2019 FINANCIAL REPORT

SEPARATE FINANCIAL STATEMENTS

VOLUME 3

Contents

Separate financial statements
(Primary financial statements and reclassified balance sheet)

INCOME STATEMENT

(in euros)	Note	2019 full year	of which related parties	2018 full year restated (*)	of which related parties (*)
Sales revenues	2.4	6.193.551.607	4.156.769.522	6.916.192.859	3.628.388.239
Other revenues and income	2.4	73.047.136	33.754.680	57.824.425	22.795.352
Total revenues		**6.266.598.743**		**6.974.017.284**	
Raw materials and services used (-) (**)	2.4	(5.887.539.744)	(940.214.720)	(6.727.960.274)	(827.669.089)
Labour costs (-)	2.4	(126.326.512)		(119.499.279)	
Receivables (Write-downs)/reversal	3	4.974.512		3.659.416	
EBITDA	2.4	**257.706.999**		**130.217.147**	
Net change in fair value of derivatives	4.3	4.689.926		(7.724.426)	
Depreciation and amortisation (-) (**)	5.1	(122.725.079)		(109.434.932)	
(Write-downs) reversal on non-current assets	5.1	-		-	
Other income (expense) - non-Energy activities, net	9	(39.917.532)		(22.624.830)	
EBIT		**99.754.314**		**(9.567.041)**	
Net financial income (expense) on net financial debt (available funds)	7.2	15.325.171	17.385.224	19.989.433	21.148.646
Income (expense) on assignment of receivables without recourse	3.2	(268.981)		(1.374.643)	
Financial expense for decommissioning and adjustment of provisions	5.3 - 8.3 - 9	(6.699.404)		(7.243.980)	
Net financial income (expense) for leasing (**)	7.2	(2.062.233)	203.236	-	-
Other net financial income (expense)	2.4	1.380.876	7.640.312	2.451.668	13.493.295
Revaluations (write-downs) of equity investments	5.2	(35.201.071)	(35.543.894)	(15.478.347)	(15.586.677)
Dividends	5.2	42.895.632	42.480.030	90.266.345	90.266.345
Gains (losses) on the sale of equity investments	5.2	-	-	360.931	
Profit (Loss) before taxes		**115.124.304**		**79.404.366**	
Income taxes	8.2	(25.255.589)		2.221.483	
Profit (Loss) from continuing operations		**89.868.715**		**81.625.849**	
Profit (Loss) from discontinued operations	2.4	(501.119.614)		(26.466.770)	
Profit (Loss) for the year	2.4	**(411.250.899)**		**55.159.079**	

(*) In accordance with IFRS 5 - Discontinued operations, the figures as at Dicembre 31, 2018 relating to E&P activities have been reclassified under "Profit (Loss) from discontinued operations"

(**) The 2018 financial year value does not include the effects deriving from the application of the IFRS 16 accounting standard, applied starting from January 1st 2019

OTHER COMPONENTS OF THE COMPREHENSIVE INCOME STATEMENTS

(in euros)	*Note*	2019 Full year	2018 Full year
Net income/(loss) for the year	2.4	**(411.250.899)**	**55.159.079**
A) Change in the cash flow hedge reserve	*6*	***(54.504.375)***	***(59.462.175)***
Gains (Losses) arising during the year		(75.532.433)	(82.433.509)
Income taxes (+/-)		21.028.058	22.971.334
B) Actuarial gains (losses (*)	*6*	**(876.323)**	**547.073**
Total other components of comprehensive income net of taxes (A+B)		**(55.380.698)**	**(58.915.102)**
Total comprehensive profit (loss)		**(466.631.597)**	**(3.756.023)**

(*) Items not reclassificable in Income Statement.

BALANCE SHEET

(in euros)	Note	12/31/2019	of which related parties	12/31/2018	of which related parties
ASSETS					
Property, plant and equipment (*)	5.1	1.311.357.783		1.200.872.853	
Intangible Assets	5.1	71.743.705		71.680.953	
Goodwill	5.1	1.573.190.046		1.706.690.046	
Other non-current financial assets	5.1	6.130.800		14.156.177	
Equity investments	5.2	1.411.984.843	1.411.984.843	2.093.229.806	2.093.229.806
Investments at fair value through profit and loss	5.2	899.169		942.747	
Non-current financial assets from subsidiaries and affiliated companies (*)	7.2	614.074.868	614.074.868	574.337.970	574.337.970
Deferred-tax assets	8.3	124.535.483		84.644.941	
Non-current tax receivables	8.3	25.011.374		24.618.681	
Other non-current assets	3.3	40.256.900		115.817.878	
Derivative financial instruments and FVH - non-current	4	100.300.152		173.572.384	
Total non-current assets		**5.279.485.123**		**6.060.564.436**	
Inventories	3.2	57.574.514		117.098.442	
Trade receivables	3.2	621.246.676	405.206.753	823.848.541	471.629.680
Current tax receivables	8.3	57.904	-	18.174.539	17.964.987
Other current assets	3.3	290.230.425	55.382.729	269.124.085	65.930.805
Derivative financial instruments and FVH - current	4	696.579.274		538.501.720	
Current financial assets	7.2	1.335.817		-	
Current financial assets from subsidiaries and affiliated companies (*)	7.2	537.995.906	537.995.906	389.965.661	389.965.661
Cash and cash equivalents	7.2	169.374.387	156.427.001	45.031.340	28.326.317
Total current assets		**2.374.394.903**		**2.201.744.328**	
Assets under disposal	2.3	**550.011.908**		**-**	
Total assets		**8.203.891.934**		**8.262.308.764**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5.377.000.671		5.377.000.671	
Statutory reserve		2.757.954		-	
Reserve from merger by absorption		217.921.729		217.921.729	
Reserves for other components of comprehensive income		(24.779.701)		30.600.997	
Retained earnings/(loss carryforward)		(386.288.287)		(438.689.412)	
Profit(Loss) for the year		(411.250.899)		55.159.079	
Total shareholders' equity	6	**4.775.361.467**		**5.241.993.064**	
Provisions for employee benefits	5.3	14.945.114		15.094.749	
Provisions for decommissioning and remediation of industrial sites	5.3	64.744.104		64.252.411	
Provisions for risks and charges	5.3	223.339.625		69.984.327	
Provision for income tax liabilities	8.3	-		29.495.992	
Provisions for risks and charges for non-Energy activities	9	265.886.514		250.828.312	
Deferred-tax liabilities	8.3	-		12.184.517	
Derivative financial instruments and FVH - non-current	4	92.727.066		174.551.715	
Non-current financial debt (*)	7.2	330.538.519	-	270.782.609	60.000.000
Total non-current liabilities		**992.180.942**		**887.174.632**	
Trade payables	3.2	937.741.613	113.503.326	1.012.254.092	125.654.874
Current tax payables	8.3	66.255.583	46.010.346	-	-
Other current liabilities	3.3	79.873.486	19.563.105	96.090.237	31.918.744
Derivative financial instruments and FVH - current	4	731.189.440		492.114.437	
Current financial debt (*)	7.2	70.082.727	8.006.403	114.263.322	15.653.999
Current financial payables to subsidiaries and affiliated companies	7.2	504.819.532	504.819.532	418.418.980	418.418.980
Total current liabilities		**2.389.962.381**		**2.133.141.068**	
Liabilities under disposal		**46.387.144**		**-**	
Total liabilities and shareholders' equity		**8.203.891.934**		**8.262.308.764**	

