2019
FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

VOLUME 2

Contents

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

CONSOLIDATED INCOME STATEMENT

(in millions of euros)	Chapter	2019	2019 of which related parties	2018 (*)	2018 (*) of which related parties
Sales revenues		8,168	1,223	8,728	924
Other revenues and income		104	14	90	7
Total net revenues		**8,272**	**1,237**	**8,818**	**931**
Commodity and logistic costs (-)		(6,716)	(654)	(7,463)	(554)
Other costs and services used (-)		(561)	(61)	(548)	(53)
Labor costs (-)		(308)		(289)	
Receivables (writedowns) / reversals	3	(10)		(12)	
Other costs (-)		(90)		(80)	
EBITDA	2	**587**		**426**	
Net change in fair value of derivatives (commodity and exchange rate risk)	4	3		(7)	
Depreciation and amortization (-)	5	(341)		(267)	
(Writedowns) and reversals	5	(33)		(3)	
Other income (expense) non Energy activities	8	(40)		(23)	
EBIT		**176**		**126**	
Net financial income (expense) on debt	6	(18)	(4)	(5)	(2)
Other net financial income (expense)	2	(9)	11	8	16
Net financial income (expense) on assigned trade receivables without recourse	3	(15)		(11)	
Income from (Expense on) equity investments	5	6	2	4	4
Profit (Loss) before taxes		**140**		**122**	
Income taxes	7	(42)		(29)	
Profit (Loss) from continuing operations		**98**		**93**	
Profit (Loss) from discontinued operations	2;9	(562)		(26)	
Profit (Loss)		**(464)**		**67**	
Broken down as follows:					
Minority interest in profit (loss)		15		13	
Group interest in profit (loss)		**(479)**		**54**	

(*) The amounts of 2018 were restated pursuant to IFRS 5.

The new accounting standard IFRS 16 "Leases" has been applied from January 1, 2019 prospectively without restatement of comparative data.

OTHER COMPONENTS OF THE COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Chapter	2019	2018
Profit (Loss)		**(464)**	**67**
Other components of comprehensive income:			
A) Change in the Cash Flow Hedge reserve	6	**(56)**	**(50)**
- Gains (Losses) arising during the year		(78)	(70)
- Income taxes		22	20
B) Differences on the translation of assets in foreign currencies		**3**	**3**
- Gains (Losses) arising during the year not realized		4	5
- Income taxes		(1)	(2)
C) Pro rata interest in other components of comprehensive income of investee companies		-	-
D) Actuarial gains (losses) (*)		**(1)**	**-**
- Actuarial gains (losses)		(1)	-
- Income taxes		-	-
Total other components of comprehensive income net of taxes (A+B+C+D)		**(54)**	**(47)**
Total comprehensive profit (loss)		**(518)**	**20**
Broken down as follows:			
Minority interest in comprehensive profit (loss)		15	13
Group interest in comprehensive profit (loss)		**(533)**	**7**

(*) Items not reclassificable in Income Statement.

CONSOLIDATED BALANCE SHEET

(in millions of euros)	Chapter	12.31.2019	of which related parties	12.31.2018 (*)	of which related parties
ASSETS					
Property, plant and equipment	5	3,312		3,647	
Intangible assets	5	344		617	
Goodwill	5	2,220		2,403	
Investments in companies valued by the equity method	5	91	91	71	71
Other non-current financial assets	5	68	48	69	54
Deferred-tax assets	7	216		461	
Non-current tax receivables	7	35		34	
Other non-current assets	3	43		121	
Fair value	4	100		170	
Assets for financial leasing	6	2		3	
Total non-current assets		**6,431**		**7,596**	
Inventories	3	133		223	
Trade receivables	3	1,132	127	1,654	92
Current tax receivables	7	26	19	43	29
Other current assets	3	380	24	387	34
Fair value	4	676		530	
Current financial assets	6	347	6	3	3
Cash and cash equivalents	6	283	156	149	29
Total current assets		**2,977**		**2,989**	
Assets held for sale	9	**1,401**		**-**	
Total assets		**10,809**		**10,585**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,377		5,377	
Reserves and retained earnings (loss carryforward)		417		389	
Reserve for other components of comprehensive income		12		66	
Group interest in profit (loss)		(479)		54	
Total shareholders' equity attributable to Parent Company shareholders	6	**5,327**		**5,886**	
Shareholders' equity attributable to minority shareholders	6	186		255	
Total shareholders' equity		**5,513**		**6,141**	
Employee benefits	5	38		40	
Provisions for decommissioning and remediation of industrial sites	5	163		716	
Provisions for risks and charges	5	342		211	
Provisions for income tax liabilities	7	-		29	
Provisions for risks and charges for non Energy activities	8	266		250	
Deferred-tax liabilities	7	95		120	
Other non-current liabilities	3	5		1	
Fair value	4	93		168	
Non-current financial debt	6	615	35	353	60
Total non-current liabilities		**1,617**		**1,888**	
Trade payables	3	1,425	80	1,580	87
Current tax payables	7	104	78	65	51
Other current liabilities	3	184	14	222	15
Fair value	4	726		471	
Current financial debt	6	342	26	218	28
Total current liabilities		**2,781**		**2,556**	
Liabilities held for sale	9	**898**		**-**	
Total liabilities and shareholders' equity		**10,809**		**10,585**	

(*) Applying the accounting standard IFRS 5 balance sheet data as at December 31, 2018 were not restated.
The new accounting standard IFRS 16 'Leases' has been applied from January 1, 2019 prospectively without restatement of comparative data.

CASH FLOW STATEMENT

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e. due within 3 months) in 2019 and 2018. In order to provide a better understanding of the Group's cash generation and utilization dynamics and changes in net financial debt, please see paragraph 6.3 Net financial debt and cost of debt. The information provided below is supplemented by the data presented in a separate statement included in the Report on Operations.

	(in millions of euros)	Chapter	2019	2019 of which related parties	2018 (*)	2018 (*) of which related parties
	Profit (Loss) before taxes		**140**		**122**	
	Depreciation, amortization and writedowns	5	374		270	
	Net additions to provisions for risks		21		(37)	
	Interest in the result of companies valued by the equity method (-)	5	(6)	(2)	(4)	(4)
	Dividends received from companies valued by the equity method	5	6	6	11	11
	(Gains) Losses on the sale of non-current assets		-		-	
	Change in employee benefits		(1)		(3)	
	Change in fair value recorded in EBIT	4	(3)		7	
	Change in operating working capital		251	(45)	7	2
	Change in non-operating working capital		50	6	(25)	8
	Change in other operating assets and liabilities		134		4	
	Net financial (income) expense		42	(7)	8	(14)
	Net financial income (expense) paid		(19)	7	1	14
	Net income taxes paid		(39)	(6)	(30)	(5)
	Operating cash flow from discontinued operations	9;10	223		257	
A.	**Operating cash flow**		**1,173**		**588**	
	Additions to intangibles and property, plant and equipment (-)	5	(288)		(277)	
	Additions to non-current financial assets (-)	5	(43)	(27)	(13)	(13)
	Net price paid on business combinations (**)	1	(147)	(140)	(400)	
	Cash and cash equivalents disposed		(1)		-	
	Proceeds from the sale of intangibles and property, plant and equipment		3		4	
	Proceeds from the sale of non-current financial assets		26		4	
	Cash used in investing activities from discontinued operations	9;10	(166)		(136)	
B.	**Cash used in investing activities**		**(616)**		**(818)**	
	Receipt of new medium-term and long-term loans		40		143	
	Redemption of medium-term and long-term loans (-)		(169)	(73)	(25)	-
	Other net change in financial debt		(180)	(102)	156	-
	Change in current financial assets		17	2	12	-
	Net liabilities resulting from financing activities (***)	6	(292)		286	
	Capital and reserves contributions (+)		-		-	
	Dividends and reserves paid to controlling companies or minority shareholders (-)	6	(50)	-	(47)	(1)
	Cash used in financing activities from discontinued operations	9;10	(20)		(120)	
C.	**Cash used in financing activities**		**(362)**		**119**	
D.	**Net currency translation differences**		**-**		**-**	
E.	**Net cash flow for the year (A+B+C+D)**		**195**		**(111)**	
F.	**Cash and cash equivalents at the beginning of the year**		**149**	**29**	**260**	**141**
G.	**Cash and cash equivalents at the end of the year (E+F)**		**344**	**156**	**149**	**29**
H.	**Cash and cash equivalents at the end of the year discontinued operations**		**61**	**-**	**-**	**-**
I.	**Cash and cash equivalents at the end of the year continuing operations (G-H)**		**283**	**156**	**149**	**29**

(*) The amounts of 2018 were restated pursuant to IFRS 5.

(**) Acquisition prices -212 million euros net of 65 million euros of Cash and cash equivalents acquired.

(***) For the reconciliation with the amounts of balance sheet please refer to paragraph 6.3 "Net financial debt and cost of debt".

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in millions of euros)	Share capital	Reserves and retained earnings (loss carry-forward)	Reserve for other components of comprehensive income: Cash Flow Hedge reserve	Reserve for other components of comprehensive income: Differences on the translation of assets in foreign currencies	Reserve for other components of comprehensive income: Interest in other components of comprehensive income of investee companies	Reserve for other components of comprehensive income: Actuarial gains (losses)	Group interest in profit (loss)	Total shareholders' equity attributable to Parent Company shareholders	Shareholders' equity attributable to minority shareholders	Total shareholders' Equity
Balance at December 31, 2017	**5,377**	**601**	**92**	**25**	**-**	**(4)**	**(176)**	**5,915**	**288**	**6,203**
IFRS 9 - first adoption	-	(29)	-	-	-	-	-	**(29)**	-	**(29)**
Balance at January 1, 2018	**5,377**	**572**	**92**	**25**	**-**	**(4)**	**(176)**	**5,886**	**288**	**6,174**
Appropriation of the previous year's profit (loss)	-	(176)	-	-	-	-	176	**-**	-	**-**
Dividends and reserves distributed	-	-	-	-	-	-	-	**-**	(47)	**(47)**
Changes in the scope of consolidation	-	(5)	-	-	-	-	-	**(5)**	1	**(4)**
Other changes	-	(2)	-	-	-	-	-	**(2)**	-	**(2)**
Total comprehensive profit (loss)	**-**	**-**	**(50)**	**3**	**-**	**-**	**54**	**7**	**13**	**20**
of which:										
- Change in comprehensive income	-	-	(50)	3	-	-	-	**(47)**	-	**(47)**
- Profit (loss) for 2018	-	-	-	-	-	-	54	**54**	13	**67**
Balance at December 31, 2018	**5,377**	**389**	**42**	**28**	**-**	**(4)**	**54**	**5,886**	**255**	**6,141**
Appropriation of the previous year's profit (loss)	-	54	-	-	-	-	(54)	**-**	-	**-**
Dividends and reserves distributed	-	-	-	-	-	-	-	**-**	(51)	**(51)**
Changes in the scope of consolidation	-	(15)	-	-	-	-	-	**(15)**	(33)	**(48)**
Other changes	-	(11)	-	-	-	-	-	**(11)**	-	**(11)**
Total comprehensive profit (loss)	**-**	**-**	**(56)**	**3**	**-**	**(1)**	**(479)**	**(533)**	**15**	**(518)**
of which:										
- Change in comprehensive income	-	-	(56)	3	-	(1)	-	**(54)**	-	**(54)**
- Profit (loss) for 2019	-	-	-	-	-	-	(479)	**(479)**	15	**(464)**
Balance at December 31, 2019	**5,377**	**417**	**(14)**	**31**	**-**	**(5)**	**(479)**	**5,327**	**186**	**5,513**

RECLASSIFIED CONSOLIDATED BALANCE SHEET

This schedule, prepared on a voluntary basis, reclassifies the Balance Sheet items in order to allow a quicker reconciliation with the information provided in the following chapters.

(in millions of euros)	Chapter	12.31.2019	12.31.2018
Net Working Capital	3	**74**	**582**
Trade receivables (+)		1,132	1,654
Inventories (+)		133	223
Trade payables (-)		(1,425)	(1,580)
Other assets (liabilities)		234	285
Fair Value commodity	4	**(27)**	**61**
Fixed assets and provisions	5	**5,492**	**5,840**
Property, plant and equipment, intangible assets and goodwill		5,876	6,667
Investments in companies valued by the equity method		91	71
Other non-current financial assets		68	69
Employee benefits		(38)	(40)
Provisions for decommissioning and remediation of industrial sites		(163)	(716)
Provisions for risks and charges		(342)	(211)
Tax assets (liabilities)	7	**78**	**324**
Current and non-current tax receivables (payables)		(43)	12
Deferred-tax assets (Deferred-tax liabilities)		121	341
Provisions for income tax liabilities		-	(29)
NET INVESTED CAPITAL (*)		**5,617**	**6,807**
Provisions for risks and charges for non *Energy Activities*	8	**(266)**	**(250)**
Net assets (liabilities) held for sale (excluding financial items)	9	**678**	**-**
TOTAL NET INVESTED CAPITAL		**6,029**	**6,557**
SHAREHOLDERS' EQUITY	6	**5,513**	**6,141**
Shareholders' equity attributable to Parent Company shareholders		5,327	5,886
Shareholders' equity attributable to minority shareholders		186	255
NET FINANCIAL DEBT	6	**516**	**416**
Assets for financial leasing (-)		(2)	(3)
Current financial assets (-)		(347)	(3)
Cash and cash equivalents (-)		(283)	(149)
Financial debts (current and non current) (+)		957	571
Fair Value (current and non current) (+/-)		16	-
Net financial debt Assets held for sale (+/-)		175	-

	12.31.2019	12.31.2018
(*) NET INVESTED CAPITAL - by business segment	**5,617**	**6,807**
Electric Power Operations	4,138	3,900
Hydrocarbons Operations (**)	1,009	2,482
Corporate / Eliminations	470	425

(**) At December 31, 2019 it does not include E&P business, presented in discontinued operations (Assets and liabilities held for sale)

1. INTRODUCTION

The Consolidated Financial Statements of the Edison Group at December 31, 2019 comply with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.).

The Board of Directors, meeting on February 13, 2020, authorized the publication of these Consolidated Financial Statements, which were audited by Deloitte & Touche Spa in accordance with an assignment awarded by the Shareholders' Meeting of April 26, 2011 for a period of nine years (2011-2019), pursuant to Legislative Decree No. 39 of January 27, 2010.

Unless otherwise stated, all amounts in these accompanying notes are in millions of euros.

1.1 Newly applied standards

The accounting principles, the valuation criteria and the consolidation criteria applied in the preparation of these Consolidated Financial Statements are consistent with those adopted for the 2018 Consolidated Financial Statements. In 2019 the new international accounting standard **IFRS 16 "Leases",** applicable from January 1, 2019, was adopted**;** it has replaced IAS 17 and it amends the approach of accounting for operating leases, eliminating the distinction between operating and financial leases.
The rules of IFRS 16 were applied in transition on a prospective basis, starting from January 1, 2019, adopting some simplifications (so-called practical expedients) allowed, for which the contracts lasting less than twelve months and some contracts of negligible value were excluded from the evaluation. Based on this new standard, a lease is defined as a contract for which, in exchange for a consideration, the lessee is entitled to control the use of an identified asset, for a determined period of time. The application of the new principle to the identified contracts has determined:

- in the balance sheet: the initial recognition (i) of a financial liability equal to the present value of future minimum compulsory lease payments that the lessees will have to pay starting from January 1, 2019 and will be reduced over time as the lease fees are paid; (ii) of an asset, which represent the right of use, of an amount equal to the financial liability increased for some installments paid in advance and already recognized in the 2018 Balance Sheet. The right of use will be subject to systematic amortization over the shortest of the technical-financial useful life of the asset and the residual term of the contract;

- in the income statement: an improvement of the EBITDA for the derecognition of the lease fees and the booking of (i) the amortization of the right of use and (ii) the financial expenses on the liability recorded.

In transition the exemption of booking deferred-tax liabilities has been applied according to IAS 12 "Income tax"; this approach will take into account, if necessary, subsequent amendments of a regulatory nature.

Based on existing contracts, the application of IFRS 16 determined a financial debt of 165 million euros at January 1, 2019, including the contribution of E&P business held for sale. Concerning the impacts on 2019 income statement, which exclude the contribution of E&P business, it is highlighted that EBITDA recorded an improvement of 21 million euros, while depreciation and amortization increased by 19 million euros and net financial expenses by 4 million euros.

For more information in the new standards and the criteria and methods adopted by the Group, refer to the comments in chapter 10. Criteria and methods

1.2 Presentation formats adopted by the Group

In line with the 2018 Consolidated Financial Statements and on the basis of the numerous projects that IASB is developing on the topic "Effective communication", Edison adopted in the preparation of these Consolidated Financial Statements a presentation method that will make the financial statements information more relevant and effective, considering information materiality and stakeholders' expectations. For this purpose, the notes to the financial statements have been broken down into chapters of similar topics, instead of detailing them for single items of the financial statements. For further information please refer to 2018 Consolidated Financial Statements.

With reference to the effects related to application of accounting standard IFRS 5 please see the following paragraph 1.4 and chapter 9. Other notes – paragraph 9.2 Information pursuant to IFRS 5.

For the reconciliation between the comparative values presented in the statements and those published in the previous year, please refer to paragraph 10.1 Comparability.

The mandatory presentation formats utilized have the following characteristics:

- the **Consolidated Income Statement** is a step-by-step income statement, with the different components broken down by nature. It includes a schedule of Other Components of the Comprehensive Income Statement, which shows the components of net profit or loss provisionally recognized in equity;
- in the **Consolidated Balance Sheet**, assets and liabilities are analyzed by maturity. Current and non-current items, which are due within or after 12 months from the end of the reporting period, respectively, are shown separately;
- the **Cash Flow Statement** is prepared reporting the cash flows in accordance with the "indirect method", as permitted by IAS 7;
- the **Statement of Changes in Consolidated Shareholders' Equity** shows separately the flows from component of the reserve for other components of comprehensive income.

As an integration of the previous formats, a **Reclassified Consolidated Balance Sheet** was prepared on a voluntary basis in order to allow a quicker reconciliation with the information provided in the following chapters.

1.3 Main changes in the scope of consolidation compared with December 31, 2018

The main changes in the Group's scope of consolidation involved:

- the merger by incorporation of Edison Energie Spa (formerly Gas Natural Vendita Italia Spa (GNVI)) into Edison Energia Spa with effect for third parties from January 1, 2019, which had no effects on Group's financial statements;
- the sale, in January, of Compagnia Energetica Bellunese Spa (CEB), that operates in biomass activities, already consolidated on a line-by-line basis;
- the acquisition, in April, by Fenice Qualità per l'Ambiente Spa of the 100% of the share capital of the companies Azienda Energetica Buschese Srl and Vernante Nuova Energia Srl, that operate in district heating;
- the completion, in July, of the acquisition by Edison of 100% of the company EDF EN Italia Spa and its subsidiaries which own wind and photovoltaic plants (hereafter EDF EN Italia or EDF EN Italia Group), formerly held by EDF Renouvelables Sa (EDF Group), which are consolidated on a line-by-line basis;
- the acquisition, in October, by Edison of the 100% of the company Idroelettrica Saint-Barth Basso Srl, consolidated on a line-by-line basis;
- the acquisition, in November, by EDF Fenice Iberica (company of the Fenice Group) of 60% of the share capital of Fenice Assets Iberica, a company of which EDF Fenice Iberica already owned the remaining 40%. From that date, therefore, the company is 100% owned and is consolidated on a line-by-line basis;
- the acquisition, on December 20, 2019 from EDF Renouvelables Services Sas (a company held by EDF Renouvelables Sa, EDF Group) of 70% of the share capital of EDF EN Services Italia Srl, a company of which Edison already held the remaining 30%. Starting from that date EDF EN Services Italia is therefore entirely held by Edison Spa and consolidated on a line-by-line basis.

The following table shows a summary of business combination transactions; for more information, please refer to the comments contained in chapter 9. Other notes – paragraph 9.1 Information pursuant to IFRS 3 revised.

Fair value of acquired assets and liabilities (in millions of euros)	Az. En. Buschese and Vernante Nuova Energia	EDF EN Italia Group	Idroelettrica St. Barth Basso	Fenice Assets Iberica	EDF EN Services Italia	Total business combinations
Total non-current assets	8	535	9	5	25	582
Total current assets	4	107	-	1	25	137
Total assets	**12**	**642**	**9**	**6**	**50**	**719**
Total non-current liabilities	-	278	5	-	12	295
Total current liabilities	11	181	-	4	12	208
Total liabilities	**11**	**459**	**5**	**4**	**24**	**503**
Fair value of net acquired assets	**1**	**183**	**4**	**2**	**26**	**216**
% attributable to Edison	100%	100%	100%	100%	70%	
Fair value attributable to Edison	**1**	**183**	**4**	**2**	**18**	**208**
Goodwill	4	-	-	-	-	4
Price of acquisition	**5**	**183**	**4**	**2**	**18**	**212**
Cash and cash equivalents acquired	(3)	(48)	-	(1)	(13)	(65)
Net price paid on business combination	**2**	**135**	**4**	**1**	**5**	**147**

Income statement from acquisition date (in millions of euros)	Az. En. Buschese and Vernante Nuova Energia	EDF EN Italia Group	Idroelettrica St. Barth Basso	Fenice Assets Iberica	EDF EN Services Italia	Total business combinations
Sales revenues (*)	2	40	-	-	-	42
EBITDA	**1**	**29**	**-**	**-**	**-**	**30**
Depreciation and writedowns	-	(19)	-	-	-	(19)
Net financial income (expense)	-	(15)	-	-	-	(15)
Profit (Loss) before taxes	**-**	**(5)**	**-**	**-**	**-**	(5)
Profit (loss)	**-**	**(4)**	**-**	**-**	**-**	**(4)**

(*) Including transactions with other companies of Edison Group

It should also be noted that during the year Edison Spa acquired, for about 10 million euros, the remaining 49% of the share capital of Assistenza Casa, thus reaching 100% of the capital of the mentioned company, while Edison Energy Solutions Spa acquired, for about 6 million euros, the remaining 49% stake of Comat Energia, which is now wholly owned.

1.4 Application of accounting standard IFRS 5

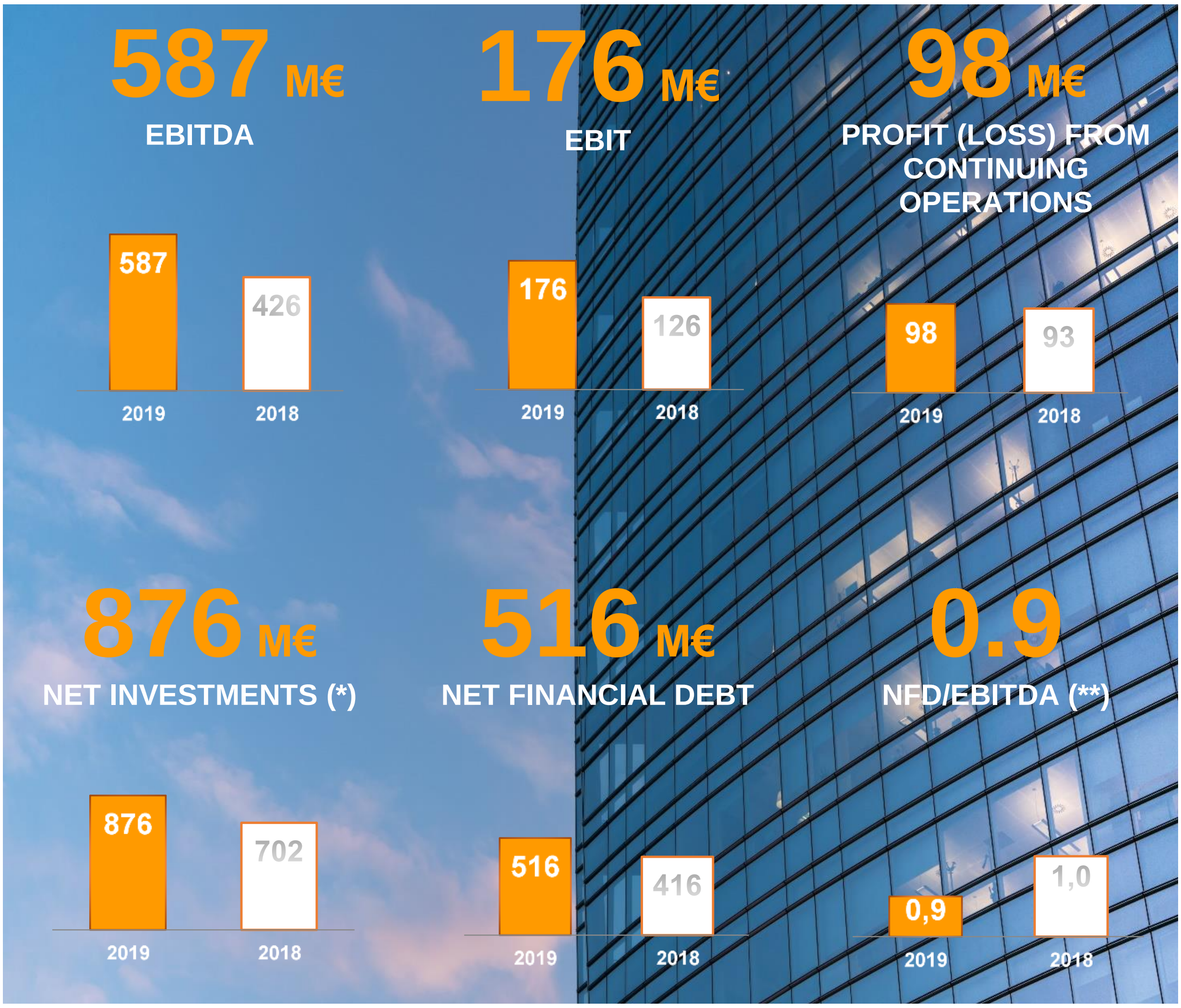
On July 4, 2019, subject to authorisation by the Board of Directors on the previous day, Edison signed an agreement with Energean Oil & Gas Plc (hereinafter Energean) for the sale to the latter of 100% of Edison Exploration & Production Spa and its subsidiaries operating in Italy and abroad in the hydrocarbons exploration and production business (hereinafter the E&P business). The execution of the sale is subject to some government authorisations.
The sale price was determined on the basis of an Enterprise Value of USD 750 million and the contract provides for an additional consideration of USD 100 million at the start of production of the Cassiopea gas field in Italy, as well as the recognition to Edison of royalties associated with further potential developments in Egypt. The contract requires the buyer to fulfil future decommissioning obligations.
In December 2019, Edison received the refusal of the Algerian Ministry of Energy to transfer the assets located in Algeria and was invited to discuss the sale of these assets with Sonatrach (Algerian state company); Edison, confirming its intention to divest the asset, then commenced negotiations to that effect. Edison and Energean, which declared their intention to implement the transaction in any case, excluding Algerian assets, are therefore taking steps to meet the other conditions required by the transaction and have confirmed their objective to close the transaction as soon as possible in 2020.
In these Consolidated Financial Statements the E&P business, represented by a number of Cash Generating Units, taking into account its significance and unique characteristics because, among other things, it has a higher risk profile than those of the remaining core business activities, was consequently treated as Assets held for sale (discontinued operations) in accordance with IFRS 5; therefore:

- in the income statement for 2019 and, for comparative purposes, for 2018, the revenues and income and costs and expenses, starting from January 1st, as well as the adjustment of the carrying amount to fair value less cost to sell, of the assets that constitute discontinued operations have been reclassified under the item **Profit (Loss) from discontinued operations** (-562 million euros in 2019, -26 million euros in 2018); in particular, the determination of the adjustment of the E&P business' book value reflects, other than the expected sale price, an evaluation of some indemnities, defined in the contract, as well as the allocation, in compliance with the IAS 36 par. 86, of a part of the indistinct goodwill of Hydrocarbons Operations;
- in the balance sheet the assets and liabilities attributable to the E&P business have been reclassified to **Assets** and **Liabilities held for sale**; balance sheet balances at December 31, 2018 have not been restated;
- in the cash flow statement for 2019 and, for comparative purposes, for 2018, the cash flows generated by the assets that constitute the discontinued operations have been reclassified to specific dedicated items.

For more information regarding the application of IFRS 5 accounting standard and the related effects on these Consolidated Financial Statements, see chapter 9. Other notes - paragraph 9.2 Disclosure pursuant to IFRS 5.

2. PERFORMANCE

2.1 Highlights



(*) Include strategic acquisitions

(**) NFD Net Financial Debt

Highlights 2019 (in millions of euros)	Electric Power Operations	Hydrocarbons Operations (*)	Corporate	Eliminations	**Edison Group**
EBITDA	423	272	(108)	-	587
EBIT	115	221	(163)	3	176
Gross Investments	249	31	15	-	295

(*) Excluding E&P business held for sale

2.2 Segment Information

The segments, as identified by the Group in accordance with IFRS 8, correspond to the Electric Power Operations, the Hydrocarbons Operations and Corporate. This segment information disclosure is based on the same structure used for the reports that are periodically analyzed by Management and the Board of Directors to manage the Group's business activities and for management reporting, planning and control purposes.

Electric Power Operations: the Group operates throughout the entire electricity supply chain with a portfolio of power generation plants from thermoelectric, hydroelectric, wind and photovoltaic sources and performs activities related to plant management and development, enhancement, dispatching and sale of energy to both wholesalers and end customers (residential, PA, SMEs and business). Electric Power Operations also includes the assets and activities of energy and environmental services.

Hydrocarbons Operations: Edison is present in the various phases of the hydrocarbon supply chain with activities: i) midstream gas: development of transport infrastructure, procurement contracts, storage management and distribution networks; ii) downstream gas: sale to wholesalers and end consumers (industrial and residential); iii) upstream which include assets for exploration, development and production of hydrocarbons in Italy and abroad that, as a consequence of the announced agreement for their sale, are now showed in Assets and Liabilities held for sale (discontinued operations).

Corporate: include centralized and cross-functional activities by the Parent Company and the activities of certain holding and real estate companies. This includes the management of non-Energy Activities discussed in chapter 8. Non-Energy Activities.

(in millions of euros)	Electric Power Operations	Hydrocarbons Operations	Corporate	Adjustments	Edison Group
Income statement 2019					
Sales revenues	**4,159**	**4,862**	**56**	**(909)**	**8,168**
- Third parties	4,146	4,005	17	-	8,168
- Intra-Group	13	857	39	(909)	-
Commodity and logistic costs	(3,110)	(4,474)	(1)	869	(6,716)
Other costs and services used	(438)	(66)	(94)	37	(561)
Labor costs	(203)	(38)	(67)	-	(308)
Other revenues and income/(costs), net	15	(12)	(2)	3	4
EBITDA	**423**	**272**	**(108)**	**-**	**587**
Net change in fair value of derivatives	2	(2)	-	3	3
Depreciation and amortization	(277)	(49)	(15)	-	(341)
(Writedowns) and reversals	(33)	-	-	-	(33)
Other income (expense) non Energy activities	-	-	(40)	-	(40)
EBIT	**115**	**221**	**(163)**	**3**	**176**
Balance Sheet at 12.31.2019					
Current and non-current assets	5,883	2,688	4,155	(3,318)	9,408
Assets held for sale	-	1,882	3	(484)	1,401
Total assets	5,883	4,570	4,158	(3,802)	10,809
Current and non-current liabilities	2,328	1,921	1,328	(1,179)	4,398
Liabilities held for sale	-	1,336	46	(484)	898
Total liabilities	2,328	3,257	1,374	(1,663)	5,296
Total shareholders' equity					5,513
Net financial debt					516
Other information and ratios					
Number of employees	3,518	499	665	-	4,682
Employees in activities held for sale (*)	-	949	-	-	949
EBITDA/Sales revenues	10.2%	5.6%	n.m.	n.m.	7.2%
EBIT/Sales revenues	2.8%	4.5%	n.m.	n.m.	2.2%
NFD/EBITDA					0.9
Income statement 2018 (**)					
Sales revenues	**3,768**	**5,657**	**69**	**(766)**	**8,728**
- Third parties	3,754	4,946	28	-	8,728
- Intra-Group	14	711	41	(766)	-
Commodity and logistic costs	(2,863)	(5,317)	(7)	724	(7,463)
Other costs and services used	(400)	(83)	(109)	44	(548)
Labor costs	(186)	(40)	(63)	-	(289)
Other revenues and income/(costs), net	9	(14)	5	(2)	(2)
EBITDA	**328**	**203**	**(105)**	**-**	**426**
Net change in fair value of derivatives	1	(5)	-	(3)	(7)
Depreciation and amortization	(232)	(30)	(5)	-	(267)
(Writedowns) and reversals	(1)	(2)	-	-	(3)
Other income (expense) non Energy activities	-	-	(23)	-	(23)
EBIT	**96**	**166**	**(133)**	**(3)**	**126**
Balance Sheet at 12.31.2018					
Total assets	5,274	5,131	3,553	(3,373)	10,585
Total liabilities	1,612	3,111	1,159	(1,438)	4,444
Total shareholders' equity					6,141
Net financial debt					416
Other information and ratios					
Number of employees (***)	3,303	1,437	632	-	5,372
EBITDA/Sales revenues	8.7%	3.6%	n.m.	n.m.	4.9%
EBIT/Sales revenues	2.5%	2.9%	n.m.	n.m.	1.4%
NFD/EBITDA					1.0

(*) Include operating company Abu Qir Petroleum Company (AQP) staff
(**) Amounts restated pursuant to IFRS 5
(***) Including employees in activities held for sale

The Group does not view geographic area segment information as meaningful.

