

PRESS RELEASE – 12 May 2020

A2A S.p.A. Board of Directors has examined and approved the quarterly Financial Information as at 31 March 2020

**Q1 2020 EBITDA at 331 million euro
(328 million euro in Q1 2019)**

**Group net profit 112 million euro, up 8% on the first quarter of the previous year
(104 million euro at 31 March 2019)**

**Investments made during the quarter for 123 million euro,
up 13% on March 2019**

**NFP at 3,297 million euro
Excluding the change in scope, NFP came to 3,157 million euro, substantially in line
with the NFP at end 2019 (3,154 million euro)**

Milan, 12 May 2020 – At today's meeting of the Board of Directors of A2A S.p.A., chaired by Giovanni Valotti, the Board examined and approved the quarterly information as at 31 March 2020.

The first quarter of 2020 was characterised by the onset of the COVID-19 emergency, which, starting March, has had a major impact on the world's financial and economic framework.

The economic/financial results of the first quarter have been affected by both the weak energy scenario already seen starting the fourth quarter 2019, and the initial effects directly relating to the medical emergency. Despite the context characterised by a decline in the demand and very critical pricing dynamics, results were in any case satisfactory.

As regards the national energy scenario, the net demand for electricity in Italy during the first quarter of 2020 was 76,978 GWh, showing a decline of 4.5% on the volumes recorded for the same period of

2019; during the same period, the demand for natural gas dropped by 6.5% on the same period of 2019, coming in at 23,876 Mcm.

During the first quarter of 2020, moreover, the decreasing trend in the prices of commodities already in progress was worsened by the outbreak of the medical emergency: the PUN baseload showed a decline of 33.4%, coming in at € 39.6/MWh, as compared with the € 59.4/MWh booked for the first quarter of 2019; average prices are down, even for the price during peak load hours (-31.3% for the PUN peak load, which comes in at € 44.9/MWh).

As concerns the gas at the PSV, the average price during the first quarter 2020 was € 11.3/MWh, down 45.5% on the first quarter of the previous year.

During the period, the A2A Group took action to limit the impacts of the medical emergency as much as possible, taking all preventive steps necessary to guarantee the health and safety of its employees, enabling business to continue and work to be carried out with the extension, insofar as organisationally possible, of smart working.

The following are the main indicators:

<i>millions of euro</i>	3 months of 2020	3 months of 2019	Δ	Δ%
Revenues	1,707	2,110	-403	-19.1%
Gross Operating Margin - EBITDA	331	328	+3	+0.9%
Net Operating Income - EBIT	196	197	-1	-0.5%
Net profit	112	104	+8	+7.7%

In the first three months of 2020, the **Revenues** of the A2A Group amounted to 1,707 million euro, down 19.1% on the first three months of last year.

The reduction in revenues is mainly due to the lesser prices and volumes brokered on the wholesale markets of both electricity and gas, as well as the lesser sales made on the free market, in particular to large customers.

The **EBITDA** equalled 331 million euro, an increase of 3 million euro compared to the first three months of 2019 (+1%).

Net of non-recurring items (+1 million euro in the first three months of 2020; +5 million euro in the same period of 2019), ordinary gross operating margin increased by 7 million euro (+2%).

EBIT, amounting to 196 million euro, was down by 1 million euro compared to the first three months of 2019 (197 million euro). This change is due to:

- increase in EBITDA, as described above (+3 million euro);
- increase in amortisation/depreciation mainly in relation to investments made last year and the write-back of the A2A Gencogas plants at 31 December 2019 (-9 million euro);
- lesser net provisions mainly due to greater releases of the provisions for risks and surplus receivables and to lesser provisions made (+5 million euro).

Group Net Profit in the first three months of 2020 amounted to 112 million euro, up 7.7% on the same period of 2019. This change is due to the reasons given above, as well as to the reduction in net financial charges and minorities.

The **Net Financial Position** at 31 March 2020 amounted to 3,297 million euro (3,154 million euro as at 31 December 2019). Excluding the impacts deriving from the change in scope, the NFP at 31 March 2020 came to 3,157 million euro.

