2020
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	2020	of which related parties	2019 (*)	of which related parties
Sales revenues		6,390	901	8,198	1,223
Other revenues and income		114	11	113	14
Total net revenues		**6,504**	**912**	**8,311**	**1,237**
Commodity and logistic costs (-)		(4,830)	(652)	(6,716)	(654)
Other costs and services used (-)		(520)	(27)	(567)	(61)
Labor costs (-)		(321)		(312)	
Receivables (writedowns) / reversals	3	(33)		(10)	
Other costs (-)		(116)		(104)	
EBITDA	2	**684**		**602**	
Net change in fair value of derivatives (commodity and exchange rate risk)	4	(3)		3	
Depreciation and amortization (-)	5	(352)		(358)	
(Writedowns) and reversals	5	(35)		(33)	
Other income (expense) non Energy activities	8	(55)		(40)	
EBIT		**239**		**174**	
Net financial income (expense) on debt	6	(10)	(5)	(18)	(4)
Other net financial income (expense)	2	1	(4)	(13)	11
Net financial income (expense) on assigned trade receivables without recourse	3	(14)		(15)	
Income from (Expense on) equity investments	5	14	11	6	2
Profit (Loss) before taxes		**230**		**134**	
Income taxes	7	(39)		7	
Profit (Loss) from continuing operations		**191**		**141**	
Profit (Loss) from discontinued operations	2;9	(158)		(562)	
Profit (Loss)		**33**		**(421)**	
Broken down as follows:					
Minority interest in profit (loss)		14		15	
Group interest in profit (loss)		**19**		**(436)**	

(*) The amounts of 2019 were restated pursuant to IFRS 5.

OTHER COMPONENTS OF THE COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Chapter	2020	2019
Profit (Loss)		**33**	**(421)**
Other components of comprehensive income:			
A) Change in the Cash Flow Hedge reserve	6	**44**	**(56)**
- Gains (Losses) arising during the year		62	(78)
- Income taxes		(18)	22
B) Differences on the translation of assets in foreign currencies		**(45)**	**3**
- Gains (Losses) arising during the year not realized		(14)	4
- Gains reversal to profit and loss		(31)	-
- Income taxes		-	(1)
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)		**(1)**	**(54)**
Total comprehensive profit (loss)		**32**	**(475)**
Broken down as follows:			
Minority interest in comprehensive profit (loss)		14	15
Group interest in comprehensive profit (loss)		**18**	**(490)**

(*) Items not reclassificable in Income Statement.

CONSOLIDATED BALANCE SHEET

(in millions of euros)	Chapter	12.31.2020	of which related parties	12.31.2019	of which related parties
ASSETS					
Property, plant and equipment	5	3,447		3,312	
Intangible assets	5	265		344	
Goodwill	5	2,174		2,220	
Investments in companies valued by the equity method	5	123	123	91	91
Other non-current financial assets	5	80	59	68	48
Deferred-tax assets	7	189		216	
Non-current tax receivables	7	2		35	
Other non-current assets	3	60		43	
Fair value	4	201		100	
Assets for financial leasing	6	2		2	
Total non-current assets		**6,543**		**6,431**	
Inventories	3	113		133	
Trade receivables	3	1,053	105	1,132	127
Current tax receivables	7	16	6	26	19
Other current assets	3	359	36	380	24
Fair value	4	428		676	
Current financial assets	6	7	4	347	6
Cash and cash equivalents	6	313	213	283	156
Total current assets		**2,289**		**2,977**	
Assets held for sale	9	**551**		**1,401**	
Total assets		**9,383**		**10,809**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,377		5,377	
Reserves and retained earnings (loss carryforward)		(58)		374	
Reserve for other components of comprehensive income		11		12	
Group interest in profit (loss)		19		(436)	
Total shareholders' equity attributable to Parent Company shareholders	6	**5,349**		**5,327**	
Shareholders' equity attributable to minority shareholders	6	131		186	
Total shareholders' equity		**5,480**		**5,513**	
Employee benefits	5	37		38	
Provisions for decommissioning and remediation of industrial sites	5	172		163	
Provisions for risks and charges	5	228		342	
Provisions for risks and charges for non Energy activities	8	299		266	
Deferred-tax liabilities	7	92		95	
Other non-current liabilities	3	5		5	
Fair value	4	187		93	
Non-current financial debt	6	623		615	35
Total non-current liabilities		**1,643**		**1,617**	
Trade payables	3	1,256	58	1,425	80
Current tax payables	7	53	45	104	78
Other current liabilities	3	195	16	184	14
Fair value	4	425		726	
Current financial debt	6	216	28	342	26
Total current liabilities		**2,145**		**2,781**	
Liabilities held for sale	9	**115**		**898**	
Total liabilities and shareholders' equity		**9,383**		**10,809**	

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 2020 and 2019. 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	2020	of which related parties	2019 (*)	of which related parties
	Profit (Loss) before taxes		**230**		**134**	
	Depreciation, amortization and writedowns	5	387		391	
	Net additions to provisions for risks		60		34	
	Interest in the result of companies valued by the equity method (-)	5	(14)	(11)	(6)	(2)
	Dividends received from companies valued by the equity method	5	8	8	6	6
	(Gains) Losses on the sale of non-current assets		3		-	
	Change in employee benefits		(2)		(1)	
	Change in fair value recorded in EBIT	4	3		(3)	
	Change in operating working capital		(88)	-	274	(45)
	Change in non-operating working capital		(28)	(10)	50	6
	Change in other operating assets and liabilities		(140)		134	
	Net financial (income) expense		23	9	46	(7)
	Net financial income (expense) paid		(27)	(9)	(23)	7
	Net income taxes paid		(35)	(51)	(32)	(6)
	Operating cash flow from discontinued operations	9;10	98		169	
A.	**Operating cash flow**		**478**		**1,173**	
	Additions to intangibles and property, plant and equipment (-)	5	(491)		(376)	
	Additions to non-current financial assets (-)	5	(37)	(33)	(43)	(27)
	Net price paid on business combinations	1	(20)		(147)	(140)
	Cash and cash equivalents disposed		-		(1)	
	Proceeds from the sale of intangibles and property, plant and equipment		3		3	
	Proceeds from the sale of non-current financial assets		231		26	
	Cash used in investing activities from discontinued operations	9;10	(104)		(78)	
B.	**Cash used in investing activities**		**(418)**		**(616)**	
	Receipt of new medium-term and long-term loans		100		40	
	Redemption of medium-term and long-term loans (-)		(99)	(40)	(169)	(73)
	Other net change in financial debt		16	7	(180)	(102)
	Change in current financial assets		3	4	17	2
	Net liabilities resulting from financing activities (**)	6	20		(292)	
	Capital and reserves contributions (+)		-		-	
	Dividends and reserves paid to controlling companies or minority shareholders (-)	6	(51)		(50)	-
	Cash used in financing activities from discontinued operations	9;10	19		(20)	
C.	**Cash used in financing activities**		**(12)**		**(362)**	
D.	**Net currency translation differences**		**-**		**-**	
E.	**Perimeter effect continuing operations**		**13**		**34**	
F.	**Perimeter effect discontinued operations**		**(13)**		**(34)**	
G.	**Cash and cash equivalents disposed discontinued operations**		**(61)**		**-**	
H.	**Net cash flow for the year (A+B+C+D+E+F+G)**		**(13)**		**195**	
I.	**Cash and cash equivalents at the beginning of the year**		**344**	**156**	**149**	**29**
L.	**Cash and cash equivalents at the end of the year (H+I)**		**331**	**213**	**344**	**156**
M.	**Cash and cash equivalents at the end of the year discontinued operations**		**-**	**-**	**61**	**-**
N.	**Reclassification to Assets held for sale**		**18**	**-**	**-**	**-**
O.	**Cash and cash equivalents at the end of the year continuing operations (L-M-N)**		**313**	**213**	**283**	**156**

(*) The amounts of 2019 were restated pursuant to IFRS 5

(**) 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	Differences on the translation of assets in foreign currencies	Interest in other components of comprehensive income of investee companies	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, 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	-	(54)	-	-	-	-	-	**(54)**	-	**(54)**
Total comprehensive profit (loss)	**-**	**-**	**(56)**	**3**	**-**	**(1)**	**(436)**	**(490)**	**15**	**(475)**
of which:										
- Change in comprehensive income	-	-	(56)	3	-	(1)	-	**(54)**	-	**(54)**
- Profit (loss) for 2019	-	-	-	-	-	-	(436)	**(436)**	15	**(421)**
Balance at December 31, 2019	**5,377**	**374**	**(14)**	**31**	**-**	**(5)**	**(436)**	**5,327**	**186**	**5,513**
Appropriation of the previous year's profit (loss)	-	(436)	-	-	-	-	436	**-**	-	**-**
Dividends and reserves distributed	-	-	-	-	-	-	-	**-**	(54)	**(54)**
Changes in the scope of consolidation	-	-	-	-	-	-	-	**-**	(15)	**(15)**
Other changes	-	4	-	-	-	-	-	**4**	-	**4**
Total comprehensive profit (loss)	**-**	**-**	**44**	**(45)**	**-**	**-**	**19**	**18**	**14**	**32**
of which:										
- Change in comprehensive income	-	-	44	(45)	-	-	-	**(1)**	-	**(1)**
- Profit (loss) for 2020	-	-	-	-	-	-	19	**19**	14	**33**
Balance at December 31, 2020	**5,377**	**(58)**	**30**	**(14)**	**-**	**(5)**	**19**	**5,349**	**131**	**5,480**

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	12.31.2020	12.31.2019
Net Working Capital	3	**129**	**74**
Trade receivables		1,053	1,132
Inventories		113	133
Trade payables		(1,256)	(1,425)
Other assets (liabilities)		219	234
Fair Value commodity	4	**30**	**(27)**
Fixed assets and provisions	5	**5,652**	**5,492**
Property, plant and equipment, intangible assets and goodwill		5,886	5,876
Investments in companies valued by the equity method		123	91
Other non-current financial assets		80	68
Employee benefits		(37)	(38)
Provisions for decommissioning and remediation of industrial sites		(172)	(163)
Provisions for risks and charges		(228)	(342)
Tax assets (liabilities)	7	**62**	**78**
Current and non-current tax receivables (payables)		(35)	(43)
Deferred-tax assets (Deferred-tax liabilities)		97	121
NET INVESTED CAPITAL (*)		**5,873**	**5,617**
Provisions for risks and charges for non Energy activities	8	**(299)**	**(266)**
Net assets (liabilities) held for sale (excluding financial items)	9	**419**	**678**
TOTAL NET INVESTED CAPITAL		**5,993**	**6,029**
SHAREHOLDERS' EQUITY	6	**5,480**	**5,513**
Shareholders' equity attributable to Parent Company shareholders		5,349	5,327
Shareholders' equity attributable to minority shareholders		131	186
NET FINANCIAL DEBT	6	**513**	**516**
Assets for financial leasing (-)		(2)	(2)
Current financial assets (-)		(7)	(347)
Cash and cash equivalents (-)		(313)	(283)
Financial debts (current and non current) (+)		839	957
Fair Value (current and non current) (+/-)		13	16
Net financial debt Assets held for sale (+/-)		(17)	175

	12.31.2020	12.31.2019
(*) NET INVESTED CAPITAL - by business segment	**5,873**	**5,617**
Electric Power Operations	4,389	4,138
Gas Operations and E&P (**)	1,022	1,009
Corporate / Eliminations	462	470

(**) At December 31, 2019 it does not include E&P business, presented in Assets and Liabilities held for sale as discontinued operations; at December 31, 2020 it does not include assets and liabilities of Edison Norge and Infrastrutture Distribuzione Gas, reclassified to Assets and Liabilities held for sale as disposal groups.

1. INTRODUCTION

The Consolidated Financial Statements of the Edison Group at December 31, 2020 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 17, 2021, authorized the publication of these Consolidated Financial Statements, which were audited by KPMG Spa in accordance with an assignment awarded by the Shareholders' Meeting of April 28, 2020 for a period of nine years (2020-2028), 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 2019 Consolidated Financial Statements.
During the year, some amendments to the IFRSs were adopted, including in particular those relating:

- to **IFRS 3 revised "Business Combinations"**, which provides clarifications to determine whether a transaction must be accounted for as a business combination or as an acquisition of assets. With respect to the distinction between the acquisition of a business or the acquisition of a set of assets, the amendments to IFRS 3 revised are effective on a prospective basis for financial years beginning on or after January 1, 2020. An integrated set of activities and assets which may be run and managed in order to provide goods or services to customers, generate income from investments (such as dividends or interest) or generate other income from ordinary activities is defined as a business. The acquisition of a business should be accounted for as a business combination pursuant to IFRS 3 revised by applying the acquisition method which, inter alia, may give rise to the recognition of goodwill. Vice versa, the acquisition of a set of assets which does not have access to the market should be considered an acquisition of assets; in acquisitions of assets, the purchaser allocates the transaction price to the identifiable assets acquired and the liabilities assumed on the basis of their relative fair value, and no goodwill is recognized. By now these amendments had no significant impacts on the Group.
- To **IFRS 9 and IFRS 7** on the "Interest rate benchmark reform" (so-called IBOR reform), which apply exclusively to hedging relationships directly concerned by the interest rate benchmark reform. The amendments establish exceptions so that companies can continue to apply hedge accounting requirements assuming that the benchmark interest rate associated with the hedged risk or the cash flows of the hedged item or the cash flows of the hedging instrument are not altered as a result of the IBOR reform. At present, the Group doesn't foresee any impact from this reform.

For more information on the standards, 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

It should be noted that based on the numerous projects that IASB is developing on the topic **"Effective communication"** Edison opted for the introduction, starting from financial statements at December 2018, of a new 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 reviewed and 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, 2019

During the year, the agreement signed on July 4, 2019 and subsequently amended on April 2, 2020 and June 28, 2020 for the sale from Edison Spa to Energean Oil & Gas Plc (hereinafter Energean) of 100% of Edison Exploration & Production Spa and its subsidiaries operating in Italy and abroad in the hydrocarbons exploration and production business, was finalized. In preparation for this disposal, some corporate reorganisation operations were carried out, specifically:

- on October 9, 2020, the partial demerger of Edison International Spa in favour of Edison International E&P Spa took place, as a result of which the latter obtained ownership of the equity investments in Edison Egypt-Energy Service JSC, Edison Norge AS, Abu Qir Petroleum Company, EED-INA DOO and of other minor shareholdings in Egypt;
- on the same date, Edison International Spa acquired the equity investment in Edison Norge AS from Edison International E&P Spa, and Edison Spa acquired the equity investment in Edison International Spa from Edison Exploration & Production Spa.

On December 17, 2020, as a result of the closing of the sale from Edison to Energean of 100% of Edison Exploration & Production Spa, the companies Edison Idrocarburi Sicilia Srl, Edison E&P UK Ltd, Euroil Exploration Ltd, together with Edison International E&P Spa and its subsidiaries, were deconsolidated from the Edison Group. For more information about the sale to Energean, please refer to the comments in the following paragraph 1.4 and in chapter 9. Other notes – paragraph 9.2 Information pursuant to IFRS 5.

Furthermore, it should be noted:

- the purchase in July by Edison Spa of 100% of the company MF Energy Srl, which was accounted as a Group of assets acquisition pursuant to IFRS 3 revised;
- the acquisition during July and August by Sersys Ambiente Srl (a company entirely held by Fenice Qualità per l'Ambiente Spa) of 100% of the companies CEA Biogas Srl and Ambyenta Srl; the Purchase Price Allocation pursuant to IFRS 3 revised resulted in the provisional identification of intangible assets for about 19 million euros and tangible assets for 8 million euros, furthermore a goodwill of about 1 million euros was recognized; for further information reference should be made to paragraph 9.1 Information pursuant to IFRS 3 revised;
- the deconsolidation, starting from July 1, 2020, of the company Dolomiti Edison Energy Srl, following the application of new governance and management agreements, which entered into force at the same date and resulted in the loss of control over relevant activities; starting from second half of 2020 this company is therefore classified as an associate and accounted for using the equity method.

Some corporate simplification operations, regarding more than twenty companies, took place during the year, without effects on Group's balance sheet and income statement, in particular:

- the merger, with effect from January 1, 2020, of the companies Edison Facility Solutions Spa and West Tide Srl into the company Zephyro Spa, which, at the same time, changed the company name into Edison Facility Solutions Spa;
- the merger on June 1, 2020 of the company EDF EN Italia Spa, acquired in 2019, into the company Edison Partecipazioni Energie Rinnovabili Srl (EPER), which at the same time changed the company name into Edison

Renewables Srl; later, on July 1, 2020, the company EDF EN Services Italia Srl was incorporated into the company Edison Renewables Srl; furthermore, during the second half of the year, some of the subsidiaries of the former EDF EN Italia, operating in the wind and photovoltaic sectors, were incorporated into Edisonwind Srl and Edisonsolar Srl respectively;

- the merger on July 1, 2020 of the companies Bargenergia Srl, Vernante Nuova Energia Srl, Azienda Energetica Buschese Srl (A.EN.B. Srl) and Antilia Energy Wood Srl (A.EN.W. Srl) into the company Comat Energia Srl, which at the same time changed the company name into Edison Teleriscaldamento Srl;
- the merger, with effect from December 1, 2020 of the company Edison International Holding Nv into Edison Spa;
- the merger on December 1, 2020 of the company Edison Energy Solutions Spa into Fenice Qualità per l'Ambiente Spa.

1.4 Application of accounting standard IFRS 5

Discontinued operations – sale to Energean

Please remind that in the Condensed Consolidated Semiannual Financial Statements at June 30, 2019 and later in the 2019 Consolidated Financial Statements, following the agreement signed on July 4, 2019 for the sale from Edison to Energean of 100% of Edison Exploration & Production Spa and its subsidiaries operating in Italy and abroad in the hydrocarbons exploration and production business, 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, has been treated as discontinued operations in accordance with IFRS 5. The sale price was determined through a locked box mechanism at the date of December 31, 2018.

In the current year, on April 2, 2020 and June 28, 2020 amendments were signed to the terms of the sale agreement of July 4, 2019, concerning, among other things, the exclusion from the scope of the transaction of E&P assets located in Algeria (following the refusal of the Algerian Ministry of Energy) and of Edison Norge AS, which owns the E&P assets located in Norway, in addition to some revisions of the considerations. Following these amendments the enterprise value of the assets under disposal has been determined at 284 million USD (value at the locked-box date of December 31, 2018 amended to exclude Algerian and Norwegian assets and to incorporate the revisions of the considerations). By the amendment of the agreement signed on June 28, 2020 the calculation method of the additional consideration contingent on the commissioning of Cassiopea was also redefined; that consideration will be determined on the basis of gas prices (PSV) observed at the time of the commissioning of the field, up to a maximum of 100 million USD.

The contract requires the buyer to fulfil future decommissioning obligations.

On December 17, 2020 Edison and Energean executed the agreement; the scope of the sale concerned Edison Exploration & Production's assets, mineral rights and equity investments in the hydrocarbons sector in Italy, Egypt, Greece, the UK and Croatia. Following the sale Edison Group recorded an improvement in net financial debt for about 187 million euros determined by the collection of the consideration for 220 million euros net of 33 million euros for the deconsolidation of net liquidity of the disposed companies.

For a more comprehensive view on the events occurred during the two years reference should be made to the comments contained in 2019 Consolidated Financial Statements and in the Condensed Consolidated Semiannual Financial Statements at June 30, 2020.

In line with the Semiannual Report at June 30, 2020, in these Consolidated Financial Statements the economic contribution and flows relating to the assets within the scope of the sale to Energean were recognized as discontinued operations, while the balance sheet balances corresponding to such assets were deconsolidated as of the disposal date.

In particular:

- in the income statement for 2020 the revenues and income and costs and expenses until the date of disposal of the assets that constitute discontinued operations, as well as the difference between the book value and the sale price are classified under the item **Profit (Loss) from discontinued operations** (negative by 158 million euros); this result reflects, among other things, the effects of the revisions of the terms of the agreement with Energean, partially offset by the positive effect deriving from the reversal of reserves for translation differences related to the companies sold;

- for comparative purposes under Profit (Loss) from discontinued operations for 2019 (negative by 562 million euros) are classified the revenues and income and costs and expenses relative to the same assets, as well as the adjustment of the carrying amount to the expected sale price of the agreement of July 4, 2019;
- in the balance sheet at December 31, 2020, the balances relating to the companies included in the scope of the sale to Energean are deconsolidated, while at December 31, 2019, exposed for comparative purposes, these assets and liabilities were classified under **Assets** and **Liabilities held for sale.**

It should also be noted that the existing relationships between continuing and discontinued operations were treated as relationships between independent parties and that the income statement and balance sheet items referring to discontinued operations also include the effect of the consolidation adjustments on these relationships.

E&P assets excluded from the perimeter sold to Energean

With reference to E&P assets in Algeria and Norway, excluded from the perimeter of the sale to Energean as a result of the aforementioned amendments to the terms of the agreement signed on April 2, 2020 and on June 28, 2020, it should be noted that these no longer pertain to discontinued operations and therefore:

- in the income statement and in flows the representation of the contribution to the values of the Group is on a retrospective basis starting from January 1, 2020, and comparative amounts of 2019 have been appropriately restated;
- the balance sheet data at December 31, 2019, instead, are those published in the 2019 Consolidated Financial Statements, which included the amounts relating to assets in Algeria and Norway under Assets and Liabilities held for sale.

In these Consolidated Financial Statements, therefore, all the economic and flow data referring to 2019 have been restated to allow a homogeneous comparison with those of 2020; the balance sheet figures at December 31, 2019, instead, are those published in the 2019 Consolidated Financial Statements.

EBITDA of 2020 for these operations totalled 17 million euros (15 million euros in 2019).

Disposal Groups – agreements for the sale of Edison Norge AS and Infrastrutture Distribuzione Gas Spa:

Edison Norge

On December 30, 2020 Edison signed an agreement with Sval Energi to sell 100% of Edison Norge AS, the company that owns the Group’s hydrocarbon exploration and production activities in Norway.

The agreement is determined on the basis of an enterprise value of 300 million USD (locked-box date at January 1, 2020) and the estimated impact on Edison Group’s net financial debt is by now higher than that value.
The closing of the transaction is expected within the first half of 2021 and is subject to the necessary approvals for this type of transactions by the Norwegian authorities.

As of the agreement date, the E&P assets located in Norway, which as described previously were excluded from the scope of the sale to Energean, were treated as a disposal group pursuant to IFRS 5, as alone they do not represent a significant autonomous business unit for the Edison Group and as such it is not possible to classify them as discontinued operations; therefore:

- in the income statement and flows, for the current year and for comparative purposes for 2019, the representation of the contribution of Edison Norge to Group values is still included under continuing operations;
- the balance sheet balances at December 31, 2020 are instead exposed under Assets and Liabilities held for sale (please note that although the same balances at December 31, 2019 were also recognized under Assets and Liabilities held for sale, they were part of the discontinued operations and they also included the effect of the consolidation eliminations of relationships between the discontinued operations and the continuing operations).

Infrastrutture Distribuzione Gas Spa

On January 13, 2021 Edison signed an agreement with 2i Rete Gas, a company participated by the investment funds managed by F2i, Ardian and APG, for the sale of 100% of Infrastrutture Distribuzione Gas (IDG).The closing of the operation, which is subject to Antitrust approval, is expected within the first four months of 2021.

In these Consolidated Financial Statements, the assets of IDG were treated as a disposal group pursuant to IFRS 5, therefore:

- in the income statement and flows the representation of the contribution to Group values is included under continuing operations;
- the balance sheet balances at December 31, 2020 are instead exposed under Assets and Liabilities held for sale (balance sheet balances at December 31, 2019 are those published in 2019 Consolidated Financial Statements and have not been restated). It is highlighted that in compliance with IAS 36, par. 86, a portion of the indistinct goodwill of the Gas Operations and E&P, for an amount of 39 million euros, has been allocated to these assets.

For more information regarding the application of IFRS 5 accounting standard and the related effects on these Consolidated Financial Statements, see paragraph 9.2 Information pursuant to IFRS 5.