(*) The amount at December 31, 2018 does not include the effects resulting from the application of IFRS 16, applied from January 1, 2019

CASH FLOW STATEMENT

This cash flow statement analyses **cash flows** relative to short-term liquid funds (due within 3 months), the value of which at year end is 169 million euros, as compared with those of 2018 (45 million euros).

	(in euros)	2019 full year	*of which related parties*	2018 full year restated (*)	*of which related parties (*)*
Profit (Loss) before taxes of Edison Spa		**115.124.304**		**79.404.366**	
	Depreciation, amortisation and w rite-dow ns	122.725.079		109.434.932	
	Net additions to provisions for risks	(13.085.423)		(52.917.854)	
	(Gains) Losses on the sale of non-current assets	2.332.986		1.114.096	
	(Revaluations) Write-dow ns of non-current financial assets	35.201.071	35.543.894	15.478.347	15.586.677
	Change in provisions for employee benefits	149.635		4.743.772	
	Change in fair value recognised in EBIT	(4.689.926)		7.443.426	
	Change in the operating w orking capital	187.613.314	54.271.379	(84.855.763)	(83.491.849)
	Dividends from subsidiaries, affiliated companies and other companies	(42.895.632)	(42.215.969)	(90.266.345)	(90.266.345)
	Dividends collected (including amounts attributable to previous years)	42.561.869	42.215.969	90.417.391	90.266.345
	Total Net financial income (expense)	(5.358.351)	(17.385.224)	(9.775.832)	22.071.648
	Financial income collected	21.236.519	20.988.582	24.165.560	23.349.346
	Financial (expense) paid	(8.324.124)	(3.906.346)	(10.865.571)	(2.517.318)
	Net income taxes paid	(17.989.327)		(24.828.319)	
	Change in other operating assets and liabilities	227.222.687	80.132.757	39.728.984	1.110.076
A.	**Cash flow from operating activities from activities**	**661.824.681**		**98.421.190**	
	Additions to intangibles and property, plant and equipment (-)	(131.697.722)		(44.475.541)	
	Additions to non-current financial assets (-)	(216.649.037)	(216.649.037)	(329.810.224)	(329.810.224)
	Proceeds from the sale of intangibles and property, plant and equipment	189.835		901.053	
	Proceeds from the sale of non-current financial assets	-		3.675.360	
B.	**Cash from (used in) investment activities**	**(348.156.924)**		**(369.709.352)**	
	Proceeds from new medium-term and long-term loans	40.000.000		85.000.000	
	Redemptions of medium-term and long-term loans (-)	(22.822.133)	-	(22.836.891)	(22.836.891)
	Change in other current and non-current financial assets	42.617.395	82.752.956	203.361.610	106.813.449
	Capital injections from parent companies or third party shareholders	(249.119.972)	(257.767.143)	(115.263.057)	(115.263.057)
	Repayments of purpose loans for E&P activities	(70.000.000)	(70.000.000)	-	-
	Termination of loans from Discontinued Operations	70.000.000	70.000.000	-	-
C.	**Cash from (used in) financing activities**	**(189.324.710)**		**150.261.662**	
D.	**Net change in cash and cash equivalents (A+B+C)**	**124.343.047**		**(121.026.500)**	
E.	**Cash and cash equivalents at the beginning of the year**	**45.031.340**	**28.236.317**	**166.057.840**	**139.940.787**
F.	**Cash and cash equivalents at the end of the year (D+E)**	**169.374.387**	**156.427.001**	**45.031.340**	**28.236.317**

(*) The values have been restated to take account of the spin-off and subsequent transfer of the E&P activities

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in euros)	Share capital	Statutory reserve	Reserve from merger by absorption	Reserves and retained earnings (loss carryforward)	Reserve for other components		Profit (Loss) for the year	Total shareholders' equity
					Cash flow hedge	Actuarial gains (losses) pursuant to IAS 19		
Balances at December 31, 2017	**5.377.000.671**	**-**	**217.921.729**	**(249.942.725)**	**90.806.761**	**(1.290.662)**	**(184.241.639)**	**5.250.254.135**
IFRS 9 - initial application	-	-	-	(4.505.048)	-	-	-	**(4.505.048)**
Restated balances at January 1, 2018	**5.377.000.671**	**-**	**217.921.729**	**(254.447.773)**	**90.806.761**	**(1.290.662)**	**(184.241.639)**	**5.245.749.087**
Appropriation of the 2017 result	-	-	-	(184.241.639)	-	-	184.241.639	**-**
Other change in comprehensive income	-	-	-	-	(59.462.175)	547.073	-	**(58.915.102)**
2018 Profit (loss)	-	-	-	-	-	-	55.159.079	**55.159.079**
Period changes 2018	**-**	**-**	**-**	**(184.241.639)**	**(59.462.175)**	**547.073**	**239.400.718**	**(3.756.023)**
of which total net comprehensive income/(loss) 2018	-	-	-	-	*(59.462.175)*	*547.073*	*55.159.079*	***(3.756.023)***
Balances at December 31, 2018	**5.377.000.671**	**-**	**217.921.729**	**(438.689.412)**	**31.344.586**	**(743.589)**	**55.159.079**	**5.241.993.064**
Appropriation of the 2018 result	-	2.757.954	-	52.401.125	-	-	(55.159.079)	**-**
Other change in comprehensive income	-	-	-	-	(54.504.375)	(876.323)	-	**(55.380.698)**
2019 Profit (loss)	-	-	-	-	-	-	(411.250.899)	**(411.250.899)**
Period changes 2019	**-**	**2.757.954**	**-**	**52.401.125**	**(54.504.375)**	**(876.323)**	**(466.409.978)**	**(466.631.597)**
of which total net comprehensive income/(loss) 2019	-		-	-	*(54.504.375)*	*(876.323)*	*(411.250.899)*	***(466.631.597)***
Balances at December 31, 2019	**5.377.000.671**	**2.757.954**	**217.921.729**	**(386.288.287)**	**(23.159.789)**	**(1.619.912)**	**(411.250.899)**	**4.775.361.467**

RECLASSIFIED BALANCE SHEET

This schedule, prepared on a voluntary basis, reclassifies the balance sheet items of the primary statement, to allow a quicker reconciliation with the information provided in the following chapters.