A2A Group - Results by Business Unit

The following table shows the composition of the Gross Operating Margin by Business Unit:

<i>Millions of euro</i>	03.31.2020	03.31.2019	Change	Change %
Generation and Trading	58	57	1	1,8%
Market	63	60	3	5,0%
Waste	78	78	0	0,0%
Networks and District Heating	139	138	1	0,7%
International	0	0	0	n.s.
Corporate	-7	-5	-2	n.s.
Total	331	328	3	0,9%

Generation and Trading Business Unit

In the first three months of 2020, the Generation and Trading Business Unit contributed to fulfil the sales demand of the A2A Group through production by the plants it owns amounting to approximately 3.8 TWh (4.4 TWh at 31 March 2019).

Thermoelectric output totalled 3.0 TWh (3.5 TWh in the same period of last year): the negative change is due to the lesser production of CCGT plants for the reduction of the contestable energy demand and the prolonged downtime of the Monfalcone plant, penalised by a not sufficiently remunerative pricing scenario.

Hydroelectric production, of 0.8 TWh, is basically in line with the same period of last year (-1%): the lesser production of the Calabria reservoirs, which the previous year had benefited from significant hydraulicity, have been almost entirely offset by an increase in production by the plants of the northern zone.

Finally, photovoltaic production is up by 5% during the first three months of the year, coming in at approximately 26 GWh.

The revenues amounted to 906 million euro, down by 405 million euro compared to the same period of the previous year. The reduction was mainly due to the lesser volumes brokered on the wholesale electricity and gas markets, as well as by the decline in prices.

The EBITDA of the Generation and Trading Business Unit was 58 million euro (57 million euro in the first quarter of 2019).

The negative effects suffered by the energy generation sector due to the weakness of the scenario and the decline in the contestable demand following the spread of COVID-19, were neutralised during the period by an effective hedging strategy and the good results achieved on the ancillary services market

(“MSD”). The greater revenues from the feed-in tariff and the higher margins of the San Filippo del Mela plant also made a positive contribution, penalised last year by expensive imbalance fees that were not contractually recognised.

In the period in question the Investments of the Generation Business Unit amounted to around 8 million euro, in line with Q1 2019.

Market Business Unit

In the first three months of 2020, the Market Business Unit recorded 3.8 TWh of electricity sales, up 14.6% compared to the same period of the previous year and 940 Mcm gas sales (-4.9% compared to the first 3 months of 2019).

The increase in the electricity sector is due to the greater quantities sold to customers on the free market, partly offset by the lesser sales made to customers served under the protected and “Salvaguardia” regime. Instead, in the gas sector, a decline is recorded in sales mainly due to a reduction in volumes supplied, which, in turn, derived both from an unfavourable thermal trend as compared with the previous year, and, above all in regard to (large and small) industrial customers, from the slowing of all economic activities consequent to the measures adopted to limit the spread of COVID-19.

Revenues came to 782 million euro (869 million euro at 31 March 2019), down 10% following the decline in the unitary prices of gas and electricity recorded during the first quarter of 2020 as compared with the same period of the previous year and the lesser quantities of gas sold.

Market Business Unit EBITDA equalled 63 million euro (60 million euro in the first 3 months of 2019). The change was brought about by an increase in the energy retail segment (+4 million euro) and a public lighting segment that was essentially unchanged, coupled with a decline in the energy solutions segment (-1 million euro).

Growth in the energy retail segment is due to the increase in the number of customers on the free electricity and gas market (+52 thousand on end 2019), to the increase in unitary margins of customers on the free electricity market, also thanks to the significant reduction in imbalance fees, the update of the QVD, the tariff component applied to customers of the protected service to cover the marketing costs of retail gas sales (resolution 577/2019/R/gas). These positive effects more than offset the impact deriving from the reduction in gas sales.

The energy solutions sector recorded a reduction in margins that can be traced both to the lesser income from the sale of white certificates and the reduction in opportunities to optimise the photovoltaic energy dispatch profiles.

In the period in question, the Investments Business Unit came to around 8 million euro (6 million at 31 March 2019).

Waste Business Unit

During the first quarter of 2020, the quantity of waste collected (0.4 million tonnes) is basically in line with last year, whilst the quantity of waste disposed of (0.8 million tonnes) is down 7.9%, mainly connected not only to the conferrals to the Grottaglie landfill, operative in January 2019, but also to the lesser production of waste as a consequence of the block to production resolved nationally to limit the spread of COVID-19.