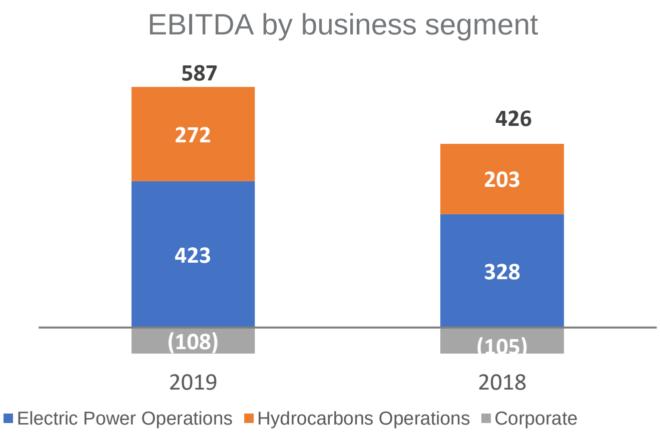
Major customers as defined by IFRS 8

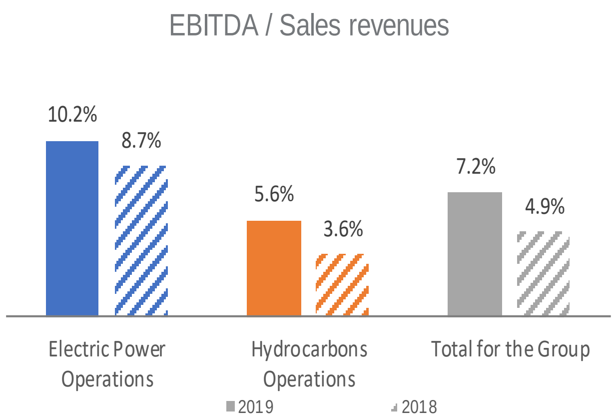
Sales revenues of the Group are usually not concentrated; there is only one major customer with total sales revenues amounting to about 1,200 million euros in the year, mainly referred to Electric Power Operations (corresponding to about 27% of sales revenues of the segment and about 15% of Group's sales revenues).

2.3 EBITDA

EBITDA (in millions of euros)	2019	2018	Change	Change %
Electric Power Operations	423	328	95	29.0%
Hydrocarbons Operations (*)	272	203	69	34.0%
Corporate	(108)	(105)	(3)	2.9%
Total for the Group	**587**	**426**	**161**	**37.8%**

(*) Excluding E&P business held for sale





2019 was marked by a general decrease of energy commodities' prices.

Italian gas prices (PSV) were influenced by the strong reduction in Brent and European gas hub (TTF) prices and recorded an average reduction over 30% compared to 2018.

In 2019 the Italian electric market was marked by a level of demand almost unchanged compared to 2018, import and hydroelectric productions decreased and were offset by higher renewables (wind and photovoltaic) and thermoelectric productions.

The context of demand and fuel prices caused a reduction in electricity prices (PUN) but preserving positive thermoelectric power generation margins.

In this scenario Group's EBITDA is positive for 587 million euros and increased compared to previous year (426 million euros).

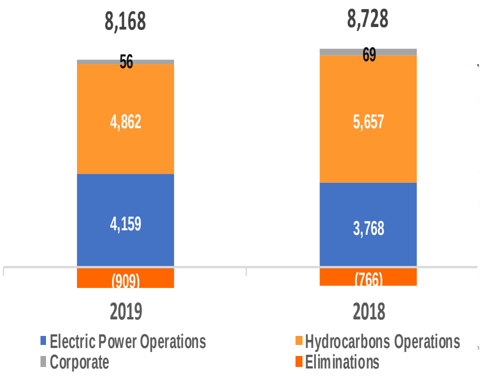
The EBITDA of Electric Power Operations, 423 million euros, improved compared to previous year (328 million euros) mainly thanks to the contribution of energy production from renewable sources. To be noted, in particular, that new wind farms entered in production and the contribution for 29 million euros from EDF EN Italia, active in photovoltaic and wind power generation, consolidated line by line from July 1, 2019.

Hydrocarbons Operations EBITDA contribution was 272 million euros, in increase compared to 2018 (203 million euros) that was affected by unfavorable weather events with negative outcomes on gas transactions. 2019 margins were also sustained by the exploitation of pipeline import contracts' flexibility.
We remind that the activities related to E&P business are not included in those amounts, being classified as discontinued operations according to IFRS 5.

The main components of EBITDA are analyzed below.

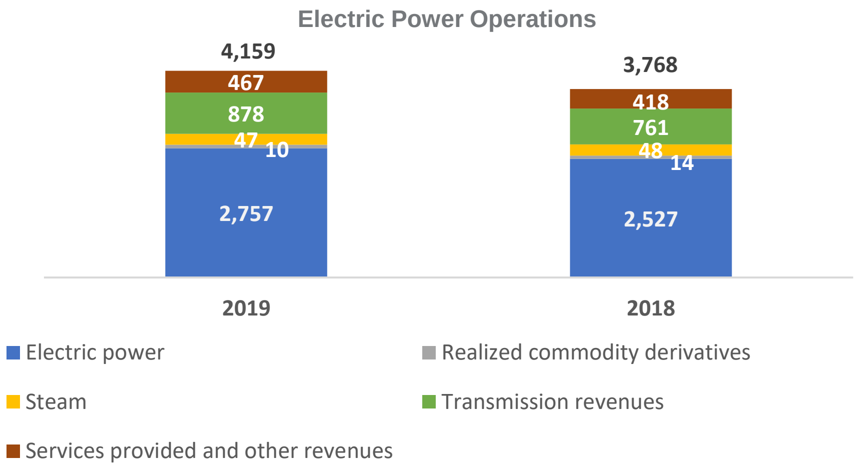
2.3.1 Sales revenues

Sales revenues (in millions of euros)	2019	2018	Change	Change %
Electric power	2,753	2,523	230	9.1%
Natural gas	3,820	4,709	(889)	(18.9%)
Realized commodity derivatives	(113)	(3)	(110)	n.s.
Steam	47	48	(1)	(2.1%)
Transmission revenues	1,089	915	174	19.0%
Storage services	68	71	(3)	(4.2%)
Revenues from services provided	475	432	43	10.0%
Other revenues	29	33	(4)	(12.1%)
Total	**8,168**	**8,728**	**(560)**	**(6.4%)**

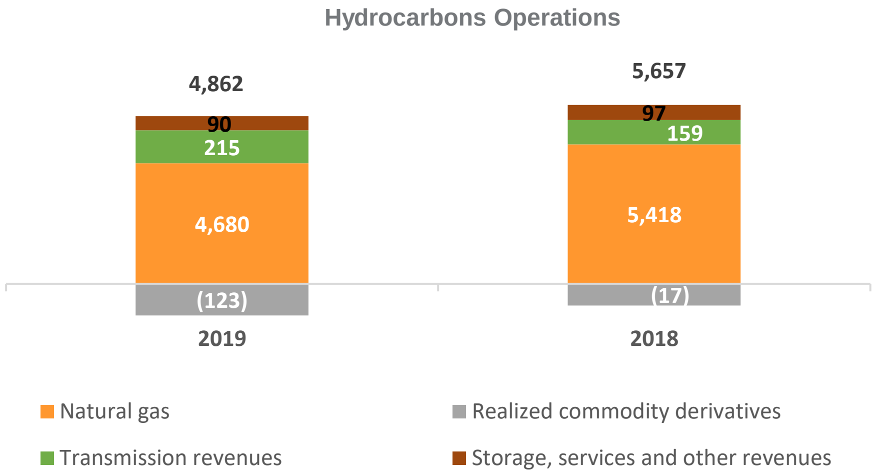


Sales revenues of electric power increased also because of higher sales to final customers.

Revenues from services provided include the services provided by Energy & Environmental Service Division (414 million euros in 2019, 365 million euros in 2018).



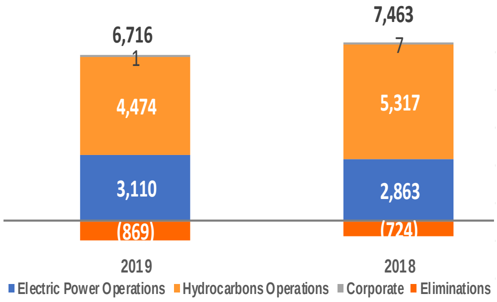
Sales revenues from natural gas decrease mainly as a consequence of the above mentioned reduction in Italian gas prices. It is worth mentioning that Hydrocarbons Operations' sales revenues of natural gas also include the sales to Electric Power Operations.



The realized results on commodity derivatives, that should be analyzed together with the corresponding item included in Commodity and logistic costs, concern the commodities and foreign exchange hedge executed to mitigate the risk of fluctuation in the cost of natural gas and that related to its sale, in line with the indexing formulas and the risk factors included.

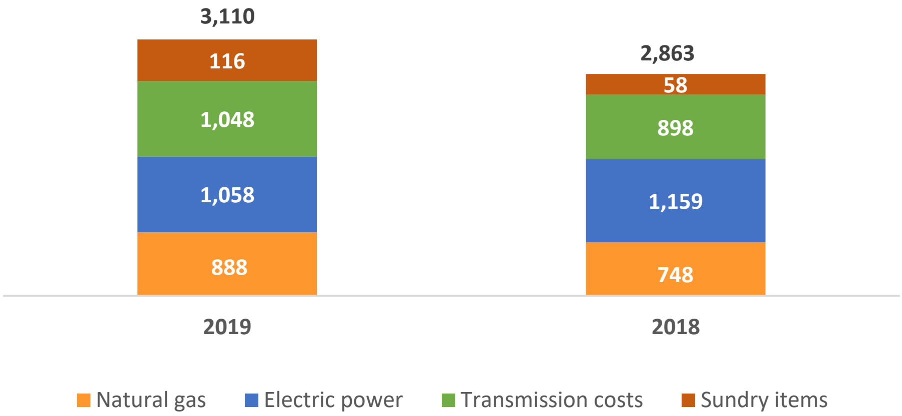
2.3.2 Commodity and logistic costs

Commodity and logistic costs (in millions of euros)	2019	2018	Change	Change %
Natural gas	3,760	4,606	(846)	(18.4%)
Realized commodity derivatives	(233)	(172)	(61)	35.5%
Electric power	1,058	1,159	(101)	(8.7%)
Transmission costs	1,902	1,700	202	11.9%
Regasification fee	113	115	(2)	(1.7%)
Sundry items	116	55	61	n.s.
Total	**6,716**	**7,463**	**(747)**	**(10.0%)**

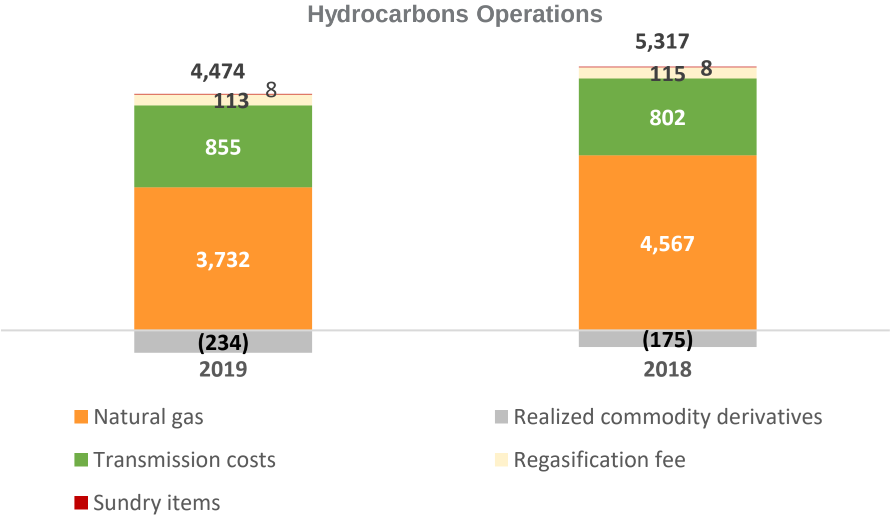


The global reduction by 10% is mainly linked to Natural gas purchases trend that are affected by the price decrease and are in line with a similar decrease in the sale revenues.

Electric Power Operations



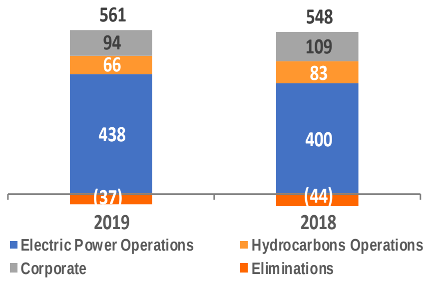
Hydrocarbons Operations



The item Regasification fee, amounting to 113 million euros, includes charges recognized to Terminale GNL Adriatico, for regasification activities.

2.3.3 Other costs and services used

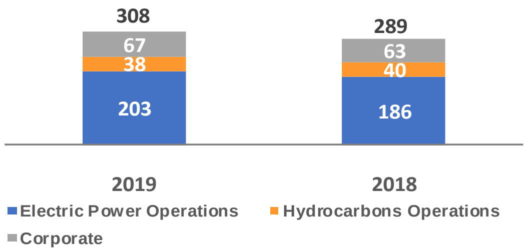
Other costs and services used (in millions of euros)	2019	2018	Change	Change %
Maintenance	238	202	36	17.8%
Professional services	105	111	(6)	(5.4%)
Use of property not owned	74	87	(13)	(14.9%)
Insurance costs	17	18	(1)	(5.6%)
Advertising and communication costs	21	21	-	0.0%
Sundry items	106	109	(3)	(2.8%)
Total	**561**	**548**	**13**	**2.4%**



The increase in maintenance costs over the previous year is mainly related to the changes of perimeter, especially in the energy and environmental services business. The reduction in costs for use of property not owned reflects, among other things, the effects of the application of the new accounting standard IFRS 16 'Leases'.

2.3.4 Labor costs

These costs recorded an increase of 19 million euros compared to the previous year, mainly referred to the perimeter effect.



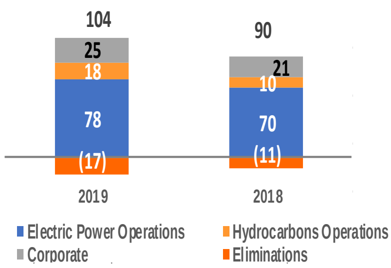
The following table shows the average number of employees in 2019 and 2018 and provides the classification by category together with the relevant changes of the year.

Changes by employee category (number of employees)	01.01.2019 (*)	Added to payroll (**)	Removed from payroll (**)	Changes of classification	12.31.2019	Average payroll 2019	Average payroll 2018
Executives	186	8	(17)	9	186	180	189
Office staff and Middle managers	2,627	307	(143)	41	2,832	2,676	2,662
Production staff	1,593	245	(124)	(50)	1,664	1,638	1,594
Total for the Group	**4,406**	**560**	**(284)**	**-**	**4,682**	**4,494**	**4,445**

(*) Excluding employees in activities held for sale
(**) Including changes in the scope of consolidation effects referred to acquired (268 employees) and disposed (-22 employees) companies

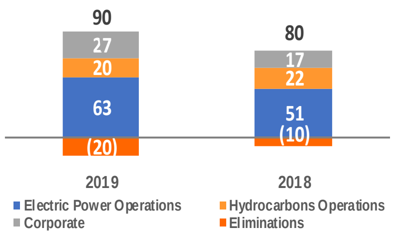
2.3.5 Other revenues and income and Other costs

Other revenues and income (in millions of euros)	2019	2018	Change	Change %
Net reversals in earnings of provisions for sundry risks	10	17	(7)	(41.2%)
Gains on disposals	3	2	1	50.0%
Insurance indemnities	7	8	(1)	(12.5%)
Out of period and other income	84	63	21	33.3%
Total	**104**	**90**	**14**	**15.6%**



It should be noted that the item Out of period and other income includes about 11 million euros (2 million euros in 2018) from the operations managed in compliance with MASA joint venture agreement with EDF Trading.

Other costs (in millions of euros)	2019	2018	Change	Change %
Indirect taxes and duties	17	18	(1)	(5.6%)
Additions to provisions for risks	31	37	(6)	(16.2%)
Out of period and sundry items	42	25	17	68.0%
Total	**90**	**80**	10	12.5%



Out of period and sundry items include losses on disposals for 3 million euros (2 million euros in 2018).

2.4 From EBITDA to Profit (Loss) from continuing operations

In addition to the industrial performance discussed above, it is worth of noting, in particular, an increase of 74 million euros in depreciation and amortization and an increase of 30 million euros in writedowns (please see below chapter 5. Fixed assets and provisions).

EBIT amounted to 176 million euros (126 million euros in 2018).

Financial items recorded a total of 42 million euros in net expenses (net expenses of 8 million euros in 2018), increasing mainly for the impact of financial expenses on debt booked by companies acquired during the year, including one-off for debt refinancing, for the costs related to a higher amount of transactions to assign trade receivables without recourse, for IFRS 16 effects and for lower net financial income versus E&P business held for sale.
As regards Net financial income (expense) on debt and Net financial income (expense) on assigned trade receivables without recourse reference should be made to paragraphs 6.3 Net financial debt and cost of debt and 3.2 Operating working capital. The following table is a breakdown of the item **Other net financial income (expense).**

Other net financial income (expense) (in millions of euros)	2019	2018	Change
Financial expenses on provisions	(11)	(10)	(1)
Net foreign exchange translation gains (losses) (*)	2	3	(1)
Financial expenses on leasing IFRS 16	(4)	-	(4)
Other (**)	4	15	(11)
Other net financial income (expense)	**(9)**	**8**	**(17)**

(*) Including net results of the transactions with EDF Sa to cover exchange rate risk.
(**) Including financial income/expense versus E&P business.

After deducting the charges for **income taxes** (42 million euros, reviewed in chapter 7. Taxation), **the Profit (Loss) from continuing operations is 98 million euros in profit, 93 million euros in 2018.**

2.5 Profit (Loss) from discontinued operations and Group interest in profit (loss)

Profit (Loss) from discontinued operations, a loss for 562 million euros (a loss of 26 million euros in 2018), includes, amongst other, the writedown determined to align the E&P business book value to the expected sale price. For further information, please refer to paragraphs 1.4 Application of accounting standard IFRS 5 and 9.2 Information pursuant to IFRS 5.
After deducting the item described above and allocating the minority interest (15 million euros in profit), the Group interest in profit (loss) is equal to 479 million euros in loss (a profit for 54 million euros in 2018).

3. NET WORKING CAPITAL

Net Working Capital (in millions of euros)	12.31.2019	12.31.2018	Change
Trade receivables	1,132	1,654	(522)
Inventories	133	223	(90)
Trade payables	(1,425)	(1,580)	155
Operating Working Capital (A)	**(160)**	**297**	**(457)**
Other non-current assets	43	121	(78)
Other current assets	380	387	(7)
Other non-current liabilities	(5)	(1)	(4)
Other current liabilities	(184)	(222)	38
Other assets (liabilities) (B)	**234**	**285**	**(51)**
Net working capital (A+B)	**74**	**582**	**(508)**

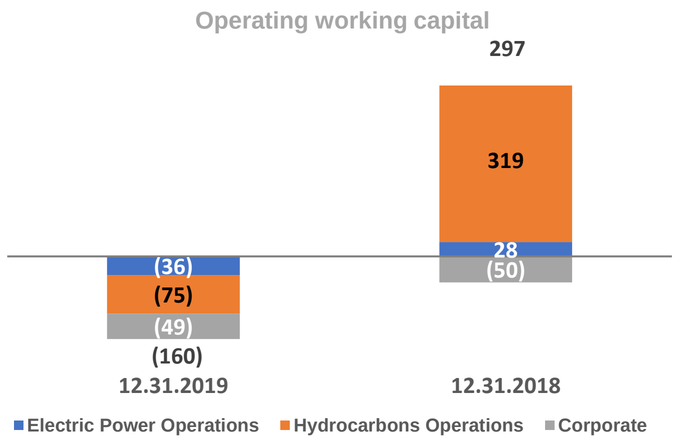
Net working capital decreases significantly compared to December 31, 2018 mainly for the reclassification of E&P business balances (242 million euros at December 31, 2018) to Assets and Liabilities held for sale, as more widely described in the following paragraph 9.2 Information pursuant to IFRS 5. Furthermore, net working capital reflects the effects of optimizations put in place in 2019 as well as the reduction in prices and volumes of inventories.

3.1 Credit risk management

The credit risk represents Edison Group's exposure to potential losses that could be incurred if a commercial or financial counterpart fails to meet its obligations.

To control this risk, the Edison Group strengthened the procedures and programs designed to evaluate customer credit standing and optimized the collection strategies for the various customer segments. When it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives) the Group deals only with entities with a high credit rating. At December 31, 2019, there were no significant exposures to risks related to a possible deterioration of the overall financial environment and no significant levels of concentration held by non-institutional individual counterparties.

3.2 Operating working capital

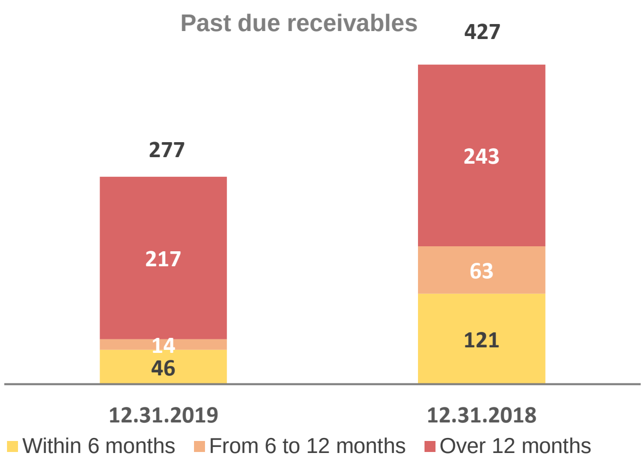


The change during the year is mainly due to the reclassification of the amounts relating to the E&P business (222 million euros at December 31, 2018) under Assets and Liabilities held for sale. Actions to optimise trade receivables and payables during the year and a reduction in commodity prices and volumes also had an impact.

3.2.1 Trade receivables

Trade receivables (in millions of euros)	12.31.2019	12.31.2018	Change
Electric Power Operations	645	670	(25)
Hydrocarbons Operations	501	1,000	(499)
Corporate and eliminations	(14)	(16)	2
Trade receivables	**1,132**	**1,654**	**(522)**
of which allowance for doubtful accounts	**(215)**	**(251)**	**36**
Guarantees in place to hedge receivables outstanding	10	28	(18)

Trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas, and Power Exchange transactions.
Edison Group regularly carries out transactions to assign trade receivables without recourse on a revolving monthly basis and by the transfer of credit risk on a non-recourse basis. Note that in 2019 the receivables assigned with such transactions totalled 4,068 million euros (3,814 million euros in 2018). These receivables were not exposed to the risk of recourse at December 31, 2019. The costs related to managing these activities are recorded under financial items and amount to 15 million euros (11 million euros in 2018).



Edison Group continues to pursue a credit management approach differentiated over three market segments (Retail, Business and Public Administration), which is aimed, through structural actions, at preventing the formation of new trade receivables and quickly collect both current and non-performing receivables.

The decrease is mainly due to the reclassification of the balances of E&P business to Assets held for sale (past due receivables of 129 million euros at December 31, 2018).

The table that follows shows the changes in “Allowance for doubtful accounts”:

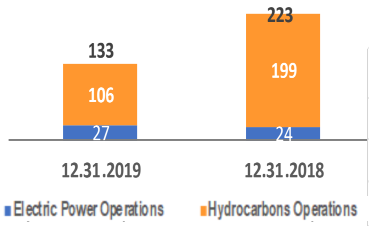
(in millions of euros)	12.31.2018	Reclassification to assets held for sale	Additions	Utilizations	Others	12.31.2019
Allowance for doubtful accounts (*)	**(251)**	**35**	**(17)**	**18**	**-**	**(215)**

(*) Including default interests

Additions to the allowance reflect the result of an assessment, performed consistent with the Group’s policy, of the different status of receivables, taking into account each customer segment, the corresponding past-due receivables and the aging; utilizations were mainly recognized for receivables deemed uncollectible during 2019.
EBITDA for the period shows net charges related to writedowns and reversals on receivables for 10 million euros (12 million euros in 2018).
The amount of the allowance for doubtful accounts is determined based on the different underlying credit statuses or, particularly for receivables owed by Retail customers, taking into account the relative age of the non-performing receivables and the methodology envisaged in the IFRS 9 accounting standard (expected credit losses model).

3.2.2 Inventories

Inventories (in millions of euros)	12.31.2019	12.31.2018	Change
Stored natural gas	104	151	(47)
Fuels	-	16	(16)
Engineering consumables	13	39	(26)
Other	16	17	(1)
Inventories	**133**	**223**	**(90)**



The inventories included 38 million euros for stored natural gas the use of which is restricted as a strategic reserve. The reduction in inventories is due to the reduction in volumes and prices of stocks, as well as, particularly for fuels and engineering consumables, to the reclassification of the balances of E&P business (47 million euros at December 31, 2018) to Assets held for sale.

3.2.3 Trade payables

Trade payables (in millions of euros)	12.31.2019	12.31.2018	Change
Electric Power Operations	708	666	42
Hydrocarbons Operations	682	880	(198)
Corporate and eliminations	35	34	1
Trade payables	**1,425**	**1,580**	**(155)**

Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance.

3.3 Other assets and liabilities

Other assets and liabilities (in millions of euros)	12.31.2019	12.31.2018	Change
VAT credit	209	287	(78)
Other tax receivables	13	11	2
Deposits	18	8	10
Advances to suppliers	52	19	33
Other	131	183	(52)
Total other assets (A)	**423**	**508**	**(85)**
Amount owed to employees	30	34	(4)
Payables owed to social security institutions	23	23	-
Other	136	166	(30)
Total other liabilities (B)	**189**	**223**	**(34)**
Other assets and liabilities (A-B)	**234**	**285**	**(51)**

With reference to **VAT credit**, note that during 2019 the refunds requested in relation to 2017 tax credits were collected for about 100 million euros, while tax credits relating to 2018 have been assigned without recourse for a consideration of about 85 million euros.

Commitments

At December 31, 2019, guarantees of about 281 million euros provided from Edison Spa were recognized to the Revenue Agency mainly for VAT credit refunds for 2015, 2016 and 2017.

4. MARKET RISK MANAGEMENT

This chapter provides an overview of the policies and principles adopted by the Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities, the foreign exchange risk linked to commodities and other risks related to foreign exchange rate.
In accordance with IFRS 7 Financial Instruments - Disclosure, consistent with Report on Operations, the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.
In addition, effects of derivatives transactions on Income Statement and Balance Sheet at December 31, 2019 are provided too.

4.1 Market risks and risk management

4.1.1 Commodity price risk and exchange rate risk related to commodity transactions

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles (electric power, natural gas, petroleum products and environmental securities), both directly, with pricing formula, and indirectly, through statistical correlations and economic relations, which have an impact on the revenues and expenses of its production, storage and marketing operations. Moreover, because some contracts are settled in currencies different from euro and/or include a translation into different currencies through price indexing formulas, the Group is also exposed to exchange rate risk.
The management and control of these risks are governed by the Energy Risk Policies, which involve the use of derivatives for hedging purposes in order to reduce or mitigate the related risk.
From an organizational standpoint, the governance model adopted by the Group requires the separation of the risk control and management functions from the activity of purchasing and selling derivatives.
At the operational level, the net exposure is computed for the Group's entire portfolio of assets and contracts (so-called Industrial Portfolio), which is the net residual exposure after maximizing all available vertical and horizontal integrations provided by the different business operations. This net exposure is then used to compute the overall level of Economic Capital involved (stated in millions of euros), measured in terms of Profit at Risk (PaR[1]) with a confidence index of 97.5% and an annual time horizon.
Each year, the Board of Directors approves the Economic Capital ceiling concurrently with the approval of the annual budget. The Risk Management Committee, which is headed by Senior Management, reviews monthly the Group's net exposure and, if the Profit at Risk is higher than the predetermined ceiling, defines the appropriate Strategic Hedging policies, which may involve the use of suitable derivatives instruments.
These activities are performed in line with the policy of the Group with the aim to minimize the use of financial markets for hedging, by maximizing the benefits of vertical and horizontal integration of the various business operations and the homogenization of the formulas and indexing between the sources and physical uses. In addition, the gradualness of Strategic Hedging ensures the minimization of the execution risk, related to the concentration of all the hedges in a phase of unfavorable market, the volume risk, linked to the variability of the underlying hedged based on the best volume projections, and of the operational risk, related to implementation errors.
Provided transactions are approved in advance by the Risk Office, which determines whether they are consistent with the Group's risk management objectives and with the Group's total exposure, the Edison Group, responding to specific requests from individual Business Units, may also use other types of hedges called Operational Hedges with the aim to fix the margin related to a single transaction or to limited set of transactions correlated.
At December 31, 2019, outstanding derivatives instruments were measured at fair value against the forward market curve at the end of the reporting period, when the underlying assets were traded on markets that provided official and liquid forward prices. When no forward market quotes were available, projected price curves based on simulation models developed internally by the Edison Group were used.

[1] **Profit at Risk**: is a statistical measurement of the maximum potential negative variance in the budgeted margin in response to unfavorable markets moves, within a given time horizon and confidence interval.

The Italian forward market for electric power does not yet meet IFRS requirements to qualify as an active market. Specifically, both the Over The Counter (OTC) markets operated by brokerage firms (e.g. TFS) and those operated by Borsa Italiana (IDEX) and the Manager of the Energy Markets (MTE) lack sufficient liquidity for peak and off-peak products and for maturities longer than one year.
Consequently, market price data obtained from those market should be viewed as input for the internal valuation model used to measure at fair value the abovementioned products.
As required by IFRS 7, a simulation is carried out for the derivatives instruments that hedge the Industrial Portfolio, some of which qualify for hedge accounting under IFRS 9 (Cash Flow Hedges or Fair Value Hedges) while others qualify as Economic Hedges, to assess the potential impact that fluctuations in the market prices of the underlying assets could have on the fair value of outstanding derivatives. The simulation is carried out for a length of time equal to the residual lives of outstanding derivative contracts, the farthest maturity of which is currently 2022. For derivative contracts in place at December 31, 2019, the method requires the use of the commodities forward prices and exchange rates, measured at the reporting date, and of the related volatility and correlations.
Having thus obtained a probability distribution for changes in fair value, it then becomes possible to extrapolate the maximum expected negative change in the fair value of outstanding derivative contracts over the length of a reporting year with a level of probability conventionally set at 97.5%.
The following table shows, based on the method explained above, the maximum expected negative variance in the fair value of the outstanding hedging derivatives with a 97.5% probability and a one-year time horizon, compared with the fair value determined at December 31, 2019.

Value at Risk (VaR) (*) (in millions of euros)	**12.31.2019**	**12.31.2018**
Maximum negative variance in the fair value of derivatives	491	522
Maximum negative variance in the fair value including the change in the fair value of the contracts object of hedge; of which:	296	232
- potential impact on Income Statement (**)	7	12
- potential impact on balance sheet in Cash Flow Hedge reserve (***)	289	220

(*) Value at Risk: is a statistical measurement of the maximum potential negative variance in portfolio's fair value in response to unfavorable market moves, within a given time horizon and confidence interval.
(**) Referring to derivatives qualified as Economic Hedges and to the ineffective portion of derivatives qualified as Cash Flow Hedges and Fair Value Hedges.
(***) Referring to the effective portion of derivatives qualified as Cash Flow Hedges.

The decrease of the maximum variance in the fair value, compared with the level measured at December 31, 2018, is mainly attributable to the reduction of derivatives' volumes traded on the energy markets where the Group operates.

The hedging strategy deployed during the year enabled the Group to comply with its risk management objectives; the Industrial Portfolio's commodity price risk profile within the approved limit of Economic Capital in terms of absorption of economic capital is the following:

Industrial portfolio **Economic Capital absorbed**	**2019** **without derivatives**	 **with derivatives**	**2018** **without derivatives**	 **with derivatives**
Average absorption of the approved limit of Economic Capital	223%	54%	187%	52%
Maximum absorption	282% - Dec. '19	36% - Dec. '19	260% - Dec. '18	71% - Nov. '18

We remind that the trading operations of Edison are carried out under the joint venture agreement with EDF Trading: from September 1, 2017, in fact, is in force, between EDF Trading and Edison Spa (formerly Edison Trading Spa merged in Edison Spa since December 1, 2017), the MASA (Trading Joint Venture and Market Access Services Agreement) which disciplines the proprietary trading, defining the performance of the activity through a joint desk with EDF Trading, and the methods to access to the forward power market. The contracts negotiated before the agreement signing had been managed by Edison till their maturity occurred in December 2019.

4.1.2 Foreign exchange risk

The foreign exchange risk arises from the fact that part of the activities of the Edison Group are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through contractual components indexed to a foreign currency. Revenues and expenses denominated in foreign currencies can be affected by fluctuations in foreign exchange rates that have an impact on sales margins (economic risk). Likewise, the amount of trade and financial payables and receivables denominated in foreign currencies can be affected by the translation rates used, with an impact on profit or loss (transactional risk). Lastly, fluctuations in foreign exchange rates have an impact on consolidated results and on the shareholders' equity attributable to Parent Company shareholders because the financial statements of subsidiaries denominated in a currency other than the euro are translated into euros from each subsidiary's functional currency (translational risk).

The foreign exchange risk management objectives are described in specific Policies. The exposure to economic and transaction risk arising from exchange rate, related to commodity transactions, is managed in accordance with specific limits and strategies (see the previous paragraph in this regard).

4.2 Hedge Accounting and Economic Hedge – Fair Value Hierarchy

Whenever possible, the Group applies hedge accounting verifying compliance with the requirements of IFRS 9.

4.2.1 Classification

Forward transactions and derivatives outstanding are classified as follows:

1) **Derivatives that qualify as hedges in accordance with IFRS 9**. This category includes (i) transactions that hedge the risk of fluctuations in cash flow (Cash Flow Hedges - CFH) on interest rates, exchange rates and commodity and (ii) transactions that hedge the fair value of the hedged item (Fair Value Hedges - FVH) on commodity (price and exchange rate).
2) **Forward transactions and derivatives that do not qualify as hedges in accordance with IFRS 9** that comply with the requirement of the company policies on management of exchange rate and energy commodity risks.

4.2.2 Fair Value hierarchy according to IFRS 13

The classification of financial instruments at fair value, provided by IFRS 13, based on the reliability of inputs used to measure it, is based on the following hierarchy:

- **Level 1**: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets. Instruments with which the Edison Group operates directly in active markets (e.g. futures) are included in this category.
- **Level 2**: Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable (e.g. forward contracts or swaps in futures markets).
- **Level 3**: Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At December 31, 2019, one category is classified at this level whose fair value is positive for about 13 million euro (two categories at December 31, 2018 whose fair value was not material).

