PRESS RELEASE – November 13, 2017

The A2A S.p.A. Board of Directors has examined and approved the quarterly Information as at September 30, 2017

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Gross Operating Margin at 888 million euros, up by +2% compared to September 30, 2016, despite significantly lower non-recurring income. Excluding non-recurring items, the increase in the Gross Operating Margin exceeded 7%

Ordinary Net Profit at 319 million euros recorded strong growth (+14%) compared to the corresponding period of 2016

Group Net Profit, amounting to 226 million euros (323 million euros at September 30, 2016) penalized by the effects of exercising the PUT Option on EPCG (negative for 93 million euros)

Investments of 271 million euros, up by 16% compared to the first nine months of 2016

The Net Financial Position, up to 3,252 million euros, reflected the effects deriving from the full deconsolidation of the EPCG Group and the acquisitions, partially offset by the good cash flow generation

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Milan, November 13, 2017 – At today's meeting of the Board of Directors of A2A S.p.A., chaired by Mr. Giovanni Valotti, the Board examined and approved the quarterly Information as at September 30, 2017.

The economic-financial results of the first nine months of 2017 continue to be satisfying and robust. The Gross Operating Margin (EBITDA), amounting to 888 million euros (+2% compared to the corresponding value in the first nine months of 2016), benefited from the conditions in the energy markets, the contribution of the newly acquired companies and good organic growth in all the Business Units. These positive contributions partially offset the reduced margins deriving from the lower levels of hydroelectric production and the lack of contribution by EPCG Group margins in the third quarter of 2017 following the shift from full consolidation to consolidation at equity.

The scenario of the first nine months of 2017 was characterized by high electricity and gas prices, although they were slightly down on those recorded in the first months of the year: the PUN Baseload amounted to 51.3 €/MWh, rising by 34% compared to 38.3 €/MWh in the same period of the previous year and the average price of gas at the PSV (Virtual Trading Point) amounted to 18.8 €/MWh, up by 29% compared to the first nine months of 2016.
These price levels in the Italian wholesale markets were influenced by many factors, including:

- the stoppage of several French nuclear power plants in the early months of the year;
- the particularly harsh temperatures recorded mainly in the month of January;
- the exceptional heat wave which struck the Italian peninsula in the summer months.

The spreads, on both the CCGTs and coal production, expanded.
The lower rainfall at the end of 2016 and in the first nine months of 2017 has instead had a very negative effect on hydroelectric production (both in Italy and in Montenegro), which reduced overall by almost 30%.

The Group's Net result for the first nine months of 2017 reached 226 million euros (323 million euros at September 30, 2016) and was significantly influenced by the effects arising from the decision to exercise, on July 1, 2017, the PUT Option on the entire stake in the share capital held by A2A S.p.A. in the Montenegrian company EPCG (41.75%).
Since July 1, 2017, as a result of exercising the PUT Option, the stake in EPCG was in fact reclassified from a permanent investment to an held-for-sale investment with the consequent change in the valuation criteria. A2A valued EPCG's assets and liabilities in accordance with the IAS 36 principle of the lesser of their book value and their "fair value" as inferable from the compensation following the exercising of the PUT Option. The new valuation led to a total write-down of 93 million euros, 60 million euros of which corresponds to the adjustment of the asset value to the PUT Option value (250 million euros) and 33 million euros to the effects of the discounting of the seven equivalent annual transfer and disposal instalments.

As of July 1, 2017 the stake in EPCG was therefore consolidated at Equity and posted under "Assets held for sale".

The reduction in the Net Profit of the Group in the first nine months of 2017, amounting to 97 million euros (-30%), is mainly due to two extraordinary items (one positive in 2016 and one negative in 2017):

- the booking in 2016 of a non-monetary capital gain of 52 million euros, related to the partial, non-proportional demerger of Edipower with effect as of January 1, 2016, in favour of Cellina Energy;
- the total write-down in 2017 for 93 million euros of the assets of EPCG recorded in 2017.

Gross of all the extraordinary effects, the “Ordinary” Net Profit would therefore be up by 38 million euros, from 281 million euros as at September 30, 2016 to 319 million euros as at September 30, 2017.

The Net Financial Position as at September 30, 2017 amounted to 3,252 million euros (3,136 million euros at the end of 2016).
Net of the effects deriving from the deconsolidation of the EPCG Group (206 million euros of deconsolidated financial assets) and the acquisition of the 5 companies owning photovoltaic plants (for a total amount of 34 million euros), the net cash flow generation for the period was positive by 124 million euros, after investments of 271 million euros and the payment of 153 million euros of dividends.

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Consolidated results at September 30, 2017

millions of euros	**9 months 2017**	**9 months 2016**	**Δ**	**Δ %**
Revenues	**4,261**	**3,482**	+779	+22.4%
Gross Operating Margin - EBITDA	**888**	**872**	+16	+1.8%
Net Operating Income - EBIT	**495**	**524**	-29	-5.5%
“Ordinary” Net Result	**319**	**281**	+38	+13.5%
“Reported” Net Result	**226**	**323**	-97	-30.0%

In the first nine months of 2017, the **Revenues** of the A2A Group amounted to 4,261 million euros, up by 779 million euros on the first nine months of the previous year (+22%). Net of the contribution of LGH (around 40% of the change), the increase in revenues is mainly due to the greater revenues from electricity and gas sales on the wholesale markets and the greater sales of electricity on the IPEX following the greater volumes traded and the increasing prices recorded in the first nine months of the current year with respect to 2016.