The quantities of electricity and heat sold, on the other hand, have risen respectively by 5.0% and 3.5% on the first quarter of 2019.

During the first three months of the year, the Waste Business Unit recorded revenues of 274 million euro (270 million euro at 31 March 2019).

The EBITDA of the Waste Business Unit equalled 78 million euro, in line with the same period of last year.

The reduction in margins determined by the lower sale prices of the electricity produced by WTE plants, by the reduction in the quantities disposed of and the higher costs of disposal, has been almost entirely absorbed by the lesser labour costs recorded in the Collection segment, the higher quantities of electricity produced, the positive conferral price trend (in particular of urban waste) and by the contribution made by the newly-acquired plants through recent M&As (the processing lines of Electrometal, a company operating in the treatment and recovery of waste coming from different industrial processes, acquired in late 2019, and the biomass generation plant, Agritrè, acquired in February 2020).

Investments made in the first three months of 2020 came to 31 million euro, up 48% on the first quarter of 2019 (21 million euro at 31 March 2019). The increase in the Business Unit's investments in 2020 is due to the launch of interventions to develop a new line for the Parona waste-to-energy plant (development envisaged in the new A2A Group 2020-2024 Strategic Plan).

Networks and District Heating Business Unit

Please note that starting January 2020, A2A Smart City, the company supplying telecommunications and video surveillance services (management of fixed and mobile telephony lines and data transmission lines, as well as services connected with the management and development of communications infrastructures), joined the Networks and District Heating Business Unit.

Electricity distributed totalled 2.7 TWh, a decrease of 7% over the first three months of 2019. The quantities of gas distributed reached 1,278 Mcm, down 6.3% (1,364 Mcm at 31 March 2019) and the water distributed was 19 Mcm, in line with the quantities of the same period of the previous year.

Heat sales of the Business Unit amounted to 1.4 TWh, an increase of 1.3% compared to the first half of 2019, thanks to the acquisition of new customers.

The Networks and District Heating Business Unit's revenues amounted to 317 million euro (329 million euro as at 31 March 2019). The reduction in revenues is mainly due to the district heating segment, in particular as a result of the reduction in cogeneration electricity and heat sales prices.

Networks and District Heating Business Unit EBITDA amounted to 139 million euro (138 million euro as at 31 March 2019).

Net of non-recurring items (+1 million euro in Q1 2019, substantially null in the first three months of 2020), the Business Unit's Ordinary EBITDA grew by 2 million euro (+1% on the same period of the previous year).

The district heating segment made a positive contribution, thanks to the increased quantities sold following the commercial development, which more than offset the higher environmental costs (CO₂), as did the water cycle, through lesser network operation and maintenance costs. The Business Unit's other segments recorded Q1 2020 results substantially in line with the first quarter of 2019.

Period investments equalled 69 million euro (69 million euro at 31 March 2019).

Balance sheet

The comparison of the Balance Sheet as at 31 March 2020 with that as at 31 December 2019 is homogeneous and on a like-for-like basis, with the exception of the following changes in perimeter:

- acquisition and line-by-line consolidation by LGH S.p.A. of 100% of the companies Agitre S.r.l. and Tre Stock S.r.l., companies operating in the biomass generation segment;
- line-by-line consolidation, starting 1 February 2020 of ASM Energia S.p.A., a company operating on the gas and electricity sale market.

(millions of euro)

