranches of the put option exercised on EPCG (€118 million); the collection of dividends distributed by EPCG (€15 million); cash inflows generated by the sale of the equity investment in Rudnik Uglija ad Pljevjia (€13 million); the assumption of the financial liabilities of the companies acquired by A2A Rinnovabili S.p.A.

(€41 million); the takeover bid for ACSM-AGAM S.p.A. shares (cash out of €30 million); the consolidation effect of the ACSM-AGAM group's net financial debt (€30 million).

Net capex of €304 million were related to the following Business Units:

Millions of euro	09.30.2018	09.30.2017	Change
Generation and Trading	30	17	13
Market	11	6	5
Waste	68	58	10
Networks and Heat	174	144	30
A2A Smart City	8	6	2
Other Services and Corporate	13	14	-1
Total	304	245	59

Generation and Trading Business Unit

Capex amounted to €30 million. The expenditures mainly comprised extraordinary maintenance on the Monfalcone and San Filippo del Mela traditional cycle plants (€7 million), on the hydroelectric units (€8 million) and on combined-cycle thermoelectric plants (€4 million), as well as work to upgrade the combined-cycle thermoelectric plant in Chivasso to standards (€6 million).

Market Business Unit

The Market Business Unit invested €11 million in the first nine months of 2018, including €1 million relating to the ACSM-AGAM Group. This capex included €8 million for upgrades on marketing and billing hardware and software; the balance was incurred for work in relation to the public lighting segment, for the replacement of lighting devices with LEDs in the municipalities where the Group has management contracts.

Waste Business Unit

Capex in the Waste Business Unit during the first nine months of 2018 amounted to €68 million and were mainly related to the development and maintenance of waste-to-energy plants (€24 million), treatment plants and landfills (€23 million), the purchase equipment for unsorted waste accounted for the residual amount.

Networks & District Heating Business Unit

Networks & District Heating capex in the period amounted to €174 million, €6 million of which due to the ACSM-AGAM Group, and specifically related to:

- in the electricity distribution segment, development and maintenance work on plants and in particular the connection of new users, maintenance work on secondary cabins, the extension

and refurbishment of the medium and low voltage network and the maintenance and upgrading of primary plants (€50 million);

- in the gas distribution segment, development and maintenance work on plants relating to the connection of new users and the replacement of medium and low-pressure piping and smart gas meters (€64 million);
- in the integrated water cycle sector, work carried out on the water transportation and distribution network and the sewage networks and purification plants (€30 million);
- in the district heating and heat management sector, development and maintenance of plants and networks (€30 million).

A2A Smart City

Capex, amounting to €8 million, mainly refers to work on the telecommunication networks.

Corporate

Capex, amounting to €13 million (€1 million of which relating to the ACSM-AGAM group), refers to work on buildings and IT systems.

The **Net financial position** amounted to €2,877 million (€3,226 million at December 31, 2017).

Gross debt amounted to €4,039 million, up €101 million on December 31, 2017.

Cash and cash equivalents amounted to €1,132 million, up €441 million.

Other financial assets net were positive for €30 million, recording a net increase of €9 million.

Furthermore, the change in the consolidation scope led to an improvement in the net financial position for €45 million, as described in more detail in the “Financial position” section.

About 84% of gross debt accrues interest at a fixed rate or is hedged. The duration is 4.5 years.

Outlook for operations

The Group expects to end 2018 with very satisfying results, showing a growth with respect to 2017.

The gross operating margin should reach €1,200 – 1,240 million, including positive non-recurring items of about €33 million and the consolidation of ACSM-AGAM accounting for about €35 million.

Group net income is expected to exceed €400 million. Cash flow generation is expected to reach €170 – 200 million, net of capex, acquisitions and dividends payments. The net financial position of the ACSM-AGAM Group at year end is expected at about €65 million.