1.5 COVID-19

The 2020 was dominated by the COVID-19 pandemic, which caused a state of health emergency throughout most of the world, which in early 2021 is not yet concluded and to which various countries responded, albeit by adopting different measures, by stopping all commercial and manufacturing activities and services considered not strictly essential, in order to check the spread of the virus. The virus had an immediate impact on the global economy, causing a deep economic crisis.

At the end of 2020, the health and economic situation appears to be quite uneven across Asia, Europe and the United States. From the one hand China, India and Japan saw a drastic decrease in infections and a full resumption of economic activity. On the other hand the United States and Europe had to face a second wave of the virus and a new slowdown of GDP in the final quarter of the year, after a temporary acceleration in the third quarter.

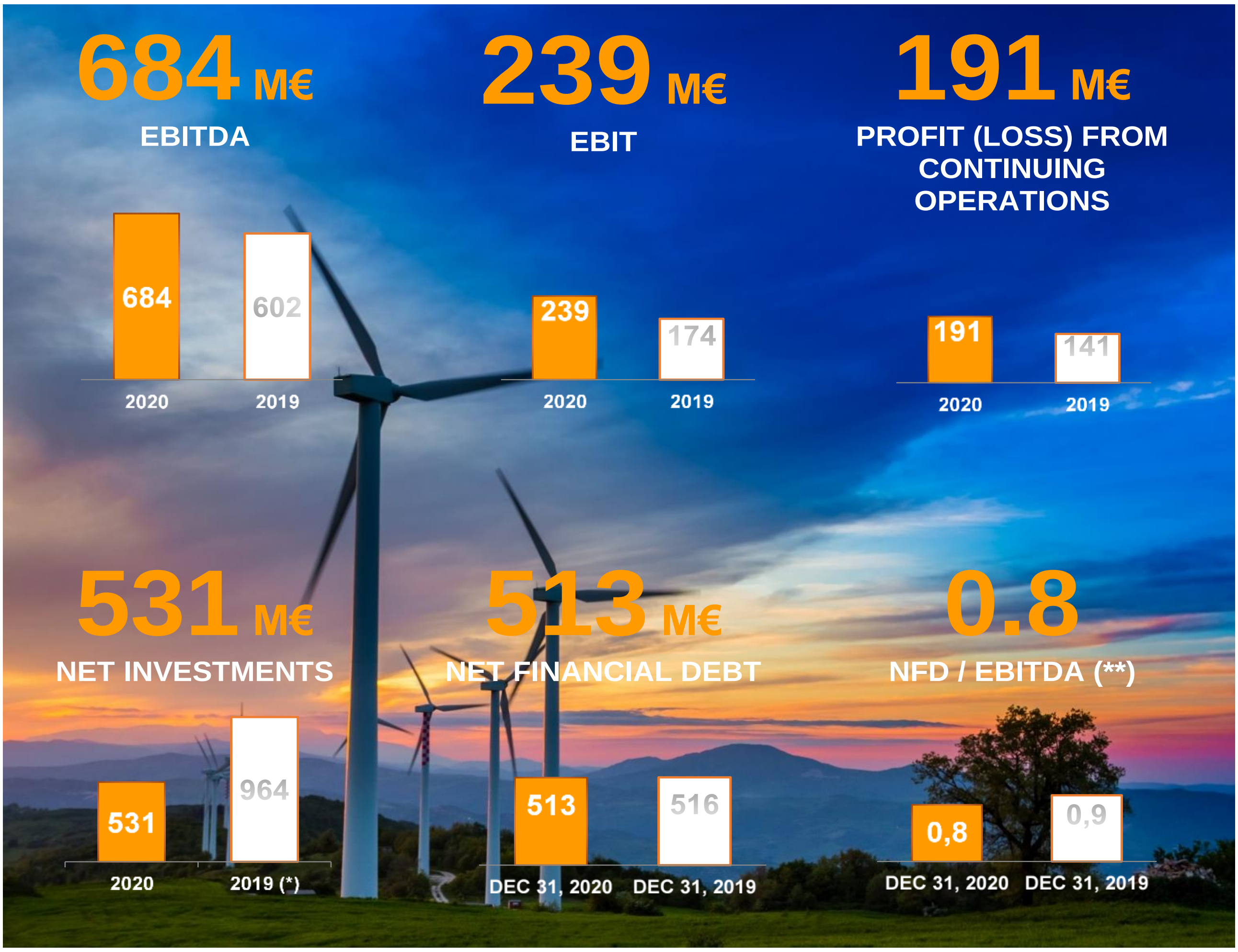
During the COVOD-19 emergency Edison has been operating, safeguarding the health of its employees and suppliers, to ensure the continuity of electricity and gas supplies and to support hospitals, thus guaranteeing an essential service for the Country.

The health emergency led to a significant worsening of the macroeconomic scenario with effects on demand and prices for electricity and gas, as well as on a possible deterioration of the counterparties' creditworthiness.

According to the CONSOB and ESMA requirements, the Group conducted in-depth analysis on the most sensitive and most subject to variability issues related to this emergency situation. Particular attention has been paid to the assessment of the recoverability of receivables, the value retention of assets and goodwill, the effectiveness of existing hedging transactions.
The effects deriving from the spread of COVID-19 had an estimated negative impact on the Group's EBITDA for the year 2020 for about 59 million euros, largely attributable to the contraction in commodities sales volumes compared to sales expectations; on the other hand, there were no significant impacts in terms of receivables writedowns.
For further details, please refer to the comments in the following paragraphs.
There were no significant impacts on financial items, instead some positive effects on the item taxes related to specific tax laws issued in support of companies for the emergency period are reflected.
Edison, whist monitoring the evolution of the situation, maintains a solid economic and financial profile and can draw on significant liquidity reserves to support both its operating requirements and business development plans.

2. PERFORMANCE

2.1 Highlights



(*) Include for 530 M€ the strategic acquisitions of EDF EN Italia and EDF EN Services Italia.

(**) **NFD** Net Financial Debt

Highlights 2020 (in millions of euros)	Electric Power Operations	Gas Operations and E&P (*)	Corporate	Eliminations	Edison Group
EBITDA	482	304	(102)	-	684
EBIT	168	247	(176)	-	239
Gross Investments	405	94	12	-	511

(*) Including E&P business activities in Algeria and Norway

2.2 Segment Information

The segments, as identified by the Group in accordance with IFRS 8, correspond to the Electric Power Operations, the Gas Operations and E&P 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.

Gas Operations and E&P: 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 Algeria and of Edison Norge, this latter held for sale.

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	Gas Operations and E&P	Corporate	Adjustments	Edison Group
Income statement 2020					
Sales revenues	**3,830**	**3,243**	**53**	**(736)**	**6,390**
- Third parties	3,812	2,566	12	-	6,390
- Intra-Group	18	677	41	(736)	-
Commodity and logistic costs	(2,698)	(2,824)	-	692	(4,830)
Other costs and services used	(412)	(64)	(86)	42	(520)
Labor costs	(205)	(46)	(70)	-	(321)
Other revenues and income/(costs), net	(33)	(5)	1	2	(35)
EBITDA	**482**	**304**	**(102)**	**-**	**684**
Net change in fair value of derivatives	1	(4)	-	-	(3)
Depreciation and amortization	(287)	(46)	(19)	-	(352)
(Writedowns) and reversals	(28)	(7)	-	-	(35)
Other income (expense) non Energy activities	-	-	(55)	-	(55)
EBIT	**168**	**247**	**(176)**	**-**	**239**
Balance Sheet at 12.31.2020					
Current and non-current assets	5,993	2,338	3,282	(2,781)	8,832
Assets held for sale	-	495	56	-	551
Total assets	5,993	2,833	3,338	(2,781)	9,383
Current and non-current liabilities	2,275	1,805	1,197	(1,489)	3,788
Liabilities held for sale	-	56	59	-	115
Total liabilities	2,275	1,861	1,256	(1,489)	3,903
Total shareholders' equity					5,480
Net financial debt					513
Other information and ratios					
Number of employees	3,580	431	675	-	4,686
Employees in activities held for sale (*)	-	100	-	-	100
EBITDA/Sales revenues	12.6%	9.4%	n.m.	n.m.	10.7%
EBIT/Sales revenues	4.4%	7.6%	n.m.	n.m.	3.7%
NFD/EBITDA					0,8
Income statement 2019 (**)					
Sales revenues	**4,159**	**4,892**	**56**	**(909)**	**8,198**
- Third parties	4,146	4,035	17	-	8,198
- Intra-Group	13	857	39	(909)	-
Commodity and logistic costs	(3,110)	(4,474)	(1)	869	(6,716)
Other costs and services used	(438)	(72)	(94)	37	(567)
Labor costs	(203)	(42)	(67)	-	(312)
Other revenues and income/(costs), net	15	(17)	(2)	3	(1)
EBITDA	**423**	**287**	**(108)**	**-**	**602**
Net change in fair value of derivatives	2	(2)	-	3	3
Depreciation and amortization	(277)	(66)	(15)	-	(358)
(Writedowns) and reversals	(33)	-	-	-	(33)
Other income (expense) non Energy activities	-	-	(40)	-	(40)
EBIT	**115**	**219**	**(163)**	**3**	**174**
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%	5.9%	n.m.	n.m.	7.3%
EBIT/Sales revenues	2.8%	4.5%	n.m.	n.m.	2.1%
NFD/EBITDA					0,9

(*) At December 31, 2020 include employees of the companies Edison Norge A.S. and Infrastrutture Distribuzione Gas SpA;
at December 31, 2019 included employees of the companies of E&P business, including the operating company Abu Qir Petroleum Company (AQP) staff and employees of the company Edison Norge A.S.
(**) Amounts restated pursuant to IFRS 5

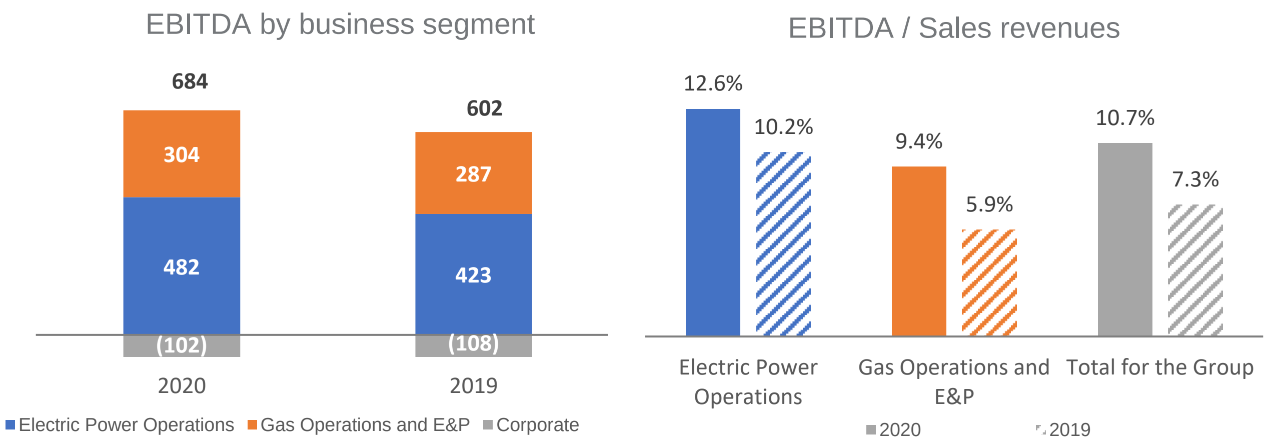
The Group does not view geographic area segment information as meaningful.

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 865 million euros in the year, mainly referred to Electric Power Operations (corresponding to about 23% of sales revenues of the segment and about 14% of Group's sales revenues).

2.3 EBITDA

EBITDA (in millions of euros)	2020	2019	Change	Change %
Electric Power Operations	482	423	59	13.9%
Gas Operations and E&P	304	287	17	5.9%
Corporate	(102)	(108)	6	5.6%
Total for the Group	**684**	**602**	**82**	**13.6%**



Within a context of a sharp drop in demand and a reduction in energy commodity prices compared to the 2019, Group EBITDA was a positive 684 million euros, up compared to the 2019 (602 million euros).

The impact of COVID-19 on the Group primarily regarded the reduction in sales of commodity and services to customers and the contraction in thermoelectric generation; for more details, please refer to Report on Operations. These phenomena were offset for the most part thanks to the contribution of energy generated from renewable sources, including the entry of the company EDF EN Italia, now Edison Renewables, and of its subsidiaries, active in the generation of energy from wind and photovoltaic source, purchased in July 2019.

The Electric Power Operations recorded an increase related to the renewables sector, disclosed above, and a good performance of power generation from hydroelectric source, while the thermoelectric sector managed to cap the losses arising from the decrease of national demand and price scenario.

Also in the Electric Power Operations, we mention the contribution of Energy and Environmental Services Market Division for 51 million euros (84 million euros in 2019), in decrease as a consequence of the slowing down of activity by industrial customer related to lockdown and of the booking of expected costs for the execution of energy services to customers belonging to public sector.

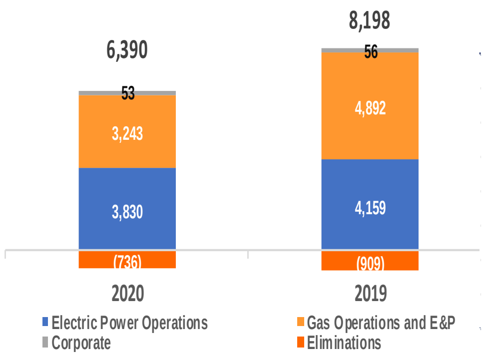
Gas Operations and E&P contributed for 304 million euros (287 million euros in 2019) and include the contribution of E&P activities in Algeria and Norway for 17 million euros (15 million euros in 2019).

2020 EBITDA also benefit of the reduction of “Other costs and services used” disclosed at section 2.3.3.

The main components of EBITDA are analyzed below.

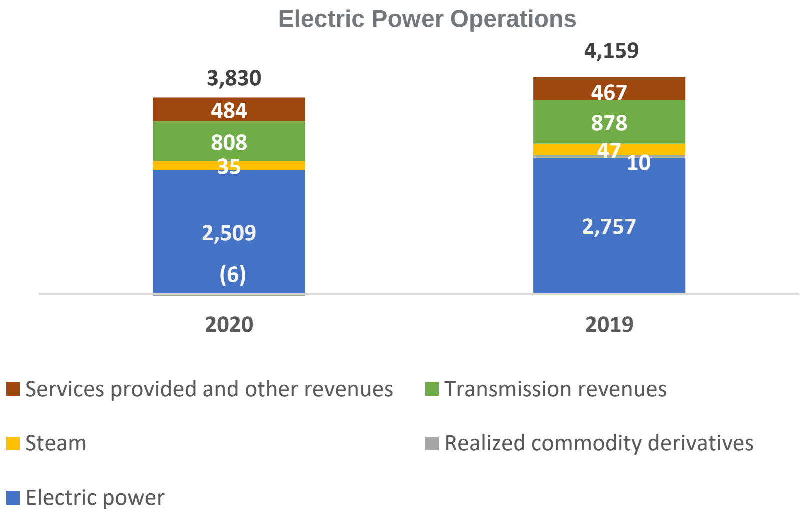
2.3.1 Sales revenues

Sales revenues (in millions of euros)	2020	2019	Change	Change %
Electric power	2,506	2,753	(247)	(9.0%)
Natural gas	2,517	3,850	(1,333)	(34.6%)
Realized commodity derivatives	(255)	(113)	(142)	n.s.
Steam	35	47	(12)	(25.5%)
Transmission revenues	1,001	1,089	(88)	(8.1%)
Storage services	77	68	9	13.2%
Revenues from services provided	465	475	(10)	(2.1%)
Other revenues	44	29	15	51.7%
Total	**6,390**	**8,198**	**(1,808)**	**(22.1%)**

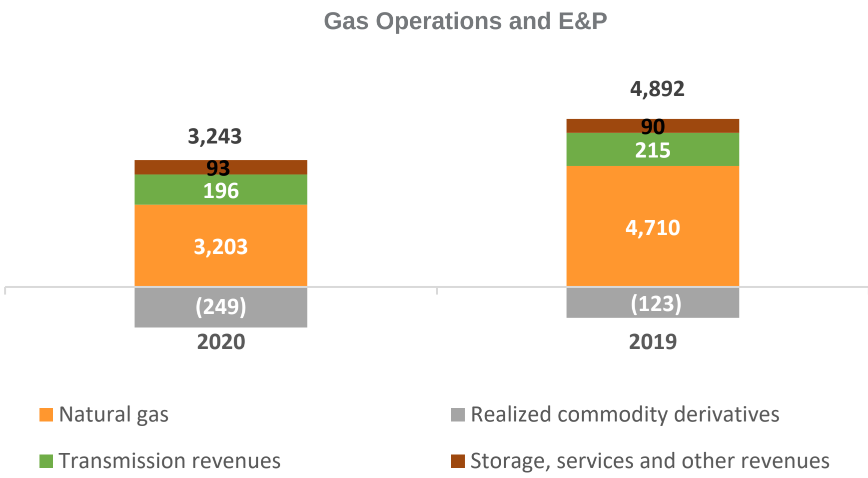


Revenues from the sale of electric power were down due to the reduction in energy prices in Italy as well as the reduction in volumes sold as a result of the health emergency.

Revenues from services provided include the energy services of Energy & Environmental Services Market Division (420 million euros in 2020, 414 million euros in 2019).



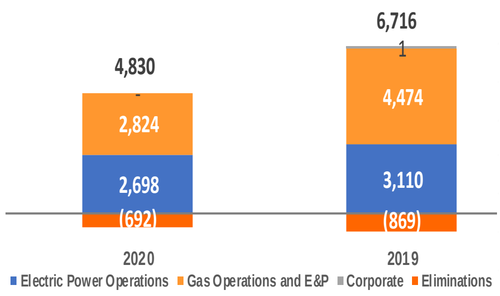
Sales revenues of the Group from natural gas decrease mainly as a consequence of the reduction in energy prices and, to a lesser extent, of the reduction in volumes sold. Please note that gas sales of Gas Operations and E&P also include the sales to Electric Power Operations.



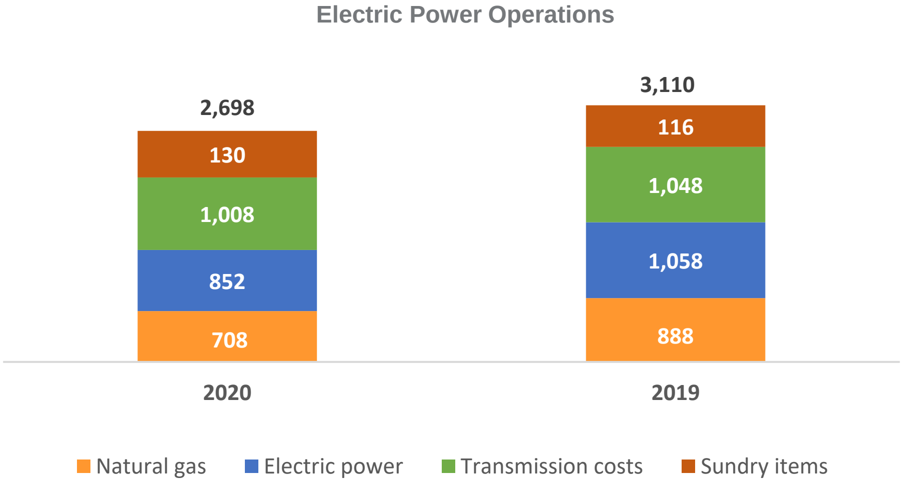
The realized results on commodity derivatives, that should be analyzed together with the corresponding item included in Commodity and logistic costs, concern the commodities and foreign exchange hedge executed to mitigate the risk of fluctuation in the cost of natural gas and that related to its sale,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

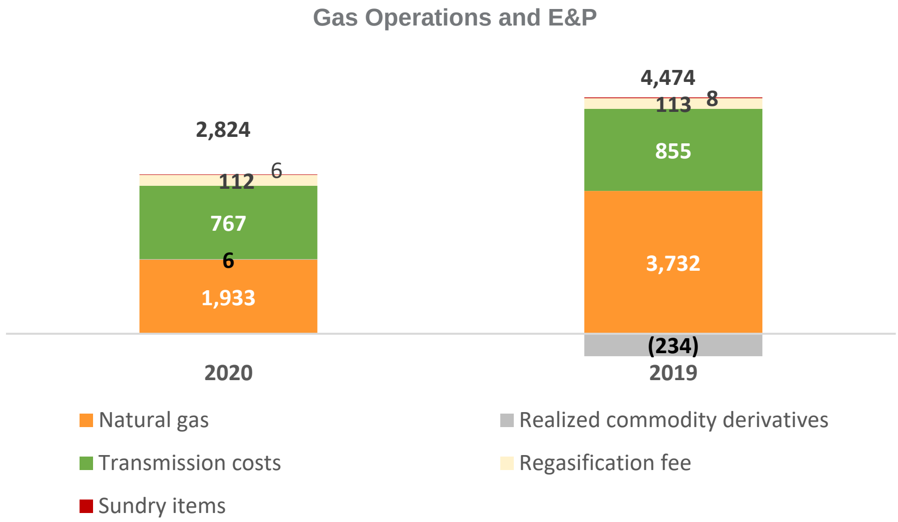
2.3.2 Commodity and logistic costs

Commodity and logistic costs (in millions of euros)	2020	2019	Change	Change %
Natural gas	1,955	3,760	(1,805)	(48.0%)
Realized commodity derivatives	7	(233)	240	n.s.
Electric power	852	1,058	(206)	(19.5%)
Transmission costs	1,775	1,902	(127)	(6.7%)
Regasification fee	112	113	(1)	(0.9%)
Sundry items	129	116	13	11.2%
Total	**4,830**	**6,716**	**(1,886)**	**(28.1%)**



Commodity and logistic costs show a sharp decrease and reflect the issues already commented on the previous section.

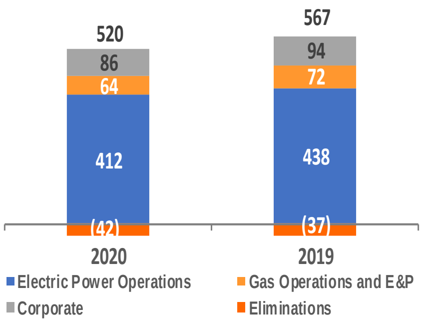




The item Regasification fee, amounting to 112 million euros, includes charges recognized to Terminale GNL Adriatico, for regasification activities.

2.3.3 Other costs and services used

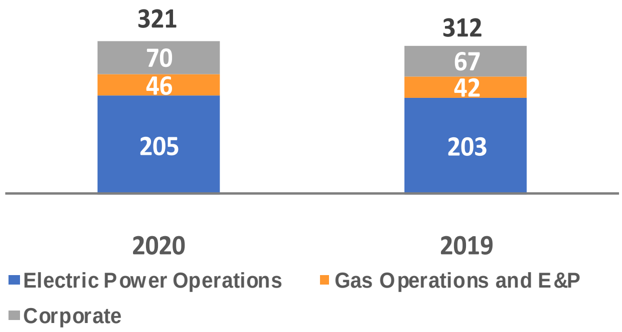
Other costs and services used (in millions of euros)	2020	2019	Change	Change %
Maintenance	223	243	(20)	(8.2%)
Professional services	112	106	6	5.7%
Use of property not owned	72	74	(2)	(2.7%)
Insurance costs	20	17	3	17.6%
Advertising and communication costs	13	21	(8)	(38.1%)
Sundry items	80	106	(26)	(24.5%)
Total	**520**	**567**	**(47)**	**(8.3%)**



The reduction over the year 2019 is mainly related to the changes in the scope of consolidation, which determined in particular a decrease in maintenance costs. The reduction in Sundry items, instead, is mainly due to the capitalization, carried out from 2020, of the incremental costs incurred to obtain new contracts, according to the provisions of IFRS 15 and following the evaluation of their recoverability; for further information please refer to paragraph 10.3 Valuation criteria.

2.3.4 Labor costs

The labor costs recorded an increase of 9 million euros compared to the previous year, mainly related to the increase of average number of employees.