	03.31.2020	12.31.2019	Changes
CAPITAL EMPLOYED			
<u>Net fixed assets</u>	<u>6,614</u>	<u>6,470</u>	<u>144</u>
- Tangible assets	4,917	4,869	48
- Intangible assets	2,429	2,379	50
- Shareholdings and other non-current financial assets (*)	75	45	30
- Other non-current assets/liabilities (*)	(125)	(117)	(8)
- Deferred tax assets/liabilities	286	277	9
- Provisions for risks, charges and liabilities for landfills	(668)	(676)	8
- Employee benefits	(300)	(307)	7
<i>of which with counter-entry to equity</i>	<i>(82)</i>	<i>(114)</i>	
<u>Net Working Capital and Other current assets/liabilities</u>	<u>429</u>	<u>335</u>	<u>94</u>
Net Working Capital:	837	555	282
- Inventories	104	184	(80)
- Trade receivables	2,056	1,852	204
- Trade payables	(1,323)	(1,481)	158
Other current assets/liabilities:	(408)	(220)	(188)
- Other current assets/liabilities (*)	(406)	(277)	(129)
- Current tax assets/tax liabilities	(2)	57	(59)
<i>of which with counter-entry to equity</i>	<i>(70)</i>	<i>(21)</i>	
Assets/liabilities held for sale (*)	0	0	
<i>of which with counter-entry to equity</i>	<i>0</i>	<i>0</i>	
TOTAL CAPITAL EMPLOYED	7,043	6,805	238
SOURCES OF FUNDS			
Shareholders' equity	3,746	3,651	95
Total financial position after one year	3,033	3,294	(261)
Total financial debt within one year	264	(140)	404
Total Net Financial Position	3,297	3,154	143
<i>of which with counter-entry to equity</i>	<i>21</i>	<i>24</i>	
TOTAL SOURCES	7,043	6,805	238

Net Fixed Assets

“**Net Fixed Assets**” amounted to 6,614 million euro, up by 144 million euro compared to 31 December 2019, of which 85 million euro refer to contributions deriving from the first consolidations.

The main changes are detailed below:

- Tangible assets increased by 48 million euro mainly due to:
 - increase of 72 million euro mainly referring to the biomass generation plan, consequent to the acquisition of Agritre S.r.l., closed in Q1 2020;
 - investments amounting to 71 million euro, essentially in the Waste Business Unit for 31 million euro, the Networks and District Heating Business Unit for 28 million euro and the Generation and Trading Business Unit for 7 million euro. Reported, also, approximately 5 million euro Capex in the Market and Corporate Business Units;
 - net increase of 3 million euro for other changes, mainly due to the acquisition by Italgas Reti S.p.A. of the BU relative to the management of the district heating service in the municipality of Cologno Monzese;
 - decrease of 98 million euro due to period depreciation.

Tangible assets include “Financially-leased assets” totalling 34 million euro, recognized in accordance with IFRS 16, for which the outstanding payable to lessors at 31 March 2020 amounted to 32 million euro;

- Intangible fixed assets increased by 50 million euro on 31 December 2019, due to:
 - increase of 21 million euro referring for 11 million euro to the customer list consequent to the line-by-line consolidation of ASM Energia S.p.A. and for 10 million euro to the goodwill generated following the acquisition of the companies Agritre S.r.l. and Tre Stock S.r.l.;
 - increase of 52 million euro generated by period capex, essentially in the Networks and District Heating Business Unit for 41 million euro, the Market Business Unit for 5 million euro, the Corporate Business Unit for 5 million euro and the Environment and Generation and Trading Business Units for a total of 1 million euro;
 - net increase of 12 million euro for other changes, due to the increase in environmental certificates of the industrial portfolio;
 - reduction of 2 million euro following the sale to Italgas Reti S.p.A. of the BU relative to the management of the network and natural gas distribution service in the municipalities falling within the territorial area (“Atem”) of “Alessandria 4”;
 - a decrease of 33 million euro for period amortisation/depreciation.
- Shareholdings and other non-current Financial Assets come to 75 million euro following a rise of 30 million euro on 31 December 2019, mainly as a result of the acquisition of a 4.16% minority share of Ascopiave S.p.A. for 42 million euro, net of the reduction consequent to the change in the consolidation method used for ASM Energia S.p.A.;
- other non-current assets and liabilities rise by a net 8 million euro, mainly due to greater caution deposits from customers;
- deferred tax assets/liabilities totalled 286 million euro, following a rise of 9 million euro, mainly due to recognition of deferred IRES (corporate income tax) and IRAP (regional tax on productive activities) as a result of changes in the valuation of cash flow hedges derivatives;

- provisions for risks, charges and liabilities for landfills drop, net of the effects of the first-time consolidations for 5 million euro, by 13 million euro. The period change is the net result of period utilisations (12 million euro), mainly referring to decommissioning and landfill costs (5 million euro), the settlement of legal disputes (3 million euro) and additional utilisations (4 million euro). There was also a decrease brought about by surplus provisions for risks noted during the period for 2 million euro, mainly connected with charges for the derivation of public water and other increases for 1 million euro.;
- employees benefits decreased by 7 million euro and mainly refer to payments made in the first three months of 2020.