The valuation of financial instruments can entail significant subjective judgment. However, Edison uses prices quoted in active markets, when available, as the best estimate of the fair value of all derivatives.

4.3 Effects of derivatives transactions on Income Statement and Balance Sheet at December 31, 2019

4.3.1 Effects of derivatives transactions on Income Statement at December 31, 2019

(in millions of euros)	12.31.2019			12.31.2018		
	Realized (A)	Change in Fair Value in the year (B)	Amounts recognized in earnings (A+B)	Realized (C)	Change in Fair Value in the year (D)	Amounts recognized in earnings (C+D)
Result from price risk and exchange risk hedges for commodities of which:						
Total definables as hedges pursuant to IFRS 9 (CFH) (*)	**113**	**2**	**115**	**143**	**(8)**	**135**
Price risk hedges for energy products	70	2	72	161	(9)	152
Exchange risk hedges for commodities	43	-	43	(18)	1	(17)
Total definables as hedges pursuant to IFRS 9 (FVH)	**17**	**(1)**	**16**	**31**	**8**	**39**
Price risk hedges for energy products	(33)	230	197	36	(245)	(209)
Exchange risk hedges for commodities	50	3	53	(5)	66	61
Fair value physical contracts	-	(234)	(234)	-	187	187
Total not definables as hedges pursuant to IFRS 9	**(10)**	**2**	**(8)**	**(6)**	**(7)**	**(13)**
Price risk hedges for energy products	(1)	(5)	(6)	1	(2)	(1)
Exchange risk hedges for commodities	(9)	7	(2)	(7)	(5)	(12)
Total price risk and exchange risk hedges for commodities (A)	**120**	**3**	**123**	**168**	**(7)**	**161**
Margin on trading activities of which:						
Margin on physical trading activities	-	-	-	(2)	1	(1)
Margin on financial trading activities	-	-	-	2	(1)	1
Total margin on trading activities (B)	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL INCLUDED IN EBIT (A+B)	**120**	**3**	**123**	**168**	**(7)**	**161**
Result from interest rate hedges:						
Definables as hedges pursuant to IFRS 9 (CFH)	(9)	-	(9)	-	-	-
Not definables as hedges pursuant to IFRS 9	-	-	-	-	-	-
Total interest rate hedges (C)	**(9)**	**-**	**(9)**	**-**	**-**	**-**
Result from exchange rate hedges:						
Definables as hedges pursuant to IFRS 9 (CFH)	8	-	8	10	-	10
Not definables as hedges pursuant to IFRS 9	-	(1)	(1)	2	-	2
Total exchange rate hedges (D)	**8**	**(1)**	**7**	**12**	**-**	**12**
TOTAL INCLUDED IN FINANCIAL ITEMS (C+D)	**(1)**	**(1)**	**(2)**	**12**	**-**	**12**

(*) Includes the ineffective portion.

We remind that the margin on trading activities (line B in the table above) was referred to the contracts closed by Edison before the signing of the cooperation agreement with EDF Trading (MASA), those contracts expired in the current reporting period.

The economic results of the operations managed in compliance with MASA joint venture agreement with EDF Trading – so-called profit sharing – aren't included in the table above because are recorded in the item Other revenues and income (positive for about 11 million euros in 2019, 2 million euros in 2018).

Focus on Net change in fair value of derivatives (commodity and exchange rate risk)

The table below provides the 2019 and 2018 effects on the Income Statement from the changes in the fair value of the derivatives (commodity and foreign exchange rate), positive for 3 million euros and negative for 7 million euros respectively (please see line A with interception with columns B and D in the table above).

Net change in fair value of derivatives (commodity and exchange rate risk) (in millions of euros)	Definable as hedges (CFH) (*)	Definable as hedges (FVH)	Not definable as hedges	Total net change in fair value
2019				
Hedges of price risk on energy products	2	230	(5)	**227**
Hedges of foreign exchange risk on commodities	-	3	7	**10**
Change in fair value in physical contracts (FVH)	-	(234)	-	**(234)**
Total 2019	**2**	**(1)**	**2**	**3**
2018				
Hedges of price risk on energy products	(9)	(245)	(2)	**(256)**
Hedges of foreign exchange risk on commodities	1	66	(5)	**62**
Change in fair value in physical contracts (FVH)	-	187	-	**187**
Total 2018	**(8)**	**8**	**(7)**	**(7)**

(*) It refers to the ineffective portion.

We remind that the new accounting principles IFRS 9, which substituted the IAS 39, is entered into force starting from January 1, 2018 and moreover changed the amendments in term of hedge accounting. The application of these new rules, possible only prospectively, had extended the application of hedge accounting consequently reducing the volatility effects. It's worth noting that the above-mentioned decrease in gas prices in Europe (TTF) and Italy (PSV) recorded in 2019 influenced the fair values of commodity derivatives.

4.3.2 Effects of derivatives transactions in Balance Sheet at December 31, 2019

The following table shows Fair Value breakdown recorded in Balance Sheet and gives its classification according to IFRS 13.

(in millions of euros)	12.31.2019			12.31.2018		
Broken down as follows:	**Receivables**	**Payables**	**Net**	**Receivables**	**Payables**	**Net**
- Financial assets (liabilities)	-	(16)	(16)	-	-	-
- Non-current assets (liabilities)	100	(93)	7	170	(168)	2
- Current assets (liabilities)	676	(710)	(34)	530	(471)	59
Fair Value recognized as assets or liabilities (a)	**776**	**(819)**	**(43)**	**700**	**(639)**	**61**
of which of (a) related to:						
- Interest Rate Risk Management	-	(16)	(16)	-	-	-
- Exchange Rate Risk Management	52	(10)	42	55	(17)	38
- Commodity Risk Management	462	(434)	28	366	(481)	(115)
- Trading Portfolios (physical and financial)	-	-	-	1	(1)	-
- Fair value on physical contracts	262	(359)	(97)	278	(140)	138
Broken down on fair value hierarchy:						
- Level 1	11	(5)	6	68	(1)	67
- Level 2	752	(814)	(62)	630	(638)	(8)
- Level 3 (*)	13	-	13	2	-	2
IFRS 7 potential offsetting (b)	**(147)**	**147**		**(302)**	**302**	
Potential Net Fair Value (a+b)	**629**	**(672)**	**(43)**	**398**	**(337)**	**61**

(*) The fair value classified at level 3 is recognized for 2 million euros in change in fair value of derivatives and for 11 million euros in Cash Flow Hedge reserve

It is worth of mentioning that, as a counterpart of assets and liabilities shown above, a negative Cash Flow Hedge reserve by 21 million euros, gross of deferred-tax assets and liabilities, was recorded in the shareholders' equity. For more information, please refer to paragraph 6.1 Shareholders' equity.

Instruments outstanding at December 31, 2019

The tables that follow provide an illustration of the information listed below:

- fair value hierarchy;
- derivatives that were outstanding, classified by maturity;
- the value at which these contracts are reflected on the Balance Sheet, which is their fair value.

1) Interest rate and foreign exchange rate risk management

(in millions of euros)	Fair Value Hierarchy (***)	Notional amount (*)				**Balance sheet value at 12.31.19 (**)**	Notional amount at 12.31.18 (*)	Balance sheet value at 12.31.18 (**)
		due within 1 year	due between 2 and 5 years	due after 5 years	Total		Total	
Interest rate risk management:								
- Cash Flow Hedge pursuant to IFRS 9	2	11	98	37	146	(16)	36	-
Total interest rate derivatives		**11**	**98**	**37**	**146**	**(16)**	**36**	**-**

(in millions of euros)	Fair Value Hierarchy (***)	due within 1 year		due between 2 and 5 years		due after 5 years		Total		Balance sheet value at 12.31.19 (**)	Total		Balance sheet value at 12.31.18 (**)
		receivable	payable	receivable	payable	receivable	payable	receivable	payable		receivable	payable	
Foreign exchange rate risk management:													
A. Cash Flow Hedge pursuant to IFRS 9, broken down as follows:										**2**			**8**
. on commercial transactions	2	159	(87)	115	-	-	-	274	(87)	3	953	(223)	8
. on financial transactions	2	(3)	-	-	-	-	-	(3)	-	(1)	25	-	-
B. Fair Value Hedge pursuant to IFRS 9, broken down as follows:										**40**			**30**
. on commercial transactions	2	-	-	-	-	-	-	-	-	40	-	-	30
C. contracts that do not qualify as hedges in accordance with IFRS 9, to hedge margins:										**-**			**-**
. on commercial transactions	2	1	-	-	-	-	-	1	-	-	33	(37)	-
. on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
Total foreign exchange rate derivatives		**157**	**(87)**	**115**	**-**	**-**		**272**	**(87)**	**42**	**1.011**	**(260)**	**38**

(*) Represents the sum of the notional amounts of the basic contracts that would result from a potential unbundling of complex contracts.

(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.

(***) For the definition see the section 4.2.2 "Fair Value hierarchy according to IFRS 13".

It is worth mentioning that during 2019 were executed hedges classified as Cash Flow Hedges to reduce the EUR/USD exchange rate risk related to the fixed portion of E&P business sale price. The realized results and the fair value of those derivatives were booked as adjustment of the profit (loss) from discontinued operations which is indeed in part variable depending on exchange rate fluctuation. For this reason, such derivatives are not exposed here but disclosed in the paragraph 9.2 Information pursuant to IFRS 5, which reference should be made for further details.

2) Commodity risk management

Price risk management for energy products	Fair Value Hierarchy (***)	Notional amount (*) Unit of measure	Due within one year	Due within two years	Due after two years	Total	Balance sheet value at 12.31.19 (**) (in millions of euros)	Notional amount at 12.31.18 (*) Total	Balance sheet value at 12.31.18 (**) (in millions of euros)
A. Cash Flow Hedge pursuant to IFRS 9, broken down as follows:							**(31)**		**52**
- Electric power	3	TWh	(9)	-	-	(9)	13	(5)	1
- Natural Gas	2	Millions of therms	318	(8)	-	310	(57)	(202)	26
- LNG and oil	2	Millions of barrels	5	2	-	7	7	14	(42)
- CO_2	1	Millions of tons	11	1	-	12	6	6	67
B. Fair Value Hedge pursuant to IFRS 9, broken down as follows:							**59**		**(168)**
- Natural Gas	2	Millions of therms	274	(614)	6	(334)	74	(769)	(143)
- LNG and oil	2	Millions of barrels	8	7	-	15	(15)	17	(25)
C. Contracts that do not qualify as hedges pursuant to IFRS 9, to hedge margins:							**-**		**1**
- Natural Gas	2	Millions of therms	39	1	-	40	-	37	(1)
- LNG and oil	2	Millions of barrels	-	-	-	-	-	-	2
- CO_2	2	Millions of tons	-	-	-	-	-	(1)	-
TOTAL							**28**		**(115)**

(*) + for net purchases, - for net sales.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) For the definition see the section 4.2.2 "Fair Value hierarchy according to IFRS 13".

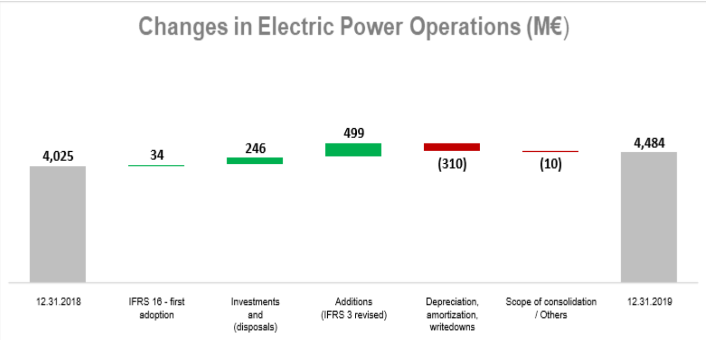
The derivatives in “level 3” concern hedges purchased and sold to reduce price risk on Italian electricity market and classified as Cash Flow Hedges. Their evaluation is based on models depending on past data which simulate the national market mechanism. We outline a positive impact of 2 million euros booked in the Income Statement referred to the ineffective portion (not material in 2018).

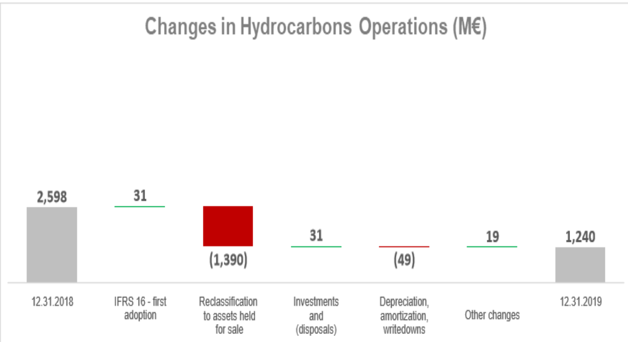
It’s also worth mentioning that CO_2 quotas, classified as Cash Flow Hedges, also include futures with physical delivery in March 2020, referring to compliance for 2019.

5. FIXED ASSETS AND PROVISIONS

5.1 Tangible, intangible assets and goodwill

Tangible, intangible assets and goodwill (in millions of euros)	Property, plant and equipment	Intangible assets	Goodwill	Total
Balance at 12.31.2018	**3,647**	**617**	**2,403**	**6,667**
IFRS 16 - first adoption	168	-	-	**168**
Balance at 01.01.2019 (A)	**3,815**	**617**	**2,403**	**6,835**
Changes in 2019:				
- reclassification to assets held for sale	(941)	(271)	(178)	(1,390)
- investments	260	35	-	295
- additions (IFRS 3 revised)	474	21	4	499
- disposals (-)	(3)	-	-	(3)
- depreciation and amortizations (-)	(291)	(50)	-	(341)
- writedown (-)	(4)	(7)	(22)	(33)
- change in scope of consolidation	(9)	-	-	(9)
- other changes	11	(1)	13	23
Total changes (B)	**(503)**	**(273)**	**(183)**	**(959)**
Balance at 12.31.2019 (A+B)	**3,312**	**344**	**2,220**	**5,876**





Commitments on fixed assets:

Commitments amount to 858 million euros and mainly include:

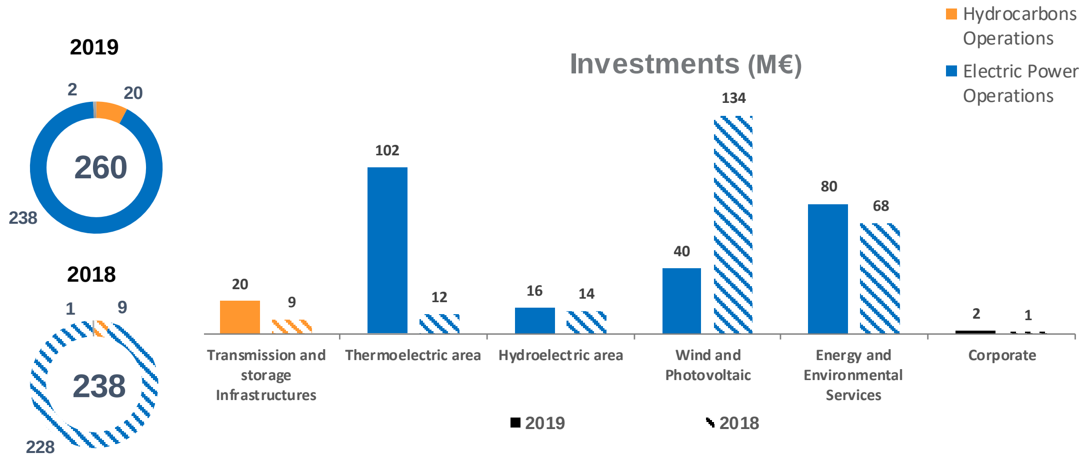
- 563 million euros for the completion of investment projects in progress in Italy, of which 300 million euros linked to the construction of a latest-generation combined-cycle thermoelectric power plant powered by natural gas in Presenzano in the province of Caserta and 198 million euros linked to the construction of a new latest-generation combined-cycle gas turbine at the Marghera Levante (VE) thermoelectric power plant;
- 77 million euros for a 12-year long term contract, signed with the Norwegian shipowner Knutsen OAS Shipping, for the hire of an LNG vessel that is under construction and will be delivered during 2021;
- 20 million euros on the contract for the supply of gas from the Shah Deniz II field in Azerbaijan, transferred to Edison during 2018, to be recognized to Gas Natural Fenosa from 2021 with the first delivery of gas to Italy through the Trans Adriatic Pipeline (TAP);
- 198 million euros that reflect the carrying amounts of the assets or rights pledged as collateral on the balance sheet date and mainly refer to mortgages and encumbrances granted on wind and photovoltaic plants of the EDF EN Italia Group to secure loans provided by financial institutions. The amount includes 80 million euros as rights pledged for the wind plant of Bonorva provided to EDF Investissement Groupe (hereafter EDF IG).

5.1.1 Property, plant and equipment

Property, plant and equipment (in million of euros)	Land and buildings	Plant and machinery	Assets transferable at no cost	Assets under leases IFRS 16 (*)	Other assets	Construction in progress and advances	Total
Balance at 12.31.2018	**317**	**2,744**	**123**	**15**	**14**	**434**	**3,647**
IFRS 16 - first adoption	-	-	-	168	-	-	168
Balance at 01.01.2019 (A)	**317**	**2,744**	**123**	**183**	**14**	**434**	**3,815**
Changes in 2019:							
- reclassification to assets held for sale (-)	-	(708)	-	(29)	(2)	(202)	(941)
- investments	3	75	3	-	4	175	260
- additions (IFRS 3 revised)	4	280	-	190	-	-	474
- disposals (-)	-	(3)	-	-	-	-	(3)
- depreciation (-)	(13)	(236)	(13)	(27)	(2)	-	(291)
- writedowns (-)	-	(4)	-	-	-	-	(4)
- change in the scope of consolidation	(1)	(6)	-	(2)	-	-	(9)
- other changes	6	221	(1)	15	1	(231)	11
Total changes (B)	**(1)**	**(381)**	**(11)**	**147**	**1**	**(258)**	**(503)**
Balance at 12.31.2019 (A+B)	**316**	**2,363**	**112**	**330**	**15**	**176**	**3,312**

(*) Recorded as required by IFRS 16: relative financial debt is exposed in "Non current Financial debt" (259 million euros) and in "Current Financial Debt" (33 million euros).

Investments

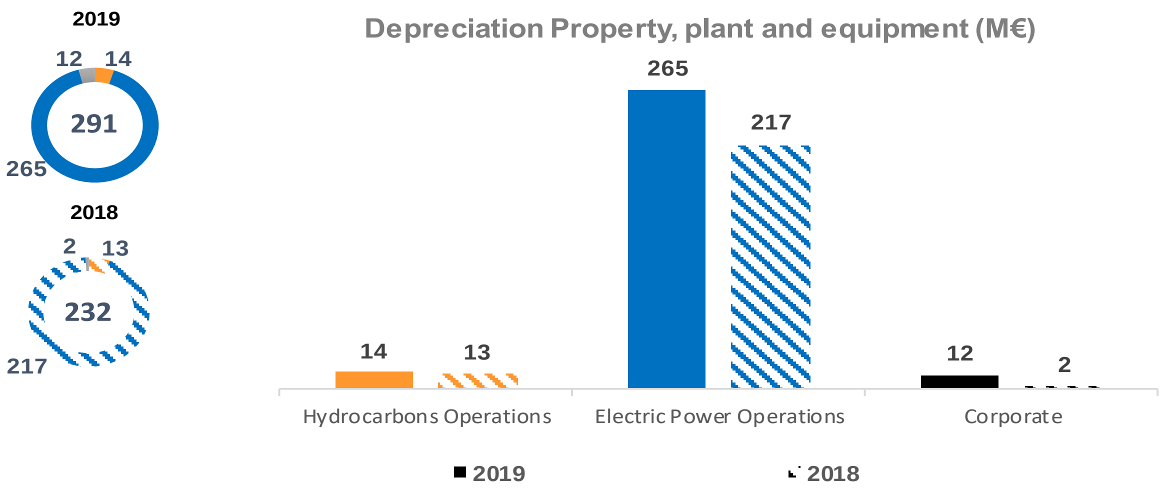


In **Electric Power Operations** are mainly related to:

- investments in wind generation plants in order to complete the activity of increasing the production capacity following the award of new wind power capacity to company E2i Energie Speciali (E2i), through the process of calls for tenders issued by the Electric Services Manager in 2016;
- investments mainly referred to the new combined-cycle facilities at the Marghera Levante and Presenzano thermoelectric power plants and to the replacement of plant parts at some hydroelectric power plants;
- activities related to Energy and Environmental Services, mainly in Italy and abroad for industrial sites of the customer FCA.

The item **additions (IFRS 3 revised)** refers mainly to the acquisitions of EDF EN Italia Group companies, EDF EN Services Italia, Azienda Energetica Buschese and Vernante Nuova Energia, Fenice Assets Iberica and Idroelettrica Saint Barth Basso; for a detailed analysis, please refer to the paragraph 9.1 Information pursuant to IFRS 3 revised.
The borrowing costs capitalized as part of property, plant and equipment, as allowed by IAS 23 revised, were not material.

Depreciation



For details on **writedowns**, 4 million euros related to abroad assets, please refer to the disclosure in section **5.1.4 Impairment test in accordance with IAS 36** below.

5.1.2 Intangible assets

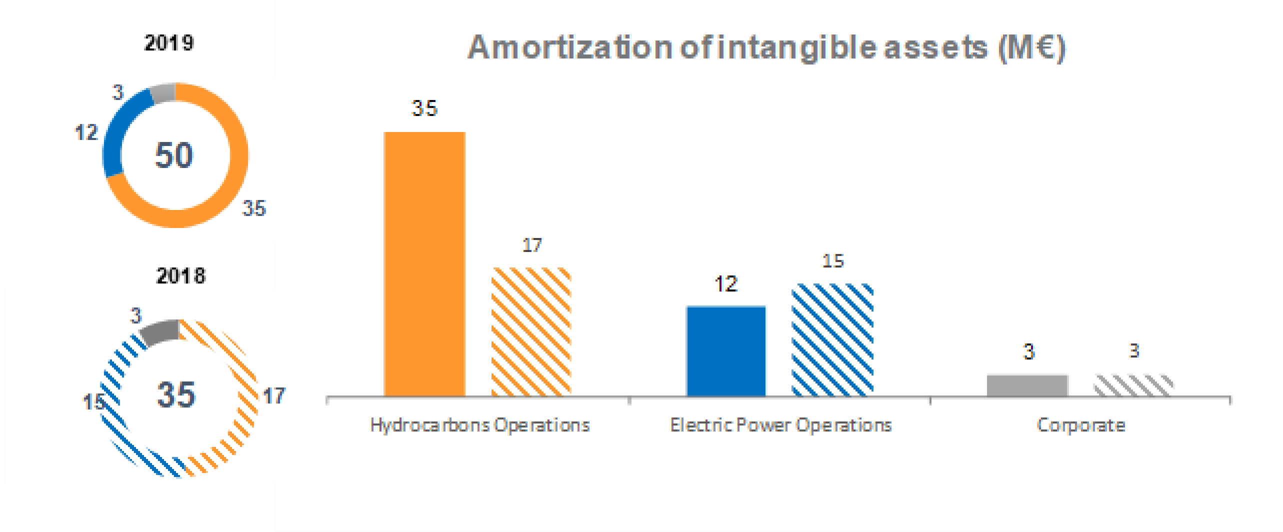
Intangible assets (in millions of euros)	Hydrocarbon concessions	Concessions, licenses, patents and similar rights (*)	Other intangible assets	Work in progres and advances	Total
Balance at 12.31.2018 (A)	**260**	**103**	**225**	**29**	**617**
Changes in 2019:					
- reclassification to assets held for sale	(248)	(1)	(12)	(10)	(271)
- investments	-	14	9	12	35
- additions (IFRS 3 revised)	-	-	21	-	21
- disposals	-	-	-	-	-
- amortization (-)	(2)	(12)	(36)	-	(50)
- writedowns (-)	-	-	(7)	-	(7)
- other changes	(1)	9	-	(9)	(1)
Total changes (B)	**(251)**	**10**	**(25)**	**(7)**	**(273)**
Balance at 12.31.2019 (A+B)	**9**	**113**	**200**	**22**	**344**

(*) Including the infrastructures used to distribute natural gas (62 concessions) as required by IFRIC 12.

Investments

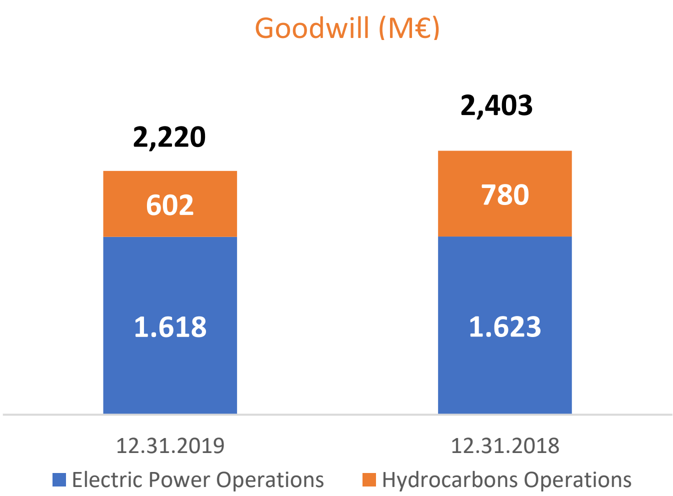
The investments amount to **35 million euros**, the net reduction for the year of 273 million euros mainly reflects the reclassification of E&P business to Assets held for sale (-271 million euros), the item **acquisitions (IFRS 3 revised)** for **21 million euros** is referring to the companies acquired, for a detailed analysis please refer to paragraph 9.1 Information pursuant to IFRS 3 revised.

Amortization



In Hydrocarbons Operations, in 2019 the useful live of some intangible assets has been reviewed.
For details on **writedowns**, 7 million euros, please refer to the disclosure in section **5.1.4 Impairment test in accordance with IAS 36** below.

5.1.3 Goodwill



The reduction of the Hydrocarbon Operations' goodwill is related to the allocation, done following IAS 36 par. 86, of the portion referred to E&P business (178 million euros), now treated as Discontinued Operations.

Electric Power Operations' goodwill is also in reduction mainly as a consequence of the writedowns booked in the reporting period, for which see the following section **5.1.4 Impairment test in accordance with IAS 36**.
The balance in this account is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments, but must be tested for impairment at least once a year.

5.1.4 Impairment test in accordance with IAS 36

During the year, writedowns totaling 33 million euros were recognized (4 million euros on property, plant and equipment, 7 million euros on intangible assets and 22 million euros on goodwill allocated to specific CGUs) all attributable to Electric Power Operations.

The impairment test results and sensitivities are shown below; the methodology is thoroughly reviewed in the chapter 10. Criteria and methods, paragraph 10.3 – section 10.3.1. We remind that the CGUs in disposal of E&P business are classified as Assets held for sale (Discontinued Operations), for further information, please see paragraph 9.2 Information pursuant to IFRS 5.

In 2019 the test was performed on 11 CGUs; the outcomes are shown in the following table.

Segment/CGU	**Main impairment indicators**	**WACC**	**Writedowns** (in millions of euros)
Electric Power Operations			
CGUs Energy & Environmental Service Market	Delay of contracts implementation with Public Administration	5.2%-6.2%	29 (*)
CGU Energy & Environmental Service Market	Delay in foreign tariffs adjustment	7.2%	4
Total impairment writedowns			**33 (*)**

(*) Includes 22 million euros writedown on goodwill allocated to those CGUs

The main assumptions that determined the results of the test are the following:

- in general and compared to the previous year, the 2019 impairment test's reference scenario considers a decrease of energy commodity prices, mainly for Hydrocarbon Operations (gas prices in Italy and Europe).
- In developing the reference scenario for the Italian electricity market were taken into account the results of the capacity market tenders held in November 2019 referring:
  - for existing generation capacity: to years 2022 and 2023;
  - for new generation capacity that will be available from new investments: to 15 years from the start of production.

  Edison Group participated to tenders both with existing generation capacity and with capacity that will be available from completion of new investments. The outcome of tenders determined an increase in the forecasted level of capacity remuneration that was assumed in 2018 impairment test, specifically for the plants in construction which will benefit from an increased and long-term premium. In the test it was included the contribution of a new power plant whose construction started in 2019; however, it wasn't included further thermoelectric capacity still in development.
- WACC used in the 2019 impairment test are lightly lower than the one used in the previous year because of a reduction of risk-free rates and beta coefficient of electric sector. The reference values are 5.2% for Electric Power Operations (5.8% in 2018) and between 5.6% and 7% for Hydrocarbons Operations (between 5.5% and 10.7% in 2018, including also business E&P's CGUs).

Specifically for the impairment test of the Goodwill, in addition to the hypothesis explained above, in the determination of the terminal value was assumed a growth rate in the range 0 – 1.5% according to Group's different businesses.

To support the analyses resulting from the test, sensitivity analyses were also performed to highlight the impact on the assets' and goodwill's recoverable values of changes in specific assumptions. In particular were analyzed the scenarios related to capacity market as disclosed in the following table:

Sensitivities and impacts on groups of CGUs

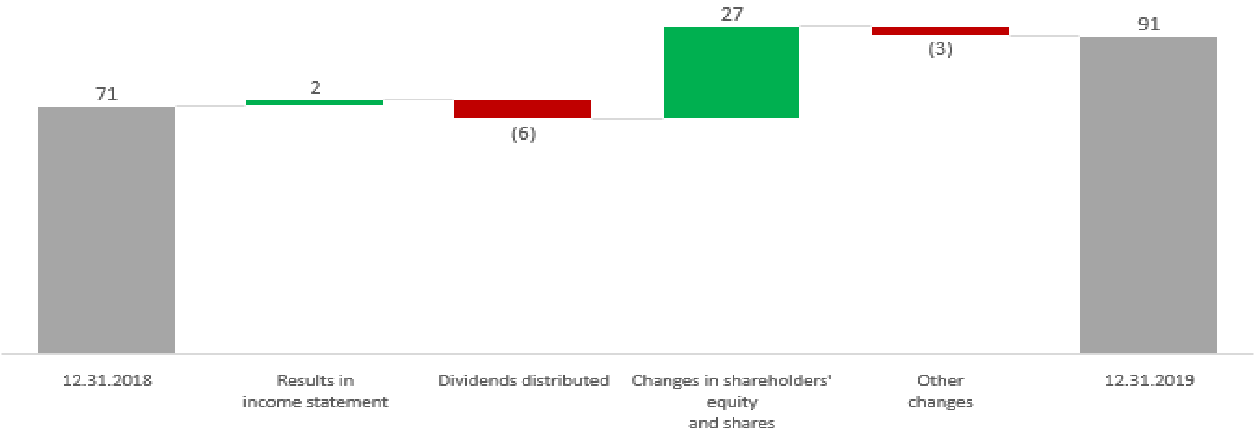
Segment / CGU	**Sensitivity**	**Impact on recoverable value** (in millions of euros)
Electric Power Operations / CGUs thermoelectric and hydroelectric	Reduction of capacity premium in the long-term	-83
Electric Power Operations / Goodwill	No capacity premium for existing plants since 2028	-600

With reference to the goodwill, key variables were used as inputs in Montecarlo simulation to target the recoverable value. Besides the reference recoverable amount, the simulation allows to quantify the possible deviations from the reference value related to the oscillations of input variables and to the statistical probability of those changes.
Considering a reasonable range, the Group's recoverable value may have a relative change nevertheless marginal (in the range of +/-260 million euros) and without impact on total writedowns.

5.2 Equity investments and other non-current financial assets

5.2.1 Investments in companies valued by the equity method

The change during the year is reported below.



The **results in income statement** refer mainly to the companies Ibiritermo, IGI Poseidon and EDF EN Services Italia. The **dividends distributed** refer mainly to the companies Ibiritermo and EDF EN Services Italia. The **changes in shareholders' equity and shares** include the 2019 capital contributions to the companies IGI Poseidon and Depositi Italiani GNL and for 10 million euros, the acquisition of incremental shares in Elpedison Sa, now held at 50%.

During 2019, the company EDF EN Services Italia, owned at 30%, has been valued by equity method consistently with previous years; at December 31, 2019, following the acquisition of residual 70% of the share capital, it has been consolidated on a line-by-line basis.

5.2.2 Other non-current financial assets

These amount to 68 million euros (69 million euros at December 31, 2018) and include mainly:

- for 46 million euros (51 million euros at December 31, 2018) the financial receivable of Edison International Holding NV (EIH) towards the company Elpedison Sa; these amounts are net of a provision of about 10 million euros, unchanged compared to 2018. Note that the capital repayments and the payments of the interest due during the year have been regularly made;
- 11 million euros as restricted bank deposits of EDF EN Italia;
- for 6 million euros the investment in the FPCI Electranova - Idinvest Smart City Venture Fund, which concentrates on unlisted companies experiencing rapid growth (from the initial phase to the advanced phase) in the Energies & Cities sector, primarily at EU level. This investment is measured at fair value and any changes in value are booked in the income statement for the period; at December 31, 2019 the fair value is substantially aligned to the cost.

The results of equity investments reflected in the income statement are broken down below:

Income from (Expense on) equity investments (in millions of euros)	2019	2018	Changes
Investments valued by equity method	2	4	(2)
Others	4	-	4
Income from (Expense on) equity investments	**6**	**4**	**2**

Commitments

Guarantees amounting to approximately 48 million euros (22 million euros at December 31, 2018) were recognized, provided by EIH to financial institutions in the interest of Elpedison.

5.3 Provisions for risks and employee benefits

(in millions of euros)	12.31.2018	Reclassification to liabilities held for sale	Changes in the scope of consolidation	Additions	Utilizations	Financial expenses	Other changes	12.31.2019
Employee benefits	40	(3)	1	-	(1)	-	1	38
Provisions for decommissioning and remediation of industrial sites	716	(579)	4	-	(3)	6	19	163
Provisions for risks and charges	211	(41)	6	33	(15)	1	147	342
Total	**967**	**(623)**	**11**	**33**	**(19)**	**7**	**167**	**543**

5.3.1 Employee benefits

Reflect the accrued severance indemnities and other benefits owed to employees at the end of the year.

The actuarial (gains) and losses are recorded in equity. A valuation in accordance with the actuarial criteria of IAS 19 is performed only for the liability for Employee Severance Indemnities that is still held at the Company.