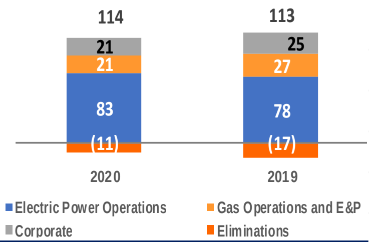
The following table shows the average number of employees in 2020 and 2019 and provides the classification by category together with the relevant changes of the year.

Changes by employee category (number of employees)	01.01.2020 (*)	Added to payroll (**)	Removed from payroll (**)	Changes of classification	Reclassification Assets held for sale (***)	12.31.2020	Average payroll 2020 (°)	Average payroll 2019 (°)
Executives	180	-	(6)	13	(3)	184	185	181
Office staff and Middle managers	2,827	197	(170)	(20)	(74)	2,760	2,836	2,700
Production staff	1,700	186	(128)	7	(23)	1,742	1,706	1,638
Total for the Group	**4,707**	**383**	**(304)**	**-**	**(100)**	**4,686**	**4,727**	**4,519**

(*) Including employees of Edison Norge A.S.
(**) Including changes in the scope of consolidation effects referred to acquired (16 employees) and deconsolidated (-31employees) companies
(***) Include employees of Edison Norge A.S. and Infrastrutture Distribuzione Gas SpA, shown at December 31, 2020 under Employees in Assets held for sale
(°) Including employees of Edison Norge A.S. and Infrastrutture Distribuzione Gas SpA.

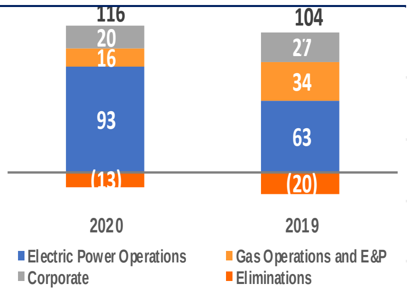
2.3.5 Other revenues and income and Other costs

Other revenues and income (in millions of euros)	2020	2019	Change	Change %
Net reversals in earnings of provisions for sundry risks	17	10	7	70.0%
Gains on disposals	2	3	(1)	(33.3%)
Insurance indemnities	1	7	(6)	(85.7%)
Out of period and other income	94	93	1	1.1%
Total	**114**	**113**	1	0.9%



It should be noted that the item Out of period and other income includes about 9 million euros (11 million euros in 2019) from the operations managed in compliance with MASA joint venture agreement with EDF Trading.

Other costs (in millions of euros)	2020	2019	Change	Change %
Indirect taxes and duties	17	17	-	0.0%
Additions to provisions for risks	58	44	14	31.8%
Out of period and sundry items	41	43	(2)	(4.7%)
Total	**116**	**104**	12	11.5%



Out of period and sundry items include losses on disposals for 5 million euros (3 million euros in 2019).

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 amount of 352 million euros (358 million euros in 2019) in depreciation and amortization. Furthermore writedowns are booked for 35 million euros (33 million euros in 2019) (see chapter 5. Fixed assets and provisions).

EBIT amounted to 239 million euros (174 million euros in 2019).

Financial items recorded a total of 23 million euros in net expenses (net expenses of 46 million euros in 2019). The improvement in net financial expenses is partly due to the reduction in net financial expense on debt, attributable to one-off costs incurred during the last quarter of the last year, linked to the loan refinancing process of EDF EN Italia (now Edison Renewables) and its subsidiaries by intra-Group loans with more convenient rates.
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)	2020	2019	Change
Financial expenses on provisions	(10)	(11)	1
Net foreign exchange translation gains (losses) (*)	(6)	3	(9)
Reversal of provision for doubtful accounts	5	-	5
Other (**)	12	(5)	17
Other net financial income (expense)	**1**	**(13)**	**14**

(*) Including net results of the transactions with EDF Sa to cover exchange rate risk.
(**) Including financial income/expense versus Discontinued Operations.

The item Net foreign exchange translation gains (losses) reflects, among other things, the effects on loans denominated in foreign currency caused by the fluctuations in certain currencies, particularly the Norwegian krone and the British pound, compared to December 31, 2019. It includes for 6 million euros net gains realised on loans granted to companies within the scope of the sale to Energean and repaid at the closing of the transaction.
The item Reversal of provision for doubtful accounts, positive in the amount of 5 million euros, relates to the partial release of a provision relating to the financial receivable towards the affiliate Elpedison, following a reduction in counterparty risk.

After deducting the charges for **income taxes** (39 million euros, reviewed in chapter 7. Taxation), the **Profit (Loss) from continuing operations is 191 million euros in profit, 141 million euros in 2019**.

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

Profit (Loss) from discontinued operations, a loss for 158 million euros, includes, amongst other, the difference between the book value of the E&P perimeter sold to Energean and the sale price, determined on the basis of the amendments of the agreement with the buyer on April 2 and June 28, 2020. For further information, please refer to paragraphs 1.4 Application of accounting standard IFRS 5 and 9.2 Information pursuant to IFRS 5.

The amount for 2019 (a loss for 562 million euros) similarly included the writedown determined to align the book value of the business held for sale to the expected sale price of the agreement of July 4, 2019.

After deducting the item described above and allocating the minority interest (14 million euros in profit) the **Group interest in profit (loss) is equal to 19 million euros in profit** (a loss for 436 million euros in 2019).

3. NET WORKING CAPITAL

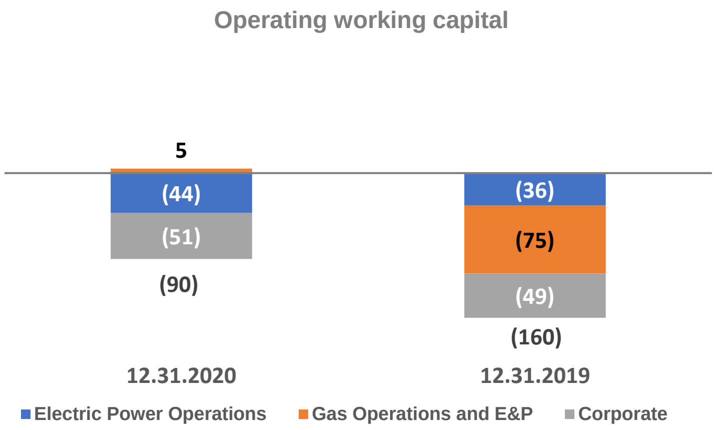
Net Working Capital (in millions of euros)	12.31.2020	12.31.2019	Change
Trade receivables	1,053	1,132	(79)
Inventories	113	133	(20)
Trade payables	(1,256)	(1,425)	169
Operating Working Capital (A)	**(90)**	**(160)**	**70**
Other non-current assets	60	43	17
Other current assets	359	380	(21)
Other non-current liabilities	(5)	(5)	-
Other current liabilities	(195)	(184)	(11)
Other assets (liabilities) (B)	**219**	**234**	**(15)**
Net working capital (A+B)	**129**	**74**	**55**

The Net Working Capital balances rose compared to December 31, 2019, primarily as a result of the reduction in trade payables. The increase in the item "Other non-current assets" reflects the recognition for around 16 million euros of receivables for advances paid as part of long-term contracts to import natural gas, relating to volumes not withdrawn for which Edison Spa has a payment obligation as a result of the activation of take-or-pay clauses. The recoverability of these volumes is expected within the timespan of the residual duration of the contracts.

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, 2020, 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



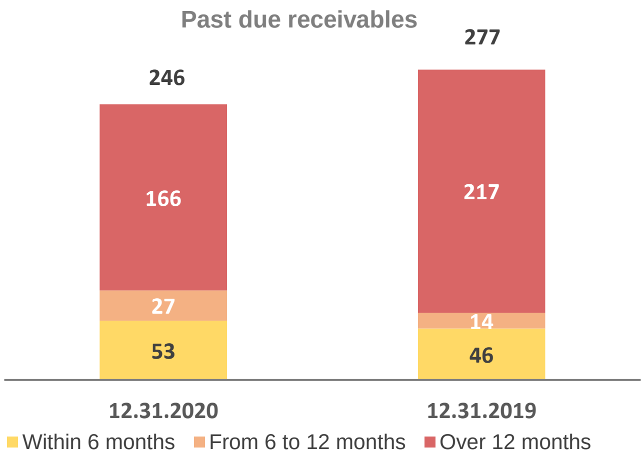
The change during the year relative to the Gas Operations and E&P is mainly due to the reduction in trade payables.

3.2.1 Trade receivables

Trade receivables (in millions of euros)	12.31.2020	12.31.2019	Change
Electric Power Operations	643	645	(2)
Gas Operations and E&P	436	501	(65)
Corporate and eliminations	(26)	(14)	(12)
Trade receivables	**1,053**	**1,132**	**(79)**
of which allowance for doubtful accounts	**(191)**	**(215)**	**24**
Guarantees in place to hedge receivables outstanding	8	10	(2)

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 2020 the receivables assigned with such transactions totaled 3,503 million euros (4,068 million euros in 2019). These receivables were not exposed to the risk of recourse at December 31, 2020. The costs related to managing these activities are recorded under financial items and amount to 14 million euros (15 million euros in 2019).



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 in the band over twelve months is mainly due to transactions to assign trade receivables which were already covered by a provision for risks.
The increase in the band within twelve months is in part related to the effects of the health crisis and the consequent lockdown.

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

(in millions of euros)	12.31.2019	Additions	Utilizations	Others	12.31.2020
Allowance for doubtful accounts (*)	**(215)**	**(32)**	**48**	**8**	**(191)**

(*) 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 the year.

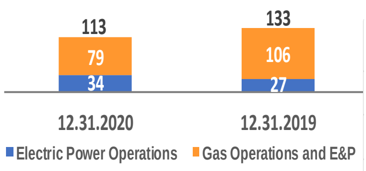
EBITDA for the year shows net charges related to writedowns and reversals on receivables for 33 million euros (10 million euros in 2019).

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). In light of the health crisis and the economic slowdown following the lockdown measures, additional analyses were conducted to verify the expected effects in terms of credit losses. These analyses did not reveal significant impacts.

It should be noted that during the year has been signed an insurance contract on the receivables related to a part of the Business customers, which determined a reduction in credit risk of the interested customers.

3.2.2 Inventories

Inventories (in millions of euros)	12.31.2020	12.31.2019	Change
Stored natural gas	77	104	(27)
Engineering consumables	20	13	7
Other	16	16	-
Inventories	**113**	**133**	**(20)**



The inventories include 39 million euros for stored natural gas the use of which is restricted as a strategic reserve. The changes in stored natural gas reflect the reduction in both volumes and prices of stocks.

3.2.3 Trade payables

Trade payables (in millions of euros)	12.31.2020	12.31.2019	Change
Electric Power Operations	721	708	13
Gas Operations and E&P	510	682	(172)
Corporate and eliminations	25	35	(10)
Trade payables	**1,256**	**1,425**	**(169)**

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)	12.31.2020	12.31.2019	Change
VAT credit	221	209	12
Other tax receivables	8	13	(5)
Deposits	20	18	2
Advances to suppliers	19	52	(33)
Receivables for take or pay advances	16	-	16
Other	135	131	4
Total other assets (A)	**419**	**423**	**(4)**
Amount owed to employees	45	30	15
Payables owed to social security institutions	30	23	7
Other	125	136	(11)
Total other liabilities (B)	**200**	**189**	**11**
Other assets and liabilities (A-B)	**219**	**234**	**(15)**

With reference to **VAT credit**, note that during the year the refunds were requested in relation to 2019 tax credits of Edison Spa for an amount of 150 million euros, later object of sale without recourse.

Commitments

At December 31, 2020, guarantees of about 545 million euros (281 million euros at December 31, 2019) were recognized to the Revenue Agency, provided mainly from Edison Spa and referred to VAT credit refunds related to years from 2015 to 2019.

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, 2020 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, 2020, 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 2023. For derivative contracts in place at December 31, 2020, 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, 2020.

Value at Risk (VaR) (*) (in millions of euros)	**12.31.2020**	**12.31.2019**
Maximum negative variance in the fair value of derivatives	554	491
Maximum negative variance in the fair value including the change in the fair value of the contracts object of hedge; of which:	312	296
- potential impact on Income Statement (**)	54	7
- potential impact on balance sheet in Cash Flow Hedge reserve (***)	258	289

(*) 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 increase of the maximum variance in the fair value, compared with the level measured at December 31, 2019, is mainly attributable to the disposal of E&P business.

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**	**2020** **without derivatives**	 **with derivatives**	**2019** **without derivatives**	 **with derivatives**
Average absorption of the approved limit of Economic Capital	241%	34%	223%	54%
Maximum absorption	450% - Sept.'20	66% - Jan.'20	282% - Dec.'19	36% - Dec.'19

We remind that the trading operations of Edison Spa 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 section 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, 2020, one category is classified at this level whose fair value is positive for about 4 million euros (one category at December 31, 2019 whose fair value was positive for about 13 million euros).

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, 2020

4.3.1 Effects of derivatives transactions on Income Statement at December 31, 2020

(in millions of euros)	2020			2019		
	Realized (A)	Change in Fair Value in the period (B)	Amounts recognized in earnings at 12.31.2020 (A+B)	Realized (A)	Change in Fair Value in the period (B)	Amounts recognized in earnings at 12.31.2019 (A+B)
Result from price risk and exchange risk hedges for commodities of which:						
Total definables as hedges pursuant to IFRS 9 (CFH) (*)	**(195)**	**(14)**	**(209)**	**113**	**2**	**115**
Price risk hedges for energy products	(194)	(14)	(208)	70	2	72
Exchange risk hedges for commodities	(1)	-	(1)	43	-	43
Total definables as hedges pursuant to IFRS 9 (FVH)	**(65)**	**11**	**(54)**	**17**	**(1)**	**16**
Price risk hedges for energy products	(100)	14	(86)	(33)	230	197
Exchange risk hedges for commodities	35	(89)	(54)	50	3	53
Fair value physical contracts	-	86	86	-	(234)	(234)
Total not definables as hedges pursuant to IFRS 9	**(2)**	**-**	**(2)**	**(10)**	**2**	**(8)**
Price risk hedges for energy products	(3)	-	(3)	(1)	(5)	(6)
Exchange risk hedges for commodities	1	-	1	(9)	7	(2)
Total price risk and exchange risk hedges for commodities	**(262)**	**(3)**	**(265)**	**120**	**3**	**123**
TOTAL INCLUDED IN EBIT	**(262)**	**(3)**	**(265)**	**120**	**3**	**123**
Result from interest rate hedges:						
Definables as hedges pursuant to IFRS 9 (CFH)	(5)	-	(5)	(9)	-	(9)
Not definables as hedges pursuant to IFRS 9	-	-	-	-	-	-
Total interest rate hedges (A)	**(5)**	**-**	**(5)**	**(9)**	**-**	**(9)**
Result from exchange rate hedges:						
Definables as hedges pursuant to IFRS 9 (CFH)	(5)	-	(5)	8	-	8
Not definables as hedges pursuant to IFRS 9	-	-	-	-	(1)	(1)
Total exchange rate hedges (B)	**(5)**	**-**	**(5)**	**8**	**(1)**	**7**
TOTAL INCLUDED IN FINANCIAL ITEMS (A+B)	**(10)**	**-**	**(10)**	**(1)**	**(1)**	**(2)**

(*) Includes the ineffective portion.

The amount booked in Income Statement as “Total price risk and exchange risk hedges for commodities” is negative for 265 million euros (positive for 123 million euros at December 31, 2019) as a consequence of the prices decrease recorded during the year on main reference commodities’ spot markets.

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 9 million euros in 2020, 11 million euros in 2019).

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

The table below provides the 2020 and 2019 effects on the Income Statement from the changes in the fair value of the derivatives (commodity and foreign exchange rate), negative for 3 million euros and positive for 3 million euros respectively (please see line "Total included in EBIT" with interception with columns B in the previous table).

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
2020				
Hedges of price risk on energy products	(14)	14	-	**-**
Hedges of foreign exchange risk on commodities	-	(89)	-	**(89)**
Change in fair value in physical contracts (FVH)	-	86	-	**86**
Total 2020	**(14)**	**11**	**-**	**(3)**
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**

(*) It refers to the ineffective portion.

We remind that the accounting principle IFRS 9, which substituted the IAS 39, entered into force starting from January 1, 2018 and moreover changed the amendments in term of hedge accounting. The application of these rules, possible only prospectively, had extended the application of hedge accounting consequently reducing the volatility effects.

4.3.2 Effects of derivatives transactions in Balance Sheet at December 31, 2020

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

(in millions of euros)	12.31.2020			12.31.2019		
Broken down as follows:	Receivables	Payables	Net	Receivables	Payables	Net
- Financial assets (liabilities)	-	(13)	(13)	-	(16)	(16)
- Non-current assets (liabilities)	201	(187)	14	100	(93)	7
- Current assets (liabilities)	428	(412)	16	676	(710)	(34)
Fair Value recognized as assets or liabilities (a)	**629**	**(612)**	**17**	**776**	**(819)**	**(43)**
of which of (a) related to:						
- Interest Rate Risk Management	-	(13)	(13)	-	(16)	(16)
- Exchange Rate Risk Management	-	(85)	(85)	52	(10)	42
- Commodity Risk Management	406	(280)	126	462	(434)	28
- Fair value on physical contracts	223	(234)	(11)	262	(359)	(97)
Broken down on fair value hierarchy:						
- Level 1	59	(1)	58	11	(5)	6
- Level 2	566	(611)	(45)	752	(814)	(62)
- Level 3 (*)	4	-	4	13	-	13
IFRS 7 potential offsetting (b)	**(90)**	**90**		**(147)**	**147**	
Net Fair Value including potential offsetting (a+b)	**539**	**(522)**	**17**	**629**	**(672)**	**(43)**

(*) The fair value classified at level 3 is entirely recognized in Cash Flow Hedge reserve (2 million euros in change of fair value derivatives and 11 million euros in Cash Flow Hedge reserve at 12.31.2019)

It is worth of mentioning that, as a counterpart of assets and liabilities shown above, a positive Cash Flow Hedge reserve by 41 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, 2020

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 12.31.20 (**)	Notional amount at 12.31.19 (*)		Balance sheet value at 12.31.19 (**)
		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	10		83		36		129		(13)	146		(16)
Total interest rate derivatives		**10**		**83**		**36**		**129**		**(13)**	**146**		**(16)**
		due within 1 year		due between 2 and 5 years		due after 5 years		Total			Total		
		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:										**(35)**			**2**
. on commercial transactions	2	258	(280)	146	(159)	-	-	404	(439)	(35)	274	(87)	3
. on financial transactions	2	(38)	38	-	-	-	-	(38)	38	-	(3)	-	(1)
B. Fair Value Hedge pursuant to IFRS 9, broken down as follows:										**(50)**			**40**
. on commercial transactions	2	-	-	-	-	-	-	-	-	(50)	-	-	40
C. Contracts that do not qualify as hedges in accordance with IFRS 9, to hedge margins:								**-**	**-**	**-**			**-**
. on commercial transactions	2	1	(1)	-	-	-	-	1	(1)	-	1	-	-
. on financial transactions	2	-	-	-	-	-	-	-	-	-		-	-
Total foreign exchange rate derivatives		**221**	**(243)**	**146**	**(159)**	**-**		**367**	**(402)**	**(85)**	**272**	**(87)**	**42**

(*) Represents the sum of the notional amounts of the basic contracts that would result from an 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 previous section 4.2.2. "Fair Value hierarchy according to IFRS 13."

It is worth mentioning that since 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; their result were always booked as adjustment of the profit (loss) from discontinued operations. Those derivatives, completely realized in the month of December 2020 following the closing with Energean, are disclosed in the paragraph 9.2 Information pursuant to IFRS 5, which reference should be made for further details. With reference to the figures at December 31, 2019, it is worth mentioning that the fair value arising from those hedges wasn't here included but booked as Assets held for sale.

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 12.31.20 (**)** (in millions of euros)	Notional amount at 12.31.19 (*) Total	Balance sheet value at 12.31.19 (**) (in millions of euros)
A. Cash Flow Hedge pursuant to IFRS 9, broken down as follows:							**53**		**(31)**
- Electric power	3	TWh	(6.77)	-	-	(6.77)	4	(8.90)	13
- Natural Gas	2	Millions of therms	(246.17)	(377.03)	7.47	(615.73)	(36)	310.00	(57)
- LNG and oil	2	Millions of Barrels	8.07	4.21	-	12.28	27	7.00	7
- CO_2	1	Millions of tons	4.50	142	-	5.92	58	11.89	6
B. Fair Value Hedge pursuant to IFRS 9, broken down as follows:							**73**		**59**
- Gas	2	Millions of therms	307.29	(891.05)	(304.59)	(888.35)	91	(333.90)	74
- LNG and oil	2	Millions of Barrels	7.39	9.84	2.86	20.09	(18)	15.00	(15)
C. Contracts that do not qualify as hedges pursuant to IFRS 9, to hedge margins:							**-**		**-**
- Natural Gas	2	Millions of therms	(2.13)	(2.23)	-	(4.36)	-	40.00	-
TOTAL							**126**		**28**

(*) + 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 previous 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.

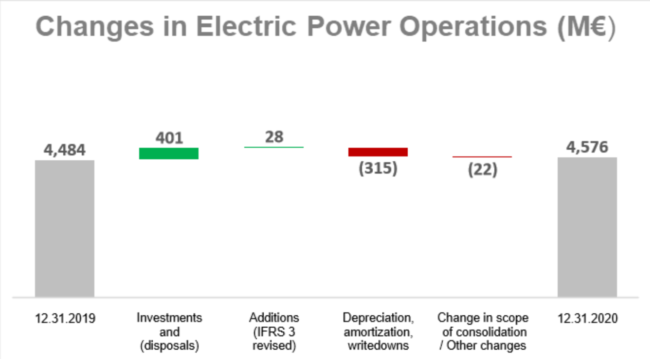
With reference to CO_2 quotas, classified as Cash Flow Hedges, it's worth mentioning that the amounts at December 31, 2019 also included futures with physical delivery in March 2020, referring to compliance for 2019.

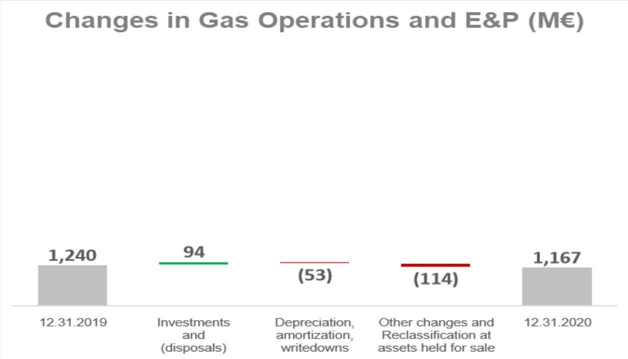
5. FIXED ASSETS AND PROVISIONS

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 12.31.2019 (A)	**3,312**	**344**	**2,220**	**5,876**
Changes in 2020:				
- investments (*)	421	90	-	511
- additions (IFRS 3 revised)	8	19	1	28
- disposals (-)	(5)	-	-	(5)
- depreciation and amortizations (-) (*)	(290)	(62)	-	(352)
- writedown (-)	-	(30)	(5)	(35)
- change in scope of consolidation	(31)	-	-	(31)
- other changes (*)	283	(5)	(1)	277
- reclassification to assets held for sale (-)	(251)	(91)	(41)	(383)
Total changes (B)	**135**	**(79)**	**(46)**	**10**
Balance at 12.31.2020 (A+B)	**3,447**	**265**	**2,174**	**5,886**

(*) Include E&P business in Algeria and Norway





Commitments on fixed assets

Commitments amount 619 million euros (858 million euros at December 31, 2019) and mainly include:

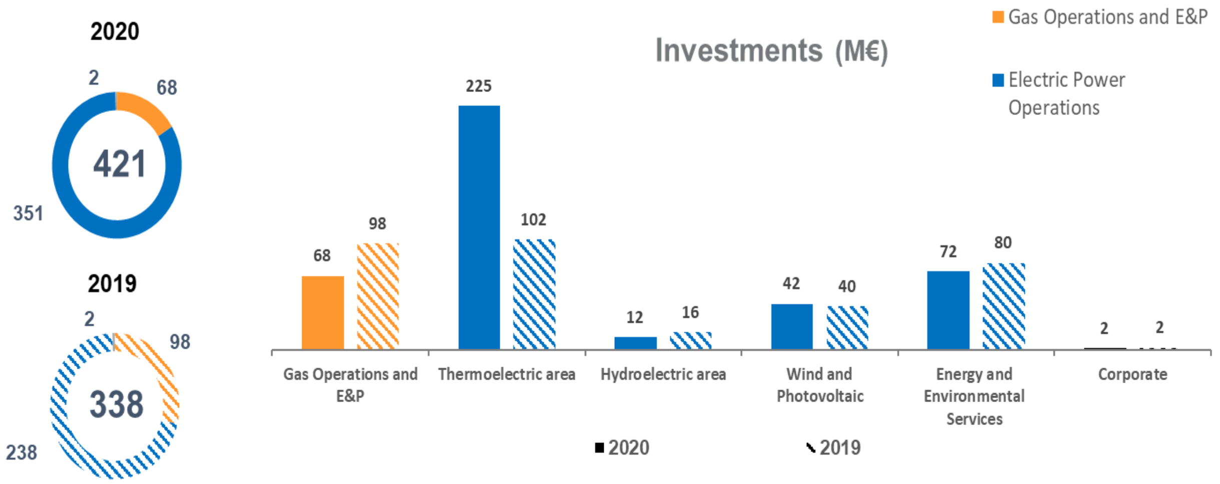
- 466 million euros (563 million euros at December 31, 2019) for the completion of investments in progress in Italy, of which 224 million euros linked to the construction of a latest-generation combined-cycle thermoelectric power plant powered by natural gas in Presenzano in the province of Caserta and 143 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 a shipowner, 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);
- 56 million euros (198 million euros at December 31, 2019) 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 companies controlled by the EDF EN Italia, now Edison Renewable, to secure loans provided by financial institutions. The rights pledged for the wind plant of Bonorva provided to EDF Investissement Groupe (hereafter EDF IG), that at December 31, 2019 amounted to 80 million euros, results now extinguished because of in the first half of 2020, the loan granted by EDF IG to Bonorva Windenergy was repaid early.