The **Gross Operating Margin** came to 888 million euros, up by 16 million euros compared to the same period of the previous year (+2%). The Gross Operating Margin before the non-recurring items (respectively of 82 million euros in the first nine months of 2016 and 54 million at September 30, 2017) and net of the EPCG contribution of the third quarter 2016 (13 million euros), was up by 57 million euros (+7%). Contributions to the growth also came from the expansion of the perimeter due to the consolidation of the LGH Group and of the other minor companies acquired (overall contribution in 2017 of around 70 million euros), the excellent performance of the Generation and Trading Business Unit achieved by the CCGT plants, as well as the increase in profitability of the Networks, Heat and Environment Business Units. These contributions more than offset the negative effects deriving from the lower hydroelectric production due to the lower rainfall recorded in 2017, the lack of margins (recorded instead in the third quarter of 2016) by the no longer must-run units of the San Filippo del Mela plant and the negative results of the EPCG Group in the full consolidation period.

The **Net Operating Income**, amounting to 495 million euros, despite the increase deriving from the gross operating margin, was down by 29 million euros compared to the first nine months of 2016 (524 million euros) mainly following the write-down mentioned above of 60 million euros necessary to adjust the value of the EPCG assets to the fair value.
The depreciation and amortisation for the period were in line with the same period of the previous year: the greater depreciation and amortisation deriving from the consolidation of the LGH group were in fact offset by lower depreciation and amortisation resulting from the write-downs of the plants in Monfalcone, Gissi and Piacenza carried out at December 31, 2016. The provisions for risk funds in the period instead recorded a reduction of around 16 million euros compared to the first nine months of 2016.

The **Net Profit pertaining to the Group** in the first nine months of 2017 reached 226 million euros (323 million euros at September 30, 2016), down by 97 million euros for the reasons stated above attributable to the net operating income (-29 million euros), as well as for the following reasons:

- greater net financial charges (25 million euros, up on September 30, 2016), attributable to the discount charges of the PUT option exercised on the EPCG Group for 33 million euros and the change in the consolidation perimeter for 16 million euros. Excluding these effects, the optimization of the financial structure instead allowed to achieve total savings of 24 million euros;
- the higher tax load in 2017 (more taxes than in the first nine months of 2016 for approximately 8 million euros);
- the positive effect deriving from the lower result attributable to the minorities for 16 million euros (EPCG);
- the booking in the first quarter of 2016 of a non-monetary capital gain of 52 million euros, related to the partial, non-proportional demerger of Edipower with effect as of January 1, 2016, in favour of Cellina Energy, a full subsidiary of Società Elettrica Altoatesina S.p.A..

Results by Business Unit

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

Millions of euros	**09.30.2017**	**09.30.2016**	**Delta**	**Delta %**
Generation and Trading	255	273	-18	-6.6%
Commercial	114	100	14	14.0%
Environment	195	174	21	12.1%
Networks and Heat	321	293	28	9.6%
Foreign	12	48	-36	-75.0%
A2A Smart City	4	5	-1	-20.0%
Corporate	-13	-21	8	+38.1%
Total	**888**	**872**	**16**	**1.8%**

Generation and Trading Business Unit

In the first nine months of 2017, the Generation and Trading Business Unit contributed to fulfil the sales demand of the A2A Group through production by the plants it owns for approximately 11 TWh (9.3 TWh at September 30, 2016).
Thermoelectric production came to 8.2 TWh (5.8 TWh at September 30, 2016), while hydroelectric production amounted to 2.8 TWh (3.5 TWh in the first nine months of 2016).
Thermoelectric production was up compared to the first nine months of the previous year mainly due to the greater quantities produced by the CCGT plants following the stoppage at the nuclear power plants in France and the high temperatures recorded in the summer months.
This increase was partly offset by the drop in hydroelectric production due to the effect of low rainfall recorded in the first nine months of the current year, the lower quantities produced by the Monfalcone plant following the stoppage for extraordinary maintenance and the lower production of the San Filippo del Mela plant, required to produce in the third quarter of 2016, despite the conclusion of the essentiality mechanism for groups 2, 5 and 6 since May 28 of last year.

The revenues amounted to 2,279 million euros, up by 445 million euros compared to the same period of the previous year.

The Gross Operating Margin of the Generation and Trading Business Unit amounted to 255 million euros, down 18 million euros on the same period of the previous year.
Net of the non-recurring income – down by around 14 million euros compared to the first nine months of 2016 – the Gross Operating Margin of the Generation and Trading Business Unit was down by 4 million euros. The growth recorded, thanks to the scenario that benefited all the Group's plants, in particular the CCGT plants, was fully offset by the continuation of the poor hydraulicity, the conclusion at the end of 2016 of the incentive mechanism (feed-in tariff) for some Valtellina plants, as well as the lower margins recorded by the San Filippo del Mela plant. This plant, in fact, was active in the second half of 2016 despite the conclusion of the must-run mechanism, in that it was required to produce in order to compensate for the malfunctioning of the connection cable between Calabria and Sicily.

In the period in question Investments amounted to around 25 million euros (14 million euros at September 30, 2016).

Commercial Business Unit

The Commercial Business Unit recorded 6.1 TWh of electricity sales, in line with the first nine months of 2016 and 1.1 billion cubic metres of gas sales (+32% compared to the same period of the previous year).
Net of the change in volumes relating to the LGH group, the reduction in the electricity sector of 0.4 TWh is mainly attributable to the lower quantities sold to customers served under the protected regime and to large customers, partially offset by the increase in sales to the mass-market customer base.
Growth in the gas sector is mainly due, in addition to the contribution of the LGH group, to a greater number of redelivery points served on the free market and larger volumes sold to large customers.

The revenues amounted to 1,118 million euros (970 million euros at September 30, 2016), up by 15%.

