2020

FINANCIAL REPORT

REPORT ON OPERATIONS
VOLUME 1

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2020 FINANCIAL REPORT

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This document has been translated into English for the convenience of readers outside Italy. The original Italian document should be considered the authoritative version.

GROUP PROFILE

We are the oldest energy company in Europe, among the sector leaders in Italy. We are on the front line in the challenge of energy transition, inspired by sustainability targets in the field of renewable energy, energy efficiency, digitalisation and the end market.

We sell electric power, natural gas and energy and environmental services to 1.6 million end customers. We are an integrated operator along the electricity value chain: from production to distribution and sale of the energy component. We have highly flexible and efficient electric power generation facilities consisting of combined-cycle thermoelectric plants powered by gas turbines, hydroelectric, wind power and solar power plants.

We are a key operator on the energy and environmental services market and the ideal partner for industries, SMEs, hospitals and Public Administration. We operate at national and international level, leveraging our valuable experience and know-how to support customers and, together with them, to identify the best tailored solutions.

In the gas sector, we are committed to the diversification of supply sources and routes in for the transition and security of the national energy system. We are studying the construction of new infrastructures for importing gas and we manage storage activities. We are also committed to the development of the first small-scale liquefied natural gas (LNG) integrated logistics chain to support sustainable heavy and maritime transport. We are among the key players in Italy’s energy transition, generating value for the Country with the construction of key infrastructures for its decarbonisation, in line with the National Integrated Energy and Climate Plan (PNIEC) and with the objectives of the European Green Deal.

A Letter to Shareholders

Dear Shareholders,

In this difficult year 2020 that has just come to an end, Edison has distinguished itself on two essential fronts: social responsibility to support the country and the acceleration of its strategic development with a view to the energy transition, in full harmony with the National Integrated Energy and Climate Plan (PNIEC).

As concerns the first aspect, during the health emergency we guaranteed continuous, safe energy production to the country by keeping our power plants, energy services and energy supplies at customer sites fully operative. Thanks to the hard work of its people on the front line, Edison ensured that 67 hospitals and 462 healthcare facilities across the country could remain fully operative, while also supporting them in the construction of new treatment areas, such as emergency care units.

Through the "Edison for Italy" programme, the company supported its most vulnerable customers by postponing bill payments. Expanding our view to the general public as a whole, we donated nearly 2.5 million euros to aid healthcare facilities and several third sector operators making tremendous efforts to respond to the emergency. All of this was possible thanks to the extensive participation of Edison's men and women, whose contributions were doubled by the company.

While initiatives were deployed in favour of communities and the country, Edison continued on its path towards becoming a responsible operator and a leader in the energy transition. While 2019 was the year for redefining its strategic orientation, with the announced sale of hydrocarbon exploration and production (E&P) activities, 2020 was the year in which these objectives were realised. In mid-December, the sale of the Italian, Egyptian, Greek, UK and Croatian E&P activities to Energean was completed, while in late December a contract was concluded for the sale of the Norwegian E&P business to Sval Energi, which should be completed in the initial months of 2021.

With these transactions, we enacted our strategy of exiting the hydrocarbon exploration and production sector. Only the Algerian activities remain in the portfolio, the divestment of which is planned at a later date. This is a fundamental step that frees up resources to support the company's strategic development in other sectors, such as the generation of energy from renewable sources and latest generation gas, customer services, energy efficiency and sustainable mobility, within a process in which Edison affirms its growing role in Italy's energy transition.

In the photovoltaics sector, Edison has filed authorisation requests for roughly 200 MW and also started construction of the Aidone plant (44 MW) and is completing construction of the Agira plant (4.5 MW), both in Sicily.

In the wind sector, precisely with the objective of reinforcing its market position and exploiting industrial synergies with the rest of the renewable portfolio, in mid-February, Edison completed the closing with F2i for the purchase of 70% of E2i Energie Speciali. With 1 GW of installed capacity, Edison is now the second operator in the country. In the course of 2020, the complete reconstructions carried out by E2i in Abruzzo for a total of 43 MW were nearly finished. Furthermore, the Mazara del Vallo 2 (28.8 MW) greenfield project was authorised, for which opening of the site is imminent.

In the gas generation sector, work continued in 2020 for the construction of the Marghera Levante power plant, and the Presenzano site was opened. In December, the GT36 high-efficiency gas turbine, "Monte Bianco", an example of Italian excellence and the best performing created in Europe, with an energy yield of 63%, arrived in Marghera; the Marghera Levante power plant will provide a reduction in specific CO_2 emissions of 40% with respect to the average of national thermoelectric plants and more than 70% lower NOx emissions.

From the same perspective of sustainability, the company is making a growing commitment to green uses of gas, by developing small scale LNG infrastructure and producing biomethane to promote end-use decarbonisation (industry and transport). In the year that just closed, construction began of a small LNG vessel dedicated to Small Scale LNG activities and the Ravenna coastal depot, which will begin operating in 2021, in line with the pre-COVID-19 era timetable. This is the first step in the creation of an integrated small-scale liquefied natural gas logistics chain being developed by Edison to support decarbonisation in the transport sector.

Also with a view to sustainability and on the innovation front, in January of this year Edison committed with Tenaris and Snam to launch the first industrial-scale application of green hydrogen in Italy, a significant contribution towards steel sector decarbonisation.

Proximity to the end market is another distinctive feature of our strategy, along with the offer of high value-added services. The network of points of contact throughout the country has been expanded and, where physical vicinity was not possible, like during the lockdown or for customers used to another type of proximity, Edison also grew in the digital channel.
For the residential market, Edison strengthened its offering platform which, along with the sale of energy, today offers insurance, home assistance and energy efficiency services, photovoltaic production and services for electric mobility. In 2020, the Toyota Group entered into a partnership with Edison, which will install and operate over 300 public-access charging stations powered by renewable energy, at all Toyota and Lexus Dealers and Service Centres. In this manner, Edison further reinforced its presence in the market, helping make its offer more distinctive for customers.

As regards industrial customers, another pillar of downstream growth, I will mention only the agreement entered into with Cogne Acciai Speciali: emblematic because it is a long-term agreement for the supply of electricity from renewable sources, in the form of a Power Purchase Agreement (PPA), an instrument that is not yet very widespread in Italy.

Finally, last year required a renewed effort in working alongside industrial and public customers in plant energy efficiency processes. It became fully clear how much the public sector, hospitals and schools especially, need extensive work in the area of energy and environmental services, and how absolutely necessary it is to concentrate a significant portion of the economic resources that will be allocated for the recovery of the country on these sustainable modernisation initiatives.

All of this is taking place within a context of lower electricity (-5.3%) and gas (-4.1%) demand and with drastically lower prices (single national price: -25.6%, VTP: -35.5%), although they have partially recovered after the collapse seen in the first 5-6 months of the year. The following pages provide an account of Edison's economic and financial results during the period, two of which I believe it is important to bring to your attention. The first is the significant operational growth, driven by the renewables and gas sectors, demonstrated by an EBITDA of 684 million euros, well above that recorded in the previous year. The second is the return to operating profit at consolidated level, although a loss is still reported in the Parent Company's income statement due primarily to the write-downs recognised on the scope of the transferred E&P activities.

These accomplishments should be seen in light of our redefined strategic orientation, which translates into a lower industrial risk profile, greater revenue stability and reduced country risk exposure.

Two external recognitions have confirmed this virtuous trajectory. The first in chronological order was two loans granted to Edison last June by the European Investment Bank (EIB): the first, for 150 million euros, was for the reconstruction of the Marghera Levante power plant, and the second, for 300 million euros, is the first "Green Framework Loan" granted by the EIB in Italy, and will be used to finance initiatives in the field of renewables and energy efficiency. Aside from the benefits of stable long-term funding at extremely competitive costs, Edison obtained confirmation from the EU bank of the validity of its industrial projects and their consistency with sustainable development as part of the energy transition.

The second recognition was the decision made by S&P on January 22, 2020 to raise Edison's outlook from stable to positive (confirming the BBB- rating), precisely due to its lower industrial risk following the sale of E&P activities and its strategic repositioning. S&P has now joined Moody's, which assigned a positive outlook to Edison in September 2019. Edison's strategy has therefore been understood and appreciated by both rating agencies.

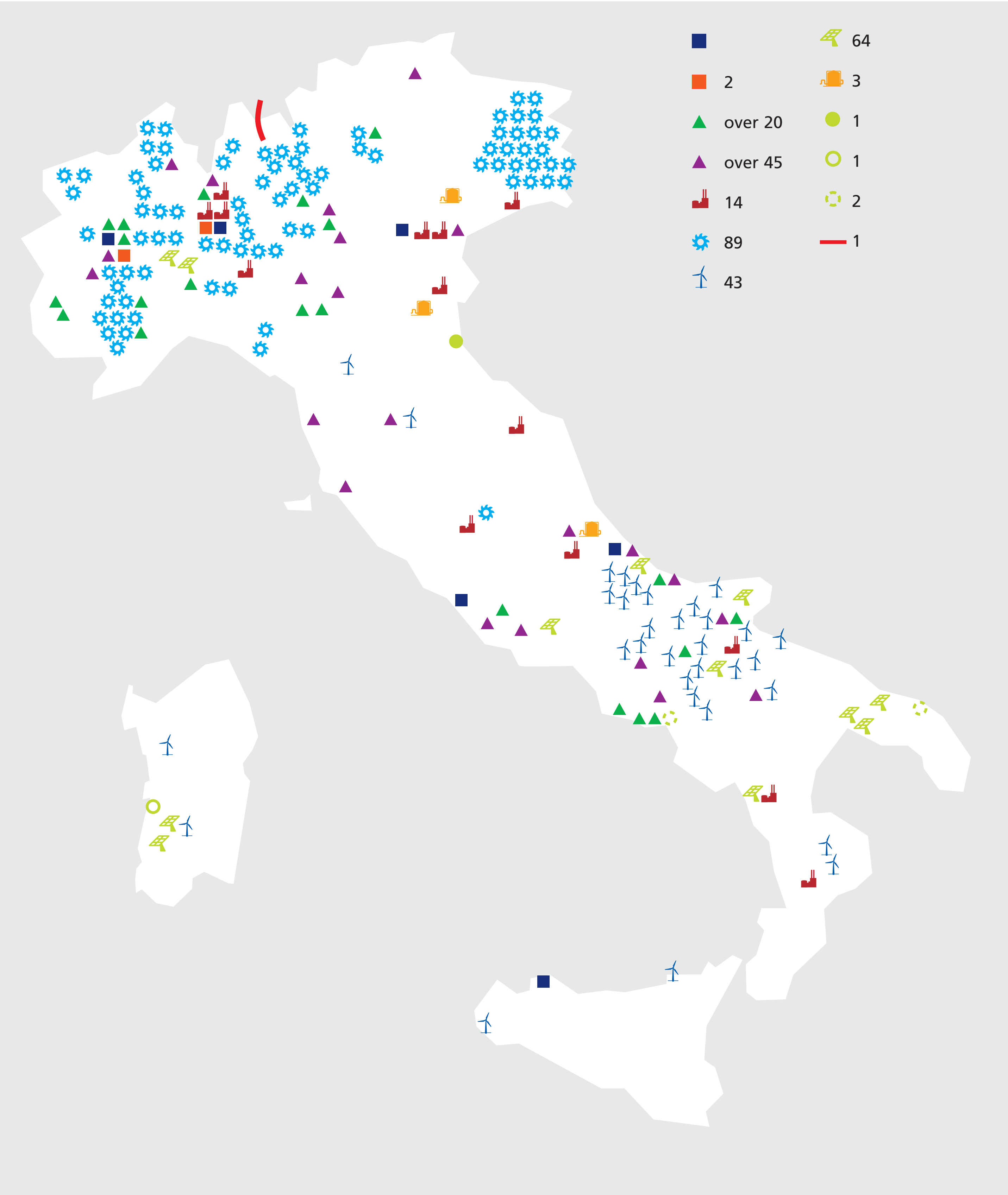
In this light, we have decided to submit to you, our Shareholders, a proposal for a share capital reduction, which by downsizing own funds to bring them more into line with the structure of this new Edison, will restore the necessary conditions to ensure a return on invested capital in the near future while moving along a path of financially solid growth.

It is with a great sense of responsibility and pride that I am guiding Edison in this phase of its development, in which attention for people, both outside and inside our company, is closely linked to protection for the environment, our country's recovery, support for local areas and communities and the creation of value and well-being through our projects, in line with the Ten Principles of the United Nations Global Compact which we have joined, and we undertake to integrate within our strategy, culture and everyday operations.

Nicola Monti
Chief Executive Officer

Operational Presence

- Edison locations and offices
- Hydrocarbon branches and offices
- Officine Edison
- Operating sites for environmental services
- Managed production sites (Fenice and Edison Energy Solutions)
- Hydrocarbon exploration licenses (of which as operator)
- Hydrocarbon production concessions (of which as operator)
- Thermoelectric power plants
- Hydroelectric power plants
- Wind farms (through E2i)
- Photovoltaic plants
- Gas storage centers
- LNG storage under construction
- Authorized LNG storage
- LNG storage under development
- Merchant line
- Gas pipeline under construction
- Gas pipelines under development
- 30,000 mc - 1 under construction
- 174,000 mc - 1 under construction



2
over 20
over 45
14
89
43
64
3
1
1
2
1

Value Chain

ACTIVITY

Upstream

Midstream

Power assets & Engineering

ELECTRIC POWER

Management and development of generating electric facilities in Italy and abroad

6.3 GW (1)
Net installed capacity in Italy

1 HV
merchant power line (150 MW)

18.1 TWh (1)
net production

89 hydroelectric power plants (of which 55 mini hydro)
14 thermoelectric power plants
43 wind farms
64 photovoltaic systems

HYDROCARBONS

2 gas pipeline projects and
1 under construction

Development of gas transmission infrastructures abroad

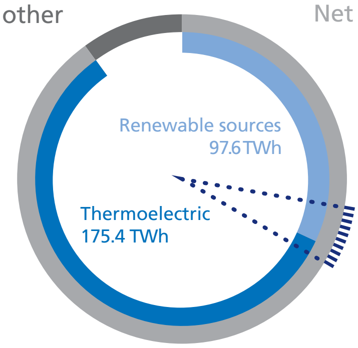
11.4 bn m^3/y*
(of which 6.4 bn from terminal) long term gas supply contracts

Gas supply contracts
(*Annual Contracted Quantities)

ITALIAN MARKET

Electric power

2020 - Total gross Italian demand 302.8 TWh



6.6%
Edison's share of total Italian production

(1) Does not include the Energy & Environmental Services Market Division.
(2) Includes the Energy & Environmental Services Market Division.

Downstream

Gas & Power Market

15.5 TWh
electric power sold to end customers

7.3 bn m^3
gas sold for residential and industrial uses

1.6 million
of electricity, gas and energy services contracts

Energy Management

Dispatching portfolio and energy optimization

38.3 TWh
volumes handled

16.6 bn m^3

3 storage centers

3,650 km
of high, medium and low pressure gas pipelines

Storage management and gas distribution in Italy

Management of long-term procurement contracts, logistics, supply of gas to the thermoelectric and wholesale markets

Gas Midstream, energy management & optimization

Over **45** industrial sites
electric (among which renewable) and thermal generation plants

20 million m^2
of managed area

Over **80**
district heating systems and networks

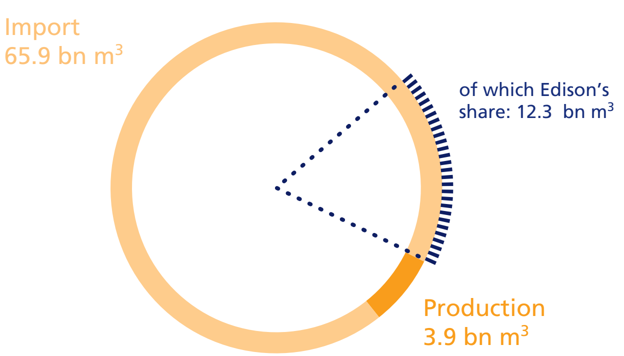
Over **20** operating sites
for environmental services

About **2,000**
public and private facilities managed

Energy & Environmental Services Market

Gas

2020 - Total Italian demand 70.7 bn m^3 (3)



19%
Edison's share of total Italian imports

(3) Includes injections to/with drawals from storage.

HIGHLIGHTS OF THE GROUP

In order to help the reader obtain a better understanding of the Group's operating and financial performance, the tables below contain "alternative performance indicators". The methods used to compute these indicators, consistent with the guidelines of the European Securities and Markets Authority (ESMA), are described in the footnotes to the tables.

Income statement data (*) (in millions of euros)	**Chapter (**)**	**2020 financial year**	2019 financial year	% change
Sales revenues	2	6,390	8,198	*(22.1%)*
EBITDA	2	684	602	*13.6%*
as a % of sales revenues		*10.7%*	*7.3%*	-
EBIT		239	174	*37.4%*
as a % of sales revenues		*3.7%*	*2.1%*	-
Net profit from Continuing Operations		191	141	*35.5%*
Net profit from Discontinued Operations	2; 9	(158)	(562)	*71.9%*
Profit (Loss) for the year attributable to the owners of the parent		19	(436)	*n.m.*

Financial data (in millions of euros)	**Chapter (**)**	**12/31/2020**	12/31/2019	% change
Net invested capital (A + B) (1)		5,993	6,029	*(0.6%)*
Net financial debt (A) (1)(2)	6	513	516	*(0.6%)*
Total shareholders' equity (B)(1)	6	5,480	5,513	*(0.6%)*
Shareholders' equity attributable to the shareholders of the controlling company (1)	6	5,349	5,327	*0.4%*

Rating	**12/31/2020**	12/31/2019
Standard & Poor's		
-Medium/Long-term rating	BBB-	BBB-
-Medium/Long-term outlook	Stable (***)	Stable
-Short-term rating	A-3	A-3
Moody's		
-Rating	Baa3	Baa3
-Medium/Long-term outlook	Positive	Positive

Key Indicators	**12/31/2020**	12/31/2019	% change
Debt / Equity(A/B)	0.09	0.09	-
Gearing (A/A+B)	8.6%	8.6%	-
Number of employees (1)(3)	4,786	5,631	*(15.0%)*

(1) Period-end data. The changes in these values were calculated compared to December 31, 2019.
(2) A breakdown of this item is provided in section 6.3 "Net financial debt and cost of debt" of the Notes to the consolidated financial statements.
(3) The year 2019 includes employees of the Exploration & Production business, equal to 949 resources; the year 2020 includes employees of the Norge and Infrastrutture Distribuzione Gas disposal businesses, equal to 100 resources.
(*) The 2019 figures have been restated in accordance with IFRS 5.
(**) See the Notes to the consolidated financial statements.
(***) Updated to "positive" on January 22, 2021.