Accounting standards and changes in the consolidation scope

The following accounting standards are applicable to the Group for reporting periods beginning on or after January 1, 2018:

- IFRS 15 - Revenue from Contracts with Customers
- IFRS 9 - Financial Instruments

In addition, the Group has already adopted following amendments to the IFRS endorsed in 2018:

- IFRS 9 - Prepayment Features with Negative Compensation. This amendment, applicable as from January 1, 2018, allows entities to measure the negative/positive difference arising from the early termination of a financial asset/liability at amortized cost (i.e., rather than at FVTPL). This amendment is applicable to reporting periods beginning on or after January 1, 2019.
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration. This interpretation clarifies the date when the exchange rate is to be used for the recognition of non-monetary assets/liabilities relating to transactions in foreign currency. Specifically, the advance asset/liability must be recognized at the exchange rate on the date of the payment/collection of the advance and, similarly, it will be derecognized, once the transaction is complete with the recognition of the related sales revenue, at the same exchange rate used to recognize the non-monetary asset/liability. Applicable as from January 1, 2018.
- Amendments to IAS 40 - Transfers of investment property. The amendment specifies that a change in management's intentions for the use of a property by itself does not constitute evidence of a change in use (e.g. inventories are reclassified as investment property). Applicable as from January 1, 2018.
- IFRS 2 - Share-based payment. Two main aspects are considered: the classification of a share-based payment settled net of withholding obligations; recognition when a change in the terms and conditions of a share-based payment changes its classification from cash-settled to equity settled. Applicable as from January 1, 2018.

The amendments introduced and applicable as from 2018 have not had any impact on the Group's results and financial position.

In addition, IFRS 16 - Leases, endorsed in 2017, will apply to the Group for reporting periods beginning on or after January 1, 2019. It completely replaces all previous accounting requirements under IFRS for the recognition of leases (IAS 17 and IFRIC 4).

Analyses are in progress to identify the impacts on the A2A Group's results and financial position.

Reference should be made to the descriptions in the "Balance Sheet" section for information on the change in the consolidation scope.

Alternative performance indicators (APIs)

Certain alternative performance indicators not envisaged by the International Financial Reporting Standards endorsed by the European Union (IFRS-EU) are presented in this press release to give a better view of the A2A Group's performance. In accordance with the recommendations in the ESMA Guidelines published in October 2015, the indicators are described below, with an explanation of their content and calculation base:

- **Gross operating margin (EBITDA)** is an alternative performance indicator calculated as the sum of the net operating income and amortization, depreciation and write-downs;
- **Gross operating margin net of non-recurring items** is an alternative indicator of operating performance, calculated as the gross operating margin described above, net of income and expense items arising from transactions or operations that will not recur in future periods (e.g., an adjustment related to past financial years, expenses for extraordinary redundancy plans, etc.);
- **Net financial position (NFP)** is an indicator of financial structure. It corresponds with financial liabilities, net of cash and cash equivalents and current and non-current financial assets (financial assets and securities other than equity investments);
- **Capex** is an alternative performance indicator used by the A2A Group as a financial target within the scope of internal Group presentations (business plans) and external documents (presentations to financial analysts and investors). It is a useful indicator of the resources employed in maintenance and development of A2A Group's investments.

On the basis of the Issuer Regulations, amended by Consob with Resolution no. 19770 of October 26, 2016 effective as of January 2, 2017, article 82-ter (additional periodic financial information), the Board of Directors, in order to ensure continuity and regular information for the financial community, has decided to continue to publish the quarterly information on a voluntary basis, adopting the following disclosure policy effective as of 2017 and until otherwise resolved.

The executive responsible for drawing up A2A S.p.A.'s corporate accounting documents, Andrea Crenna, states – in accordance with article 154-bis, sub-section 2 of the Financial Act del (Legislative Decree 58/1998) – that the accounting information contained in this document corresponds with the documentary evidence, books and accounting records.

The financial statements of the A2A Group as at and for the nine months ended on September 30, 2018 are attached below.