5.1.1 Property, plant and equipment

Property, plant and equipment (in millions 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 12.31.2019 (A)	**316**	**2,363**	**112**	**330**	**15**	**176**	**3,312**
Changes in 2020:							
- investments (**)	3	96	2	-	4	316	421
- additions (IFRS 3 revised)	3	-	-	4	1	-	8
- disposals (-)	-	(3)	-	-	(1)	(1)	(5)
- depreciation (-) (**)	(13)	(225)	(12)	(35)	(5)	-	(290)
- change in the scope of consolidation	(13)	(11)	(6)	-	-	(1)	(31)
- other changes (**)	8	130	4	(1)	3	139	283
- reclassification to assets held for sale (-)	(2)	(14)	-	-	(1)	(234)	(251)
Total changes (B)	**(14)**	**(27)**	**(12)**	**(32)**	**1**	**219**	**135**
Balance at 12.31.2020 (A+B)	**302**	**2,336**	**100**	**298**	**16**	**395**	**3,447**

(*) Recorded as required by IFRS 16; relative financial debt is exposed in "Non-current Financial debt" (220 million euros) and in "Current Financial Debt" (31million euros).
(**) Include E&P business in Algeria and Norway

Investments



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

- construction of new gas thermoelectric plants of Marghera Levante and Presenzano;
- construction of new plants in the wind sector;
- activities related to the Energy & Environmental Services Market Division, mainly at industrial sites of the customers FCA (now Stellantis) and CNH Industrial in Italy and abroad.

In **Gas Operations and E&P**, investments mainly concern E&P activities abroad in Algeria and Norway.

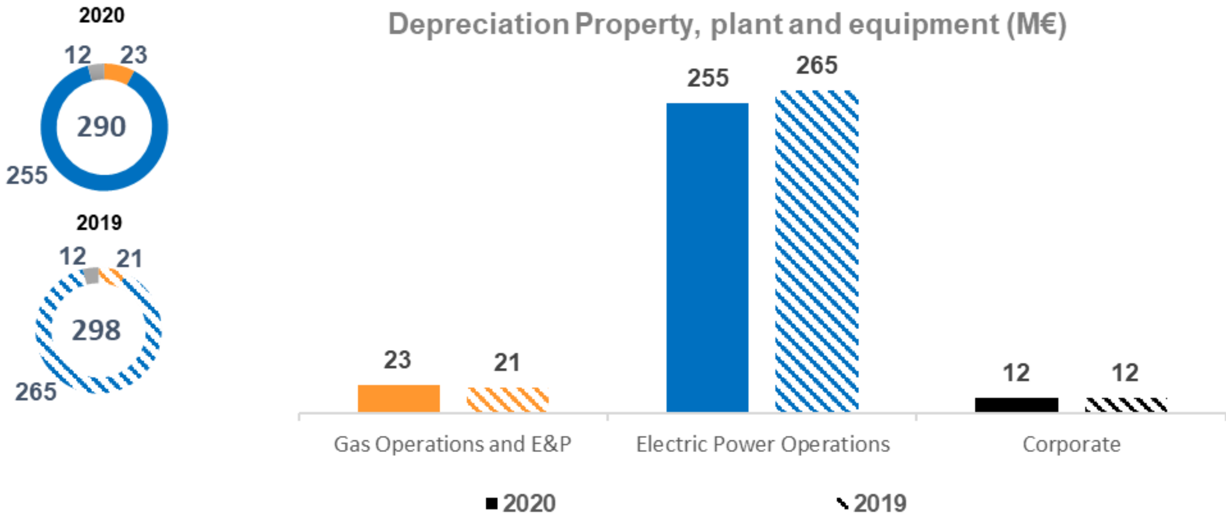
The item **addition (IFRS 3 revised)** refers to the acquisition of the companies Ambyenta and CEA Biogas operating in energy and environmental services; for further information please refer to paragraph 9.1 Information pursuant to IFRS 3 revised.

The item **change in the scope of consolidation** concern the company Dolomiti Edison Energy which has been accounted for using the equity method from July 1, 2020.

The item **reclassification to assets held for sale** concern the assets of Edison Norge and IDG that have been treated as Disposal Groups in accordance with IFRS 5 and therefore reclassified under assets held for sale following the sale agreements signed with the counterparties. For further information please refer to section **9.2.2 Disposal Groups – agreements for the sale of Edison Norge AS and Infrastrutture Distribuzione Gas Spa**.

The borrowing costs capitalized as part of property, plant and equipment, as allowed by IAS 23 revised, were not material.

Depreciation



5.1.2 Intangible assets

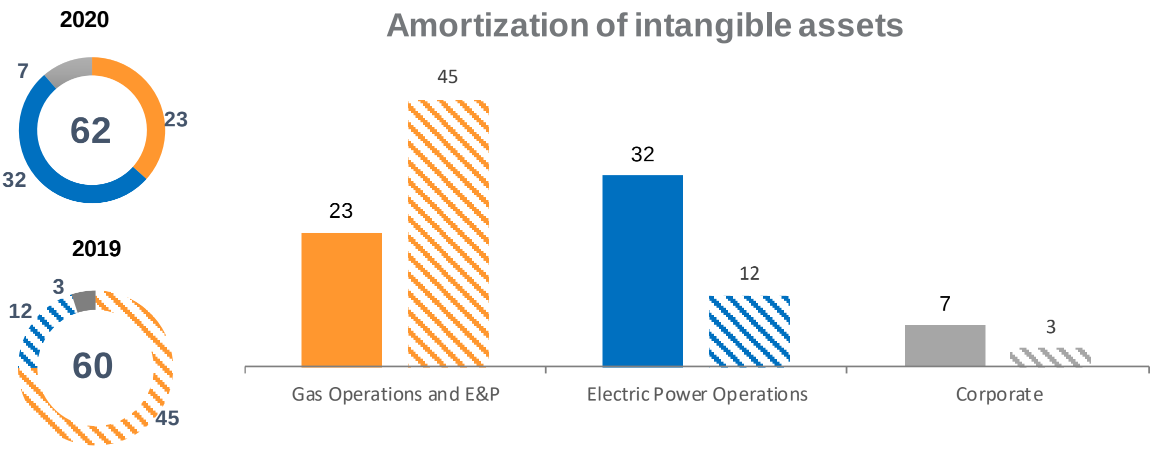
Intangible assets (in millions of euros)	Hydrocarbon concessions	Concessions, licenses, patents and similar rights	Other intangible assets	Work in progres and advances	Total
Balance at 12.31.2019 (A)	**9**	**24**	**289**	**22**	**344**
Changes in 2020:					
- investments (*)	-	16	67	7	90
- additions (IFRS 3 revised)	-	-	19	-	19
- disposals (-)	-	-	-	-	-
- amortization (-) (*)	(2)	(13)	(47)	-	(62)
- writedowns (-)	-	-	(30)	-	(30)
- other changes (*)	-	10	(6)	(9)	(5)
- reclassification to assets held for sale (-)	-	(1)	(90)	-	(91)
Total changes (B)	**(2)**	**12**	**(87)**	**(2)**	**(79)**
Balance at 12.31.2020 (A+B)	**7**	**36**	**202**	**20**	**265**

(*) Include E&P business in Algeria and Norway

Investments

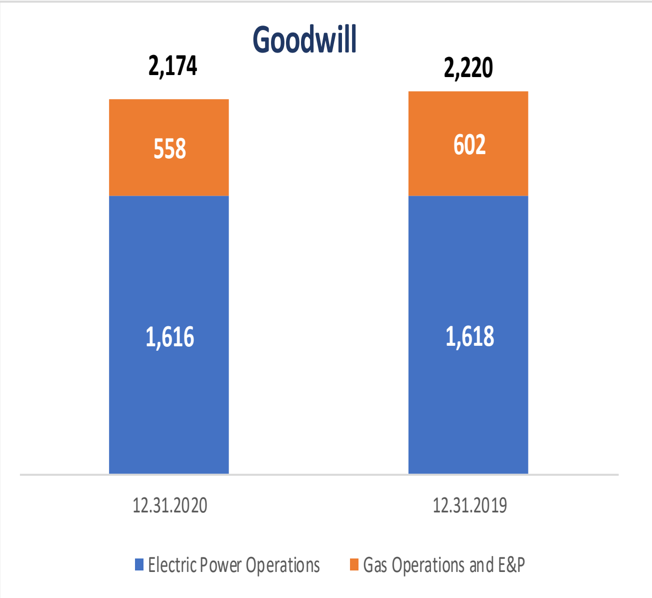
The investments amount to **90 million euros** and mainly concern the capitalization of incremental costs of obtaining new contracts in the commercial sector for about 26 million euros and improvements to third party assets in particular of the Energy & Environmental Services Market Division for commissions related to Public Administration.

Amortization



For details on **writedowns**, 30 million euros, please refer to the disclosure in section **5.1.4 Impairment test in accordance with IAS 36** below.

5.1.3 Goodwill



Goodwill declined in Gas Operations and E&P due to the reclassification of the company Infrastrutture Distribuzione Gas Spa to Assets held for sale (41 million euros); this amount includes 39 million euros for the allocation, pursuant to IAS 36 par. 86, of a portion of the indistinct goodwill of the business segment and 2 million euros for the goodwill previously recognized in the balances of the company.
The overall decrease in goodwill also reflects the effect of the impairment recognized during the year (5 million euros) described in 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 35 million euros were recognized (30 million euros on intangible assets and 5 million euros on goodwill allocated to specific CGUs) of which 28 million euros attributable to Electric Power Operations and 7 million euros attributable to Gas Operations and E&P.

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 assets related to Norwegian E&P and gas distribution activities are classified as Assets held for sale, for further information, please see paragraph 9.2 Information pursuant to IFRS 5.

In 2020 the test was performed on 15 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 Services Market	Revision of the expected profitability of contracts with Public Administration	5.6%-6.6%	28
Gas Operations and E&P			
CGUs Gas & Power Market	Revision of forecasted growth / churn rate increase	6.2%-7.2%	7
Total impairment writedowns			**35***

(*) Includes 5 million euros writedown on goodwill allocated to those CGUs

In 2020 the trend of the scenario variables has been strongly influenced by the COVID-19 pandemic which generated a contraction in the global demand with repercussions on all the energy commodities prices.
During the first semester there has been a strong reduction in the energy commodity prices (Brent, TTF, PUN) which at the end of the 2020 showed recovery signals; however still remain uncertainty about expected values and, in general, the projections are on a level below compared to the ones available at the end of 2019.
The lockdown period following the spread of COVID-19 brought a general reduction of natural gas and electric power consumption in Italy, for which is expected a partial recovery in 2021.

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

- in general, and compared to the previous year, the 2020 impairment test's reference scenario considers a decrease of energy commodity prices.
- In developing the reference scenario for the Italian electricity market, in continuity with previous year's test, 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. In the test it was included the contribution of two new thermoelectric power plants whose construction is currently ongoing and that will begin to produce starting from the end of 2022, whereas for the existing plants it has been supposed the extension of the incentives based on prudential tariffs compared to those resulting from previous tenders.
- The WACC used in the 2020 impairment test are lightly higher than the one used in the previous year because of the market dynamics due to the spread of COVID-19. The Central Banks' interventions have strongly limited the crisis impact and at the end of the year the rates have settled on a similar level compared to last year. Given the future uncertainty, for the development of the test have been taken as a reference risk-free rates in line with those observed at December 2019 and June 2020 before the significant drop of interest rates noticed in the second semester of 2020. The WACC reference values are 5.6% for Electric Power Operations (5.2% in 2019) and between 5.9% and 7.1% for Gas Operations and E&P (between 5.6% and 7% in 2019).

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' peculiarities.
Overall, the goodwill's recoverable amount is widely higher than its carrying amount.

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 was analyzed the hypothetical impact of the non-renewal of the capacity premium mechanism at the end of the periods already assigned to Edison (2024 for the existing plants and after 15 years for the plants in construction). The sensitivity was performed being equal the other scenario variables. The total impact on the Electric Power Operations' recoverable amount is a reduction of about 290 million euros anyway without the arising of an impairment.

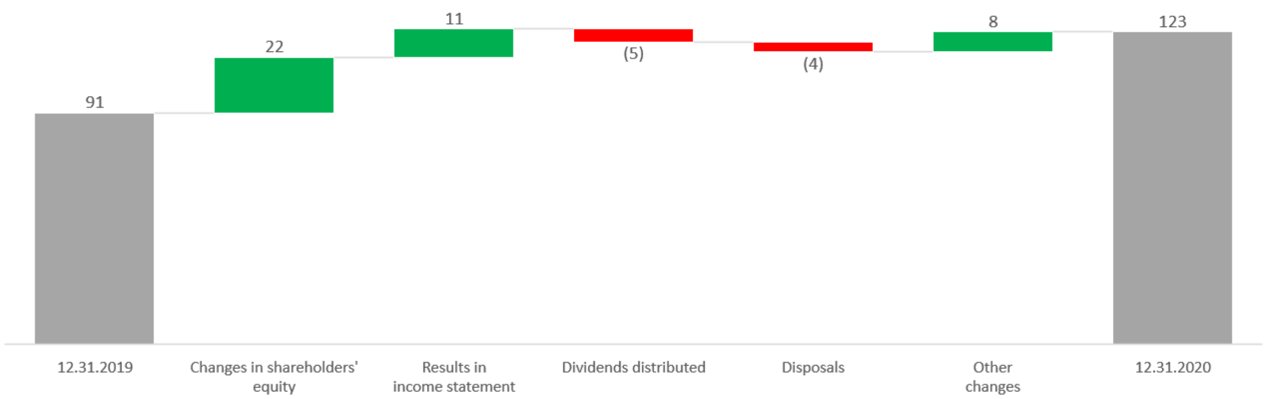
With reference to the goodwill, key variables were then used as inputs in Montecarlo simulation to target the recoverable value.

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 +/- 230 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 **changes in shareholders' equity** include the contributions to the company IGI Poseidon and are related to the pipeline Eastmed. The **results in income statement** refer mainly to the companies Ibiritermo, IGI Poseidon, Elpedison Sa and Dolomiti Edison Energy. The **dividends distributed** refer mainly to the company Ibiritermo.

Referring to the **disposals** item please note that in October 2020, Edison, which owns a minority stake in Depositi Italiani GNL (DIG), sold 19% of the equity investment (corresponding to a carrying value of about 4 million euros) to Scale Gas at the price of about 7 million euros including a premium on the shares. Such operation implied a **gain** in the income statement equal to 3 million euros.

Furthermore it should be noted also the deconsolidation, starting from July 1, 2020, of the company Dolomiti Edison Energy Srl, following the application of new governance and management agreements, which entered into force at the same date and resulted in the loss of control over relevant activities; in the second half of 2020 this company is therefore classified as an associate and accounted for using the equity method.

5.2.2 Other non-current financial assets

These amount to 80 million euros (68 million euros at December 31, 2019) and include mainly:

- for 47 million euros (46 million euros at December 31, 2019), the financial receivable towards the company Elpedison Sa; these amounts are net of a provision of about 5 million euros (10 million euros at December 31, 2019). Note that the capital repayments and the payments of the interest due during the year have been regularly made; it should be noted that such receivable at December 31, 2019 was hold by Edison International Holding, merged in Edison on December 1, 2020;
- for 10 million euros the financial receivable of Edison towards the company DIG referring to a shareholders loan granted in October expiring in 2036;
- for 7 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, 2020 the fair value is substantially aligned to the cost;

- for 4 million euros restricted bank deposits of renewables sector (11 million euros at December 31, 2019).

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

Income from (Expense on) equity investments (in millions of euros)	2020	2019	Changes
Investments valued by equity method	11	2	9
Capital Gain	3	-	3
Others	-	4	(4)
Income from (Expense on) equity investments	**14**	**6**	**8**

Commitments

Guarantees amounting to approximately 70 million euros (48 million euros at December 31, 2019) were recognized, provided by Edison to financial institutions in the interest of Elpedison; it should be noted that such guarantees at December 31, 2019 were hold by Edison International Holding NV, merged in Edison Spa on December 1, 2020.

5.3 Provisions for risks and employee benefits

(in millions of euros)	12.31.2019	Changes in the scope of consolidation	Additions	Utilizations	Financial expenses	Other changes (*)	Reclassification to liabilities held for sale	12.31.2020
Employee benefits	38	-	1	(2)	1	-	(1)	37
Provisions for decommissioning and remediation of industrial sites	163	-	-	(3)	6	19	(13)	172
Provisions for risks and charges	342	1	58	(26)	1	(136)	(12)	228
Total	**543**	**1**	**59**	**(31)**	**8**	**(117)**	**(26)**	**437**

(*) Other changes include the reconsolidation of the amounts referred to E&P business in Algeria and Norway

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) losses are recorded in equity. The evaluation 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 changes during the year reflect mainly: (i) the increase for the discounting effect, under the income statement item ‘Other net financial income (expense)’ and (ii) the other effects following the application of IFRS 5 accounting standard relating to E&P business in Algeria and Norway.

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. Please note that at December 31, 2019 they included, for about 146 million euros, the valuation of 2019 needs for CO_2 emission rights; other changes of the year reflect the reversal following the purchase of emission rights occurred in March. The additions of the year include for 25 million euros the constitution of a provision referred to onerous contracts of the Energy & Environmental Services Market Division. At December 31, 2020 they include also 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.

However, it is necessary to note that 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. The legitimacy of the reformulation of art. 20 and its interpretative nature was confirmed by a 2020 ruling of the Constitutional Court.

In January 2021, the pending dispute, after some postponements also due to the pandemic situation, was discussed before the Court of Cassation and the decision is currently pending.

In the current year there were no changes in the provision pending the Supreme Court ruling.

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

In 2020 an agreement was entered into with the municipality of Piateda to settle disputes and taxes relating to the years 2009 - 2015 with expenses covered in full by the existing provision for risks and the amount established by the Municipality as a reimbursement for some years was collected in 2020. A discussion group was opened with the Municipality to decide on the settlement of earlier years, from 2003 to 2008, years for which the tax base for ICI is not the property registry value but the carrying amount. It is believed that the existing provision for risks is sufficient to cover the possible expenses.

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 also concerned by the regulatory amendments cited above, in relation to the dispute for registration tax relating to the Taranto plants, and the confirmation of the legitimacy of the current art. 20 of the registration law and its interpretative nature following the ruling of the Constitutional Court.

This dispute, pending before the Court of Cassation following the Regional Commission’s decision that was unfavourable to the Company, also after several postponements, was discussed before the Supreme Court in December 2020 and a decision is currently pending. The tax was already paid in full while lawsuit was pending.

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 Energia Spa – Electric power additional charges reimbursement

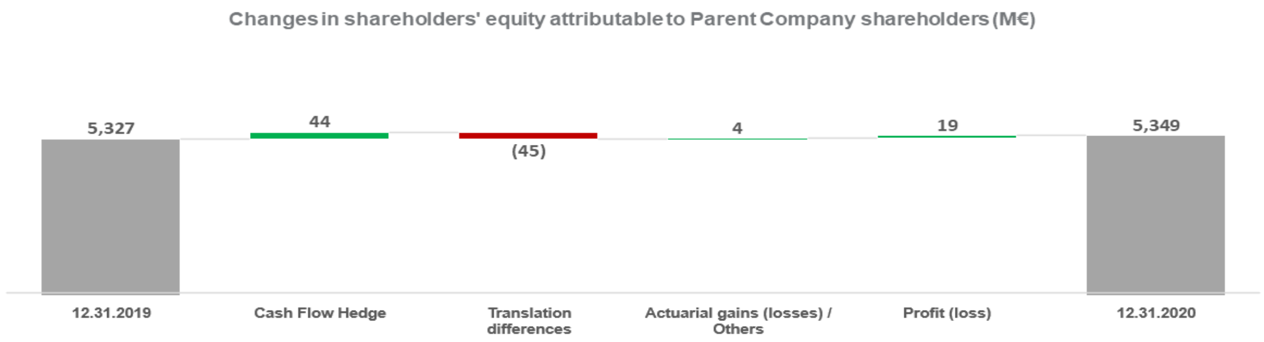
Following some recent sentences of the Court of Cassation, which established the illegitimacy of the electric power additional charges, a significant number of reimbursement application for these additional charges, already suppressed in 2012, have been sent towards Edison Energia by customers active in the years 2010 and 2011.

Edison Energia, just like all the others electric power companies, has always collected and deposited to the tax authority the additional charges established by the regulations in force at the time and therefore every reimbursement owed to the customers has to find a corresponding right for the supplier to recover the same amounts from the tax authority. The company is managing the current litigation considering also the contingent recovery actions of these taxes.

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

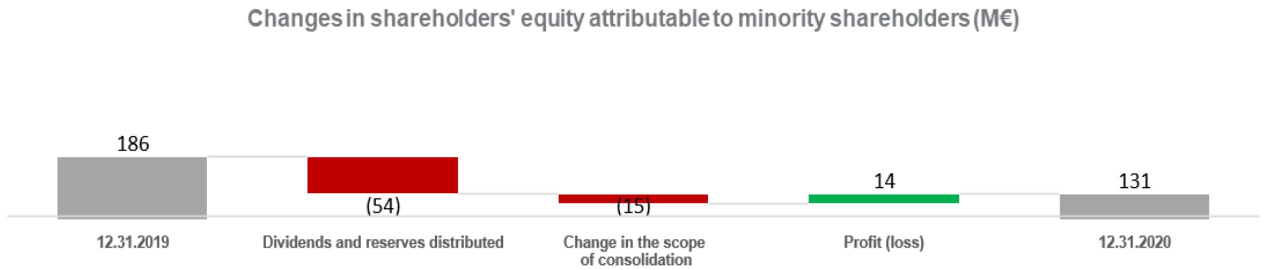
6.1 Shareholders' equity

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:

- translation differences include for 31 million euros the reversal to the Income Statement of the positive net translation reserves related to E&P companies sold to Energean;
- 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 the company E2i Energie Speciali;
- change in the scope of consolidation refers to the deconsolidation of Dolomiti Edison Energy which has been accounted for using the equity method from July 1, 2020.

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. The increase in the reserve is due to the generalized rise of the forward prices at the end of the year, in particular in the CO_2 emission rights market, thanks to the futures undersigned by the Company during the year at lower prices.

