PRESS RELEASE – 13 November 2019

A2A S.p.A. Board of Directors has examined and approved the quarterly Financial Information as at 30 September 2019

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Quarter showed strong growth in Q3 2018:
Revenues +16%; EBITDA +39%; Group Net Profit +24%;

EBITDA for the first 9 months was 886 million euro, up vs 2018 (875 million euro)

Group Net Profit for the first 9 months amounted to 250 million euro in reduction for higher depreciation and write off (335 million euro at 30 September 2018)

Capex totalled 394 million euro, up 30% compared to September 2018

NFP at 3,129 million euro.
Excluding the accounting effects deriving from IFRS 16 adoption and the perimeter change, NFP amounted to 3,095 million euro

Guidance on EBITDA and Group Net Profit expected for 2019 full year improved

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Milan, 13 November 2019 – 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 financial information as at 30 September 2019.

The first nine months of the year closed with highly satisfactory economic-financial results: indeed, a positive change was booked to EBITDA as compared with the same period of 2018, thereby completely neutralising the significant negative impact seen in the current year, determined by the conclusion of the contribution of green certificates and other incentives. These results were obtained thanks to the positive performance of all Group Business Units and the incremental effects of the ACSM-AGAM group consolidation.

The scenario for the first nine months of 2019 was characterised, particularly during the last quarter of the period, by electricity and gas prices that declined on those recorded during the same period of 2018: during the first nine months of 2019, the PUN Base Load decreased by 8.7%, coming in at an average price of € 53.8/MWh, as compared with the € 58.9/MWh booked for the first nine months of 2018; the average price of gas to the VTP (Virtual Trading Point) for the first nine months of 2019 came to € 16.5/MWh, down 30.1% versus the same period of 2018.
The cost of CO_2, increasing from € 14.4/Tonne in the first nine months of 2018 to € 24.9/Tonne in the corresponding period of 2019, bucked the trend.

The results incorporate the effects of the application of the new accounting standard IFRS 16, which came into force on 1 January 2019.
The standard applies to all contracts concerning the right to use an asset for a certain period of time in exchange for a specific fee. IFRS 16 sets, for lessees, a single accounting model for all leases (with specific cases of exclusion and exemption), eliminating the distinction, in the accounts, between operating and financial leasing.

The following are the main indicators:

millions of euro	**9 months of 2019**	**9 months of 2018**	**Δ**	**Δ%**
Revenues	**5,380**	**4,518**	+862	+19.1%
Gross Operating Margin - EBITDA	**886**	**875**	+11	+1.3%
Net Operating Income - EBIT	**452**	**544**	-92	-16.9%
Group net profit	**250**	**335**	-85	-25.3%

In the first nine months of 2019, the Group **Revenues** amounted to 5,380 million euro, up 19.1% compared to 2018.
The revenues increase was mainly due to greater revenues from the sale of electricity and gas to end customers, following higher sales on the free market, in particular large customers and higher volumes intermediated on the wholesale market, partially offset by lower revenues related to environmental markets. The change in revenues of the ACSM-AGAM group, fully consolidated starting July 2018, was 228 million euro.

EBITDA equalled 886 million euro, an increase of 11 million euro compared to the first nine months of 2018 (+1.3%). The contribution made by the ACSM-AGAM Group amounted to 45 million euro (+27 million euro, including Aspem, in the first half of 2018).
Net of non-recurring items (33 million euro in the first nine months of 2018; 26 million euro in the same period of 2019), ordinary EBITDA increased by 18 million euro (+2%). During the third quarter of 2019, EBITDA grew by +39% on the same period of 2018 (+35% on an ordinary basis).

EBIT, amounting to 452 million euro, was up by 92 million euro compared to the first nine months of 2018 (544 million euro). The change was due to:

- increase in EBITDA, as described above (+11 million euro);
- write off booked during the third quarter of 2019 in relation to the Grottaglie landfill (-43 million euro) as a consequence of the reduced future capacity to generate income on the basis of the judgement given by the Council of State on 28 August 2019, which rejected the appeal lodged by Linea Ambiente S.r.l. against the judgement given by the Regional Administrative Court of Lecce no. 143/2019, confirming the annulment of DD45/18, which had enabled a substantial change to the landfill's IEA;
- increase in depreciation mainly relating to the ACSM-AGAM group, IFRS16 adoption, to assets acquired during 2018 and greater investments (-37 million euro);
- higher net provisions mainly due to the release of surplus provisions for risks and receivables made in 2018 (-23 million euro).

Group net profit in the first nine months of 2019 - for the reasons mentioned above - amounted to 250 million euro, down compared to the same period of 2018 (335 million euro). Please note that the effect of write off of the Grottaglie landfill on Group net profit is equal to -16 million euro (-43 million in write off of the asset, net of the tax effects and the portion related to the LGH group's minority shareholders).