For further information:

Media relations: tel. 02 7720.4583, ufficiostampa@a2a.eu

Investor Relations: tel. 02 7720.3974, ir@a2a.eu

www.a2a.eu

CONSOLIDATED BALANCE SHEET	09.30.2018	12.31.2017
(millions of euro)		
ASSETS		
<u>NON-CURRENT ASSETS</u>		
Tangible assets	4,632	4,606
Intangible assets	2,129	1,863
Shareholdings carried according to equity method	19	63
Other non-current financial assets	40	44
Deferred tax assets	272	301
Other non-current assets	9	8
TOTAL NON-CURRENT ASSETS	7,101	6,885
<u>CURRENT ASSETS</u>		
Inventories	247	147
Trade receivables	1,467	1,671
Other current assets	523	216
Current financial assets	11	8
Current tax assets	75	107
Cash and cash equivalents	1,132	691
TOTAL CURRENT ASSETS	3,455	2,840
NON-CURRENT ASSETS HELD FOR SALE	109	224
TOTAL ASSETS	10,665	9,949
EQUITY AND LIABILITIES		
<u>EQUITY</u>		
Share capital	1,629	1,629
(Treasury shares)	(54)	(54)
Reserves	1,161	1,010
Result of the year	-	293
Result of the period	335	-
Equity pertaining to the Group	3,071	2,878
Minority interests	342	135
Total equity	3,413	3,013
<u>LIABILITIES</u>		
<u>NON-CURRENT LIABILITIES</u>		
Non-current financial liabilities	3,520	3,501
Employee benefits	312	319
Provisions for risks, charges and liabilities for landfills	595	625
Other non-current liabilities	157	148
Total non-current liabilities	4,584	4,593
<u>CURRENT LIABILITIES</u>		
Trade payables	1,221	1,381
Other current liabilities	833	521
Current financial liabilities	519	437
Tax liabilities	95	4
Total current liabilities	2,668	2,343
Total liabilities	7,252	6,936
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
TOTAL EQUITY AND LIABILITIES	10,665	9,949

CONSOLIDATED INCOME STATEMENT (millions of euro)	01.01.2018 09.30.2018	01.01.2017 09.30.2017 <i>Restated *</i>
Revenues		
Revenues from the sale of goods and services	4,352	4,008
Other operating income	166	139
Total Revenues	4,518	4,147
Operating expenses		
Expenses for raw materials and services	2,963	2,589
Other operating expenses	189	206
Total Operating expenses	3,152	2,795
Labour costs	491	476
Gross operating income - EBITDA	875	876
Depreciation, amortization, provisions and write-downs	331	317
Net operating income - EBIT	544	559
Result from non-recurring transactions	6	-
Financial balance		
Financial income	13	13
Financial expenses	99	104
Affiliates	4	5
Result from disposal of other shareholdings (AFS)	-	-
Total financial balance	(82)	(86)
Result before taxes	468	473
Income taxes	146	153
Result after taxes from operating activities	322	320
Net result from discontinued operations	20	(92)
Net result	342	228
Minorities	(7)	(2)
Group result of the period	335	226
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (millions of euro)	09.30.2018	09.30.2017 <i>Restated *</i>
Net result of the period (A)	342	228
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	3	9
Tax effect of other actuarial gains/(losses)	(1)	(3)
Total actuarial gains/(losses) net of the tax effect (B)	2	6
Effective part of gains/(losses) on cash flow hedge	34	(4)
Tax effect of other gains/(losses)	(10)	1
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	24	(3)
Other gains/(losses) of companies valued at equity net of the tax effect (D)	-	-
Total comprehensive result (A)+(B)+(C)+(D)	368	231
Total comprehensive result attributable to:		
Shareholders of the parent company	361	229
Minority interests	(7)	(2)

With the exception of the actuarial effects on employee benefits recognized in equity, the other effects stated above will be reclassified to the Income Statement in subsequent years.