Cash Flow Hedge Reserve (in millions of euros)	**Gross reserve**	**Taxes**	**Net reserve**
Reserve at 12.31.2019	(21)	7	(14)
Change in the period	62	(18)	44
Reserve at 12.31.2020	**41**	**(11)**	**30**

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.

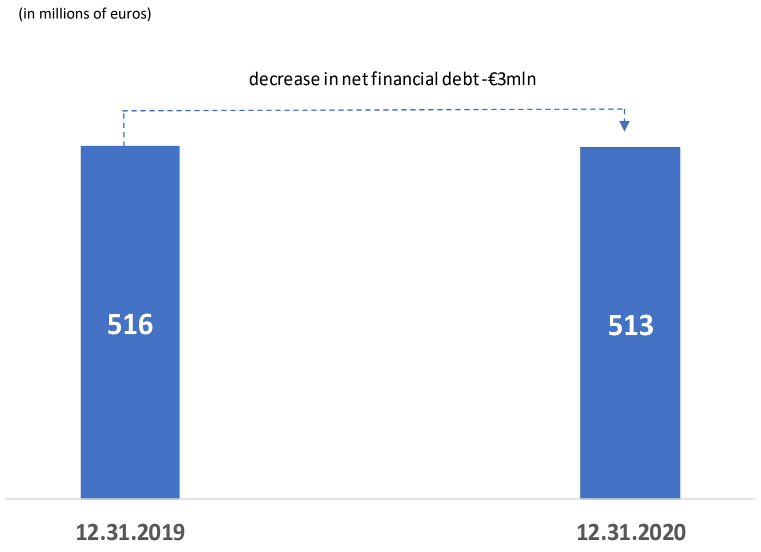
To support certain investment activities, Edison resorts to the market whenever specifically attractive opportunities of financing arise. This is the case of some credit lines granted to Edison by the European Investment Bank (EIB). In addition to the lines of credit already received in the past for the development of specific projects in the wind and the gas storage sector, in June 2020 two new loans were taken out for a total of 450 million euros. One loan is dedicated to the Marghera Levante project, for the construction of a new high-efficiency combined cycle gas plant with low environmental impact to replace the old thermoelectric power plant currently being decommissioned. This project contributes towards guaranteeing stability and security in procurement for the national electricity system, in line with the transition phase of the EIB's new Energy Lending Policy. The EU bank has also granted Edison the first Italian Green Framework Loan for the development of a portfolio of energy efficiency projects and renewable plants, supporting the strategy for the Company's consolidation as a responsible operator with a sustainable business model, aligned with the objectives laid out in the National Energy and Climate Plan.

At December 31, 2020 Edison's credit rating is BBB- with a stable outlook for Standard & Poor's and Baa3 with a positive outlook for Moody's. Later, on January 22, 2021, Standard & Poor's updated the outlook from stable to positive.

6.3 Net financial debt and cost of debt

Net financial debt at December 31, 2020 amounts to 513 million euros (516 million euros at December 31, 2019).

Change in net financial debt



An analysis of change in net financial debt is reported below.

Analysis of changes in net financial debt

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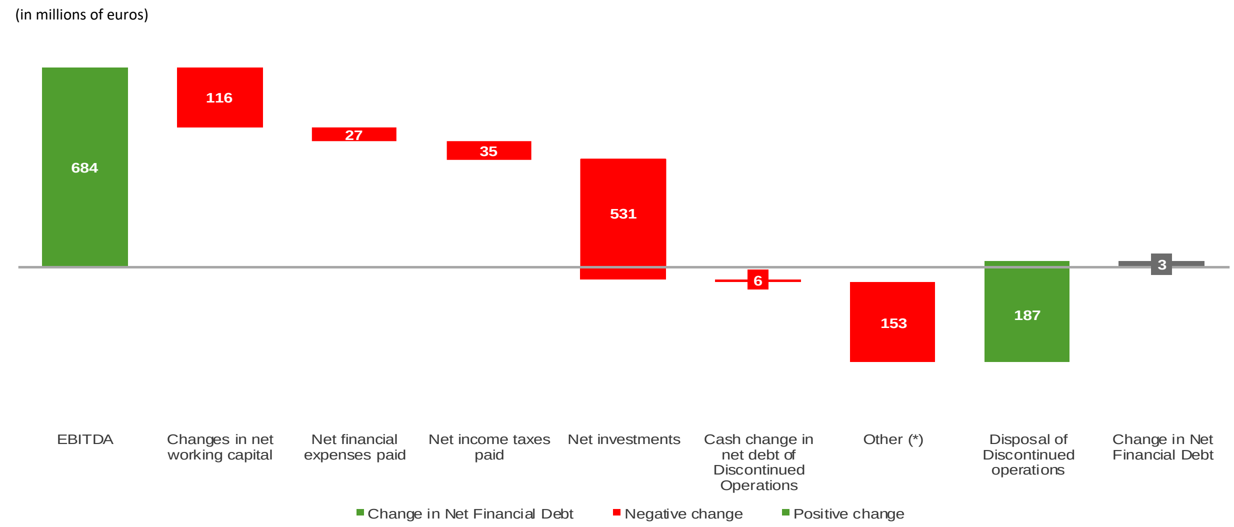


(*) Including non-monetary items in EBITDA for 111 million euros

The main cash flows of the year derive from the positive operating performance, previously commented, the cash absorption of working capital and net investments, which include:

- capital expenditures (491 million euros), mainly for the construction of combined cycle gas turbines in the thermoelectric plants of Marghera Levante (83 million euros) and Presenzano (89 million euros), the environmental and energy services (102 million euros), the wind and photovoltaic sectors (43 million euros) referred mainly to the complete reconstruction of wind farms, and the activities of Exploration & Production not in the perimeter of the sale to Energean (63 million euros);

- net effects of changes occurred in the scope of consolidation, totaling 17 million euros, mainly pertaining to the aforementioned acquisitions of the companies CEA Biogas Srl and Ambyenta Srl in the environmental and energy services;
- net investments in non-current financial assets (26 million euros) which include for 22 million euros capital contributions in the company IGI Poseidon Sa linked to Eastmed pipeline and for 3 million euros net investments in small scale LNG sector.

The change in net financial debt is also affected by:

- the payment of dividends to minority shareholders for 51 million euros as well as the payment of CO_2 emission rights referred to 2019 compliance. These effects are reflected in the item Other (negative by 153 million euros) which includes also the elimination of the use of the 2019 CO_2 provision (146 million euros), carried out in March 2020, following the physical delivery of the emission rights;
- **the sale of the discontinued operations**, which determined the cash in of a consideration for 220 million euros and the deconsolidation of the net liquidity of the companies of the E&P business included in the scope of the sale to Energean for 33 million euros.

Net financial debt, which overall value at December 31, 2020 is aligned to the value at December 31, 2019, can be broken down as follows:

Net financial debt (in millions of euros)	12.31.2020	12.31.2019	Change
Non-current financial debt	623	615	8
- Due to banks	402	318	84
- Due to EDF Group companies	-	34	(34)
- Debt for leasing	220	259	(39)
- Due to other lenders	1	4	(3)
Assets for financial leasing	(2)	(2)	-
Non-current net financial debt	**621**	**613**	**8**
Current financial debt	229	358	(129)
- Due to banks	74	49	25
- Due to EDF Group companies	16	14	2
- Debt for leasing	31	33	(2)
- Debt for valuation of Cash Flow Hedge derivatives	13	16	(3)
- Due to other lenders (°)	95	246	(151)
Current financial assets (°°)	(7)	(347)	340
Cash and cash equivalents	(313)	(283)	(30)
Current net financial debt	**(91)**	**(272)**	**181**
Net financial debt Assets held for sale	**(17)**	**175**	**(192)**
Net financial debt	**513**	**516**	**(3)**
of which:			
Gross financial debt	**853**	**869**	**(16)**
Cash and cash equivalents and financial assets	**(340)**	**(353)**	**13**

(°) At December 31, 2019 it included financial debt versus Assets held for sale for 138 million euros.
(°°) At December 31, 2019 it included financial receivables versus Assets held for sale for 341 million euros.

The **non-current net financial debt** is substantially stable compared to December 31, 2019. It is worth mentioning:

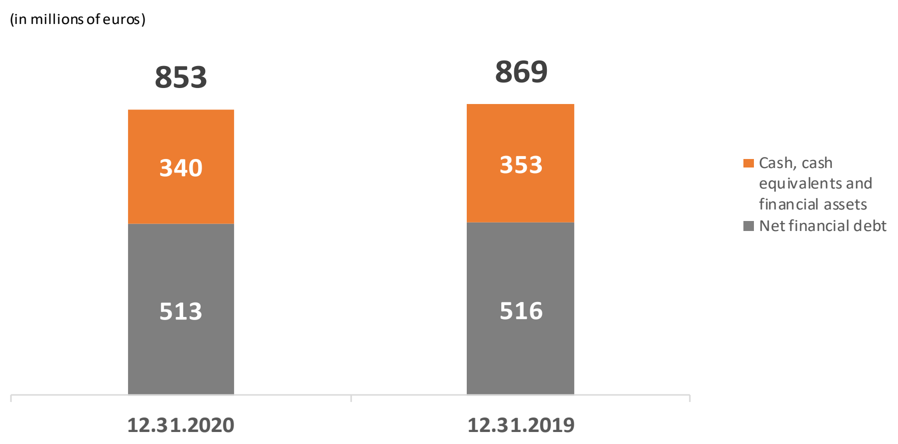
- the increase in amounts due to banks as a result of the drawdown of the first tranche of 50 million euros of the loan granted by EIB to Edison Spa in June 2020 for the upgrade of the CCGT plant in Marghera Levante and of two new utilizations for 50 million euros on the E2i Club Deal loan;
- a reduction in other items of the non-current financial debt, determined by the debt refinancing process of EDF EN Italia (now merged into Edison Renewables Srl) and its subsidiaries, already started in the last quarter of 2019. During the year, in fact, the loan granted by EDF Investissement Groupe (EDF IG) to Bonorva Windenergy, a subsidiary of Edison

Renewables (recognized for 34 million euros in non-current debts and for 6 million euros in current debts at December 31, 2019), was repaid early, and there was a reduction in debt for leasing for 39 million euros, due from one side to normal repayment plans and from the other side to early repayment and the refinancing at more favourable conditions.

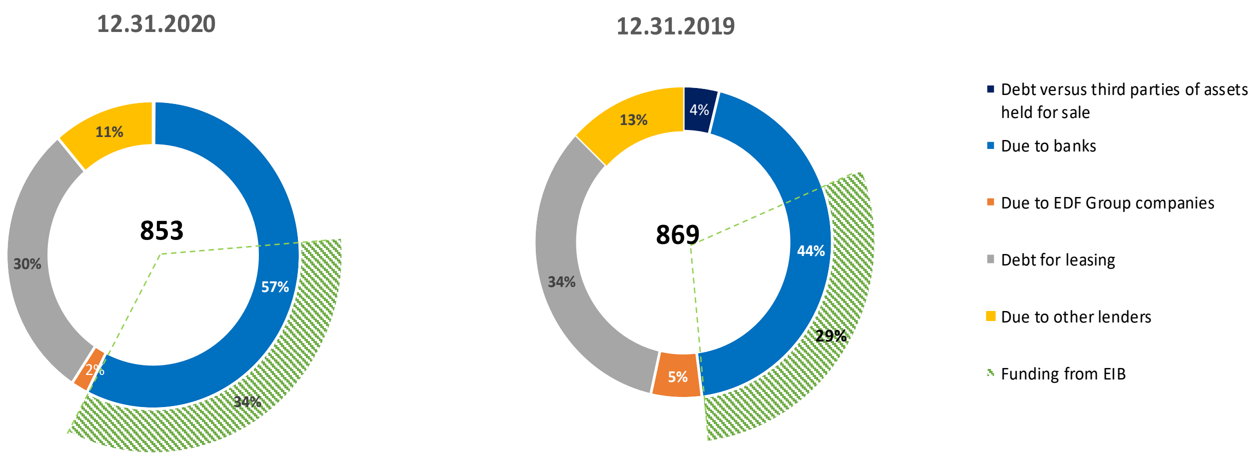
The trend in **current net financial debt** primarily reflects on the one hand the collection from the sale to Energean, and on the other the elimination of the current financial receivable and current financial payable balances versus Assets held for sale (amounting to 341 million euros and 138 million euros respectively at December 31, 2019) which matches the deconsolidation of the net financial debt of discontinued operations.
It should be noted that **Cash and cash equivalents** include 213 million euros (156 million euros at December 31, 2019) in available funds held in the current account with EDF Sa and 100 million euros in bank current account balances (127 million euros at December 31, 2019) consisting mainly of the cash balances in the current accounts of companies with non-centralized cash management systems.

Net financial debt Assets held for sale includes at December 31, 2020 the financial items versus third parties of Edison Norge AS and Infrastrutture Distribuzione Gas Spa, reclassified as disposal groups in these Consolidated Financial Statements, for a net liquidity amounting to 17 million euros. Please remember that at December 31, 2019 this item included the net financial debt attributable to the companies of the E&P business.

Gross financial debt and breakdown by financial source (*)



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

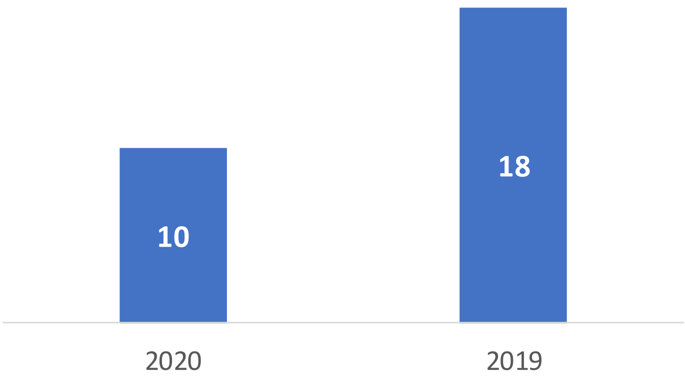


The composition of gross financial debt at December 31, 2020 is changed mainly due to the increase in amounts due to banks.

These essentially include long-term loans for the development of specific projects in the wind sector and gas storage and for the construction of Marghera Levante 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, whose utilization increased by a total of 100 million euros in 2020.

Net financial expense on debt

(in millions of euros)



Net financial expense on debt decreased compared to 2019 mainly as a result of the one-off costs incurred during the last quarter of the last year, linked to the loan refinancing process of EDF EN Italia (now Edison Renewables) and its subsidiaries by intra-Group loans. In addition the cost of debt for Edison Group decreased as well. 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)	12.31.2019	Cash flow (*)	Non-cash flow						12.31.2020
			IFRS 5 effects discontinued operations	IFRS 5 effects disposal groups	Change in the scope of consolidation (**)	Currency differences	Changes in fair value (***)	Other changes	
Financial debt (non-current and current)	957	17	(132)	(1)	(3)	(6)	-	7	839
Fair value on interest rate derivatives	16	-	-	-	-	-	(3)	-	13
Assets for financial leasing	(2)	-	-	-	-	-	-	-	(2)
Current financial assets	(347)	3	341	-	-	-	-	(4)	(7)
Net liabilities resulting from financing activities	**624**	**20**	**209**	**(1)**	**(3)**	**(6)**	**(3)**	**3**	**843**
Cash and cash equivalents (*)	(283)	(54)	11	18	-	-	-	(5)	(313)
Net financial debt Assets held for sale	**175**	**6**	**(187)**	**(17)**	**0**	**6**	**0**	**0**	**(17)**
Net financial debt	**516**	**(28)**	**33**	**-**	**(3)**	**-**	**(3)**	**(2)**	**513**

(*) Flows shown in the Cash Flow Statement.

(**) Related to IFRS 3 acquisitions and to the deconsolidation of Dolomiti Edison Energy

(***) Related to the hedges on interest rates (IRS) outstanding on some loans

6.4 Financial risk management

6.4.1 Interest rate risk

The Edison Group's exposure to interest rate risk remained substantially stable. Please remember that fixed-rate debts are represented in good portion by IFRS 16 leases, by drawdowns for 100 million euros on EIB funds and by loans of subsidiaries of Edison Renewables. The remaining debt is mainly indexed at the Euribor rate. Edison Group 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 utilized.

Gross Financial Debt	12.31.2020			12.31.2019		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion (*)	260	389	46%	314	464	53%
- variable rate portion	593	464	54%	555	405	47%
Total gross financial debt (*)	**853**	**853**	**100%**	**869**	**869**	**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 2020 and provides a comparison with the corresponding data for 2019.

Sensitivity analysis (in millions of euros)	**2020** **Impact on financial expense**			**2019** Impact on financial expense		
	+50 bps	**base**	**-50 bps**	+50 bps	base	-50 bps
Edison Group	**16**	**16**	**15**	17	18	18

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)	12.31.2020			12.31.2019		
	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 (**)	85	50	684	37	77	696
Trade payables	1,131	125	-	1,356	69	-
Total debt	**1,216**	**175**	**684**	**1,393**	**146**	**696**
Guarantees provided to third parties (***)	**-**	**70**	**-**	**-**	**1**	**47**
Cash and cash equivalents	**313**	**-**	**-**	**283**	**-**	**-**

(*) The amounts exclude debt attributable to Assets 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.

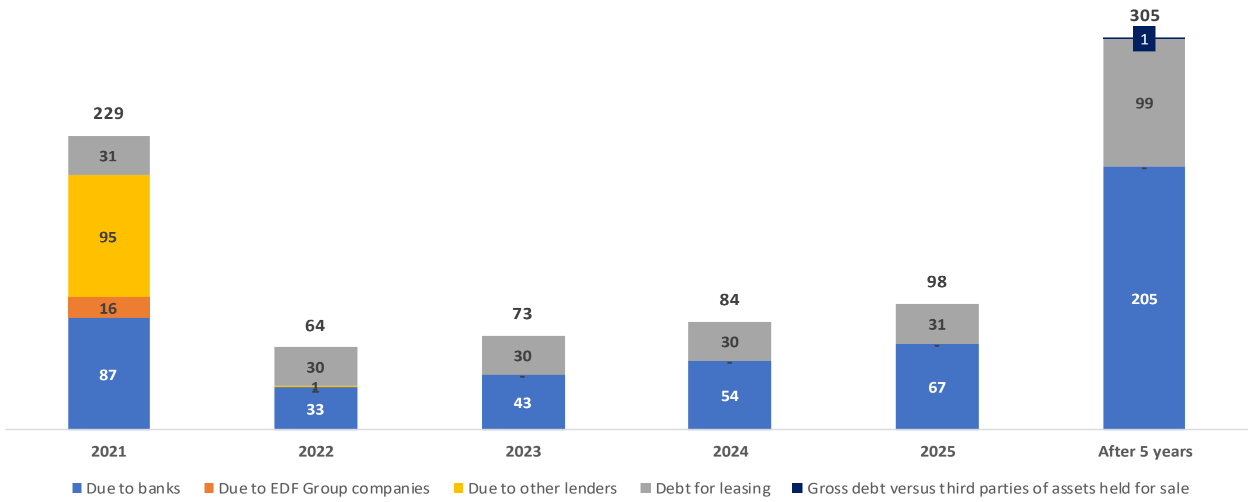
The **financial debt due within one year**, amounting to 135 million euros (114 million euros at December 31, 2019) relates mainly to accounting overdrafts on current accounts, margin-setting accounts dedicated to transactions on commodities of the Industrial Portfolio and, to a lesser extent, the principal and interest on long-term loans falling due.
Financial debt due after one year (684 million euros) is stable compared with December 31, 2019 (696 million euros). The reductions due to the repayment plan for existing loans have been offset by the new utilizations of E2i Club Deal Loan and of EIB loan dedicated to Marghera Levante (50 million euros each).

At December 31, 2020, the Edison Group also has cash and cash equivalents of 313 million euros, of which 213 million euros on the treasury current account with EDF Sa.

At December 31, 2020, the Group has unused committed lines of credit totalling 1,030 million euros, represented:

- by the two-year revolving credit line (600 million euros) signed with EDF Sa on April 9, 2019, which will expiry in April 2021;
- 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 100 million euros at December 31, 2020);
- by the loan granted by the EIB in mid-June 2020 for an amount of 150 million euros (used for 50 million euros at December 31, 2020) to upgrade the latest-generation combined cycle plant in Marghera Levante (Venice). The loan has a duration of 15 years;
- by the Green Framework Loan for 300 million euros granted by the EIB at the end of June 2020 to finance the creation of a portfolio of projects throughout Italy for energy efficiency and for the construction of renewable energy plants. The line of credit has a duration of 15 years and may be used over the next four years.

Gross financial debt: debt maturities



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, now Edison Renewables, they have the typical financial obligations characteristic of project finance; part of these loans, with a nominal value of about 83 million euros, was repaid (70 million euros in 2019 and 13 million euros in 2020, respectively), while the others are being restructured or renegotiated.

At December 31, 2020, the covenants were adequately respected for all Edison Group companies, with the exception of one, with completely irrelevant impacts at Group level and with respect to which remediation measures have already been adopted.

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 at December 31, 2020, 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 governance 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)	2020	2019	Change
Current taxes	8	(73)	81
Net deferred-tax assets (liabilities)	(61)	80	(141)
Other	14	-	14
Total	**(39)**	**7**	**(46)**
Tax rate	**17.0%**	**n.a.**	n.a.

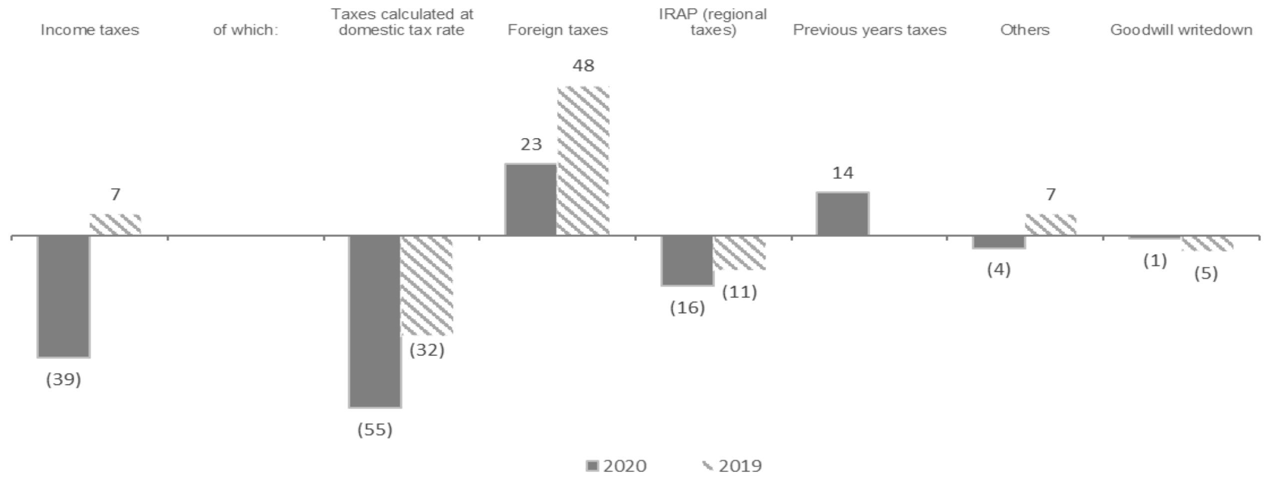
The calculation of taxes was performed considering that the sale of the companies in the E&P business (discontinued operations) has been completed during the year.
Current taxes decrease compared to the previous year is mainly due to lower IRES of Parent company for lower basis for taxes and to an increase of credit for current foreign taxes, as described below, while the gain from Consolidated Income Tax Return is reduced.

The Group's tax rate in 2020, compared to previous year, mainly reflects:

- a lower fiscal gain referred to foreign taxes; it should be noted that in 2020 is included a net tax benefit of 5 million euros related to the introduction in Norway of provisions in the E&P sector for the COVID-19 emergency, which resulted in a higher credit for current taxes due to immediate tax deductibility recognized to the investment operations and a consequent reduction in related deferred-tax assets;
- a lower charge of IRES on result before taxes;
- a benefit of 14 million euros in the current year for previous years taxes, included in the item **Other**, that there were not significant in 2019.