In the Commercial Business Unit the Gross Operating Margin amounted to 114 million euros, up by 14 million euros – that is, 9 million euros net of the non-recurring items – with respect to the same period of 2016, thanks to both the contribution deriving from the gas sector margin for the greater volumes sold and the contribution of the consolidation of the LGH group. In the electricity sector, the higher margins deriving from the acquisition of new "free mass market" customers more than offset the loss of customers under the protected regime and the reduced margins due to the lower volumes sold to "large customers," the pressure on the margins of the free market, as well as significant imbalance costs.

In the period in question the Investments of the Commercial Business Unit amounted to 6 million euros (3 million euros at September 30, 2016)

Environment Business Unit

In the first nine months of 2017 the quantity of waste collected, amounting to 1.2 million tonnes, was up by 13% compared to the same period of 2016. Net of the changes to the waste collected relative to the LGH Group (+157 thousand tonnes) the quantities were slightly down (-2%).
The quantity of waste disposed of, amounting to 2.5 million tonnes at September 30, 2017, showed an increase (+602 thousand tonnes) over the same period of 2016: in addition to the greater quantities deriving from the consolidation of the LGH group (+407 thousand tonnes), greater disposals were recorded at the treatment plants owned by the new companies acquired by the A2A Group in the second half of 2016.

In the first nine months of the year the Business Unit recorded revenues of 722 million euros (611 million euros at September 30, 2016), up by 111 million euros compared to September 30, 2016.

The Gross Operating Margin of the Environment Business Unit amounted to 195 million euros, up by 21 million euros compared to the same period of the previous year. Net of the non-recurring items, growth amounted to 25 million euros.

All sectors contributed to the growth of the margins in the period in question, in particular the waste treatment and disposal sector, thanks to:

- the results of the LGH group and the new companies acquired, Rieco and Resmal;
- the good performance of the disposal of urban waste and similar waste, mainly attributable to the positive dynamic of the contribution prices and the costs reduction;
- the greater contributions at the inert lots landfill in Corteolona. The activities, suspended in 2016 due to environmental analyses of the water table, resumed after the decision by ARPA (Regional Agency for Environmental Protection) to exclude the landfill from the perimeter of the reclamation area.

Whereas, the collection sector was essentially in line mainly thanks to the contribution of the LGH group, which in the period in question determined an increase in the Gross Operating Margin of around +4 million euros.

The Investments in the period amounted to 63 million euros, in line with those made in the first nine months of 2016.

Networks and Heat Business Unit

The electricity distributed amounted to 8.7 TWh, up (+5%) on the first nine months of 2016, while the quantities of gas distributed amounted to 1,601 million cubic metres, up by 32% (1,210 million cubic metres at September 30, 2016), mainly due to the contribution of the LGH group. The water distributed amounted to 52 million cubic metres, up by 5 million cubic metres compared to the corresponding period of the previous year, mainly following the increased stake in the company Azienda Servizi Valtrompia S.p.A. (ASVT), fully consolidated as of March 1, 2017. The heat sales of the Business Unit amounted to 1.7 TWh, up (+16%) on the first nine months of 2016 thanks to the contribution of the LGH group and the higher quantities sold deriving from the commercial development in place.

Revenues of the Networks and Heat Business Unit during the first nine months of 2017 stood at 811 million euros (673 million euros as at September 30, 2016).

The Gross Operating Margin of the Networks and Heat Business Unit amounted to 321 million euros, an increase of 28 million euros compared to the first nine months of 2016.
Net of the change to the non-recurring items of income (-15 million euros) which regarded both 2017 (36 million euros, of which 30 million euros came from Energy Efficiency Certificates recognized for projects carried out in previous years) and the previous year (51 million euros, mainly due to the recognition of tariff increases to A2A Ciclo Idrico for the years 2007-2011), the Gross Operating Margin of the Networks and Heat Business Unit was up by 43 million euros compared to the first nine months of 2016.
This performance is mainly due to:

- changes in the perimeter of the consolidation area which had a positive effects on the margins for a total of +22 million euros (LGH, Consul System and ASVT);
- greater margins (around +5 million euros) relating to district heating and heat management activities mainly attributable to the greater quantities of heat sold – both due to the commercial development and the low temperatures recorded at the end of the 2016/2017 heating season – as well as a more favourable scenario (heat prices related to the rising price of gas and the increase in the prices of electricity from co-generation);
- greater revenues due to the optimization on the white certificates portfolio (around +4 million euros);
- higher margins relating to the aqueduct, purification and sewage services following the tariff increases recognized by AEEGSI (around +7 million euros).

The Investments in the period in question equalled 153 million euros (130 million euros at September 30, 2016).

Foreign Business Unit
The Foreign Business Unit includes the group's results up to the full consolidation of the stake in EPCG (June 30, 2017).
The Gross Operating Margin at September 30, 2017, then aligned with that of the 2017 half year, came to 12 million euros (48 million euros in the first nine months of 2016), down by 36 million euros, of which -23 million euros for lower margins recorded in the first half year and -13 million euros due to the lack of a contribution in the third quarter of the current year.

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Balance Sheet

The comparison of the balance sheet data as at September 30, 2017 with respect to the data as at December 31, 2016 was influenced by the following transactions that involved a change to the consolidation perimeter:

- change of the consolidation method for the EPCG group which, following the exercising of the PUT option on the entire shareholding held by A2A S.p.A., finalized on July 3, 2017, involved a valuation of the shareholding according to the principles of IFRS 5. Previously, the shareholding was fully consolidated;
- on January 31, 2017 A2A Ambiente S.p.A. completed the disposal to Ladurner of the shareholding held in Bellisolina S.r.l. which, as a result, exited from the consolidation perimeter;
- following the subscription by the parent company A2A S.p.A. of the increase of the share capital of Azienda Servizi Valtrompia S.p.A., A2A S.p.A. increased its own stake from 49% to 74.8%. Therefore Azienda Servizi Valtrompia S.p.A., which at December 31, 2016 was consolidated at equity, starting from March 1, 2017 has been fully consolidated;
- full consolidation of the company LumEnergia S.p.A., due to the effect of exercising the option right concerning the acquisition of a further 57% of the company by A2A Energia S.p.A.. After the transaction A2A Energia S.p.A. became the holder of a stake of 90.45%. Previously, LumEnergia S.p.A. had been consolidated at equity;
- acquisition of 100% of the company Patavina Technologies S.r.l. by A2A Smart City S.p.A.;
- set up, in July 2017, of A2A Rinnovabili S.p.A., fully consolidated as of September 30, 2017. A2A Rinnovabili S.p.A, in September 2017, finalized the acquisition of 5 companies (special purpose vehicles*)* owning photovoltaic plants for a total of 17 MW of installed capacity.