(in euros)	*Note*	12/31/2019	12/31/2018
NET WORKING CAPITAL	*3.1*	**(8.306.584)**	**217.544.617**
Operating Working Capital	*3.2*	**(258.920.423)**	**(71.307.109)**
Inventories (+)		57.574.514	117.098.442
Trade receivables (+)		621.246.676	823.848.541
Trade payables (-)		(937.741.613)	(1.012.254.092)
Other assets / (liabilities)	*3.3*	**250.613.839**	**288.851.726**
Other current assets		290.230.425	269.124.085
Other non-current assets		40.256.900	115.817.878
Other current liabilities		(79.873.486)	(96.090.237)
Other non-current liabilities		-	-
DERIVATIVE FINANCIAL INSTRUMENTS and FVH	*4.1*	**(27.037.080)**	**45.407.952**
- current assets		696.579.274	538.501.720
- non-current assets		100.300.152	173.572.384
- current liabilities		(731.189.440)	(492.114.437)
- non-current liabilities		(92.727.066)	(174.551.715)
INVESTED CAPITAL AND PROVISIONS		**4.072.277.503**	**4.938.241.095**
Fixed assets	*5.1*	**2.956.291.534**	**2.979.243.852**
Fixed assets (*)		2.956.291.534	2.979.243.852
Equity investments	*5.2*	**1.419.014.812**	**2.108.328.730**
Equity investments		1.411.984.843	2.093.229.806
Investments at fair value through profit and loss		899.169	942.747
Other non-current financial assets		6.130.800	14.156.177
Operational Provisions	*5.3*	**(303.028.843)**	**(149.331.487)**
Provisions for employee benefits		(14.945.114)	(15.094.749)
Provisions for decommissioning and remediation of industrial sites		(64.744.104)	(64.252.411)
Provisions for risks and charges		(223.339.625)	(69.984.327)
TAX ASSETS (LIABILITIES)	*8.3*	**83.349.178**	**85.757.652**
Non-current tax receivables		25.011.374	24.618.681
Current-tax receivables		57.904	18.174.539
Current taxes (payable)		(66.255.583)	-
Deferred-tax assets		124.535.483	84.644.941
(Deferred-tax liabilities)		-	(12.184.517)
Provision for income tax liabilities		-	(29.495.992)
NET INVESTED CAPITAL		**4.120.283.017**	**5.286.951.316**
Provisions for risks and charges for non-Energy activities	*9*	**(265.886.514)**	**(250.828.312)**
Assets (Liabilities) under disposal	*2,4*	**503.624.764**	**-**
TOTAL NET INVESTED CAPITAL		**4.358.021.267**	**5.036.123.004**
SHAREHOLDERS' EQUITY	*6*	**4.775.361.467**	**5.241.993.064**
NET FINANCIAL DEBT (AVAILABLE FUNDS)	*7*	**(417.340.200)**	**(205.870.060)**
Current financial assets (-)		(1.335.817)	-
Current financial assets from subsidiaries and affiliated companies (-) (*)		(537.995.906)	(389.965.661)
Non-current financial assets from subsidiaries and affiliated companies (-) (*)		(614.074.868)	(574.337.970)
Cash and cash equivalents (-)		(169.374.387)	(45.031.340)
Non-current financial debt (+) (*)		330.538.519	270.782.609
Current financial debt (+) (*)		70.082.727	114.263.322
Current financial payables to subsidiaries and affiliated companies (+)		504.819.532	418.418.980
TOTAL HEDGES		**4.358.021.267**	**5.036.123.004**

(*) Includes the effects of the application of the new accounting standard IFRS 16 as from January 1, 2019

Notes to the separate financial statements at December 31, 2019

1. INTRODUCTION

Dear Shareholders,

We submit for your approval the separate financial statements of Edison Spa at December 31, 2019, which consist of an income statement, a statement of other components of comprehensive income, a balance sheet, a cash flow statement, a statement of changes in shareholders' equity and the accompanying notes. The financial statements were drawn up in accordance with the International Financial Reporting Standards IFRS issued by the International Accounting Standards Board (IASB), based on the text published in the Official Journal of the European Communities (OJEC). The Board of Directors held on February 13, 2020 authorised the publication of these separate financial statements, which are audited by the company Deloitte & Touche Spa based on the assignment granted by the Shareholders' Meeting on April 26, 2011, pursuant to Legislative Decree No. 39 of January 27, 2010, with duration for nine financial years (2011-2019).

The values shown in the Notes to the separate financial statements, unless otherwise stated, are expressed in millions of euros.

1.1 Focus on newly applied standards

In preparing the separate financial statements, the accounting principles and valuation criteria applied are consistent with those applied in the preparation of the 2018 separate financial statements. During the year the following new international accounting standard was adopted, applicable from 1 January 2019:

IFRS 16 "Leases": replaced IAS 17 and amended the accounting approach for operating leases only by eliminating the distinction between operating and finance leases. The provisions of IFRS 16 were applied upon transition on a prospective basis, starting from January 1, 2019 by adopting some simplifications (so-called practical expedient), whereby contracts with a duration of less than 12 months and some contracts with a low market value were excluded from the valuation. According to the new standard, a lease is defined as a contract for which, in exchange for a fee, the lessee has the right to control the use of a specific asset for a certain period.

The application of the new standard to the contracts identified determined:

- in the balance sheet: the initial recognition (i) of a financial payable equal to the present value of the minimum future obligatory instalments to be paid by the lessee as from January 1, 2019, which will be subsequently reduced as the rental instalments are paid; (ii) of an asset, representing the right of use, equal to the financial payable adjusted for the reclassification of certain instalments paid in advance and already recorded in the 2018 balance sheet. The right of use will then be amortised over the shorter duration between the economic-technical life of the asset and the residual duration of the contract.
  At the time of initial recognition of the contract, both items are valued with reference to the duration of the lease agreement also considering the hypotheses of renewal of the contracts or early termination, only in cases where the exercise of these options is reasonably certain.
  In general, discounting is carried out at the explicit rate indicated in the contract, if available, and in its absence, at least, at the rate on the lessee's marginal debt.
- The change in the classification of sub-lease contracts in cases where the sub-leased asset derives from (i) a passive lease (main contract) and (ii) has a duration of more than 12 months; the recognition of the sub-lease determines the recognition of a financial receivable and the reversal of the right of use (pro-quota or in full) and implies the recognition in the income statement of any difference between the two values.
- In the income statement: an improvement in EBITDA due to the elimination of the rental fee and the recognition of (i) the amortisation of the right of use and (ii) the financial charges on the debt recorded.