Operating data	**2020 financial year**	2019 financial year	% change
Net production of electric power (TWh)	18.1	20.6	*(12.4%)*
Sales of electric power to end users (TWh)	15.5	14.9	*4.3%*
Gas imports (billions of cubic metres)	12.3	14.7	*(16.4%)*
Total net gas sales in Italy (billions of cubic metres)	16.6	20.0	*(17.0%)*
Locations served power and gas (in thousands)	1,527	1,516	*0.7%*

INFORMATION ABOUT THE EDISON SHARES

Shares as at December 31, 2020

	number	price
Common shares	5,267,390,650	(*)
Savings shares	109,610,021	0.9986

Shareholders with significant holdings as at December 31, 2020

	% of voting rights	% interest held
Transalpina di Energia Spa (1)	99.474%	97.446%

(*) Delisted as of September 10, 2012.
(1) 100% indirectly controlled by EDF Eléctricité de France Sa.

CORPORATE GOVERNANCE BODIES

Board of Directors (*) (1)

Chairman		Marc Benayoun (2)
Chief Executive Officer		Nicola Monti (3)
Directors		Béatrice Bigois (4)
	Independent Director	Paolo Di Benedetto (5)
	Independent Director	Fabio Gallia (6)
	Independent Director	Angela Gamba (7)
		Xavier Girre (8)
		Jean-Bernard Lévy (9)
		Florence Schreiber (10)
Secretary to the Board of Directors		Lucrezia Geraci

Board of Statutory Auditors (11)

Chairwoman	Serenella Rossi
Statutory Auditors	Lorenzo Pozza Gabriele Villa
Independent auditors (12)	KPMG Spa

(*) At the document publication date.
(1) In office until the Shareholders' Meeting convened to approve the 2021 financial statements.
(2) Confirmed as Director by the Shareholders' Meeting on April 2, 2019. Elected by the Board of Director Chief Executive Officer until June30, 2019 and from July,1 2019 Chairperson by the Board of Directors after Jean-Bernard Lévy renounced the position. (see notes 3) and 9)).
(3) Confirmed as Director by the Shareholders' Meeting on April 28, 2020. Elected by the Board of Director Chief Executive, effective from July 1, 2019 after Marc Benayoun renounced the position. (see note 2).
(4) Confirmed as Director by the Shareholders' Meeting on April 2, 2019.
(5) Confirmed as Director by the Shareholders' Meeting on April 2, 2019. Chairperson of the Compensation Committee and the Related Party Transactions Committee. Lead Independent Director and member of the Control and Risk Committee and the Oversight Board.
(6) Elected as Director by the Shareholders' Meeting on April 2, 2019. Chairperson of the Control and Risk Committee and member of the Related Party Transactions Committee.
(7) Elected as Director by the Shareholders' Meeting on April 28, 2020. Member of the Compensation Committee, the Related Party Transactions Committee and the Oversight Board.
(8) Elected as Director by the Shareholders' Meeting on April 2, 2019. Member of the Control and Risk Committee.
(9) Confirmed as Director and Chairperson by the Shareholders' Meeting on April 2, 2019; this latter position was renounced from July 1, 2019 (see note 2).
(10) Elected as Director by the Shareholders' Meeting on April 28, 2020. Member of the Compensation Committee.
(11) Elected by the Shareholders' Meeting on April 28, 2020 for a three-year period ending with the Shareholders' Meeting convened to approve the 2022 financial statements.
(12) Audit engagement awarded by the Shareholders' Meeting on April 28, 2020 for the nine-year period from 2020 to 2028.

Report on Operations

KEY EVENTS

Edison: guarantees around the continuity of essential services, solidarity with the country and 'Edison for Italy' initiatives in aid of Edison Energia clients

April 2, 2020 – During the COVID-19 emergency, Edison contributed to supporting the country by guaranteeing an essential and necessary service by ensuring the full operations of its 200 electric power plants and energy service and energy supply activities at its customers' sites. In this unique circumstance, Edison concretely continued its commitment to working closely with and supporting the communities and areas in which it operates by donating roughly 2 million euros to support the construction of the Fiera Milano hospital and help the healthcare facilities of the regions most impacted, aside from providing aid to research at Milan's Sacco Hospital intended to identify the most effective diagnostic strategies and treatments against the pandemic. In the same month, Edison also launched a crowdfunding campaign amongst its employees. In two weeks, it raised 200 thousand euros, which the Company doubled, bringing the final amount to 400 thousand euros to be allocated to projects for immediately aiding households and communities, such as mutual aid for the most vulnerable segments of the population and home delivery of consumer staples. In addition, with Edison per l'Italia, Edison Energia was the first operator at national level to launch a plan to meet the needs of its customers most impacted by the blocking of production activities, such as workers receiving unemployment benefits and independent contractors, making it possible to postpone the payment of power and gas bills to June, pending the progressive restoration of production activities.

Strategic partnership between Edison group and Renergetica for the construction of photovoltaic plants

April 6, 2020 – Edison group and Renergetica tightened their strategic partnership for the development of projects for the construction of photovoltaic plants in Italy. The agreement signed, whose duration is 3 years, will see Renergetica, a company listed on the AIM Italia market, identify projects that, if approved by Edison group, will be developed by Renergetica, until obtainment of the authorisation provision. The authorised projects will subsequently be transferred to Edison group. Renergetica undertakes to develop new solar plants with a total capacity of at least 50 MWp for each year, therefore for a total of at least 150 MWp. The agreement also makes provision for the possibility of an automatic renewal for an additional two years, under the same conditions, for the development of projects for at least an additional 100 MWp.

Edison: signing of the review of Edison Exploration & Production Spa sales agreement to Energean

June 28, 2020 – In relation to the agreement for the sale of Edison Exploration & Production Spa (E&P) and its investments in the hydrocarbons (oil and natural gas) exploration and production sector to Energean Plc, a revision of the terms of the agreement (SPA - Sale and Purchase Agreement) signed on July 4, 2019 and subsequently amended on April 2, 2020 was signed. This review concerns, among other things, the economic terms of the transaction and, in particular, the exclusion from the scope of the transaction of Edison Norge AS, which holds the Edison Group E&P assets located in Norway. Following the two 2020 revisions Edison retains ownership of the E&P assets in Norway and Algeria.

The EIB alongside Edison for investments in sustainability

July 2, 2020 – The European Investment Bank (EIB) supports Edison's green investment plan with 450 million euros in the form of two credit lines entered into in June: a Green Framework Loan of 300 million euros for the development of a portfolio of projects in energy efficiency and in the renewables sector in the country and a loan of 150 million euros for the refurbishment of the gas plant in Marghera (Venice). Both loans have a duration of 15 years and are at extremely competitive conditions. For Edison, the investments supported by the EIB are part of the strategy for the Company's consolidation as a responsible operator with a sustainable business model, aligned with the objectives laid out in the National Energy and Climate Plan.

Edison: outcome of the voluntary conversion of savings shares into common shares. Change in the breakdown of share capital

August 5, 2020 – Edison announced that during the period of voluntary conversion of the Edison Spa savings shares (listed on the MTA (Mercato Telematico Azionario) of the Italian Stock Exchange) into Edison Spa common shares (not listed on the MTA), a period extended to ensure the effective exercise in consideration of the COVID-19 epidemiological emergency and the associated consequent regulatory provisions, from April 14, 2020 to July 31, 2020, requests for conversion were submitted for a total of 165,932 savings shares, equal to 0.151% of the share capital represented in the same category. As a result of the conversion, Edison’s share capital is unchanged in the amount of 5,377,000,671 euros, divided into 5,267,390,650 common shares and 109,610,021 savings shares, with a par value of 1.00 euro each.

Edison and Cogne Acciai Speciali: long-term agreement for the supply of renewable energy

August 6, 2020 – Edison Energia and Cogne Acciai Speciali have entered into a 5-year renewable energy Power Purchase Agreement (PPA). On the basis of the agreement, Edison will make available part of the electricity generated in its renewable fields, which boast of a capacity from green sources in excess of 2,000 MW, and Edison Energia will handle the energy supply and the performance of all activities connected to the renewable procurement of the Cogne Acciai Speciali plant.

Edison and Q8 together for a Small Scale coastal LNG depot at the port of Naples

October 1, 2020 – At Naples Shipping Week, Edison presented its project with Kuwait Petroleum Italia (Q8) relating to a Small Scale coastal Liquefied Natural Gas (LNG) depot at Darsena Petroli in the Port of Naples. The strategic nature of this investment was recently confirmed by the recognition of a European loan for its design, thanks to CEF funds for the authorisation engineering. The location of a coastal depot at Darsena Petroli in the Port of Naples will make liquid natural gas easily available as fuel, for both road and sea transport, throughout the Central-Southern Tyrrhenian area and will enable the Port of Naples to build a hub especially attractive to lower environmental impact ship traffic, stimulating the area’s tourism and commercial sectors.

Edison and the Enagás group join forces for Small Scale in the Mediterranean

October 23, 2020 – Edison and Scale Gas Solutions, Enagas’ subsidiary specialised in small scale LNG, have finalised the Spanish company’s acquisition of a 19% interest in Depositi Italiani GNL. Following the transaction, the shareholding structure of Depositi Italiani GNL is: 51% Petrolifera Italo Rumena (PIR), 30% Edison and 19% Scale Gas Solutions. The two companies have agreed to work together to develop Small Scale LNG in the Mediterranean, promoting the creation of a solid LNG supply chain from the Enagás LNG terminals in the Mediterranean, led by the Barcelona terminal, to Edison customers, and favouring sustainability by introducing LNG as an alternative fuel.

Edison and the technology of Ansaldo Energia together for the energy transition

November 17, 2020 – Edison announced that the “class H” GT36 high-efficiency gas turbine, called “Monte Bianco”, has been completed. The new turbine will supply the new Marghera Levante combined cycle gas plant, which will be the most efficient thermoelectric plant in Europe and will have total electricity generation capacity of 780 MW and an energy output of 63%, the highest output currently available from these technologies. This will translate into a 40% reduction in specific carbon emissions compared to the average of the current Italian thermoelectric fleet and an over 70% reduction in nitrogen oxide (NOx) emissions. The total investment for the construction of the new thermoelectric power plant is over 300 million euros. The plant will begin operating in 2022.

Edison: close on the sale of Edison Exploration & Production Spa to Energean

December 17, 2020 – Edison and Energean executed the agreement signed on July 4, 2019 and subsequently amended in June 2020 due to the economic impacts of the pandemic crisis and the change in the scope of the transaction, for the sale of Edison Exploration & Production Spa (E&P) and its equity investments in the hydrocarbon exploration and production sector (oil and natural gas). This transaction is part of Edison's plan to divest of its hydrocarbon exploration and production assets in order to focus on sustainable development, in line with the energy transition and national decarbonisation targets. In the short term, Edison will invest the resources made available by the sale of these assets in Italy, reinforcing the growth plan for its strategic areas: the generation of energy from renewable sources and last-generation gas, services to customers, energy efficiency and sustainable mobility. The enterprise value of the transferred assets is 284 million dollars (at the reference date of the transaction - locked box-date - of January 1, 2019), with a positive impact of roughly 230 million dollars on Edison's net financial position, in addition to the net cash generated by the transferred assets between January 1, 2019 and the closing. The agreement provides for an additional consideration of up to 100 million dollars subject to the roll-out of Cassiopea gas field in Italy; this consideration will be calculated on the basis of gas prices (VEF) recorded when the field begins production, expected in the first quarter of 2024.

Edison: signed the agreement for the sale of Edison Norge to Sval Energi

December 30, 2020 – Edison signed the agreement with Sval Energi for the sale of 100% of Edison Norge AS, which controls the group's hydrocarbon exploration and production activities located in Norway, which were excluded from the scope of the sale of Edison E&P to Energean. The agreement is determined on the basis of an enterprise value of 300 million dollars at January 1, 2020, and the estimated impact on Edison's net financial position to date is significantly higher than that amount. The closing of the transaction is expected within the first half of 2021 and is subject to the necessary approvals for this type of transactions by the Norwegian authorities.

Edison: agreements signed with F2i for the purchase of 70% of E2i Energie Speciali and with 2i Rete Gas for the sale of Infrastrutture Distribuzione Gas

January 14, 2021 – Edison announced the signing of an agreement with F2i Fondi Italiani per le Infrastrutture for the acquisition of 70% of E2i Energie Speciali, a company already 30% owned by Edison and consolidated on a line-by-line basis. The operation is part of Edison's strategy of developing highly sustainable energy. The closing took place on February 16, 2021. Edison also signed a contract with 2i Rete Gas, an investee of investment funds managed by F2i, Ardian and APG, for the sale of 100% of Infrastrutture Distribuzione Gas (IDG), a company whollyowned by Edison that manages gas distribution networks and systems in fiftyeight municipalities in the regions of Abruzzo, Emilia-Romagna, Lazio, Lombardy and Veneto. This last deal is slated to close within the first four months of 2021, subject to approval by the Antitrust Authority. The agreement is part of Edison's strategy of disposing of non-core operations.

Standard&Poor's raises Edison's outlook to positive from stable and affirms long-term rating BBB-

January 22, 2021 – Edison announced that the Standard & Poor's rating agency has raised the Company's outlook to positive from stable and confirmed the long-term rating BBB- in light of the significant progress made in derisking its business mix. Standard & Poor's consider the disposals of the hydrocarbon exploration and production activity, achieved through the agreement for the sale of the Norwegian activities - with Sval Energi and the sale to Energean -, resulted in a reduction in the industrial risk profile for Edison.

Completed the closing with F2i for the purchase of 70% of E2i Energie Speciali.

February 16, 2021 – Edison acquired 70% of E2i Energie Speciali following the agreement with F2i Fondi Italiani for Infrastructures signed on January 13th, thus resolving the partnership started in 2014. With this transaction, Edison confirms its position as the second largest wind operator in Italy with a renewable installed capacity of 1 GW (Hydroelectric activities excluded).

EXTERNAL CONTEXT

Economic Framework

2020 was the year of COVID-19, which exploded in China early in the year and quickly arrived in Europe, reaching the United States and South America soon after. In just a few months' time, it had become a veritable pandemic, plunging the whole world into an unprecedented health emergency and the worst economic crisis since the "Great Depression".

The collapse in global economic activity recorded in the first part of the year, in the wake of the severe measures adopted by the governments of the countries most impacted to contain the virus, which led to the complete closure of production activities in many sectors, was historical in extent; not even the financial crisis that erupted in 2008 had such devastating effects. In the third quarter of the year, thanks to the easing of restrictive measures and the announcement of the impending availability of a vaccine, there was an initial recovery in the global economic cycle, also supported by China's rapid recovery, taking place about one quarter earlier than the rest of the world.

At the end of 2020, the health and economic situation appears to be quite uneven across Asia, Europe and the United States. In the fourth quarter, China indeed appears to have nearly returned to normal, with new infections practically eliminated and a full resumption of economic activity; a similar situation has been confirmed in India and Japan. On the other hand, the United States and Europe are in the midst of a second wave of the virus, which started in the final months of the year with new outbreak that was in part unexpected. A progressive attenuation in new infections is expected in the spring thanks to the spread of the initial vaccines, which started to be administered in the final days of December and will be provided on a larger scale starting in early 2021.

In this context, Prometeia forecasts that 2020 will close with global GDP down 4.5%, substantially in line with the Organization for Economic Co-operation and Development (OECD's) estimate of a 4.2% downturn. Amongst the largest economies, only China will avoid a decline in GDP in 2020, making a positive contribution to global GDP. The recovery in the United States and the Eurozone will be less rapid and intense than in China: although GDP in both the US and the Eurozone also recorded an acceleration in the third quarter of the year, even higher than expected, it in any event did not match that seen in China and, especially, those countries saw a new slowdown in the final quarter of the year, more accentuated in the Eurozone, due to the second wave of the virus.

Global trade, which accelerated in the summer months thanks to the greater absorption of foreign products by China, suffered from a quite significant drop, estimated at 9% by Prometeia and 10.3% by the OECD.

Looking more closely at the planet's main economic areas, in the United States, after a rally in the third quarter of the year, GDP still remains lower than at the end of 2019; consumption of durable goods and residential investments are the exception. The job market remains weak, and household confidence has deteriorated, also due to the increase in new infections. Unknowns as to the economy's future are however linked not only to the evolution of the pandemic, but also the transfer of power from the Trump administration to the Biden administration, which has been anything but uncomplicated, as dramatically seen by the invasion of the Capitol Building by Trump supporters when Joe Biden's election as President of the United States was being certified. However, on a more positive note, members of both parties, the Democrats and the Republicans, have reached an agreement to present a proposed 908 billion dollars package to Congress to support the economy, distributed over 10 years, essentially intended to shore up the economy in this phase still characterised by weak economic activity due to COVID-19.

In Europe, the recovery during the summer months was not only quite vigorous, but also better than expected: the strong expansion in GDP recorded in many EU countries in the third quarter of the year, due to the relaxation of restrictions put into place due to the pandemic, made it possible to recover the losses recorded in the second quarter; one of these countries was Italy, which also saw a reduction in its growth spread with respect to the average of Eurozone economies. In general, the main driver of growth in the third quarter was the strong recovery in domestic demand, particularly significant for France, Spain and Italy, and much more limited for Germany. Amongst the main European countries, Germany in particular is that which recorded the least significant quarterly increase in GDP in the third quarter (+8.5%), but it is also the country which suffered the lowest economic consequences of the health crisis in the first half of the year.

German growth was especially driven by household consumption; the contribution of investments was less incisive; as regards public expenditure, it remained basically unchanged throughout 2020. The manufacturing sector recovered partly, as did the private services sector. For 2020, Prometeia estimates a downturn of 5.5% for the German economy. In France, third quarter GDP rose by 18.7% compared to the second quarter of the year; the contribution of domestic demand was very positive, with reference to all of its constituent items: household consumption, public expenditure, business investments; the contribution of foreign demand was only slightly positive. With respect to the various sectors, the recovery was very strong for the manufacturing industry (+24%), the construction sector (+38%) and private services (+16.5%). Prometeia estimates that French GDP will decline by 9.2%. In Spain, GDP rebounded in the third quarter of 2020 by +16.7% compared to the second quarter of the year, especially due to growth in household consumption and investments. The foreign component was also positive. The best performing sector was manufacturing, while the services sector recovered only partially, with the segments most struck by the crisis (commerce, artistic, entertainment and recreation) still considerably below pre-crisis levels. Prometeia is forecasting a drop in GDP of 11.6% for Spain in 2020.

The most newsworthy element in Europe was the approval of the Next Generation European Union programme, a 750 billion euro recovery package which will enable the Commission to obtain funds in the capital market, with a view to making up for the immediate economic and social damages caused by the coronavirus pandemic and, in the long-term, creating a greener and more digital and resilient post-COVID-19 Europe. In order to access these funds, each Member State is busy preparing the National Recovery and Resilience Plan, which will then need to be sent to the Commission by the end of April.

The United Kingdom, despite its strong third-quarter recovery, which concerned household consumption, investments and public expenditure, is also still far from its pre-COVID GDP levels, marking one of the worst results in Europe, with a decline of 12.4% forecast by Prometeia: manufacturing, the weight of which is relatively more modest, is that which recovered most, while services and construction remain very far from the levels seen at the start of the year. A new decline in economic activity is expected due to developments in the epidemic which in the final part of the year regained strength in the country, unleashing a new wave of restrictive measures. Furthermore, the United Kingdom left the European Union in February 2020 and reached the end of the Brexit transition period in December.