It should also be noted that in 2019 the tax rate was impacted by the income recognized in the Consolidated Income Tax Return by the controlling company Transalpina di Energia (TdE) for the use of tax losses carried forward that were not fully valued in deferred-tax assets and the not deductibility of goodwill writedown.

The reconciliation between the theoretical tax burden determined by applying the IRES tax rate in force in Italy of 24% (unchanged compared to 2019) and the effective tax burden is shown in the following chart:



7.2.2 Income taxes paid

Net income taxes paid during the year amounted to 35 million euros and include:

- the following payments:
  - 51 million euros for IRES to controlling company TdE in the Consolidated Income Tax Return;
  - 21 million euros for IRAP;
  - 7 million euros for IRES (for those companies that are excluded from the Consolidated Income Tax Return);
  - 7 million euros for the last tranches of payments related to certain tax disputes that were included in the scope of application of the so-called "pace fiscale" (provided for by Decree Law no. 119/2018 "Urgent provisions in tax and financial matters", as converted into Law 136 of 2018). Tax liabilities is now fully paid;
- income taxes collected mainly referred to the taxes recognized by the Norwegian government to Edison Norge for 51 million euros (of which 40 million euros referred to Norwegian tax law to support companies affected by COVID-19 effects).

7.3 Tax assets and liabilities

7.3.1 Current and non-current tax receivables and payables

At December 31, 2020, net payables of 35 million euros are recognized (net payables of 43 million euros at December 31, 2019); details are provided in the following table.

Current and non-current tax receivables and payables (in millions of euros)	12.31.2020	12.31.2019	Change
Non-current tax receivables	2	35	(33)
Current tax receivables	10	7	3
Receivables owed by the controlling company in connection with the filing of the consolidated income tax return	6	19	(13)
Total tax receivables (A)	**18**	**61**	**(43)**
Current tax payables	8	26	(18)
Liabilities owed to the controlling company in connection with the filing of the consolidated income tax return	45	78	(33)
Total tax payables (B)	**53**	**104**	**(51)**
Current and non-current tax receivables (payables) (A-B)	**(35)**	**(43)**	**8**

The decrease in receivables for non-current taxes mainly refer to the sale without recourse to a factoring company of taxes paid for the so-called Robin Tax and claimed for reimbursement in previous years (30 million euros).
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)

Main Group companies signed for the three-year period 2019-2021 the option 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, 2020, net deferred-tax assets of 97 million euros are recognized (net deferred-tax assets of 121 million euros at December 31, 2019); details are provided below.

Deferred-tax asset (in millions of euros)	12.31.2020	12.31.2019	Change
Tax losses carryforward	-	-	-
Taxed provision for risks	128	139	(11)
Application of IFRS 9 to value financial instruments with impact:			
- on Shareholders' equity	3	12	(9)
Valuation differences of fixed assets	44	57	(13)
Others	14	8	6
Deferred-tax assets	**189**	**216**	**(27)**

Deferred-tax assets increased for a non-significant amount 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).

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)	12.31.2020	12.31.2019	Change
Deferred-tax liabilities:			
- Valuation differences of fixed assets	76	96	(20)
- Application of IFRS 9 to value financial instruments with impact:			
- on Shareholders' equity	12	-	12
- Others	4	4	-
Total deferred-tax liabilities before offset (A)	**92**	**100**	**(8)**
Deferred-tax assets usable for offset purposes:			
- Valuation differences of fixed assets	-	5	(5)
- Others	-	-	-
Total Deferred-tax assets (B)	**-**	**5**	**(5)**
Deferred-tax liabilities (A-B)	**92**	**95**	**(3)**

It is worth noting that, following the business combination transactions that occurred during the year, deferred-tax liabilities were recognized for 5 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)	12.31.2019	Impact on Income Statement	Impact on Shareholders' equity	Changes in scope of consolidation	Reclassification to Assets / Liabilities held for sale	Other changes / Reclassifications / Offsets	12.31.2020
Deferred-tax liabilities (-):							
Valuation differences of fixed assets	96	(15)	-	3	-	(8)	76
Application of IFRS 9 to value financial instruments with impact:							
- on Shareholders' equity	-	-	12	-	-	-	12
Others	4	-	-	-	-	-	4
Total	**100**	**(15)**	**12**	**3**	**-**	**(8)**	**92**
Offset	(5)	-	-	-	-	5	-
Deferred-tax liabilities net of offset	**95**	**(15)**	**12**	**3**	**-**	**(3)**	**92**
Deferred-tax assets:							
Tax losses carryforward	-	-	-	-	-	-	-
Taxed provisions for risks	139	(14)	-	-	-	3	128
Application of IFRS 9 to value financial instruments with impact:							
- on Shareholders' equity	12		(9)	-	-	-	3
Valuation differences of fixed assets (*)	62	(63)	-	-	(11)	56	44
Others	8	1	-	-	-	5	14
Total	**221**	**(76)**	**(9)**	**-**	**(11)**	**64**	**189**
Offset	(5)	-	-	-	-	5	-
Deferred-tax assets net of offset	**216**	**(76)**	**(9)**	**-**	**(11)**	**69**	**189**
(Deferred-tax liabilities) / Deferred-tax assets	**121**	**(61)**	**(21)**	**(3)**	**(11)**	**72**	**97**

(*) The changes in 2020 include E&P business in Norway.

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 2020 amounts to 55 million euros (net expenses of 40 million euros in the previous year) and includes 10 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)	12.31.2019	Additions	Utilizations	Financial expenses	Other changes	12.31.2020
A) Risks for disputes, litigations and contracts	140	-	(9)	3	-	134
B) Charges for contractual guarantees on sale of equity investments	52	-	-	-	-	52
C) Environmental risks	71	46	(7)	-	-	110
D) Disputed tax items	3	-	-	-	-	3
Provisions for risks and charges for non Energy activities	**266**	**46**	**(16)**	**3**	**-**	**299**

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 Court of Cassation instead voided the decision in the second instance and referred the case back to the Milan Court of Appeals indicating the items for the quantification of the damages for which compensation is to be provided.	As per description of the disputes.

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***		
Mantua – Criminal proceedings		
Court of Mantua	The Public Ministry of Mantua decided to initiate criminal proceedings against some executive directors working for the Company over time since 2015 and some of the Company's representatives, due to alleged environmental offences, also relevant pursuant to Legislative Decree 231 of 2001, in relation to certain portions of the Mantua petrochemical plant subject to orders of the Province of Mantua, which were confirmed in the Council of State's ruling of April 2020, described in a separate section. The preliminary hearing is scheduled for June 8, 2021. The Mantua petrochemical plant - which Edison (as the successor of Montedison) has not owned or managed since 1990 - was over time subject to a large-scale, detailed and complex programme of environmental remediation and restoration activities which also regarded all of the areas relating to which the Public Prosecutor has decided to lodge proceedings. These activities were initiated and carried out for two decades, with significant although uneven progress, by the ENI Group and, after the transfer last June of the relative operational remediation projects following the Council of State ruling referred to above, Edison, which had already previously performed some preparatory activities, methodically took them over. For at least one of those areas, the remediation was completed in compliance with the relative project, according to what has been ascertained by the Ministry for the Environment and the Province of Mantua. On these grounds, as well as for an extensive list of legal elements, the Company believes that the charges are completely first of all factually and also legally groundless, and it has already filed several defence briefs accompanied by quite considerable documentary evidence.	As per description.
Mantua – Administrative proceedings		
2012 - 2020 Lombardy Regional Administrative Court (BS) – Council of State	In recent years, the Province of Mantua sent Edison 8 different orders pursuant to art. 244 of Legislative Decree 152/2006, which required securing and remediation activities on just as many areas of the Mantua Site of National Interest, transferred from Montedison to the ENI Group in 1990 along with the entire Mantua Petrochemical site. These orders were imposed although the environmental remediation obligations relating to the Mantua site had already been subject to two separate settlement agreements entered into by Edison with ENI (2003) and with the Ministry for the Environment (2005), respectively. Edison submitted separate appeals before the Regional Administrative Court of Lombardy - Brescia Section against all of these orders. In August 2018, the Court, which had joined them, rejected them in bloc. Edison then challenged this Regional Administrative Court decision before the Council of State. With decision of April 1, 2020, the appeal lodged by Edison was rejected. Edison, which considers this decision illegitimate, lodged appeals before the Court of Cassation, the Council of State and the ECHR. At the same time, Edison in any event began the remediation activities on the site, taking over from the ENI Group companies in performing the remediation activities set forth in the provincial orders mentioned above.	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 art. 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.	As per the description of the dispute.

	The proceedings concluded with a dismissal. However, as the grounds were not deemed fully satisfactory, we decided to lodge an appeal.	
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 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.	The dispute is pending before the Court of Cassation.
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, so the Company lodged an appeal before the Abruzzo Regional Administrative Court.	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 notified the companies Solvay Specialty Polymers Italy Spa and Edison Spa that it was initiating proceedings pursuant to Title V Part IV of Legislative Decree No. 152/2006 to identify the party liable for the contamination of the so-called "Solvay External Areas" or "North areas" in Bussi sul Tirino, landfill areas 2A and 2B and adjoining areas. Subsequently, on June 26, 2018, the Province of Pescara served Edison with an order pursuant to art. 244 of Legislative Decree No. 152/2006 (the "Environmental Code") for the removal of all waste dumped over time in the above-mentioned areas of the Bussi site. With regard to this measure, it is necessary to note that: i) the portions of land in question were contributed to Ausimont since its date of establishment in 1981; ii) Ausimont, and only and exclusively Ausimont, obtained authorization to run, built,	As per the description of the dispute.

	managed and closed landfills 2A and 2B located on such portions of land; iii) the shares of Ausimont 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 the latter becoming successor of any and all legal positions lodged by and against Ausimont. Edison, deeming this order illegitimate, challenged the decision before the Regional Administrative Court of Pescara, which however dismissed the Company's appeal. Edison has therefore filed an appeal before the Council of State. With a ruling published on April 6, 2020, the Council of State confirmed, although requalifying its scope and content, the decision of the Province of Pescara and the subsequent ruling of the Pescara Regional Administrative Court in relation to the remediation procedure for the "North" areas of the Bussi sul Tirino site. The Council of State ruling, moreover, postponed to a subsequent administrative procedure the definition of remediation obligations for Edison; therefore, at the moment, it is not possible to determine any further economic commitments related to the decision. Although the Company believes that this ruling is arbitrary and has lodged appeals against it before the Court of Cassation, the Council of State and the ECHR, in the second half of 2020 it began activities to secure the areas in agreement with the competent Public Administrations.	
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 – 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. After a first phase focusing on preliminary and prejudicial issues, the proceedings continued with an examination of the various requests made by the parties with respect to the merits of the case and the arbitration decision is pending.	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**: as part of the remediation procedure of the "Tre Monti" area in the Bussi "Site of National Interest" (SNI), which is in the advanced preliminary investigation phase before the Ministry for the Environment, in light of the recent case law on remediation activities in areas characterized by historical pollution, in the third quarter of 2020 the Company decided it would be appropriate to further update the provision for remediation of the site. **Bolognano site**: with reference to the Piano D'Orta site, in the Bussi SNI, and the remediation and environmental restoration proceedings concerning the so-called "former Montecatini" area in the Municipality of Bolognano (PE), note that Edison Spa has already initiated the activities set forth in the sub-project approved by the competent Public Administrations. As concerns the criminal proceedings for alleged "failure to remediate", in December 2018 the Public Prosecutor of Pescara asked for them to be dismissed.	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.

<table>
<tr><td></td><td>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.</td><td></td></tr>
<tr><td colspan="3">Montecatini Spa – Montefibre Spa – Verbania – Criminal proceedings</td></tr>
<tr><td>2002 - 2015
Court of Verbania / Turin Court of Appeals / Court of Cassation</td><td>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 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”).</td><td>As per the description of the disputes.</td></tr>
<tr><td colspan="3">Ausimont’s participation in a cartel in the peroxides and perborates market – Claim for damages</td></tr>
<tr><td>April 2010
Court of Düsseldorf / Court of Justice of the European Union</td><td>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.
In December 2020, Cartel Damage Claim withdrew the action before the Court of Düsseldorf. Therefore, this dispute has been closed.</td><td>Concluded.</td></tr>
</table>

9. OTHER NOTES

9.1 Information pursuant to IFRS 3 revised

The year 2020 was characterized by:

1) **Some business combination's transactions** related to:
   - **CEA Biogas Srl and Ambyenta 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) **Some business combination's transactions** related to:
   - **MF Energy Srl**

   This transaction is reflected in the financial statements in accordance with IFRS 3 revised ("Group of assets acquisition"), recognizing the acquired assets among the tangible assets at the acquisition date, without preparing the Purchase Price Allocation (or PPA), as detailed below.

3) **Finalization of PPA process referred to 2019 acquisitions:**
   - **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**

Please note that in 2020 the PPA process made for these companies have been completed substantially confirming the values booked during the preliminary allocation of the purchase prices of each acquisition.

In particular, EDF EN Italia Spa and EDF EN Services Italia Srl have been merged into Edison Renewables while the majority of the subsidiaries of the former EDF EN Italia have been object of mergers too. Furthermore, Vernante Nuova Energia Srl and Azienda Energetica Buschese Srl, together with other companies, have been merged into Comat Energia Srl, which at the same time changed the company name into Edison Teleriscaldamento Srl, as described in the paragraph **1.3 Main changes in the scope of consolidation compared with December 31, 2019.**

The transactions carried out during 2020 are described below.

CEA Biogas Srl and Ambyenta Srl

During the months of July and August Sersys Ambiente Srl (a company entirely held by Fenice Qualità per l'Ambiente Spa) acquired 100% of the companies CEA Biogas Srl and Ambyenta Srl, which manage biogas production plants. The PPA process pursuant to IFRS 3 revised identified a goodwill of about 1 million euros and intangible assets, net of the relative deferred-tax provisions, for 14 million euros against a price paid of 20 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.

MF Energy Srl

In July Edison Spa acquired 100% of the company MF Energy Srl, which was accounted as a Group of assets acquisition pursuant to IFRS 3 revised against a price paid of 5 million euros. The main asset of this company consists of the right to build a photovoltaic plant registered among the acquisitions in the tangible assets in progress.

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 2020 of the acquired entities, starting from the acquisition date.

(in millions of euros)	Fair value of acquired assets and liabilties		
	CEA Biogas Srl	Ambyenta Srl	Total business combinations
ASSETS			
Property, plant and equipment	5	3	8
Intangible assets	13	6	19
Total non-current assets	**18**	**9**	**27**
Inventories	-	-	-
Trade receivables	1	-	1
Total current assets	**1**	**-**	**1**
Total assets (A)	**19**	**9**	**28**
LIABILITIES			
Provisions for risks and charges	1	-	1
Deferred-tax liabilities	3	2	5
Non-current financial debt	3	-	3
Total non-current liabilities	**7**	**2**	**9**
Trade payables	-	-	-
Current tax payables	-	-	-
Total current liabilities	**-**	**-**	**-**
Total liabilities (B)	**7**	**2**	**9**
Fair value of net acquired assets (A-B)	**12**	**7**	**19**
- % attributable to Edison	**100%**	**100%**	
- Fair value attributable to Edison (C)	**12**	**7**	**19**
Goodwill (D-C)	**-**	**1**	**1**
Price of acquisition (D)	**12**	**8**	**20**
Cash and cash equivalents acquired (E)	**-**	**-**	**-**
Total net price paid on business combination (D+E)	**12**	**8**	**20**

Income statement from acquisition date (in millions of euros)	CEA Biogas Srl	Ambyenta Srl	Total business combinations
Sales revenues (*)	3	1	4
EBITDA	**1**	**-**	**1**
Depreciation, amortization and writedowns	-	-	-
Net financial income (expense)	-	-	-
Profit (Loss) before taxes	**1**	**(1)**	**-**
Profit (Loss)	**1**	**(1)**	**-**

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

9.2 Information pursuant to IFRS 5

9.2.1 Discontinued operations – sale to Energean

As already described in the previous paragraph 1.4 Application of accounting standard IFRS 5, in these Consolidated Financial Statements, the E&P perimeter object of the sale to Energean, including the assets, mineral rights and equity investments in the hydrocarbon sector of Edison Exploration & Production in Italy, Egypt, Greece, UK and Croatia, has been treated until the date of transfer as discontinued operations.

Classification

With regard to the rationale that led, in line with the previous year, to the classification of the aforementioned E&P perimeter as Assets held for sale (discontinued operations) 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; afterward this agreement was amended on April 2, 2020 and on June 28, 2020, envisaging, among other things, the exclusion from the scope of the transaction of E&P assets located in Algeria and of Edison Norge AS, which owns the E&P assets located in Norway, in addition to some revisions of the consideration and to the renouncement of interests accrued on said consideration, formerly envisaged starting from January 1, 2019 (reference date of the transaction) and up to the closing of the transaction itself;
- on December 17, 2020 Edison and Energean finalized the signed agreement.

It should be noted that in 2020 the E&P assets excluded from the scope of the sale to Energean and which were subject to specific carve-out from the original perimeter, represented by the assets located in Algeria and by Edison Norge, have been re-consolidated between continuing operations. At December 31, 2020 Edison Norge assets and liabilities, following the agreement for the sale to Sval Energi announced on December 30, 2020, have then been reclassified to Assets and Liabilities held for sale (IFRS 5 Disposal Group). As concern their representation pursuant to IFRS 5, please see paragraph 1.4 above and, limited to Edison Norge, also section 9.2.2 below.

Effects of the sale on balance sheet and income statement

The enterprise value of the assets object of disposal is equal to 284 million USD at the reference date of the transaction (locked-box date) of December 31, 2018. The sale had a positive effect on Edison Group's net financial debt for about 187 million euros, determined by the collection of the consideration for about 220 million euros and by the deconsolidation of net liquidity of the disposed companies for about 33 million euros. The agreement provides for an additional consideration up to 100 million USD, contingent on the commissioning of Cassiopea gas field in Italy and which will be determined on the basis of gas prices (PSV) observed at the time of the commissioning of the field, expected in the first quarter of 2024.The buyer assumed future decommissioning obligations.

The difference between the sale value and the carrying amount resulted in a negative adjustment of 144 million euros to the value of the divested business at the disposal date. In addition to this capital loss, there are also some expected charges for risks and costs related to the sale and a positive effect caused by the reversal to the income statement of the net positive differences from the translation of assets in foreign currency relating to some of the companies sold, which were recognized under the Reserves for other components of comprehensive income; please also see the information provided below.

It should be remembered that in 2019 the overall Profit (loss) from discontinued operations, negative by 562 million euros, included the value adjustment to the expected sale price, including for 178 million euros a portion of the indistinct goodwill of the Hydrocarbons Operations – were the E&P CGUs were consolidated- allocated in accordance with IAS 36 par. 86.

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 starting from Condensed Consolidated Semiannual Financial Statements at June 30, 2019, has led to the representation of such transactions as if the discontinued operations had already been removed from the scope of consolidation of the Edison Group. Therefore, in the Consolidated Financial Statements: (i) the individual income statement 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 items relating to the discontinued operations also include the effect of consolidation eliminations of the relationships between the two operations.

2019 Comparative data

In this document:

- all the income statement and flow data for 2019 have been restated to allow a homogeneous comparison with those for 2020 and now include only the E&P perimeter sold to Energean;
- the balance sheet figures at December 31, 2019 are, instead, those published in the 2019 Consolidated Financial Statements and therefore include under Assets and Liabilities held for sale also the amounts relating to Algerian assets and Edison Norge (IFRS 5 provides that balance sheet data are re-consolidated under continuing operations only prospectively, starting from the date of the termination of the discontinuing).

Below is provided the contribution of the discontinued operations to profit (loss) and to assets, liabilities and financial position of Edison Group.

Income Statement (in millions of euros)	2020			2019 (*)		
	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	250	(34)	216	440	(63)	377
Other revenues and income	20	(6)	14	21	(6)	15
Total net revenues	**270**	**(40)**	**230**	**461**	**(69)**	**392**
Commodity and logistic costs (-)	(28)	26	(2)	(39)	52	13
Other costs and services used (-)	(104)	14	(90)	(119)	16	(103)
Labor costs (-)	(44)	-	(44)	(50)	-	(50)
Receivables (writedowns)/reversals	-	-	-	(3)	-	(3)
Other costs (-)	(8)	-	(8)	(13)	1	(12)
EBITDA	**86**	**-**	**86**	**237**	**-**	**237**
Net change in fair value of derivatives (commodity and exchange rate risk)	1	-	1	-		-
Depreciation and amortization (-)	(74)	-	(74)	(108)	-	(108)
(Writedowns) and reversals	-	-	-	-	-	-
EBIT	**13**	**-**	**13**	**129**	**-**	**129**
Other net financial income (expense)	(22)	-	(22)	(22)	-	(22)
Profit (Loss) before taxes	**(9)**	**-**	**(9)**	**107**	**-**	**107**
Income taxes	(32)	-	(32)	(88)	-	(88)
Profit (Loss) from discontinued operations	**(41)**	**-**	**(41)**	**19**	**-**	**19**
Value adjustment discontinued operations	(144)	-	(144)	(541)	-	(541)
Profit (Loss)	**(185)**	**-**	**(185)**	**(522)**	**-**	**(522)**
Broken down as follows:						
Minority interest in profit (loss)	-	-	-	-	-	-
Group interest in profit (loss)	**(185)**	**-**	**(185)**	**(522)**	**-**	**(522)**

(*) The amounts of 2019 have been restated pursuant to IFRS 5.

In 2020 the overall profit (loss) from discontinued operations is negative by 158 million euros (negative by 562 million euros in 2019). This result includes, in addition to the items listed above concerning the E&P business and its alignment to the disposal value, also the following elements:

- costs incurred by Edison Spa for about 14 million euros (40 million euros in 2019), related to provisions for risks and other costs linked to the sale;
- for 10 million euros (3 million euros in 2019), the positive result of cash flow hedges derivatives put in place to reduce the EUR/USD exchange rate risk on the sale price, recognized as an adjustment to profit (loss) from discontinued operations, which was in part variable depending on exchange rate trends;
- a positive effect of 31 million euros determined by the reversal to the income statement of the net positive differences from the translation of assets in foreign currency relating to some of the companies sold, which, until disposal date, were recognized in equity under the Reserves for other components of comprehensive income.

An analysis of the operating performance for the year is provided in the Report on Operations.
As from the date of application of IFRS 5 (June 30, 2019), in accordance with the requirements of the standard itself, depreciation and amortization on fixed assets have been stopped, which justifies a decrease in amount compared to 2019. Depreciation and amortization in 2020 include, almost exclusively, hydrocarbon exploration costs.
Net financial expenses also include those related to financial transactions with continuing operations.

The balance sheet of the discontinued operations E&P at December 31, 2020 and at December 31, 2019 is given below.

Balance sheet discontinued operations E&P (in millions of euros)	12.31.2020	12.31.2019
Non-current non-financial assets	53	1,269
Non-current financial assets	-	-
Current non-financial assets	3	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)
Assets held for sale	**56**	**1,401**
Non-current non-financial liabilities	59	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	**59**	**898**
Net financial debt of Assets held for sale	**-**	**175**

(*) of which -12 million euros relating to eliminations of balances within Gas Operations and E&P

At December 31, 2020, the assets and liabilities relating to the E&P perimeter sold to Energean were deconsolidated, while some assets and liabilities relating to the disposal are still recognized by Edison Spa, namely:

- non-current non-financial assets for 53 million euros, relating to the estimated present value of the additional consideration set forth in the agreement (up to 100 million USD subject to the commissioning of Cassiopea gas field in Italy); this consideration will be determined on the basis of gas prices (PSV) observed at the time of the commissioning of the field, expected in the first quarter of 2024;
- current non-financial assets of 3 million euros, relating to a price adjustment collected in the early days of January 2021;

- non-current non-financial liabilities, amounting to 59 million euros, including provisions for tax and environmental risks, of which 12 million euros recognized during the year.

At December 31, 2019 (i) the non-current non-financial assets included, amongst other, values referred to plants and hydrocarbons concessions adjusted to the expected sale price; (ii) the non-current non-financial liabilities included, amongst other, the provisions for decommissioning and remediation of industrial sites.