(millions of euro)	09.30.2017	12.31.2016 Restated*	Change
CAPITAL EMPLOYED			
Net Fixed Capital	**5,655**	**6,136**	**(481)**
- Tangible assets	4,516	5,129	(613)
- Intangible assets	1,782	1,704	78
- Shareholdings and other non-current financial assets (**)	73	80	(7)
- Other non-current assets/liabilities (**)	(84)	(82)	(2)
- Deferred tax assets/liabilities	321	341	(20)
- Provisions for risks, charges and liabilities for landfills	(622)	(671)	49
- Employee benefits	(331)	(365)	34
of which with counter-entry to equity	*(161)*	*(168)*	
Net Working Capital and Other current assets/liabilities	**322**	**278**	**44**
Net Working Capital:	***569***	***596***	***(27)***
- Inventories	189	159	30
- Trade receivables	1,432	1,821	(389)
- Trade payables	(1,052)	(1,384)	332
Other current assets/liabilities	***(247)***	***(318)***	***71***
- Other current assets/liabilities (**)	(295)	(355)	60
- Current tax assets/tax liabilities	48	37	11
of which with counter-entry to equity	*(32)*	*(38)*	
Assets/liabilities held for sale (**)	***217***	***1***	**216**
of which with counter-entry to equity	*215*	-	
TOTAL CAPITAL EMPLOYED	**6,194**	**6,415**	**(221)**
SOURCES OF FUNDS			
Shareholders' equity	**2,942**	**3,279**	**(337)**
Total financial position beyond one year	3,622	3,395	227
Total financial position within one year	(370)	(259)	(111)
Total Net financial position	**3,252**	**3,136**	**116**
of which with counter-entry to equity	*17*	*15*	
TOTAL SOURCES	**6,194**	**6,415**	**(221)**

(*) Mainly due to completion of LGH Group "Purchase Price Allocation"

(**) Net of balances included in the Net Financial Position

Also note that in the details reported below there is a section called "change in scope of consolidation" which indicates the aggregated effects of the change to the consolidation method for the previously listed transactions.

Net Fixed Assets

The "**Net fixed assets**" amounted to 5,655 million euros, down by 481 million euros compared to December 31, 2016 Restated.
The change corresponds to a reduction of 339 million euros following the differences in the consolidation perimeter, in addition to an overall decrease of 142 million euros.
The changes are detailed below:

- the Tangible Assets, net of the decrease linked to the consolidation perimeter for 427 million euros, show a negative adjustment of 186 million euros mainly corresponding to:
  - investments amounting to 161 million euros, essentially in the Networks and Heat Business Unit for 76 million euros, the Environment Business Unit for 54 million euros and the Generation and Trading Business Unit for 16 million euros. There were also investments of around 15 million euros divided between the Foreign Business Unit (EPCG), A2A Smart City and Corporate;
  - a reduction of 93 million euros following the valuation at fair value of the EPCG asset resulting from the exercising, by the A2A Group, of the PUT option to sell concerning the entire shareholding held by A2A S.p.A.;
  - a reduction of 257 million euros due to the depreciation and amortisation for the period;
- the Intangible Assets, net of the positive change in the consolidation perimeter for 28 million euros, show an increase of 50 million euros compared to December 31, 2016 attributable:
  - increase of 87 million euros for investments made in the period as better described in the section on "investments";
  - overall increase of 17 million euros for other changes mainly due to the increase in the environmental certificates of the industrial portfolio (14 million euros);
  - a reduction of 52 million euros attributable to the depreciation and amortisation for the period;
- the Shareholdings and other non-current Financial Assets amounted to 73 million euros and, net of a negative change of 4 million euros linked to the change of the consolidation method for EPCG, recorded a decrease of 3 million euros;
- the Other Non-Current Assets/Liabilities did not record significant changes;
- the deferred tax assets/liabilities, net of a positive change of 35 million euros corresponding to the consolidation perimeter, recorded a balance of 321 million euros, down by 55 million euros referable to the net effect of the deferred tax liabilities and advance tax assets for IRES and IRAP on variations and provisions made exclusively for tax purposes;
- the risk funds, charges and liabilities for landfills, net of the changes to the consolidation perimeter for 18 million euros, recorded a reduction of 31 million euros.

  the change recorded in the period was primarily due to: an increase in the decommissioning provisions of about 19 million euros following the effects of updating the appraisal for the Monfalcone power plant as well as the discount rates used to estimate the future dismantlement and restoration of the sites; utilization of about 30 million euros of the provision for legal and personnel actions after the conclusion of the litigation related to the subsidiary A.S.R.A.B. S.p.A. which did not involve financial expenses for the Group and other negative changes of about 20 million euros which refer for 10 million euros to the payment that occurred following the settlement of the dispute with Social Security Institutions and for another 10 million euros to the utilization of provisions relating to other disputes and landfill closure costs;

- the employee Benefits, net of a negative change of 12 million euros connected to the consolidation perimeter, recorded a decrease of around 22 million euros and mainly refer to payments made to INPS and supplementary social security funds as well as the actuarial valuation of the period.