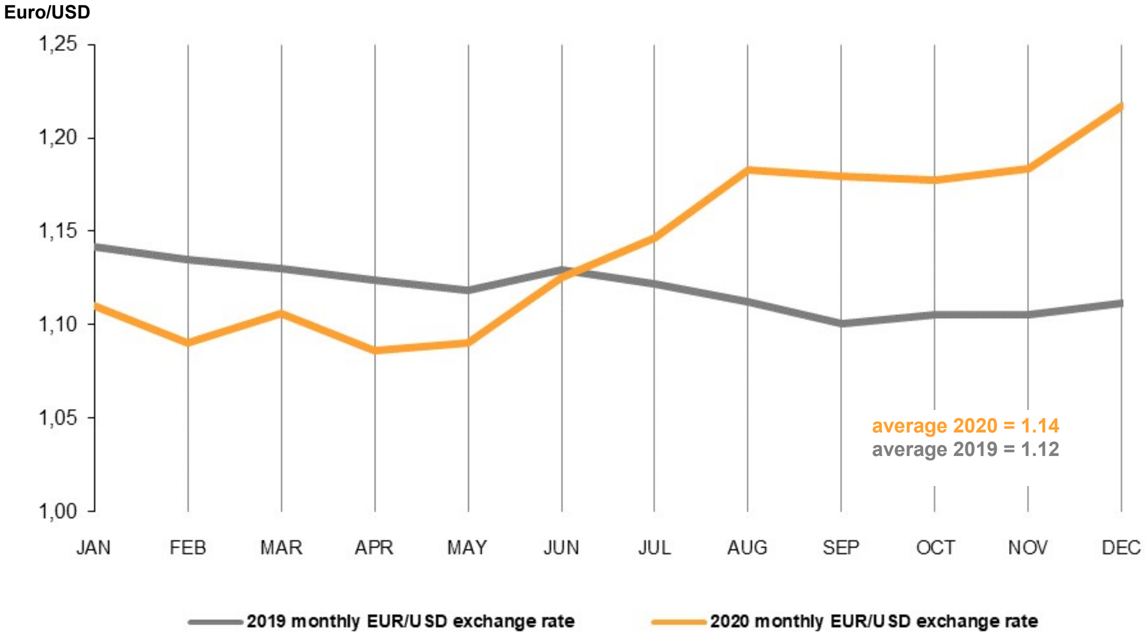
Lastly, as regards our country, Italy appears to be dominated by strong uncertainty, although despite the extent of the shock caused by COVID-19, the Italian economy has demonstrated good resilience.

With the end of the spring lockdown, Italy also saw a strong rebound in growth in the third quarter of the year (+15.9%), recording some of the best economic performance in Europe. This success was primarily based in the manufacturing and construction industries which, marking growth of +30% and +46%, respectively, compared to the previous quarter, returned to pre-COVID levels during the summer, with record growth in investments in operating assets and exports, more than offsetting the difficulties in those service segments dominated by social interaction, such as tourism, restaurants or entertainment. Aside from foreign demand, the contribution of domestic demand was indeed very positive, with expenditure for household consumption up by +12.4% and that for investments up by +31.3%.

The optimism triggered by positive performance in the third quarter was however dampened not only by the recovery in infections in the autumn, but also the rapidity with which the healthcare system once again found itself under stress, imposing new, widespread social distancing measures. In this context, the measures taken by the government to offset the negative effects on the economy generated by the restrictions on mobility introduced in mid-October (the "Relief" decrees) translated into an unprecedented manoeuvre, equal to 6.6% of GDP, which however will not be able to prevent a new recession between the final quarter of 2020 and the beginning of 2021. The decline in GDP is expected to reach 9.1% in 2020. Only with the end of the winter and progressive vaccination will it be possible to gradually return to "normal" and at the same time overcome the economic emergency. When health security is achieved, it will be possible for the recovery in economic activity to gain strength, as already demonstrated last summer. However, it will be fundamental for the economic system not to have suffered from permanent damage in the meantime, in terms of job loss and closed businesses.

The Next Generation EU programme, the implementation of which is still facing a number of critical issues, may provide a significant stimulus to the economic recovery. Based on this programme, public investments can reach 3.4% of GDP, compared to an average of 2.2% in recent years, which will require all public administrations, from national to local, in addition to national enterprises, to be capable of carrying out the projects that will be approved by the Commission. Under these conditions, investments, along with the additional spending they induce, may lead to very robust growth rates for the Italian economy. This is an unprecedented challenge for the entire Italian economic system.

The EUR/USD exchange rate in 2020 stood at an average value of 1.14, up by 1.9% over 2019. Analysing the monthly changes, it can be observed that the exchange rate had mixed performance in the first five months of the year, although it reached levels lower than those seen in 2019. This trend took place within a context in which the central banks on both sides of the Atlantic implemented extensive, accommodating policies in response to the significant deterioration in the macroeconomic scenario due to the effects of the COVID-19 pandemic. In particular, in the Eurozone the expansionary policy already in place was reinforced, establishing amongst the various measures the launch of a new PEPP (Pandemic Emergency Purchase Programme) bond buying programme, while in the United States the Fed cut interest rates, bringing them to 0-0.25% compared to the range of 1.5%-1.75% in force at the start of the year.
In June, the euro began to appreciate compared to the dollar, which brought the exchange rate to levels higher than those of the previous year. The strengthening of the single currency was driven by the European agreement on the Recovery Fund, the 750 billion euros plan which aims to favour the economic recovery from the crisis triggered by the pandemic. The Fed’s announcement that it will change its inflation target, which in the coming years will lead to a more accommodating monetary policy approach, weakened the dollar, providing further support to the exchange rate growth trend. The new strategy is enabling the Fed to permit inflation values even slightly higher than the 2% threshold in order to reach the objective of an average value of 2% in the medium term, and has fuelled expectations that interest rates will remain in the current range of 0-0.25% for several years.
After a pause between September and October, the months in which the outbreak of new COVID-19 infections in Europe and the resulting uncertainty regarding the recovery supported the dollar as a safe-haven currency, in the last two months of 2020 the euro resumed its appreciation trend, in the final days of the year reaching its highest levels since April 2018. The two main factors supporting this performance were increasing optimism for the recovery of the global economy in 2021, in the wake of rapid progress in the approval of COVID-19 vaccines, and expectations of an increase in public expenditure in the United States by the future Biden Administration, which had the effect of weakening the dollar.

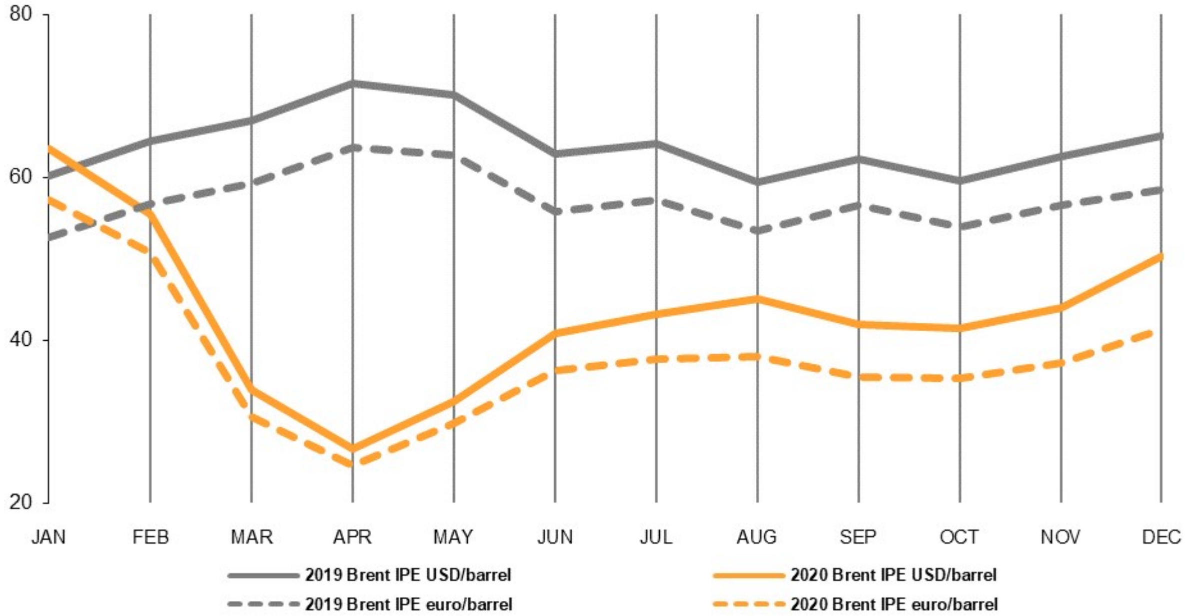


As regards the oil markets, the average price of Brent recorded a decrease of 32.6%, moving from 64.1 USD/barrel in 2019 to 43.2 USD/barrel in 2020. In the first four months of the year, crude oil price trends were down significantly due to the reduction in global demand, within a framework of restrictions on the movement of people and goods introduced to limit COVID-19 contagion. In April, prices reached their lowest levels in eighteen years, during the worst phase of the health emergency, with consumption dropping by roughly 22 million barrels/day on an annual basis, in addition to the significant increase in supply as a result of the price war instigated by Saudi Arabia in March. Since May, the combined effects of the progressive relaxation of the above-mentioned restrictive measures and the rapprochement between Saudi Arabia and Russia, which led to a new agreement between the members of the OPEC+ alliance for record production cuts, gradually reduced the excess supply created in the market, thus launching a recovery in prices. In September, the price recovery was momentarily suspended due to the resumption of oil production in Libya, which had been blocked since the start of the year, and the new outbreak of the COVID-19 pandemic, which dampened the resurgence of demand. In the last two months of the year, Brent prices resumed their recovery trend thanks to positive news about COVID-19 vaccines and the decision made by OPEC+ to gradually reduce the extent of cuts starting in January 2021. In addition, strong Asian demand, with consumption in China reaching levels higher than those recorded in 2019, has offset the weakness of Western markets, held back by the persistent pandemic, further supporting prices. Crude oil prices in euro followed the annual trend of US prices, signalling a slightly greater decline as a result of the appreciation of the euro with respect to the 2019 levels. At 37.9 EUR/barrel, the average price for 2020 was 33.9% lower than the average for the previous year.

The table and the chart below show the average annual values and the monthly trend, during this and the previous year:

	2020 full year	2019 full year	% change
Oil price in USD/barrel [(1)]	43.2	64.1	*(32.6%)*
USD/EUR exchange rate	1.14	1.12	*1.9%*
Oil price in EUR/barrel	37.9	57.3	*(33.9%)*

(1) Brent IPE



In 2020, distilled products recorded a similar performance to oil, which therefore determined lower annual averages than in 2019. As regards diesel, the average price in 2020 was 369.6 USD/metric ton, 37.6% lower than the average in 2019, while low sulphur and high sulphur fuel oils recorded annual average prices of 268.4 USD/metric ton and 221.0 USD/metric ton respectively, decreases of 31.0% and 33.1% compared to the previous year.

The coal market, with reference to prices on the Atlantic market, recorded an average of 50.2 USD/ton in 2020, down by 17.7% over the previous year. The price drop took place within a context of declining demand due to the effects of the COVID-19 pandemic, as well as the higher competitiveness of natural gas and policies intended to reduce the use of coal in Europe. The recovery of demand in China and India, particularly in the fourth quarter, favoured the recovery in prices, limiting the drop on an annual basis.

Gas prices on the main European hubs stood at lower levels than 2019, with decreased annual values of around 32% on average. During 2020, prices recorded negative quarterly changes in the first two quarters (-20.9% and -43.4% respectively), while a recovery with quarterly increases of +39.6% and +80.3% was recorded in the third and fourth quarters. The price of gas on the Title Transfer Facilty (TTF), the main European reference hub, stood at an average of 9.9 €c/scm, against an average of 14.3 c€/scm in 2019, marking a decrease of 31.1%.

The market prices of CO_2 emissions were almost stable compared to 2019, with an average value of 24.7 EUR/ton, down by only 0.4%. The decline was more significant in the first quarter, characterised by a significant decline in energy demand and the resumption of British auctions. Thereafter, the preparation by governments and central banks of measures to support the European economy, struck by the health crisis, provided newfound vigour to EUA prices, kicking off their recovery. The approval of the European Green Deal and more ambitious climate and environmental policy targets provided further price support. In the last month of the year, prices reached new highs in view of the transition to phase 4 of the ETS system and the postponement of the resumption of auctions to the end of January 2021, decided by the European Commission as a result of technical problems.

In 2020, the Energy Efficiency Certificates (EEC) market recorded an average price of 262.3 euro/EEC, up slightly (+0.9%) compared with 2019, when the average price was 260.1 euro/EEC. The situation of continuing scarcity in supply compared to demand has supported prices. However, the upward drive in the market has been limited by the pricing signals given by the regulatory environment and the possibility of acquiring virtual certificates not deriving from the implementation of energy efficiency projects.

The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

(TWh)	**2020 financial year**	2019 financial year	% change
Net production:	273.1	284.0	*(3.8%)*
- Thermoelectric	175.4	187.3	*(6.4%)*
- Hydroelectric	48.0	47.6	*0.8%*
- Photovoltaic	25.5	23.3	*9.6%*
- Wind power	18.5	20.0	*(7.5%)*
- Geothermal	5.6	5.7	*(0.7%)*
Net imports	32.2	38.1	*(15.6%)*
Pumping consumption	(2.6)	(2.5)	*(3.6%)*
Total demand	**302.8**	**319.6**	***(5.3%)***

Source: processing of final 2019 and preliminary 2020 Terna data, gross of grid losses.

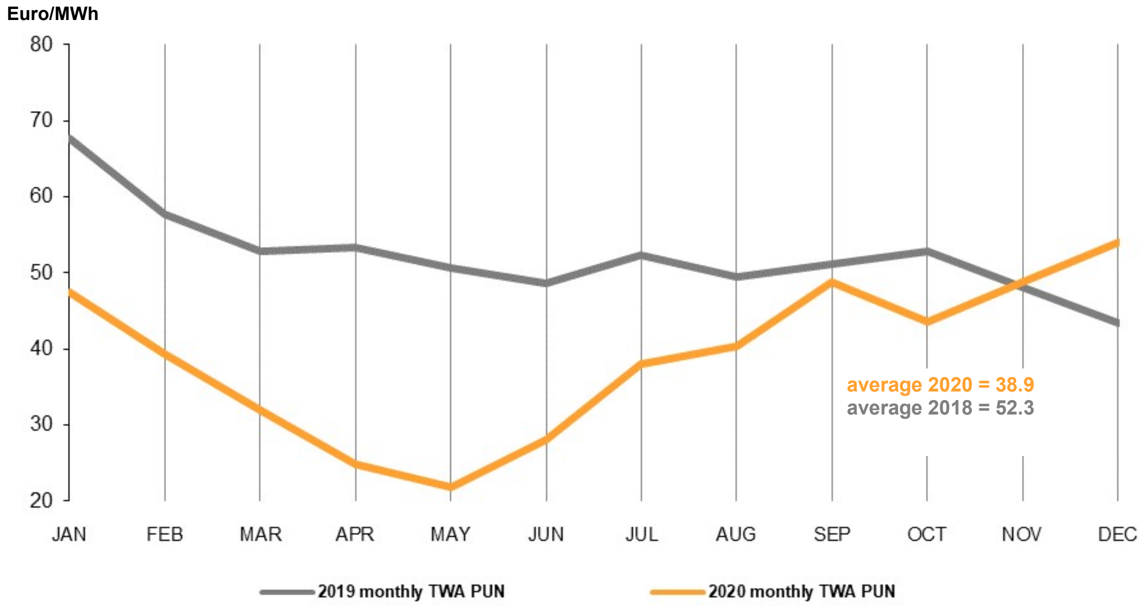
Gross electricity demand marked a contraction in 2020, as expected, due to the pandemic, the impact of which however was seen primarily in the first half of the year. Despite the slight recovery recorded in December (+1.1%), total electricity consumption came to roughly 302.8 TWh, down by 5.3% (16.8 TWh) compared to the 2019 year. As regards net generation, the contribution of domestic production also showed a downturn of 3.8% in 2020 compared to 2019, for an equivalent value of around 11 TWh. Analysing the contribution by source, thermoelectric generation showed the greatest reduction in absolute terms (around 11.9 Twh), followed by wind, which lost roughly 1.5 TWh (-7.5%). The remaining renewable sources instead had positive performance, with solar increasing by +9.6% (2.2 TWh), far surpassing the 0.8% recorded by hydroelectric sources. On the whole, national production, net of pumping, met 89.5% of demand, up compared to the previous year, when the figure was 88.2%. Foreign trade in 2020 confirmed the negative trend (-15.6%) already observed in the second and third quarters when, due to the restrictive measures for the containment of COVID-19 applied at domestic and European level, imports fell precipitously.
With respect to the fourth quarter 2020, overall energy consumption in Italy withdrawn from the network amounted to roughly 77.7 TWh, about 0.3 TWh (0.4%) less than in the same period of 2019. In terms of the contribution by source, thermoelectric generation rose almost to the value of 2019, closing at around 45.4 TWh, while as concerns renewable sources, the positive trend in solar is confirmed, which closed the quarter at 3.8 TWh (+10.2%), while wind and hydroelectric lost 16.9% and 7.1%, respectively, compared to 2019.
Overall, the contribution of domestic production, net of pumping, came to around 85.2% of demand, down compared to previous when the figure was equal to 87%.
Finally, net imports made a positive contribution to the accounts, with a positive increase of 13.5%, reaching roughly 11.6 TWh.
Insofar as the price scenario at December 31, 2020 is concerned, the 2020 time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) settled at 38.9 euro/MWh, down by 25.6% compared with the previous year (52.3 euro/MWh).
This price decrease is incorporated in a context of lower demand for electricity and a decrease in thermoelectric generation costs (fuels and CO_2 securities) due to the repercussions of the COVID-19 pandemic.
An analysis of the monthly trend in the PUN (single national price) in 2020 shows that it was lower than that of 2019, with the exception of November and December, when the recovery in gas prices and EUA titles supported prices. Specifically, in December, the increase in CO_2 emission certificates, along with the effect of the cold snap in a large part of Europe, triggered a significant increase in prices on an annual basis (+24.7%) as well as on a monthly basis (+10.8%). However,

the most significant changes were recorded in April and May 2020 (-53.5% and -57.0%, respectively, compared to the same month of 2019) due to the stringent measures to limit contagion and the broad availability of renewable supplies. Subsequently, the relaxation of restrictions entailed an increase in electricity consumption, supporting the single national price.

In 2020, the F1, F2 and F3 hourly time periods and, similarly, the peak and off peak intervals experienced virtually identical decreases of about 25.3% compared with the previous year.

As regards zonal prices, quite homogeneous drops were registered in 2020, with slightly more marked changes in the North (-26.3%) and in the Sicily zone (-26.4%) compared to the decreases of around 24.3% in the other zones.