During the transition phase, the exemption from the provision for deferred taxes provided for by IAS 12 "Income taxes" was applied.

On the basis of existing contracts, the application of IFRS 16 resulted in the recognition at January 1, 2019 of:

a) a right of use of 102 million euros;

b) a financial payable of 112 million euros;

c) a financial receivable of 10 million euros.

The following table shows the reconciliation between the commitments set out in accordance with IAS 17 as at December 31, 2018 and the opening balance of the financial debt resulting from the first-time adoption of IFRS 16 as at January 1, 2019:

(in million euros)	
Minimum future payments due for operating leases that cannot be cancelled pursuant to IAS 17 at 12/31/2018	**124**
Impact of first-time application of IFRS 16:	
• *Exclusion of lease agreements for low value assets (-)*	*(2)*
• *Short-term leases (-)*	-
• *Effect of discounting (-)*	*(10)*
Payable at 01/01/2019 arising from the first-time application of IFRS 16	**112**

Amendments to IFRS 9 and IFRS 7

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

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

1.2 Other valuation criteria applied

Net working capital

Inventories

Inventories relating to so-called “industrial activities” are valued at purchase or production cost, including incidental expenses, determined primarily by the FIFO method, or at estimated realisable value, based on reference market conditions, whichever is lower.

Trade receivables, Other assets, Trade payables, Other liabilities

They are qualifiable as financial instruments. They are initially recognised at fair value. Trade receivables without a significant financial component are initially recognised at the transaction price. The recoverability of receivables is evaluated based on the Expected Credit Losses model set forth in IFRS 9.

As regards the conditions for the elimination of receivables and payables from the balance sheet, see the comments below with reference to financial assets and liabilities.

Revenues from contracts with customers are booked pursuing IFRS 15. We remind that, in the previous reporting period, 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 to produce electric power with facilities that use renewable sources which are measured at fair value in accordance with IAS 20.

Valuation of long-term take or pay Contracts

Under the terms of medium/long-term contracts for the importation of natural gas, the Company is required to take delivery of a minimum annual quantity of natural gas. If delivery of the minimum annual quantity is not achieved, the Company 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 part of the payment that qualifies as an advance on future deliveries is initially recognised in "Other non-current assets" pursuant to IAS 38. The recognised amount is maintained based on the prior periodic verification that: i) over the residual duration of the contract, the Company estimates that it will be able to recover the volumes below the contractual minimum (quantitative valuation); ii) the Company believes 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 recognised as a commitment.

Advances are reclassified to inventory only when the Company actually takes delivery of the gas or are recognised in profit or loss as penalties when it is unable to take delivery of the gas. In estimating the estimated realizable value of the gas inventory, any contractual renegotiations of the price of delivered natural gas may be considered as a price adjustment, if applicable.

Derivatives

Financial derivatives, including embedded derivatives, subject to separation from the main contract, are assets and liabilities measured at fair value.

As part of the risk management strategy and objectives, the following are required for transactions to be classified as hedges: (i) verification of the existence of an economic relationship between the hedged item and the hedging instrument such so as to offset the relative changes in value, and such offsetting capacity should not be negatively impacted by the level of counterparty credit risk; (ii) the definition of a hedge ratio consistent with the risk management objectives within the Group's risk management strategy, carrying out the appropriate rebalancing actions when necessary. Amendments to risk management objectives, the elimination of the conditions specified previously for the qualification of transactions as hedges or the implementation of rebalancing operations result in the prospective total or partial discontinuation of the hedge.

The Company applies hedge accounting extensively, under IFRS 9, and in particular:

a) when derivatives hedge the risk of changes in the fair value of the hedged instruments (Fair Value Hedge), the derivatives are recognised at fair value through profit or loss. The carrying amount of the hedged items is adjusted accordingly to reflect changes in fair value associated with the hedged risk in the income statement;
b) when derivatives hedge against the risk of changes in cash flows of the hedged instruments (Cash Flow Hedge), changes in the fair value of derivatives deemed effective are initially recognised in the shareholders' equity reserve and in other comprehensive income and, subsequently, allocated to the income statement consistent with the economic effects of the hedged transaction.

Please note that the economic effects of transactions for the purchase or sale of commodities entered into to meet company needs in the ordinary course of business and which are expected to be settled with the physical delivery of the goods, are recognised on an accrual basis ("own use exemption").

The fair value of financial instruments listed in an active market is based on market prices at the reporting date (type 1). The fair value of instruments that are not listed in an active market is defined using specific measurement techniques (type 2 internal model with market inputs and type 3 with internal models).

Fixed assets

Property, plant 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 acquisition, **property, plant and equipment** are recognised using the cost model.

Costs incurred for periodic maintenance, particularly in the thermoelectric sector (major and/or revamping) are charged to the relevant assets and they are depreciated over the specific residual possible use of those assets.

The estimated realizable value that the Company expects to recover at the end of an asset's useful life is not depreciated. Non-current assets are depreciated every year on a straight-line basis, according to economic-technical rates calculated based on the residual possible use of assets.

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

	Electric power operations		Gas operations		Corporate activities	
	minimum	maximum	minimum	maximum	minimum	maximum
Buildings	1%	10%	na	na	3%	7%
Plant and machinery	1%	7%	na	na	4%	9%
Industrial and commercial equipment	3%	10%	na	na	3%	3%
Other assets	1%	12%	na	na	2%	20%
Investment property	-	-	na	na	1%	2%

The depreciation of the portion of assets that is transferable free of charge is taken on a straight-line basis over the remaining term of the respective contracts (considering 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 amortisation and the provision for write-downs booked through January 1, 2004 were derecognised.

As from January 1, 2009, the financial expense directly related to the purchase, construction or production of an asset having a significant life is capitalized if the investment exceeds a pre-defined size threshold; please note that, until December 31, 2008, the financial expense was not capitalized.

Intangible assets and Goodwill

Intangible assets are recognised in financial statements at their purchase price. After acquisition, they are recognised using the cost model and are amortised on a straight-line basis over their estimated useful life. The intangible assets recognised have a definite useful life.

Goodwill is not subject to systematic amortisation but is tested for impairment at least once a year. Any write-downs cannot be reversed in subsequent periods.

Environmental securities

The Company secures a supply primarily of low carbon emissions rights to meet its own requirements in the exercise of its industrial activities.

Specifically, "Intangible assets" can include emissions rights, which are recognised at the cost incurred to acquire them, provided the rights carried by the Company 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 compliance purposes are recognised at a zero carrying value. Since these assets are designed for instantaneous use, they are tested for impairment and cannot be amortised. 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 recognised to account for the difference. Any emissions rights that are surrendered each year, based on the volume of polluting gas emissions released into the atmosphere each calendar year or the production generated, will be derecognised (compliance) using a special reserve for risks set aside in the previous year.