Net Financial Position at 30 September 2019 amounted to 3,129 million euro (3,022 million euro as at end 2018). Excluding the accounting effects of IFRS16 adoption (-109 million euro) and the impacts on NFP of the perimeter change (+75 million euro), the NFP as at 30 September 2019 came to 3,095 million euro.

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A2A Group - Results by Business Unit

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

Millions of euro	**09.30.2019**	**09.30.2018**	**Change**	**Change %**
Generation and Trading	218	265	-47	-17.7%
Market	169	152	17	11.2%
Waste	199	197	2	1.0%
Networks and District Heating	313	273	40	14.7%
A2A Smart City	6	6	0	0.0%
International	-2	-1	-1	n.s.
Corporate	-17	-17	0	0.0%
Total	**886**	**875**	**11**	**1.3%**

Generation and Trading Business Unit

In the first nine months of 2019, the Generation and Trading Business Unit contributed to fulfil the sales demand of the A2A Group through production by the plants it owns for about 13.3 TWh (12.8 TWh at 30 September 2018).

Thermoelectric production came to 9.9 TWh (9.6 TWh during the same period of 2018): the greater production of the combined cycle plants more than compensated the reduction in production of the Monfalcone plant, penalised by insufficiently remunerative prices.
Hydroelectric production, which came to 3.3 TWh, improved on the same period of 2018 (+4.1%), thanks to the greater production in the Calabria basins and significant increase in production by the plants in the Northern area during the third quarter of the year, following greater water contributions.
Finally, production from photovoltaic sources increased, thanks to the acquisitions of companies operating in the sector at the end of last year, which led the Group to hold approximately 100 megawatts of installed solar capacity.

Revenues amounted to 3,250 million euro, up by 610 million euro compared to the same period of 2018. The increase was mainly due to higher volumes sold, in particular on the gas wholesale markets, partly offset by lower revenues from the environmental markets.

The EBITDA of the Generation and Trading Business Unit amounted to 218 million euro, down 47 million euro versus the first nine months of 2018. Before non-recurring items (equal to +4 million euro in 2019 and +7 million euro in 2018), Ordinary EBITDA dropped by 44 million euro.
The reduction in margins recorded in the first half of 2019, essentially determined by the exceptional results of 2018 achieved on the environmental markets and ancillary services market ("MSD") was significantly limited by the excellent performance of the Generation and Trading Business Unit booked during Q3 2019.
Indeed, thanks to the high margins on the ancillary services market and the greater hydroelectric production that characterised the last quarter of 2019, as well as the continuation of positive results recorded by the combined cycle plants, the photovoltaic sector and the gas portfolio, the Business Unit more than halved the negative difference seen in the first half, recording a third quarter of 2019 boasting exceptional growth on 2018 (+60 million euro in Ordinary EBITDA in the third quarter 2019 alone as compared with 2018).

In the period in question the Capex of Generation and Trading Business Unit amounted to around 43 million euro (30 million euro at 30 September 2018).

Market Business Unit

In the first nine months of 2019, the Market Business Unit recorded 10.1 TWh of electricity sales, up 26.7% compared to the same period of the previous year and 1,668 Mcm gas sales (+39.9% compared to the first nine months of 2018). The ACSM-AGAM group contributed 189 GWh to the increase in electricity sales and 251 Mcm to the increase in gas sales.
The growth in both the electricity and natural gas segments was mainly due to the greater volumes sold to large customers on the free market, was partly offset by the lower sale volumes to "protected" customers.

Revenues were 1,986 million euro (1,525 million euro as at 30 September 2018), up 30.2% due to larger quantities sold of both electricity and gas.
Revenues rose by 170 million euro in the first nine months of 2019 following the consolidation of the ACSM-AGAM group.

Market Business Unit EBITDA equalled 169 million euro (152 million euro in the first nine months of 2018).
Net of non-recurring items (+11 million euro in 2019 and +24 million euro in 2018), Ordinary EBITDA grew by 30 million euro (+23% on the same period of the previous year). The variation was brought about by a considerable increase in margins in the energy retail segment (+36 million euro) and public lighting (+3 million euro) and a decline in the energy solutions segment (-9 million euro).
The increase in the energy retail segment was partially due to the change in the consolidation perimeter (consolidation of the ACSM-AGAM group and simultaneous exit of the Aspem group) for 14 million euro and in part to the excellent performance of the traditional segment (+22 million euro). In the period under review, in fact, the contribution margins of the electricity and gas segments showed significant growth (+32 million euro), thanks to:

- the increase in the number of customers on the free market (+151 thousand on end 2018; +165 thousand including the ACSM-AGAM group);
- the greater volumes sold to large customers that more than offset a decline in unitary gas consumptions;
- the increase in unitary margins of customers on the free market, above all gas;
- the adjustment of RCV and PCV prices (resolution 706/2018/R/eel) to cover the costs of electricity sales.