Cash flow statement discontinued operations E&P (in millions of euros)	2020	2019 (*)
A. Operating cash flow from discontinued operations	98	169
B. Cash used in investing activities from discontinued operations	(104)	(78)
C. Cash used in financing activities from discontinued operations	19	(20)
D. Net cash flow for the year from discontinued operations (A+B+C)	**13**	**71**
E. Cash and cash equivalents at the beginning of the year from discontinued operations	61	24
F. Perimeter effect discontinued operations	(13)	(34)
G. Cash and cash equivalents disposed	(61)	-
H. Cash and cash equivalents at the end of the year from discontinued operations	-	61

(*) The amounts for 2019 have been restated pursuant to IFRS 5.

The cash flow from operating activities refers to ordinary operations and includes foreign taxes paid; the cash flow from investing activities includes exploration costs, which are fully amortized when incurred, and other net investments in fixed assets; the cash flow from financing activities is mainly related to the cash flow from financial relationships with the continuing operations, particularly with the Corporate segment.

For details on investment activities, please refer to the comments in the Report on Operations.

Cash and cash equivalents disposed are represented by the balance of cash and cash equivalents of the companies sold, at the date of disposal to Energean.

9.2.2 Disposal groups – agreements for the sale of Edison Norge AS and Infrastrutture Distribuzione Gas Spa

Agreement for the sale of Edison Norge AS to Sval Energi

As already described in paragraph 1.4 Application of accounting standard IFRS 5 and in section 9.2.1 above, on December 30, 2020 Edison signed an agreement with Sval Energi to sell 100% of Edison Norge AS, the company that owns the Group's hydrocarbon exploration and production activities in Norway.

The agreement is determined on the basis of an enterprise value of 300 million USD (locked-box date at January 1, 2020) and the estimated impact on Edison Group's net financial debt is by now higher than that value.

The closing of the transaction is expected within the first half of 2021 and is subject to the necessary approvals for this type of transactions by the Norwegian authorities.

At December 31, 2020, the E&P assets located in Norway, object of the sale agreement, were treated as a disposal group pursuant to IFRS 5, as alone they do not represent a significant autonomous business unit for the Edison Group and as such it is not possible to classify them as discontinued operations. Therefore:

- in the income statement and flows, the representation of the contribution to Group values is included under continuing operations; 2019 data have been appropriately restated;

- the balance sheet balances at December 31, 2020, net of Group's intercompany balances already eliminated within the Group, are instead exposed under Assets and Liabilities held for sale; please note that although the same balances at December 31, 2019 were also recognized under Assets and Liabilities held for sale, they were part of the discontinued operations and they also included the effect of the consolidation eliminations of relationships between the discontinued operations and the continuing operations.

Agreement for the sale of Infrastrutture Distribuzione Gas Spa to 2i Rete Gas

On January 13, 2021 Edison signed an agreement with 2i Rete Gas, a company participated by the investment funds managed by F2i Fondi Italiani per le Infrstrutture, Ardian and APG, for the sale of 100% of Infrastrutture Distribuzione Gas (IDG).The closing of the operation, which is subject to Antitrust approval, is expected within the first four months of 2021.

The agreement is part of a larger operation with F2i with the signing, at the same date, of another agreement to purchase 70% of E2i Energie Speciali, already fully consolidated by Edison, that holds the remaining 30%.
The two agreements signed with F2i and 2i Rete Gas, will together increase Edison Group's net financial debt by around 150 million euros.

In these Consolidated Financial Statements, the assets of IDG, object of disposal, were treated as a disposal group pursuant to IFRS 5, therefore:

- in the income statement and flows the representation of the contribution to Group values is included under continuing operations;
- the balance sheet balances at December 31, 2020, net of Group's intercompany balances already eliminated within the Group, are instead exposed under Assets and Liabilities held for sale; balance sheet balances at December 31, 2019 are those published in 2019 Consolidated Financial Statements and have not been restated.

Balance sheet disposal groups

The assets and liabilities of the two disposal groups at December 31, 2020 is given below.

Balance sheet disposal groups at 12.31.2020 (*) (in millions of euros)	Edison Norge AS	Infrastrutture Distribuzione Gas Spa	Total disposal groups
Non-current non-financial assets	258	136	394
Non-current financial assets	-	-	-
Current non-financial assets	58	25	83
Current financial assets	15	3	18
Assets held for sale	**331**	**164**	**495**
Non-current non-financial liabilities	25	1	26
Non-current financial liabilities	-	1	1
Current non-financial liabilities	17	12	29
Current financial liabilities	-	-	-
Liabilities held for sale	**42**	**14**	**56**
Net financial debt of Assets held for sale	**(15)**	**(2)**	**(17)**

(*) Amounts net of intercompany values already eliminated within the Group.

The item Non-current non-financial assets relating to the disposal group Infrastrutture Distribuzione Gas Spa includes for about 39 million euros a portion of the indistinct goodwill of Gas Operations and E&P – were the company was consolidated- allocated pursuant to IAS 36 par. 86.
The item Non-current non-financial item relating to the disposal group Edison Norge AS includes for about 13 million euros the provisions for decommissioning and remediation of industrial sites.

Liabilities referred to E&P business

Fraudulent activity to the detriment of the company Edison Norge AS

With reference to the fraud perpetrated at the end of 2019 to the detriment of Edison Norge AS, the Norwegian company, now in the disposal phase, has launched a series of activities aiming to recover the stolen sums (around 12.5 million euros). These are legal actions brought against the companies in the Far East that both directly and indirectly received the payments and against the financial intermediaries which permitted such payments.

The disputes remain outside the scope of the Edison Norge assets being disposed of; therefore, it will be Edison that manages the proceedings intended to recover the sums and obtain compensation for damages.

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 for the Vega 6 well of the aquifer and process waters, operated by the Vega A platform.

The request for compensation is quantified at a total maximum 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 are 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.

Consequently, the Company appeared in court requesting the full dismissal of the request from the Ministry for the Environment.

Following the agreement made for the disposal of the E&P business in July 2019, the newly established Edison Exploration & Production Spa ("Edison E&P") assumed the liability relating to this dispute. Subsequently, after the agreement was signed for the sale of the entire share capital of Edison E&P to Energean Capital Ltd (executed on December 17, 2020), Edison committed to fully indemnifying the purchaser with reference to this litigation. Therefore, Edison deemed it appropriate, on a completely prudential basis, to forecast an expense related to this litigation. This value, along with the estimates of other expenses linked to the disposal, was recognized in 2019 in the net result from discontinued operations; at December 31, 2020 it is included in Liabilities held for sale.

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

Also following the disposal of the E&P assets, particularly in Italy, Edison spa has remained liable for any liabilities that may emerge from the demands made by some coastal municipalities to subject offshore platforms to local taxes for years prior to the locked-box date (December 31, 2018), set forth in the agreement with Energean.

As noted, also following the Court of Cassation rulings issued in 2016, the subjection to ICI/IMU of the offshore hydrocarbon extraction platforms located in territorial waters was confirmed, although it was not specified whether there are and which would be the criteria for the allocation of territorial jurisdiction to the different coastal municipalities, and especially, assets which, as they are not on land, by legislation cannot be enrolled in the property registry, were deemed subject to enrolment in the property registry.

Moreover, it should be noted that as of 2016, following the introduction of the "bolted down" ("imbullonati") legislation which excludes the value of plants from the property registry value and therefore from the tax base of local taxes, the issue should be considered resolved for plants/platforms. Furthermore, from 2020 a specific tax, essentially due to the Revenue Agency, was introduced for offshore platforms and only for the value of the structure above the surface of the water.

Please note that the finalization of settlement agreements is currently under way with the Adriatic municipalities which raised claims for the Rospo Mare field platforms for all of the years in dispute, while some municipalities (in particular Scicli and Porto Sant'Elpidio), with which agreements were reached for the definition of the outstanding disputes, in which the taxes from 2016 were recognized as not due, made claims for the subsequent years as well, completely illegitimately and in clear conflict with the commitments made.

The expenses deemed likely are covered by adequate provisions for risks.

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)	**12.31.2020**	**12.31.2019**	Change
Guarantees provided	1,042	1,002	40
Other commitments and risks	234	240	(6)
Total for the Group	**1,276**	**1,242**	**34**

Guarantees provided (1,042 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. Moreover, they include guarantees concerning the activities related to the Energy & Environmental Services Market Division.

Please also note that with regard to **other commitments and risks** (234 million euros):

- they include 101 million euros, against a 7-year long-term contract signed with a shipowner 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;
- with reference to long-term contracts to import natural gas, which contain take-or-pay clauses requiring the buyer to pay for the quantities that he is unable to take delivery in accordance with scheduled volumes, at December 31, 2020 are recorded commitments for about 117 million euros (nil at December 31,2019). Updated risk profiles and economic recoverability are verified periodically during the year.

Please note that the commitments related to the procurement of CO_2 certificates and Certified Emission Reductions (CERs)/Emission Reduction Units (ERUs), for the 2013-2020 period, have been extinguished; Edison Spa had signed Amended Agreements to the original Emission Reductions Purchase Agreements (ERPA) to purchase CERs in China for up to 26 million euros as at December 31, 2019.

Following the sale of **E&P business** the commitments relating to the companies disposed were extinguished for an amount of 183 million euros: **guarantees provided** for 108 million euros and **other commitments and risks** for 75 million euros.

Unrecognized commitments and risks

The main commitments and risks that were unrecognized, pertaining to Gas Operations and E&P, are in relation to contracts for the importation of natural gas for a total maximum nominal supply of 12.7 billion cubic meters of natural gas a year. These contracts typically have an extended duration (at December 31, 2020 have terms ranging from 1 to 14 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. Please note that as a part of the renegotiation of the Qatar contract price, arbitration proceedings activated by the counterparty are currently under way.

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	11.9	43.8	68.8	**124.5**

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, 2020 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	123	-	-	**123**	**123**	**100.0%**
Other non-current financial assets	59	-	-	**59**	**80**	**73.8%**
Trade receivables	-	-	105	**105**	**1,053**	**10.0%**
Current tax receivables	-	6	-	**6**	**16**	**37.5%**
Other current assets	3	12	21	**36**	**359**	**10.0%**
Current financial assets	4	-	-	**4**	**7**	**57.1%**
Cash and cash equivalents	-	213	-	**213**	**313**	**68.1%**
Non-current financial debt	-	-	-	**-**	**623**	**0.0%**
Trade payables	3	2	53	**58**	**1,256**	**4.6%**
Current tax payables	-	45	-	**45**	**53**	**84.9%**
Other current liabilities	-	2	14	**16**	**195**	**8.2%**
Current financial debt	12	16	-	**28**	**216**	**13.0%**
Income Statement transactions:						
Sales revenues	4	5	892	**901**	**6,390**	**14.1%**
Other revenues and income	1	-	10	**11**	**114**	**9.6%**
Commodity and logistic costs	(16)	-	(636)	**(652)**	**(4,830)**	**13.5%**
Other costs and services used	-	(19)	(8)	**(27)**	**(520)**	**5.2%**
Net financial income (expense) on debt	-	(2)	(3)	**(5)**	**(10)**	**50.0%**
Other net financial income (expense)	2	(6)	-	**(4)**	**1**	**n.s.**

(*) the company Dolomiti Edison Energy Srl is classified as an associate and accounted for using the equity method starting from July 1, 2020, following the loss of control over relevant activities in application of new governance agreements.
(**) The balance sheet transactions of Infrastrutture Distribuzione Gas towards TdE are not included here, as they have been classified under assets and liabilities held for sale.

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

At December 31, 2020, the current account established by Edison Spa with TdE had a debit balance of 16 million euros (debit balance of 8 million euros at December 31, 2019).

B.2 Transactions with EDF Sa

Cash-pooling

At December 31, 2020 the Edison Spa current account, dedicated to cash-pooling with EDF Sa, had a credit balance of 213 million euros (credit balance of 156 million euros at December 31, 2019).

Credit Lines

The revolving credit line granted to Edison Spa by EDF Sa in April 2019 with a two-year duration, for a nominal value of 600 million euros, is fully available at December 31, 2020.
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 19 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 revenues and other income for a total of 5 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 a net realized financial cost for about 6 million euros (net realized financial income for 8 million euros at December 31, 2019). During the year, as in 2019, hedging transactions were also undertaken to hedge the Euro/USD exchange rate risk associated with the price expected for the sale of the E&P business; these hedges were realized before the closing with Energean, with a positive net impact of approximately 10 million euros on the net result from discontinued operations for which please refer to the comments in paragraph 9.1 Information pursuant to IFRS 5.

C) Transactions with other EDF Group companies

C.1 Loans

During the first quarter of 2020 the loan granted by EDF IG to Bonorva Windenergy, a subsidiary of EDF EN Italia (now Edison Renewables), that was recognized for 34 million euros as non-current debt and for 6 million euros as current debt at December 31, 2019, has been early repaid. This transaction determined financial expenses in the income statements for about 3 million euros.

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	Citelum	Others	**Total**
Balance Sheet transactions:				
Trade receivables	88	15	2	**105**
Other current assets	21	-	-	**21**
Trade payables	48	-	5	**53**
Other current liabilities	14	-	-	**14**
Income Statement transactions:				
Sales revenues	**865**	**26**	**1**	**892**
Electric power and natural gas	988	26	-	1,014
Realized commodity derivatives	(123)	-	-	(123)
Other revenues	-	-	1	1
Other revenues and income	**9**	**-**	**1**	**10**
Commodity and logistic costs	**(636)**	**-**	**-**	**(636)**
Electric power and natural gas	(556)	-	-	(556)
Realized commodity derivatives	(78)	-	-	(78)
Sundry items	(2)	-	-	(2)
Other costs and services used	**-**	**-**	**(8)**	**(8)**
Professional services	-	-	(8)	(8)

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 about 9 million euros (about 11 million euros at December 31, 2019).

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

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, in light of the amendments to the agreement for the sale of the E&P business to Energean, signed on April 2, 2020 and June 28, 2020, which called for, inter alia, the exclusion from the scope of the sale of assets located in Algeria and Edison Norge, in compliance with the provisions of IFRS 5, the Algerian and Edison Norge assets, recognized in the 2019 Consolidated Financial Statements under discontinued operations, were reclassified in these Consolidated Financial Statements to continuing operations.

As required by IFRS 5, the comparative data relating to the income statement and the cash flow statement were restated to identify the contribution of the E&P perimeter object of the sale. The following tables show the reconciliation between the values published in the 2019 Consolidated Financial Statements and those now exposed in this document.

CONSOLIDATED INCOME STATEMENT

(in millions of euros)	2019 published	Application of accounting standard IFRS 5 Perimeter change of discontinued operations	2019 restated
Sales revenues	8,168	30	8,198
Other revenues and income	104	9	113
Total net revenues	**8,272**	**39**	**8,311**
Commodity and logistic costs (-)	(6,716)	-	(6,716)
Other costs and services used (-)	(561)	(6)	(567)
Labor costs (-)	(308)	(4)	(312)
Receivables (writedowns) / reversals	(10)	-	(10)
Other costs (-)	(90)	(14)	(104)
EBITDA	**587**	**15**	**602**
Net change in fair value of derivatives (commodity and exchange rate risk)	3	-	3
Depreciation and amortization (-)	(341)	(17)	(358)
(Writedowns) and reversals	(33)	-	(33)
Other income (expense) non Energy activities	(40)	-	(40)
EBIT	**176**	**(2)**	**174**
Net financial income (expense) on debt	(18)	-	(18)
Other net financial income (expense)	(9)	(4)	(13)
Net financial income (expense) on assigned trade receivables without recourse	(15)	-	(15)
Income from (Expense on) equity investments	6	-	6
Profit (Loss) before taxes	**140**	**(6)**	**134**
Income taxes	(42)	49	7
Profit (Loss) from continuing operations	**98**	**43**	**141**
Profit (Loss) from discontinued operations	(562)	-	(562)
Profit (Loss)	**(464)**	**43**	**(421)**
Broken down as follows:			
Minority interest in profit (loss)	15	-	15
Group interest in profit (loss)	**(479)**	**43**	**(436)**

CASH FLOW STATEMENT

(in millions of euros)	2019 published	Application of accounting standard IFRS 5 Perimeter change of discontinued operations	2019 restated
Profit (Loss) before taxes	**140**	**(6)**	**134**
Depreciation, amortization and writedowns	374	17	391
Net additions to provisions for risks	21	13	34
Interest in the result of companies valued by the equity method (-)	(6)	-	(6)
Dividends received from companies valued by the equity method	6	-	6
(Gains) Losses on the sale of non-current assets	-	-	-
Change in employee benefits	(1)	-	(1)
Change in fair value recorded in EBIT	(3)	-	(3)
Change in operating working capital	251	23	274
Change in non-operating working capital	50	-	50
Change in other operating assets and liabilities	134	-	134
Net financial (income) expense	42	4	46
Net financial income (expense) paid	(19)	(4)	(23)
Net income taxes paid	(39)	7	(32)
Operating cash flow from discontinued operations	223	(54)	169
A. Operating cash flow	**1,173**	**-**	**1,173**
Additions to intangibles and property, plant and equipment (-)	(288)	(88)	(376)
Additions to non-current financial assets (-)	(43)	-	(43)
Net price paid on business combinations	(147)	-	(147)
Cash and cash equivalents disposed	(1)	-	(1)
Proceeds from the sale of intangibles and property, plant and equipment	3	-	3
Proceeds from the sale of non-current financial assets	26	-	26
Cash used in investing activities from discontinued operations	(166)	88	(78)
B. Cash used in investing activities	**(616)**	**-**	**(616)**
Receipt of new medium-term and long-term loans	40	-	40
Redemption of medium-term and long-term loans (-)	(169)	-	(169)
Other net change in financial debt	(180)	-	(180)
Change in current financial assets	17	-	17
Net liabilities resulting from financing activities	(292)	-	(292)
Capital and reserves contributions (+)	-	-	-
Dividends and reserves paid to controlling companies or minority shareholders (-)	(50)	-	(50)
Cash used in financing activities from discontinued operations	(20)	-	(20)
C. Cash used in financing activities	**(362)**	**-**	**(362)**
D. Net currency translation differences	**-**	**-**	**-**
E. Perimeter effect continuing operations	**-**	**34**	**34**
F. Perimeter effect discontinued operations	**-**	**(34)**	**(34)**
G. Net cash flow for the year (A+B+C+D+E+F)	**195**	**-**	**195**
H. Cash and cash equivalents at the beginning of the year	**149**	**-**	**149**
I. Cash and cash equivalents at the end of the year (G+H)	**344**	**-**	**344**
L. Cash and cash equivalents at the end of the year discontinued operations	**61**	**-**	**61**
M. Cash and cash equivalents at the end of the year continuing operations (I-L)	**283**	**-**	**283**

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 during the year the Edison Group has consolidated line by line some companies even though it does not hold the majority stake; including:

- until June 30, 2020, 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 were not the dominant factor in determining control, as they mainly concerned current activities of a residual nature. Significant activities are governed through contractual agreements. These agreements, as formulated until June 30, 2020, have exposed Edison to a majority of the variable returns and have given 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). Therefore in the first half of 2020 the company has been consolidated line by line; from July 1, 2020, following the application of new governance and management agreements, which entered into force at the same date and resulted in the loss of control over relevant activities, the company is instead classified as an associate and accounted for using the equity method.

- In the renewable energy area, the company E2i, owned at 30% through Edison Renewables Srl (previously Edison Partecipazioni Energie Rinnovabili Srl). In E2i, a portion of the relevant activities is managed through contracts executed in 2014, mainly off-take (handled by Edison), O&M and development; the residual variability is mainly related to investment decisions on repowering and development projects. Furthermore, thanks 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 "Gas Operations and E&P"). 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 2021 budget approved by the Board of Directors on December 7, 2020;
  - the 2022-2023 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 17, 2021, 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 Gas Operations and E&P 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 2020, please refer to the paragraph 5.1 - section 5.1.4 Impairment test in accordance with 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, with the exception of Algerian assets and Edison Norge, has been sold on December 17, 2020.
  - **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 Other valuation criteria

10.3.2.1 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 10.3.2.5 below.

Revenues from contracts with customers are booked pursuing IFRS 15. We remind that, 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 medium/long-term contracts for the importation of natural gas (so-called take-or-pay)
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.

10.3.2.2 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).

10.3.2.3 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		Gas Operations and E&P		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.

Leases assets (IFRS 16)

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 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 principle to the identified contracts has determined the recognition of an asset, which represent the right of use, plus, when applicable, any accessory costs required to make the asset ready for use. The right of use is subject to systematic amortization over the shortest of the technical-financial useful life of the asset and the residual term of the contract. The corresponding financial liability, recorded as financial debt, is equal to the present value of future minimum compulsory lease payments that the lessees will have to pay and will be reduced over time as the lease fees are paid.
In transition the exemption of booking deferred-taxes has been applied according to IAS 12 “Income tax”.
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).

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.

In 2020, the Group evaluated the recoverability of the incremental costs incurred to obtain new contracts on the basis of factors such as potential renewals or new types of contracts with the same customer, according to the provisions of IFRS 15. The following were capitalized under intangible assets: (i) incremental costs that can be attributed to a specific contract, which would not have been incurred if the contract had not been entered into, (ii) in the presence of a new contract entered into with the customer for a specific period, (iii) for which it is likely that the capitalized costs will be recovered through revenues generated by the sales contract and (iv) when it is possible to have an adequate process/system for tracking the incremental cost and the specific associated sales contract. The types of capitalized costs include sale fees recognized to agents when the new contract is activated, accessory sale costs such as the fees recognized on new purchase contracts, etc. The asset recognized is amortized on a straight-line basis on the basis of the useful life.

Assets of E&P business, sold on December 17, 2020, with the exception of Algerian assets and Edison Norge:
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.

10.3.2.4 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.

10.3.2.5 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.
Regarding financial debt for leasing (IFRS 16) please refer to the comments in the section 10.3.2.3. above.

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).

10.3.2.6 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 – Closing of the sale of E&P Business to Energean

On December 17, 2020 Edison and Energean executed the agreement signed on July 4, 2019 and later amended on April 2, 2020 and on June 28, 2020, concerning the sale from Edison to Energean of 100% of Edison Exploration & Production Spa and its subsidiaries operating in Italy and abroad in the hydrocarbons exploration and production business; the scope of the sale includes Edison Exploration and Production's assets, mineral rights and equity investments in the hydrocarbons sector in Italy, Egypt, Greece, the UK and Croatia. The enterprise value of the transferred assets is 284 million USD, as at the transaction reference date (locked-box date) of December 31, 2018. The sale had a positive impact on Edison Group's net financial debt for about 187 million euros. The agreement provides for an additional consideration of up to 100 million USD contingent to the commissioning of Cassiopea gas field in Italy and which will be determined on the basis of gas prices (PSV) observed at the time of the commissioning of the field, which is expected in the first quarter of 2024. The buyer also assumed future decommissioning obligations.

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 2020 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 2020 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	25,408
Idroelettrica Cervino Srl	Contribution on leasing interests	Regione Autonoma Valle D'Aosta	19,586
Edison Teleriscaldamento Srl	Non-refundable aid COVID-19	Agenzia delle Entrate	14,525
	Total contributions received in 2020		**59,519**

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 euros for S. Potito and 1,888 thousand 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, 2020 is equal to 191 thousand euros (555 thousand euros at December 31, 2019).

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2020

On February 16, 2021 Edison executed the agreement signed on January 13, 2021 with F2i to take over 70% of E2i Energie Speciali. With this transaction, Edison confirms its position as the second largest wind operator in Italy with a renewable installed capacity of 1 GW.