The costs attributable to the year are recorded under "Materials and services used" (this item also includes any costs referred to plants disposed of in the transferor's accounting period). In the course of the year, expected costs are calculated by valuing at market price the difference between emissions for the period and the rights held; if there are derivative hedging instruments correlated with the acquisition of rights (typically futures with physical delivery), the relative fair value is recognised as an adjustment of the estimated cost.

Equity investments in subsidiaries, joint ventures and affiliates

Subsidiaries are companies in which Edison has the power to make strategic decisions independently, in order to receive the corresponding advantages. As a rule, control is assumed when the company directly or indirectly holds over a half of the voting rights that can be exercised within the ordinary Shareholders' Meeting, also considering potential votes, i.e. voting rights linked to convertible instruments.

Other equity investments comprise joint ventures that do not qualify as joint operations and affiliates on which Edison has a significant influence in determining the company's strategic choices, while it does not control it, also considering potential votes, i.e. voting rights linked to convertible instruments; significant influence is assumed when Edison directly or indirectly holds over 20% of the voting rights that can be exercised within the ordinary Shareholders' Meeting. Equity investments in subsidiaries, affiliates and joint ventures are measured at acquisition cost. The acquisition cost may be permanently written down to reflect any distributions of share capital or equity reserves or any impairment losses detected as a result of an impairment test. If the reasons that justified the write-down cease to apply in subsequent years, the original cost can be reinstated. The reversal cannot exceed the original cost. If the loss attributable to Edison Spa exceeds the carrying amount of the equity investment and the investor is obliged to meet legal or implicit obligations of the investee company or in any event cover its losses, any excess with respect to the carrying amount is recognised in a dedicated liability provision under provisions for risks and charges.

Provisions for risks and employee benefits

Employee benefits

The Company provides its employees with short-term benefits (only for example, holidays, production bonus, flexible benefits correlated with welfare services and benefits); the relative costs are recognised in the period in which the Company receives the service from the employee.

With reference to employee severance indemnities specifically, 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 entry into force of that Law and as a result of these payments, the Company has no further obligations about the work that employees will perform in the future. Thus, the Company considers the portion accrued prior to that reform as a "defined benefit plan", while the portion accrued subsequently is a "defined contribution plan".

Provisions for risks and charges

Provisions for risks and charges are recognised against obligations existing at the reporting date and are valued based on the best estimate of the expense required to fulfil such obligations. The estimates are reviewed at each reporting date and adjusted when necessary. For details, please refer to the section below, "Use of estimated values".

Shareholders' equity, financial debt and cost of debt

Dividends are recognised when the shareholders' right to collect them arises, usually in the year when the Shareholders' Meeting of the investee resolving on the distribution of profits or reserves takes place.

Financial assets are initially recognised at fair value. Subsequent to initial recognition, financial assets that generate contractual cash flows representative solely of payments of principal and interest are measured at amortised cost.

The recoverability of financial assets not at fair value through profit or loss is evaluated based on the Expected Credit Losses model set forth in IFRS 9.

Financial liabilities other than derivatives are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs and are subsequently measured at amortised cost.

Financial income and expense are recognised on an accrual basis.

Elimination of financial assets and liabilities

Financial assets are derecognised when the right to receive the related cash flows is extinguished and all of the risks and benefits related to the ownership of the assets have been substantially transferred (so-called derecognition) or when an asset is deemed to be totally non-recoverable after all necessary recovery procedures have been carried out.
The financial liabilities are removed from the balance sheet when the specific contractual obligation is redeemed. Also, the amendment of existing contractual terms is understood as redemption, if the new terms change the original understandings significantly and however when the current value of cash flows generating from the revised agreements differs by over 10% from the value of discounted cash flows of the original liability.
Financial assets and liabilities are offset in the balance sheet when there is a current legally enforceable right to offset and the Company intends to settle on a net basis (or to realise the asset and simultaneously extinguish the liability).

Translation of items denominated in foreign currencies

Transactions in foreign currencies are translated into euros at the exchange rate in force on the transaction date. At the end of the reporting period, cash assets and liabilities are translated at the exchange rate in force on the balance sheet date. Any resulting foreign exchange translation differences are recognised in the income statement. Non-cash assets and liabilities denominated in foreign currencies and measured at cost are translated at the exchange rate in force on the transaction date.

Taxation

Current tax liabilities and assets are measured at the value expected to be paid to tax authorities, calculated by applying the tax rates in force or essentially in force at the reporting date.

Deferred tax assets are recognised only to the extent that their future recovery is probable. In valuing deferred tax assets, the timeframe of the business planning period for which approved company plans are available is considered.

The deferred tax liability on retained earnings of Group companies is recognised 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.
Tax treatments for which there is uncertainty regarding application are valued separately or together with other situations of tax uncertainty, depending on the approach that best represents its resolution. The Company accounts for uncertain tax treatment based on the probability that the tax authority will accept this treatment. Uncertain tax treatments can be estimated using one of the two methods that best represents the uncertain tax treatment: i) the most probable amount; ii) the expected value. Also see the point on “Use of estimated values” below.

Use of estimated values

The preparation of the financial statements and of the notes required the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities. The actual results that arise upon the occurrence of the relevant events could differ from these estimates.
Estimates and assumptions are revised on a regular basis, and the impact of any such revision is immediately accounted.
The use of estimates is particularly significant for the following items:

- the evaluation that **property, plant and equipment and intangible assets**, including **goodwill**, are recognised 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 and as an evaluation of the Company overall due to the presence of unallocated general costs, which cannot be objectively allocated to the above-mentioned CGUs (second level impairment testing).
  The CGUs, which have been identified in a way that is consistent with the Company’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.

At each reporting date, the Company verifies whether there is any indication that an asset may have suffered a loss in value (impairment indicator), except for 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 relative recoverable value, after deducting from both the values of any risk provision recognised for costs to decommission and remediate sites.
The recoverable amount is calculated in compliance with the criteria laid out in IAS 36 and is determined as the value in use through the discounting of cash flows expected from the use of the asset or a set of assets (CGUs) as well as the amount expected from its disposal at the end of its useful life. Thus, the recoverability of the value of fixed assets is verified by comparing the carrying amount recorded in financial statements with the relative recoverable value, after deducting from both the values of any risk provision recognised for costs to decommission and remediate sites. 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 developing future cash flows, reference was made to information reflecting the best estimates that could be made by the Top Management with respect to company operations, or:

- the 2020 budget and Medium-Term Plan 2021-2023 approved by the Board of Directors on December 7, 2019;
- 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. These assumptions and the corresponding financials were deemed to be suitable for impairment test purposes by the Board of Directors, which approved the results on February 13, 2020.