The growth was only partially reduced by higher costs, mainly for marketing and external comunication to attract new customers.
The reduction in margins in the energy solutions segment was due to the lesser opportunities that white certificates market has offered to operators, both in terms of price and volumes exchanged, also following approval of the Decree by the Ministry of Economic Development on 10 May 2018, which regulated the price of sale of Energy Efficiency Certificates (EECs) and the methods of procurement by distributors obliged to cancel the certificates.

In the period in question, the Capex of Business Unit came to around 18 million euro (11 million at 30 September 2018).

Waste Business Unit

During the first nine months of 2019, the quantity of waste collected (1.3 million tonnes) was up 4.1%, whilst the quantity of waste disposed of (2.5 million tonnes) evidenced, despite the contribution made by the ACSM-AGAM group, a decline of 5% due entirely to the lesser disposal in landfills, in particular in the Grottaglie landfill following the stop to conferrals starting January 2019.
The quantities of electricity sold were instead basically in line.

In the first nine months of the year, the Waste Business Unit generated revenues of 775 million euro (750 million euro at 30 September 2018), up 25 million euro on the same period of 2018. The consolidation of the ACSM-AGAM group contributed approximately 15 million euro to this total.

The EBITDA of the Waste Business Unit equalled 199 million euro (197 million euro at 30 September 2018).
Net of non-recurring items (-1 million in 2019 and +1 million euro in 2018), Ordinary EBITDA rose by 4 million euro.
The increase in margins was substantially determined by the prices of sale of electricity produced by the waste-to-energy plants, the positive trend of prices for the conferral (in particular of urban waste),

as well as greater revenues from conferral to the landfill of inert lots of Corteolona and to the sludge plant.
These positive effects were reabsorbed by greater costs of disposal and lesser revenues deriving from the conferral to other Group landfills (Grottaglie, Barengo and Comacchio).

Capex in the first nine months of 2019 amounted to 72 million euro (68 million euro at 30 September 2018).

Networks and District Heating Business Units

Electricity distributed was 8.8 TWh, substantially in line (-0.6%) with the first nine months of 2018. The quantities of gas distributed reached 1,975 Mcm, up 15.1% (1,716 Mcm at 30 September 2018) and the water distributed was 58 Mcm, up 6.0 Mcm compared to the same period of the previous year. The Business Unit's heat sales came to 1.8 TWh, in line with the previous year's sales: the contribution made by the ACSM-AGAM group offset the lesser sales made during the period under review following the milder temperatures in the current year than in 2018.

The Networks and District Heating Business Unit's revenues amounted to 782 million euro (788 million euro as at 30 September 2018). The reduction in revenues is mainly due to the lesser revenues relating to the tariff contributions recognised to distributors to cancel out the energy savings obligations (EECs), partly offset by the increase deriving from the consolidation of the ACSM-AGAM group.

Networks and Heat Business Unit EBITDA amounted to 313 million euro (273 million euro as at 30 September 2018).
Net of non-recurring items (+11 million euro in 2019 and +1 million euro in 2018), Ordinary EBITDA grew by 30 million euro (+11% on the same period of the previous year).
The change in the Business Unit margins was partially due to the change in the consolidation perimeter (consolidation of the ACSM-AGAM group and simultaneous exit of the Aspem group) for 9 million euro and in part to the organic growth of the business. The district heating sector in particular made a positive contribution: the increase in unit margins more than offset the drop in sales due to mild temperatures recorded during the early months of 2019, higher environmental costs (CO_2) and the lack of revenues from green certificates in Canavese.
The increase in allowed revenues for gas distribution and in revenues in the water sector linked to the increase in tariffs approved by the Regulatory Authority also contributed positively to the growth seen in results.

Capex in the period in question equalled 222 million euro (174 million euro at 30 September 2018).

International Business Unit

The International Business Unit consists of the Group's activities to seek opportunities on foreign markets for the provision of know-how and technologies in A2A's core business.

International Business Unit revenues at 30 September 2019 amounted to 2 million euro (5 million euro at 30 September 2018) through the construction of high-tech waste treatment plants.

EBITDA and the Net Operating Profit booked a loss of 2 million euro (a loss of 1 million euro in the same period of the previous year).

A2A Smart City

Revenues in the first nine months of 2019 were equal to 45 million euro, up by 12 million euro compared to the first nine months of 2018, due to the extension of services offered to other companies of the Group and third party operators.

EBITDA was 6 million euro, in line with the previous year.

Capex in the period in question equalled 10 million euro (8 million euro at 30 September 2018).