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 837 million euros. The change was a rise of 282 million euro compared to 31 December 2019, of which 19 million euro refer to the effects of the first time consolidations. Comments on the main items are given below:

Trade receivables

(millions of euro)	Value at 12.31.2019	Changes during the period	Value at 03.31.2020
Trade receivables invoices issued	756	370	1,126
Trade receivables invoices to be issued	1,204	(156)	1,048
Bad debts provision	(108)	(10)	(118)
Total trade receivables	1,852	204	2,056

At 31 March 2020, “Trade receivables” amounted to 2,056 million euro (1,852 million euro at 31 December 2019), with an increase of 174 million euro, net of the first-time consolidation effect for 30 million euro.

The Bad debt provision of 118 million euro increased by a net 10 million euro on 31 December 2019, essentially due to net provisions made during the period of 6 million euro, uses for 1 million euro and other changes, relating to the effects of the first consolidations, in the amount of 5 million euro.

Trade receivables ageing is detailed here below:

(millions of euro)	03.31.2020	12.31.2019
Trade receivables of which:	2,056	1,852
Current	798	546
Past due of which:	328	210
<i>Past due up to 30 days</i>	<i>108</i>	<i>41</i>
<i>Past due from 31 to 180 days</i>	<i>96</i>	<i>61</i>
<i>Past due from 181 to 365 days</i>	<i>29</i>	<i>34</i>
<i>Past due over 365 days</i>	<i>95</i>	<i>74</i>
Invoices to be issued	1,048	1,204
Bad debts provision	(118)	(108)

Trade payables

(millions of euro)	Value at 12.31.2019	Changes in the period	Value at 03.31.2020
Advances	3	0	3
Payables to suppliers	1,478	(158)	1,320
Total trade payables	1,481	(158)	1,323

“Trade payables” amounted to 1,323 million euro, with a decrease of 171 million euro, net of the first-time consolidation effects, of 13 million euro.

Inventories

<i>(millions of euro)</i>	Value at 12.31.2019	Changes during the period	Value at 03.31.2020
- Materials	75	2	77
- Material obsolescence provision	(18)	(1)	(19)
- Fuel	112	(75)	37
- Others	4	5	9
Raw and ancillary materials and consumables	173	(69)	104
Third-party fuel	11	(11)	-
Total inventory	184	(80)	104

“Inventories” amounted to 104 million euro (184 million euro at 31 December 2019), net of the related obsolescence provision for 19 million euro, up 1 million euro compared to 31 December 2019. The decrease is mainly due to the reduction in gas inventories for 76 million euro.

Other current assets/liabilities presented a net increase of 188 million euro, mainly due to:

- increase of 77 million euros in payables to CSEA (the energy and environmental service fund);
- 45 million euro increase in tax payables for VAT, excise duties and other taxes;
- the increase in derivative liabilities for 31 million euros;
- decrease in advances paid to suppliers for fuel purchases for 6 million euros;
- decrease in payables due to social security institutions for 24 million euro;
- net increase in tax payables for 59 million euros;
- other increases in current liabilities for 6 million euros.

Below the breakdown of the Net Working Capital by Business Unit, including changes to other current assets/liabilities:

(Millions of euros)	03.31.2020	12.31.2019	CHANGE
Generation	-9	-31	22
Market	603	503	100
Waste	106	46	60
Networks and District Heating	-113	-97	-16
International	1	1	0
Corporate	-159	-87	-72
TOTAL	429	335	94

Consolidated **“Capital employed”** amounted to 7,043 million euro at 31 March 2020, financed by shareholders’ equity (3,746 million euro) and net financial position (3,297 million euro).

Shareholders’ equity

“Equity” amounted to 3,746 million euro and shows a positive change for a total of 95 million euro.

The positive change is the result of:

- period result for 120 million euro (112 million euro pertaining to the Group and 8 million euro to minorities);
- reserves arising from the valuation of cash flow hedges, which showed a reduction of 23 million euro.
- other negative changes amounting to 2 million euros.