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

- for activities related to the electric power sector: single national price ("PUN") and spark spread scenarios, the evolution of Italian sector regulations on producer governance and incentives (e.g., capacity market) and national demand trends;
- for activities related to the hydrocarbons sector: oil commodity, natural gas and EUR/USD exchange rate scenarios;
- for goodwill, the future growth rate necessary to determine the terminal value.

The discount rates applied were estimated by determining the weighted average cost of capital (WACC), taking into consideration the specific risks of the Company's business, and are based on data observable in the financial markets.
The Company relies on an independent expert to determine the recoverable amount (i.e., value in use) 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 details on the results of the impairment test conducted this year, please refer to the "Impairment test pursuant to IAS 36 on the value of goodwill, property, plant and equipment and intangible assets" section (note 5.1.5).

- the determination of some provisions for risks and charges, in particular the:
  - **provisions for decommissioning and remediation of industrial sites:** 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 environmental conditions in compliance with local regulations as well as specific contractual arrangements.

    The initial estimate of remediation costs, after deducting income that it is estimated could derive from the resale of recoverable parts, takes into consideration the value of inflation estimated until the expected site decommissioning date and is then discounted based on a risk-free rate. The estimate is based on the principle of prudence considering the market, legislative and technological conditions known now of the valuation. This value is capitalised with that of the asset to which it refers and is subject to depreciation; the relative provision for decommissioning is recognised as an offsetting entry which, taking into account the expected time horizon, is then adjusted from time to time by recognising the effect of discounting under financial expense.

    At each reporting date, the estimates are revised to verify that the amounts recognised are the best expression of the costs that will likely be incurred by the company and, if there are significant changes, the amounts are adjusted. The main factors triggering a revision of cost estimates are the revision of the useful life of the site, market scenarios, the evolution of environmental technologies and regulations and inflation and discounting rate trends.
  - **provisions for legal and tax disputes**, within which the types that require greater recourse to estimates and assumptions by the management are the **provisions relating essentially to environmental disputes** connected to legal and arbitration proceedings of various types in which Edison Spa, as the universal successor of Montedison Spa, which it absorbed, is involved. 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 the provisions have been determined as the residual amount of the amount recognised initially with reference to the specific dispute, considering the complexity and differentiation of the reference legal matters, as well as the uncertainties in terms of the merit and the time horizons for the evolution of the various proceedings and, therefore, their outcomes. For the purposes indicated in chapter 1.3 "Presentation formats of the financial statements adopted by the Company", since the economic and financial impact associated with the aforementioned disputes is not part of the company's ordinary business, it is separated in the summary schedules and identified as non-Energy activities.

    These provisions are quantified and updated according to a periodic audit process that considers 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.
- the determination of **some sales revenues**, revenues from the sale of electricity and natural gas to customers and the subsidiary Edison Energia Spa. These revenues include turnover based on 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 based on the segment of customers receiving the supply, according to the following factors:
  1) volumes distributed (based on communications coming from third parties: transporters and distributors);
  2) historical consumption of the customer;

3) 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. Historical consumption, on the other hand, is most significant in determining the revenues from electricity sales to residential customers. Please also note that at each reporting date, revenues from the sale of natural gas and electricity from residential and other customers include the estimate referring to the last two months of consumption.

1.3 Statements adopted by the Company

In continuity with the separate Financial Statements as at 31 December 2018, Edison Spa, taking inspiration from the numerous projects that the IASB is developing on the subject of "Effective Communication", has adopted in the preparation of these separate Financial Statements an exposure method that makes the financial statement disclosure more relevant and more effective by keeping considering the materiality of the information and the expectations of its Stakeholders. For this purpose, the notes to the financial statements they have been divided into chapters by homogeneous topics instead of budget lines. For more information, refer to what is illustrated in the 2018 separate financial statements.

The main presentation formats utilised have the following characteristics:

- the **Income Statement** is scalar, with the single items analysed by nature, and comprises the Statement of Comprehensive Income, which shows the result components outstanding in the shareholders' equity;
- in the **Balance Sheet**, assets and liabilities are analysed by maturity. Current and non-current items, which are due within or after 12 months after the balance sheet date, 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 Shareholders' Equity** shows the flows concerning the components of the reserve for other components of comprehensive income separately.

A **reclassified balance sheet** has been included on a voluntary basis to supplement these schedules, which allows a more rapid reconciliation with the information provided in the following chapters of the notes to the financial statements.

2. PERFORMANCE

2.1 Core business of the Parent Company

Within the different Group companies, the Parent Company Edison Spa is responsible for the strategic direction, planning, control, financial management, risk and the coordination of activities.
More specifically:

- provides Group companies with business support and operating activity support services, such as administrative, legal, procurement, personnel management, information technology and communication services, as well as risk management, through the management of financial derivatives relating to energy commodities, in order to optimise the available resources and make efficient use of existing know-how, providing subsidiaries with use of spaces for offices and for operating areas, as well as services relating to their use. These services are governed by the appropriate intercompany service agreements;
- in the electric power segment, it manages the generation of thermoelectric and hydroelectric power stations, purchases, sells and trades electricity as well as electricity transport capacity and makes the relative sales to the wholesale market on forward markets as well as spot markets in Italy and abroad;
- in the hydrocarbons segment, it works in the importing of gas based on long-term contracts and the sale of hydrocarbons for thermoelectric uses and carries out buying and selling activities in the wholesale market, including through the contracting of fossil fuel storage and transport capacity and the relative rights. In the midstream gas segment, it is present along with international partners with several important projects for the development of foreign gas transport infrastructure, and in Italy in the Small-Scale LNG supply chain.

Furthermore, in compliance with the business model which calls for the separation of retail segment sales activities (residential and industrial market), Edison Spa also provides its subsidiary Edison Energia Spa with the energy and gas needed to meet its requirements, optimising its supply in terms of both volume and price. It is also indirectly present in the specific hydrocarbon exploration and production, wind production and energy services sectors through its subsidiaries, which head their respective business lines, Edison E&P Spa, Edison Partecipazioni Energie Rinnovabili S.r.l (and through the latter E2i Energie Speciali S.r.l), EdF Energie Nouvelles Italia Spa and the Fenice Spa.

Moreover, as explained in more detail in the following pages, on July 4, 2019, Edison announced the signing of an agreement with Energean Oil & Gas for the sale of 100% of Edison E&P Spa's shares, with a view to closing the operation as soon as possible in 2020.

2.2 Key events

In addition to the more detailed comments made in the Report on Operations with reference to the events that characterised 2019, the main transactions and their effects on the 2019 financial statements are described below.