The chart that follows shows the monthly trend compared with the previous year:



The prices in foreign countries also showed across-the-board decreases. France closed 2020 at 32.2 euro/MWh, a decrease of 18.4% compared with the previous year. The effect of the reduced availability of nuclear capacity was more than offset by lower consumption caused by the pandemic and high water availability. The spread with the single national price reduced by 47.6%, reaching 6.7 euro/MWh.

Germany closed the year at 30.5 euro/MWh (-19.1% compared to 2019). Strong renewable generation, primarily from wind, covered a higher load share on an annual basis (roughly 52% compared to 49% in 2019), also influenced by the impact on electricity consumption of restrictions attempting to stop the spread of infections. The Italy-Germany spread reduced by 42.2% compared with 2019, sitting at 8.5 euro/MWh.

Demand for Natural Gas in Italy and Market Environment

(billions of cubic metres)	**2020 financial year**	2019 financial year	% change
Services and residential customers	27.6	28.2	*(2.1%)*
Industrial use	16.5	17.5	*(5.8%)*
Thermoelectric fuel use	24.5	25.8	*(5.0%)*
System usage and leaks	2.1	2.2	*(3.9%)*
Total demand	**70.7**	**73.7**	***(4.1%)***

Source: 2019 pre-actual data and 2020 preliminary data from Snam Rete Gas and the Ministry of Economic Development and Edison estimates.

In 2020, natural gas withdrawals in Italy confirmed the reduction trend that began with the restrictive measures applied in the early months of the year to deal with the COVID-19 emergency. Overall, demand for natural gas declined by around 3 billion cubic metres (-4.1%), closing the year at roughly 70.7 billion cubic metres.

Despite the decline in consumption in the industrial segment in the months of March, April and May during the application of prevention measures to non-essential businesses, the sector as a whole was able to limit the loss, closing the year at roughly 16.5 billion cubic metres, around one billion less than in 2019 (-5.8%). On the other hand, there was a more significant reduction in thermoelectric, the contribution of which was in part impacted by lower electricity demand, recording annual consumption of around 24.5 billion cubic metres, down by 5% compared to the previous year. Lastly, as concerns residential consumption, overall withdrawals compared to 2019 were roughly 0.6 billion cubic metres lower for the year, recovering the lower consumption recorded in the first two months of the year in the course of the fourth quarter thanks to colder weather trends.

Indeed, in the fourth quarter the residential sector withdrew around 1 billion cubic metres (11.6%) in higher gas volumes, closing the period at approximately 9.8 billion cubic metres, especially thanks to colder weather trends in the months of October and December, supporting consumption by 51.5% and 7.8%, respectively, compared to the same months of the previous year. The industrial and thermoelectric sectors also show a positive trend, closing with an increase of approximately 0.1 billion cubic metres each. As relates to supply sources, it is worth noting the start-up on December 31 of the Trans Adriatic Pipeline (TAP), which links gas from Azerbaijan with Italy, by way of Turkey, Greece and Albania.

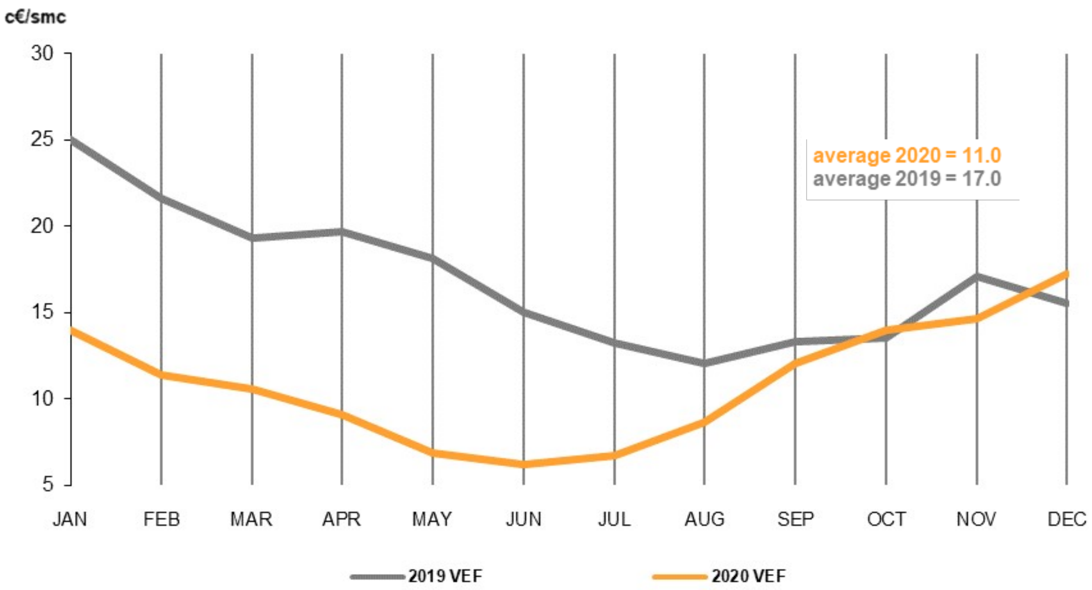
Overall, in 2020, sources of supply registered:

- lower domestic production by 0.7 billion cubic metres (-14.6% compared to the figure in 2019);
- lower gas imports by 4.7 billion cubic metres (-6.7% compared to the figure in 2019);
- about 2.3 billion cubic metres in volumes added to the stored gas inventory.

In 2020, the spot gas price in Italy, in concert with the movements registered on other European hubs, recorded a decrease of 35.5% compared to the previous year, sitting at 11.0 c€/scm.

The declining trend in the first six months of the year was driven by the situation of excess supply in the European market, which was exacerbated following the reduction in consumption as a result of the COVID-19 pandemic. The gradual recovery in prices in the third quarter was supported by the recovery in demand and the slowdown in arrivals of LNG at European terminals, due to lower imports from the United States. The last three months of the year saw prices continue to strengthen, following a rapid emptying of stored gas inventories and the lower supply of LNG, this latter factor correlated with the increasing appeal of the Asian market. All these events have further strengthened the high volatility that characterizes the spot gas price.

The VEF-TTF (virtual trading point - title transfer facility) spread fell by 59.1% in 2020 compared to the previous year, averaging 1.1 c€/scm. This significant drop can be ascribed the reduced need to import gas from Northern Europe as a result of the decline in demand in Italy and the greater reduction of arrivals of LNG recorded at the Dutch Gate terminal in the second half of the year. These factors caused an inversion of the spread in October, with the VEF at a discount compared to the TTF.



Legislative and Regulatory Framework

Below are the key points of the main developments concerning the legislative and regulatory framework relative to 2020, for the various areas of the corporate business.

Electric Power Operations

Environment

FER1 (renewable energy sources) - On September 30, 2020, the GSE published new tenders for the fourth of seven Registers and Auctions procedures set forth in Ministerial Decree of July 4, 2019. Among the main new initiatives:

- cancellation of restrictions for access to incentives for interventions on plants falling within the scope of application of the "Spread incentives" mechanism, the owner of which has not participated in the tariff remodulation;
- possibility to participate in the Registers for photovoltaic power plants whose surface area is greater than that of the asbestos removed and/or which are installed on roofs of buildings or rural buildings shown in the property registers to be adjacent to those of the roof that was removed;
- access to incentives for photovoltaic power plants the modules of which are installed in agricultural areas, in the case of sites of national interest or on closed and reclaimed landfills and landfill lots, mines or mine lots not susceptible to additional exploitation, for which the completion of environmental recovery and reclamation activities has been certified.

POLLUTANTS - ("Pollutant release and transfer registers") - Law no. 91 of July 17, 2020 "Ratification and execution of the Protocol on pollutant release and transfer registers, done in Kiev on May 21, 2003" was published in the Official Gazette of August 4, 2020, requiring the Parties to establish national inventories or registers on the release and transfer into the air and water of specific pollutants deriving from the main production sectors and industrial facilities. In Italy, the regulations have already been enacted with the Pollutant Release and Transfer Register (PRTR) declaration.

CIRCULAR ECONOMY - With Ministry of Economic Development Decree of August 5, 2020 the opening terms and procedures were defined for the submission of requests for facilitations to support research and development projects for the conversion of production processes from a circular economy perspective.

Wholesale Market

Capacity mechanisms - EU Regulation 2019/943 on the internal market for electricity (one of the new regulations adopted as part of the Clean Energy Package (CEP)) established a new framework for capacity remuneration mechanisms introduced by Member States, calling for, in particular:

- the identification by Member States of regulatory distortions and market failures and their definition of an Action Plan to overcome them before deciding to introduce a capacity mechanism;
- the use of the adequacy analysis developed at European level by ENTSO-E, possibly complemented by analyses carried out at national level, to identify adequacy problems requiring the introduction of capacity mechanisms;
- the introduction of fundamental principles for the design of capacity mechanisms (e.g. the introduction of emission limits, etc.);
- the opening of capacity mechanisms to direct participation by capacity holders located abroad.

During the first quarter of 2020, ENTSO-E launched three consultations related to the implementation of this new framework: two consultations related to the new methodologies for the adequacy assessment at European level that will be used as a reference to justify the introduction of capacity mechanisms in Member States, and one consultation related to the methods for direct participation in capacity mechanisms by holders of capacity located in other Member States (with the possibility to limit such participation to the capacity located in those Member States directly connected to the

State in question). The methodologies were adopted by ACER in the course of 2020. In the case of the Italian Capacity Market, the current method of foreign capacity participation, which is purely financial, will therefore need to be superseded in order to transition to a mechanism of direct participation in the auctions by holders of capacity located abroad. The European Commission then launched a public consultation relating to the Implementation Plan sent by the Italian government on June 25 pursuant to article 20.3 of Regulation (EU) 2019/943 on the internal market for electricity, which establishes that Member States that have identified adequacy concerns should draft and publish an implementation plan accompanied by a calendar for the adoption of measures intended to guarantee the proper functioning of the energy markets, before deciding on the introduction of a capacity mechanism. As highlighted by the European Commission in the introduction to the Implementation Plan, article 21.6 of Regulation (EU) 2019/943 establishes that Member States that already apply a capacity mechanism must refrain from concluding new contracts when adequacy concerns no longer emerge from analyses performed at domestic and European level and until the Implementation Plan obtains the opinion of the European Commission. After a public consultation taking place between June and July 2020, the European Commission issued its opinion on the Italian Implementation Plan in October, making a few recommendations concerning the measures presented by the Italian government, without however providing any detailed opinion on the adequacy concerns presented in the Implementation Plan or on the design of the current Capacity Market.

The Italian authorities seem to be intending to organise a Capacity Market mother auction for the 2024 delivery year in the course of 2021, likely between the third and fourth quarters. In any event, the Ministry seems to be oriented towards proceeding with a new notification to the European Commission of the Italian Capacity Market regulations with a view to "securing" the mechanism from a procedural perspective, in light of the judicial initiatives under way. The publication of the new regulations could therefore take place between June and July 2021.

However, it would seem that the possibility that this renotification to the European Commission could be the opportunity to introduce substantial amendments to the current regulations can be excluded, as it is justified essentially by procedural reasons (providing greater "juridical robustness" to the procedure). As regards the organisation of the auction for 2024, the following steps are therefore planned:

- update of the regulations for the necessary adaptations to the provisions introduced by the Clean Energy Package. The amendments will be subject to consultation and approved by the Ministry of Economic Development and by ARERA (or Authority) and sent to the European Commission.
- update of the Italian electricity system adequacy report, also taking into account the methodologies adopted by ACER.
- adoption of a new decree by the Ministry to proceed with the auction for 2024.

Lastly, it should be taken into consideration that several operators have submitted appeals to the Regional Administrative Court and the Court of First Instance of the European Union against the current design of the Capacity Market, which could result in a cancellation of the auctions already carried out and a revision of the regulations, with a possible new notification to the Commission to verify compatibility with European regulations on State Aid. Edison played an active role in the current appeals to the Regional Administrative Court and the Court of First Instance of the EU to support Terna and Italian institutions to preserve the application of the Capacity Market in the 2022 and 2023 delivery years. As regards the appeal before the Regional Administrative Court, the hearing on the merits is currently scheduled for March 24, 2021, while the written phase of the proceedings at the Court of First Instance of the EU concluded on October 15, 2020. Edison has a strong interest in the continued implementation of the Capacity Market for delivery years subsequent to 2023, which would make it possible to leverage its likely available capacity (CDP) relating to existing plants (roughly 2.8 GW awarded in the 2022 and 2023 auctions for this capacity category at a premium of 33,000 €/MW/year) and any new capacity to be developed.

Electricity dispatching reform and Pilot Projects - Pending the implementation of the new dispatching regulations, Terna has submitted for consultation the documentation relating to a new Pilot Project for the provision of the ultra-fast

frequency regulation service (Fast Reserve). This project is part of the Pilot Projects referred to in ARERA Resolution No. 300/2017/R/eel.
The subject of the proposal is the launch of a Pilot Project for the provision of the "Fast Reserve" service, aimed at improving the dynamic response in the first instants of frequency transients. This service is distinct from the primary regulation service but closely coordinated with it to ensure dynamic frequency stability. Terna believes that this service will be useful in the coming years in order to cope with the expected decrease in inertia due to the exit of coal-fired plants from the market and the progressive spread of power plants relying on Non-Programmable Renewable Sources ("FRNP") according to the objectives indicated in the National Integrated Energy and Climate Plan ("PNIEC"). Electrochemical cells are particularly suitable for the provision of this service. By means of Resolution No. 200/2020/R/EEL, ARERA approved the regulation prepared by Terna pursuant to Resolution No. 300/2017 relating to the Pilot Project for the provision of the ultra-fast frequency regulation service (Fast Reserve). On December 10,2020, the service procurement auction took place, in which the entire contingent made available was assigned, specifically 118.2 MW in the Central North area, 101.7 MW in the Central South area and 30 MW in Sardinia. The average assignment prices were significantly lower than the reserve price (set at 80,000 €/MW/year) in the Continental areas. Edison participated in the auction, but was not an assignee.
At the end of November, Terna has also launched two consultations relating to two new Pilot Projects pursuant to ARERA Resolution No. 300/2017/R/eel:

- A Pilot Project intended to test the supply of voltage regulation services from resources, both programmable and non-programmable, to date not required or enabled to provide this service, after making the appropriate plant adjustments.
- A Pilot Project for the qualification and supply of the secondary frequency/power regulation service through resources not already enabled.

Edison could be interested in participating in the voltage regulation Pilot Project with some recently constructed wind farms. Participation in this project should make it possible to cover the costs for adjusting the plants in order to provide the service.

Retail Market

Changes in the Commercial Code of Conduct- By Resolution No. 426/2020/R/com, ARERA introduced provisions reinforcing the current reporting obligations set forth in the Commercial Code of Conduct currently in force. The new obligations - which are particularly impactful from the implementation as well as the economic perspective - include: the sending of communications two months prior to the event, in the case of automatic changes in contractual conditions (i.e. any change in the economic conditions of the supply already set forth and determined in the contract signed with the customer) and the inclusion and sending of information relating to annual expenses, information which is potentially dangerous because it is misleading for the customer’s understanding of the offer. Lastly, the date of entry into force of the measure (July 1, 2021) does not take into consideration the effective period of time necessary for operators to intervene and adapt their information systems and operating processes. Therefore, reporting has started at association level, the results of which are expected to be seen in early 2021.

Hydrocarbons Operations

Rates and Market

Gas settlement - The process continues for implementing the gas settlement reform defined by the ARERA by means of Resolution No. 148/2019/R/gas as amended, by which it introduced substantial changes to the previous regulations, with effect from January 1, 2020, and approved a new *“Integrated text of the provisions governing the settlement of the physical and economic items of the natural gas balancing service (TISG)”*. Overall, the implementation of the gas settlement reform is significant for Edison because it requires a major upgrade of its internal information systems to accommodate the new data that will become available in the Integrated Information System (IIS) as well as a revision of forecasting logics and internal procedures across the Business Units.

Following Snam's publication of the first financial statements for 2020, several anomalies - resolved for the most part only at the end of 2020 - were found in the allocation data returned by the IIS, reflecting the criteria of the new settlement regulations. In view of the potential economic impact of these inefficiencies, the main associations promptly sent reports to ARERA, SNAM and the IIS in order to have the anomalies identified corrected which, if not resolved, would have resulted in completely unjustified variance fees and would have generated significant economic damages for the operators involved. By Resolution No. 521/2020/R/gas, ARERA approved the proposed simplifications to the withdrawal data adjustment procedure and ordered the suspension of the application of the consideration requested by Snam Rete Gas for the adjustment.

Gas transport - Variance fees - Accepting the requests received from operators, in view of the transport capacity transfers for the 2020-21 thermal year, ARERA urgently intervened in order to reduce the onerous nature of the variance fees applicable in the gas transport service. Resolution No. 329/2020/R/gas of September 8 thus established an annual maximum ceiling on the economic value of the applicable variances at the network redelivery points, considering the tariff increases of the new 2020-2023 regulation and the uncertainties surrounding the estimation of transport capacity deriving from the settlement reform and the possible past and future effects of the COVID-19 pandemic, including on industrial activity trends.
Lastly, by Resolution No. 521/2020/R/gas, additional corrective measures were approved for the calculation of the variance fees.

Modifications to access to regasification capacity for periods exceeding the thermal year - By Resolution No. 576/2020/R/gas, the Authority, taking into account developments under way in the LNG market, ordered several changes to the rules governing access to the gas regasification service, particularly with reference to services with a duration exceeding the thermal year. The resolution indeed extends the capacity offer period for multi-year periods until the twenty-fifth thermal year, in place of the current fifteen years.

Modification to the tariff component covering strategic storage costs - By Resolution No. 396/2020/R/gas, the Authority changed the methods for covering the strategic storage cost, in implementation of art. 60, paragraph 7-bis of Decree-Law 76/20 ("Simplifications Decree"), which set forth that *"in order to simplify and favour the transport through the Italian network of gas coming from other European Union Member States or third countries, strategic storage, offered under a regulated system, that may be provided only with the authorisation of the Ministry of Economic Development to handle emergency situations in the national natural gas system, is placed under the responsibility of customers connected to the distribution network's redelivery points as it is intended to provide supplies to such customers in emergency situations".* With respect to the regulatory structure in force (which makes producers and importers, like Edison, responsible for strategic storage through the C^{ST} variable unit fee), the legal provisions quoted above required, at least starting from the next storage thermal year (therefore from April 2021), a change in the construction of fees relating to strategic storage so as to apply them only to users of the withdrawal points interconnected with distribution plants. Therefore, to that end the Authority introduced a new additional transport tariff component (CRV^{CS}) which will be in force starting from the 2021-22 storage thermal year.