Financial position

Net free cash flow	03.31.2020	03.31.2019
EBITDA	331	328
Changes in Net Working Capital	(282)	(320)
Changes in Other assets/liabilities	129	179
Utilization of provisions, net taxes and net financial charges	(58)	(54)
FFO	120	133
Investments	(123)	(109)
Net free cash flow	(3)	24
Changes in consolidation scope	(140)	(3)
IFRS 16 adoption	-	(109)
Change in Net financial position	(143)	(88)

The **Net Financial Position** at 31 March 2020 amounted to 3,297 million euro (3,154 million euro as at 31 December 2019).

The gross debt amounted to 3,636 million euro, up by 25 million euro compared to 31 December 2019.

Cash and cash equivalent amounted to 307 million euros, down by 127 million euros.

Other financial assets, net totalled 32 million euro, showing a net increase of 9 million euro.

The fixed rate and hedged portion of the gross debt amounts to 80%. The duration is 5.3 years.

Period net cash flows generation was negative for 3 million euro, in addition to the effects deriving from the change in scope for 140 million euro.

Regarding net cash flow generation:

- Net Working Capital, calculated as the sum of trade receivables, trade payables and inventories, generated a worsening of approximately 282 million euros in the net financial position, due to the 204 million euro increase in trade receivables, the 158 million euro decrease in trade payables and the 80 million euro decrease in gas and other fuel inventories. The above changes are mainly due to the seasonal effect.

The Group occasionally performs non-recourse credit assignments.

At 31 March 2020 receivables that have not yet expired, assigned by the Group outright and written-off from the assets in compliance with the requirements of IFRS 9, were nil (also nil at 31 December 2019). The Group has no rotating factoring programs.

- payment of net financial charges, taxes and funds absorbed 58 million euro of cash; the investments in the period, as detailed below, absorbed resources of 123 million euro;
- the change in the consolidation scope worsened the net financial position by 140 million euro.

“**Net investments**”, amounting to 123 million euro, concerned the following Business Units:

<i>Millions of euro</i>	03.31.2020	03.31.2019	Change
Generation	8	8	0
Market	8	6	2
Waste	31	21	10
Networks and District Heating	69	69	0
Corporate	7	5	2
Total	123	109	14

Generation Business Unit

During the reporting period, investments amounted to around 8 million euro and mainly concerned extraordinary maintenance at the plant’s thermoelectric plants (3 million euro), on the hydroelectric units (1 million euro) and development projects (4 million euro).

Market Business Unit

The Market Business Unit made investments of around 8 million euro in the first quarter of 2020. These investments regarded, for 4 million euro, evolutive maintenance and development works on the hardware and software platforms in support of marketing and billing, for 2 million euro for work interventions relating to the public lighting sector for the launch of new projects and for 2 million euro for energy efficiency and e-moving projects.

Waste Business Unit

Waste Business Unit capex for the first three months of 2020 totalled 31 million euro and mainly related to maintenance and development work on waste-to-energy plants (24 million euro), treatment plants and landfills (5 million euro) and the purchase of vehicles, containers, operating systems and the restructuring of corporate buildings in the collection segment (2 million euro).

Networks and District Heating Business Unit

The investments made by the Networks and District Heating Business Unit in the period in question amounted to 69 million euro and concerned:

- 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, the maintenance and upgrading of primary plants and investments in the launch of the 2G smart meter project (21 million euro);

- in the gas distribution subsector, 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 (20 million euro);
- in the integrated water cycle sector, maintenance and development work carried out on the water transportation and distribution network and the sewerage networks and purification plants (17 million euro);
- in the district heating and heat management segment, development and maintenance of plants and networks for a total of 9 million euro;
- in the company Smart City, development and maintenance interventions on TLC projects (2 million euro).

Corporate

The Investments in the period, amounting to 7 million euro, refer to work buildings and IT systems.

Outlook - Effects from COVID-19

The first quarter of 2020 suffered from the effects directly brought about by the COVID-19 emergency only starting from March and the indirect effects, in particular on the prices of commodities, as of February. The forward prices of commodities continue to be weak and A2A believes it reasonable to consider that the negative effects of the lock-down may have a greater impact over the next few quarters. Its more precise quantification will, however, only be possible once the methods and speed for the recovery of economic activities⁵ are clarified. At present, on the basis of the simulations performed and the plans to mitigate the effects envisaged, the Group believes it will in any case achieve satisfactory, positive economic results in 2020, substantially in line with expectations, and also maintain a balanced capital structure.