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Balance sheet

The data of the Balance Sheet at 30 September 2019 is homogeneous with respect to the data of 31 December 2018, with the exception of the following perimeter changes:

- acquisition and full consolidation by A2A Rinnovabili S.p.A. of Bellariva 07 S.r.l., a project company owning a photovoltaic plant;
- acquisition by A2A Energy Solutions S.r.l. of 100% of Suncity Energy S.r.l. (full consolidation) and 26% of Suncity Group S.r.l. (consolidated with the equity method), groups operative in the field of energy efficiency and dispatching;
- acquisition and full consolidation by Linea Ambiente S.r.l. of Biofor Energia S.r.l., a waste processing company.

(millions of euro)	09.30.2019	12.31.2018
CAPITAL EMPLOYED		
Net non-current assets	**6,286**	**6,131**
- Tangible assets	4,679	4,620
- Intangible assets	2,368	2,302
- Shareholdings and other non-current financial assets (*)	34	23
- Other non-current assets/liabilities (*)	(127)	(122)
- Deferred tax assets/liabilities	287	264
- Provisions for risks, charges and liabilities for landfills	(638)	(642)
- Employee benefits	(317)	(314)
of which with counter-entry to equity	*(109)*	*(101)*
Net Working Capital and Other current assets/liabilities	**335**	**302**
Net Working Capital:	***616***	***555***
- Inventories	216	187
- Trade receivables	1,664	1,781
- Trade payables	(1,264)	(1,413)
Other current assets/liabilities:	***(281)***	***(253)***
- Other current assets/liabilities (*)	(287)	(268)
- Current tax assets/tax liabilities	6	15
of which with counter-entry to equity	*(32)*	*(25)*
Assets/liabilities held for sale (*)	**18**	**112**
of which with counter-entry to equity	*18*	*109*
TOTAL CAPITAL EMPLOYED	**6,639**	**6,545**
SOURCES OF FUNDS		
Equity	**3,510**	**3,523**
Total financial position after one year	3,349	2,968
Total financial debt within one year	(220)	54
Total Net Financial Position	**3,129**	**3,022**
of which with counter-entry to equity	*30*	*19*
TOTAL SOURCES	**6,639**	**6,545**

(*) Excluding balances included in the net financial position.

Net Fixed Assets

The "**Net fixed capital**" amounted to 6,286 million euro, up by 155 million euro compared to 31 December 2018.
The main changes are detailed below:

- tangible assets increased by 57 million euro, net of the contribution of extraordinary items totalling 2 million euro, due mainly to:
    - investments amounting to 236 million euro, essentially in the Networks & District Heating Business Unit for 96 million euro, the Waste Business Unit for 70 million euro and the Generation and Trading Business Unit for 42 million euro. In addition, the Market business unit, A2A Smart City and Corporate recorded combined capex of approximately 28 million euro;
    - net increase of 146 million euro for other changes, mainly (for 124 million euro) due to IFRS 16 adoption and for 12 million euro to the update of discounting rates used to estimate future costs for decommissioning and restoration;
    - decrease of 2 million euro for disposals made during the period net of accumulated depreciation;
    - decrease of 280 million euro for the depreciation charge for the period;
    - write off of 43 million euro for the Grottaglie landfill.

  Tangible assets include "Financially-leased assets" totalling 36 million euro, recognized in accordance with IAS 16, for which the outstanding payable to lessors at 30 September 2019 amounted to 35 million euro;

- intangible assets increased by 66 million euro on 31 December 2018, due to:
    - capex equal to 158 million euro, essentially in the Networks & District Heating business unit (126 million euro), the Corporate Business Unit for 15 million euro and the Waste, General and Trading and market business units, for a total of 17 million euro;
    - decrease of 2 million euro for disposals made during the period net of accumulated depreciation;
    - decrease of 90 million euro for the depreciation charge for the period;

- equity investments and other non-current financial assets, at 34 million euro, up by 11 million euro compared to 31 December 2018. The change mainly (for 6 million euro) relates to the acquisition of 26% of Suncity Group S.r.l. by the subsidiary A2A Energy Solutions S.r.l. as well as to additional positive valuations in the equity investments in related companies for 4 million euro;

- other non-current assets and liabilities, showed a net decrease of 5 million euro mainly due to the growth in other non-current payables for the acquisition completed in 2019;

- deferred tax assets totalled 287 million euro, with an increase of 23 million euro, mainly due deferred IRES (corporate income tax) and IRAP (regional tax on productive activities) resulted from period write off, changes on cash flow hedges derivatives valuation and IAS 19 reserves;

- provisions for risks, charges and liabilities for landfills evidenced a decrease of 4 million euro. Changes are due to utilizations of the period for 26 million euro relative for 13 million euro to covering the costs incurred on landfills and decommissioning as well as for 13 million euro to the conclusion of various legal, tax and miscellaneous disputes. Net provisions are equal to 8 million euro, mainly related to public water derivation fees and other increases for 15 million euro, mainly connected with decommissioning activities, following the reduction in the interest rates used to discount these liabilities. There were also further negative changes amounting to 1 million euro;

- employee benefits increased by approximately 3 million euro and mainly referred to the net balance of period actuarial valuations and disbursements made.