Methods for the settlement of payments resulting from the redetermination of the k coefficient - By means of consultation document 516/2018/R/gas, in 2018 the Authority set forth its guidelines on how to settle payments following the redetermination of the k coefficient, which took place with Resolution No. 737/2017/R/gas, used to determine the price of the gas commodity for the protection service in the two-year period October 1, 2010 - September 30, 2012.
Subsequently, on January 30, 2019, the Authority approved Resolution No. 32/2019/R/gas, by which it defined the recovery methods for sellers of the amounts due to them following the upward revision of the k coefficient. In particular, Resolution No. 32/2019 established that the sellers that, in the 2010-2012 thermal two-year period, had served customers subject to the gas protection regime, may be able to obtain payment of the amounts due by presenting the

appropriate request and documentary evidence to the Cassa per i Servizi Energetici e Ambientali (CSEA), at which the necessary account will be set up, financed through the UG2 component by all end consumers with consumption of up to 200,000 Scm/year. The amounts will be paid in three instalments, over a period of 3 years.
Edison may benefit from the mechanism by presenting an application for the different Group companies active in the sale of gas under the protected system in the two-year period concerned.
On January 7, 2020, the Lombardy Regional Administrative Court partially annulled Resolution No. 32/2019, establishing that the scope of application of the additional UG2 component should be extended to all customers, regardless of the consumption threshold. Following that ruling, by Resolution No. 89/2020 ARERA began the process of revising the original resolution, which concluded with Resolution No. 247/2020, which extended the provisions to all customers, at the same time reconfiguring the UG2 component currently to be applied to customers with consumption lower than 200,000 Scm. However, the total of the amounts to be recovered for Edison has not been called into question. They amount to roughly 5 million euros (adding the amounts due to Edison Energia, AMG Gas and Attiva), already recognised in the 2018 and 2019 financial statements.

Gas Distribution Tariffs - By means of Resolution No. 107/2020/R/gas of April 1, 2020, the Authority published the definitive 2019 specific reference tariff components for natural gas distribution and metering services. With regard to the provisional tariffs, determined by Resolution No. 128/2019/R/gas of April 9, 2019, the definitive 2019 tariffs showed insignificant changes. Subsequently, by Resolution No. 127/2020/R/gas of April 14, 2020, the Authority approved the provisional reference tariffs for 2020 for the gas distribution and metering services. Also, in this case, there were no significant changes compared to the definitive tariffs for 2019.
At the end of the year, by means of Resolution No. 596/2020, the mandatory tariffs for 2021 were also published and at the same time the bimonthly equalisation amounts for 2021 were approved (for IDG, the Edison group company that provides distribution services, collections of around 74,000 million euros were approved).

Infrastructures

Gas storage auctions for the 2020-2021 thermal year - The Authority published Resolution No. 58/2020/R/gas, setting out provisions for the organisation of the procedures for the conferral of capacity (auctions), also modifying the criteria for calculating the reserve price. Edison Stoccaggio, at auctions held on March 16 and 20, respectively, provided market users with all of its available capacity.

Storage – 2021 Revenues - By means of Resolution No. 275/2020/R/gas of July 21, 2020, the Authority approved the reference revenues of Edison Stoccaggio Spa relating to 2021, for 61 million euros, consistent with the proposal submitted in May 2020 from the same company.

Tariff Regulation for gas distribution and metering services for the 2020-2025 period - By means of Resolution No. 570/2019/R/gas of December 27, 2019 the Tariff Regulation for gas distribution and metering services was approved for the 2020-2025 period. Specifically, the resolution defines the criteria for setting operating cost levels (resulting in a significant decrease in the recognised cost level) and sets the productivity recovery rates for the 2020-2025 period (x-factor); it also reduces the value of the β^{asset} parameter relative to the natural gas metering service, equating it to that of distribution services, which has not changed compared to 2019 and is equal to 0.439, for the 2020-2023 sub-period. As a result of the change in the β^{asset} of the metering service, the rate of return on invested capital (WACC) of this service decreased from 6.8%, in force for 2019, to 6.3%, in line with the rate of the distribution service.
Resolution No. 570/2019/R/gas was subject to numerous appeals by distribution operators in February 2020, primarily because of the significant reduction in recognised operating costs.

Premiums and penalties for recoveries of safety of the natural gas distribution service - By means of Resolution No. 163/2020/R/gas of May 12, 2020, the Authority completed the process of determining the premiums and penalties for safety recoveries for 2016. For IDG, a company of the Edison group that provides distribution services, the Resolution established, for 2016, total premiums of approximately 128 thousand euros, collected from the Fund for energy and environmental services (CSEA) in June. By means of Resolution No. 567/2020, the Authority concluded the process of determining the premiums and penalties for safety recoveries for 2017. For IDG, the net amount due is equal to around 16,600 euros and will be paid by CSEA by January 31, 2021.

Recognition of costs for remote reading/remote management and concentrators - By means of Resolution No. 568/2020/R/gas, ARERA approved the operating costs relative to the remote reading/remote management systems and concentrators as incurred by companies that submitted a TEL and CON request for the years 2017 and 2018. For IDG, the values reported to ARERA on the data gathering form were approved in full, i.e. 148,491 euros for 2017 and 8,300 euros for 2018. These amounts will be disbursed by CSEA by April 30, 2021, net of the part of the costs already recognised in the t(rac) component with a resulting balance of around 122,000 euros.

Recognition of debranding costs - ARERA, by means of Resolution No. 562/2020/R/com, recognised the costs incurred in the 2015-2017 three-year period by electricity and gas distribution companies to change their brands and the relative communication policies. For IDG, the costs amounting to roughly 126,000 euros for which dedicated requests were sent in 2018 and 2019 were recognised in full.

Energy Services

District heating and district cooling - activities continued in 2020 for the definition of the regulatory framework in the district heating and district cooling sector (hereinafter remote heating) by the Authority. These activities focused on the following themes:

- the metering regulation for the remote heating service, in which obligations were defined for the operator to guarantee the installation, proper functioning, maintenance and control of meters;
- the extension, as of July 2021, to the remote heating sector of the protection system for handling complaints and the out-of-court resolution of disputes of customers and users in the regulated sectors.

Where necessary, Edison will need to make an adjustment into line with these provisions.

Issues Affecting Multiple Business Segments

"Milleproroghe" Decree-Law containing "Urgent provisions regarding the extension of the legislative terms, of organisation of public administrations, as well as of technological innovation" - Decree-Law No. 162 of December 30, 2019, converted by conversion law No. 8 of February 28, 2020, published in the Official Gazette of February 29, 2020.
The provision contains, inter alia, the following measures:

- postponement of the dates for phasing out price regulation;
- extension by 6 months of the deadline for the adoption of the Plan for the Sustainable Energy Transition of Eligible Areas (PiTESAI) and extension of the deadline by which the suspended procedures take effect again in the absence of its adoption;
- provisions for experimenting with forms of self-consumption and energy communities.

"Cura Italia" Decree-Law containing “Measures for strengthening the national healthcare service and supporting the economy for households, workers and businesses linked to the COVID-19 epidemiological emergency. Extension of terms for the adoption of legislative decrees" - Decree-Law no. 18 of March 17, 2020, converted by conversion law no. 27 of April 24, 2020, published in the Official Gazette of April 29, 2020.
The provision introduced, inter alia, the following measures:

- extension of seven months for the adoption of regional laws on hydroelectric concessions;

- suspension of payments of electricity and gas bills in the COVID-19 “red zones”;
- measures to support employees, including salary supplements, unemployment benefits under exemption, leave and indemnities;
- extension of administrative proceedings under way;
- deferral of the terms of civil, criminal and administrative proceedings;
- suspension of certain tax obligations.

"Relaunch" Decree-Law containing “Urgent measures on health, support to employment and the economy and social policies linked to the COVID-19 epidemiological emergency” - Decree-Law no. 34 of May 19, 2020, converted by conversion law no. 77 of July 17, 2020, published in the Official Gazette of July 18, 2020. The provision contains, inter alia, the following measures:

- application from July 1, 2020 to December 2021 of an increased rate, equal to 110%, for certain energy redevelopment and earthquake preparedness adjustments on residential buildings and simplification of methods for using tax deductions in building for 2020 and 2021 through transformation into a tax credit that may be transferred to third parties, including banks;
- reduction in the cost of electricity for non-domestic electricity customers.

"Simplification" Decree-Law containing “Urgent measures for simplification and digital innovation” - Decree-Law no. 76 of July 16, 2020, converted by conversion law no. 120 of September 11, 2020, published in the Official Gazette of September 14, 2020. The provision contains, inter alia, the following measures:

- streamlining of the EIA (environmental impact assessment) procedure; introduction of an accelerated procedure dedicated to works included within the PNIEC (integrated national plan for energy and climate) and establishment of the relative ad hoc Commission;
- simplification of authorisation procedures for interventions on existing renewable energy plants;
- provisions on Sardinia’s LNG supply, establishing a virtual connection with peninsular Italy operated by the TSO;
- on strategic storage, assignment of the relative costs to customers connected to the distribution network’s redelivery points;
- establishment of precise regulations for the construction of the various types of energy storage plants.

“Gas interruptibility” Ministerial Decree: Ministerial Decree of September 30, 2020, issued by the Ministry of Economic Development, containing “Mechanisms for natural gas supply technical interruptibility services offered by industrial customers” was published in the Official Gazette of October 9, 2020. The measure contains the definition of measures aiming for gas system security and reliability, through the assignment of a service for the interruptibility of gas withdrawals by industrial customers.

“Relief” Decree-Law containing “Urgent measures on the protection of health, support for workers and businesses, justice and safety, linked to the COVID-19 epidemiological emergency” - Decree-Law No. 137 of October 28, 2020, converted into law by conversion law No. 176 of December 18, 2020, published in the Official Gazette of December 24, 2020. The measure contains provisions for the reduction of the cost of electricity for non-domestic electricity customers.

2021 Budget Law “Forecast State Budget for the financial year 2021 and multi-year Budget for the three-year period 2021-2023” - Law no. 178 of December 30, 2020, published in the Official Gazette of December 30, 2020, entered into force on January 1, 2021. The provision contains, inter alia, the following measures:

- extension to December 31, 2021 of the tax deductions for energy redevelopment initiatives, building restructuring and earthquake adaptations; extension to June 30, 2022 and provisions for the refinement of regulations on the 110% Superbonus introduced by Decree-Law 34/2020;

- provisions on sustainable mobility regarding facilitations for purchasing low CO_2 emissions vehicles and measures to favour the development of electric charging infrastructure;
- establishment and refinancing of funds for the implementation of the National Recovery and Resilience Plan, for the re-launch of Southern Italy, investments of local authorities with the aim of reducing environmental pollution, for urban renewal and the energy transition towards renewable sources.

Golden Power, update of regulations: the following Prime Ministerial Decrees were published in the Official Gazette of December 30, 2020 (in force as of January 14, 2021):

- Prime Ministerial Decree no. 180 of December 23, 2020 containing “Regulation for the identification of assets of strategic importance in the energy, transport and communications sectors”;
- Prime Ministerial Decree no. 179 of December 18, 2020 containing “Regulation for the identification of goods and relationships of national interest subject to the regulation on special powers of the State beyond those already set forth in the reference regulations”.

Self-consumption and Energy Communities - By means of Resolution No. 318/2020, ARERA implements article 42-bis of Decree Law no. 162 of December 30, 2019 (conversion law no. 8 of February 28, 2020) defining the economic items relating to the electricity subject to collective self-consumption (energy shared in the same building or condominium) or sharing within the community of renewable energy.
A virtual regulatory model was established which makes it possible to recognise on the economic level the benefits deriving from the on-site consumption of locally produced electricity. The ARERA tariff reimbursements will be calculated on the basis of the electricity subject to collective self-consumption, or sharing, and the relative tariff components settled.

Energy Efficiency Certificates (EEC) - On July 17, 2020, the Authority published Resolution No. 270/2020/R/efr whereby it ordered the reform of the tariff contribution for obliged entities within the scope of the EEC mechanism.

COVID-19 Emergency - Following a series of legislative interventions regarding the management of the national health emergency linked to COVID-19, the Authority decided on the subject as follows:

- extension of regulatory deadlines;
- interruption of the suspension regulations: Resolution No. 60/2020/R/com as amended by subsequent resolutions (117/20, 124/20 and 148/20) interrupted the suspension and warning procedures related to delinquency for the period from March 10 to May 3,2020 for non-domestic customers and until May 17, 2020 for domestic customers and up to 200,000 scm of consumption per year of gas, and also announced the reactivation by distributors of customers whose supply had been suspended/interrupted in the period between March 10 and 13, 2020. Placement in default activities resumed definitively on May 18,2020 for all customers;
- customer facilitations: by Resolution No. 76/2020/R/com, ARERA extended the terms within which customers who receive the light/gas social bonus can apply for its renewal and Resolution No. 190/20 which reduces expenses for electricity for low voltage (LV) non-domestic customers for the period from May 1 to July 31, 2020. The economic amount necessary to offset the tariff reduction will be borne by the State budget;
- electricity/gas distributor payment facilitations: resolution No. 116/2020/R/com established that, for sales companies, in relation to invoices for the transport of electricity and the distribution of natural gas expiring in April, procedures linked to delinquency regulations would not be initiated as set forth in the Electrical network and gas codes (CTTE/CRDG) if the seller pays for electricity 70% of the amounts invoiced referring to LV customers, and for gas 80% of the amounts invoiced relating to all customers. Resolution No. 248/2020 established that the amounts not paid to distributors will need to be returned by the sales companies either in a lump sum or through the payment of three equal instalments.

Review of regulations relating to delinquent customers - By means of Resolution No. 219/20, ARERA adapted the regulations on placement in default and the Indemnity System to the provisions of the 2020 Budget Law. The measure also initiates a procedure for the review of the regulations on delinquency, focusing particularly on the reduction of energy tourism. The provisions set forth, in compliance with the regulatory dictates, extend the timing for placement in default and as a result the possibility for the seller to collect the debt. To partially mitigate the restrictions imposed by the law, ARERA intervened in the Indemnity System (system that permits, through the recognition of an indemnity, the recovery of part of the amount in default even when the customer has transferred to another supplier) by expanding the scope of application to customers connected to medium voltage (MV) and increasing the parameters for the calculation of the amount of the indemnity to be recognised to the seller that lost the delinquent customer.

Gas infrastructure - EastMed confirmed on the 4th PCI (Projects of Common Interest) list: On March 11,2020 Delegated Regulation (EU) No. 2020/389 was published in the Official Journal of the EU, containing the fourth list of Projects of Common Interest (PCIs), updated since the previous list. The process of updating the list began in 2019, and the new list confirms the status of the EastMed Poseidon system as a Project of Common Interest. PCI status has enabled the EastMed Poseidon project to access 2 million euros in financial support for studies and subsequently 34.5 million euros for pre-FEED studies. The process was also actively supported with the European Commission and the Permanent Representation of Italy to the European Union.

Sustainable mobility - The EU recognises co-financing to the Small Scale LNG Coastal Depot at the Port of Naples as part of the Connecting Europe Facility (CEF) programme: the joint Edison-Kuwait Petroleum Italia (Q8) project for a Small Scale LNG coastal depot at Darsena Petroli in the Port of Naples was selected for co-financing amounting to 669,533 euros for studies relating to its design as part of the CEF reflow call for proposals of 2019. The process was also actively supported with the European Commission and the Permanent Representation of Italy to the European Union.

European Recovery Plan - The European Commission will set aside 1,824.3 billion euros over the next financial year to handle the consequences deriving from the crisis caused by the outbreak of the COVID-19 pandemic. 208.8 billion euros will be allocated to Italy, of which 81.4 billion euros in grants and 127.4 billion euros in the form of loans.
The priorities identified in the EU Guidelines for drafting the National Recovery and Resilience Plans (NRRPs) are in line with Edison’s contributions to investments for the recovery (focus on renewables, building and mobility).

FINANCIAL RESULTS AS AT DECEMBER 31, 2020

Sales Revenues and EBITDA of the Group and by Business Segment

(in millions of euros)	Chapter (*)	2020 financial year	2019 financial year (**)	Change	% change
Electric Power Operations					
Sales revenues	2	3,830	4,159	(329)	*(7.9%)*
EBITDA	2	482	423	59	*13.9%*
Gas Operations and E&P					
Sales revenues	2	3,243	4,892	(1,649)	*(33.7%)*
EBITDA	2	304	287	17	*5.9%*
Corporate Activities (1)					
Sales revenues	2	53	56	(3)	*(5.4%)*
EBITDA	2	(102)	(108)	6	*5.6%*
Eliminations					
Sales revenues	2	(736)	(909)	173	*19.0%*
Edison Group					
Sales revenues		**6,390**	**8,198**	**(1.808)**	***(22.1%)***
EBITDA		**684**	**602**	**82**	***13.6%***
as a % of sales revenues		***10.7%***	***7.3%***	**-**	**-**

(1) Includes those operations of Edison Spa, the Group's Parent company, that engage in central and transversal activities, i.e., activities that are not directly tied with a specific business and certain holding companies and real estate companies.
(*) See the Notes to the Consolidated financial statements.
(**) The 2019 figures have been restated in accordance with IFRS 5.

Revenues for the year 2020 decreased compared with the previous year to 6,390 million euros, attributable to both lines of business. EBITDA totalled 684 million euros, up 13.6 % on the previous year.
See the sections of this Report that follow for a more detailed analysis of the performance of the individual business segments.

Impact of COVID-19

The Group's financial results as at December 31, 2020 were impacted significantly by COVID-19. The main effects were:

- a drop in electricity and gas consumption by active industrial customers and SMEs in the portfolio compared to sales forecasts, particularly following the entry into force of the contagion containment measures and the resulting lockdown; with the subsequent relaxation of those measures, there was a gradual recovery in volumes withdrawn by customers; the decrease in volumes took place simultaneous with a sharp drop in wholesale market prices, the reference level for the resale of volumes not consumed by customers;
- a reduction in the provision of energy and environmental services to our main industrial customers, in terms of volumes as well as prices;
- reductions in certain cost items such as labour, thanks to partial recourse to social safety nets, and travel and training costs;
- non-recurring costs linked to some donations made during the health emergency;
- a slight deterioration of our credit standing.

The effects of COVID-19 had a negative impact on the Group's EBITDA for 2020, estimated at around 59 million euros, to a large extent attributable to the decrease in commodity sales volumes compared to sales forecasts.

Electric Power Operations

Sources

(GWh) (1)	2020 financial year	2019 financial year	% change
Edison's production (2):	**18,081**	**20,628**	***(12.4%)***
- Thermoelectric power plants	13,154	15,876	*(17.1%)*
- Hydroelectric power plants	3,198	3,189	*0.3%*
- Wind power and other renewables	1,729	1,563	*10.6%*
Other purchases (wholesalers, IPEX, etc.) (3)	**20,290**	**21,175**	***(4.2%)***
Total sources	**38,370**	**41,804**	**(8.2%)**

(1) 1 GWh is equal to 1 million kWh, referred to physical volumes.
(2) Energy & Environmental Services Market Division' s production not included
(3) Before line losses.

Uses

(GWh) (1)	2020 financial year	2019 financial year	% change
End customers (2)	15,544	14,897	*4.3%*
Other sales (wholesalers, IPEX, etc.)	22,826	26,907	*(15.2%)*
Total uses (3)	**38,370**	**41,804**	**(8.2%)**

(1) 1 GWh is equal to 1 million kWh.
(2) Before line losses.
(3) Energy & Environmental Services Market Division' s uses not included

The Group operates in accordance with a business model that calls for the separation of power generation activities (thermoelectric and renewables), sales on the end market (business and retail) and wholesale market and buying and selling activities, aimed at implementing adequate segregation and risk hedging policies for the above-mentioned portfolios and at maximising their profitability through their optimisation.