5.3.2 Provisions for decommissioning and remediation of industrial sites

Include the valuation, discounted to the reporting date, of the decommissioning costs that the Group expects to incur for industrial sites. The Reclassification to liabilities held for sale is referred to the E&P business as better described in paragraph 1.4 and in chapter 9. Other notes – paragraph 9.2 Information pursuant to IFRS 5. The other changes during the year reflect mainly the increase for the discounting effect, under the income statement item ‘Other net financial income (expense)’, and a change in estimated costs, which involved the increase of some provisions and consequently of the relative fixed assets in the item ‘Plant and machinery’.

5.3.3 Provisions for risks and charges

These refer to provisions of a purely industrial nature for the various areas in which the Group operates. At December 31, 2019 they in particular include, for about 146 million euros, the valuation of 2019 needs for CO_2 emission rights, as well as some provisions related to the sale of equity investments and tax disputes related to property taxes.

These reflect, *inter alia*, the valuation of **probable liabilities** linked to some disputes for which it was possible to reliably estimate the underlying expected obligation, even though the timing of any resulting monetary outlay cannot be objectively predicted.

With regard to the changes occurred in the year, please note in particular the following:

Edison Spa - Reclassification for registration tax purposes of the business transfer transaction to Taranto Energia and subsequent sale of the equity investment

At the end of 2018, the Milan Revenue Agency requested that Edison Spa pay the pending amount of the registration tax liquidated for the business transfer transaction of the Taranto thermoelectric power plants to Taranto Energia and subsequent sale of the equity investment to ILVA in 2011.

The dispute, together with that proposed by ILVA, is currently pending before the Court of Cassation following an unfavourable decision for the companies issued by the Regional Tax Commission.

Given that the tax was due based on the rules for collection pending proceedings, in 2018 Edison arranged for the payment of solely the tax, without interest, in order to avoid enforcement procedures, which may be more damaging. The charge was fully covered through the existing risks provision for the sale of the equity investment.

In the meantime, the 2019 Budget Law (art. 1, paragraph 87 letter a of Law 205/2018) established the interpretative nature, and therefore effective also for the past, of art. 20 of the registration law as amended by the 2018 Budget Law, which limits the possibility of requalifying acts subject to registration, removing the legitimacy of the non-compliant payment notices issued.

However, the proceedings pending at the Court of Cassation in question, despite being called for discussion in October 2019, were suspended at the request of the Attorney General’s Office as a result of the question of the constitutionality of the provisions cited above put forward by said Court of Cassation.

The risk provision was unchanged in 2019.

Edison Spa - Disputed municipal property taxes (ICI and IMU) and assessed property values of hydroelectric and thermoelectric power plants

Two Court of Cassation rulings were issued in 2019, which confirmed the higher tax assessed by the Municipality of Piateda in the form of ICI (municipal property tax) for some years subject to dispute. The rulings lend themselves to potential irregularities which justify an appeal for revocation, which was filed in the second part of 2019. Nonetheless, it was considered appropriate to adjust the existing risk provision, taking into account the aforementioned rulings.

5.4 Contingent assets and liabilities

Contingent assets

Benefit not recognized in financial statements as it is not virtually certain.

Edison Spa – Dispute for registration fees on transactions requalified as disposal of business operations regarding CIP 6/92 power plants

The dispute, pending since 2010, concerns the registration tax paid following the requalification as sale of a business of the conveyance of business operations consisting of the thermoelectric power plants subject to CIP 6/92 to a newco and the subsequent sale of the equity investment.

This dispute is currently pending before the Court of Cassation, following an unfavorable decision by the Regional Tax Commission; anyway, the tax was already paid in full while lawsuit was pending.

This dispute was also concerned by the regulatory amendments cited above, in relation to the dispute for registration tax relating to the Taranto plants, and the question of the constitutionality of the same regulations officially promoted by the Court of Cassation.

Contingent liabilities

Not recognized in financial statements as they depend on the occurrence of events that are possible, but not probable, or are probable but their impact cannot be quantified reliably and are likely to result in a cash outlay of an amount that cannot reasonably be estimated.

Edison Spa (formerly Edison Trading Spa) – Assessment for VAT year 2010 and disputes for year 2005 – Concluded

We remind that during the month of May 2019 the dispute was settled, taking advantage of the provisions provided for in the Law Decree No. 119/2018 (so-called "pace fiscale"). At the same time, some minor direct tax disputes were also defined. The overall cost was covered by the existing risk provision, which was booked in the merged Edison Trading against direct tax disputes. Please see also the disclosure in next chapter 7. Taxation.

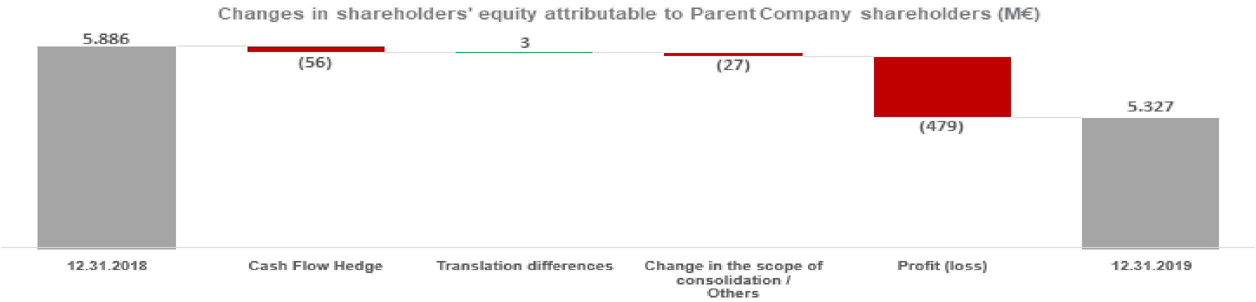
Fenice - Administrative dispute on Internal User Networks (RIU) – No longer relevant

With reference to the dispute concerning ARERA Resolution No. 539/2015 on RIU, which had established the equalisation of private networks with (public) distribution networks with extremely negative economic and organisational effects for the operator, it should be noted that Fenice, even pending the decision of Lombardy Regional Administrative Court, in agreement with its customers, has transformed its private networks into Efficient User Systems (SEU), systems that are not subject to the charges provided for RIU, as a result of which the related proceedings have lost relevance for the company.

6. SHAREHOLDERS' EQUITY, FINANCIAL DEBT AND COST OF DEBT

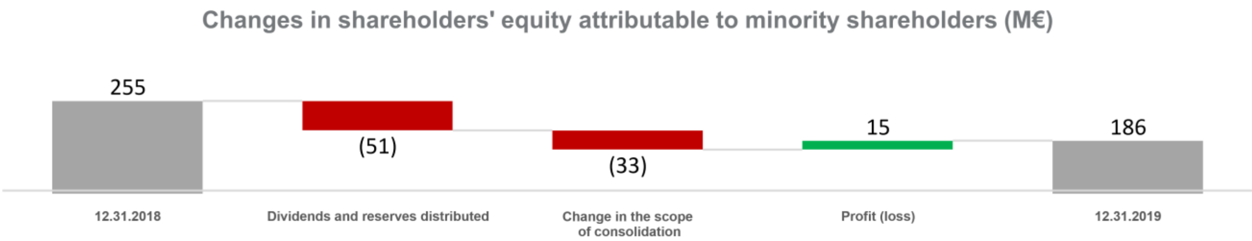
6.1 Shareholders' equity

The main changes that occurred during the year in shareholders' equity attributable to the shareholders of the Parent Company and in net equity attributable to minority shareholders are presented below. A breakdown of the shareholders' equity attributable to Parent Company shareholders and to minority shareholders is provided in the schedule entitled "Changes in Consolidated Shareholders' Equity".



With regard to changes in shareholders' equity attributable to Parent Company shareholders:

- the change in the scope of consolidation and others reflect, among others, the higher values attributed to the pro-rata share of minority interests acquired during the year (negative impact of about 9 million euros) and a decrease of about 6 million euros related to the completion of Purchase Price Allocation processes relating to business combinations carried out during the previous year;
- Profit(loss) includes Profit(loss) from discontinued operations.



With regard to changes in shareholders' equity attributable to minority shareholders:

- Dividends and reserves distributed are mainly related to those from E2i, which is consolidated line by line, to its shareholder F2i;
- the change in the scope of consolidation reflects on one hand the reductions, for about 9 million euros, related to acquisitions of minority interests in Assistenza Casa and Comat Energia; on the other hand the contribution by EDF EN Italia, acquired during the year, of the minority interest of 16.7% in Edison Partecipazioni Energie Rinnovabili (EPER). The three companies are now fully owned.

The table below provides a breakdown of the change that occurred in the Cash Flow Hedge reserve due to the adoption of IFRS 9 for the accounting of derivatives. The change refers to the provisional recognition in equity of the effective portion of derivatives executed to hedge price and foreign exchange risks on energy commodities and interest rate risk. The amounts recognized directly in equity will be reflected in the income statement concurrently with the economic effects produced by the hedged items.

Cash Flow Hedge Reserve (in millions of euros)	**Gross reserve**	**Taxes**	**Net reserve**
Reserve at 12.31.2018	57	(15)	42
Change in the period	(78)	22	(56)
Reserve at 12.31.2019	**(21)**	**7**	**(14)**

6.2 Management of financial resources

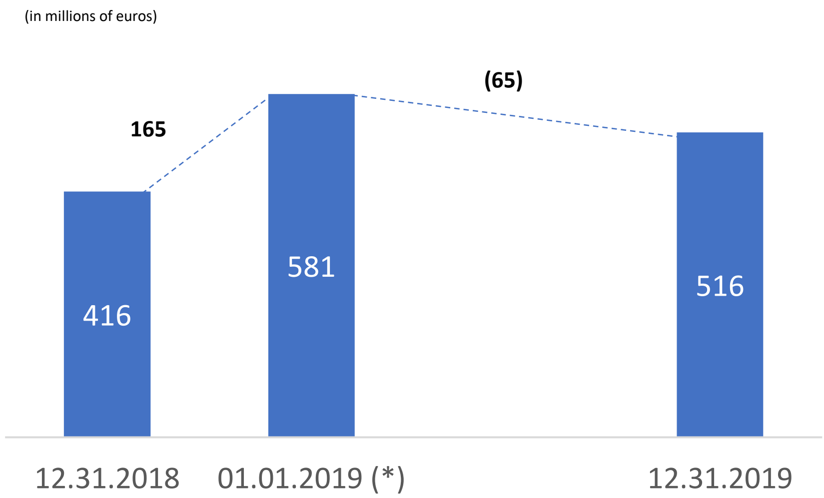
Edison defines its financial strategy with the primary objective of guaranteeing the availability of financial resources at the best market conditions and, with the appropriate balancing, to support ordinary business management and the development of investments to sustain future growth.
For this purpose, Edison also, but not exclusively, relies on the controlling company EDF Sa to obtain loans in any technical form, to guarantee flexibility in liquidity and/or coverage of structural needs. For Edison, terms and conditions are in line with the best market conditions.
Concerning treasury, Edison dedicates one of its current bank accounts to a cash-pooling agreement with EDF Sa, which allows significant flexibility thanks to the availability of up to 199 million euros at competitive conditions.
Liquidity management is mainly centralized at the level of Edison Spa, which in general directly manages, or in some cases simply co-ordinates, the treasury operations of its subsidiaries through intercompany current accounts and intra-Group loans. Further information is provided in 2019 Separate Financial Statements to which reference should be made.
To support certain investment activities, Edison resorts to the market whenever specifically attractive opportunities of financing arise. This is the case of some credit lines granted to Edison by the European Investment Bank (EIB), directly or through EDF Sa. These credit lines are dedicated to the development of specific projects i.e. the gas storage fields of San Potito and Cotignola and the construction of eight wind farms (three complete reconstructions and five green fields) for a total of 165 MW of capacity in Central and Southern Italy, which E2i was awarded at the end-of-year 2016 GSE auction.

At December 31, 2019 Edison's credit rating is BBB- with a stable outlook for Standard & Poor's and Baa3 with a positive outlook for Moody's.

6.3 Net financial debt and cost of debt

Net financial debt at December 31, 2019 amounts to 516 million euros (416 million euros at December 31, 2018), in increase mainly due to the acquisitions of the year, especially of EDF EN Italia.
Moreover, as previously commented, the new accounting standard IFRS 16 "Leases", applied prospectively, determined at January 1, 2019, date of first adoption, an increase in net financial debt of about 165 million euros (including the contribution of E&P business held for sale).

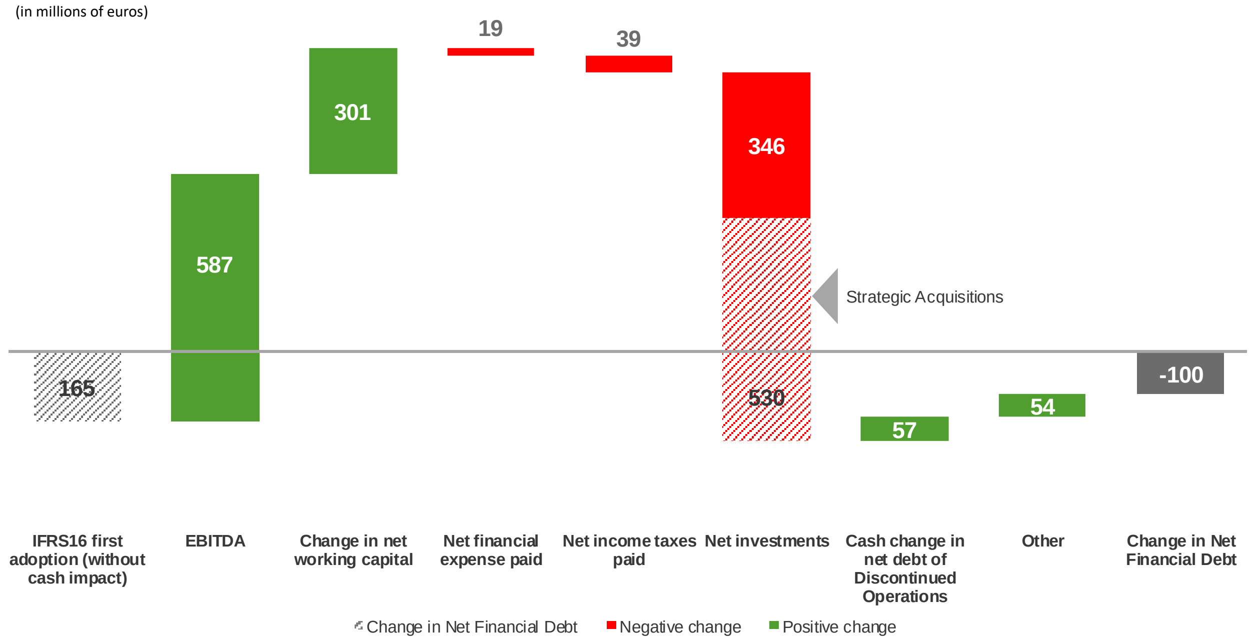
Change in net financial debt



The increase in net financial debt from December 31, 2018 amounts to 100 million euros.

(*) Data at January 1, 2019 reflect for about 165 million euros the impact of first time adoption of the new accounting standard IFRS 16 "Leases"

Analysis of changes in net financial debt



The main cash flows during the year derive from EBITDA, previously commented, the positive variation of net working capital, which benefits from optimizations put in place, and net investments which include:

- the acquisition of EDF EN Italia and EDF EN Services Italia for a total amount of 530 million euros;
- capital expenditures (288 million euros), mainly for the construction of new wind farms greenfield and complete reconstructions (39 million euros), the construction of new combined cycle gas turbines in the thermoelectric plants of Marghera Levante and Presenzano (78 million euros) and the environmental and energy services (89 million euros);
- other business combinations (-53 million euros) and disposals (+9 million euros);
- investments in non-current financial assets (17 million euros), specifically referred to capital contributions in the companies IGI Poseidon Sa and Depositi Italiani GNL Spa.

Net financial debt can be broken down as follows:

(in millions of euros)	12.31.2019 (*)	12.31.2018	Change
Non-current financial debt	615	353	262
- Due to banks	318	275	43
- Due to EDF Group companies	34	60	(26)
- Debt for leasing	259	9	250
- Due to other lenders	4	9	(5)
Assets for financial leasing	(2)	(3)	1
Non-current net financial debt	**613**	**350**	**263**
Current financial debt	358	218	140
- Due to banks	49	120	(71)
- Due to EDF Group companies	14	16	(2)
- Debt for leasing	33	2	31
- Debt for valuation of Cash Flow Hedge derivatives	16	-	16
- Due to other lenders (°)	246	80	166
Current financial assets (°°)	(347)	(3)	(344)
Cash and cash equivalents	(283)	(149)	(134)
Current net financial debt	**(272)**	**66**	**(338)**
Net financial debt Assets held for sale	**175**	**-**	**175**
Net financial debt	**516**	**416**	**100**
of which:			
Gross financial debt	**869**	**571**	**298**
Cash and cash equivalents and financial assets	**(353)**	**(155)**	**(198)**

(*) At January 1, 2019 the adoption of the new accounting standard IFRS 16 determined an increase of debt for 165 million euros (including the contribution of E&P business held for sale).

(°) Include financial debt versus Assets held for sale for 138 million euros.

(°°) Include financial receivables versus Assets held for sale for 341 million euros.

In addition to the effects of the application of accounting standard IFRS 16, the main changes in net financial debt are commented below.

The increase in **non-current net financial debt** primarily reflects:

- the consolidation, starting from July 1, 2019, of EDF EN Italia Group, which at December 31, 2019 shows bank debt, debt for leasing and amounts due to EDF IG for a total of 183 million euros;
- use of the last available tranche of 40 million euros from the 150 million euros credit line provided by the EIB to Edison in 2017 for the development of wind farms.

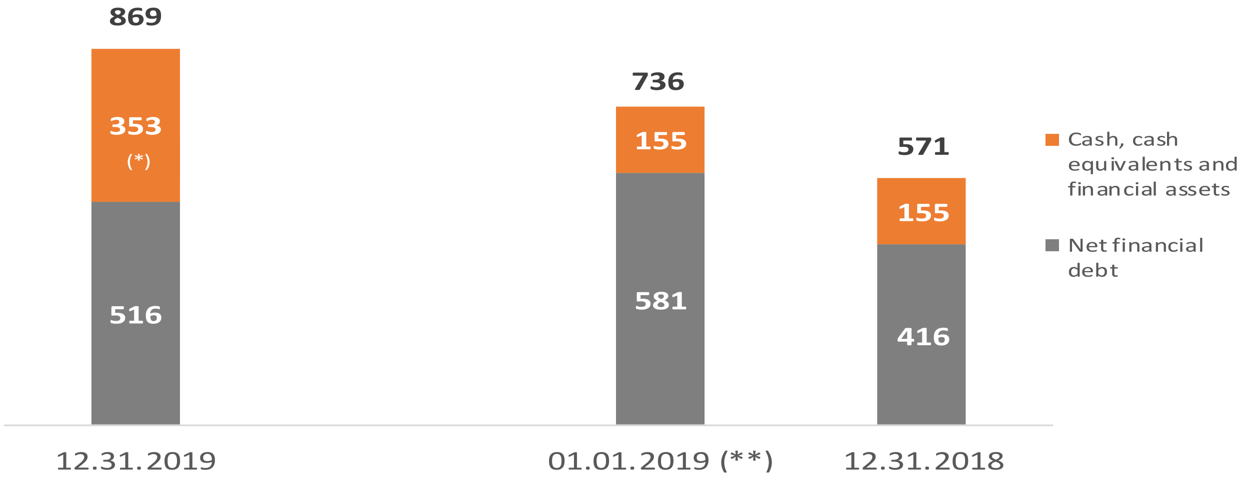
The early repayment of the EIB loan intermediated by **EDF Sa** and dedicated to hydrocarbon production and extraction projects in Italy, in anticipation of the sale of E&P business, partially offset the increase in non-current net financial debt.

With the exception of the financial items versus Assets held for sale, **current net financial debt** varies mainly due to a reduction in exposure to margin-setting accounts dedicated to derivative transactions that hedge the commodity risk of the Industrial Portfolio, the normal repayment plan for outstanding loans and the early repayment of the EIB financing intermediated by EDF Sa.

Cash and cash equivalents include 156 million euros (28 million euros at December 31, 2018) in available funds held in the current account with EDF Sa and 127 million euros in bank current account balances (121 million euros at December 31, 2018), consisting mainly of the cash balances in the current accounts of companies with non-centralised cash management systems.

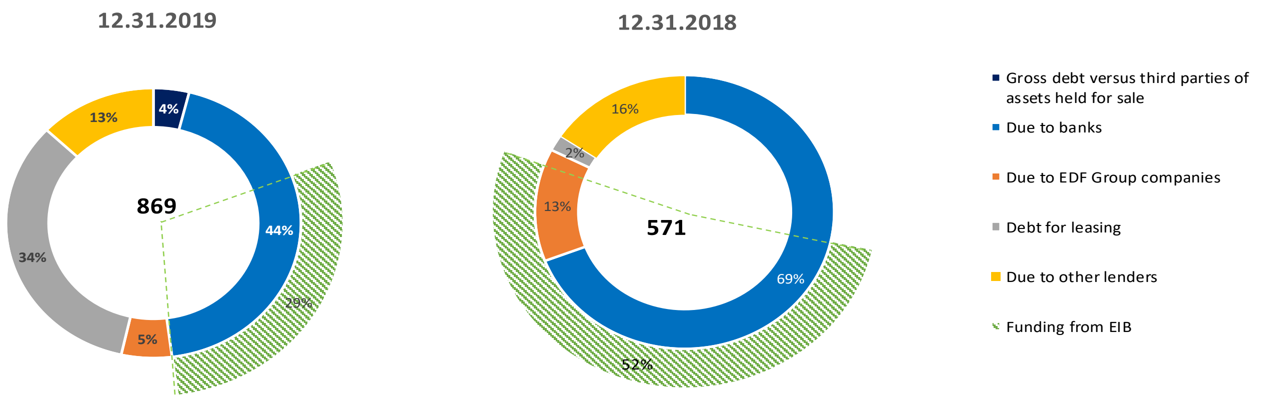
Gross financial debt and breakdown by financial source

(in millions of euros)



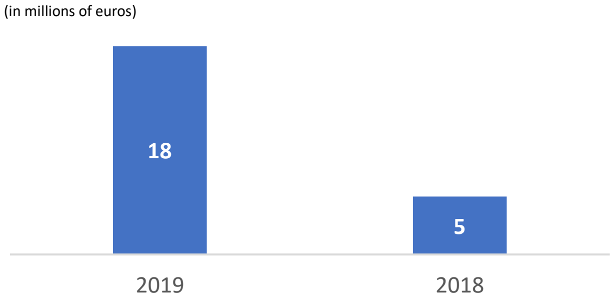
(*) Amounts related to Assets held for sale are included.

(**) Data at January 1, 2019 reflect for about 165 million euros the impact of first time adoption of the new accounting standard IFRS 16 'Leases'.



In addition to the above mentioned application, starting from January 1, 2019, of accounting standard IFRS 16, the change in the composition of gross financial debt in 2019 reflects the acquisition of EDF EN Italia, whose subsidiaries had at December 31, 2019 bank debt, debt for leasing and debt due to other lenders for a total amount of 220 million euros. The bank facilities of which Edison made use during the year include primarily long-term loans for the development of specific projects in the wind sector and gas storage granted directly to Edison by the EIB and the Club Deal loan provided to E2i by a pool of banks and Cassa Depositi e Prestiti.

Net financial expense on debt



In 2019, net financial expense on debt increased as a result of the already mentioned consolidation of EDF EN Italia and the one-off costs incurred as a result of a process undertaken by Edison in the last quarter of 2019 to refinance the indebtedness of the above-mentioned company and its subsidiaries with intra-Group loans, which will continue in 2020 and which mainly involved the repayment of 105 million euros in shareholder loan provided by EDF Renouvelables.
For the analysis of interest rate risks, please refer to paragraph 6.4 – section 6.4.1 below.

In accordance with IAS 7 "Cash Flow Statement", the changes in liabilities resulting from financing activities are reported below. The table shows the reconciliation of cash flows exhibited in the "Cash Flow Statement" with the total changes recorded during the year from balance sheet items that contribute to net financial debt.

(in millions of euros)	12.31.2018	Cash flow (*)	Non-cash flow						12.31.2019
			IFRS 16 - first adoption	IFRS 5 effects (**)	Changes in scope of consolidation (***)	Currency differences	Changes in fair value (****)	Other changes	
Financial debt (non-current and current)	571	(309)	165	105	404	-	-	21	957
Fair value on interest rate derivatives	-	-	-	-	24	-	(8)	-	16
Assets for financial leasing	(3)	-	-	-	-	-	-	1	(2)
Current financial assets	(3)	17	-	(356)	-	-	-	(5)	(347)
Net liabilities resulting from financing activities	**565**	**(292)**	**165**	**(251)**	**428**	**-**	**(8)**	**17**	**624**
Cash and cash equivalents (*)	(149)	(96)	-	24	(64)	-	-	2	(283)
Net financial debt Assets held for sale	-	(57)	-	**227**	**-**	**(4)**	**-**	**9**	**175**
Net financial debt	**416**	**(445)**	**165**	-	**364**	**(4)**	**(8)**	**28**	**516**

(*) Flows shown in the Cash Flow Statement.
(**) E&P business reclassified to held for sale, exposure of financial assets and liabilities continuing operations versus discontinued operations.
(***) Related to business combinations and disposals commented in paragraphs 1.3 and 9.1.
(****) Related to the hedges (IRS) on EDF EN Italia and E2i loans (at December 31, 2018 only E2i with a fair value not material).

6.4 Financial risk management

6.4.1 Interest rate risk

The Edison Group's exposure to interest rate risk decreased, despite an increase in debt. In fact, the adoption of IFRS 16 resulted in an increase in fixed-rate debt and the acquisition of EDF EN Italia resulted in the consolidation of variable-rate debt hedged with financial instruments (interest rate swaps). Edison assesses its exposure to the risk of fluctuations in interest rates on a regular basis and manages it mainly by selecting the modality to use the loans. Please recall that the direct EIB loans offer the option between a variable and fixed rate every time the loan is utilised.

Gross Financial Debt	12.31.2019 (*)			12.31.2018		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion (*)	314	464	53%	98	134	23%
- variable rate portion	555	405	47%	473	437	77%
Total gross financial debt	**869**	**869**	**100%**	**571**	**571**	**100%**

(*) Includes the effects of application of accounting standard IFRS 16.

The table below provides a sensitivity analysis that shows the impact on the income statement of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2019 and provides a comparison with the corresponding data for 2018.

Sensitivity analysis (in millions of euros)	2019 Impact on financial expense			2018 Impact on financial expense		
	+50 bps	**base**	**-50 bps**	+50 bps	base	-50 bps
Edison Group	**17**	**18**	**18**	4	3	3

6.4.2 Liquidity risk

Liquidity risk is the risk that Edison Group may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities.
Edison aims to ensure that the Group always has sufficient funding sources to meet its obligations that are falling due and to support in time the established investment programs, with reasonable margins of financial flexibility.

The table below provides a prudential assessment of the total outstanding liabilities at the time the financial statements were prepared until their natural expiry. It includes:
- in addition to principal and accrued interest, all future interest payments estimated for the entire duration of the underlying debt obligation; where applicable, the effect of interest rate derivative contracts is also included;
- financing facilities are treated as if repayable on demand, in the case of revocable lines of credit, or on the first due date when repayment can be demanded, in other cases.

For a better representation, the prudential value thus obtained is compared with the existing cash and cash equivalents, without considering other assets (e.g. trade receivables).

Cash flow projections (in millions of euros)	12.31.2019 (*)			12.31.2018		
	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Financial debt (**)	37	77	696	84	54	375
Trade payables	1,356	69	-	1,523	57	-
Total debt	**1,393**	**146**	**696**	**1,607**	**111**	**375**
Guarantees provided to third parties (***)	**-**	**1**	**47**	**-**	**-**	**22**
Cash and cash equivalents	**283**	**-**	**-**	**149**	**-**	**-**

(*) The amounts exclude debt attributable to E&P business held for sale and include the effects of application of accounting standard IFRS 16.
(**) Excluding debt due to other lenders.
(***) These guarantees have been issued to lenders of unconsolidated companies.

The future cash outflows are compared with available resources below.

The **financial debt due within one year**, amounting to 114 million euros (138 million euros at December 31, 2018) relates mainly to accounting overdrafts on current accounts, margin-setting accounts dedicated to transactions on commodities of the Industrial Portfolio and, to a lesser extent, the principal and interest on long-term loans falling due.
Financial debt due after one year (696 million euros) increased compared with December 31, 2018 (375 million euros) due to the effects of the application, starting from January 1, 2019, of accounting standard IFRS 16, as well as to the new utilisation (40 million euros) of the 150 million euros line granted by the EIB to Edison for wind farms and the consolidation of EDF EN Italia's debt. These increases were partly offset by the early repayment of the EIB loan intermediated by EDF Sa and the normal repayment plan for existing loans.

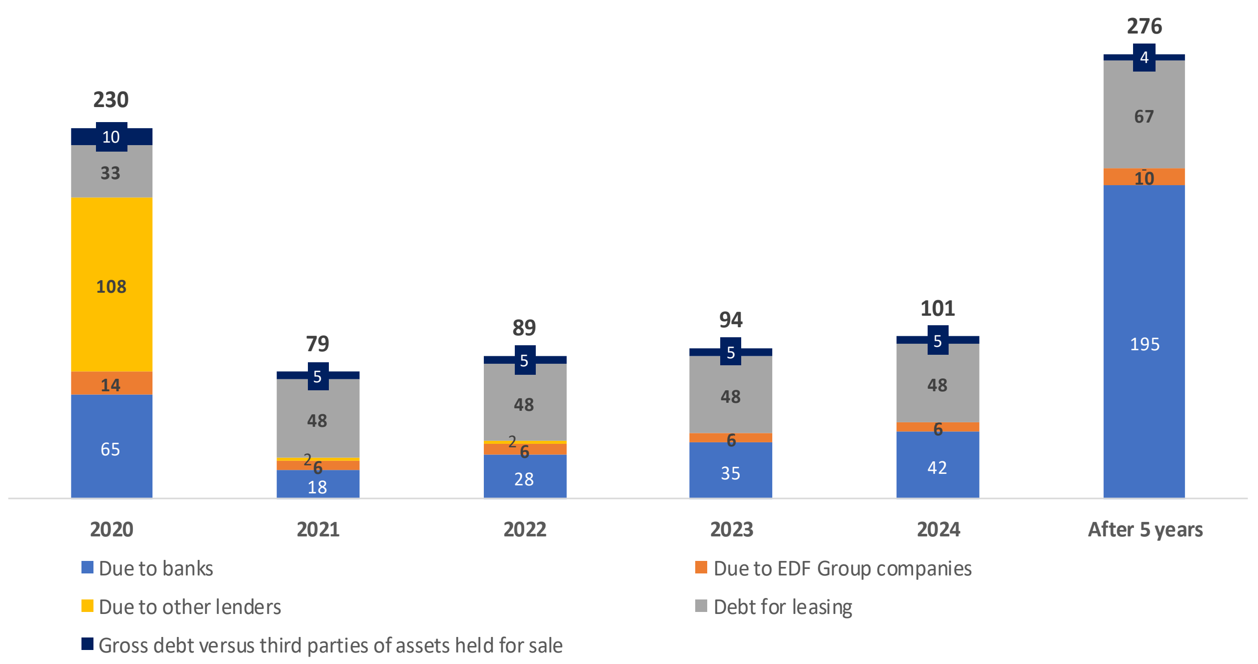
At December 31, 2019, the Edison Group also had cash and cash equivalents of 283 million euros, of which 156 million euros on the treasury current account with EDF Sa.

At December 31, 2019, Edison had unused committed lines of credit totalling 680 million euros, represented:

- by the two-year revolving credit line (600 million euros) signed with EDF Sa on April 9, 2019 to replace a similar credit line signed by Edison in 2017, and
- by the remaining available portion of the Club Deal granted in 2018 to E2i by a pool of banks and Cassa Depositi e Prestiti for an original amount of 100 million euros, increased to 130 million euros in 2019 (used for 50 million euros at December 31, 2019).

By contrast, in March 2019, the revolving line subscribed by Edison Spa in 2017 on a Club Deal basis with a pool of banks for a nominal amount of 300 million euros expired and was not renewed.

Gross financial debt: debt maturities (M€)



6.4.3 Risk of anticipated reimbursement of loans

The financial covenants apply to certain bank loans granted to some subsidiaries (mainly to bank loans granted to E2i). Their non-compliance can entail an early repayment of the loan. As for the loans held by the subsidiaries of EDF EN Italia, they have the typical financial obligations characteristic of project finance; part of these loans, with a nominal value of more than 70 million euros, was repaid in 2019, the others are being restructured or renegotiated.

Financial covenant	Covenant observed	Adequacy margin
NFD/EBITDA	✓	✓

For an explanation of the effects that a change in control of Edison could have on outstanding loans, please refer to the discussion in the Report on Corporate Governance and on the Company’s Ownership Structure, in the paragraph Change of Control clauses.

The loan agreements do not contain clauses that could result in the early termination of the loan as an automatic effect if the credit rating assigned to Edison Spa by the rating agencies is downgraded or cancelled.

Note that the medium/long-term credit lines provided by EIB envisage restrictions on the use of funds and on the management of projects financed, typical of specific-purpose loans for industrial businesses.

At the time of the Consolidated Financial Statements were prepared, there are no situations of default.

7. TAXATION

7.1 Tax risk management

Starting from 2018, a tax risk management and reporting system was adopted by Edison Group (so-called Tax Control Framework or TCF), which is integrated within the Group's overall control system. 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 Saving Law 262, to monitor activities with potential tax impacts on the main business processes and the Group's results.

7.2 Taxes

7.2.1 Income taxes and tax proof

Income taxes (in millions of euros)	2019	2018	Change
Current taxes	(85)	(20)	(65)
Net deferred tax liabilities (assets)	43	(24)	67
Other	-	15	(15)
Total	**(42)**	**(29)**	**(13)**
Tax rate	**30.0%**	**23.8%**	n.a.