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 616 million euro. The change was a rise of 61 million euro compared to 31 December 2018. Comments on the main items are given below:

Trade receivables

(millions of euro)	Balance at 09.30.2019	Balance at 12.31.2018	Changes during the period
Trade receivables invoices issued	914	1,030	(116)
Trade receivables invoices to be issued	892	914	(22)
Bad debts provision	(142)	(163)	21
Total trade receivables	**1,664**	**1,781**	**(117)**

As at 30 September 2019 “Trade receivables” amounted to 1,664 million euro (1,781 million euro at 31 December 2018), with a decrease of 117 million euro.

“Bad debts provision” amounted to 142 million euro, a net decrease of 21 million euro compared to 31 December 2018, mainly due to period uses.

Trade receivables ageing is detailed here below:

(millions of euro)	09.30.2019	12.31.2018
Trade receivables of which:	**1,664**	**1,781**
Current	**628**	**728**
Past due of which:	**286**	**302**
Past due up to 30 days	*50*	*75*
Past due from 31 to 180 days	*89*	*57*
Past due from 181 to 365 days	*31*	*29*
Past due over 365 days	*116*	*141*
Invoices to be issued	**892**	**914**
Bad debts provision	**(142)**	**(163)**

Trade payables

(millions of euro)	Balance at 09.30.2019	Balance at 12.31.2018	Changes during the period
Advances	2	3	(1)
Payables to suppliers	1,262	1,410	(148)
Total trade payables	**1,264**	**1,413**	**(149)**

"Trade payables" amounted to 1,264 million euro, a decrease of 149 million euro.

Inventories

(millions of euro)	Balance at 09.30.2019	Balance at 12.31.2018	Changes during the period
- Materials	74	69	5
- Material obsolescence provision	(18)	(17)	(1)
- Fuel	142	129	13
- Others	4	2	2
Raw and ancillary materials and consumables	**202**	**183**	**19**
Third-party fuel	**14**	**4**	**10**
Total inventory	**216**	**187**	**29**

Inventories amounted to 216 million euro (187 million euro at 31 December 2018), net of the related obsolescence provision of 18 million euro, up 1 million euro on 31 December 2018.
The increase was mainly due to the increase in carbon stocks held at third parties and inventories of gas and other fuels.

Other current assets/liabilities evidenced a net increase of 28 million euro, mainly due to:

- net increase in tax payables for 9 million euro;
- increase of 23 million euro in payables to CSEA[1] (the energy and environmental service fund);
- 35 million euro increase in tax payables for VAT, excise duties and other taxes;
- the decrease in derivative liabilities for 15 million euro;
- the 31 million euro increase in prepayments, mainly due to the early payment of charges during the first nine months of 2019;
- decrease in advances paid to suppliers for fuel purchases for 16 million euro;
- the increase of other current assets for 13 million euro, consequent to the payment of security deposits aimed at allowing for participation in tenders;
- other increases in current liabilities for 4 million euro.

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

(Millions of euro)	09.30.2019	12.31.2018	Change
Generation and Trading	206	37	169
Market	323	434	-111
Waste	63	-23	86
Networks and District Heating	-98	-62	-36
International	3	3	0
A2A Smart City	-7	-7	0
Corporate	-155	-80	-75
TOTAL	**335**	**302**	**33**

Consolidated **Capital Employed** amounted to 6,639 million euro at 30 September 2019, financed by shareholders' equity (3,510 million euro) and net financial position (3,129 million euro).

"**Equity**" amounted to 3,510 million euro and shows a negative change for a total of 13 million euro.

Other decreases mainly included:

- the distribution of dividends for a total of 218 million euro;
- negative valuation of cash flow hedges derivatives and IAS 19 reserves, for 15 million euro.

[1] CSEA: Cassa conguagli Servizi Energetici e Ambientali

This performance was partially offset by the positive period result of 246 million euro (250 million euro pertaining to the Group and -4 million euro to minorities).

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Financial position

Net free cash flow	09.30.2019	09.30.2018
EBITDA	**886**	**875**
Changes in Net Working Capital	(61)	1
Changes in Other assets/liabilities	(80)	1
Utilization of provisions, net taxes and net financial charges	(206)	(89)
FFO	**539**	**788**
Capex	(394)	(304)
Dividends	(218)	(180)
Net free cash flow	**(73)**	**304**
Changes in perimeter	75	45
IFRS 16 Adoption	(109)	
Change in Net Financial Position	**(107)**	**349**

Net Financial Position at 30 September 2019 amounted to 3,129 million euro (3,022 million euro as at 31 December 2018).
Gross debt totalled 4,165 million euro, 378 million euro more than at 31 December 2018, net of the effect of IFRS 16 adoption, which amounted to 109 million euro.
Cash and cash equivalents amounted to 1,015 million euro, up by 391 million euro.
The other net financial assets/liabilities showed a positive balance of 21 million euro with a net decrease of 11 million euro.