Within this model, Edison production in Italy amounted to 18,081 GWh, down 12.4% from 2019. The negative trend is due mainly to the performance of thermoelectric production, which decreased by 17.1%, due in part to the fall in consumption at national level and in part to the shutdown of two power plants in the early months of the year. As regards wind and other renewable production, it was on the rise by 10.6% due to the change in scope linked to the acquisition of EDF EN Italia (now Edison Renewables) and its subsidiaries in the second half of 2019; hydroelectric production is in line with the previous year.

Volumes sold to end customers rose slightly (4.3%) compared to 2019, despite the reduction in consumption, particularly in the industrial segment, as a result of the lockdown.

Other purchases are down slightly compared to the previous year, while Other sales fell by 15.2%; it should be noted that, however, these items include not only purchases and sales on the wholesale market but also purchases and sales on IPEX, albeit characterised by smaller unitary margins connected with the balancing of portfolios.

Income Statement Data

(in millions of euros)	**2020 financial year**	2019 financial year	% change
Sales revenues	3,830	4,159	*(7.9%)*
EBITDA	482	423	*13.9%*

Sales revenues for 2020 came in at 3,830 million euros, down 7.9% on last year, due to the drop in volumes as well as the reduction in average sale prices driven by the reference scenario.

EBITDA amounted to 482 million euros (423 million euros in 2019), marking an increase of 59 million euros. This growth can primarily be ascribed to the renewables sector, due to the acquisition of EDF EN Italia (now Edison Renewables) and its subsidiaries, consolidated as of July 2019. The hydroelectric sector recorded an improvement thanks to day-ahead market performance and the contribution of incentives. Despite good DSM market performance, the thermoelectric sector, down slightly compared to last year, was penalised in part by the shutdown of two power stations in the early months of the year and higher maintenance costs. The result relating to electricity sales improved despite to the reduction in consumption in the industrial segment compared to forecasts, with resulting exposure to the market under less favourable conditions. This improvement can be attributed to an increase in unitary margins, a reduction of overhead costs.

There was an increase in value added services to customers, primarily residential, in part thanks to the development of activities for the installation of boilers and air conditioning systems.

Energy services

The economic data of Electric Power Operations include the results of the Energy & Environmental Services Market Division.

Through the Division's activities, Edison plays an active role in the regions and in their business ecosystems, in researching and implementing practical and effective solutions in response to the burning issues of contemporary transformation: climate change, social development and new business paradigms.

Edison, in particular, contributes its personnel and its expertise, to create innovative and digital solutions for the efficient use of resources according to circular economy and urban regeneration paradigms.

Edison has an extensive offering in the energy and environmental services market which includes, by way of an example: energy and environmental advisory services, laboratory analysis, creation and management of systems for automatic production from renewable or high efficiency sources, integrated industrial waste management, energy redevelopment and efficient building management, urban district heating, digital platforms for the analysis, management and intelligence of solutions.

The solutions proposed are targeted at developing investment projects and efficient management of energy resources and environmental services for industrial groups, small and medium enterprises, commercial services sector, regions and the Public Administration.

The Energy & Environmental Services Market Division showed a 2.4% decrease in sales revenues in 2020 compared to last year, reaching 495 million euros (507 million euros in 2019). EBITDA fell by 39% compared to last year, reaching 51 million euros (84 million euros in 2019), mainly due to the Public Administration sector following the recognition of expected costs for the provision of services energy services to public buildings and, to a lesser extent, the slowdown in industrial and environmental service activities caused by the lockdown.

Gas Operations and E&P

Sources of Natural Gas

(millions of cubic metres of natural gas)	**2020 financial year**	2019 financial year (*)	% change
Production (1)	9	9	*0%*
Production from discontinued operations	268	338	*(20.7%)*
Production outside Italy (2)	147	161	*(8.7%)*
Imports (Pipeline + LNG)	12,253	14,652	*(16.4%)*
Other purchases	3,860	4,980	*(22.5%)*
Change in stored gas inventory (3)	77	(4)	*n.m.*
Total sources	**16,614**	**20,136**	***(17.5%)***
Production outside Italy from discontinued operations (4)	**1,137**	**1,624**	***(30.0%)***

(1) Production by Edison Stoccaggio. Net of self-consumption and at standard calorific power.
(2) Production relating to the concession in Algeria retrospectively reconsolidated from the beginning of the year.
(3) Includes pipeline leaks. A negative change reflects additions to the stored gas inventory.
(4) Counting volumes withheld as production tax.
(*) The 2019 figures have been restated for comparative purposes.

Uses of Natural Gas

(millions of cubic metres of natural gas)	**2020 financial year**	2019 financial year (*)	% change
Residential use	2,124	2,627	*(19.1%)*
Industrial use	5,151	4,919	*4.7%*
Thermoelectric fuel use	5,676	6,626	*(14.3%)*
Sales of production outside Italy	147	161	*(8.7%)*
Other sales	3,516	5,803	*(39.4%)*
Total uses	**16,614**	**20,136**	***(17.5%)***
Sales of production outside Italy from discontinued operations (1)	**1,137**	**1,624**	***(30.0%)***

(*) The year 2019 was restated for comparative purposes
(1) Counting volumes withheld as production tax.

Gas imports and other purchases both fell, by 16.4% and 22.5%, respectively. The trend of changes in stock shows that, compared to last year, there were lower additions.
As regards uses, equal to 16,614 million cubic metres, there was a downturn across all segments, with the exception of quantities sold for industrial uses, which showed slightly positive performance despite the reduction in consumption as a result of the lockdown. Sales for residential use declined by 19.1% primarily due to the particularly mild winter; sales for thermoelectric uses reduced as a result of the drop in production, while other sales also showed a considerable reduction.

Income Statement Data

(in millions of euros)	**2020 financial year**	2019 financial year (*)	% change
Sales revenues	3,243	4,892	*(33.7%)*
EBITDA	304	287	*5.9%*

(*) The 2019 figures have been restated in accordance with IFRS 5.

Sales revenues for 2020 came in at 3,243 million euros, down by 33.7% compared to the previous year, primarily due to the price scenario, to a lesser extent following the drop in volumes.
EBITDA, which includes the result of regulated activities and E&P activities in Algeria and Norway, not subject to disposal to Energean and reconsolidated as of January 2020, amounted to 304 million euros, an increase of 17 million euros compared to last year. This trend is also linked to the optimization of sources deriving from the flexibility of pipe contracts, which offset the reduction in margins due to the effects of the mild winter and the reduction in consumption compared to expectations due to the lockdown.

Discontinued operations

Production

Gas production attributable to discontinued operations, by adding Italy and abroad together, came to 1.405 million cubic metres, down 28.4% on last year (1.962 million cubic metres). The production sold in Italy decreased mainly due to the natural decline of the field production curves. Overall, production outside Italy was also down, due mainly to the depletion of fields.
Production of crude oil attributable to discontinued operations decreased by about 17.9%, due primarily to the depletion of fields in Egypt (-29.5%).

Income Statement Data

The E&P perimeter subject to disposal to Energean is treated as a Discontinued Operations pursuant to IFRS 5, a description of which is provided in the sections 1.4 and 9.2 of the 2020 Condensed Consolidated Financial Statements.
EBITDA (86 million euros) from discontinued operations is down 63.7% (237 million euros in 2019) due to lower sales revenues related to lower volumes and to a worsening price scenario.

Investments

During 2020 *E&P* perimeter subject to disposal to Energean invested 74 million euros in exploration, mainly in Egypt, and 30 million euros in development, mainly abroad.

Corporate Activities

Income Statement Data

(in millions of euros)	**2020 financial year**	2019 financial year	% change
Sales revenues	53	56	*(5.4%)*
EBITDA	(102)	(108)	*5.6%*

Corporate Activities include those operations of Edison Spa, the Group's Parent company, that engage in central and transversal activities, i.e., activities that are not directly tied to a specific business, and certain holding companies and real estate companies.
Sales revenues for 2020 were down 5.4% compared with 2019, while EBITDA improved by 6 million euros due in part to lower provisions, and in part to a reduction in overhead costs, despite some donations made during the health emergency for about two million euros.

Other Components of the Group’s Income Statement

(in millions of euros)	**2020 financial year**	2019 financial year (*)	% change
EBITDA	**684**	**602**	***13.6%***
Net change in fair value of derivatives (commodities and foreign exchange)	(3)	3	*n.m.*
Depreciation, amortisation and write-downs	(387)	(391)	*1.0%*
Other income (expense), non Energy activities	(55)	(40)	*(37.5%)*
EBIT	**239**	**174**	***37.4%***
Net financial income (expense)	(23)	(46)	*50.0%*
Income (expense) from equity investments	14	6	*n.m.*
Income taxes	(39)	7	*n.m.*
Net profit from Continuing Operations	**191**	**141**	***35.5%***
Net profit from Discontinued Operations	**(158)**	**(562)**	***71.9%***
Profit (Loss) for the year attributable to the owners of the parent	**19**	**(436)**	***n.m.***

(*) The 2019 figures have been restated in accordance with IFRS 5.

EBIT of 239 million euros are after depreciation, amortisation and write-downs totalling 387 million euros, a negative net change in the fair value of hedging of commodities and foreign exchange transactions amounting to 3 million euros (positive by 3 million euros in 2019) and other non Energy Activities net expense of 55 million euros.

The net result from continuing operations was a gain of 191 million euros (141 million euros in 2019), after net financial expense of 23 million euros, net income from equity investments of 14 million euros and income taxes of 39 million euros.

Net Financial Debt and Cash Flows

The table below provides a breakdown of the changes that occurred in net financial debt:

(in millions of euros)	**2020 financial year**	2019 financial year
A. NET FINANCIAL (DEBT) AT BEGINNING OF PERIOD	**(516)**	**(416)**
First-time application of IFRS 16	-	(165)
B. NET FINANCIAL DEBT AT JANUARY 1	**(516)**	**(581)**
EBITDA	684	602
Elimination of non-cash items included in EBITDA	(111)	169
Net financial expense paid	(27)	(23)
Net income taxes paid (-)	(35)	(32)
Dividends collected	8	6
Other items from operating activities	(16)	(21)
C. CASH FLOW FROM OPERATING ACTIVITIES	**503**	**701**
Change in the operating working capital	(88)	274
Change in non-operating working capital	(28)	50
Net investments (-)	(531)	(964)
D. CASH FLOW AFTER NET INVESTMENTS AND CHANGES IN WORKING CAPITAL	**(144)**	**61**
Dividends paid (-)	(51)	(50)
Other	17	(37)
Monetary increase/decrease in net financial debt (Discontinued operations)	(6)	91
Discontinued operations Disposal	187	-
E. NET CASH FLOW FOR THE PERIOD	**3**	**65**
F. NET CLOSING FINANCIAL DEBT	**(513)**	**(516)**

The main cash flows for the period derive from EBITDA, as commented above, the change in working capital and net investments, which include net capital expenditures of 488 million euros, mainly related to:

- investments in the thermoelectric generation sector, mainly for the construction of the Marghera Levante (83 million euros) and Presenzano (89 million euros) thermoelectric power plants;
- investments in energy and environmental services of 102 million euros, mainly linked to services for the Public Administration (23 million euros), the automotive sector (39 million euros), the environmental division (13 million euros) and activities abroad (13 million euros);
- investments in wind and photovoltaic sector of 43 million euros, mainly relating to complete reconstruction of wind farms;
- investments in Exploration & Production activities not subject to disposal to Energean totalled 63 million euros, relating to concessions in Norway of 53 million euros and Algeria of 5 million euros, in addition to investments in exploration.

Net investments also include:

- net effects of changes in the consolidation area, for a total of 17 million euros, mainly relating to the acquisition of the companies CEA Biogas Srl and Ambyenta Srl in the field of energy and environmental services;
- investments in non-current financial assets (26 million euros) that include for 22 million euros a capital increase in the company IGI Poseidon linked to the Eastmed pipeline and for 3 million euro net investments in the Small Scale LNG sector;

Contributes to the change in debt the sale of Discontinued Operations, which resulted in the collection of a consideration for 220 million euros and the deconsolidation of the net liquidity of the E&P companies falling within the scope of the sale to Energean for 33 million euros.

Outlook and Expected Results in 2021

Edison estimates its EBITDA will be in a range between 680 million and 740 million euros in 2021.

Edison Spa

Financial Highlights

(in millions of euros)	**2020 financial year**	2019 financial year (*)	% change
Sales revenues	4,432	6,194	*(28.4%)*
EBITDA (**)	360	258	*39.5%*
as a % of sales revenues	*8.1%*	*4.2%*	-
EBIT	184	100	*84.0%.*
as a % of sales revenues	*4.2%*	*1.6%*	-
Net profit from Continuing Operations	118	90	*31.1%*
Net profit from Discontinued Operations	(186)	(501)	*62.9%*
Net income/(loss) for the year	(68)	(411)	*83.5%*
Capital expeditures	254	132	*92,4%*
Net invested capital	4,197	4,358	*(3.7%)*
Net financial debt (available funds)	(567)	(417)	*(36.0%)*
Shareholders' equity	4,764	4,775	*(0.2%)*
Number of employees	1,373	1,342	*2.3%*

Pursuant to CONSOB Communication No. DEM/6064293 of July 28, 2006, the table below provide a reconciliation between the net result and the shareholders 'equity of the Parent company Edison Spa is shown with the net profit attributable to the Group and the shareholders' equity attributable to the shareholders of the Parent company al December 31, 2020:

Reconciliation of the net result and the shareholders' equity of Edison Spa and the corresponding consolidated data

(millions of euros)	12/31/2020 Net result	12/31/2020 Shareholders' equity	12/31/2019(*) Net result	12/31/2019(*) Shareholders' equity
Net result and Shareholders' equity of Edison Spa	**(68)**	**4,764**	**(411)**	**4,775**
- Results and carrying values of the consolidated companies, excluding minority interests	28	1,841	23	1,940
- Elimination of the carrying values of the consolidated investments in associated and in companies valued by the equity method		(1,297)		(1,394)
- Dividends of Edison Spa	(9)		(43)	
- Elimination of Parent company investments' adjustments	31		36	
- Investments in companies valued by the equity method	11	123	6	93
- Difference in profit (loss) from Discontinued Operations	28	(33)	(61)	(61)
- Other consolidation adjustments	(2)	(49)	14	(26)
Group interest in profit (loss) and Shareholders' equity attributable to Parent company shareholders	**19**	**5,349**	**(436)**	**5,327**

(*) Applying the accounting standard IFRS 5 the balances at December 31,2019 were not re-exposed, while economic reconciliation items have been restated in order to be comparable with 2020.

Risks and Uncertainties

Risk Management at the Edison group

Edison has developed an integrated business risk management model based on the international principles of Enterprise Risk Management (ERM), the Committee of Sponsoring Organizations Frameworks (COSO) specifically, the main purpose of which is the adoption of a systematic approach in mapping the company's most significant risks, addressing in advance their potential negative effects and taking appropriate actions to mitigate them.

With this in mind, Edison adopted a risk mapping and risk scoring methodology that assigns a relevance index to each risk based on an assessment of its overall impact, probability of occurrence and level of control, and a Corporate Risk Model, developed in accordance with best industry and international practices that places within an integrated framework the different types of risks that characterise the business in which the Group operates:

- risks related to the external environment, depending on market conditions, the competitive environment within which the Group operates and changes in the political, legislative and regulatory framework;
- operational risks, tied to processes, structures and corporate management systems, specifically with regard to production and distribution activities;
- strategic risks, which are related to the definition and implementation of the Company's strategic guidelines.

More specifically, with the coordination of the Risk Office, the managers of the various company departments map and assess risks within their scope of activity through a risk self-assessment process and provide an initial indication of the mitigating actions associated with those risks. The results of this process are then consolidated at the central level into a mapping system in which risks are prioritised based on the scores assigned to them and aggregated, so as to facilitate the coordination of mitigation plans within the framework of an integrated risk management approach.

The Enterprise Risk Management process is closely linked with the medium/long-term planning process with the aim of associating the Group's overall risk profile with the projected profitability resulting from the plan/budget document. The results produced by ERM are communicated to the Control and Risk Committee and the Board of Directors on predetermined dates and are used by the Internal Audit Department as a source of information to prepare special risk-based audit plans.

An analysis of the overall results of the process for the year just ended is provided in the "Risk Factors" section that follows, in particular in the "Financial Risks" section lists the main factors related to the commodity price, exchange rate, credit, liquidity and interest rate risks, for which specific safeguards have been adopted over the years to manage and minimise their impact on the Group's economic and financial equilibrium. For additional details about these risks see the information provided for IFRS 7 purposes in section 4 of the 2020 consolidated financial statements entitled "Market Risk Management", paragraph 3.1 "Credit risk management" and paragraph 6.4 "Financial risk management".

In 2018, the Group adopted a tax risk management and reporting system, which is integrated within the Group's overall control system (the Tax Control Framework or TCF). The TCF adopted consists of a Tax Policy and General Rules applicable to all Group companies, as well as matrices, coordinated with the provisions of Law No. 262/2005, to monitor activities with potential tax impacts in the main business processes.

Risk Factors

Risks Related to the External Environment

Legislative and Regulatory Risk

A potential source of uncertainty for Edison is the constant evolution occurring in the reference legislative and regulatory framework, which affects market activity, rate plans, required levels of service quality and technical and operational compliance requirements.
In this regard, Edison is engaged in an ongoing activity to monitor and carry out a constructive dialogue with national and local public institutions, so as to develop opportunities for discussing and promptly assessing the impact of regulatory changes, with the aim of minimizing the resulting economic impact.

In this context, among the main changes in the evolving legislative framework, the most significant risk factors include:

- the renewal of large-scale diversion hydroelectric concessions, whose regulation was revised by Decree-Law No. 135 of December 14, 2018, converted by Conversion Law No. 12 of February 11, 2019. The law provided, inter alia, that by March 31, 2020 the Regions were to enact laws governing: (i.) the methods and procedures for assigning concessions (with procedures to be launched within two years of approval of the regional law); and (ii.) for concessions set to expire before December 31, 2023, including those that had already expired, the methods, conditions and quantification of the additional consideration and any other charges to be borne by the outgoing concessionaire for the continuing operation of the concession after expiry and for the time required to complete the assignment procedures. Decree-Law No. 18 of March 17, 2020 (the "Cura Italia" Decree), converted by Conversion Law No. 27 of April 24, 2020, extended the above expiry by seven months to October 31, 2020. This extension also applies to the effects of the already approved regional laws (a provision that would apply to the Lombardy regional law). With regard to Regions in which elections were held in 2020, the deadline of October 31, 2020 was further extended by seven months from the date of entry into office of the new Regional Council. In addition, the final time limits for temporary continuation of plant operation for concessions that have expired or are nearing expiry were also extended by seven months (until July 31, 2024);
- the methods of discontinuing the protected electricity and natural gas market, with particular regard to implementation measures for the provisions of Decree-Law No. 162/2019, known as the "Milleproroghe" Decree, converted by Conversion Law No. 8 of February 28, 2020.In particular, the law provides for an extension of the dates for discontinuing the protected market until January 1, 2021 for larger non-domestic electricity customers and until January 1, 2022 for the remaining electricity customers and natural gas customers.The adoption of implementation measures by the Ministry of Economic Development is being finalised, in order to identify the methods of informed entry into the free electricity and natural gas market and the adoption of a list of electricity suppliers. In addition, ARERA adopted a measure for the introduction of a "gradual protection service" for electricity customers without suppliers;
- the new notification of the Capacity Market regulations, which will undergo limited modifications, to the European Commission, which the Italian authorities intend to present with a view to "securing" the mechanism from a procedural perspective, in light of the judicial initiatives under way. After the consultation stage, the notification of the regulations to the European Commission and their approval by the Ministry of Economic Development and ARERA, the organisation of the auction for the 2024 delivery year should take place in 2021;
- the appeals submitted by several operators to the Regional Administrative Court and the Court of First Instance of the European Union against the current design of the Capacity Market, which could result in a cancellation of

the auctions already carried out and a revision of the regulations, with a possible new notification to the Commission to verify compatibility with European regulations on State Aid.