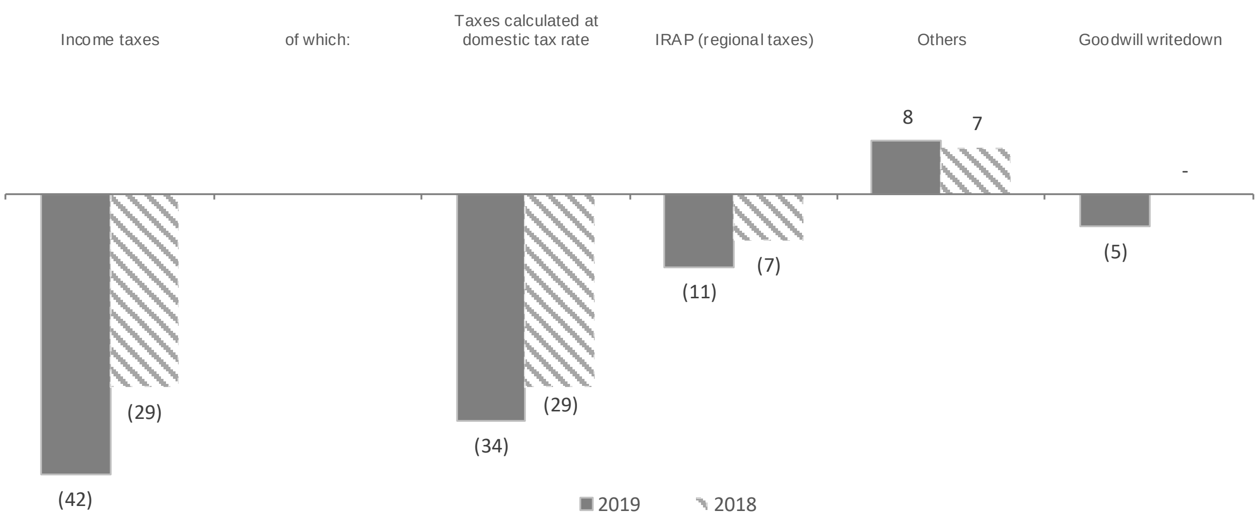
The calculation of taxes was performed on the assumption that the sale of the companies in the E&P business (discontinued operations) will be completed next year.

Current taxes increase compared to the previous year is mainly due to Edison Spa IRES taxes that in 2018 were nil because there was not taxable net income.

The Group's tax rate mainly reflects:

- an IRAP (regional tax) higher than previous year;
- not deductibility of goodwill writedown;
- the benefit from the income recognized in the tax consolidation by the controlling company Transalpina di Energia (TdE) for the use of tax losses carryforward, that previously were not fully valued in deferred-tax assets.

The reconciliation between the theoretical tax burden determined by applying the IRES tax rate in force in Italy of 24% (unchanged compared to 2018) and the effective tax burden is shown in the following chart:



7.2.2 Income taxes paid

Net income taxes paid amounted to 39 million euros and include 16 million euros for the payments related to certain tax disputes that were included in the scope of application of the so-called "pace fiscale" (see next paragraph 7.3 - section 7.3.3).

7.3 Tax assets and liabilities

7.3.1 Current and non-current tax receivables and payables

At December 31, 2019, net payables of 43 million euros were recognized (net receivables of 12 million euros at December 31, 2018); details are provided in the following table.

Current and non-current tax receivables and payables (in millions of euros)	12.31.2019	12.31.2018	Change
Non-current tax receivables	35	34	1
Current tax receivables	7	14	(7)
Receivables owed by the controlling company in connection with the filing of the consolidated income tax return	19	29	(10)
Total tax receivables (A)	**61**	**77**	**(16)**
Current tax payables	26	14	12
Liabilities owed to the controlling company in connection with the filing of the consolidated income tax return	78	51	27
Total tax payables (B)	**104**	**65**	**39**
Current and non-current tax receivables (payables) (A-B)	**(43)**	**12**	**(55)**

Receivables for non-current taxes mainly refer to the taxes paid for the so-called Robin Tax and claimed for reimbursement. Receivables owed by/Liabilities owed to the controlling company refer to the IRES National Consolidated Tax Return, as shown below.

Consolidated Corporate Income Tax (IRES) Return filed by Transalpina di Energia Spa (TdE)

In 2019, main Group companies renewed option for next three-year period (2019-2021) for corporate income tax (IRES) purposes pursuant to art. 117 et seq. of the Uniform Income Tax Code - known as the National Consolidated Tax Return - which is filed by the controlling company TdE. Consequently, the companies included in the return must determine their IRES liability in coordination with the controlling company TdE. Mutually agreed commitments and actions are governed by new bilateral agreements executed by TdE and the individual companies.

7.3.2 Deferred-tax assets and deferred-tax liabilities

At December 31, 2019, net deferred-tax assets of 121 million euros were recognized (net deferred-tax assets of 341 million euros at December 31, 2018); details are provided below.

Deferred-tax asset (in millions of euros)	12.31.2019	12.31.2018	Change
Tax losses carryforward	-	26	(26)
Taxed provision for risks	139	103	36
Adoption of IFRS 9 to value financial instruments with impact:			
- on Shareholders' equity	12	-	12
Valuation differences of fixed assets	57	323	(266)
Others	8	9	(1)
Deferred-tax assets	**216**	**461**	**(245)**

Deferred-tax assets increased by 24 million euros as result of business combination transactions that took place during the year (for more details, please refer to paragraph 9.1 Information pursuant to IFRS 3 revised).

It is worth mentioning that in previous year tax losses carryforward were measured, using a conservative approach, at 50%.

Deferred-tax assets were valued based on the likelihood that they would be realized and their possible tax benefits recovered within the limited time horizon consistent with the business plans of the various companies.

Changes during the year are detailed below in “Effects on Income Statement and Shareholders’ equity”.

The following table shows a breakdown of deferred-tax liabilities by type of underlying temporary difference and the deferred-tax assets used as an offset when they meet the requirements of IAS 12.

Deferred-tax liabilities (in millions of euros)	12.31.2019	12.31.2018	Change
Deferred-tax liabilities:			
- Valuation differences of fixed assets	96	103	(7)
- Adoption of IFRS 9 to value financial instruments with impact:			
- on Shareholders' equity	-	15	(15)
- Others	4	57	(53)
Total deferred-tax liabilities before offset (A)	**100**	**175**	**(75)**
Deferred-tax assets usable for offset purposes:			
- Valuation differences of fixed assets	5	6	(1)
- Others	-	49	(49)
Total Deferred-tax assets (B)	**5**	**55**	**(50)**
Deferred-tax liabilities (A-B)	**95**	**120**	**(25)**

It is worth noting that, following the business combination transactions that occurred during the year, deferred-tax liabilities were recognized for 30 million euros (for a more detailed analysis, please refer to paragraph 9.1 Information pursuant to IFRS 3 revised).

Effects on Income Statement and Shareholders’ equity

Details of the changes in “Deferred-tax assets” and “Deferred-tax liabilities” are provided below, broken down by type of timing difference, determined based on the tax rates envisaged by governing measures, as well as the amount of deferred-tax assets that can be offset, where permitted, with deferred-tax liabilities.

Changes in Deferred-tax liabilities / Deferred-tax assets (in millions of euros)	12.31.2018	Impact on Income Statement	Impact on Shareholders' equity	Changes in scope of consolidation	Reclassification to Assets / Liabilities held for sale	Other changes / Reclassifications / Offsets	12.31.2019
Deferred-tax liabilities (-):							
Valuation differences of fixed assets	103	(16)	-	30	(16)	(5)	96
Adoption of IFRS 9 to value financial instruments with impact:							
- on Shareholders' equity	15	-	(15)	-	-	-	-
Others	57	3	-	-	(58)	2	4
Total	**175**	**(13)**	**(15)**	**30**	**(74)**	**(3)**	**100**
Offset	(55)	-	-	-	50	-	(5)
Deferred-tax liabilities net of offset	**120**	**(13)**	**(15)**	**30**	**(24)**	**(3)**	**95**
Deferred-tax assets:							
Tax losses carryforward	26	(15)	-	-	(11)	-	-
Taxed provisions for risks	103	53	-	2	(13)	(6)	139
Adoption of IFRS 9 to value financial instruments with impact:							
- on Shareholders' equity	-		7	5	-	-	12
Valuation differences of fixed assets	329	(8)	-	17	(278)	2	62
Others	58	-	-	-	(51)	1	8
Total	**516**	**30**	**7**	**24**	**(353)**	**(3)**	**221**
Offset	(55)	-	-	-	50	-	(5)
Deferred-tax assets net of offset	**461**	**30**	**7**	**24**	**(303)**	**(3)**	**216**
(Deferred-tax liabilities) / Deferred-tax assets	**341**	**43**	**22**	**(6)**	**(279)**	**-**	**121**

7.3.3 Provisions for income tax liabilities

These represent the valuation of **probable liabilities** related to certain tax disputes involving the Group for which it was possible to reliably estimate the underlying expected obligation, even though the timing of any monetary outlay cannot be objectively predicted. During 2019 they have been totally used. The following table shows changes in the year:

(in millions of euros)	12.31.2018	Additions	Utilizations	Other changes	12.31.2019
Provisions for income tax liabilities	**29**	**1**	**(23)**	**(7)**	**-**

Facilitated tax disputes definition (so-called “pace fiscale”)

During the year, some Group companies benefited from the possibility of facilitating tax disputes (so-called "pace fiscale") provided for by Law Decree No. 119/2018 "Urgent provisions in tax and financial matters", as converted into Law 136 of 2018, for some tax disputes that fell within the scope of application of the law; in this way was obtained on one hand the dual objective of eliminating the risks connected to the possible development of the dispute and of benefiting from the reduction, where applicable, of the taxes due and on the other hand the total cancellation of the interest charges and any penalties. The other changes include the reclassification to provisions for risks and charges of a portion intended to cover VAT disputes. The overall burden for the settlement of the disputes involved was entirely covered by the reversal of the existing provisions with a positive impact in the income statement of about 2 million euros.

During the year the amount due was paid for 16 million euros while the remaining part will be settled on a quarterly basis in 2020.

Edison Spa (incorporated Edison Spa) - Dispute related to direct taxes (IRPEG and ILOR) for years 1995-1997 Concluded

During the month of May 2019 the dispute was settled, taking advantage of the provisions provided for in the Law Decree No. 119/2018 (so called "pace fiscale"). The cost has been covered by the existing risks provision.

Commitments

The guarantee on this dispute, recognized by Edison Spa to the Revenue Agency (15 million euros at December 31, 2018), was extinguished following to the conclusion of the dispute.

Edison Spa – Dispute related to direct taxes (IRES and IRAP) for years 2005-2007 Concluded

During the month of May 2019 the disputes still pending before the Court of Cassation were settled, taking advantage of the provisions provided for in the Law Decree No. 119/2018 (so-called "pace fiscale"). The cost has been covered by the existing risks provision.

8. NON-ENERGY ACTIVITIES

The Edison Group is involved in various legal and arbitral disputes ranging in different types, through Edison Spa, as universal successor of Montedison Spa, merged in it. As a result, there are charges and risk provisions in the financial statements recognized in relation to disputes arising from events over the time, connected, *inter alia*, to the management of chemical production plants already held by Montedison Group – that were object, from the 1990s to 2010, of a wide-range divestment policy that led to Edison Group's activities being redirected into the energy sector - and which therefore are not relevant to the current business management of Edison Spa and its subsidiaries.
For this reason, it was decided to isolate and represent in a dedicated chapter the contribution of these activities to the consolidated income statement and balance sheet, as well as the related contingent liabilities.

In following the legal and tax disputes related to these activities and in the assessment of likely impacts, the Company's management must use estimates and assumptions that are more relevant, in particular as regards provisions related to environmental litigation for the chemical facilities of Montedison Group. In this regard, note that the present quantification of the provisions was determined as residual amount of the original accrual referred to the specific dispute, considering the juridical complexity, the type of proceeding and also the uncertainty about the evolution of every proceeding in terms of duration and thus of the outcomes. The quantification and the review of these provisions are part of a recurring process of assessment based on what stated above; likewise, and in general, the periodical assessment also includes the quantification and updating of the other provisions for risk related to legal and arbitral disputes.

The resulting effects are recognized in the Corporate segment and in particular, in the income statement, the related income and expenses, including the associated legal costs, are recorded in the item 'Other income (expense) non-Energy activities' included in EBIT.

Net expenses for 2019 amounted to 40 million euros (net expenses of 23 million euros in the previous year) and included 20 million euros for legal costs.

The breakdown and changes in the **risk provisions** recorded in the financial statements and the elements that led to their recognition are as follows:

(in millions of euros)	12.31.2018	Additions	Utilizations	Financial expenses	Other changes	12.31.2019
A) Risks for disputes, litigations and contracts	133	6	(3)	3	1	140
B) Charges for contractual guarantees on sale of equity investments	52	-	-	-	-	52
C) Environmental risks	62	14	(5)	-	-	71
D) Disputed tax items	3	-	-	-	-	3
Provisions for risks and charges for non-Energy activities	**250**	**20**	**(8)**	**3**	**1**	**266**

A) Probable liabilities for which a provision for disputes, litigation and contracts risks was recognized in the Balance Sheet:

Date started / Jurisdiction	Description of dispute	Status of proceedings
Collapse of the Stava Dam		
October 25, 2000 Court of Milan / Milan Court of Appeals / Court of Cassation	The last civil dispute that is still pending with regard to the events that occurred in Val di Stava in 1985, when the levies of two mining mud holding ponds, operated by a Montedison-owned company were breeched causing the well-known disaster. In its decision, the lower court ruled that the statute of limitation prevented the action filed against Edison. By a decision published in November 2015, the Milan Court of Appeals upheld that decision.	The dispute is pending before the Court of Cassation.

Actions for damages and administrative proceedings arising from the operation of industrial facilities conveyed to Enimont ***Edison is a party to these proceedings as universal successor to Montedison Spa***		
Porto Marghera – Civil lawsuits		
October 25, 2000 Court of Venice / Venice Court of Appeals	These lawsuits represent the tail end of the so-called “Marghera Maxi-trial,” which, as it is well known, involved alleged occurrences of i) manslaughter for exposure to monovinyl chloride and ii) environmental disaster due to pollution for which some former Montedison executives and employees were allegedly responsible. These are lawsuits filed by the counsel of some plaintiffs in the proceedings (heirs to the estates of former employees, environmental associations and local governmental entities, such as the Municipality and Province of Venice and the Veneto Region) seeking payment for the legal expenses they incurred.	Concluded.
Mantua – Criminal Proceedings		
October 25, 2000 Court of Mantua / Brescia Court of Appeals / Court of Cassation	This trial concerns the Mantua petrochemical facility operated for several decades first by companies of the Montedison Group and later by companies of the ENI Group. The facts subject of the trial concern determining the fortuity for a series of death caused by cancer identified by the Public Prosecutor and concerning employees of the facility. After the judgement, in February 2016, with which the Brescia Court of Appeals confirmed 9 convictions for manslaughter, in 2017, the Supreme Court, upholding some of the pleas of the appeal, had partially rejected the decision, returning the record of the proceedings to the same Brescia Court of Appeals. Following the adjournment, on January 20, 2020 the same Court of Appeal issued the judgment acquitting the defendants because “the fact does not exist”.	Concluded.
Mantua – Administrative proceedings		
2012 – 2016 Lombardy Regional Administrative Court – Brescia Section	In the past years the Province of Mantua served Edison with several orders for remediation (eight) of areas sold by Montedison to ENI Group in 1990 (Petrolchimico di Mantova), despite the matter had been disciplined by two different transaction agreements, respectively signed with ENI and the Ministry of the Environment. Following these agreements Edison should not incur in any further liability for environmental issues. Against all these orders, Edison filed separate complaints before Lombardy Regional Administrative Court – Brescia section. The Regional Administrative Court of Brescia joined the proceedings in a single one and in August 2018 rejected seven of the eight lawsuits. Edison challenged this decision before the Council of State, which scheduled a merit hearing for February 27, 2020.	As per the description of the disputes.
Brindisi – Administrative proceedings		
February 25, 2013 Apulia Regional Administrative Court – Lecce Section	These proceedings concern the industrial park of the Port of Brindisi, where the Montedison Group operated petrochemical facilities for over 60 years. On February 25, 2013, the Province of Brindisi notified to Edison, Eni, Syndial and Versalis an injunction pursuant to Article 244, Section 2, of Legislative Decree No. 152/2006 (so-called “Environmental Code”) concerning an alleged landfill adjacent to the Brindisi petrochemical plant. The Company challenged this injunction and, after the appeal was dismissed by the lower court, is waiting for a pronouncement at the appellate level by the Council of State.	As per the description of the dispute.
Crotone – Criminal Proceedings		
2005 Court of Crotone	Of the three disputes outstanding at the end of 2018, a single criminal case is currently pending at the preliminary hearing against former executives and employees of the company Montecatini for alleged poisoning of the aquifer and, consequently, of the water intended for feed. At the hearing itself, in the light of the evidentiary findings, a request was made to amend the charges.	As per the description of the dispute.
Belvedere di Spinello – Civil Proceedings		
October 31, 1986 Court of Catanzaro / Catanzaro Court of Appeals	These proceedings concerning the Belvedere di Spinello mining concession, derive from rock salt mining activities carried out at this location by Montedipe Spa for over 20 years. The proceedings concern the compensation for the damages	The dispute is pending before the Court of Cassation.

	suffered by two provincial administrations due to the destruction of a provincial road caused by the collapse of the mine in 1984. By ruling 1634/2018 the Catanzaro Court of Appeals, at the outcome of the technical expert's report disposed in 2016, sentenced Montedipe (now Edison) to compensation for damages for an amount of 3 million euros, besides interests and legal expenses.	
Claims for Damages Caused by Exposure to Asbestos		
In recent years, there has been a significant increase in the number of claims for damages arising from the deaths or illnesses of workers that were allegedly caused by exposure to different forms of asbestos at factories formerly owned by Montedison Spa (now Edison) or from judicial cases taken over by Edison as a result of corporate transactions. Without rendering an opinion on the merits of these claims, considering the long latency of illnesses related to exposure to different types of asbestos and the industrial activities carried out in the past by Group companies that belonged to the chemical industry, the presence of these companies throughout Italy and the manufacturing technologies used (considering the dates when these activities were carried out and the state of technological advancement at the time), which complied fully with the laws in force at that time, the possibility that new legitimate claims for damages may emerge in addition to those that are already the subject of several civil and criminal proceedings cannot be excluded.		

B) Probable liabilities for which a provision for risks for contractual guarantees on sale of equity investments was recognized in the Balance Sheet:

Date started / Jurisdiction	Description of dispute	Status of proceedings
Civil lawsuits, criminal trials and administrative proceedings concerning the sale of Agorà Spa, which owned 100% of the shares of Ausimont Spa ***Edison is a party to these proceedings in its capacity as universal successor to Montedison Spa***		
Ausimont – Bussi sul Tirino – Administrative proceedings of remediation of so-called "Solvay Internal Areas"		
December 18, 2019	On December 18, 2019, the Province of Pescara served Edison with an order pursuant to art. 244 of Legislative Decree No. 152/2006 (the "Environmental Code") for the remediation of the areas where the Ausimont plant in Bussi, which was sold to Solvay in 2002, was located. With regards to this measure, it should be stressed that: i) the area on which the facility is built was conferred to Ausimont since it was incorporated in 1981; ii) Ausimont, and only and exclusively Ausimont, operated that facility continuously from 1981 to 2002 and it is during that time that the rules for the remediation of industrial sites affected by historical pollution came into force; iii) Ausimont's shares were transferred to Solvay Solexis Spa, now Solvay Specialty Polymers Italy Spa, in May 2002; iv) Ausimont was merged in Solvay Solexis in November 2002, with consequent succession of the latter in the legal, active and passive position, belonging to the company Ausimont. Edison steadfastly contests the legitimacy of this order and the Company reserves the right to take any measure to protect its rights and legitimate interests.	As per the description of the dispute.
Ausimont – Bussi sul Tirino – Administrative proceedings of remediation of so-called "Solvay External Areas", areas "2A" and "2B"		
February 28, 2018 Regional Administrative Court of Pescara / Council of State	On February 28, 2018 the Province of Pescara communicated to the companies Solvay Specialty Polymers Italy Spa and Edison Spa the initiation of proceedings pursuant to Title V Part IV of Legislative Decree No. 152/2006 for the identification of the responsible for the contamination of the so-called "Solvay External Areas" in Bussi sul Tirino, dumping areas 2A and 2B and neighboring. Subsequently, on June 26, 2018, the Province of Pescara communicated to Edison by order in accordance with the article 244 of Legislative Decree No. 152/2006 (Environmental Code) for the removal of all waste abandoned over time in the aforementioned areas of the Bussi site. With regard to this provision it should be noted that: i) such portions of land had been conferred to Ausimont since it was incorporated in 1981; ii) Ausimont, solely and exclusively, has obtained the authorization to operate, has realized, has managed and has closed the landfills called 2A and 2B on these portions of land; iii) the shares of Ausimont were transferred to Solvay Solexis Spa, today Solvay Specialty Polymers Italy Spa, in May 2002; iv) Ausimont was merged in Solvay Solexis in November 2002, with consequent succession of the latter in the legal, active and passive position, belonging to the company Ausimont.	The hearing at the Council of State is scheduled for March 5, 2020.

	Edison challenged the order before the Regional Administrative Court of Pescara, which dismissed the company's appeal. Edison has therefore filed an appeal before the Council of State.	
Ausimont – Spinetta Marengo – Administrative proceedings		
February 2012 Piedmont Regional Administrative Court	The case concerns activities that Solvay Specialty Polymers was ordered to carry out, under various titles, to ensure safety and environmental remediation of areas inside the Spinetta Marengo (AL) chemical plant. This plant was operated until 2002 by Ausimont Spa, a Montedison Group company sold to the Solvay Group in May 2002. Edison joined these proceedings exclusively to protect its rights and legitimate interests in connection with the challenges filed against the administrative acts of the relevant Services Conference by Solvay Specialty Polymers, which specifically contested the failure to identify Edison as a respondent (or correspondent) in the proceedings.	As per the description of the proceedings.
Ausimont – Spinetta Marengo – Criminal proceedings		
October 2009 Alessandria Court of Assizes / Court of Cassation	On January 4, 2019 the Court of Assizes of Turin published the reasons for the ruling that confirmed the acquittal of former managers and employees of Montedison and Ausimont with respect to alleged facts of environmental disaster and water poisoning related to the management of the industrial site of Spinetta Marengo. This judgment was definitively confirmed by the Court of Cassation on December 12, 2019.	As per the description of the dispute.
Ausimont – Solvay Arbitration		
May 2012 ICC – Geneva	These arbitration proceedings were initiated in 2012 by Solvay Sa and Solvay Specialty Polymers Italy Spa against Edison, for alleged violations of certain representations and warrantees in the environmental area concerning the industrial sites of Bussi sul Tirino and Spinetta Marengo included in the deed of sale of Agorà Spa (parent company of Ausimont Spa) executed on the one hand by Montedison Spa and Longside International Sa and on the other hand by Solvay Solexis Spa (now Solvay Specialty Polymers) in December 2001. The proceedings, after a first phase focused on preliminary and prejudicial issues, are currently examining the several requested made by parties related to the merit of the dispute.	As per the description of the dispute.

C) Probable liabilities for which a provision for environmental risks was recognized in the Balance Sheet:

Date started / Jurisdiction	Description of dispute	Status of proceedings
Bussi sul Tirino National Interest Site – "former Montedison Srl" area and Bolognano site		
2011 and 2018 Abruzzo Regional Administrative Court - Pescara Section	"**Former Montedison Srl" area**: the administrative proceedings for the remediation of the "Tre Monti" area in the "National Interest Site" (SIN) of Bussi, are currently at an advanced stage of the pre-trial phase before the Ministry of the Environment. The Company, albeit maintaining a cooperative approach with the Ministry and the other Public Administrations, decided to act to protect its interests and rights, if it deems that any current and/or future decisions taken in relation to the event could be illegitimate. **Bolognano site**: with regard to the site of Piano D'Orta, SIN of Bussi, and the remediation and environmental restoration injunction concerning the so-called "former Montecatini" site, located in the municipality of Bolognano (PE), it should be noted that Edison Spa already started the activities foreseen in the plan of intervention shared with the competent public entities. Regarding criminal proceedings for the alleged "omitted remediation" it should be noted that in December 2018 the Public Prosecutor's Office of Pescara demanded their closure.	As per the description of the disputes.

D) Probable liabilities for which a provision for tax disputes was recognized in the Balance Sheet:

Date started / Assessing office	Description of dispute	Status of proceedings
Income Tax Assessments for 1991 and 1992 (Old Calcestruzzi Spa)		
Assessments notified in 1997-1998 by the former Ravenna Income Tax Office	The disputes, relating to the years 1991 and 1992, regard the tax treatment of transactions performed by Calcestruzzi Spa involving beneficial interests in shares. The appeal has been pending before the Court of Cassation since 2012. The Company has, pending a judgment, arranged for the payment of higher taxes, sanctions and interest as per the rulings issued. The existing provision relates to possible charges deriving from minor recoveries cancelled as of today.	The dispute is pending before the Supreme Court.

In addition, there are **contingent liabilities**, which are dependent on the occurrence of events that are possible, but not probable, or are probable but their impact cannot be quantified reliably and the corresponding cash outlays cannot be reasonably estimated, for which risk provisions are not recognized and are only discussed in the comments to the notes.

Contingent liabilities associated with legal disputes

Environmental Legislation
In addition to the probable liabilities for environmental risks, already covered by provisions and previously described, in recent years, we have witnessed an expansion and evolution of environmental laws (most recently with Legislative Decree No. 152 of April 3, 2006 "Environmental Regulations", as amended), specifically with regard to liability for environmental damages, which is especially relevant to the purposes of these notes. In particular, the discussion and adoption in several legal systems of the principle of "internalization" of environmental costs (summarized in the expression "those who pollute must pay") have resulted in the development of two new types of liabilities for the act of polluting: objective liability (which does not require the subjective element of guilt) and indirect liability (which stems from the actions of others), which can arise as a result of an earlier act that constitutes a violation of acceptable contamination levels under current laws. Therefore, taking into account the current and past scope of the industrial operations of the Company and the Group, particularly in the chemical industry, which were carried out in full compliance with the statutes then in force, it cannot be excluded that, in light of current legislation, new allegations of contaminations may arise, in addition to those currently subject to administrative and judicial proceedings.

Date started / Jurisdiction	Description of dispute	Status of proceedings
Ausimont - Bussi sul Tirino - Civil proceedings for alleged environmental disaster		
April 8, 2019	On April 8, 2019 the Ministry of the Environment and Protection of Land and Sea, the Abruzzo Region and the Presidency of the Council of Ministers sued Edison Spa before the Court of L'Aquila and, with it, six of the defendants who had already been involved, in relation to the same events, in the criminal proceedings brought in 2011 before the Court of Pescara and concluded with the acquittal decision of the Court of Cassation No. 47779 of 2018, asking the judge before whom the proceedings were filed to: a) *"ascertain and declare that the defendants are obligated to accept liability for the environmental damage caused by the pollution"*, allegedly occurred in the industrial area of Bussi sul Tirino and, *"as a consequence"*, "*to order the defendants to pay compensation for environmental damage to the Ministry of the Environment and Protection of Land and Sea, quantified at 1,376,954,137 euros subject to better quantification in the course of the proceedings;* b) *order the defendants to restore, even naturally, the state of the sites by carrying out, at their own expense, environmental repairs in the manner and within the time-limits laid down by the relevant legislation;* c) *order the defendants to reimburse all costs which may be paid in advance and/or incurred in lieu of payment by the Ministry of the Environment;* d) *order the defendants to pay compensation for all pecuniary and non-pecuniary damage, other than environmental damage, resulting from the damage to the environment and the damage to the protected assets/interests belonging to the Abruzzo Region, to be settled on an equitable basis and in any event in an amount of no less than 500,000,000 euros;*	These proceedings are currently pending at the court of first instance at the preliminary phase.

	e) *order the defendants to pay compensation for all pecuniary and non-pecuniary damage, other than environmental damage, caused to the Abruzzo Region and the Presidency of the Council of Ministers* [and] *damage to their image in such a way as the Court may consider fair, and in any event no less than 50,000,000 euros".* As mentioned earlier, the charges on which the current lawsuit is based are the same as those raised in the above-mentioned criminal proceedings, from which Edison was excluded *pursuant to law* and which ended with the acquittal of all of the defendants. These charges refer mainly to the management of the Bussi plant, which was transferred from Montedison (now Edison) to the Ausimont Group/Montefluos in 1981, the 2A and 2B landfills, which were opened, developed and closed by Ausimont in the 1990s, and the so-called "Tre Monti" area, currently owned by Edison, in which, in the 1970s, production residues from the same factory were collected and for which a remediation process is already under way. Edison joined the proceedings on July 18, 2019, vigorously contesting the opposing claims in a number of areas, from the inapplicability at this juncture of the aspects established in the criminal proceedings, to the lack of capacity to be sued, from the statute of limitations, to the lawfulness on the merits of the conduct being investigated and, finally, to the erroneous quantification of any damage to the environment. With reference to this dispute, Edison, as a result of the checks shared with leading legal and accounting advisors, does believe that there aren't met the necessary conditions for defining a provision linked to a contingent liability, i.e. the issues of actual existence, probability and quantification. Substantially, indeed, there isn't any present obligation, either juridical or environmental to be fulfilled actually with the commitment of economic resources.	
Montecatini Spa – Montefibre Spa – Verbania – criminal proceedings		
2002 - 2015 Court of Verbania / Turin Court of Appeals / Court of Cassation	All these litigations concern the alleged responsibility of former Directors and executives of the company Montefibre Spa, already part of Montedison Group, for the crimes of involuntary manslaughter and involuntary personal injuries in the violation of the occupational accident prevention regulations, caused in connection with the death or illness of employees at the old plant Montefibre of Pallanza (VB) allegedly caused by exposure to asbestos. Edison Spa is exclusively involved in its capacity as the former parent company (until 1989) of Montefibre. To date, all proceedings have led to the acquittal of the defendants on all counts ("because the fact does not exist").	As per the description of the disputes.
Ausimont's participation in a cartel in the peroxides and perborates market – Claim for damages		
April 2010 Court of Düsseldorf / Court of Justice of the European Union	In April 2010, Edison was served with notices setting forth four amending briefs filed by Akzo Nobel Nv, Kemira Oyi, Arkema Sa and FMC Foret Sa in proceedings before the Court of Düsseldorf in which Cartel Damage Claims Hydrogen Peroxide Sa, a Belgian company specialized in class action lawsuits, is claiming compensation for alleged damages to competition caused by the members of a cartel for the production and distribution of peroxides and perborates on which the European Commission levied a fine in 2006. Edison is being sued due to Ausimont's involvement in the antitrust proceedings launched by the Commission. However, the proceedings are still in the preliminary phase. This is because, in 2013, the judge in the proceedings decided to submit some pretrial questions to the Court of Justice of the European Union, which handed down Decision No. C-352/13 on May 21, 2015.	The proceedings are still pending at the court of first instance.

9. OTHER NOTES

9.1 Information pursuant to IFRS 3 revised

The year 2019 was characterized by:

1) **Some business combination's transactions** related to:
   - **Azienda Energetica Buschese Srl and Vernante Nuova Energia Srl;**
   - **EDF EN Italia Spa and its subsidiaries;**
   - **Idroelettrica Saint Barth Basso Srl;**
   - **Fenice Assets Iberica;**
   - **EDF EN Services Italia Srl.**

These transactions are reflected in the financial statements in accordance with IFRS 3 revised "Business Combinations", recognizing the acquired assets, liabilities and contingent liabilities at fair value at the acquisition date (Purchase Price Allocation or PPA), as detailed below.

2) Finalization of PPA process referred to 2018 acquisitions:
   - **Zephyro Spa:** in the first half of 2019 the PPA process concerning the acquisition of Zephyro Spa by Fenice Qualità per l'Ambiente Spa, occurred in July 2018, was finalized; compared to the preliminary evaluation, they were reviewed the value of intangible assets that was determined at about 32 million euros (previously 58 million euros) and the goodwill that was determined at about 17 million euros (previously 4 million euros).

The business combination's transactions carried out during 2019 are described below.

Azienda Energetica Buschese Srl e Vernante Nuova Energia Srl

In April, Fenice Qualità per l'Ambiente Spa acquired 100% of the share capital of the companies Azienda Energetica Buschese Srl and Vernante Nuova Energia Srl, that operate in the field of district heating. The PPA process preliminarily identified 4 million euros as goodwill for a paid price of 5 million euros.
The recorded amounts should be viewed provisional at the moment since, pursuant to the IFRS 3 revised, the valuation becomes final 12 months after the date of acquisition.

EDF EN Italia Spa and its subsidiaries

On July 17, 2019, Edison completed the acquisition from EDF Renouvelables (EDFR) of EDF EN Italia Spa which owns 215 MW of wind capacity and 77 MW of photovoltaic capacity. The closing follows the acceptance by EDFR of Edison's contractual proposal on June 28, 2019. Thanks to this transaction, Edison has become the second wind operator in Italy and laid the foundations for a significant development in photovoltaics in collaboration with EDFR.

The PPA process determined that the fair value of net acquired assets is substantially in line with the final consideration paid that amounts to about 183 million euros. The value includes, for about 22 million euros, the fair value of the equity investment in Greentech Monte Grighine, for which the Tag-Along right was already exercised, then disposed in July 2019. At the preliminary evaluation, no provision for risks were accounted for against potential liabilities as it is believed that the contractual guarantees issued by the seller are adequate to cover any risks.

The recorded amounts should be viewed provisional at the moment since, pursuant to the IFRS 3 revised, the valuation becomes final 12 months after the date of acquisition.

Idroelettrica Saint Barth Basso Srl

In October Edison Spa acquired, from Eaux Valdotaines Srl, 100% of share capital of Idroelettrica Saint Barth Basso Srl that operates in mini-hydroelectric sector. The fair value of net acquired assets is in line with the price paid of 4 million euros. The recorded amounts should be viewed provisional at the moment since, pursuant to the IFRS 3 revised, the valuation becomes final 12 months after the date of acquisition.