Milan, February 17, 2021

The Board of Directors

By Nicola Monti

Chief Executive Officer

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2020

LIST OF EQUITY INVESTMENTS

Company name	Head office	Currency	Share capital	Consolidated Group interest (a)		Interest held in share capital		Type of investment relationship (c)	Notes
				12.31.2020	12.31.2019	% (b)	by		

A) Investments in companies included in the scope of consolidation

Companies consolidated line by line

Company name	Head office	Currency	Share capital	12.31.2020	12.31.2019	% (b)	by	Type of investment relationship (c)	Notes
Group Parent Company									
Edison Spa	Milan (IT)	EUR	5,377,000,671						
Electric Power Operations									
Ambyenta Campania Spa	Rivoli (TO) (IT)	EUR	1,000,000	95.00	-	95.00	Sersys Ambiente Srl (single shareholder)	S	-
Ambyenta Lazio Spa	Rivoli (TO) (IT)	EUR	100,000	70.00	-	70.00	Sersys Ambiente Srl (single shareholder)	S	-
Ambyenta Srl (single shareholder)	Rivoli (TO) (IT)	EUR	10,000	100.00	-	100.00	Sersys Ambiente Srl (single shareholder)	S	(1)
Assistenza Casa Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	50,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(2)
Bonorva Windenergy Srl (single shareholder)	Cagliari (IT)	EUR	10,000	100.00	100.00	100.00	Edison Renewables Srl (single shareholder)	S	(2)
CEA Biogas Srl (Socio Unico)	Caivano (NA) (IT)	EUR	1,000,000	100.00	-	100.00	Sersys Ambiente Srl (single shareholder)	S	(1)
Cellina Energy Srl (single shareholder)	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Spa	S	(2)
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	51.00	51.00	Edison Facility Solutions Spa (single shareholder)	S	-
Consorzio Interrompibilità We're - Electric Power Activities	Milan (IT)	EUR	5,000	98.04	-	1.96 96.08	Attiva Spa (single shareholder) Edison Energia Spa (single shareholder)	S	-
E2i Energie Speciali Srl	Milan (IT)	EUR	4,200,000	30.00	30.00	30.00	Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl	S	-
Ecologica Marche Srl (single shareholder)	Monsano (AN) (IT)	EUR	20,000	100.00	100.00	100.00	Sersys Ambiente Srl (single shareholder)	S	(1)
Ecotermica Cirié Srl	Rivoli (TO) (IT)	EUR	10,000	60.00	60.00	60.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(1)
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	-
Edison Energia Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	40,000,000	100.00	100.00	100.00	Edison Spa	S	(2)
Edison Facility Solutions Spa (single shareholder) ex Zephyro Spa (single shareholder)	Trento (IT)	EUR	1,263,704	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(1)
Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl	Milan (IT)	EUR	16,660,000	100.00	100.00	100.00	Edison Spa	S	(2)
Edison Teleriscaldamento Srl (single shareholder) - ex Comat Energia Srl (single shareholder)	Milan (IT)	EUR	120,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(1)
Edisonsolar Srl (single shareholder) ex Fotosolare Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	100.00	100.00	Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl	S	(2)
Edisonwind Srl (single shareholder) ex Green Energy Srl (single shareholder)	Milan (IT)	EUR	50,000	100.00	100.00	100.00	Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl	S	(2)
Elio Sicilia Srl (single shareholder)	Palermo (IT)	EUR	10,000	100.00	100.00	100.00	Edison Spa	S	(2)
Eolica Forenza Srl (single shareholder)	Rome (IT)	EUR	100,000	100.00	100.00	100.00	Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl	S	(2)
Eolo Energia Srl	Milan (IT)	EUR	10,000	65.70	65.70	49.00 51.00	E2i Energie Speciali Srl Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl	S	(2)
Fenice Assets Iberica Sl	Madrid (E)	EUR	10,000	100.00	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	(2)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2020	Consolidated Group interest (a) 12.31.2019	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	-
Frendy Energy Spa	Milan (IT)	EUR	14,829,312	76.97	72.93	76.97	Edison Spa	S	(2)
Idroblu Srl	Milan (IT)	EUR	100,000	39.26	37.19	51.00	Frendy Energy Spa	S	(3)
Idrocarrù Srl	Milan (IT)	EUR	20,410	39.26	37.20	51.00	Frendy Energy Spa	S	(3)
Idroelettrica Brusson Srl (single shareholder)	Aosta (IT)	EUR	20,000	100.00	100.00	100.00	Edison Spa	S	(2)
Idroelettrica Cervino Srl (single shareholder)	Aosta (IT)	EUR	100,000	100.00	100.00	100.00	Edison Spa	S	(2)
Idroelettrica Saint-Barth Basso Srl (single shareholder)	Aosta (IT)	EUR	100,000	100.00	100.00	100.00	Edison Spa	S	(2)
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	(1)
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	S	(2)
Magnoli & Partners Srl	Cremona (IT)	EUR	10,000	60.00	60.00	60.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(1)
MF Energy Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	-	100.00	Edison Spa (single shareholder)	S	(2)
Pavoni Rossano Srl (single shareholder)	Rivoli (TO) (IT)	EUR	100,000	100.00	100.00	100.00	Sersys Ambiente Srl (single shareholder)	S	(1)
Prima Aviv Energy Technologies Ltd	Ramat Gan (IL)	ILS	1,000	100.00	100.00	100.00	Edison Facility Solutions 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	(1)
Santa Luce Srl (single shareholder)	Rome (IT)	EUR	240,000	100.00	100.00	100.00	Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl	S	(2)
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	(1)
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	88.28	88.28	88.28	Edison Spa	S	(2)
Società Idroelettrica Calabrese Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	100.00	100.00	Edison Spa	S	(2)
Sunflower Srl	Rome (IT)	EUR	10,000	70.00	70.00	70.00	Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl	S	(2)
Tabacchi Srl (single shareholder)	Milan (IT)	EUR	500,000	100.00	100.00	100.00	Edison Facility Solutions Spa (single shareholder)	S	(4)
Termica Cologno Srl	Milan (IT)	EUR	1,000,000	65.00	65.00	65.00	Edison Spa	S	(2)
Hydrocarbons Operations									
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Energia Spa (single shareholder)	S	(2)
Assistenza Casa Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	50,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(2)
Attiva Spa (single shareholder)	Milan (IT)	EUR	200,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(2)
Consorzio Interrompibilità We're -i Hydrocarbons Activities	Milan (IT)	EUR	5,000	98.04	-	1.96 96.08	Attiva Spa (single shareholder) Edison Energia Spa (single shareholder)	S	-
Edison Energia Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	40,000,000	100.00	100.00	100.00	Edison Spa	S	(2)
Edison International Spa (single shareholder)	Milan (IT)	EUR	75,000,000	100.00	100.00	100.00	Edison Spa	S	(2)
Edison Reggane Spa (single shareholder)	Milan (IT)	EUR	200,000	100.00	-	100.00	Edison Spa	S	(2)
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	90,000,000	100.00	100.00	100.00	Edison Spa	S	(2)
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	-
Medicoora Srl	Casalecchio di Reno (BO) (IT)	EUR	30,000	5.00	-	5.00	Edison Spa	S	-
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	S	(2)
Tremonti Srl (single shareholder)	Milan (IT)	EUR	100,000	100.00	100.00	100.00	Edison Spa	S	-
Discontinued Operations									
Hydrocarbons Operations									
Edison Norge As	Stavanger (N)	NOK	4,000,000	100.00	100.00	100.00	Edison International Spa (single shareholder)	S	-
Infrastrutture Distribuzione Gas Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	S	(2)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2019	Interest held in share capital % (b)	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 Spa	13.2	JV	(5)
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814		50.00	Edison Spa	8.6	JV	(5)
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon (**)	Herakleio Attiki (GR)	EUR	128,850,000		50.00	Edison Spa	46.9	JV	(5)
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,100		47.62	Jesi Energia Spa	-	AC	-
Depositi Italiani GNL Spa	Ravenna (IT)	EUR	20,000,000		30.00	Edison Spa	6.0	AC	-
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	Edison Spa	15.3	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	3.5	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	Edison Facility Solutions Spa (single shareholder) ex Energon Facility Solutions Spa (single shareholder)	0.1	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) ex Energon Facility Solutions Spa (single shareholder)	-	AC	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,826,285		20.91	Edison Energia Spa (single shareholder)	2.4	AC	(6)
San Gerardo Servizi Scarl	Zola Predosa (BO) (IT)	EUR	10,000		40.00	Edison Facility Solutions Spa (single shareholder) ex Energon Facility Solutions Spa (single shareholder)	-	AC	-
Syremont Spa	Rose (CS) (IT)	EUR	1,325,000		22.64	Edison Spa	-	AC	(7)
T.E.S.I. Engineering Srl	Trento (IT)	EUR	104,000		24.00	Energon Facility Solutions Spa (single shareholder) ex Energon Facility Solutions Spa (single shareholder)	-	AC	-
Trireme Srl	Rivoli (TO) (IT)	EUR	10,000		48.00	Sersys Ambiente Srl (single shareholder)	-	AC	-
Total investments in companies valued by the equity method							**122.9**		

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2019	Interest held in share capital % (b)	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	Elpedison Bv	JV	(5)
(**) 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	(5)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2019	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
C) Investments in companies in liquidation or subject to permanent restrictions									
E.E.S.CO. Srl (in liquidation)	Marcallo con Casone (MI) (IT)	EUR	150,000		30.17	Edison Facility Solutions Spa (single shareholder) ex Energon 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	(2)
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	(2)
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	-
Soc. Svi. Rea. Ges. Gasd. Alg-Ita v.Sard. Galsi Spa (in liquidation)	Milan (MI) (IT)	EUR	37,419,179		23,53	Edison Spa	-	AC	-
Total investments in companies in liquidation or subject to permanent restrictions							**2.4**		
D) Investments in other companies valued at fair value through profit and loss									
Amsc-American Superconductor	Devens (MA) (USA)	USD	276,031		0.06	Edison Spa	0.3	NG	-
Città Salute Ricerca Milano Spa	Milan (IT)	EUR	5,000,000		10.00	Edison Facility Solutions Spa (single shareholder) ex Energon Facility Solutions Spa (single shareholder)	0.5	NG	-
Esco Brixia Srl	Bovegno (BS) (IT)	EUR	45,000		10.00	Edison Facility Solutions Spa (single shareholder) ex Energon Facility Solutions Spa (single shareholder)	-	NG	-
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	Edison Facility Solutions Spa (single shareholder) ex Energon Facility Solutions Spa (single shareholder)	0.4	NG	-
Synchron Nuovo San Gerardo Spa	Zola Pedrosa (BO) (IT)	EUR	8,160,000		6.85	Edison Facility Solutions Spa (single shareholder) ex Energon Facility Solutions Spa (single shareholder)	0.6	NG	-
Total investments in other companies valued at fair value through profit and loss							**2.5**		
Total equity investments							**127.8**		

LIST OF EQUITY INVESTMENTS (continued)

Companies added to the scope of consolidation in the year ended 12.31.2020

Company name	Head office	Currency	Share capital at 12.31.2020	Consolidated Group interest
Acquired companies				
Cea Biogas Srl (single shareholder)	Caivano (NA) (IT)	EUR	1,000,000	100.00
Consorzio Interrompibilità We're	Milan (IT)	EUR	5,000	100.00
Medicoora Srl	Casalecchio di Reno (BO) (IT)	EUR	30,000	5.00
MF Energy Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00
Established companies				
Ambyenta Campania Spa	Rivoli (TO) (IT)	EUR	1,000,000	95.00
Ambyenta Lazio Spa	Rivoli (TO) (IT)	EUR	100,000	70.00
Ambyenta Srl (single shareholder)	Rivoli (TO) (IT)	EUR	10,000	100.00
Edison International E&P Spa (single shareholder)	Milan (IT)	EUR	200,000	100.00
Edison Reggane Spa (single shareholder)	Milan (IT)	EUR	200,000	100.00

LIST OF EQUITY INVESTMENTS (continued)

Companies removed from the scope of consolidation in the year ended 12.31.2020

Company name	Head office	Currency	Share capital at 12.31.2019	Consolidated Group interest at 2020	Consolidated Group interest at 12.31.2019
Merged Companies					
A.EN.B. Srl Azienda Energetica Buschese (single shareholder)	Rivoli (TO) (IT)	EUR	12,000	100.00	100.00
A.EN.W. Srl Antilia Energy Wood Srl (single shareholder)	Rivoli (TO) (IT)	EUR	1,116,026	100.00	100.00
Bargenergia Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	100.00
EDF EN Italia Spa (single shareholder)	Rome (IT)	EUR	14,000,000	100.00	100.00
EDF EN Services Italia Srl (single shareholder)	Bologna (BO) (IT)	EUR	10,000	100.00	100.00
Edison Energy Solutions Spa (single shareholder)	Milan (IT)	EUR	5,000,000	100.00	100.00
Edison Facility Solutions Spa (single shareholder)	Trento (IT)	EUR	5,650,000	100.00	100.00
Edison International Development Bv	Amsterdam (NL)	EUR	18,018,000	100.00	100.00
Edison International Holding Nv	Amsterdam (NL)	EUR	123,500,000	100.00	100.00
Energie Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	100.00
Fotosolare Sesta Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	100.00
Fotosolare Settima Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	100.00
FRI-EL Murge Srl (single shareholder)	Bolzano (IT)	EUR	5,810,000	100.00	100.00
FRI-EL Nurri Srl (single shareholder)	Bolzano (IT)	EUR	10,000	100.00	100.00
FRI-EL Sardegna Srl (single shareholder)	Bolzano (IT)	EUR	10,000	100.00	100.00
Murgeolica Srl (single shareholder)	Bolzano (IT)	EUR	10,000	100.00	100.00
Serra Carpaneto 3 Srl (single shareholder)	Rome (IT)	EUR	100,000	100.00	100.00
Solar Green Energy Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	100.00
Solaren Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	100.00
Solareolica Seconda Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	100.00
Solareolica Srl (single shareholder)	Rome (IT)	EUR	10,000	100.00	100.00
Vernante Nuova Energia S.r.l. (single shareholder)	Rivoli (TO) (IT)	EUR	10,000	100.00	100.00
West Tide Srl (single shareholder)	Trento (IT)	EUR	20,000	100.00	100.00
Liquidated companies					
Consorzio SST Scarl	Trento (IT)	EUR	10,000	51.00	51.00
Deconsolidated companies					
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00

LIST OF EQUITY INVESTMENTS (continued)

Companies removed from the scope of consolidation in the year ended 12.31.2020

Company name	Head office	Currency	Share capital at 12.31.2019	Consolidated Group interest at 2020	Consolidated Group interest at 12.31.2019
Sold companies					
Edison E&P UK Ltd	Londra (GB)	GBP	81,867,411	100.00	100.00
Edison Egypt-Energy Service J.s.c.	New Cairo (ET)	EGP	20,000,000	100.00	100.00
Edison Exploration & Production Spa (single shareholder)	Milan (IT)	EUR	500,000,000	100.00	100.00
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (RG) (I)	EUR	1,000,000	100.00	100.00
Edison International E&P Spa (single shareholder)	Milan (IT)	EUR	50,000,000 (*)	100.00	-
Euroil Exploration Ltd	Londra (GB)	GBP	9,250,000	100.00	100.00

(*) The company was established in 2020 and the share capital shown represents the amount on the date of sale, which took place in December 2020.

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.
(1) Company subject to the oversight and coordination of Fenice Qualità per l'Ambiente Spa (single shareholder).
(2) Company subject to the oversight and coordination of Edison Spa.
(3) Company subject to the oversight and coordination of Frendy Energy Spa.
(4) Company subject to the oversight and coordination of Edison Facility Solutions Spa (single shareholder).
(5) From January 1, 2014, company valuated with equity method according to IFRS 11.
(6) Of which n. 183.699 of common shares and n. 407.136 of common share cat. A.
(7) On 1/30/07 Edison exercised the option to sell its equity investment, with respect to which the counterparty is now in default.

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, 2020:
   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 17, 2021

Chief Executive Officer

Nicola Monti

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

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 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 the Edison Group (the "group"), which comprise the consolidated balance sheetat 31 December 2020, the consolidated income statementand other components of the comprehensive income, cash flow statement and changes in consolidated shareholders' equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Edison Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 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 "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Edison S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters - Comparative figures

The group's 2019 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 26 February 2020.

Key audit matters

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

Recoverability of goodwill, intangible assets and property, plant and equipment

Key audit matter	**Audit procedures addressing the key audit matter**
The consolidated financial statements at 31 December 2020 include goodwill of €2,174 million, intangible assets of €265 million and property, plant and equipment of €3,447 million. In line with its strategic and organisational policies, the group has allocated goodwill to two groups of cash-generating units ("CGUs"): the electricity power segment (€1,616 million) and the gas and E&P segment (€558 million). Impairment testing entails firstly checking that the carrying amount of the individual CGUs included in the two groups, excluding goodwill, does not exceed the related recoverable amount and secondly analysing the carrying amount of the electricity power and gas and E&P segments, including goodwill allocated thereto. Lastly, as a second-level check, the group tests the carrying amount of the assets as a whole for impairment. The group tests its assets for impairment with the assistance of an independent expert, by estimating their recoverable amount (i.e. value in use), and their ability to generate future cash flows. As a result of its impairment tests, the group has recognised total impairment losses of €35 million, including €28 million relating to the electricity power segment and €7 million to the gas and E&P segment. Impairment testing is complex and requires management to make assumptions about, inter alia, the CGUs' expected cash flows and the appropriate discount (WACC) and long-term growth (g-rate) rates. The group has estimated the recoverable amount mainly on the basis of the cash flows presented in: — the 2021 budget approved by the board of directors on 7 December 2020;	We firstly checked how management calculated the CGUs' value in use by challenging the methods and assumptions used in impairment testing. Our audit procedures, carried out partly by involving our own specialists, included the following: — understanding the controls implemented by the group over the process of impairment testing of goodwill, intangible assets and property, plant and equipment; — analysing the reasonableness of the assumptions used to estimate cash flows, including through sector data analyses; — comparing actual figures to forecasts to assess any discrepancies and the reliability of the estimation process; — challenging the reasonableness of the discount (WACC) and long-term growth (g-rate) rates; — checking the mathematical accuracy of the model used to calculate the CGUs' value in use; — checking the calculation of the carrying amount of the CGUs included in the electricity power and gas and E&P segments and the assets as a whole and comparing it with the recoverable amount resulting from the impairment tests; — challenging management's sensitivity analysis; — checking whether how management carried out impairment tests complied with the IFRS; — assessing the appropriateness of the disclosures provided in the notes about the impairment tests and their

— the 2022-2023 medium-term projections approved by the board of directors on the same date; — the long-term projections prepared by management. The above assumptions are affected by expectations about future market conditions. The most significant variables underlying the estimated cash flows are as follows: — variations in the national single price (PUN) and the related spark spread, changes in the Italian sector regulations, with specific reference to the capacity remuneration provisions and mechanisms for certain types of reliable power plants (capacity market), and the trend of national demand for electricity, with respect to the electricity power segment; — variations in the price of oil commodities and natural gas and in the €/USD exchange rate, with respect to the gas and E&P segment; — the discount and long-term growth rates. Considering the materiality of the carrying amount of assets and the subjectivity affecting the estimated cash flows and the most significant variables set out above, we believe that impairment testing is a key audit matter. Notes "10.3.1 Use of estimated values" and "5.1.4 Impairment test in accordance with IAS 36" to the consolidated financial statements present the disclosures about the impairment tests, including a sensitivity analysis of the key variables used for impairment testing.	compliance with the requirements of IAS 36.

Recognition of revenue from sales carried out between the last metering date and the reporting date

Key audit matter	**Audit procedures addressing the key audit matter**
Revenue from sales of electricity and natural gas of €2,506 million and €2,517 million, respectively, include turnover on the basis of the periodic reading of consumption for the year and the estimate for the supply of commodities provided but not yet invoiced at the reference date. This estimate is calculated in a differentiated manner depending on the commodity and on the basis of the	Our audit procedures on the estimated revenue from the sales carried out between the last metering date and the reporting date included the following: — checking the algorithms and data used in the IT systems, including by involving our IT specialists; — understanding the revenue recognition process and the main controls

segment of customers receiving the supply, according to the following factors: — volumes distributed (based on communications coming from third parties: transporters and distributors); — historical consumption of the customer; — pipeline leaks and adjustments to reflect weather conditions or other factors that could impact the consumption estimate. Specifically, the first factor is subject to potential invoicing settlements up to the fifth subsequent year as laid out in reference legislation; in particular, the estimate impacts revenues from natural gas sales. We believe that how the above revenue from sales is determined is a key audit matter, taking into account i) the discretionary component of any estimates; (ii) the materiality of the total amount; (iii) the large number of transactions involving end-users; and (iv) the effort necessary to carry out the related audit procedures, which require the involvement of experienced personnel and specialists. Note "10.3.1 Use of estimated values" to the consolidated financial statements discloses the revenue recognition policies used by the group.	implemented by the group, again by involving our IT specialists; — checking, on a sample basis, the correct application of the reference prices and the completeness and accuracy of the data used by management for these estimates; — comparing the estimates recognised in the consolidated financial statements with the subsequent actual figures; — assessing the appropriateness of the disclosures provided in the notes.

Provisions for decommissioning and remediation of sites, other risks and charges and disputes in relation to non-energy activities

Key audit matter	**Audit procedures addressing the key audit matter**
The consolidated financial statements at 31 December 2020 include provisions for decommissioning and remediation of industrial sites, for risks and charges for non-Energy activities of €172 million, €228 million and €299 million, respectively. The caption includes also the provisions for decommissioning and remediation of industrial sites ("decommissioning"). The valuation of future liabilities connected to industrial site decommissioning and remediation obligations is a complex process based on technical and financial assumptions of the management supported, when necessary, by independent appraisers. These liabilities reflect estimated dismantling, removal and clean-up costs that the company will need to incur when production and operating activities at a production site are completed, to restore	Our audit procedures included: — understanding the controls implemented by the group over the process for the identification, initial recognition and monitoring of proceedings and investigations at the organisation's various levels; — understanding the controls implemented by the group over the process for the identification, initial recognition and updating of provisions; — assessing the appropriateness of management's estimation methods in relation to the requirements of the IFRS; — analysing the accounting policies and assumptions used by management to estimate provisions;

environmental conditions in compliance with local regulations. The provisions for risks and charges are of a purely industrial nature and relate to the various segments in which the group operates. They include provisions for sales of equity investments and property tax disputes.

The provisions for risks and charges for non-Energy activities cover: i) disputes, litigation and contracts, ii) contractual guarantees on the sale of equity investments, iii) environmental risks and iv) tax disputes.

As disclosed in the notes, certain group companies are involved in a number of legal and arbitration proceedings. Management estimates affect the following captions: "provisions for risks and charges", "provisions for risks and charges for non-Energy activities and "liabilities held for sale".

The different types of disputes include disputes of an environmental nature that entail a high level of complex estimates and uncertainties, as they are linked to different legal proceedings in which the group is involved via the parent as a result of the merger of Montedison S.p.A. into Edison S.p.A..

Specifically as regards the provisions recognised in relation to disputes deriving from events dating back some time, connected to the management of chemical production sites formerly owned by the Montedison Group - which were subject to a large-scale decommissioning process between the 1990s and the first decade of the new century, resulting in the conversion of the Edison group's activities in the energy sector - the current levels of allocation shave been determined as the residual amount of what was initially recorded with reference to the specific litigation, considering the complexity and differentiation of the reference legal matters, as well as the uncertainties in terms of merit and time horizons of developments of the various proceedings and, therefore, of their outcomes themselves.

These provisions are quantified and updated according to a periodic audit process that takes into account the above considerations; similarly, and more generally, this periodic audit concerns the quantification and updating of the other risk provisions related to judicial and arbitration disputes.

Considering the complexity of the pending proceedings, the uncertainty of the

- checking the accuracy and completeness of the data used for the estimates;
- discussing the progress of the most significant disputes with the group's legal and tax departments;
- sending requests for information to the legal and tax advisors assisting the group and checking the consistency of the information obtained with the risk assessment made by management and the legal and tax departments;
- analysing supporting documentation, including minutes of the board of directors' meetings, agreements with counterparties and updates prepared by the group;
- analysing the events after the reporting date up to the date of this report;
- assessing the appropriateness of the disclosures provided in the notes.

estimation process and the significant potential effects on the group's financial position, financial performance and cash flows, we believe that this is a key audit matter. Notes "5.3 Provisions for risks and employee benefits", "5.4 Contingent assets and liabilities", "8. Non-Energy activities" and "10.3.1 Use of estimated values" to the consolidated financial statements present the disclosures about estimates of provisions.	

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") 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 the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' 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 auditors' 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 judgement and maintain professional scepticism throughout the audit.

We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;

- obtain 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 group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate 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;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level 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 provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all 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 determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 28 April 2020, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Edison S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 25 February 2021

KPMG S.p.A.

(signed on the original)

Umberto Scaccabarozzi
Director of Audit