The fixed rate and hedged portion of the gross debt amounts to 80%. The duration is 4.6 years.

Net cash flows generation was negative for 73 million euro, further worsened by the application of the accounting standard IFRS 16 for 109 million euro and positively adjusted by the effects of the change in scope for 75 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 61 million euro in the Net Financial Position as compared with 31 December 2018, due to the reduction of 149 million euro in trade receivables, the increase in inventories for 29 million euro and, finally, the reduction in trade receivables for 117 million euro. The Group occasionally performs non-recourse credit assignments. As at 30 September 2019, no such credit assignments had taken place (2 million euro at 31 December 2018). Note that the Group does not have rotating factoring programmes in place;

- the change in other current assets and liabilities worsened the Net Financial Position by 80 million euro. This change was mainly due to the increase in prepaid expenses for annual charges paid, the deposit of security deposits in order to take part in tenders, the change in the fair value of derivatives on commodities and dividends paid to third parties; these changes were offset by an increase in amounts due to the CSEA payables for excise and tariff components and VAT and other tax payable;

- payment of net financial charges, tax and provisions entailed expenditure of 206 million euro, while capex of the period, as detailed below, absorbed 394 million euro and the payment of dividends 218 million euro;

- changes in the consolidation scope and the first time adoption of the standard IFRS 16 have also resulted in a net worsening to the Net Financial Position totalling 34 million euro.

Capex, amounting to 394 million euro, concerned the following Business Units:

Millions of euro	**09.30.2019**	**09.30.2018**	**Change**
Generation and Trading	43	30	13
Market	18	11	7
Waste	72	68	4
Networks and District Heating	222	174	48
A2A Smart City	10	8	2
Corporate	29	13	16
Total	**394**	**304**	**90**

Generation and Trading Business Unit

During the period under review, capex came to approximately 43 million and mainly regarded (26 million euro) extraordinary maintenance works carried out on the Group's thermoelectric plants and approximately 8 million euro in hydroelectric units. Plant development works were also recorded for about 7 million euro, of which 3 million euro relative to the Brindisi plants - start of installation of synchronous compensators - and works to adjust to comply with standards for approximately 2 million euro.

Market Business Unit

The Market Business Unit invested around 18 million euro in the first nine months of 2019. These investments regarded, for 13 million euro, evolutive maintenance and development works on the hardware and software platforms in support of marketing and billing and for the remainder, interventions relating to the public lighting sector to replace lighting devices with LED systems in the municipalities managed and the launch of new projects.

Waste Business Unit

Waste Business Unit capex for the first nine months of 2019 totalled 72 million euro and were mainly related to maintenance and development work on waste-to-energy plants (36 million euro), treatment plants and landfills (19 million euro) and the purchase of vehicles, containers, operating systems and the restructuring of corporate buildings in the collection segment (15 million euro).

Networks and District Heating Business Units

The investments made by the Networks & District Heating Business Unit in the period in question amounted to 222 million euro and concerned:

- electricity distribution subsector: development and maintenance work on plants and in particular the connection of new users, maintenance work on secondary cabins, the extension and refurbishment of the medium and low voltage network and the maintenance and upgrading of primary plants (62 million euro);
- 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 (75 million euro);
- integrated water cycle subsector: maintenance and development work carried out on the water transportation and distribution network and the sewage networks and purification plants (48 million euro);
- district heating and heat management subsector: development and maintenance of plants and networks for a total of 37 million euro.

A2A Smart City

Capex in the period, amounting to 10 million euro, mainly referred to works on the telecommunication networks.

Corporate

Investments in the period, amounting to 29 million euro, referred to work buildings and IT systems.

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Outlook

Management expects the economic-financial performance of 2019 to be confirmed as good, better than that already stated in the H1 2019 Press Release; EBITDA is expected to be at around 1,200 million euro (including 35 million euro in non-recurring positive items); net profit is expected to be at around 330 million euro.
The strong generation of operating cash will be used to finance record investments (expected to amount to about 600 million euro) which, together with the distribution of higher dividends in May 2019, will result in a net cash outflow of about 50 million euro before the changes in perimeter and the effects deriving from the IFRS 16 adoption.