Fenice Assets Iberica

In November EDF Fenice Iberica (company owned by Fenice Qualità per l'Ambiente Spa) acquired 60% of the share capital of Fenice Assets Iberica, that operates in energy business, a company of which EDF Fenice Iberica already owned the remaining 40%. Until this date the equity investment was valued by the equity method consistently with previous years, and then, fully owned, was consolidated on a line-by-line basis**.** The 40% stake already held was revalued of a small amount to adjust its carrying value to the fair value corresponding to the pro-quota of the purchase price.

The fair value of net assets acquired is in line with the consideration paid for, that amounts to 2 million euros. The recorded amounts should be viewed provisional at the moment since, pursuant to the IFRS 3 revised, the valuation becomes final 12 months after the date of acquisition.

EDF EN Services Italia Srl

On December 20, 2019, Edison Spa signed the 70% acquisition by EDF Renouvelables Services Sas (a company directly and wholly owned by EDF Renouvelables Sa, which in turn is directly and wholly owned by EDF Sa) of EDF EN Services Italia's share capital, a company of which Edison already owned the remaining 30%. At the same date, this stake was transferred for a consideration paid of about 18 million euros subject to adjustment, so Edison has become the sole shareholder of EDF EN Services, which provides Operation & Maintenance and Asset Management services for renewable power generation plants.

At the preliminary evaluation, intangible assets have been identified for about 19 million euros, related to the internalization in the Group of the specific technical competencies in the business which, moreover, is complementary to renewable energies production activities already operated by Edison Group. On this amount is calculated a deferred-tax effect. The recorded amounts should be viewed provisional at the moment since, pursuant to the IFRS 3 revised, the valuation becomes final 12 months after the date of acquisition.

During 2019, the 30% stake already held by Edison in the company was valued by the equity method consistently with previous years; at the end of the year, following the acquisition of the remaining 70%, it was revalued by about 4 million euros to adjust its carrying value to the fair value corresponding to the pro-quota of the purchase price. At December 31, 2019 the company's balance sheet was consolidated on a line-by-line basis.

The following table summarizes the values of assets and liabilities identified during the business combination's transactions described above, as well as the acquisition prices and the contribution to income statement for 2019 of the acquired entities, starting from the acquisition date.

(in millions of euros)	Fair value of acquired assets and liabilties					
	Az. En. Buschese and Vernante Nuova Energia	**EDF EN Italia Group**	**Idroelettrica St. Barth Basso**	**Fenice Assets Iberica**	**EDF EN Services Italia**	**Total business combinations**
ASSETS						
Property, plant and equipment	7	449	9	5	4	474
Intangible assets	-	2	-	-	19	21
Equity investments	-	53	-	-	-	53
Other non-current financial assets	-	10	-	-	-	10
Deferred-tax assets	1	21	-	-	2	24
Total non-current assets	**8**	**535**	**9**	**5**	**25**	**582**
Inventories	-	1	-	-	4	5
Trade receivables	1	31	-	-	7	39
Current tax receivables	-	16	-	-	-	16
Other current assets	-	11	-	-	1	12
Cash and cash equivalents	3	48	-	1	13	65
Total current assets	**4**	**107**	**-**	**1**	**25**	**137**
Total assets (A)	**12**	**642**	**9**	**6**	**50**	**719**
LIABILITIES						
Employee benefits	-	1	-	-	-	1
Provisions for decommissioning and remediation of industrial sites	-	4	-	-	-	4
Provisions for risks and charges	-	1	-	-	5	6
Deferred-tax liabilities	-	24	1	-	5	30
Non-current financial debt	-	248	4	-	2	254
Total non-current liabilities	**-**	**278**	**5**	**-**	**12**	**295**
Trade payables	1	6	-	-	6	13
Current tax payables	-	4	-	-	1	5
Other current liabilities	-	12	-	-	4	16
Current financial debt	10	159	-	4	1	174
Total current liabilities	**11**	**181**	**-**	**4**	**12**	**208**
Total liabilities (B)	**11**	**459**	**5**	**4**	**24**	**503**
Fair value of net acquired assets (A-B)	**1**	**183**	**4**	**2**	**26**	**216**
- % attributable to Edison	**100%**	**100%**	**100%**	**100%**	**70%**	
- Fair value attributable to Edison (C)	**1**	**183**	**4**	**2**	**18**	**208**
Goodwill (D-C)	**4**	**-**	**-**	**-**	**-**	**4**
Price of acquisition (D)	**5**	**183**	**4**	**2**	**18**	**212**
Cash and cash equivalents acquired (E)	**(3)**	**(48)**	**-**	**(1)**	**(13)**	**(65)**
Total net price paid on business combination (D+E)	**2**	**135**	**4**	**1**	**5**	**147**

Income statement from acquisition date (in millions of euros)	**Az. En. Buschese and Vernante Nuova Energia**	**EDF EN Italia Group**	**Idroelettrica St. Barth Basso**	**Fenice Assets Iberica**	**EDF EN Services Italia**	**Total business combinations**
Sales revenues (*)	2	40	-	-	-	42
EBITDA	**1**	**29**	**-**	**-**	**-**	**30**
Depreciation, amortization and writedowns	-	(19)	-	-	-	(19)
Net financial income (expense)	-	(15)	-	-	-	(15)
Profit (Loss) before taxes	**-**	**(5)**	**-**	**-**	**-**	**(5)**
Profit (Loss)	**-**	**(4)**	**-**	**-**	**-**	**(4)**

(*) Including transactions with other companies of Edison Group.

The following table shows the assets and liabilities carried out in the first half of 2019 at the conclusion of the PPA process on Zephyro Spa:

(in millions of euros)	Fair value of acquired assets and liabilities
Non-current assets	85
Current assets	62
Total assets	**147**
Non-current liabilities	22
Current liabilities	47
Total liabilities	**69**
Fair value of net acquired assets	**78**
% attributable to Edison	70.66%
Fair value attributable to Edison	**55**
Goodwill (*)	17
Price of acquisition	**72**
Cash and cash equivalents acquired	(9)
Price paid for step up	34
Net price paid on business combination	**97**

(*) The Purchase Price Allocation w as carried out on the date of acquisition of control of Zephyro Spa (July 2, 2018) and refers to the acquisition of 70.66% of total share capital. Subsequently, further purchases w ere made to reach the 99.05% of total share capital as at December 31, 2018. These purchases have been considered as transactions betw een shareholders and booked to shareholders' equity; in Edison Group this led to a decrease of shareholders' equity attributable to Parent company shareholders of about 11 millions euros (about 5 million euros in the preliminary evaluation).

9.2 Information pursuant to IFRS 5

As already described in the previous paragraph 1.4 Application of accounting standard IFRS 5, in these Consolidated Financial Statements, the E&P business has been treated as a discontinued operation. Some additional information is provided below.

Classification

With regard to the rationale that led to the classification of the E&P business as Assets held for sale (discontinued operation) in accordance with IFRS 5, it should be noted, in particular, that:

- E&P business, represented by several significant CGUs, has an important economic and equity weight within the Edison Group;
- the E&P business operates in the exploration, development and production of hydrocarbons in Italy and abroad; these activities have unique risk characteristics compared with the other activities carried out by the Edison Group;
- in July 2019, an agreement was announced for the sale of Edison's E&P business to Energean;
- in response to requests received in December 2019 from the Algerian Ministry of Energy, Edison is currently in negotiations, specifically with regard to E&P assets located in Algeria. Nevertheless, Edison and Energean have confirmed their intention to close the transaction, excluding Algerian assets, as soon as possible in 2020 and are working to that effect;
- at present, although some government approvals are still lacking, the sale of the E&P business, including Algerian assets, is considered highly probable.

Evaluation of the E&P business

IFRS 5 requires assets and liabilities held for sale to be measured at the lower of the book value and the fair value less costs to sell. In the valuation of the E&P business, the fair value was estimated on a preliminary basis, taking as a reference the contractual sale agreements in place with Energean, which provide, among other things, for a fixed consideration, determined through a locked box mechanism, equal to USD 509 million, comparable with the equity value, plus interest accrued at the date of these Consolidated Financial Statements, as well as an additional consideration related to the start of production of the Cassiopea gas field and royalties on potential developments in Egypt. In fact, as things stand at present, the total consideration established in the agreement with Energean still represents the best proxy of the price, although, as a result of the requests received in December by the Algerian Minister of Energy and the negotiations in progress, possible effects, currently unforeseeable, on the economic terms of the transaction cannot be ruled out.
On the other hand, when determining the carrying value of the E&P business held for sale, in addition to the values of the assets and liabilities attributable to the business operations, a portion of the indistinct goodwill of the Hydrocarbons Operations, where the E&P CGUs where consolidated, was also taken into account in accordance with the standard. This amount, quantified at 178 million euros, was determined in accordance with IAS 36 par. 86, using the main method of determination envisaged, the so-called "relative values" method of the assets sold.
The difference between the estimated fair value and the carrying amount, including the allocation of goodwill, resulted in a negative adjustment of 584 million euros to the value of the E&P business held for sale. This writedown is augmented by the costs related to the sale and the expected charges for risks and indemnities; see below.

Presentation of existing relationships between continuing operations and discontinued operations

Please note that neither IFRS 5 nor IAS 1 provide guidance on how to present transactions between continuing and discontinued operations. The method chosen has led to the representation of such transactions as if the discontinued operation had already been removed from the scope of consolidation of the Edison Group, and, therefore, as if the transaction had already taken place on the date of these Consolidated Financial Statements. Therefore, in the Consolidated Financial Statements: (i) the individual income statement and balance sheet items relating to the continuing operations have been shown without taking into account the elimination of intercompany transactions between the two operations; (ii) the income statement and balance sheet items relating to the discontinued operations also include the effect of consolidation eliminations of the relationships between the two operations.
The income statement and balance sheet values of these transactions are shown in the tables below.

The criterion adopted made it possible, in particular, to represent the result and the margins of the continuing operations in a manner comparable to the results and margins that the Group will have after the disposal of the discontinued operations.

2018 Comparative data

In this document:

- all the income statement and flow data for 2018 have been restated to allow a homogeneous comparison with those for 2019;
- the balance sheet figures at December 31, 2018 are, instead, those published in the 2018 Consolidated Financial Statements and therefore include the values of the E&P business.

Below is provided the contribution of E&P business to profit (loss) and to assets, liabilities and financial position of Edison Group.

Income Statement (in millions of euros)	2019			2018		
	Discontinued operations E&P	Eliminations from and versus continuing operations	**Application of accounting standard IFRS 5**	*Discontinued operations E&P*	Eliminations from and versus continuing operations	**Application of accounting standard IFRS 5**
Sales revenues	470	(63)	407	525	(94)	431
Other revenues and income	30	(6)	24	70	(6)	64
Total net revenues	**500**	**(69)**	**431**	**595**	**(100)**	**495**
Commodity and logistic costs (-)	(39)	52	13	(41)	85	44
Other costs and services used (-)	(125)	16	(109)	(118)	15	(103)
Labor costs (-)	(54)	-	(54)	(48)	-	(48)
Receivables (writedowns)/reversals	(3)	-	(3)	(3)	-	(3)
Other costs (-)	(27)	1	(26)	(18)	-	(18)
EBITDA	**252**	**-**	**252**	**367**	**-**	**367**
Depreciation and amortization (-)	(125)	-	(125)	(197)	-	(197)
(Writedowns) and reversals	-	-	-	(97)	-	(97)
EBIT	**127**	**-**	**127**	**73**	**-**	**73**
Net financial income (expense)	(26)	-	(26)	(11)	-	(11)
Profit (Loss) before taxes	**101**	**-**	**101**	**62**	**-**	**62**
Income taxes	(39)	-	(39)	(88)	-	(88)
Profit (Loss) from discontinued operations	**62**	**-**	**62**	**(26)**	**-**	**(26)**
Value adjustment discontinued operations	(584)	-	(584)	-	-	-
Profit (Loss)	**(522)**	**-**	**(522)**	**(26)**	**-**	**(26)**
Broken down as follows:						
Minority interest in profit (loss)	-	-	-	-	-	-
Group interest in profit (loss)	**(522)**	**-**	**(522)**	**(26)**	**-**	**(26)**

In 2019, the overall profit (loss) from discontinued operations was negative by 562 million euros, as it includes, in addition to the items listed above concerning the E&P business and its alignment to the expected disposal value, costs incurred by Edison Spa for about 40 million euros in connection with estimates of special indemnities, provisions for risks and other costs related to the sale. The result also reflects the effects of the fraud suffered in Norway commented on below.

It should also be noted that, during the year, cash flow hedges were put in place to reduce the EUR/USD exchange rate risk on a notional amount of USD 519 million relating to the fixed part of the sale price of the E&P business, including interest accrued at the balance sheet date. The realized results (-3 million euros) and the fair value (+3 million euros) of these derivatives were recognized as an adjustment to profit (loss) from discontinued operations, which is in part variable depending on exchange rate trends.

An analysis of the operating performance for the year is provided in the 2019 Report on Operations.

As from the date of application of IFRS 5, in accordance with the requirements of the standard itself, depreciation and amortization on fixed assets have been stopped, which justifies a decrease in value compared to the previous year. Depreciation and amortisation include, among others, 46 million euros in exploration costs (29 million euros in 2018) and the impact of IFRS 16 applied prospectively starting from January 1, 2019.
Net financial expenses also include those related to financial transactions with continuing operations.
Income taxes include also foreign taxes.

Balance sheet discontinued operations E&P (in millions of euros)	12.31.2019
Non-current non-financial assets	1,853
Non-current financial assets	-
Current non-financial assets	429
Current financial assets versus continuing operations	138
Other current financial assets	61
Eliminations of financial assets from and versus Assets held for sale	(479)
Eliminations of non-financial assets from and versus Assets held for sale (*)	(17)
Value adjustment discontinued operations	(584)
Assets held for sale	**1,401**
Non-current non-financial liabilities	815
Non-current financial liabilities	23
Current non-financial liabilities	205
Current financial liabilities versus continuing operations	341
Other current financial liabilities	10
Eliminations of financial liabilities from and versus Assets held for sale	(479)
Eliminations of non-financial liabilities from and versus Assets held for sale (*)	(17)
Liabilities held for sale	**898**
Net financial debt of Assets held for sale	**175**

(*) of which -12 million euros relating to eliminations of balances within Hydrocarbons Operations

The amounts included in the above table also include Assets and Liabilities held for sale booked in Edison Spa.
Non-current non-financial assets include, amongst other, the value referred to plants and hydrocarbons concessions and, for 178 million euros, part of the indistinct goodwill of Hydrocarbons Operations allocated to E&P business pursuant to the IAS 36 par. 86.
The non-current non-financial liabilities include, amongst other, the provisions for decommissioning and remediation of industrial sites.

Cash flow statement discontinued operations E&P (in millions of euros)	2019	2018
A. Operating cash flow from discontinued operations	223	257
B. Cash used in investing activities from discontinued operations	(166)	(136)
C. Cash used in financing activities from discontinued operations	(20)	(120)
D. Net cash flow for the year from discontinued operations (A+B+C)	**37**	**1**
E. Cash and cash equivalents at the beginning of the year from discontinued operations	24	23
F. Cash and cash equivalents at the end of the year from discontinued operations	61	24

The cash flow from operating activities refers to ordinary operations and includes foreign taxes paid and collected; the cash flow from investing activities includes 46 million euros in exploration costs, which are fully amortized when incurred, and

120 million euros in other net investments in fixed assets; the cash flow from financing activities is mainly related to the cash flow with the Continuing Operations, particularly with the Corporate segment.
For details on investment activities, please refer to the comments in the 2019 Report on Operations.

Liabilities referred to E&P business

Fraud suffered by Edison Norge AS

Following a fraud perpetrated at the end of 2019 against Edison Norge AS ("EN"), the Norwegian company indirectly controlled by Edison Spa and operating in the exploration and production of hydrocarbons, funds for about 12.5 million euros have been misappropriated from the same company.
Edison immediately filed a complaint against the scammers with the Norwegian and Hong Kong police.
The initial checks carried out by the competent authorities, as well as the audits carried out by Edison, through a specialized external company, have excluded any liability for the employees of the Edison Group.
On the contrary, the full collaboration of the unaware victims of the deception is facilitating the police inquiries and is supporting Edison in the different legal initiatives aimed at the recovery of the stolen sums.
Edison indeed, has already given a mandate to its lawyers to take actions against the companies receiving the fraudulent payments and the financial intermediaries that have allowed them, as well as against the scam authors.

Edison Spa - Ministry for the Environment - request for compensation for environmental damages

On May 31, 2018, the Ministry for the Environment notified Edison of a claim for compensation for alleged environmental damages deriving from reinjection activities in the Vega 6 well of the aquifer and process waters, operated by the Vega A platform.
The request for compensation is quantified to a maximum global amount of about 80 million euros.
The facts in question have already been the subject of a criminal procedure declared closed by the competent court.
Edison believes that this claim for compensation is completely unfounded, since the activities in question not illegal, rather, on the contrary, authorized according to the applicable regulation have not produced any environmental damage, nor any risk of geological pollution, or pollution of the aquifer or the sea.
For this reason, the Company appeared in court requesting the full dismissal of the request from the Ministry for the Environment. However, following the agreement for the sale of the E&P business, taking into consideration that some safeguard clauses are envisaged in favour of the acquirer by contract, Edison considered appropriate, prudentially, to consider a charge related to this litigation. This value, together with an estimate of other costs related to the disposal, is booked in Profit (Loss) from discontinued operations.

Edison Spa – Disputed municipal property taxes (ICI and IMU) on offshore hydrocarbon production platforms

In 2016, the Court of Cassation affirmed, for some disputes against ENI and Edison, that offshore platforms were subject to municipal property taxes (ICI and IMU), pronouncing how the possible tax base could be determined and yet not clarifying which criterion, in the absence of a specific law, should be considered valid in defining the territorial jurisdiction between Municipalities. Consequently, disputes continued with the various Municipalities to establish the actual jurisdiction and the tax bases on which the tax should be applied, in line with what has been declared by the Court of Cassation.

In 2016, the Ministry of Finance issued an official ruling stating that the levying of local taxes on the offshore platforms was illegitimate, emphasising the need for a two-fold legislative action, both to define the territorial jurisdiction and the criteria for Property Register listing, and to extensively amend the IMU statute. The Ministry also clarified that, nonetheless, from 2016, the matter was considered resolved by virtue of the so-called "imbullonati" legislation (machinery or plants fixed to the ground or incorporated in the construction but which, at the same time, can be dismantled and transferred from one site to another), since the platforms could only be fully considered production plants functional to a specific production process. The Court of Cassation, however, disregarded what was stated by the Ministry of Economy and Finance and the decisions, including on the merits of the case, continued to have inconsistent outcomes.

By means of Tax Decree connected with the 2020 Budget Law (Law Decree 124/2019 as converted to law), effective from 2020, a specific tax was introduced for marine platforms (IMPI), which specifies which tax base must be considered, a single rate and makes provision for the issuing of an inter-ministerial decree to identify which Municipalities are responsible for each platform.

The introduction of a specific tax and the need to identify, with an ad hoc measure, the tax responsibilities of the Municipalities for the platforms, without, however, regulating any effects on previous years, would seem to confirm that the local taxes on offshore structures were not legitimate in the past, as sustained by the Company before the various Courts.

However, it should be noted that disputes were settled in January 2019 with the Municipality of Scicli for local taxes requested in relation to Vega A, a platform in the Channel of Sicily. All payments made or expected are covered by the existing risk provision.

Taking into account the situation of uncertainty still existing and waiting for any developments in court proceedings which the new legislation could have for pending disputes, it was considered appropriate to adjust the existing risk provision in view of possible unfavourable outcomes of the dispute or possible settlements.

9.3 Other commitments

In the following table are indicated the other commitments outstanding to be considered in addition to the ones disclosed, as a complement of information and homogeneousness of topic, in the previous chapters.

(in millions of euros)	12.31.2019	12.31.2018 (*)	Change
Guarantees provided	1,002	1,103	(101)
Other commitments and risks	240	145	95
Total for the Group	**1,242**	**1,248**	**(6)**

(*) The Other commitments and risks have been restated including the amount linked to E&P business.

Guarantees provided (1,002 million euros) were determined based on the undiscounted amount of contingent commitments at the end of reporting period. They consist mainly of guarantees provided by the Group's parent company or by banks with the parent company's counter-guarantee to secure the performance of contractual obligations by subsidiaries and affiliated companies. They also include, guarantees issued to third parties concerning activities on the Power Exchange, in particular to the GME, plus sureties issued to the individual operators with which the Group carries out electricity and gas purchases and sales.

Please also note that with regard to **other commitments and risks** are considered also:

- the procurement of CO_2 certificates and Certified Emission Reductions (CERs)/Emission Reduction Units (ERUs), for the 2013-2020 period; Edison Spa signed Amended Agreements to the original Emission Reductions Purchase Agreements (ERPA) to purchase CERs in China for up to 26 million euros. These agreements represent extensions of contracts already held by Edison Spa and originally signed for the 2008-2013 period;
- 111 million euros, against a 7-year long-term stipulated with the Japanese shipowner Nippon Yusen Kabushiki Kaisha for the hire of an LNG vessel. The vessel is under construction and will be delivered by the first quarter of 2023 at the latest.

Considering the guarantees and other commitments linked to **E&P business**, please also note that:

- the **Guarantees provided** include guarantees, provided by the Group's parent company or by banks with the parent company's counter-guarantee, for an amount of about 115 million euros;
- the **Other commitments and risks** include an amount of 75 million euros, mainly linked to the completion of investment projects in progress in Italy and abroad.

Unrecognized commitments and risks

The main commitments and risks that were unrecognized, pertaining to Hydrocarbons Operations, are in relation to contracts for the importation of natural gas from Russia, Libya, Algeria and Qatar, for a total maximum nominal supply of 12.4 billion cubic meters of natural gas a year. These contracts typically have an extended duration (at December 31, 2019 have terms ranging from 1 to 15 years) therefore their margins are susceptible to change over time as conditions change in the economic and external competitive context and the commodities scenarios used as a reference in the purchase cost/sale price indexing formulas. The presence of procurement price renegotiation clauses as well as revisions of flexibility conditions thus represent important elements to partially mitigate the risk noted above to which the parties may make recourse during contractual windows that open periodically. In this respect, Edison is currently having commercial discussions with some counterparties.

The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

		within 1 year	from 2 to 5 years	over 5 years	Total
Natural gas	Billions of m^3	11.7	43.6	79.7	**135.0**

The economic data are based on prospective pricing formulas.

Please also note the expected medium-term launch of two additional long-term supplies that will significantly contribute to the diversification and competitiveness of the Edison gas supply portfolio, or:

- the supply of 1 billion cubic metres/year of gas from the Azerbaijan Shah Deniz II gas field, through the Trans Adriatic Pipeline (TAP);
- the agreement developed with Venture Global for 1 million tonnes per year of LNG for 20 years (equivalent to roughly 1.4 billion cubic metres/year of natural gas) coming from the Calcasieu Pass plant (Cameron Parish, Louisiana, USA) based on a contract for the hire of an LNG vessel that is currently being built.

Furthermore, based on the outstanding contract in place with Terminale GNL Adriatico, Edison benefits from 80% of the terminal's regasification capacity until 2034.

9.4 Intercompany and Related-party transactions

In line with the Group policies, the economic, equity and financial transactions in place at December 31, 2019 with related parties are shown below, in accordance with the disclosure required by IAS 24. These transactions are implemented under the scope of normal operations and regulated at contractual conditions established by the parties in line with ordinary market practices.

(in millions of euros)	Related parties pursuant to IAS 24				Total for financial statement item	Impact %
	With unconsolidated Edison Group companies (A)	With controlling companies (B)	With other EDF Group companies (C)	Total for related parties		
Balance Sheet transactions:						
Investments in companies valued by the equity method	91	-	-	91	91	100.0%
Other non-current financial assets	48	-	-	48	68	70.6%
Trade receivables	-	-	127	127	1,132	11.2%
Current tax receivables	-	19	-	19	26	73.1%
Other current assets	3	3	18	24	380	6.3%
Current financial assets	6	-	-	6	347	1.7%
Cash and cash equivalents	-	156	-	156	283	55.1%
Non-current financial debt	-	-	35	35	615	5.7%
Trade payables	-	5	75	80	1,425	5.6%
Current tax payables	-	78	-	78	104	75.0%
Other current liabilities	-	3	11	14	184	7.6%
Current financial debt	13	8	5	26	342	7.6%
Income Statement transactions:						
Sales revenues	4	5	1,214	1,223	8,168	15.0%
Other revenues and income	1	1	12	14	104	13.5%
Commodity and logistic costs	(9)	-	(645)	(654)	(6,716)	9.7%
Other costs and services used	-	(20)	(41)	(61)	(561)	10.9%
Net financial income (expense) on debt	-	(2)	(2)	(4)	(18)	22.2%
Other financial income (expense)	3	8	-	11	(9)	n.s.

A) Transactions with unconsolidated Edison Group companies

These outstanding transactions relating to unconsolidated Group companies, joint ventures and affiliated companies, primarily include:

- financial transactions, consisting in lending facilities;
- commercial transactions, mainly related to the electric power sector.

Relating to Investments in companies valued by the equity method and Other non-current financial assets please refer to the chapter 5. Fixed assets and provisions.

B) Transactions with controlling companies

B.1 Transactions with Transalpina di Energia (TdE)

Consolidated Corporate Income Tax (IRES) Return Filed by TdE

Please refer to the chapter 7. Taxation.

Intercompany current account

Please note that at December 31, 2019, the current account established by Edison Spa with TdE had a debit balance of 8 million euros (5 million euros at December 31, 2018).

B.2 Transactions with EDF Sa

Cash-pooling

Please note that at December 31, 2019 the Edison Spa current account, dedicated to cash-pooling with EDF Sa, had a credit balance of 156 million euros (28 million euros at December 31, 2018).

Credit Lines

The revolving credit line provided in 2017 and granted to Edison Spa by EDF Sa, with a two-year duration for a nominal value of 600 million euros was expired on April 9, 2019 and has been replaced by a new revolving credit line granted to Edison by EDF Sa, with a two-year duration for a nominal value of 600 million euros at market condition; this credit line is fully available at December 31, 2019.

Referring the medium/long-term credit line, at December 31, 2018 drawn for 70 million euros, granted in 2015 (for a maximum amount of 200 million euros), earmarked for E&P business investment projects and originating from a similar credit line provided by EIB to EDF Sa, should be noted that during 2019 has been redeemed at maturity 5 million euros and in December 2019 has been reimbursed the residual global amount (65 million euros).

For more details please refer to the chapter 6. Shareholders' equity, financial debt and cost of debt.

Other transactions

Considering the economic transactions please consider:

- costs of period for 20 million euros referred mainly to insurance cost, royalties for the utilization of the brand, services rendered and the recharges of corporate costs mainly referred to the compensation of the Board of Directors;
- sales revenue and other income for a total of 6 million euros referred mainly to the services provided in the activity relating to gas portfolio.

As part of financial transactions, Edison entered into transactions to hedge exchange rate risk that, affected by currency trends, generated net realized financial income for 8 million euros (net realized financial income for 12 million euros at December 31, 2018).

During the year, hedging transactions were also undertaken to hedge the Euro/USD exchange rate risk associated with the fixed part of the price expected for the sale of the E&P business, for which please refer to the comments in paragraph 9.2 Information relating to IFRS 5.

C) Transactions with other EDF Group companies

C.1 Loans

Loan granted by EDF IG to EDF EN Italia for an amount of 40 million euros (35 million euros included in Non-current financial debt; 5 million euros included in Current financial debt).

In this context, the reimbursement in December 2019 of the shareholder loan granted by EDF Renouvelables to EDF EN Italia for about 105 million euros should also be noted.

More detailed information is provided in chapter 6. Shareholders' equity, financial debt and cost of debt.

C.2 Other operating transactions

The main operating transactions with other EDF Group companies are provided below:

(in millions of euros)	EDF Trading Ltd	EDF EN Services Italia (*)	Citelum	Others	**Total**
Balance Sheet transactions:					
Trade receivables	112	-	12	3	**127**
Other current assets	18	-	-	-	**18**
Trade payables	69	-	-	6	**75**
Other current liabilities	11	-	-	-	**11**
Income Statement transactions:					
Sales revenues	**1,186**	**1**	**27**	**-**	**1,214**
Electric power and natural gas	1,240	-	27	-	1,267
Realized commodity derivatives	(58)	-	-	-	(58)
Margin on physical trading activities	-	-	-	-	-
Other revenues	4	1	-	-	5
Other revenues and income	**11**	**-**	**-**	**1**	**12**
Commodity and logistic costs	**(645)**	**-**	**-**	**-**	**(645)**
Electric power and natural gas	(753)	-	-	-	(753)
Realized commodity derivatives	110	-	-	-	110
Sundry items	(2)	-	-	-	(2)
Other costs and services used	**-**	**(33)**	**-**	**(8)**	**(41)**
Maintenance	-	(33)	-	-	(33)
Professional services	-	-	-	(8)	(8)

(*) During 2019 the company EDF EN Services Italia, 30% owned, has been considered as related party in line with previous years; as at December 31, 2019, following the acquisition of the 70% remaining stake, it has been consolidated on a line-by-line basis.

Referring to EDF Trading it is worth mentioning that from September 1st, 2017 is in force the MASA (Trading Joint Venture and Market Access Services Agreement); the so-called profit sharing (remuneration mechanism) is booked in "Other revenues and income".
For more details please refer to the chapter 4. Market risk management.

Furthermore, note that during the year insurance reimbursement of about 1 million euros were obtained by Wagram Insurance Company.

The costs towards EDF EN Services Italia are referred to the maintenance of E2i and EDF EN Italia power plants.

D) Relevant operations with related parties

- On June 19, 2019 the Board of Director of Edison approved an articulated industrial operation which envisaged as a first step that Edison would acquire the entire share capital of EDF EN Italia from EDF Renouvelables. Both companies are controlled by EDF Sa and are therefore related parties. On July 17, 2019 the acquisition of EDF EN Italia and its subsidiaries has been completed for a consideration of 172.3 million euros, subject to the contractual adjustments envisaged. During the month of July EDF EN Italia sold the stake held in Greentech Monte Grighine, for which the Tag-Along right had already been exercised, at a price of 21.5 million euro. Following this sale and the definition of the other contractual adjustments planned, in December, Edison paid EDF Renouvelables an additional 10.3 million euros. The final consideration for the acquisition of EDF EN Italia was therefore equal to 182.6 million euros.

- On December 20, 2019 Edison signed an agreement for the acquisition from EDF Renouvelables Services Sas (company directly and wholly owned by EDF Renouvelables Sa, in turn directly and wholly owned by EDF Sa) of 70% of the share capital of EDF EN Services Italia Srl, a company in which Edison Spa already held the remaining 30%. On the same date the equity investment was transferred for an amount of about 18 million euros, Edison therefore became the sole shareholder of EDF EN Services Italia. The company carries out the general management of renewable assets, concentrating on expertise relating to Operation & Maintenance and Asset Management services relating to the management of renewable power plants. The operation is a related party transaction given that EDF Sa is also the majority shareholder of Edison, via its own wholly owned subsidiary EDF International Sa.
  The economic relationships existing in the year 2019 between the companies of the Edison Group and the company EDF EN Services Italia are treated as transactions between related parties since the company has been fully consolidated only since the end of December 2019.

10. CRITERIA AND METHODS

10.1 Comparability

As described above in paragraphs 1.4 Application of accounting standard IFRS 5 and 9.2 Information pursuant to IFRS 5, following the agreement for the sale of E&P business, all the comparative data relative to the income statement and cash flow statement have been restated in order to isolate the contribution of the business held for sale, as required by the accounting standard IFRS 5. The following tables show the reconciliation between the values published in 2018 Consolidated Financial Statements and those now exposed for comparative purposes.

CONSOLIDATED INCOME STATEMENT

(in millions of euros)	**2018 published**	Application of accounting standard IFRS 5	**2018 restated**
Sales revenues	9,159	(431)	8,728
Other revenues and income	154	(64)	90
Total net revenues	**9,313**	**(495)**	**8,818**
Commodity and logistic costs (-)	(7,419)	(44)	(7,463)
Other costs and services used (-)	(651)	103	(548)
Labor costs (-)	(337)	48	(289)
Receivables (writedowns) / reversals	(15)	3	(12)
Other costs (-)	(98)	18	(80)
EBITDA	**793**	**(367)**	**426**
Net change in fair value of derivatives (commodity and exchange rate risk)	(7)	-	(7)
Depreciation and amortization (-)	(464)	197	(267)
(Writedowns) and reversals	(100)	97	(3)
Other income (expense) non Energy activities	(23)	-	(23)
EBIT	**199**	**(73)**	**126**
Net financial income (expense) on debt	(5)	-	(5)
Other net financial income (expense)	(3)	11	8
Net financial income (expense) on assigned trade receivables without recourse	(11)	-	(11)
Income from (Expense on) equity investments	4	-	4
Profit (Loss) before taxes	**184**	**(62)**	**122**
Income taxes	(117)	88	(29)
Profit (Loss) from continuing operations	**67**	**26**	**93**
Profit (Loss) from discontinued operations	-	(26)	(26)
Profit (Loss)	**67**	**-**	**67**
Broken down as follows:			
Minority interest in profit (loss)	13	-	13
Group interest in profit (loss)	**54**	**-**	**54**

CASH FLOW STATEMENT

	(in millions of euros)	2018 published	Application of accounting standard IFRS 5	2018 restated
	Profit (Loss) before taxes	**184**	**(62)**	**122**
	Depreciation, amortization and writedowns	564	(294)	270
	Net additions to provisions for risks	(45)	8	(37)
	Interest in the result of companies valued by the equity method (-)	(4)	-	(4)
	Dividends received from companies valued by the equity method	11	-	11
	(Gains) Losses on the sale of non-current assets	-	-	-
	Change in employee benefits	(3)	-	(3)
	Change in fair value recorded in EBIT	7	-	7
	Change in operating working capital	(13)	20	7
	Change in non-operating working capital	(13)	(12)	(25)
	Change in other operating assets and liabilities	4	-	4
	Net financial (income) expense	19	(11)	8
	Net financial income (expense) paid	(13)	14	1
	Net income taxes paid	(110)	80	(30)
	Operating cash flow from discontinued operations	-	257	257
A.	**Operating cash flow**	**588**	**-**	**588**
	Additions to intangibles and property, plant and equipment (-)	(447)	170	(277)
	Additions to non-current financial assets (-)	(13)	-	(13)
	Net price paid on business combinations	(400)	-	(400)
	Cash and cash equivalents disposed	-	-	-
	Proceeds from the sale of intangibles and property, plant and equipment	38	(34)	4
	Proceeds from the sale of non-current financial assets	4	-	4
	Cash used in investing activities from discontinued operations	-	(136)	(136)
B.	**Cash used in investing activities**	**(818)**	**-**	**(818)**
	Receipt of new medium-term and long-term loans	143	-	143
	Redemption of medium-term and long-term loans (-)	(25)	-	(25)
	Other net change in financial debt	48	108	156
	Change in current financial assets	-	12	12
	Net liabilities resulting from financing activities	166	120	286
	Capital and reserves contributions (+)	-	-	-
	Dividends and reserves paid to controlling companies or minority shareholders (-)	(47)	-	(47)
	Cash used in financing activities from discontinued operations	-	(120)	(120)
C.	**Cash used in financing activities**	**119**	**-**	**119**
D.	**Net currency translation differences**	**-**	**-**	**-**
E.	**Net cash flow for the year (A+B+C+D)**	**(111)**	**-**	**(111)**
F.	**Cash and cash equivalents at the beginning of the year**	**260**	**-**	**260**
G.	**Cash and cash equivalents at the end of the year (E+F)**	**149**	**-**	**149**

10.2 Criteria and methods of consolidation

The financial statements used for consolidation purposes are the latest statutory or consolidated statements of the individual companies or business operations, approved by respective corporate governance bodies, with the adjustments required to make them consistent with Group accounting principles. In the event that the financial year does not coincide with the calendar year, situations approved by the respective Boards of Directors that reflect the Group's financial year have been considered.