Working Capital and Other Current Assets/Liabilities

The "**Working Capital**", defined as the algebraic sum of trade receivables, closing inventories and trade payables, amounted to 569 million euros, down by 27 million euros compared to December 31, 2016. Comments are given on the main items below.

Trade Receivables

(millions of euro)	Value at 12/31/2016 Restated	Change in scope of consolidation	Changes of the period	Value at 09/30/2017
Trade receivables invoices issued	1,054	(259)	124	919
Trade receivables invoices to be issued	1,120	10	(457)	673
Bad debts provision	(353)	204	(11)	(160)
Total trade receivables	**1,821**	**(45)**	**(344)**	**1,432**

As of September 30, 2017 the "Trade receivables" amounted to 1,432 million euros (1,821 million euros at December 31, 2016), with a decrease, net of the change to the consolidation perimeter, of 344 million euros.

The "Bad debts provision" amounted to 160 million euros and shows a decrease, net of the extraordinary transactions, of 11 million euros compared to December 31, 2016.

The aging of the trade receivables is set out below:

(millions of euro) **Trade receivables of which:**	**12/31/2016** **1,821**	**09/30/2017** **1,432**
Current	456	584
Past due of which:	598	335
Past due up to 30 days	94	56
Past due from 31 to 180 days	72	79
Past due from 181 to 365 days	45	36
Past due over 365 days	387	164
Invoices to be issued	1,120	673
Bad debts provision	(353)	(160)

Trade Payables

(millions of euro)	**Value at 12/31/2016 Restated**	**Change in scope of consolidation**	**Changes of the period**	**Value at 09/30/2017**
Advances	3	(1)	-	2
Payables to suppliers	1,381	(8)	(323)	1,050
Total trade payables	**1,384**	**(9)**	**(323)**	**1,052**

The "Trade payables" amounted to 1,052 million euros and recorded a decrease resulting from the change to the consolidation perimeter of 9 million euros and a negative change for the period of 323 million euros.

Inventories

(millions of euro)	Value at 12/31/2016 Restated	Change in scope of consolidation	Changes of the period	Value at 09/30/2017
- Materials	96	(20)	7	83
- Material obsolescence provision	(30)	5	(3)	(28)
- Fuel	77	(1)	42	118
- Others	9	-	(2)	7
Raw and ancillary materials and consumables	**152**	**(16)**	**44**	**180**
Third-party fuel	**7**	-	2	**9**
Total inventory	**159**	**(16)**	**46**	**189**

The "Inventories" amounted to 189 million euros (159 million euros at December 31, 2016), net of the relative obsolescence provision for 28 million euros (30 million euros at December 31, 2016).
The inventories showed the following overall positive variations for 30 million euros:
- reduction of 16 million euros due to the change in the consolidation perimeter;
- increase of 46 million euros mainly attributable to the increase in fuel inventories.

Reduction of the obsolescence provision for 5 million euros attributable to the consolidation method for the stake in EPCG, and partially offset by provisions for the period of 3 million euros.

The **"Other current assets/liabilities"** recorded a net decrease of 71 million euros mainly due to:

- a change in the consolidation area for 13 million euros;
- a reduction of 16 million euros of payables for excise duties;
- the reduction of 16 million euros of payables due to the *"Cassa per i Servizi Energetici e Ambientali"*;
- the reduction of social security payables by around 15 million euros.

Below is the breakdown of working capital, including changes to other current assets/liabilities, by business unit:

(millions of euros)	09.30.2017	12.31.2016 Restated	DELTA
Generation and Trading	234	78	156
Commercial	206	322	(116)
Environment	68	41	27
Networks and Heat	(80)	(123)	43
Foreign	0	46	(46)
A2A Smart City	(8)	(10)	2
Corporate	(98)	(76)	(22)
Total	**322**	**278**	**44**

The consolidated “**Employed capital**” at September 30, 2017 came to 6,194 million euros and was covered by the Net Equity for 2,942 million euros and the Net Financial Debt for 3,252 million euros.

Shareholders’ equity

The changes in equity, net of the negative effects of the deconsolidation of the EPCG group for 419 million euros, was positive for 82 million euros.
The result for the period produced a positive effect of 226 million euros, offset by the distribution of the dividend for 153 million euros, the negative change in the minority interests for 2 million euros, as well as the valuations, in accordance with IAS 32 and 39, of the cash flow hedge derivatives.

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Financial position

Net free cash flow	09.30.2017	09.30.2016
EBITDA	**888**	**872**
Changes *Net Working Capital*	(26)	(68)
Changes other assets/liabilities	(127)	(116)
Expenses for use of provisions, net taxes and net financial charges	(187)	(205)
FFO	**548**	**483**
Investments	(271)	(233)
Distributed dividends	(153)	(126)
Net free cash flow	**124**	**124**
Changes in consolidation perimeter	(240)	(469)
NFP variation	**(116)**	**(345)**

The Net Financial Position worsened by 116 million euros reaching 3,252 million euros with respect to the 3,136 million euros of December 31, 2016.
The negative change highlighted refers to the change in the consolidation method for EPCG and the posting of the financial debts of the companies acquired by A2A Rinnovabili S.p.A., respectively for 206 and 34 million euros; offset by a net positive cash flow generation of 124 million euros.