Merger by incorporation of Edison Energie Spa into Edison Energia Spa (wholly owned subsidiaries of Edison Spa)

On January 1, 2019, the decision taken by the Edison Energia Spa Board of Directors on December 10, 2018, pursuant to Art. 2505, paragraph 2 of the Civil Code, relating to the merger by incorporation of the company Edison Energie Spa, became effective.
Following that merger, the value of the equity investment in Edison Energie Spa, which amounted to 193 million euros at January 1, 2019, was reclassified with continuity of value to Edison Energia Spa, bringing the value of that equity investment from roughly 87 million euros to around 280 million euros.

Edison Spa and Ansaldo reach an agreement for the new combined cycle of the power plant in Marghera Levante

March 5, 2019 – Edison Spa and Ansaldo Energia signed a contract for a new, latest-generation combined gas cycle that will use the most advanced Italian technology and make the thermoelectric power plant of Marghera Levante (VE) the most efficient in Europe. The agreement is part of Edison's plan to support the country's energy transition with investments of 2 billion euros in Italy over the three-year period 2019-2021. The overall investment amounts to over 300 million euros, which will also be used to create the power island, made up mainly of the GT36 high-efficiency gas turbine developed by the Genoa-based company. The new turbine will supply the Marghera combined cycle, which will have total electricity generation capacity of 780 MW and an energy output of 63%, the highest output currently available from these technologies. This will translate into a 40% reduction of specific CO_2 emissions compared to the average of current Italian thermoelectric plants and a reduction of emissions of nitrogen oxides (NOX) by more than 70%. The refurbishment works on the power plant will last for 3 years and employ around 600 people, in addition to the associated industries. Once completed, the Marghera Levante plant will employ 31 people, making it possible to confirm the current employment levels of the plant. The new combined cycle of Marghera Levante will contribute to the country's energy transition, ensuring the security and flexibility of production required to balance the intermittent nature of renewable sources. In April, Edison Spa obtained the Single Authorisation enabling it to carry out the project. As at December 31, 2019, commitments totalled 198 million euros and advances 40 million euros.

Outcome of the voluntary conversion of savings shares into ordinary shares

During the period of voluntary conversion, from February 15, 2019 to April 1, 2019, of the savings shares - listed on the MTA (Mercato Telematico Azionario) of the Milan Stock Exchange - into ordinary shares, requests for conversion were submitted for a total of 378,894 savings shares, equal to 0.344% of the share capital represented in the same category. As a result of the conversion, the share capital, unchanged in the amount of 5,377,000,671 euros, is represented as follows:

- 5,267,224,718 ordinary shares, equal to 97.96% of the total share capital
- 109,775,953 savings shares, equal to 2.04% of the total share capital.

"Fiscal peace" for direct and indirect tax disputes

The company has deemed it appropriate to take advantage of the possibility of a facilitated settlement of tax disputes (so-called "Fiscal peace") set forth in Decree Law no. 119 of 2018, as converted into Law 136 of 2018, for certain tax disputes that fell within the scope of application of the law, on the one hand by eliminating the risks associated with possible litigation developments and, on the other hand, by reducing, where applicable, the taxes due and cancelling all interest charges and any penalties.

The total value was equal to 27 million euros, including 18 million euros already paid, and the balance of this account is recognised as a liability for current taxes; it should be noted, however, the overall expense for the settlement of the disputes concerned was essentially covered by existing risk provisions.

Acquisition of EDF Energies Nouvelles Italia

On July 17, 2019, Edison Spa completed the acquisition from EDF Renouveables (EDFR) of EDF Energies Nouvelles Italia Spa, which owns 215 MW of wind power and 77 MW of photovoltaic power. The transaction was closed following EDFR's acceptance on June 28, 2019 of Edison's contractual proposal.

Due to this transaction, Edison Spa becomes the second wind operator in Italy, laying the foundations for significant development in the photovoltaic segment in collaboration with EDF. Through this transaction, Edison continues with the process of consolidating its position in the renewable segment through both organic development as well as external growth.

The total consideration paid for the acquisition of EDF Energies Nouvelles Italia Spa is about 183 million euros inclusive of the contractually provided adjustments. The operation enabled at Group Edison to consolidate roughly 70 million euros in additional EBITDA per year against an increase in the net financial position (NFP) of around 431 million euros, without jeopardising its financial strength or limiting the possibility of taking advantage of any new investment opportunities.

Extension of the gas supply contract with Sonatrach until 2027

On November 12, 2019 Edison and Sonatrach (National hydrocarbon company in Algeria) concluded an agreement to extend the existing gas supply contract until 2027. The contract will guarantee Edison the supply of one billion cubic meters of gas per year from Algeria for the duration of eight years. The agreement, strengthening the long-term relationship between the two Companies, allows Edison and Italy to use diversified and reliable natural gas sources, for the benefit of national security.

Investment of around 370 million in Campania in support of the country's energy transition and sustainability

On November 29, 2019, Edison Spa announced the construction of a latest-generation combined cycle thermoelectric power plant powered by natural gas, in Presenzano in the province of Caserta.
The Power Plant will have a total capacity of roughly 760 MW and will employ the best technology currently available, capable of ensuring an energy yield of approximately 63%, which makes it possible to obtain 40% less specific CO_2 emissions compared to the average of Italian thermoelectric power plants. This will result in a reduction of specific CO_2 emissions of 40% compared to the average of the current Italian thermoelectric park and of those of nitrogen oxides (NOX) of over 70%. The total investment amounts to 370 million euros and fully meets the criteria of economic viability, considering its technical efficiency and the method of operation of the market in which it is destined to operate.
A high-efficiency GT36, H class, gas turbine will be installed in the Presenzano Thermoelectric Power Plant, developed by Ansaldo Energia, an example of national excellence and the best Italian technology. Construction is expected to commence at the start of 2020. Works to commission the power plant will last 30 months. As at December 31, 2019, commitments totalled 300 million euros and advances 33 million euros.

Agreement for the sale of Edison E&P Spa to Energean Oil & Gas

On July 4, 2019, subject to authorization by the Board of Directors of the previous day, Edison announced the signing of an agreement with Energean Oil and Gas for the sale of 100% of Edison Exploration & Production Spa and its equity investments in the hydrocarbon exploration and production sector (oil and natural gas).
The price of the transaction was determined on the basis of an enterprise value of 750 million dollars, and additional consideration of 100 million dollars is expected when production begins at the Cassiopea gas field in Italy. Edison Spa will also be entitled to royalties associated with additional potential development in Egypt. The transaction also includes the transfer to the purchaser of future decommissioning obligations.
In December 2019 Edison received the refusal of the Algerian Minister of Energy to transfer the assets located in that country and was invited to discuss the transfer of these assets with Sonatrach (Algerian state company); Edison, confirming the intention to abandon the participation, has therefore started negotiations in this regard. Edison and Energean, who have declared their willingness to implement the operation by excluding the Algerian assets, are therefore taking steps to achieve the fulfilment of the other conditions required by the operation and have confirmed the objective of closing the operation as soon as possible in 2020.