On May 7, 2020, Guardia di Finanza notified Linea Ambiente a decree of preventive seizure issued by the investigating judge of Taranto (GIP) according to Legislative Decree 231/01 for corruption offences.

The seizure order aims at the direct confiscation of Company's assets, up to the amount of 26,272,298.13 euro, equal to the "profit of the crime" as reconstructed by the Public Prosecutor.

Currently, the *Registro delle Imprese* gave notice to Linea Ambiente that the seizure is noted on the share capital of Linea Ambiente; in addition, the seizure is recorded on the registration report issued by the *Registro delle Imprese* for Lomellina Energia.

The Company is evaluating further measures for related court actions which can be defined only after having access to the documents related to the order.

Accounting standards and change to the consolidation perimeter

The scope of application of the accounting standards in the Group has not changed with respect to 31 December 2019.

Reference is also made to the section on the "Balance sheet" for changes in the scope of consolidation.

Alternative performance indicators

Certain alternative performance indicators not envisaged by the International Financial Reporting Standards endorsed by the European Union (IFRS-EU) are presented in the 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 measure of operating performance, calculated as the sum of the net operating profit and amortization, depreciation and write-downs;
- **Gross operating margin before non-recurring items** is an alternative performance indicator calculated as the gross operating profit described above by excluding non-recurring transactions or operations (e.g., adjustments relating to previous years, extraordinary redundancy plans, etc.);
- **Net financial position (NFP)** is an indicator of financial structure. This indicator corresponds to the financial debts net of liquidity and 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 measure of the resources employed to maintain and develop the A2A Group's investments.

On the basis of the Issuer Regulations, amended by Consob, with Resolution no. 19770 of 26 October 2016 effective as of 2 January 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 financial year 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 (Legislative Decree 58/1998) – that the accounting information contained in this document corresponds to the documentary evidence, books and accounting records.

The accounting tables of the A2A Group, as at 31 March 2020, are attached.

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CONSOLIDATED BALANCE SHEET	03.31.2020	12.31.2019
(millions of euro)		
ASSETS		
<u>NON-CURRENT ASSETS</u>		
Tangible assets	4,917	4,869
Intangible assets	2,429	2,379
Shareholdings carried according to equity method	24	38
Other non-current financial assets	71	27
Deferred tax assets	286	277
Other non-current assets	28	25
TOTAL NON-CURRENT ASSETS	7,755	7,615
<u>CURRENT ASSETS</u>		
Inventories	104	184
Trade receivables	2,056	1,852
Other current assets	946	567
Current financial assets	13	10
Current tax assets	51	63
Cash and cash equivalents	307	434
TOTAL CURRENT ASSETS	3,477	3,110
NON-CURRENT ASSETS HELD FOR SALE	-	-
TOTAL ASSETS	11,232	10,725
EQUITY AND LIABILITIES		
<u>EQUITY</u>		
Share capital	1,629	1,629
(Treasury shares)	(54)	(54)
Reserves	1,681	1,325
Result of the year	-	389
Result of the period	112	-
Equity pertaining to the Group	3,368	3,289
Minority interests	378	362
Total equity	3,746	3,651
<u>LIABILITIES</u>		
<u>NON-CURRENT LIABILITIES</u>		
Non-current financial liabilities	3,052	3,307
Employee benefits	300	307
Provisions for risks, charges and liabilities for landfills	668	676
Other non-current liabilities	154	149
Total non-current liabilities	4,174	4,439
<u>CURRENT LIABILITIES</u>		
Trade payables	1,323	1,481
Other current liabilities	1,352	844
Current financial liabilities	584	304
Tax liabilities	53	6
Total current liabilities	3,312	2,635
Total liabilities	7,486	7,074
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
TOTAL EQUITY AND LIABILITIES	11,232	10,725