With reference to the net cash flow generation note that:

- the Net Working Capital, calculated as the algebraic sum of Trade Receivables, Trade Payables and Inventories net of the changes in the consolidation area, led to a worsening of the Net Financial Position for around 26 million euros due to the increase in gas and other fuel inventories for 46 million euros and the reduction in trade receivables and payables for 20 million euros, mainly due to seasonal dynamics.
  It should be noted that the Group, in the first 9 months of 2017, on an occasional basis, made pro-soluto credit assignments. At September 30, 2017 the credits assigned by the Group outright and that have not yet expired amount to zero euros (43 million euros at December 31, 2016). Note that the Group does not have rotating factoring programmes in place;
- the Net Financial Position showed a worsening of around 127 million euros referred to the change in the Other assets/liabilities;
- the payment of the net financial charges, taxes and funds absorbed 187 million euros of cash while the investments in the period, as detailed below, absorbed resources of 271 million euros;
- the change in the consolidation perimeter led to a worsening of the Net Financial Position for 206 million euros relating to the IFRS 5 valuation of EPCG and for 34 million euros to the posting of the financial debts of the companies acquired in September 2017 by A2A Rinnovabili S.p.A..

The **“Net investments”,** amounting to 271 million euros, concerned the following Business Units*:*

(millions of euros)	09.30.2017	09.30.2016	DELTA
Generation and Trading	25	14	11
Commercial	6	3	3
Environment	63	63	0
Networks and Heat	153	130	23
Foreign	4	16	(12)
A2A Smart City	6	2	4
Corporate	14	5	9
Total	**271**	**233**	**38**

Generation and Trading Business Unit

In the period in question the investments amounted to around 25 million euros and concerned, for 8 million euros the acquisition of the SPVs (“special purpose vehicles”), which own 18 photovoltaic plants, by A2A Rinnovabili S.p.A., for 7 million euros extraordinary maintenance works at the hydroelectric plants in Mese, Calabria and Valtellina and for around 10 million euros operations at the Group's thermoelectric plants.

Commercial Business Unit

The Commercial Business Unit made investments of around 6 million euros in the first nine months of 2017. These investments concerned the acquisition of the majority of the share capital of the company LumEnergia S.p.A. for 2 million euros, and for the remaining 4 million euros developments and evolutionary maintenance operations on the Hardware and Software platforms to support the marketing and invoicing activities.

Environment Business Unit

The investments made by the Environment Business Unit amounted to 63 million euros in the nine months of the current year and mainly concerned development and maintenance works on the waste-to-energy plants, treatment plants and landfills, and the purchasing of waste collection vehicles and containers mainly following the award of tenders to serve new Municipalities.

Networks and Heat Business Unit

The investments made by the Networks and Heat Business Unit in the period in question amounted to 153 million euros and concerned:

- in the electricity distribution sector, development and maintenance work on plants and, in particular, the connection of new users, maintenance on secondary substations, the extension and refurbishment of the medium and low voltage network and the maintenance and upgrading of primary plants (48 million euros, of which 3 million euros relate to the LGH group);
- in the gas distribution sector, development and maintenance work on plants relating to the connection of new users, the replacement of medium and low pressure pipes and meters and gas smart meters (54 million euros, of which 11 million euros relate to the LGH Group);

- in the integrated water cycle, work on the water transport and distribution network, as well as work on the sewer networks and purification plants, as well as the increased stake in the company Azienda Servizi Valtrompia S.p.A (22 million euros, of which 7 million euros relate to Azienda Servizi Valtrompia S.p.A);
- in the public lighting sector, works to replace the lighting equipment with LED plants in the Municipalities served (1 million euros);
- in the district heating and heat management sector, development and maintenance work on the plants and networks (28 million euros, of which 8 million euros relate to the LGH group).

Foreign Business Unit

The Investments, amounting to around 4 million euros, refer to the operations carried out in the first half of the current year.

A2A Smart City

The Investments in the period, amounting to 6 million euros, mainly refer to work on the telecommunication networks.

Corporate

The Investments in the period, amounting to 14 million euros, mainly refer to work on the IT systems.

The "**Net Financial Position**" amounted to 3,252 million euros (3,136 million euros at December 31, 2016).
The gross debt amounted to 3,796 million euros, up by 1 million euros compared to December 31, 2016.
The liquidity and equivalents amounted to 514 million euros, up by 111 million euros.
The other net financial assets/liabilities showed a positive balance of 30 million euros with a net decrease of 226 million euros.
It should also be noted that the change in the consolidation perimeter led to a worsening of the net financial position for a total of 240 million euros: 206 million euros relate to the *IFRS 5* valuation of EPCG and 34 million euros relate to the M&A transactions made by A2A Rinnovabili S.p.A.

The fixed rate and hedged portion of the gross debt amounts to 81%. The duration is 4.9 years.

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Outlook for operations

During the first 9 months of 2017 important results were achieved for each of the objectives set in the 2017-2021 Strategic Plan presented at the beginning of April 2017. In September 2017 an initial acquisition of 18 solar energy production plants was made (for a total of 17MW of installed capacity) – which was followed by another one in October, for a further 18MW. The Group is currently assessing further potential acquisitions in this sector.

As already mentioned, as of July 1, 2017, EPCG ceased being fully consolidated in order to be consolidated at equity.

The excellent results recorded in the first 9 months of 2017 and the extension of favourable conditions in the energy markets of reference – expected to continue also in the fourth quarter based on the current forward curves – allow to be optimistic about the financial results for the full year. In particular, it is considered reasonable to expect the Group's Gross Operating Margin to reach approximately 1,200 million euros, higher than stated in the previous guidance, mainly thanks to the excellent performance expected in the Generation and Trading Business Unit.

With reference to the Group's Net Financial Position, it should be noted that the result expected for the end of 2017 will be positively influenced by the generation of Free Cash flow expected from ordinary activities (around 100 million euros), though it will suffer from the effects, set to rise, deriving from the exclusion of the EPCG Group from the full consolidation perimeter - already highlighted in the previous guidance document (equal to a positive net financial position of 206 million euros at June 30, 2017) - and from the first consolidation of the net financial position of the acquired companies in the renewable energy sector (34 million euros at September 30, 2017), in addition to the transaction made in October (around 40 million euros) and those that will potentially be completed by December 31, 2017.