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Accounting standards and change to the consolidation perimeter

The following accounting standards are applicable to the Group for reporting periods beginning on or after January 1, 2019:

- IFRS 16: “Leases”

In addition, the Group has already adopted following amendments to the international accounting standards applicable in 2019:

- IFRS 9: "Prepayment Features with Negative Compensation”. The integration, applicable as from 01 January 2019, allows entities to measure the negative/positive difference arising from the early termination of a financial asset/liability at amortised cost (i.e., rather than at FVTPL);
- IAS 19 “Employee Benefits”: The amendment deals with the accounting of pension expenditure in the event of changes to defined benefit plans. Specifically, the amendment introduces the calculation of the "service cost" using the basic assumptions updated after any change made to the plan;
- IFRIC 23 "Treatment of uncertainties of a fiscal nature": issued on June 7, 2017, the interpretation aims to define a method for dealing with fiscal uncertainties. The company, in recording the taxes for the year in the financial statements, must ask the question whether the tax treatment in question will be accepted by the tax authority; in case of negative assumption, the amount of taxes recorded in the financial statements will differ from that indicated in the tax declaration as it will reflect the uncertainty under analysis.
- IAS 28 "Investments in Associates and Joint Ventures": the integration clarifies that an entity that does not apply the equity method to financial instruments in associates or joint ventures will apply IFRS 9 to long-term interests without taking into account any adjustments to their carrying amount.

The amendments to the above standards, introduced and applicable as from this year have not had any impact on the Group's results and financial position.

Reference should be made to that described in the "Statement of financial position" section for information on the change in the consolidation scope.

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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 profit (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 profit before non-recurring items** is an alternative performance indicator calculated as the gross operating profit (EBITDA) 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 credits 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.

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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 financial 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 corporate accounting documents, Andrea Crenna, states – in accordance with article 154-bis, sub-section 2 of the Financial Act del (Legislative Decree 58/1998) – that the accounting information contained in this document corresponds to the documentary evidence, books and accounting records.

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The accounting tables of the A2A Group, as at 30 September 2019, are attached.

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CONSOLIDATED BALANCE SHEET (millions of euro)	09.30.2019	12.31.2018
ASSETS		
NON-CURRENT ASSETS		
Tangible assets	4,679	4,620
Intangible assets	2,368	2,302
Shareholdings carried according to equity method	26	16
Other non-current financial assets	29	29
Deferred tax assets	287	264
Other non-current assets	11	20
TOTAL NON-CURRENT ASSETS	**7,400**	**7,251**
CURRENT ASSETS		
Inventories	216	187
Trade receivables	1,664	1,781
Other current assets	352	313
Current financial assets	9	16
Current tax assets	60	49
Cash and cash equivalents	1,015	624
TOTAL CURRENT ASSETS	**3,316**	**2,970**
NON-CURRENT ASSETS HELD FOR SALE	**18**	**112**
TOTAL ASSETS	**10,734**	**10,333**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,629	1,629
(Treasury shares)	(54)	(54)
Reserves	1,327	1,216
Result of the year	-	344
Result of the period	250	-
Equity pertaining to the Group	**3,152**	**3,135**
Minority interests	358	388
Total equity	**3,510**	**3,523**
LIABILITIES		
NON-CURRENT LIABILITIES		
Non-current financial liabilities	3,361	2,984
Employee benefits	317	314
Provisions for risks, charges and liabilities for landfills	638	642
Other non-current liabilities	147	148
Total non-current liabilities	**4,463**	**4,088**
CURRENT LIABILITIES		
Trade payables	1,264	1,413
Other current liabilities	639	581
Current financial liabilities	804	694
Tax liabilities	54	34
Total current liabilities	**2,761**	**2,722**
Total liabilities	**7,224**	**6,810**
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**	**-**
TOTAL EQUITY AND LIABILITIES	**10,734**	**10,333**

CONSOLIDATED INCOME STATEMENT (millions of euro)	01.01.2019 09.30.2019	01.01.2018 09.30.2018
Revenues		
Revenues from the sale of goods and services	5,226	4,352
Other operating income	154	166
Total Revenues	**5,380**	**4,518**
Operating expenses		
Expenses for raw materials and services	3,804	2,963
Other operating expenses	171	189
Total Operating expenses	**3,975**	**3,152**
Labour costs	**519**	**491**
Gross operating income - EBITDA	**886**	**875**
Depreciation, amortization, provisions and write-downs	**434**	**331**
Net operating income - EBIT	**452**	**544**
Result from non-recurring transactions	**-**	**6**
Financial balance		
Financial income	8	13
Financial expenses	101	99
Affiliates	4	4
Result from disposal of other shareholdings (AFS)	-	-
Total financial balance	**(89)**	**(82)**
Result before taxes	**363**	**468**
Income taxes	**118**	**146**
Result after taxes from operating activities	**245**	**322**
Net result from discontinued operations	1	20
Net result	**246**	**342**
Minorities	**4**	**(7)**
Group result of the period	**250**	**335**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (millions of euro)	09.30.2019	09.30.2018
Net result of the period (A)	**246**	**342**
Actuarial gains/(losses) on Employee's Benefits booked in the Net equity	(9)	3
Tax effect of other actuarial gains/(losses)	4	(1)
Total actuarial gains/(losses) net of the tax effect (B)	**(5)**	**2**
Effective part of gains/(losses) on cash flow hedge	(14)	34
Tax effect of other gains/(losses)	4	(10)
Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)	**(10)**	**24**
Other gains/(losses) of companies valued at equity net of the tax effect (D)	-	-
Total comprehensive result (A)+(B)+(C)+(D)	**231**	**368**
Total comprehensive result attributable to:		
Shareholders of the parent company	**235**	**361**
Minority interests	**4**	**(7)**