CONSOLIDATED INCOME STATEMENT (millions of euro)	01.01.2020 03.31.2020	01.01.2019 03.31.2019
Revenues		
Revenues from the sale of goods and services	1,657	2,063
Other operating income	50	47
Total Revenues	1,707	2,110
Operating expenses		
Expenses for raw materials and services	1,138	1,546
Other operating expenses	58	59
Total Operating expenses	1,196	1,605
Labour costs	180	177
Gross operating income - EBITDA	331	328
Depreciation, amortization, provisions and write-downs	135	131
Net operating income - EBIT	196	197
Financial balance		
Financial income	3	3
Financial expenses	21	27
Total financial balance	(18)	(24)
Result before taxes	178	173
Income taxes	58	59
Result after taxes from operating activities	120	114
Net result	120	114
Minorities	(8)	(10)
Group result of the period	112	104
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (millions of euro)	03.31.2020	03.31.2019
Net result of the period (A)	120	114
Effective part of gains/(losses) on cash flow hedge	(33)	(27)
Tax effect of other gains/(losses)	10	8
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (B)	(23)	(19)
Total comprehensive result (A)+(B)	97	95
Total comprehensive result attributable to:		
Shareholders of the parent company	89	85
Minority interests	(8)	(10)

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.

CONSOLIDATED CASH-FLOW STATEMENT (millions of euro)	03.31.2020	12.31.2019
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	434	624
Contribution of first consolidation of acquisitions of 2020/2019	14	3
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	448	627
Operating activities		
Net Result (**)	120	393
Tangible assets depreciation	98	379
Intangible assets amortization	33	123
Fixed assets write-downs/disposals	2	18
Result from affiliates	-	(4)
Net financial interests	18	114
Net financial interests paid	(46)	(100)
Net taxes paid (a)	-	(235)
Gross change in assets and liabilities (b)	(134)	244
Total change of assets and liabilities (a+b) (*)	(134)	9
Cash flow from operating activities	91	932
Investment activities		
Investments in tangible assets	(71)	(380)
Investments in intangible assets and goodwill	(52)	(247)
Investments in shareholdings and securities (*)	(105)	(56)
Cash flow from investment activities	(228)	(683)
FREE CASH FLOW	(137)	249
Financing activities		
Changes in financial assets		
Monetary changes:		
Issuance of loans	(1)	-
Proceeds from loans	-	7
Other monetary changes	(1)	(2)
Total monetary changes	(2)	5
Non-monetary changes:		
Other non-monetary changes	(1)	3
Total non-monetary changes	(1)	3
TOTAL CHANGES IN FINANCIAL ASSETS (*)	(3)	8
Changes in financial liabilities		
Monetary changes:		
Borrowings/bonds issued	104	491
Repayment of borrowings/bond	(100)	(657)
Lease payments	(2)	(17)
Dividends paid by the parent company	-	(218)
Dividends paid by the subsidiaries	-	(14)
Other monetary changes	(32)	(26)
Total monetary changes	(30)	(441)
Non-monetary changes:		
Amortized cost valuations	1	4
Other non-monetary changes	28	(13)
Total non-monetary changes	29	(9)
TOTAL CHANGES IN FINANCIAL LIABILITIES (*)	(1)	(450)
Cash flow from financing activities	(4)	(442)
CHANGE IN CASH AND CASH EQUIVALENTS	(141)	(193)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	307	434

(*) 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, 2018	1,629	(54)	(7)	1,223	344	3,135	388	3,523
<i>Changes of the first quarter of 2019</i>								
2018 result allocation				344	(344)	(19)		(19)
Cash flow hedge reserves (*)			(19)			(3)	(1)	(4)
Other changes				(3)		104	10	114
Group and minorities result of the period					104			
Net equity at March 31, 2019	1,629	(54)	(26)	1,564	104	3,217	397	3,614
<i>Changes from 1st april 2019 to 31st december 2019</i>								
Distribution of dividends				(218)		(218)	(14)	(232)
IAS 19 reserves (*)				(5)		(5)		(5)
Cash flow hedge reserves (*)			(4)			(4)		(4)
Other changes				14		14	(15)	(1)
Group and minorities result of the period					285	285	(6)	279
Net equity at December 31, 2019	1,629	(54)	(30)	1,355	389	3,289	362	3,651
<i>Changes of the first quarter of 2020</i>								
2019 result allocation				389	(389)	(23)		(23)
Cash flow hedge reserves (*)			(23)			(10)	8	(2)
Other changes				(10)		112	8	120
Group and minorities result of the period					112			
Net equity at March 31, 2020	1,629	(54)	(53)	1,734	112	3,368	378	3,746

*These form part of the statement of comprehensive income