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Accounting standards and change in the consolidation perimeter

As of January 1, 2017, new international accounting principles have not been approved by the European Union or supplements to specific paragraphs of the international accounting principles already adopted by the company in previous financial years.

Note that from January 1, 2017 amendments to IAS 12 “Income tax” and IAS 7 “Additional information in the financial statements on financial instruments”, issued by IASB in the financial year 2016, shall apply. None of the mentioned supplements had an effect on the economic and financial results of the company nor on the presentation methods at September 30, 2017.

Moreover, the following principles have been approved by the European Union, which will apply from 2018:

- IFRS 9 “Financial instruments”. The Group is carrying out an assessment of the impacts deriving from the adoption of this principle, nevertheless its application is not expected to have any significant effects on the recurring transactions.
- IFRS 15 “Revenue from contracts with customers”. For the purposes of implementing this principle, the Group is planning to complete the analysis by the end of 2017 in time to present any quantitative and qualitative impacts in the annual financial statements at December 31, 2017.

For the change to the consolidation perimeter refer to the content of the “Balance sheet” section.

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Alternative Performance Measures (APM)

Some alternative performance measures (APMs) are used in the press released, not envisaged by the international financial reporting standards adopted by the European Union (IFRS-EU); the purpose of this is to allow for a better assessment of the economic-financial management performance of the A2A Group. In compliance with the recommendations of the Guidelines published in October 2015 by the ESMA, below is the meaning, contents and basis for calculation of said indicators:

- the **Gross operating margin (EBITDA)** is an alternative measure of operating performance, calculated as the sum of the “Net operating income” plus “Amortisation, depreciation, write-downs and provisions”;
- the **Gross operating margin from non-recurring items** is an alternative indicator of operating performance, calculated as the gross operating margin described above, net of entries, both positive and negative, attributable to transactions or operations that do not entail repetitions in future financial years (e.g., an adjustment related to past financial years, expenses for extraordinary mobility plans, etc.);
- the **“Ordinary” Net Result (Ordinary Net Profit)** is an alternative measure of operating *performance* , calculated by excluding from the Group's net result the items deriving from non-recurring transactions (net of related items) and the write-down of assets, goodwill and equity investments, as well as impairment reversals (net of the relative tax effects);
- the **Net financial position** is an indicator of the Company's financial structure. This indicator corresponds to the financial debts net of liquidity and equivalents and current and non-current financial assets (financial credits and securities other than equity investments);
- **Investments** are an alternative performance measure used by the A2A Group as a financial target under the scope of performance both within the Group (Business Plan) and externally (presentations to financial analysts and investors); it constitutes a useful measurement of the resources used in maintaining and developing investments of the A2A Group.

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On the basis of the Issuer Regulations, amended by Consob, with Resolution no. 19770 of October 26th, 2016 effective as of January 2nd, 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.

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The Executive responsible for drawing up A2A S.p.A.'s company accounting documents, Andrea Eligio Crenna, declares – in accordance with article 154-bis, subsection 2 of the Financial Act (TUF) (Legislative Decree 58/1998) - that the accounting information contained in this document corresponds to the documentary evidence, books and accounting records.

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The accounting tables of the A2A Group, as at September 30, 2017, are attached.

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CONSOLIDATED BALANCE SHEET (millions of euro)	09.30.2017	12.31.2016 Restated	09.30.2016 Restated
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	4,516	5,129	5,351
Intangible assets	1,782	1,704	1,653
Shareholdings carried according to equity method	64	67	74
Other non-current financial assets	38	69	77
Deferred tax assets	321	341	264
Other non-current assets	8	12	19
TOTAL NON-CURRENT ASSETS	**6,729**	**7,322**	**7,438**
CURRENT ASSETS			
Inventories	189	159	186
Trade receivables	1,432	1,821	1,720
Other current assets	339	389	418
Current financial assets	18	218	219
Current tax assets	68	70	72
Cash and cash equivalents	514	402	728
TOTAL CURRENT ASSETS	**2,560**	**3,059**	**3,343**
NON-CURRENT ASSETS HELD FOR SALE	**217**	**6**	**4**
TOTAL ASSETS	**9,506**	**10,387**	**10,785**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1,629	1,629	1,629
(Treasury shares)	(54)	(54)	(54)
Reserves	1,009	919	917
Result of the year	-	232	-
Result of the period	226	-	323
Equity pertaining to the Group	**2,810**	**2,726**	**2,815**
Minority interests	132	553	549
Total equity	**2,942**	**3,279**	**3,364**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	3,634	3,436	3,497
Employee benefits	331	365	366
Provisions for risks, charges and liabilities for landfills	622	671	663
Other non-current liabilities	109	109	116
Total non-current liabilities	**4,696**	**4,581**	**4,642**
CURRENT LIABILITIES			
Trade payables	1,052	1,384	1,243
Other current liabilities	634	744	722
Current financial liabilities	162	359	751
Tax liabilities	20	33	61
Total current liabilities	**1,868**	**2,520**	**2,777**
Total liabilities	**6,564**	**7,101**	**7,419**
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**	**7**	**2**
TOTAL EQUITY AND LIABILITIES	**9,506**	**10,387**	**10,785**