Market and Competitive Environment

The energy markets in which the Group operates recorded significant fluctuations in terms of demand in 2020, with competitive pressure remaining high and an initial phase of significantly falling prices in the first half of the year followed by a subsequent recovery in the second half. Please refer to the section “The Italian energy market” for more in-depth information.

In the Italian electricity market, the introduction of restrictive measures by the government especially in March, April, November and December to combat the spread of the COVID-19 pandemic (such as the temporary suspension of industrial production and commercial activities deemed non-essential if not organised in flexible or remote working arrangements during the first wave and the temporary closure of a sub-set of commercial activities during the second wave, differentiated depending on the rate of the spread of infection and the sustainability of healthcare facilities) entailed a reduction in electricity consumption especially in the SME and industrial segments. Unlike in the previous year, in 2020 hydroelectric and photovoltaic production rose thanks to more favourable weather conditions; this, along with decreased demand, caused a reduction in gas-fired thermoelectric production, which represents a significant portion of the Group’s production mix, and imports.Exports on the other hand rose significantly, especially in relation to the maintenance activities on French nuclear facilities, which were extended due to the COVID-19 pandemic.

With regard to the abovementioned hydroelectric production, the portion produced by large-scale derivation concessions, of which the Group is the concession holder, will remain exposed in future years to the above-mentioned risk of the adverse outcome of tenders for the renewal of concessions that have already expired or are about to expire.

Moreover, technological changes in the electric power sector could make some technologies/services more competitive than those that are part of the Company’s business. In order to mitigate this risk, Edison monitors and assesses the development of new technologies on an ongoing basis, which are discussed in greater detail in the “Innovation, Research and Development” section.

In the natural gas market, demand recorded a general downturn in 2020, when compared to the previous year, due primarily to higher temperatures and restrictive measures imposed by the government to combat the spread of the COVID-19 pandemic. This decrease had an overall impact on a number of sectors: in particular, the change in demand in the residential and industrial sectors was linked to the reasons mentioned above, as a result impacting the thermoelectric sector, the reduction in which was also affected by an increase in hydroelectric generation, influenced by electricity supply and demand trends.

In this context of increased market risk profile, an important tool to mitigate the effects of changes in the energy scenario and market conditions is provided by clauses allowing the renegotiation of prices of long-term gas import contracts.

Country Risk

The Edison group’s presence in the international markets involving both the production and marketing of electric power, exposes the Company to a whole series of risks stemming mainly from political, economic, social, regulatory and financial differences compared with conditions in the country of origin. Currently, the area of greatest importance for the Group is Greece, where Edison, through Elpedison Sa, produces and markets electric power in a joint venture with its Greek partner Hellenic Petroleum.

In Greece, although the spread of COVID-19 was more limited than in other European countries, the pandemic entailed a significant deterioration in the economic and financial situation during the year, with a substantial decline in GDP of roughly 8% and an increase in debt; the tourism sector, exports and domestic consumption levels were most severely affected. The centre-right government (the New Democracy, which won the elections last year) adopted important measures to mitigate the impact of the COVID-19 virus, including additional healthcare expenditure, deferred tax and social security payments, targeted tax cuts, lockdown periods with closures of commercial activities and a prohibition on movements between regions. The European Central Bank’s decision to include Greece in the Pandemic Emergency

Purchasing Programme (PEPP) and the availability of local cash should limit the risk of refinancing.The new Government is expected to continue with planned privatizations, including in the energy sector, and with the optimisation of the implementation of large infrastructure projects, although with possible delays. In April the agency Standard & Poor's changed its outlook to stable, while maintaining a BB- sovereign rating. As concerns the energy sector, the production capacity remuneration mechanism was terminated in April 2019; the definition of a new system, previously planned for 2020, is currently expected in the course of 2021.Operations on the short and medium-term energy trading platform, aimed at increasing competition and supporting market coupling with Italy and Bulgaria, previously planned for 2019, were instead launched in early November.

The Company is committed to constant monitoring of the country's political and economic environment, to which the Group is exposed as at December 31, 2020, as indicated below:

(in millions of euros)	**12/31/2020**	12/31/2019
Loan receivable from the affiliate	56	61
Guarantees provided (1)	70	48
Equity investments (2)	60	36
Total	**186**	**145**

(1) Of which 37 million euros on bond loan and 33 million euros for other guarantees.

(2) Refers to the equity investments in IGI Poseidon and Elpedison Sa.

Additionally, with reference to the long-term gas procurement contracts, the Company is exposed to the geo-political context of the countries from which it obtains its supplies and, therefore, constantly monitors the situations therein.

Operational Risks

Processes, Structures and Business Management Systems

Edison's core businesses include building and operating technologically complex facilities for the production of electric power, managing gas storage centres, developing gas infrastructures, marketing energy efficiency services and solutions and distributing electric power and gas in retail and wholesale markets. These activities, which could entail the involvement of third parties, expose the Company to risks deriving from the potential inefficiency of internal processes and organisational support structures or exogenous events, such as malfunctions or unavailability of equipment and machinery. These risks could potentially have repercussions on the Company's profitability, the efficiency of its business activities and/or its own reputation.

The temporary suspension of industrial production and commercial activities deemed non-essential if not organised in flexible or remote working arrangements, required by the various governmental measures to combat the spread of contagion from COVID-19, particularly in March and April 2020, involved many customers and suppliers, entailing for the Group a temporary shutdown in work site activities, the rescheduling of maintenance activities at the production sites, the temporary suspension of operation & maintenance activities at some customers (with the exception of hospitals in the PA segment, for which service continuity was requested and guaranteed) and in several sales channels, and a reduction in consumption by end customers, especially during the most critical period. After a period of recovery from May to October 2020, the increasing number of people infected, starting in early November 2020, resulted in new restrictive measures being imposed by the government, differentiated based on the rate of infection and the sustainability of healthcare facilities in each region, in order to limit the economic repercussions.

This particularly critical situation linked to the spread of COVID-19 is managed in accordance with specific internal guidelines intended to rapidly and effectively manage crisis situations. Recourse to flexible working by the Company and many service providers, along with the optimisation of personnel performing essential services, made it possible to pursue the main activities of the Edison group even during the most critical phases and continues to allow for the

performance of normal business activities, while at the same time limiting the possibility of infection in the Company's locations.
The policy to manage these operational risks calls for the adoption of specific security and quality standards, and the implementation of upgrades to comply with international and national laws and the requirements of local entities with regulatory authority over such issues and of activities to improve the quality of processes in the various areas of business, with special focus on customer services. In addition, the management of potential crisis events is governed by specific internal guidelines designed to provide a quick and effective response to potential crisis situations that could cause injuries to people and damage the environment and the Company's facilities and reputation.
Additional information about the management of environmental and occupational safety risks is provided in the section of this report entitled "Health, Safety and the Environment."

Information Technology

The Group's diverse activities and business processes are supported by complex information systems. Risk issues exist with regard to the adequacy of these systems and the availability, integrity and confidentiality of data and information.
With respect to the first point, in the second half of 2020 several important projects continued and/or were completed and new ones were also launched; in particular:

- following the conclusion of the RACE (EESM Corporate Application Revision) project, the Application Maintenance phase began on various applications within the scope of the project and evolutionary developments began with a particular focus on the PA area, where the DIMP system was also introduced for the management of subcontracts;
- the EMS (Energy Management System) for the PA was released to the operating environment and integrated with the Enterprise Data Platform, the company platform containing different types of data coming from very different systems;
- projects are under way for the implementation of:
  - the CMMS (Computerized Maintenance Management System) for the Energy & Environmental Services Market Division, which is currently being used by the first PA site (Città della Salute; new operating sites on the system will be released progressively during 2021);
  - the EMS (Energy Management System) for the Industry area based on the METRON system and its integration with the company's Enterprise Data Platform;
  - the CRM system for the Energy & Environmental Services Market Division with the extension of modules already in production to new market areas of the division;
- important Gas Midstream applications have been re-engineered, including: Energy Bid and Desi for electricity dispatching in the Italian and foreign markets, Gexpo, portals for wholesale and thermoelectric customers, MDP and Maverick, for the provision of market data from outside the company (prices, volumes, production, weather forecasts, etc.); the long-term gas model forecasting system was also implemented;
- various projects were developed for the Gas&Power Market Division, the most important of which regard the re-engineering of the document system focused on customer centricity, the customer experience, with an upgrade of the website and the public area, and the analysis of customer base, churn and call centre performance data with the creation of several dashboards.

The integration was also completed of new companies acquired of the Energy & Environmental Services Market Division, with the migration of the Trento data centre (ex Energon) to the Milan data centre, the companies EDF EN Italia, EDF EN Services Italia and Assistenza Casa, bringing standards and technologies into line throughout the Edison group and proceeding with the management of all of these companies on the group's ERP system.
With regard to the risk of unavailability caused by a system fault, Edison adopted high reliability hardware and software configurations for those applications that support critical activities. These configurations were regularly tested during normal operations. Lastly, to protect against disasters, a disaster recovery solution is in operation which is tested periodically. A similar test is also performed for the Rivoli data centre.

Due to the health emergency, which also heavily impacted the second half of the year, the Company made available workstations, devices, software and services to guarantee the remote continuity of operations. Lastly, several applications are currently being transferred to the cloud to boost service flexibility and improve its time-to-market, without any reduction in security levels.

The risk relating to the integrity and confidentiality of company data and information and their availability in the event of cyber-attacks that are increasingly more frequent and sophisticated, is mitigated with the adoption of strict security standards and solutions; the service of the Security Operation Centre, operational since January 2016, which aims to identify current cyberattacks, was optimised through a process of "refinement" of analyses to improve their effectiveness. Finally, the Rex Wannacry project is currently being developed, targeted at strengthening the company IT system's resilience to new generation attacks: a precise and automatic inventory of all devices connected to the network was obtained, asset, vulnerability, triage and incident & crisis management procedures were developed and the threat intelligence service was assigned for the supervision and management of systems during cyber attacks. The installation of the new antivirus is currently being completed, which has a specific feature, based on artificial intelligence systems, against ransomware attacks.

Strategic Risks

The development of the core businesses of the Edison Group must be supported with investments, acquisitions and selected divestments, implemented as part of a strategy to streamline the overall portfolio and constantly responding to the competitive environment: the Group's ability to strengthen its core businesses in the markets where it operates is dependent on the effective deployment of these initiatives.
More specifically, insofar as direct investments are concerned, they typically entail a risk related to potential overruns in operational and investment costs, as well as possible delays in the start of commercial service, due in part to uncertainties in the permit issuing process, with a resulting impact on the profitability of these initiatives.
As for the strategy of growth through acquisitions, its success depends on the availability in the market of opportunities that could help the growth of the Group's core businesses at an acceptable cost and on the Company's ability to identify those opportunities on a timely basis and effectively integrate the acquired assets into the Group's activities.
In order to mitigate these risks, the Company adopted a series of internal processes to monitor the research and assessment phases of investment initiatives. In addition to the use of appropriate written procedures, these processes require the use of due diligence activities, binding contracts, multilevel internal authorisation processes, project risk assessment activities and project management and project control activities.

Financial Risks

Commodity Price Risk

The Edison group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles, which affect the Group both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the above-mentioned commodity prices are quoted in a foreign currency, the Group is also exposed to the resulting foreign exchange rate risk.
The activities required to manage and control these risks are governed by the Energy Risk Policies, which require the adoption of specific risk limits, in terms of economic capital, and the use of financial derivatives that are commonly used in the market for the purpose of containing the risk exposure within preset limits.

Foreign Exchange Risk

The activities carried out by the Group in currencies different from the euro and its strategies of expansion in the international markets expose the Company to fluctuations in foreign exchange rates. The guidelines concerning the governance and strategies to mitigate the foreign exchange risk generated by business activities are set forth in specific policies, which describe the foreign exchange risk management objectives depending on the different nature of the risk in question.

The Company adopts a centralised type of management model, through which is able to constantly safeguard the Group's economic and financial equilibrium by constantly monitoring exposures and implementing appropriate hedging and foreign exchange procurement strategies designed for risk mitigation purposes.

Credit Risk

With regard to the risk of potential losses caused by the failure of any of the counterparties the Company interacts with to honour the commitments they have undertaken, the Group has implemented for some time procedures and tools to evaluate and select counterparties based on their credit rating, constantly monitor its exposure the various counterparties and implement appropriate mitigating actions, primarily aimed at recovering or transferring receivables.

Interest Rate Risk

Because it is exposed to fluctuations in interest rates primarily with regard to the measurement of debt service costs, the Edison group assesses on a regular basis its exposure to the risk of changes in interest rates, which it manages mainly by defining the characteristics of the facilities during the negotiation phase.

Liquidity Risk

The liquidity risk has to do with the possibility that the Company may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The policy to manage this risk is designed to ensure that the Edison group has access to sufficient credit facilities to meet short-term financial maturities, while at the same time consolidating its funding sources.

Provisions for risks and charges

In addition to the risk management and mitigation activities described above, when faced with present obligations deriving from past events, which can be of a legal or contractual nature or result from statements or conduct of the Company such as to engender in third parties a valid expectation that the company is responsible or assumes responsibility for fulfilling an obligation, the Edison group recognized over the years adequate accruals to special provisions for risks and charges listed among the liabilities in the financial statements (see also the accompanying Notes to the consolidated financial statements). More specifically, Edison group is involved in various judicial and arbitration proceedings of various type, through Edison Spa, as the universal successor, as the incorporating company of Montedison Spa for a descriptions of which is provided in chapter 8 entitled "Non-Energy Activities" in the Notes to the consolidated financial statements.

OTHER RESULTS FROM OPERATIONS

Innovation, Research and Development

The Research, Development and Technological Innovation Department (RD&TI) operates in synergy with Edison's other Departments and Business Units on a wide range of activities that include monitoring technological evolution and innovation, the performance of research and development projects and strengthening the network of scientific relationships with outside centres of excellence (e.g., EDF R&D, Polytechnic University of Milan, Polytechnic University of Turin, University of Pavia, Research institutions), including by engaging in joint projects.
In 2020, the new laboratory located at the Turin Officine was completed, a large space equipped with infrastructure and services for housing significant hardware in terms of size and installation specifications. The laboratory is integrated within the spaces of the Polytechnic University of Turin's Energy Center Lab, and synergies with it will make it possible to both broaden and deepen the Department's research activities.
The activities that the RD&TI Department carries out at the Milan Officine, the Turin Officine and at local experimental sites are described briefly below.

Electric mobility

This topic regards the study and experimentation of innovative technologies for smart charging of electric vehicles, and also includes participation in demonstrative projects, with a view to obtaining useful information for the definition of the applicable business models.

Storage

This regards the study and experimentation of storage technologies for stationary applications on various scales. The focus of laboratory activities is on residential applications, particularly on systems for the optimisation of photovoltaic generation self-consumption. The activities for the characterisation of large-scale batteries regard two Li-ion systems installed at demonstrators outside Officine.

Power-to-X

Power to X regards the production of fuels and, more generally, low impact synthetic chemical products, based on a surplus of electricity from renewables. The aim of RD&TI activities is to increase skills and in particular, there is a focus on the assessment of hydrogen generation, transport, storage and usage technologies, including through laboratory testing of the most innovative systems for its production through electrolysis.

Smart Home-IoT

The Internet of Things (IoT) offers opportunities for a combined physical and digital presence with our customers, not limited to the provision of solutions directly linked to energy (such as smart thermostats), but open to everything that contributes to caring for home and family. Increasing attention is devoted to advanced technologies for interactions with customers, even including the exploration of cutting edge topics like service robotics, not only in the residential environment.

Innovative photovoltaics

This area monitors developments in the area of innovative photovoltaic generation technologies. The activities range from studies in the laboratory of emerging materials and systems, to the characterisation in realistic operating conditions of unconventional prototype photovoltaic devices, to define the potential impact of new technologies on the future scenario.

Health, Safety and the Environment

The main results achieved in 2020 and projects under development are reported below:

Safety Performance Trend

The Group consolidated the practice of presenting, based on a comprehensive and integrated approach, the effects of prevention programmes to promote a culture of occupational health and safety, combining the data for Edison's personnel and for employees of suppliers, assigning to the management throughout the organisation improvement objectives compared with the average results for the previous three years.

The reference indicators in the domestic context are:

- the frequency rate, calculated by multiplying the number of injuries divided by the number of hours worked, by one million;
- the seriousness rate, calculated by multiplying the number of days lost due to injuries divided by the number of hours worked, by one thousand.

On the basis of this approach, 2020 closed with an overall injury frequency rate that came in at 2.0, slightly worse than 2.2 in 2019. More specifically, the injury frequency rate was 1.9 for company employees, an improvement over the value of 2.6 in 2019, while that for employees of contractor companies stood at 2.3, a deterioration compared to 1.4 in the same period of 2019. The total seriousness rate at the end of 2020 was 0.06, in line with the same figure in 2019 (0.05), confirming the limited severity of our accidents. It should be noted that, for the purposes of comparison also within the group to which it belongs (EDF group), the Company also uses the Lost Time Index Rate (LTIR) indicator relating only to accidents occurring for causes directly related to work related activities. In this sense, 2020 closed with an overall LTIR of 1.9, higher than 1.6 in 2019. More specifically, the LTIR rate was 1.7 for company employees, substantially in line with this figure in 2019 (1.7), while that for employees of contractor companies stood at 2.3, a deterioration compared to 1.6 in 2019. The results for the year therefore show a trend reversal compared to the previous year, particularly as regards the results relating to employees of contractor companies.

Unfortunately, two fatal events also took place in 2020. The first was a workplace accident at Fenice's Mirafiori work site, which involved one employee of a contractor company. The second involved an employee of Fenice Poland at the Rzeszow site who died while at work as a result of sudden illness.

Activities Concerning Health, Safety and the Environment

The main activities and processes carried out in 2020 are reviewed below.