Subsidiaries are consolidated using the global line-by-line method beginning from the date on which the Group effectively acquired control. On said date, the carrying amount of equity investments is eliminated by offsetting it against the underlying interest in the respective shareholders' equity, and the individual assets and liabilities and contingent liabilities are measured at their fair value. Any residual value, if positive, is recognized in the item "Goodwill". In particular, if the purchase is carried out in several phases, at the date on which control is acquired, the entire equity investment held is remeasured at fair value; thereafter, any additional acquisition or disposal (assuming that the control is maintained) of stakes in investments is managed as a transaction between shareholders recognized in equity. The acquisition costs incurred are always recorded immediately in the income statement; the changes in contingent consideration are recognized in income statement.

The portions of equity and profit or loss for the period attributable to minority shareholders are shown separately in the financial statements.

Investee companies cease to be consolidated from the date when control is transferred to a third party; the sale of an equity interest that causes loss of control results in the recognition in the income statement of (i) any gain or loss determined as the difference between the proceeds from the sale and the corresponding pro-rata interest in the shareholders' equity of the investee sold to a third party; (ii) any result attributable to the divested company carried among the other components of comprehensive income that can be reclassified into profit or loss; and (iii) the result from the adjustment to fair value, measured on the date of the loss of control, of any minority interest retained by Edison.

Companies managed through contractual agreements, pursuant to which two or more parties who share control through unanimous consent have the power to direct relevant decisions and govern exposure to future variable returns, that qualify as joint operations are recognized by the proportional method directly in the separate financial statements of the entities that are parties to the agreements. In addition to recognizing the attributable share of assets and liabilities, expenses and revenues, the corresponding obligations must also be evaluated. Similarly, when a company participates in a joint operation through contractual agreements, even without sharing joint control, it recognizes in the separate financial statements its stake of assets, liabilities, costs and revenues as well as the obligations of which it is entitled under contract.

Other interests in joint ventures and affiliated companies over which a significant influence can be exercised, but which do not qualify as joint operations, are valued by the equity method.

Subsidiaries that are in liquidation or are parties to composition with creditors proceedings are not consolidated and are carried at their estimated realizable value; their impact on the Group's total assets and liabilities and net financial debt is not significant.

Significant assumptions in determining control in accordance with IFRS 12

IFRS 10 provides the definition of control: an entity controls an investee when it is exposed, or has rights, to its returns from its involvement and has the ability to affect those returns through its power over the investee.

With regard to this principle, it's worth to mentioning that the Edison Group consolidates line by line some companies even though it does not hold the majority stake; including:

- a company in the hydroelectric area, Dolomiti Edison Energy (owned at 49%). The purpose of this company and the manner in which it was established ensure that the voting rights are not the dominant factor in determining control, as they mainly concern current activities of a residual nature. Significant activities are governed through contractual agreements. These agreements expose Edison to a majority of the variable returns and give it the power to influence the returns through the management of significant activities (more specifically, the management, withdrawal at predetermined prices and dispatching of electric power);
- In the renewable energy area, the company E2i, owned at 30% through Edison Partecipazioni Energie Rinnovabili Srl. In this entity, a portion of the relevant activities is managed through contracts executed in 2014, mainly off-take and development (handled by Edison) and O&M (activity assigned to EDF EN Services Italia Srl, a company that from the

end of December 2019 is fully owned by Edison), and the residual variability is mainly related to investment decisions on repowering and development projects. Furthermore thank to the governance established, which provides *inter alia* for the right to exercise a call option in the event of a deadlock, the voting rights are not the dominant factor in determining control. Therefore Edison controls the entity as it has the power to manage the residual variability with regard to investment decisions on repowering and development projects, because it has the power, within certain thresholds and with an unlevered IRR that may not be lower than the one defined by shareholders from time to time, to unilaterally carry out repowering and development projects through decisions made by the Chairman, whom Edison appoints (special right of Edison under the Bylaws). On the other hand, no such rights are provided to the other investor. The effective exercise of this power is verified from time to time.

IFRS 10 specifies that in determining control attention should be paid to the purpose and objectives of the investee, the risks that are transmitted to the parties involved and the level of involvement that the party exercising control had in defining the structure of the investee. In this regard, Edison's full involvement demonstrated from the start its power to significantly affect and influence the relevant activities; moreover Edison, thanks to the signing of the offtake contract, continues to manage the energy produced by the plants operated by E2i; specifically, the delivery of the electric power at predetermined prices and its dispatching are handled by Edison under a contract for its own benefit. Thus, Edison has exposure to variable returns and has the ability to affect those returns through its powers under the Bylaws. Edison is indeed relevant with regard to any decisions and no majority on significant matters can exist without Edison. Moreover, the adoption of any significant resolution by the Shareholders' Meeting regarding changes in the governance system, as reflected in the Bylaws and the existing contracts, and its implementation requires a qualified majority and, in the event of a deadlock, Edison can exercise a call option; these rights provided under the Bylaws can be deemed to be substantive and, consequently, relevant in determining control over E2i.

Consolidation of foreign companies and criteria used to translate items denominated in foreign currencies

Assets and liabilities of foreign companies that are denominated in currencies other than the euro are translated at the exchange rates in force at the end of the reporting period. Income and expenses are translated at the average rates for the year. Any resulting gains or losses are recognized in equity, more specifically in the "Reserve for other components of comprehensive income", until the corresponding equity investment is sold.

Upon first-time adoption of the IFRS principles, cumulative translation differences generated by the consolidation of foreign companies were written off and, consequently, the reserve recognized in the consolidated financial statements reflects only cumulative translation differences that arose after January 1, 2004.

Transactions in foreign currencies are recognized at the exchange rate in force on the transaction date. Monetary assets and liabilities are translated at the exchange rates in force at the end of the reporting period. Any resulting foreign exchange translation differences and those realized when the positions are closed are recognized as financial income or expense.

10.3 Valuation criteria

10.3.1 Use of estimated values

The preparation of the consolidated financial statements and the accompanying notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and the valuation of contingent liabilities. The actual results that will arise upon the occurrence of the relevant events could differ from those estimates.

The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the financial statements

The use of estimates is particularly significant for the following topics:

- the evaluation that property, plant and equipment and intangible assets, including goodwill, are recognized in the financial statements for a value no higher than their recoverable amount ("impairment testing"). First and foremost, the impairment testing process calls for testing the sustainability of the value of the individual assets broken down into Cash Generating Units (CGUs) and, subsequently, a test on goodwill with reference to the aggregates of the CGUs to which it was allocated ("Electric Power Operations" and "Hydrocarbons Operations"). Finally, due to the presence of general expenses that aren't allocated and couldn't be objectively related to the abovementioned CGUs, the test is performed on the Group as a whole (so-called "second level" impairment test).

The CGUs, which have been identified in a way that is consistent with the Group's organizational and business structure, are assets that generate cash inflows independently, through their continued use and have a two-fold dimension related, on one hand, to the source of production and relative technology and, on the other, the current outlet market, further distinguished, where appropriate, by the reference country.

At each reporting date, Edison verifies whether there is any indication that an asset may have suffered a loss in value (impairment indicator), with the exception of goodwill, which is annually subjected to mandatory impairment testing.

IAS 36 defines the recoverable amount as the higher of the fair value of an asset or cash generating unit, less costs to sell, and its value in use. Thus, the recoverability of the value of fixed assets is verified by comparing the carrying amount recorded in financial statements with the related recoverable value, after deducting from both the values of any risk provision recognized for costs to decommission and remediate sites.

The recoverable amount is calculated as the value in use through the discounting of cash flows expected from the use of the asset or a CGU as well as the amount expected from its disposal at the end of its useful life. This process entails the use of estimates and assumptions to determine both the amount of future cash flows and the corresponding discounting rates.

Future cash flows are based on the most recent economic-financial plans developed by the management with reference to the functioning of productive assets (production, operating and capital expenses, useful life of the assets), the market environment (sales, prices of reference commodities, margins) and the evolution of the regulatory and legislative framework. In particular, in developing future cash flows, reference was made to:

- the 2020 budget approved by the Board of Directors on December 7, 2019;
- the 2021-2023 Medium-Term Plan approved by the same Board;
- the long-term plan drawn up by senior management.

When the valuation entails estimate beyond the forecast period included in the economic-financial plans developed every year by the management, projections based on conservative growth assumptions are used.

The valuation of assets entailed an estimation of cash flows until the end of the useful life of the fixed assets including, if present, a residual value when activities are completed.

Specifically, to determine the recoverable amount of goodwill, a terminal value was calculated that is consistent with the long-term plan based on business continuity assumptions. In detail were valued: the investment costs necessary for the renewal of the expiring hydroelectric concessions, the repowering of thermoelectric assets and the useful life's extension of renewable power plants.

These assumptions and the corresponding financials were deemed to be suitable for impairment test purposes by the Board of Directors of February 13, 2020, which approved the results.

With reference to the businesses in which the Group operates, the factors with the greatest importance in estimating future cash flows are:

- for activities related to Electric Power Operations: the PUN and Spark Spread scenarios, developments in Italian sector regulation in terms of rules and incentives for producers (e.g. capacity market), and the trend in domestic demand;
- for the Hydrocarbons Operations CGUs: the price of oil commodities, natural gas and EUR/USD exchange rate scenarios;
- for the goodwill, the growth rate used to assess the terminal value.

The discount rates are calculated through the determination of the weighted average cost of capital (WACC), considering the specific risks of the activities (so-called *beta* coefficient) and countries in which the Group operates and are based on data observable in the financial markets.

The Company relies on an independent expert to determine the recoverable amount and, through statistical simulation techniques (Montecarlo method), weights the cash flows linked to variables with the greatest risk of volatility (capacity market remuneration rates, parameters of discount rates and growth rates, the level of non-discretional investments to maintain normal business operating conditions).

For the results of the test conducted in 2019, please refer to the paragraph 5.1 - section 5.1.4 Impairment test pursuant to IAS 36.

- The valuation of certain provisions for risks and charges, such as:
  - **Provisions for decommissioning and remediation of industrial sites**. The assessment of the future liabilities arising from the obligation of decommissioning and remediation of industrial sites is a complex process based on technical and financial estimates performed by the Management and supported, when necessary, by independent experts' appraisals. These liabilities reflect the estimated costs of dismantling, removal and restoration that the Group will incur at the end of the production and functioning of an industrial site to restore the environmental conditions according to the standards required by national legislation and/or specific contractual clauses.
    The initial evaluation of the remediation costs, deducted the estimated revenues arising from the sale of any recoverable part, is assessed considering the forecasted inflation at the time of the decommissioning and calculating the present value at a free-risk rate. The evaluation is made on prudential assumptions considering the market conditions and the legal and technological framework at the time of the assessment. The initial amount is then recorded with the carrying amount of the industrial asset to be remediate and it is subject to depreciation; as counter-item is booked a provision for decommissioning for the same amount. Considering the time component of the provision, the amount is yearly updated by its financial component and the charge is booked at income statement in financial expenses.
    At the end of any reporting period, the evaluations are updated with the aim to guarantee that the amounts recognized are the best estimate of the potential future cost and, in case of material adjustment, the amounts are revised. The main drivers potentially determining a revision are: a change in the useful life of the production site, market scenarios, technological progress, changes in the environmental rules, fluctuations of discount and inflation rates.
    In this context, it is worth mentioning the specificity of the hydrocarbons Exploration & Production sector which is impacted by the oil market scenario, the estimates of reserves, the technological complexity and the dedicated legislation. These activities are usually performed in joint ventures and are disciplined by specific contractual clauses which may include the decommissioning phase. E&P business is now treated as a Discontinued Operation according to IFRS 5.
  - **Provisions for legal and tax disputes**, among which the types requiring a greater use of Management assumptions and estimates are **the provisions related to legal proceedings substantially for environmental damage** (Non-Energy Activities), related to legal and arbitral disputes ranging in different types and involving the Group as a party via Edison Spa as universal successor of Montedison Spa, merged in it. In detail, the provisions recognized in relation to disputes arising from events over the time, related to the management of chemical production plants already held by Montedison Group – that were object, from 1990s to 2010, of a wide-range divestment policy in accordance with the Edison Group choice to convert its activity to the energy sector - the present quantification of the provisions was determined as residual amount of the original accrual referred to the specific dispute, considering the juridical complexity, the type of proceeding and also the uncertainty about the evolution of every proceeding in terms of duration and thus of the outcomes. The quantification and the review of these provisions are part of a recurring process of assessment based on what stated above; likewise, and in general, the periodical assessment concerns also the quantification and updating of the other provisions for risk related to legal and arbitral disputes. Income Statement and Balance Sheet impacts of the abovementioned disputes are outside the current Group's business and consequently they are isolated starting from 2018 Consolidated Financial Statements as Non-Energy Activities and their disclosure is included in chapter 8. Non-Energy Activities.
- Measurement of certain sales revenues, specifically sales revenues of electric power and natural gas to end customers. These revenues are booked considering the invoiced sales based on the regular reading of the consumptions attributable to the year and an estimation of the supplied commodity not yet invoiced at the end of the reporting period.

The estimation is calculated with specific algorithms taking into account the nature of the commodity and the typology of customer supplied and considering:

1) volumes distributed (on the basis of information provided by third parties in charge of transportation and distribution);
2) end consumers historical consumption profiles;
3) network losses and adjustments depending on atmospheric conditions or other drivers which may affect the consumption profiles.

Concerning the first point, the existing regulatory framework encompass the possibility to volumes adjustments up to five years after the consumption period and this is the main source of uncertainty in the natural gas sale estimation. The second point, on the other hand, is the main driver in the electricity consumption estimate notably for residential customers.
At the end of any reporting period, the revenues from natural gas and electricity sales to residential and end customers include an estimation on the consumption of the last two months.

10.3.2 Focus on new accounting principles

Below it is reported the integration to what was already written in short in the paragraph 1.1 Newly applied standards.

10.3.2.1 IFRS 16 “Leases”

As previously commented in paragraph 1.1, this new accounting standard, applicable from January 1, 2019, has replaced IAS 17 and it amends the approach of accounting for operating leases. The rules of IFRS 16 were applied in transition on a prospective basis, starting from January 1, 2019, without restatement of comparative data.
The following table shows the reconciliation between the commitments according to IAS 17 at December 31, 2018 and the beginning balance of financial debt at January 1, 2019 from the first adoption of IFRS 16:

(in millions of euros)	
Future compulsory minimum lease payments for leases contracts according to IAS 17 at December 31, 2018	190
Estimated effects IFRS 16 first adoption:	
- Exemption of low value lease contracts (-)	(4)
- Exemption of short-term contracts (-)	-
- Actualization (-)	(21)
Estimated financial debt at January 1, 2019 from first adoption of IFRS 16	165

It should also be noted that at the time of initial recognition of a contract, the right of use and the debt are measured by discounting future lease payments over the entire duration of the lease, also taking into account the hypothesis of contract renewal or early termination, only in cases where the exercise of these options is reasonably certain. For discounting purposes, the explicit rate indicated in the contract is generally used, if available. In its absence, the rate on the lessee’s marginal debt is used, determined (i) on the basis of current market rates, (ii) with a country risk premium, (iii) taking into account the duration of the contracts and the credit risk of the specific company (type of business and company turnover).

10.3.2.2 Amendments to IFRS 9 and IFRS 7

Please note that on January 16, 2020 a Regulation from the Commission, was published that amends IFRS 9 and IFRS 7 on the subject of "Reform of the reference indices for the determination of interest rates" (so-called IBOR reform). The amendments provide for exceptions so that companies can continue to apply hedge accounting requirements assuming that the reference interest rate on which the hedged risk or the cash flows of the hedged item or the cash flows of the hedging instrument are not modified as a result of the IBOR reform.

IFRS 7 was also amended accordingly, which provides in this regard for providing the impacts of the reform; as soon as the reform is fully operational, Edison will provide this information in the explanatory notes. In the year in which Edison will apply the amendments for the first time, it will be exempted from the presentation of the quantitative comparative information required by paragraph 28 (f) of IAS 8 "Accounting policies, changes in accounting estimates and errors".
In the effectiveness test the amendment was taken into account.

10.3.2.3 Amendments to IFRS 3 "Business combinations" - Text published by the IASB but not yet endorsed by the EU

The amendments, which should be applicable from January 1, 2020, concern the "Definition of a business" and aim to clarify the distinction between "Business acquisition" and "Group of assets acquisition". At present, the Group is not in a position to foresee impacts that could arise from the application of these amendments.

10.3.3 Other valuation criteria

10.3.3.1 Net Working Capital

Inventories

Inventories attributable to the so-called Industrial Activities are valued at the lower between the purchase or production cost, including incidental expenses, determined applying the FIFO method, and the estimated realizable value, based on the reference market conditions.

Trade receivables, Other assets, Trade payables, Other liabilities

They are defined financial instruments. Their initial amount is recognized at fair value; concerning trade receivables which don't include a material financial component, the value of initial recognition is the price of the transaction. The assessment of recoverability of receivables is performed using the Expected Credit Losses model disciplined by IFRS 9.

About the conditions for derecognizing of receivables and payables from the balance sheet, please refer to the comments concerning financial assets and liabilities in the section 10.3.3.5 below.

Revenues from contracts with customers are booked pursuing IFRS 15. We remind that, last year, at the moment of first-adoption of this standard, the application of two rules – "principal versus agent" and "combination of contracts" – determined a reduction of the same amount of "Sales Revenues" and "Commodity and logistic costs" with no impact on the EBITDA.
The full amount of operating grants is recognized in the income statement when the conditions for recognition can be met. Items that qualify as operating grants include the incentives provided for the production of electric power with facilities that use renewable sources which are measured at fair value in accordance with IAS 20.

Valuation of long-term take or pay contracts

Under the terms of medium/long-term contracts for the importation of natural gas, the Group is required to take delivery of a minimum annual quantity of natural gas. If delivery of the minimum annual quantity is not achieved, the Group is required to pay the consideration attributable to the undelivered quantity. This payment can be treated either as an advance on future deliveries or as a penalty for the failure to take delivery. The first situation (advance on future deliveries) occurs in the case of undelivered quantities at the end of the reporting period for which there is a reasonable certainty that, over the remaining term of the contract, the shortfall will be made up in future years by means of increased deliveries of natural gas, in excess of minimum annual contract quantities. The second situation (penalty for failure to take delivery) occurs in the case of undelivered quantities for which there is no expectation that the shortfall can be made up in the future. The portion of the payment that qualifies as an advance on future deliveries is initially recognized in "Other non-current assets" pursuant to IAS 38. The recognized amount is maintained after periodical ascertaining that: i) over the residual duration of the contract, the Group estimates that it will be able to recover the volumes below the contractual minimum (quantitative valuation); ii) it is believed that the contracts entail, over their entire residual lives, expected positive net cash flows based on approved Company plans (economic valuation). These recoverability assessments are also applied to quantities that, while scheduled for delivery, were still undelivered and unpaid at the end of the reporting period, the payment for which will occur in the following period. The corresponding amount is recognized as a commitment.

Advances are reclassified to inventory only when the company actually takes delivery of the gas or are recognized in profit or loss as penalties when it is unable to take delivery of the gas. In the evaluation of the expected realizable value of the gas inventory may be taken into account, as a price adjustment, if applicable, any contractual renegotiations on a three-year basis of the price of delivered natural gas.

10.3.3.2 Derivatives

Financial derivatives, including embedded derivatives which are separated from the primary contract, are assets and liabilities measured at fair value.

In the context of the risk management strategy and purposes, the classification of derivatives as hedges requires: (i) to check the presence of an economic relationship between the derivative and the hedged item which could offset the related fluctuation in value without being affected by counterpart's credit risk; (ii) to define an hedge ratio coherent with the risk management objectives in the context of the risk management strategy defined by the Group. The change of risk management objectives, the end of the conditions stated above for the classification of derivatives as hedges or the start of rebalancing operations will determine the prospective end, complete or partial, of the hedging relationship.

The Group applies extensively the hedge accounting, according to IFRS 9 criteria, specifically:

a) when derivatives hedge the risk of changes in the fair value of the hedged items (Fair Value Hedge), derivatives are measured at fair value with changes recognized directly in the income statement; accordingly, the hedged items are adjusted to reflect, in the income statement, changes in fair value associated with the hedged risk;
b) when derivatives hedge the risk of fluctuations in the cash flow of the hedged items (Cash Flow Hedge), any change in the fair value of the derivatives considered effective is in a first time recognized in equity reserve and in other components of comprehensive income and, later, transferred to the income statement in conjunction with the gains or losses generated by the hedged item.

It should be noted that the economic effect of the trades related to the purchase or sale of commodities made for the Group's needs for the ordinary course of business and for which it is expected the settlement through the physical delivery of the related goods, are recognized on an accrual basis (so-called own use exemption).

The fair value of financial instruments that are traded on an active market is based on their market price at the end of the reporting period (Level 1). The fair value of financial instruments that are not traded on an active market is determined using appropriate valuation techniques (Level 2: proprietary models with market inputs; Level 3: proprietary models).

10.3.3.3 Tangible, intangible assets and goodwill

Property, plants and equipment

In the financial statements, these assets are shown at purchase or production cost, or at their conveyance value, including any attributable incidental costs and direct costs deemed necessary to make them operable, net of any capital grants.
After the acquisition property, plants and equipment are booked using the cost model.
Costs incurred for maintenance performed at regular intervals, in particular in thermoelectric (so-called major maintenance and/or revamping) and wind power (so-called refitting) sectors, are added to the respective assets and are written off over the remaining useful lives of the assets.
The estimated realizable value that the Group expects to recover at the end of an asset's useful life is not depreciated.
Property, plant and equipment are depreciated each year on a straight-line basis at rates based on technical and financial estimates of the assets' remaining useful lives.

The table that follows shows the ranges of the depreciation rates applied by the Group:

	Electric Power Operations		Hydrocarbons Operations		Corporate	
	min.	max.	min.	max.	min.	max.
Buildings	1.0%	15.0%	2.0%	6.0%	3.0%	7.0%
Plant and machinery	1.0%	17.0%	5.0%	15.0%	4.0%	9.0%
Other assets	3.0%	25.0%	20.0%	35.0%	1.0%	20.0%

The depreciation of the portion of assets that is transferable at no cost is taken on a straight-line basis over the remaining term of the respective contracts (taking into account any renewals/extensions) or their estimated useful lives, whichever is shorter.

Upon first-time adoption of the IFRS principles, the Group used fair value as deemed cost. As a result, accumulated depreciation and amortization and the provision for writedowns booked through January 1, 2004 were derecognized.

Beginning on January 1, 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset with a significant useful life are capitalized, when the investment amount exceeds a predetermined threshold. Until December 31, 2008, financial expense was not capitalized.

Intangible assets and Goodwill

Intangible assets are shown at purchase cost. After the acquisition they are booked using the cost model and are depreciated on a straight-line base on the base of the expected useful life. The intangible assets recorded have a finite useful life.

Goodwill is not amortized, but the recoverability of its carrying amount is tested at least once a year (impairment test); eventual writedowns cannot be reversed in subsequent periods.

Assets of E&P business, now treated as Discontinued operations according to IFRS 5:

Hydrocarbons sector's property, plants and equipment and intangible assets

A relevant part of the property, plant and equipment and intangible assets of the hydrocarbon sector is depreciated in accordance with the **unit of production (UOP) method**; according this method the depreciation rate is determined as the ratio between the quantities produced during the year and the estimated remaining available reserves at the beginning of the year; the value of the initial reserves is based on the best and most recently updated estimates available at the end of each period.

Using the UOP method are depreciated the plants appurtenant to hydrocarbon production concessions and the related costs incurred to close mineral wells, clear the drill site and dismantle or remove structures recognized as assets as well as the concessions.

Hydrocarbon concessions, exploration activities and measurement of mineral resources

The costs incurred to **acquire mineral leases** or extend the duration of existing concessions are recognized as "Intangible assets" and amortized on a straight-line basis over the length of the lease in the exploration phase. If an exploration project is later abandoned, the residual cost is immediately recognized in the income statement.

Exploration costs and costs incurred in connection with geological surveys, exploratory testing, geological and geophysical mapping and exploratory drilling are recognized as "Intangible assets" but their full amount is amortized in the year they are incurred.

Development costs related to successful mineral wells and **production costs incurred to build facilities to extract and store hydrocarbons** are recognized as "Property, plant and equipment", in accordance with the nature of the asset, and are depreciated by the UOP method.

The costs incurred to shut down wells, abandon the drill site and dismantle or remove the equipment (**decommissioning costs**) are capitalized and amortized in accordance with the UOP method.

Hydrocarbon production concessions are amortized in accordance with the UOP method.

In addition, a test is conducted each year to make sure that the carrying amounts of these assets are not greater than their realizable value, computed by discounting future cash flows which are estimated based on future production programs, or their market value if higher.

Environmental Securities

The Group secures a supply primarily of CO_2 emissions rights to meet its own requirements in the exercise of its industrial activities.

Specifically, "Intangible assets" can include emissions rights, which are recognized at the cost incurred to acquire them, provided that the rights carried by the Group at the end of the reporting period represent a surplus over its requirements of such instruments, based on the emissions released during the year. Emissions rights allocated free of charge and utilized for the compliance purpose are recognized at a zero carrying value. Since these assets are designed for instantaneous use, they are tested for impairment and cannot be amortized. Their recoverable value is their value in use or their market value, whichever is greater. On the other hand, if, at the end of the reporting period, the volume of the emissions actually generated is greater than the volume of allocated emissions and any purchased emissions, a special provision for risks is recognized to account for the difference. Any emissions rights that are surrendered each year, based on the volume of polluting emissions released into the atmosphere each year or the production generated, will be deleted (so-called compliance) using any reserves for risks set aside the previous year.

The costs attributable to the period are recorded as "Commodity and logistic costs" (this item includes, if any, those referred to facilities divested during the period attributable to the seller). During the year, the expected costs are calculated valuing at market prices the difference between the emissions of the period and the rights owned; in the case of which there are hedging derivatives related to the purchases of rights (typically futures with physical delivery), their fair value is recorded as an adjustment of the expected cost.

10.3.3.4 Provision for risks and employee benefits

Employee Benefits

The Group provides short-term benefits to employees (e.g. leave, production bonus, flexible benefits related to welfare services and performances), whose costs are accrued in the period during which the employee works for the Group.

Concerning the liability for employee severance indemnities, it should be noted that, in accordance with Budget Law No. 296 of December 27, 2006, only the liability for vested employee severance benefits that remained at the Company was valued for IAS 19 purposes, since the portion applicable to future vesting benefits is being paid to separate entities (supplemental pension funds or INPS funds). Following the enforcement of this law and as a result of these payments, the company has no further obligations with regard to the work that employees will perform in the future. So, the Group considers the portion accrued before the abovementioned reform as a "defined-benefits plan", while the portion accrued after the reform a "defined-contribution plan".

Provisions for risks and charges

Provisions for risks and charges are recognized when there is an obligation at the date of financial statements and are evaluated at the best estimation of the charges required to fulfill the above stated obligations. The estimation is assessed at any financial statements date and, when necessary, a new quantification is reflected. For further information, please see the previous section 10.3.1 Use of estimated values.

10.3.3.5 Shareholders' equity, financial debt and cost of debt

Dividends are recognized when the shareholders are awarded the rights to collect them, which generally occurs in the year when the disbursing investee company holds a Shareholders' Meeting that approves a distribution of earnings or reserves.

Financial assets are initially recognized at fair value; after the initial recognition, financial assets that generates contractual cash flows consisting only in capital repayment and interests are evaluated at amortized cost.

The recoverability assessment of financial assets not evaluated at fair value with effects on income statement is performed using the expected credit losses model envisaged by IFRS 9.

Financial liabilities, except for derivatives, are initially recognized at fair value of the consideration received, net of transaction costs directly attributable and, then, are evaluated at amortized cost.

Financial income and **expense** are recognized when accrued.

Derecognition of financial assets and liabilities

Financial assets are derecognized when they no longer convey the right to receive the related cash flows and substantially all of the risks and benefits conveyed by the ownership of the assets have been transferred (so-called derecognition) or when an asset is deemed to be totally non-recoverable after all necessary recovery procedures have been carried out.
Financial liabilities are derecognized when the corresponding contractual obligations are extinguished. Changes to existing contract terms can qualify as an extinguishing event if the new terms materially alter the original stipulations and, in any case, when the present value of the cash flows that will be generated under the revised agreements differs by more than 10% from the value of the discounted cash flows of the original liability.
Financial assets and liabilities are offset in the balance sheet when there is a legal right to offset, currently exercisable, and there is the intention to settle the obligation on a net basis (i.e. to recover the asset and settle the liability simultaneously).

10.3.3.6 Taxation

Current tax liabilities and assets are evaluated at the amount that is expected to be paid at Tax Authorities, calculated applying the tax rates in force or substantially in force at the date of financial statements.
Deferred-tax assets are recognized only when their future recovery is probable. The valuation of deferred-tax assets must be carried out taking into account the company's planning horizon, based on available approved company plans.
The deferred-tax liability on retained earnings of Group companies is recognized only if there is truly an intent to distribute those earnings and provided that the tax liability is not cancelled when a consolidated tax return is filed.
The tax treatments for which there is uncertainty about their application are evaluated separately or in conjunction with other situations of tax ruling uncertainty depending on the approach which better represents the resolution. The Group records the uncertain tax treatments on the basis of the probability that the Tax Authority will accept this treatment. The assessment of the uncertain tax treatment can be performed using one between the two methods that represent better the uncertain tax treatment: i) the most probable amount, ii) the expected value. Please refer also to what stated at the previous section 10.3.1 Use of estimated values.

11. OTHER INFORMATION

11.1 Significant non-recurring events and transactions

In accordance with CONSOB Communication No. DEM/6064293 of July 28, 2006, we note that during the year the following significant non-recurring transactions took place.

Edison Spa – Agreement for the sale of E&P business to Energean

In the month of July 2019, following the approval by the Board of Directors on July 3, 2019, Edison Spa signed an agreement with Energean to sell the 100% of Edison Exploration & Production Spa and its investments in the hydrocarbons (oil and natural gas) exploration and production business. Following this agreement the E&P business was treated as a discontinued operation in accordance with the accounting standard IFRS 5 and its value was aligned to the presumed realizable value. The execution of the sale is subject to certain government authorisations.

In December 2019, Edison received the refusal of the Algerian Ministry of Energy on the transfer of the assets located in Algeria and was invited to discuss the sale of these assets with Sonatrach (Algerian state company); Edison then commenced negotiations to that effect. Edison and Energean, which declared their intention to implement the transaction in any case, excluding Algerian assets, are therefore taking steps to meet the other conditions required by the transaction and have confirmed their objective to close the transaction as soon as possible in 2020.

Edison Spa – Acquisition of EDF EN Italia

In July 2019 Edison completed the acquisition from EDF Renouvelables (EDFR) of EDF EN Italia which currently owns 292 MW of renewable capacity (wind and photovoltaic). During July, according to what was previously agreed, the equity investment held in Greentech Monte Grighine was sold.

The total consideration paid for the acquisition of EDF EN Italia, including price adjustments contractually agreed amounts to 182.6 million euros.

With this transaction, Edison continues the path of consolidation in renewables through both organic development and external growth.

11.2 Transactions resulting from atypical and/or unusual activities

The Edison Group declares that it did not execute atypical and/or unusual transactions in 2019 as defined in the CONSOB Communication No. DEM/6064293 of July 28, 2006.

11.3 Information pursuant to Article 1, Sections 125-129, Law No. 124 of 2017

Please note that the following table does not include cash inflows of 2019 deriving from green certificates, feed-in tariff, white certificates and ”conto energia” incentives, as they represent a consideration for supplies and services provided.

(Values in euros, presented according to a “cash criterion”)

Company	**Description of the contribution received** **(if higher than 10,000 euros each)**	**Lender of the contribution**	**Amount**
Idroelettrica Brusson Srl	Contribution on leasing interests	Regione Autonoma Valle D’Aosta	42,249
Idroelettrica Cervino Srl	Contribution on leasing interests	Regione Autonoma Valle D’Aosta	31,870
	Total contributions received in 2019		**74,119**

It should also be noted that Edison Stoccaggio Spa has a debt related to the financing contributions related to Legislative Decree No. 164/2000, granted by the Emilia Romagna Region, for the fields of S. Potito and Cotignola in relation to the work program for the assessment of the suitability for their conversion to storage of natural gas. These incentives amount to about 1,728 thousand of euros for S. Potito and 1,888 thousand of euros for Cotignola (both 50% in capital account and 50% in the form of a loan to be repaid in 5 years at a rate of 0.5% per year). This debt at December 31, 2019 is equal to 555 thousand of euros (917 thousand of euros at December 31, 2018).