(*) Figures as at 09.30.2017 reflect EPCG reclass according to IFRS 5 standard

CONSOLIDATED CASH-FLOW STATEMENT (millions of euro)	09.30.2018	12.31.2017
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	691	402
Change in EPCG consolidation method	-	(55)
Contribution of first consolidation of acquisitions of 2018/2017	28	7
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	719	354
<u>Operating activities</u>		
Net Result (**)	336	297
Tangible assets depreciation	270	338
Intangible assets amortization	63	72
Fixed assets write-downs/disposals	5	43
Result from affiliates	(4)	(5)
Held for sale activities write off	-	86
Net financial interests	86	139
Net financial interests paid	(59)	(115)
<i>Net taxes paid (a)</i>	(19)	(192)
<i>Gross change in assets and liabilities (b)</i>	261	203
Total change of assets and liabilities (a+b) (*)	242	11
Cash flow from operating activities	939	866
<u>Investment activities</u>		
Investments in tangible assets	(187)	(306)
Investments in intangible assets and goodwill	(117)	(148)
Investments in shareholdings and securities (*)	(34)	(23)
Disposal of fixed assets and shareholdings	13	-
Dividends received	2	2
Cash flow from investment activities	(323)	(475)
FREE CASH FLOW	616	391
<u>Financing activities</u>		
<u>Changes in financial assets</u>		
<i>Monetary changes:</i>		
<i>Issuance of loans</i>	-	-
<i>Proceeds from loans</i>	3	7
<i>Other monetary changes</i>	6	(10)
Total monetary changes	9	(3)
<i>Non-monetary changes:</i>		
<i>Other non-monetary changes</i>	78	5
Total non-monetary changes	78	5
TOTAL CHANGES IN FINANCIAL ASSETS (*)	87	2
<u>Changes in financial liabilities</u>		
<i>Monetary changes:</i>		
<i>Borrowings/bonds issued</i>	64	743
<i>Repayment of borrowings/bond</i>	(107)	(613)
<i>Lease payments</i>	(2)	(2)
<i>Dividends paid by the parent company</i>	(180)	(153)
<i>Dividends paid by the subsidiaries</i>	-	(2)
<i>Other monetary changes</i>	23	(3)
Total monetary changes	(202)	(30)
<i>Non-monetary changes:</i>		
<i>Amortized cost valuations</i>	5	-
<i>Other non-monetary changes</i>	(93)	(26)
Total non-monetary changes	(88)	(26)
TOTAL CHANGES IN FINANCIAL LIABILITIES (*)	(290)	(56)
Cash flow from financing activities	(203)	(54)
CHANGE IN CASH AND CASH EQUIVALENTS	413	337
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	1,132	691

(*) Cleared of balances in return of shareholders' equity and other balance sheet items. □

(**) Net Result is exposed net of gains on shareholdings', fixed assets' disposals and from discontinued operations.

Statement of changes in Group equity

(millions of euro)

Description	Share capital	Treasury shares	Cash Flow Hedge	Other Reserves and retained earnings	Result of the period/year	Total Equity pertaining to the Group	Minority interests	Total Net shareholders equity
Net equity at December 31, 2016 Restated	1,629	(54)	(2)	921	232	2,726	553	3,279
Changes in the first nine months of 2016								
2016 result allocation				232	(232)			
Distribution of dividends				(153)		(153)	(1)	(154)
IAS 19 reserves (*)				6		6		6
Cash flow hedge reserves (*)			(3)			(3)		(3)
EPCG equity method							(419)	(419)
Other changes				8		8	(2)	6
Group and minorities result of the period					226	226	1	227
Net equity at September 30, 2017	1,629	(54)	(5)	1,014	226	2,810	132	2,942
Changes in the fourth quarter of 2017								
IAS 19 reserves (*)				6		6		6
Cash flow hedge reserves (*)			(15)			(15)	1	(14)
EPCG equity method							(1)	(1)
Other changes				10		10	(2)	8
Group and minorities result of the period					67	67	5	72
Net equity at December 31, 2017	1,629	(54)	(20)	1,030	293	2,878	135	3,013
IFRS 9 - FTA				(4)		(4)		(4)
Net equity at January 1, 2018	1,629	(54)	(20)	1,026	293	2,874	135	3,009
Changes in the first nine months of 2017								
2017 result allocation				293	(293)			
Distribution of dividends				(180)		(180)	(5)	(185)
IAS 19 reserves (*)				2		2		2
Cash flow hedge reserves (*)			24			24		24
Other changes				16		16	205	221
Group and minorities result of the period					335	335	7	342
Net equity at September 30, 2018	1,629	(54)	4	1,157	335	3,071	342	3,413

(*) These form part of the statement of comprehensive income.