The entire year was impacted by the health emergency. Therefore, the majority of planned activities were re-scheduled or in any event performed only in part. The requirements established by applicable regulations on health, safety and the environment were met, while the internal audit plan was carried out in the second half of the year. The planned certification visits on the environmental, health and safety management systems were performed by accredited entities both for certification renewal and surveillance purposes, as were those for the other certification schemes relating to quality, energy and social responsibility, when applied. The unique period during which we have been operating was managed by the HSE Select Committee, consisting of the HSE representatives of every Division, which coordinated all necessary activities to ensure respect for the prevention and protection measures identified and prescribed by the competent authorities and for the definition and management of the policies and requirements for managing the COVID-19 pandemic adopted across the company. There were no incidents during the year with an impact on environmental matrices (soil, subsoil, surface water and biodiversity).

Management of the COVID-19 Pandemic Crisis

The main actions put into place to manage the emergency situation caused by the pandemic are described below.

On February 27, 2020, the central crisis unit was activated, which coordinated all activities and connections with the EDF group. A continuous communications channel was established with all employees, with the drafting of institutional messages in order to transmit the decisions taken and guide behaviours. All precautionary and prevention measures from the organisational, management and hygienic/healthcare perspective were taken, considering the specific characteristics of our business activities. A support channel was made available to all employees to handle specific cases, through the crisis and company healthcare coordination units. Appropriate communications with suppliers and customers were also prepared. In the initial phase and for the entire lockdown period (from February 21 to May 2,2020), the following activities were carried out:

- extension and large-scale use of special arrangements for remote smart working (up to five days/week), with the exception of the services and activities deemed essential for the company's business;
- application of the collective bargaining and income support tools set forth by legislation;
- travel limited to the essential;
- guest visits limited and then suspended;
- maintenance work limited to what was essential and undeferrable;
- construction work at large work sites limited to essential activities and then suspended;
- closure of customer branches/stores.

The company's offices were open and operating for the entire period. Starting in May 2020, a plan for the gradual resumption of work activities was launched through the issue of specific company guidelines, in coordination with the workers' representatives. In this phase, the plan (still under way) regarded:

- the continuation of the special smart working remote working arrangement (introduction of protections for working parents);
- progressively increasing the return to the workplace;
- adoption of working methods that ensure the necessary interpersonal distancing, with the definition of the maximum levels of presence permitted;
- adoption of access/exit procedures intended to reduce crowding;
- adoption of site access procedures that include body temperature checks;
- provision of appropriate protection equipment (including masks);
- cleaning and sanitisation of environments and ventilation systems;
- prompt and adequate information on prevention/protection regulations and on the behaviour to be adopted;
- availability of car parks in offices with particular critical issues relating to the use of public transport;
- re-opening of branches and commercial stores;
- re-opening of construction sites and resumption of maintenance activities;
- resumption of travel activities, although limited to essential domestic trips;
- limited re-opening of access to outside guests;
- possible provision of in-person training, with authorisation from the company prevention and protection service;
- reorganisation of the canteen service at the Foro Buonaparte and Rivoli offices.

After the summer, as the global epidemiological scenario deteriorated, culminating with the national lockdown period due to the "second wave", all health, organisational and management prevention measures adopted were reconfirmed and strengthened. Starting from the end of October 2020, additional prevention measures were applied, including the large-scale use of remote working, a maximum limit on people present in the company's offices of 30% and restrictions on travel as well as in-person meetings.

On November 2, a voluntary rapid antigen testing campaign was launched, carried out every fifteen days, to manage asymptomatic people entering the company's offices.
The COVID-19 positivity rate of the company's personnel basically reflected the national trend during both phases of the pandemic, recording a more limited and geographically concentrated rate in the first phase in February-April 2020, and a higher and more geographically widespread rate in the second phase, which began in the second half of October 2020. However, the severity of the contagion recorded based on the indicator of COVID-19 hospitalisations for company employees was very limited, as was the figure relating to COVID-19 deaths, which at December 31, 2020 came to a total of two in the entire Group, with a rate of 0.03% of company employees, considerably lower than the national average of roughly 0.1% of the population.
The prevention measures adopted by the Company made it possible to ensure the on-site management of operating activities linked to the functioning of electricity generation and hydrocarbon production plants, storage facilities and gas distribution to national users, while essential activities to guarantee the operational functioning of healthcare facilities were also guaranteed with no discontinuity throughout the pandemic management period; activities geared towards managing customer service were also ensured with no disruptions through smart working activities carried out directly and through our partners that manage the call centres. New initiative development activities at the main company work sites also continued with no particularly critical issues, except for during the March/April 2020 period during the height of the lockdown.

Human Resources and Industrial Relations

Human Resources

The year at December 31, 2020 closed with 4,786 employees compared to 5,631 (including 949 employees of E&P business) on December 31, 2019. The change is mainly attributable to the exit of E&P companies sold to Energean. There was also an increase in headcount, which can be ascribed primarily to the start of projects for the Public Administration in the Energy and Environmental Services Market (EESM) Division, partially offset by the deconsolidation of the company Dolomiti Edison Energy in July 2020.
The cost of labour in the year reported a value of 321.1 million euros, marking a total increase of +2.9% compared to 2019.

Industrial relations

The table below shows the main events of general significance for the Edison group that occurred in 2020:

Management of the health emergency linked to the spread of the COVID-19 virus

Since the start of the pandemic and for the management of all of its phases of development throughout the year, various meetings were held with the national trade union secretariats and with the RSUs (trade union representatives) of the individual Edison group companies to identify and share health and hygiene prevention measures suitable to ensuring the containment of the COVID-19 virus across all sites, work sites and places of company operations, reconciling the highest degree of worker health protection with the specific need to carry out activities in order to provide essential public services.
In this regard, various trade union agreements were signed with the national trade union secretariats and the Coordination of the Edison group's trade union representatives, consistent with regulatory provisions in force over time and with the Inter-Union Protocols of March 17 and April 24, 2020. These agreements introduced organisational measures intended to extend the use of emergency smart working with no time limits for all activities that may be carried out remotely. As a result of this measure, the use of smart working in the most acute phases of the pandemic reached levels equal to roughly 60% of all employees working in Italy.
The trade union agreements also made it possible to manage and mitigate the loss of economic income for employees whose activities were temporarily suspended during certain phases of the pandemic and for whom it was not technically

or organisationally possible to set up a smart working arrangement. The income support measures introduced by these agreements also included the introduction of new schemes such as solidarity leave and the company's economic supplement to the special parental leave introduced by national legislation for the management of COVID-19.

The measures mentioned above made it possible to limit recourse to the COVID-19 Redundancy Fund, used exclusively in the Energy & Environmental Services Market Division during the initial phase of the pandemic and limited to activities linked to industrial customers that were temporarily significantly reduced or suspended. Also, in this case, the use of extraordinary measures such as solidarity leave, allowed for an economic supplement to the COVID-19 Redundancy Fund payments, mitigating the loss of income for the employees concerned.

Merger of EDF EN ITALIA Spa and EDF EN SERVICES ITALIA Srl into EDISON RENEWABLES Srl

The harmonisation agreements of May 20 and June 11, 2020 defined the methods for transferring the employees of EDF EN ITALIA Spa and EDF EN SERVICES ITALIA Srl whose employment relationships, based on two distinct mergers, were transferred to EDISON RENEWABLES Srl as set forth in art. 2112 of the Italian Civil Code, as of June 1 and July 1, 2020, respectively. Both corporate transactions were preceded by the activation of the trade union disclosure procedure laid out in art. 47 of Italian Law 428/1990. For EDF EN ITALIA Spa, the transaction resulted in the application of the Electricians Collective Bargaining Agreement in place of the Tertiary Sector Collective Bargaining Agreement applied previously.

Application of the Electricians Collective Bargaining Agreement in the companies ASSISTENZA CASA Spa, Attiva Spa, EDISON ENERGIA Spa

By means of harmonisation agreements of May 20 and June 24, 2020, the application of the Electricians Collective Bargaining Agreement in the companies Assistenza Casa Spa (in place of the Tertiary Sector Collective Bargaining Agreement), Attiva Spa (in place of the Gas-Water Collective Bargaining Agreement) and Edison Energia Spa (in place of the Gas-Water Collective Bargaining Agreement) was agreed upon.

Merger of Edison Energy Solutions Spa into Fenice Qualità per l'Ambiente Spa

With the trade union meetings of November 16 and 27, 2020, the trade union disclosure procedure pursuant to art. 47 of Italian Law 428/1990 relating to the merger of Edison Energy Solutions Spa into Fenice Qualità per l'Ambiente Spa effective as of December 1, 2020 was completed. The operation involved a total of 50 people with no modification either in their economic and regulatory conditions already applied by Edison Energy Solutions Spa or in their workplace.

Video surveillance agreements in the hydroelectric sector

On September 11, 2020, a framework agreement was reached between Edison and the national trade union organisations - pursuant to the provisions of art. 4, paragraph 1 of Italian Law no. 300 of May 30, 1970 - to define methods for the installation and use of video surveillance systems in Edison's hydroelectric sector. Specifically, the agreement allows video surveillance systems to be installed for organisational and production requirements and for company asset protection purposes. In implementation of the framework agreement, on October 19, 2020 a specific agreement was reached relating to the "Valtellina Alto Lario" hydroelectric area and the "Adda" area.

Trade union discussions relating to the transfer of E&P assets

During the year, meetings were held at national level, including within institutional working groups set up by the ministries: during those meetings, and in particular that launched most recently by the Ministry of Labour, measures were confirmed and further reinforced to protect employment and the overall economic and regulatory conditions linked to the employment agreements of the Italian employees involved in the transfer to Energean finalised effective as of December 17, 2020.

Organisation and Employee Services

This paragraph shows the main organisational changes that occurred in the reference period.

the organisational macro-structure and the main responsibilities of the Gas & Power Market Division were partly reconfigured through the introduction of "territorial models" in order to enhance channel synergies and the territorial presence.

Following the acquisition of 100% of Assistenza Casa, which took place in 2020; a new Retail Services Delivery Department was created, which was assigned the main responsibility of providing customers with delivery services for insurance products and other Value-added Services (VAS) sold by the Market Departments. The integration of the activities and resources previously allocated to Edison Energie, merged into Edison Energia, within the Gas & Power Market Division was also completed, taking advantage of the management synergies set out in the acquisition business plan and continuing to develop the customer portfolio acquired, also through the gradual expansion of the range of energy commodities, products and services.

The reorganisation of the main structures of the EESM Division was completed: in particular, a new Department dedicated to the FCA (now Stellantis) CNHI customer was created, and the Services Delivery & Contract Management Department structure was restructured, focused on services for industry customers. Through a process of organisational and corporate integration, the structure of the PA Market EESM Department was redefined, which involved, among other things, the merger between Zephyro Spa and Edison Facility Solution Spa.

Similarly, the organisational structure of the activities of the Energy & Environmental Services Market Division was redefined.

Also within the division, the reorganisation of the main support functions (HR, FINANCE; Compliance & Audit, Procurement) was completed.

The Engineering Division's macro-structure and operating model was redefined with the aim of effectively ensuring the study, design and specialist engineering, management and site activities of construction and energy efficiency projects, plants, infrastructures and buildings in the various operating contexts of the company.

The organisation of the Gas Midstream, Energy Management & Gas Infrastructures Division was also redefined; as of January 1, 2021, the pre-existing Division will stop operating and it will be reorganised into two new divisions:

- Gas & Power Portfolio Management & Optimization Division, which includes all activities relating to the acquisition, import and management of the gas and LNG contracts portfolio and activities for the acquisition and sale of electricity in the wholesale market;
- Gas Assets Division, which includes the development and management of all gas and LNG infrastructure, both merchant and subject to the regulated market in Italy and abroad, as well as the management of the remaining assets and corporate investments in the E&P sector, after the disposals carried out and/or under way.

With regard to employee services, the company continued to provide significant support to the "Edison per Te" employee wellbeing program, the objective of which is to help employees reconcile their personal needs with their professional obligations with the aim of improving their quality of life. Employees continue to give highly positive ratings to this programme, as shown in the results of the annual MyEdf 2019 survey. Through said survey conducted by the company IPSOS, the group of services for employees and pension, healthcare and accident cover proposed to employees also met with an excellent level of satisfaction, sitting at around 85%, higher than the average of other large Italian companies. The portal for the use of services was updated to improve the welfare experience by simply and intuitively extending access to all companies in the Group, on both the commodity and service side. During these months, new services have been introduced to support employees in line with the emergency situation triggered by COVID-19 and furthermore several services to care for families have been progressively extended to the scope of the Energy & Environmental Services Market Division as well.

Training and Development

For the sixth year in a row, in 2020 Edison received the Top Employers Italia award, the certification of quality and excellence guaranteed by the Top Employer Institute, an independent international organisation which analyses more than 2,500 companies worldwide on an annual basis. The certification, which is the result of research conducted independently and based on objective data, recognised the excellence of Edison in terms of the employment conditions offered to employees, training and development policies circulated at all company levels, the on-boarding process, in employer branding and Corporate Social Responsability.

Edison has received the Universum Talent 2020 - Italy's Most Attractive Employers prize for the Utilities category, awarded thanks to the opinion expressed by nearly 36,500 young people from 39 Italian universities who consider Edison one of the most attractive companies. Also with Universum, in 2020 Edison received second prize amongst companies with a strong STEM (Science, Technology, Engeneering and Mathematics) awareness according to the opinion of almost 12,000 professionals, who have a university degree and at least one year and up to a maximum of five years of work experience.

Lastly, in the Italy's Best Employers 2021 survey performed by Statista for Corriere.it, which involved more than 12 thousand employees, Edison was recognised in the energy and utilities sector as the ideal company to work for.

Despite the distancing imposed by the management of the pandemic situation, training activities for the development of skills and the growth of people continued through a rapid redesign and deployment of remote learning, strengthening of training on the use of tools supporting people working remotely and specific initiatives for maintaining an active business community social life during periods of distancing.

During the second half of 2020, the provision of management training initiatives continued, aiming to develop the mindsets deemed strategic for the achievement of business objectives, in particular the engagement and development of people, entrepreneurship and the courage to take risks, innovation and the centrality of the customer and the territory.

This year, the Performance Management model was redesigned in line with the new Group Leadership model, and alignment meetings and a communication campaign were organised on the new model aimed at all company managers.

A new training initiative on Inclusive Negotiations was designed and provided digitally with a view to applying the topics of plurality and inclusion, which constitute a value for the company, to negotiating capabilities.

The follow-up of the Leading People, Leading business training course, in which roughly thirty executives recently appointed in the Group participated, concluded in residential mode.

Access to the Ambrosetti Permanent Updating programme was expanded to all Group executives and made it possible to participate in a number of webinars on the macroeconomic scenario and on management topics during the lockdown.

All Group managers continued to be able to access the professional updating webinars organised by The Ruling Companies network.

The Digital Empowerment project was launched, which has the goal of further reinforcing digital skills in the company, also by leveraging an internal community of digital sherpas.

The possibility of participating in the international management training initiatives organised by the EDF Corporate University this year was highly restricted by the health emergency situation: so several digital initiatives were organised with the involvement of some young talent.

As regards digital training, the platform Digital Training MyLA – My Learning Area was enriched with new contents, an environment integrated with the Edison intranet that makes it possible to quickly and easily access all e-learning contents, in particular, on certain matters like HSE, compliance and digital education. Given the emergency situation, within the Energy Gate programme, employees have been provided with a course dedicated to supporting workers in smart working in the use of Teams, a social collaboration tool, with a view to describing its functions and facilitating remote work, which has quite suddenly involved a number of Group colleagues. A new cybersecurity training course has been launched with the goal of strengthening technical skills on the topic and protecting employees and the company from the risk of cyber fraud.

The Edison Digital Academy has started: a permanent training programme developed in collaboration with Talent Garden, which has the objective of accelerating the company's digital transformation by aiming to enhance people's skills. In the first twelve months of training, it will involve around 150 employees from all areas of the company, and in subsequent years it will aim to include an increasingly high number of employees. The initial course is structured into seven master classes dedicated to strategic topics for the company, i.e. artificial intelligence and the ensuing transformations for the energy sector, the areas of application of the Internet of Things and the importance of thinking and designing products and services at user scale. The training is complemented with extensive involvement in the Digital Community, a digital space which becomes a "place" for collaboration, communication and knowledge sharing. In the Digital Community, the materials used during the master class are shared, along with links to in-depth information on the topics discussed and logistical/organisational information.
As part of the company's Onboarding path, also in 2020, EXPO was held, for the first time in digital mode, dedicated to new colleagues joining the Edison group. The event presenting the professions and activities of each company Division involved more than 200 colleagues for a period of three days.
Huge attention was also focused on the insertion and training of young personnel, predominantly new graduates or with little professional experience, at whom Edison's graduate programme was aimed, i.e. the Young Community, a three-year development and training programme. In 2020, YC Meet Ups were created, digital meetings on Teams to reflect on the situation and on the future, to learn and become more familiar with the company. Also, in 2020, a new development format was created for the company's young people, i.e. the Cross Generations Bridge, a series of meetings between the Edison group's young people and seniors. The objective of the six-month project held in digital mode with 22 participants was to transmit the company's culture and values to new generations, while fostering the development of digital skills in senior employees and in general boosting awareness of the generational diversity present within the company.
Projects continued within the world of education: Edison participated for the sixth time in Deploy Your Talent promoted by the Sodalitas foundation, a project focused on themes linked to new technologies, smart working and the development of new innovative and sustainable businesses. The "Tuned on Edison" orientation course on the professions designed and managed by young people in Edison's Young Community in partnership with three technical institutions and high schools was created. Two courses of Orientation to University and Work for the children of employees were successfully activated, and Digital Career Day initiatives continued with some significant Italian universities.
The training activities carried out in 2020 totalled 146.537 hours, involving a total of 80% of employees. The total expenses incurred for those activities amounted to 7,8 million euros, of which 379 thousand euros incurred through training financed by professional funds.

Sustainability

Edison's sustainable business model is illustrated in the Consolidated Non-Financial Disclosure pursuant to art. 3 and art. 4 of Legislative Decree No. 254 of 2016, contained in the 2020 Financial Report.

OTHER INFORMATION

Pursuant to art. 2428 of the Italian Civil Code, the Company provides the following disclosure:

- at December 31, 2020, it did not hold treasury shares or shares of its parent company in the portfolio, neither indirectly through nominees nor other third parties. No transactions involving treasury shares or shares of the parent company were executed during the financial year, neither indirectly through nominees nor other third parties;
- the Group and the Company executed transactions with related parties during the year. For a description of the most significant, reference should be made to the comments in the 2020 consolidated financial statements and the 2020 separated financial statements in section 9.4 and 10.2 respectively, “Intercompany and Related-party Transactions”.
- no secondary registered offices have been established.

The Company chose to avail itself of the options provided under art. 70, paragraph 8, and art. 71, paragraph 1-bis, of the Issuers’ Regulations. Consequently, it is not complying with the requirement to make available to the public an Information Memorandum in connection with significant transactions involving mergers, demergers, capital increases through conveyances of assets in kind, acquisitions and divestments.

REPORT OF THE INDEPENDENT AUDITORS