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)		**09.30.2019**		**12.31.2018**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR		**624**		**691**
Contribution of first consolidation of acquisitions of 2019/2018		**2**		**26**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR		**626**		**717**
Operating activities				
Net Result (**)		**246**		**348**
Tangible assets depreciation		280		372
Intangible assets amortization		90		91
Fixed assets write-downs/disposals		47		167
Result from affiliates		(4)		(4)
Net financial interests		93		116
Net financial interests paid		(56)		(114)
Net taxes paid (a)	(124)		*(102)*	
Gross change in assets and liabilities (b)	*131*		*149*	
Total change of assets and liabilities (a+b) (*)		7		47
Cash flow from operating activities		**703**		**1,023**
Investment activities				
Investments in tangible assets		(236)		(305)
Investments in intangible assets and goodwill		(158)		(195)
Investments in shareholdings and securities (*)		(14)		(25)
Disposal of fixed assets and shareholdings		-		13
Dividends received		-		2
Cash flow from investment activities		**(408)**		**(510)**
FREE CASH FLOW		**295**		**513**
Financing activities				
Changes in financial assets				
Monetary changes:				
Issuance of loans	*-*		*-*	
Proceeds from loans	*7*		*5*	
Other monetary changes	*-*		*11*	
Total monetary changes	***7***		***16***	
Non-monetary changes:				
Other non-monetary changes	*1*		*79*	
Total non-monetary changes	***1***		***79***	
TOTAL CHANGES IN FINANCIAL ASSETS (*)		**8**		**95**
Changes in financial liabilities				
Monetary changes:				
Borrowings/bonds issued	*464*		*68*	
Repayment of borrowings/bond	*(108)*		*(521)*	
Lease payments	*(1)*		*(2)*	
Dividends paid by the parent company	*(218)*		*(180)*	
Dividends paid by the subsidiaries	*(14)*		*(5)*	
Other monetary changes	*4*		*(2)*	
Total monetary changes	***127***		***(642)***	
Non-monetary changes:				
Amortized cost valuations	*(4)*		*4*	
Other non-monetary changes	*(37)*		*(63)*	
Total non-monetary changes	***(41)***		***(59)***	
TOTAL CHANGES IN FINANCIAL LIABILITIES (*)		**86**		**(701)**
Cash flow from financing activities		**94**		**(606)**
CHANGE IN CASH AND CASH EQUIVALENTS		**389**		**(93)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR		**1,015**		**624**

(*) 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, 2017	**1,629**	**(54)**	**(20)**	**1,030**	**293**	**2,878**	**135**	**3,013**
IFRS 9 - FTA				**(4)**		**(4)**		**(4)**
Net equity at January 1, 2018	**1,629**	**(54)**	**(20)**	**1,026**	**293**	**2,874**	**135**	**3,009**
Changes in the first nine months of 2018								
2017 result allocation				293	(293)			
Distribution of dividends				(180)		(180)	(5)	(185)
IAS 19 reserves (*)				2		2		2
Cash flow hedge reserves (*)			24			24		24
Other changes				16		16	205	221
Group and minorities result of the period					335	335	7	342
Net equity at September 30, 2018	**1,629**	**(54)**	**4**	**1,157**	**335**	**3,071**	**342**	**3,413**
Changes in the fourth quarter of 2018								
Distribution of dividends								
IAS 19 reserves (*)				(1)		(1)		(1)
Cash flow hedge reserves (*)			(11)			(11)		(11)
Other changes				67		67	43	110
Group and minorities result of the period					9	9	3	12
Net equity at December 31, 2018	**1,629**	**(54)**	**(7)**	**1,223**	**344**	**3,135**	**388**	**3,523**
Changes in the first nine months of 2019								
2018 result allocation				344	(344)			
Distribution of dividends				(218)		(218)	(14)	(232)
IAS 19 reserves (*)				(5)		(5)		(5)
Cash flow hedge reserves (*)			(10)			(10)		(10)
Other changes							(12)	(12)
Group and minorities result of the period					250	250	(4)	246
Net equity at September 30, 2019	**1,629**	**(54)**	**(17)**	**1,344**	**250**	**3,152**	**358**	**3,510**

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