CONSOLIDATED INCOME STATEMENT (millions of euro)	01.01.2017 09.30.2017	01.01.2016 09.30.2016 Restated	01.01.2016 12.31.2016 Restated
Revenues			
Revenues from the sale of goods and services	4,122	3,315	4,813
Other operating income	139	167	280
Total Revenues	**4,261**	**3,482**	**5,093**
Operating expenses			
Expenses for raw materials and services	2,665	1,980	2,968
Other operating expenses	211	166	253
Total Operating expenses	**2,876**	**2,146**	**3,221**
Labour costs	**497**	**464**	**641**
Gross operating income - EBITDA	**888**	**872**	**1,231**
Depreciation, amortization, provisions and write-downs	**393**	**348**	**758**
Net operating income - EBIT	**495**	**524**	**473**
Result from non-recurring transactions	**1**	**52**	**56**
Financial balance			
Net financial charges	(122)	(96)	(154)
Affiliates	5	4	(3)
Result from disposal of other shareholdings (AFS)	-	-	-
Total financial balance	**(117)**	**(92)**	**(157)**
Result before taxes	**379**	**484**	**372**
Income taxes	**153**	**145**	**120**
Result after taxes from operating activities	**226**	**339**	**252**
Net result from discontinued operations	1	1	2
Net result	**227**	**340**	**254**
Minorities	**(1)**	**(17)**	**(22)**
Group result of the period/year	**226**	**323**	**232**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (millions of euro)	09.30.2017	09.30.2016 Restated	12.31.2016 Restated
Net result of the year (A)	**-**	**-**	**254**
Net result of the period (A)	**227**	**340**	**-**
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	9	(23)	(27)
Tax effect of other actuarial gains/(losses)	(3)	7	9
Total actuarial gains/(losses) net of the tax effect (B)	**6**	**(16)**	**(18)**
Effective part of gains/(losses) on cash flow hedge	(4)	26	31
Tax effect of other gains/(losses)	1	(6)	(8)
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	**(3)**	**20**	**23**
Other gains/(losses) of companies valued at equity net of the tax effect (D)	-	-	-
Total comprehensive result (A)+(B)+(C)+(D)	**230**	**344**	**259**
Total comprehensive result attributable to:			
Shareholders of the parent company	**229**	**327**	**237**
Minority interests	**1**	**17**	**22**

CONSOLIDATED CASH-FLOW STATEMENT (millions of euro)		09.30.2017		12.31.2016 Restated		09.30.2016 Restated
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR		**402**		**636**		**636**
Change in EPCG consolidation method		**(55)**				
Edipower demerger in favour of Cellina Energy		**-**		**(38)**		**(38)**
Contribution of first consolidation of acquisitions of 2017		**2**				
Contribution of first consolidation of LGH and other acquisitions of 2016		**-**		**86**		**83**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR		**349**		**684**		**681**
<u>Operating activities</u>						
Net Result (**)		**227**		**196**		**288**
Tangible assets depreciation		257		374		266
Intangible assets amortization		52		55		38
Fixed assets write-downs/disposals		99		252		7
Result from affiliates		(5)		4		(4)
Net taxes paid (a)	*(104)*		*(168)*		*(93)*	
Gross change in assets and liabilities (b)	*25*		*90*		4	
Total change of assets and liabilities (a+b) (*)		(79)		(78)		(89)
Cash flow from operating activities		**551**		**803**		**506**
<u>Investment activities</u>						
Investments in tangible assets		(161)		(259)		(139)
Investments in intangible assets and goodwill		(87)		(128)		(73)
Investments in shareholdings and securities (*)		(23)		(123)		(111)
Disposal of fixed assets and shareholdings		-		6		4
Dividends received		-		1		1
Purchase/disposal of own shares		-		-		-
Cash flow from investment activities		**(271)**		**(503)**		**(318)**
FREE CASH FLOW		**280**		**300**		**188**
<u>Financing activities</u>						
Change in financial assets (*)		(2)		37		20
Change in financial liabilities (*)		103		(355)		26
Net financial interests paid		(62)		(133)		(56)
Dividends paid by the parent company		(153)		(126)		(126)
Dividends paid by the subsidiaries		(1)		(5)		(5)
Cash flow from financing activities		**(115)**		**(582)**		**(141)**
CHANGE IN CASH AND CASH EQUIVALENTS		**165**		**(282)**		**47**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR		**514**		**402**		**728**

(*) Cleared of balances in return of shareholders' equity and other balance sheet items.
(**) Net Result is exposed net of gains on shareholdings' and fixed assets' disposals.

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, 2015	**1,629**	**(61)**	**(25)**	**1,030**	**73**	**2,646**	**613**	**3,259**
Changes in the first nine months of 2016								
2015 result allocation				73	(73)			
Purchase of own shares		7				7		7
Distribution of dividends				(126)		(126)	**(5)**	(131)
IAS 19 reserves (*)				(16)		(16)		(16)
IAS 32 and 39 reserves (*)			20			20		20
Other changes				(39)		(39)	**(72)**	(111)
Group and minorities result of the period					323	323	**17**	340
Net equity at September 30, 2016	**1,629**	**(54)**	**(5)**	**922**	**323**	**2,815**	**553**	**3,368**
Purchase Price Allocation LGH effect							(4)	**(4)**
Net equity at September 30, 2016 Restated	**1,629**	**(54)**	**(5)**	**922**	**323**	**2,815**	**549**	**3,364**
Changes in the fourth quarter of 2016								
IAS 19 reserves (*)				(1)		(1)		(1)
IAS 32 and 39 reserves (*)			3			3		3
Other changes				(1)		(1)	**3**	2
Group and minorities result of the period					(99)	(99)	**(2)**	(101)
Net equity at December 31, 2016	**1,629**	**(54)**	**(2)**	**920**	**224**	**2,717**	**550**	**3,267**
Purchase Price Allocation LGH effect				1	8	9	3	**12**
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 2017								
2016 result allocation				232	(232)			
Distribution of dividends				(153)		(153)	(1)	(154)
IAS 19 reserves (*)				6		6		6
IAS 32 and 39 reserves (*)			(3)			(3)		(3)
Change in EPCG consolidation 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**

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