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2019

No significant events occurred after December 31, 2019

Milan, February 13, 2020

The Board of Directors

By Nicola Monti

Chief Executive Officer

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2019

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2019

LIST OF EQUITY INVESTMENTS

A) Investments in companies included in the scope of consolidation

Companies consolidated line by line

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2019	Consolidated Group interest (a) 12.31.2018	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
Group Parent Company									
Edison Spa	Milan (IT)	EUR	5,377,000,671						
Electric Power Operations									
A.EN.B. Srl Azienda Energetica Buschese (single shareholder)	Rivoli (TO) (IT)	EUR	12,000	100.00	-	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
A.EN.W. Srl Antilia Energy Wood Srl (single shareholder)	Rivoli (TO) (IT)	EUR	1,116,026	100.00	-	100.00	A.EN.B. Srl Azienda Energetica Buschese (single shareholder)	S	(x)
Assistenza Casa Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	50,000	100.00	51.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Bargenergia Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	51.00	100.00	Comat Energia Srl (single shareholder)	S	(v)
Bonorva Windenergy Srl (Socio unico)	Cagliari (IT)	EUR	10,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Cellina Energy Srl (single shareholder)	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Comat Energia Srl	Milan (IT)	EUR	120,000	100.00	51.00	100.00	Edison Energy Solutions Spa (single shareholder)	S	(v)
Conef Solutions Slu	Madrid (E)	EUR	3,001	100.00	100.00	100.00	EDF Fenice Iberica Slu	S	-
Consorzio Esco Energy	Milan (IT)	EUR	10,000	51.00	50.51	51.00	Zephyro Spa (single shareholder)	S	(v)
Consorzio SST Scarl	Trento (IT)	EUR	10,000	51.00	51.00	51.00	Edison Facility Solutions Spa (single shareholder)	S	(ix)
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	S	-
E2i Energie Speciali Srl	Milan (IT)	EUR	4,200,000	30.00	24.99	30.00	Edison Partecipazioni Energie Rinnovabili Srl	S	-
Ecologica Marche Srl (single shareholder)	Monsano (AN) (IT)	EUR	20,000	100.00	75.00	100.00	Sersys Ambiente Srl (single shareholder)	S	(v)
Ecotermica Cirié Srl	Rivoli (TO) (IT)	EUR	10,000	60.00	-	60.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
EDF Fenice Iberica Slu	Madrid (E)	EUR	12,000,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
EDF Fenice Maroc	Casablanca (MA)	MAD	300,000	100.00	100.00	99.97 0.03	EDF Fenice Iberica Slu Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
EDF Fenice Services Iberica Sl	Madrid (E)	EUR	6,010	100.00	100.00	100.00	EDF Fenice Iberica Slu	S	-
EDF EN Italia Spa (single shareholder)	Rome (IT)	EUR	14,000,000	100.00	-	100.00	Edison Spa	S	(i)
EDF EN Services Italia Srl (single shareholder)	Bologna (IT)	EUR	10,000	100.00	-	100.00	Edison Spa	S	(i)
Edison Energia Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	40,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Edison Facility Solutions Spa (single shareholder)	Trento (IT)	EUR	5,650,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Edison Partecipazioni Energie Rinnovabili Srl	Milan (IT)	EUR	20,000,000	100.00	83.30	16.70 83.30	EDF EN Italia Spa (single shareholder) Edison Spa	S	(i)
Elio Sicilia Srl (single shareholder)	Palermo (IT)	EUR	10,000	100.00	-	100.00	Edison Spa	S	(i)
Energie Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Eolica Forenza Srl (single shareholder)	Rome (IT)	EUR	100,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Eolo Energia Srl	Milan (IT)	EUR	10,000	65.70	54.73	49.00 51.00	E2i Energie Speciali Srl Edison Partecipazioni Energie Rinnovabili Srl	S	(i)
Fenice Assets Iberica Sl	Madrid (E)	EUR	10,000	100.00	-	100.00	EDF Fenice Iberica Slu	S	-
Fenice Poland Sp.z.o.o.	Bielsko Biala (PL)	PLZ	30,000,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
Fenice Qualità per l'Ambiente Spa (single shareholder)	Rivoli (TO) (IT)	EUR	330,500,000	100.00	100.00	100.00	Edison Spa	S	(i)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2019	Consolidated Group interest (a) 12.31.2018	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
Fenice Services Polska	Bielsko Biala (PL)	PLZ	600,000	100.00	100.00	100.00	Fenice Poland Sp.z.o.o.	S	-
Fompedraza Cogeneracion Sa	Fompedraza (Valladolid) (E)	EUR	113,400	90.00	90.00	90.00	EDF Fenice Iberica Slu	S	-
Fotosolare Sesta Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Fotosolare Settima Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Fotosolare Srl (single shareholder)	Cagliari (IT)	EUR	10,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Frendy Energy Spa	Milan (IT)	EUR	14,829,312	72.93	72.93	72.93	Edison Spa	S	(i)
FRI-EL Murge Srl (single shareholder)	Bolzano (IT)	EUR	5,810,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
FRI-EL Nurri Srl (single shareholder)	Bolzano (IT)	EUR	10,000	100.00	-	100.00	FRI-EL Sardegna Srl (single shareholder)	S	(xi)
FRI-EL Sardegna Srl (single shareholder)	Bolzano (IT)	EUR	10,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Green Energy Srl (single shareholder)	Milan (IT)	EUR	50,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Idroblu Srl	Milan (IT)	EUR	100,000	37.19	37.19	51.00	Frendy Energy Spa	S	(vi)
Idrocarrù Srl	Milan (IT)	EUR	20,410	37.20	37.20	51.00	Frendy Energy Spa	S	(vi)
Idroelettrica Brusson Srl (single shareholder)	Courmayeur (AO) (IT)	EUR	20,000	100.00	100.00	100.00	Edison Spa	S	(i)
Idroelettrica Cervino Srl (single shareholder)	Courmayeur (AO) (IT)	EUR	100,000	100.00	100.00	100.00	Edison Spa	S	(i)
Idroelettrica Saint-Barth Basso Srl (single shareholder)	Aosta (IT)	EUR	100,000	100.00	-	100.00	Edison Spa	S	(i)
Interecogen Srl (single shareholder)	Rivoli (TO) (IT)	EUR	110,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	S	(i)
Magnoli & Partners Srl	Cremona (IT)	EUR	10,000	60.00	60.00	60.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Murgeolica Srl (single shareholder)	Bolzano (IT)	EUR	10,000	100.00	-	100.00	FRI-EL Murge Srl (single shareholder)	S	(xi)
Pavoni Rossano Srl (single shareholder)	Rivoli (TO) (IT)	EUR	100,000	100.00	60.00	100.00	Sersys Ambiente Srl (single shareholder)	S	(v)
Prima Aviv Energy Technologies Ltd	Ramat Gan (IL)	ILS	1,000	100.00	99.04	100.00	Zephyro Spa (single shareholder)	S	-
Rendina Ambiente Srl (single shareholder)	Rivoli (TO) (IT)	EUR	50,000	100.00	100.00	100.00	Sersys Ambiente Srl (single shareholder)	S	(v)
Santa Luce Srl (single shareholder)	Rome (IT)	EUR	240,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Serra Carpaneto 3 Srl (single shareholder)	Rome (IT)	EUR	100,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Sersys Ambiente Srl (single shareholder)	Rivoli (TO) (IT)	EUR	1,000,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	88.28	88.28	88.28	Edison Spa	S	(i)
Società Idroelettrica Calabrese Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	100.00	100.00	Edison Spa	S	(i)
Solar Green Energy Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Solaren Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Solareolica Seconda Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Solareolica Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	-	100.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Sunflower Srl	Rome (IT)	EUR	10,000	70.00	-	70.00	EDF EN Italia Spa (single shareholder)	S	(xi)
Tabacchi Srl (single shareholder)	Milan (IT)	EUR	500,000	100.00	99.04	100.00	Zephyro Spa (single shareholder)	S	(viii)
Termica Cologno Srl	Milan (IT)	EUR	1,000,000	65.00	65.00	65.00	Edison Spa	S	(i)
Vernante Nuova Energia Srl (single shareholder)	Rivoli (TO) (IT)	EUR	10,000	100.00	-	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
West Tide Srl (single shareholder)	Trento (IT)	EUR	20,000	100.00	100.00	100.00	Edison Facility Solutions Spa (single shareholder)	S	(v)
Zephyro Spa (single shareholder)	Milan (IT)	EUR	1,263,704	100.00	99.04	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2019	Consolidated Group interest (a) 12.31.2018	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
Hydrocarbons Operations									
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Energia Spa (single shareholder)	S	(i)
Assistenza Casa Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	50,000	100.00	51.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Attiva Spa (single shareholder)	Milan (IT)	EUR	200,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Energia Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	40,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	90,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Infrastrutture Distribuzione Gas Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	S	(i)
Corporate Activities									
Atema Dac	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	S	-
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	S	-
Edison International Development Bv	Amsterdam (NL)	EUR	18,018,000	100.00	100.00	100.00	Edison International Holding Nv	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	123,500,000	100.00	100.00	100.00	Edison Spa	S	-
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	S	(i)
Tremonti Srl (single shareholder)	Milan (IT)	EUR	100,000	100.00	100.00	100.00	Edison Spa	S	-
Discontinued Operations									
Hydrocarbons Operations									
Edison E&P UK Ltd	London (GB)	GBP	81,867,411	100.00	100.00	100.00	Edison Exploration & Production Spa (single shareholder)	S	-
Edison Egypt-Energy Service J.s.c.	New Cairo (ET)	EGP	20,000,000	100.00	100.00	1.00	Edison International Holding Nv	S	-
						98.00	Edison International Spa (single shareholder)		
						1.00	Edison Exploration & Production Spa (single shareholder)		
Edison Exploration & Production Spa (single shareholder)	Milan (IT)	EUR	500,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	1,000,000	100.00	100.00	100.00	Edison Exploration & Production Spa (single shareholder)	S	(i)
Edison International Spa (single shareholder)	Milan (IT)	EUR	75,000,000	100.00	100.00	100.00	Edison Exploration & Production Spa (single shareholder)	S	(i)
Edison Norge As	Stavanger (N)	NOK	3,000,000	100.00	100.00	100.00	Edison International Spa (single shareholder)	S	-
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00	Edison Exploration & Production Spa (single shareholder)	S	-

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2018	Interest held in share capital % (b)	Interest held in share capital by	Carring value (in millions of euros) (d)	Type of investment relationship (c)	Notes
B) Investments in companies valued by the equity method									
Elpedison Bv (*)	Amsterdam (NL)	EUR	1,000,000		50.00	Edison International Holding Nv	10.2	JV	(iii)
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814		50.00	Edison Spa	12.4	JV	(iii)
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon (**)	Herakleio Attiki (GR)	EUR	84,850,000		50.00	Edison International Holding Nv	26.0	JV	(iii)
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,100		47.62	Jesi Energia Spa	-	AC	-
Depositi Italiani GNL Spa	Ravenna (IT)	EUR	20,000,000		49.00	Edison Spa	9.8	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	3.2	AC	-
Esco Primiero	San Martino (IT) di Castrozza	EUR	50,460		22.59	Edison Facility Solutions Spa (single shareholder)		AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Edison Spa	4.4	AC	-
Italia Servizi Integrati Spa	Milan (IT)	EUR	1,000,000		40.00	Zephyro Spa (single shareholder)	0.2	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	22.5	AC	-
Palmanova Servizi Energetici Scarl	Zola Predosa (BO) (IT)	EUR	10,000		40.00	Edison Facility Solutions Spa (single shareholder)	-	AC	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,826,285		20.91	Edison Spa	1.8	AC	(vii)
San Gerardo Servizi Scarl	Zola Predosa (BO) (IT)	EUR	10,000		40.00	Zephyro Spa (single shareholder)	-	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milan (IT)	EUR	37,419,179		23.53	Edison Spa	-	AC	-
Syremont Spa	Rose (CS) (IT)	EUR	1,325,000		22.64	Edison Spa	-	AC	(ii)
T.E.S.I. Engineering Srl	Trento (IT)	EUR	104,000		24.00	Energon Facility Solutions Spa (single shareholder)	-	AC	-
Total investments in companies valued by the equity method							**90.5**		
Discontinued Operations									
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iii)(iv)
Ed-Ina D.o.o.	Zagreb (HR)	HRK	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iii)
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000		30.00	Edison International Spa (single shareholder)	-	JV	(iii)(iv)
North Amryia Petroleum Company	New Cairo (ET)	EGP	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iv)
North Idku Petroleum Company	Cairo (ET)	EGP	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iv)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2018	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
(*) The carrying value includes the valuation of Elpedison Sa								
Elpedison Sa	Marousi Athens (GR)	EUR	99,633,600		100.00 (α)	Elpedison Bv	JV	(iii)
(**) The carrying value includes the valuation of ICGB AD								
ICGB AD	Sofia (BG)	BGL	115,980,740		50.00	IGI Poseidon Sa - Nat. Gas Subm. Interc. Gre-Ita-Poseidon	JV	(iii)

(α) Interest held in share capital as at December 31, 2018 of 75.78.

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2018	Interest held in share capital % (b)	by	Carring value (in millions of euros) (d)	Type of investment relationship (c)	Notes
C) Investments in companies in liquidation or subject to permanent restrictions									
Auto Gas Company S.A.E. (in liquidation)	Cairo (ET)	EGP	1,700,000		30.00	Edison International Spa (single shareholder)	-	AC	-
E.E.S.CO. Srl (in liquidation)	Marcallo con Casone (MI) (IT)	EUR	150,000		30.17	Edison Facility Solutions Spa (single shareholder)	-	AC	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT in Euros	150,000,000 77,468.53		33.33	Edison Spa	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000		100.00	Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT in Euros	300,000,000 154,937.07		59.33	Edison Spa	-	S	-
Total investments in companies in liquidation or subject to permanent restrictions							**2.4**		
Discontinued Operations									
Edison North Sea Ltd (in liquidation)	London (GB)	GBP	2	100.00	100.00	Edison E&P UK Ltd		S	-
D) Investments in other companies valued at fair value through profit and loss									
Amsc-American Superconductor	Devens (MA) (USA)	USD	214,178		0.07	Edison Spa	0.5	NG	-
Città Salute Ricerca Milano Spa	Milan (IT)	EUR	5,000,000		10.00	Zephyro Spa (single shareholder)	-	NG	-
Esco Brixia Srl	Bovegno (BS) (IT)	EUR	45,000		10.00	Edison Facility Solutions Spa (single shareholder)			
European Energy Exchange Ag - Eex	Lipsia (D)	EUR	60,075,000		0.50 (*)	Edison Spa	0.7	NG	-
Reggente Spa	Lucera (FG) (IT)	EUR	260,000		5.21	Edison Spa			
Renit Group Srl	Giulianova (TE) (IT)	EUR	300,000		19.49	West Tide Srl (single shareholder)	-	NG	-
Synchron Nuovo San Gerardo Spa	Zola Pedrosa (BO) (IT)	EUR	8,160,000		6.85	Zephyro Spa (single shareholder)	0.6	NG	-
Total investments in other companies valued at fair value through profit and loss							**1.8**		
Discontinued Operations									
Rashid Petroleum Company - Rashpetco	Cairo (ET)	EGP	20,000		10.00	Edison International Spa (single shareholder)	-	NG	-
Total equity investments							**94.7**		

(*) Percentage of voting securities held with exercisable voting rights in Ordinary Shareholders' Meeting 0,76.

LIST OF EQUITY INVESTMENTS (continued)

Companies added to the scope of consolidation in the year ended 12.31.2019

Company name	Head office	Currency	Share capital at 12.31.2019	Consolidated Group interest
Acquired companies				
A.EN.B. Srl Azienda Energetica Buschese (single shareholder)	Rivoli (TO) (IT)	EUR	12,000	100.00
A.EN.W. Srl Antilia Energy Wood Srl (single shareholder)	Rivoli (TO) (IT)	EUR	1,116,026	100.00
Bonorva Windenergy Srl (single shareholder)	Cagliari (CA) (IT)	EUR	10,000	100.00
Ecotermica Cirié Srl	Rivoli (TO) (IT)	EUR	10,000	60.00
EDF En Italia Spa (single shareholder)	Rome (RM) (IT)	EUR	14,000,000	100.00
Elio Sicilia Srl (single shareholder)	Palermo (PA) (IT)	EUR	10,000	100.00
Energie Srl (single shareholder)	Rome (RM) (IT)	EUR	10,000	100.00
Eolica Forenza Srl (single shareholder)	Rome (RM) (IT)	EUR	100,000	100.00
Fotosolare Sesta Srl (single shareholder)	Rome (RM) (IT)	EUR	10,000	100.00
Fotosolare Settima Srl (single shareholder)	Rome (RM) (IT)	EUR	10,000	100.00
Fotosolare Srl (single shareholder)	Cagliari (CA) (IT)	EUR	10,000	100.00
Fri-El Murge Srl (single shareholder)	Bolzano (BZ) (IT)	EUR	5,810,000	100.00
Fri-El Nurri Srl (single shareholder)	Bolzano (BZ) (IT)	EUR	10,000	100.00
Fri-El Sardegna Srl (single shareholder)	Bolzano (BZ) (IT)	EUR	10,000	100.00
Green Energy Srl (single shareholder)	Milan (MI) (IT)	EUR	50,000	100.00
Idroelettrica Saint-Barth Basso Srl (single shareholder)	Aosta (AO) (IT)	EUR	100,000	100.00
Murgeolica Srl (single shareholder)	Bolzano (BZ) (IT)	EUR	10,000	100.00
Santa Luce Srl (single shareholder)	Rome (RM) (IT)	EUR	240,000	100.00
Serra Carpaneto 3 Srl (single shareholder)	Rome (RM) (IT)	EUR	100,000	100.00
Solar Green Energy Srl (single shareholder)	Rome (RM) (IT)	EUR	10,000	85.00
Solaren Srl (single shareholder)	Rome (RM) (IT)	EUR	10,000	100.00
Solareolica Seconda Srl (single shareholder)	Rome (RM) (IT)	EUR	10,000	100.00
Solareolica Srl (single shareholder)	Rome (RM) (IT)	EUR	10,000	100.00
Sunflower Srl	Rome (RM) (IT)	EUR	10,000	70.00
Vernante Nuova Energia Srl (single shareholder)	Rivoli (TO) (IT)	EUR	10,000	100.00
Companies previously valued by the equity method				
EDF En Services Italia Srl (single shareholder)	Bologna (BO) (IT)	EUR	10,000	100.00
Fenice Assets Iberica Sl	Madrid (E)	EUR	10,000	100.00

LIST OF EQUITY INVESTMENTS (continued)

Companies removed from the scope of consolidation in the year ended 12.31.2019

Company name	Head office	Currency	Share capital at 12.31.2018	Consolidated Group interest at 2019	Consolidated Group interest at 12.31.2018
Sold companies					
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (MI) (IT)	EUR	1.200.000	88,28	88,28
PVB Suisse SA	Ascona (CH)	CHF	120.000	100,00	100,00
Merged Companies					
Edison Energie Spa (single shareholder)	Milan (MI) (IT)	EUR	2.100.000	100,00	100,00
Companies into liquidation					
Edison North Sea Ltd	London (GB)	GBP	2	100,00	100,00
Liquidated companies					
Edison Engineering Sa	Athens (GR)	EUR	260.001	100,00	100,00
Energy Solutions 1 Srl (single shareholder)	Cascine Vica - Rivoli (TO) (IT)	EUR	10.000	100,00	100,00

Notes

(a) The consolidated Group interest is computed on the basis of the interest held in the respective share capital by the Parent Company or subsidiaries consolidated on a line-by-line basis.
(b) The interest in the share capital is equivalent to the ratio between the aggregate par value of all equity securities held directly and the total share capital. In this computation, the denominator (total share capital) is net of any treasury shares held.
(c) S = subsidiary; JO = joint operation; JV = joint venture; AC = affiliated company; NG = non-Group company.
(d) The carrying value is shown only for companies valued by the equity method or at cost, owned directly by the Parent Company. For other companies consolidated on a line-by-line basis or by the proportional method, it is shown only if it is equal to or greater than one million euros.
(i) Company subject to the oversight and coordination of Edison Spa.
(ii) On 1/30/07 Edison exercised the option to sell its equity investment, with respect to which the counterparty is now in default.
(iii) From January 1, 2014, company valuated with equity method according to IFRS 11.
(iv) Operating Company acting as Agent of Edison International Spa, it should be noted that the relationships regaled on behalf of it in the execution of the Concession Agreement continue to be consolidated line by line through the separated financial statements of the company.
(v) Company subject to the oversight and coordination of Fenice Qualità per l'Ambiente Spa (single shareholder).
(vi) Company subject to the oversight and coordination of Frendy Energy Spa.
(vii) Of which n. 183.699 of common shares and n. 407.136 of common share cat. A.
(viii) Company subject to the oversight and coordination of Zephiro Spa (single shareholder).
(ix) Company subject to the oversight and coordination of Edison Facility Solutions Spa (single shareholder).
(x) Company subject to the oversight and coordination of A.EN.B. Srl.
(xi) Company subject to the oversight and coordination of EDF EN Italia Spa.

The currency codes used in this report are those of the ISO 4217 International Standard.

BGL Bulgarian lev
BRL Brazilian real
CHF Swiss franc
EGP Egyptian pound
EUR Euro
GBP British pound
HRK Croatian kuna
ILS New Israeli sheqel
L Italian lira
MAD Moroccan dirham
NOK Norvegian krone
PLZ Polish zloty
RUR Russian ruble
USD U.S. dollar

CERTIFICATION
of the Consolidated Financial Statements pursuant to Article 81-ter of CONSOB Regulation No. 11971 of May 14, 1999, as amended

1. We, the undersigned Nicola Monti, in my capacity as "Chief Executive Officer", Didier Calvez and Roberto Buccelli, in our capacity as "Dirigenti Preposti alla redazione dei documenti contabili societari" of Edison Spa, taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the Consolidated Financial Statements at December 31, 2019:
    a) were adequate in light of the Company's characteristics; and
    b) were properly applied.

2. We further certify that:

    2.1. the Consolidated Financial Statements:
    a) were prepared in accordance with applicable international accounting principles recognized by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002;
    b) are consistent with the data in the accounting records and other corporate documents;
    c) provide a truthful and fair presentation of the balance sheet, income statement and financial position of the issuer and of all of the companies included in the scope of consolidation;

    2.2. the report on operations includes a reliable analysis of the developments and results from operations, as well as of the position of the issuer and all of the companies included in the scope of consolidation, together with a description of the main risks and contingencies to which they are exposed.

Milan, February 13, 2020

Chief Executive Officer

Nicola Monti

"Dirigenti Preposti alla redazione dei documenti contabili societari"
Didier Calvez
Roberto Buccelli

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
EDISON S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Edison S.p.A. and its subsidiaries ("Edison Group"), which comprise the balance sheet as at December 31, 2019, the income statement, the other components of the comprehensive income statement, the cash flow statement and changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the balance sheet of the Edison Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA Italia"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Edison S.p.A. in accordance with the ethical requirements applicable under Italian Law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; therefore, we do not provide a separate opinion on these matters.

Deloitte.

Impairment test on goodwill, intangible assets and property, plant and equipment

Description of the key audit matter	The Edison Group accounts for goodwill, for euros 2.220 million (21% of total assets in the consolidated financial statements as at December 31, 2019), intangible assets, for euros 344 million and property, plant and equipment, for euros 3.312 million. Considering the strategic and organizational choices taken by the Edison Group, goodwill was allocated to two different groups of cash generating units (from now on "CGU"): "Electric Power Operations", for euros 1.618 million, and "Hydrocarbons Operations", for euros 602 million. The impairment test first requires verification that the carrying amounts of the CGUs, excluding goodwill, do not exceed the recoverable amounts and, subsequently, an analysis that the carrying amounts, including the goodwill allocated to the Electric Power Operations and to the Hydrocarbons Operations. Lastly, the Edison Group analyses the carrying amount of assets as a whole (second level impairment test). The preparation of impairment test is carried out with the aid of an external appraiser, who estimates the recoverable amount as "value in use". Such evaluation is based on the asset's capability of generating future cash flows. At the end of the impairment test the Edison Group recognized write-downs for euros 33 million, entirely attributable to Electric Power Operations. The impairment process carried out by the Management is complex since it includes several assumptions regarding the forecasted future cash flows from CGUs, the definition of an appropriate discount rate (WACC) and of a long-term growth rate (g-rate). In order to determine the recoverable amounts, the Edison Group took into account cash flows as reported in: • the 2020 Budget, approved by the Board of Directors on December 7, 2019; • the medium-term forecasts, 2021-2023, approved by the Board of Directors during the meeting mentioned above; • the long-term forecasts elaborated by Management. Such assumptions are affected by future expectations on market conditions. The most relevant of these variables in determining cash flows are: • the different scenarios with reference to electricity prices (PUN) and the resulting margins (Spark spread), the evolution of Italian sectorial legislation, with specific regard to the regulation and incentivisation for electricity producers (capacity payment) and the trends of national demand for electricity, for the activities related to Electric Power Operations; • the scenarios regarding oil commodities, natural gas and Euro/USD exchange rate for the activities related to Hydrocarbons Operations; • the long-term discount and growth rates. Considering the relevant value of assets accounted for within the financial statements, and the subjectivity of estimates used to determine future cash flows, as well as the key variables described above, we considered the impairment test to be a key audit matter for Edison Group consolidated financial statements.

Deloitte.

	The paragraphs "10.3.1 Use of estimated values" and "5.1.4 Impairment test in accordance with IAS 36" within the consolidated financial statements report information on the impairment test, including the effects of variations of the key variables used in implementing the impairment test.
Audit procedures performed	We first examined how the Management determined the value in use of the CGUs, taking into account procedures and assumptions on which the impairment test is based. In particular, we carried out the following procedures, with assistance of experts: • understanding of relevant controls carried out by Edison Group on the implementation of the impairment test on goodwill, intangible assets and property, plant and equipment; • assessment of the reasonableness of main assumptions used to forecast cash flows, also through analysis of sector-based data (for example national demand, estimates on Gross Domestic Product growth, national energetic strategy) and collection of other relevant information for us obtained by the Management; • analysis of actual values, compared with the original plans, in order to understand the nature of variations and the reliability of the budgeting process; • assessment of the reasonableness of the discount rate (WACC) and the growth rate (g-rate); • assessment of mathematical accuracy of the model used to determine the value in use of CGUs; • verification of the correct determination of the carrying amount of CGUs, of the groups of CGUs related to Electric Power Operations and Hydrocarbons Operations, of the assets as a whole and comparison with the recoverable amount emerging from the impairment test; • assessment of the sensitivity analysis implemented by Management; • assessment of compliance with applicable accounting standards over the procedures implemented by Management for the impairment test; • assessment of compliance with IAS 36 over the information disclosed by the Edison Group with reference to the impairment test.

Revenue recognition- commodities supplied between the last metering and the reporting date

Description of the key audit matter	Revenues arising from the sale of electricity and gas, amounting to euros 6.573 million, are recognized and accounted for at the moment in which the service is delivered. At the end of the fiscal year, they include the estimated revenues related to commodities supplied between the date of last metering of actual consumption and the reporting date. Such revenues are determined through the estimate of the daily consumption of each customer, taking into account historical trends as well as the atmospheric conditions and other factors that may affect consumption.

	We concluded that the process of determining such revenues constitutes a key audit matter for the Edison Group's consolidated financial statements at December 31, 2019 considering: i) discretion embedded in the nature of the recognitions; ii) relevance of these accounts; iii) high number of transactions concerning final clients; iv) effort necessary to implement the related audit procedures, which require the cooperation of expert and specialized personnel. The paragraph "10.3.1 Use of estimated values" within the consolidated financial statements, reports the information of the revenue recognition principles implemented by the Edison Group.
Audit procedures performed	The audit procedures on revenue estimates related to the services delivered between the date of last inspection and the reporting date included: • analysis of IT procedures, implemented by Edison Group in order to determine the amount of commodities supplied, and of the related algorithm, with the support of our IT specialists ; • understanding of the main controls implemented by Edison Group to mitigate the risk of incorrect recognition and verification of the operating effectiveness of such controls. Also these procedures were carried out with the support of our IT specialists; • sample based verifications aimed to ensure the completeness and accuracy of the data used by Management to determine the above mentioned estimates; • assessment, on a sample basis, of the process through which consumption is estimated. Verification of the application of correct tariffs; • analysis of the main parameters, related to consumptions, used to estimate the revenues; • analysis of actual data and comparison with estimated data in order to understand the nature of differences and the reliability of the process through which recognitions are determined; • assessment of compliance with accounting standards on revenue recognition of the information disclosed.

Estimates of provisions for decommissioning and remediation of industrial sites, provisions for risks and charges and provisions for risks and charges for non energy activities

Description of the key audit matter	The provisions accounted for in the consolidated financial statements at December 31, 2019 include provisions for decommissioning and remediation of industrial sites amounting to euros 163 million, provisions for risks and charges amounting to euros 342 million and provisions for risks and charges for non energy activities amounting to euros 266 million. Furthermore, liabilities held for sale and discontinued operations include provisions for decommissioning and remediation of industrial sites, provisions for tax litigations and provisions for environmental issues related to the hydrocarbons exploration and production business.

Within the account, provisions for decommissioning and remediation of industrial sites (from now on also "decommissioning") are included. The valuation of future liabilities for decommissioning and remediation of industrial sites obligations is a complex process, based on technical and financial hypothesis of Management, using, if necessary, an evaluation issued by external specialists as a support. Such liabilities represent estimated costs for decommissioning and remediation for industrial sites that Edison Group will have to pay when the production activities cease in order to restore the environmental conditions as required by the applicable regulation. Among decommissioning of Edison Group, those related to exploration and productions of hydrocarbons are affected by fluctuations in the oil market, estimates on reserves, technological complexity and sector specific environmental issues. The hydrocarbons exploration and production business has been presented in the consolidated financial statements as discontinued operations in accordance with IFRS 5.

Provisions for risks and charges refer to provisions of a purely industrial nature for the various areas in which the Group operates, and also include some provisions related to the sale of equity investments and tax disputes related to property taxes. As for the provisions for risks and charges for non energy activities, they include the following provision typologies: i) risks for disputes, litigations and contracts; ii) charges for contractual guarantees on sale of equity investments; iii) environmental risks; iv) disputed tax items.

As mentioned in the notes, Edison Group has been involved in certain judicial and arbitration procedures. Estimates produced by Management are accounted for in the accounts - "Provisions for risks and charges" and "Provisions for risks and charges for non Energy activities". Among the different types of procedures, those related to environmental issues are characterized by highly complex estimates on liabilities and on uncertainties deriving from Edison Group being part of several types of judicial procedures as successor of Montedison S.p.A., which was incorporated within Edison S.p.A. itself. With specific reference to provisions related to the chemical production sites which were part of the Montedison group and were included in the large disposal program that brought to the reconversion of Edison's activities in the energy sector, the current accruals are determined as a residual part of the amount initially recognized for each controversy, taking into account the complexity and diversity of the judicial cases, as well as the uncertainty regarding the final outcomes.

The amount and adjournment of these provisions are periodically tested with reference to the aspects that have been mentioned; the same procedure is generally implemented for all the other legal risk provisions.

Considering the complexity of the ongoing procedures, the uncertainties regarding the estimation and magnitude of possible effects on the balance sheet, as well as on the income and cash flow statements, this topic was considered as a key audit matter.

The paragraphs "10.3.1 Use of estimated values", "5.3 Provisions for risks and employee benefits", "5.4 Contingent assets and liabilities", "7.3.3. Provisions for income tax liabilities" and chapter "8. Non-Energy activities" within the consolidated financial statements deal with all the information about provisions and uncertain tax positions.

Audit procedures performed	Our audit procedures included: • understanding the relevant controls implemented by Edison Group in order to identify, initially evaluate and monitor proceedings and investigations at different organizational levels; • understanding the relevant controls implemented by Edison Group in order to identify, initially evaluate and update the provisions; • assessment of the compliance of the Management's estimates with the applicable accounting standards; • analysis of criteria and assumptions used by Management in estimating the provisions; • assessment of the accuracy and completeness of data used for the estimates; • information collection from Edison Group's external legal and fiscal consultants, as well as from the internal legal office; • analysis of external evaluations used by Management to determine decommissioning provisions, with the aid of our specialists; • analysis of relevant documentation, including the minutes of the Board of Directors meetings, the arrangements with third parties and the monitoring schedules issued by Edison Group; • analysis of subsequent events up to the date of our report; • assessment of adequacy about the information disclosed in the notes with reference to such procedures in compliance with accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05, and, within the terms established by Law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Edison Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Edison S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by Law, the Edison Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. Moreover:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, we designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Edison Group's internal control.

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- We concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Edison Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Edison Group to cease to continue as a going concern.

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Edison Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group Edison's audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and we informed them about any relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Edison S.p.A. has appointed us on April 26, 2011 as auditors of the Edison Group for the years from December 31, 2011 to December 31, 2019.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Edison S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Edison Group as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the Law.

We have carried out the procedures set forth in the Auditing Standard (ISA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Edison Group as at December 31, 2019 and on its compliance with the Law, as well as to make a statement about any eventual material misstatements.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Edison Group as at December 31, 2019 and are prepared in accordance with the Law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the company and of the related context acquired during the audit, we have nothing to report.

Statement in accordance with art. 4 of CONSOB regulation in application of Legislative Decree n. 254 of December 30, 2016

The Directors of Edison S.p.A. are responsible for the preparation of the non-financial statements in accordance to Legislative Decree n. 254 of December 30, 2016.

We verified the approval of the non-financial statements by the Board of Directors.

According to art. 3, par. 10, Legislative Decree n. 254 of December 30, 2016, we perform a separate audit analysis on such statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Matteo Ogliari
Partner

Milan, Italy
February 26, 2020

This report has been translated into the English language solely for the convenience of international readers.