2.3 Information on the application of IFRS 5 to Edison E&P

At present, the transaction is configured as a "Non-current asset held for sale and discontinued operations" and therefore IFRS 5 has been applied. The methods and effects that result from this exposure are better described in the paragraph following.

Classification

With reference to the rationale that led to the classification of the equity investment in Edison E&P Spa as Discontinued Operations pursuant to IFRS 5, it should be noted in particular that:

- the E&P business, within the Edison group, has a significant economic and equity weight;
- the E&P business operates in the exploration, development and production of hydrocarbons in Italy and abroad; these activities have specific risk characteristics compared to the other activities carried out by the Edison group;
- in July 2019 the agreement was announced for the sale of the E&P business from Edison to Energean;

- following the requests received in December 2019 from the Algerian Minister of Energy, Edison is currently negotiating with specific reference to the E&P assets located in Algeria; despite this, Edison and Energean have confirmed their willingness to close the operation, excluding Algerian assets, as soon as possible in 2020 and are doing so;
- at present, although some government authorizations are still missing, the sale of the E&P business, including Algerian assets, is considered highly probable.

Rating

IFRS 5 requires that the assets and liabilities held for sale are valued at the lower of the book value and the fair value net of the sale costs. In assessing the equity investment in Edison E&P Spa, the fair value was preliminarily estimated taking as reference the contractual agreements for the sale in place with Energean which provide, inter alia, for a fixed consideration, determined by means of a locked box mechanism, equal to 509 million dollars, equivalent to the equity value, to which are added the interest accrued at the balance sheet date, as well as an additional fee related to the start of production of the Cassiopea gas field and royalties on potential developments in Egypt. At present, in fact, the overall fees established in the agreement with Energean still represent the best proxy of the price, although it is not excluded that, following the requests received in December by the Algerian Energy Minister and the ongoing negotiations , effects that are currently not foreseeable on the economic conditions of the transaction may arise.
With reference instead to the determination of the carrying value of the divested investment, in addition to the values of the assets and liabilities, an indistinct portion of goodwill was also considered, in compliance with the principle; this portion, quantified at approximately 134 million euro, was identified in accordance with IAS 36 par. 86 using the main method of determination envisaged, or the so-called the "relative values" method of the assets sold applied pro-rata to the values of the consolidated financial statements.
The difference between the fair value thus estimated and the book value, including the allocation of goodwill, resulted in an impairment loss of 461 million euros, which also includes the loss of around 12 million euros. euro, against a financial fraud perpetrated against Edison Norge, 100% controlled by Edison E&P (as more extensively commented at the bottom of this paragraph, "Fraudulent activity against Edison Norge AS"). In addition to this write-down, the costs related to the sale and the charges for risks and indemnities are added.

Presentation of the values as of 31 December 2019

As regards the above, in these financial statements the items referring to the equity investment held in Edison E&P Spa and treated as Discontinued Operations, are substantiated in the following values as at 31 December 2019:

"Discontinued Operations E&P balance sheet in euros"	12.31.2019
Non-current non-financial assets	133.500.000
Non-current financial assets	873.995.150
Current non-financial assets	3.227.593
Discontinued Operations value adjustment	(460.710.835)
Asset under disposal	**550.011.908**
Non-current non-financial liabilities	46.387.144
Disposal under liabilities	**46.387.144**

- the **assets under disposal** amounted to 550 million euros and correspond in particular to the fair value of the investment in Edison E&P Spa calculated as described above and to the credit at fair value of the derivative contract entered into to hedge the Euro / USD exchange rate on the price sales, the economic effects of which are subsequently reported;
- **liabilities under disposal**, equal to 46 million euros, include provisions for tax and environmental risks, of which 5 million euros set aside during the year (as more extensively commented at the bottom of this paragraph);

- the **net result from discontinued operations** is negative for 501 million euros and includes for 461 million euros the adjustment of the value of the equity investment at fair value, previously commented, and for approximately -40 million euros the accessory costs to the sale itself and to the evaluation of some indemnities contractually provided for under disposal liabilities (as more extensively commented at the bottom of this paragraph, "Ministry of the Environment - request for compensation for environmental damages" and "ICI and IMU disputes on offshore platforms for extraction hydrocarbons "). It should also be noted that cash flow hedges were carried out during the year to reduce the Euro / USD exchange rate risk on a notional amount of 519 million dollars referring to the fixed part of the sale price of the investment, including interest accrued at the date of balance. The results achieved (-3 million euros) and the fair value (+3 million euros) of these derivatives were recorded as an adjustment to the result by Discontinued Operations, as a variable part according to the exchange rate trend;
- the sale transaction had no significant impacts on the 2019 **cash flow statement**.

Comparative data 2018

However, as regards the comparative period 2018, please recall that the spin-off of the E&P business unit to the new company Edison E&P Spa took place on July 1, 2018, and therefore the income statement and cash flow statement for the first six months of 2018 included the operating results of the Exploration & Production business in Italy, which for the purpose of a uniform comparison, were restated accordingly, in application of IFRS 5, to Discontinued Operations. To that end, it is also noted that infrabusiness dealings existing between Continuing and Discontinued Operations in 2018 were treated as dealings between third parties.

The following table shows the contribution of E&P activities to the income statement and cash flow statement for the year at December 31, 2018, in order to reconcile the restated values reported in the main schedules of the financial statements with those published for the year 2018.

Restated income statement for the year 2018

(in euros)	Note	2018 full year	*Changes for application of IFRS 5 - E&P Segment*	Infrabusinnes effects	2018 full year restated
Sales revenues	2.4	6.958.325.749	(76.668.840)	34.535.950	6.916.192.859
Other revenues and income	2.4	66.166.063	(8.341.638)	-	57.824.425
Total revenues		**7.024.491.812**	**(85.010.478)**	**34.535.950**	**6.974.017.284**
Raw materials and services used (-)	2.4	(6.738.924.247)	45.499.923	(34.535.950)	(6.727.960.274)
Staff costs (-)	2.4	(130.409.770)	10.910.491	-	(119.499.279)
(Write-downs) reversal on receivables	3.2	3.659.416	-	-	3.659.416
EBITDA	2.4	**158.817.211**	**(28.600.064)**	**-**	**130.217.147**
Net change in fair value of derivatives	4.3	(7.724.426)	-	-	(7.724.426)
Depreciation and amortisation (-)	5.1	(121.449.670)	12.014.738	-	(109.434.932)
(Write-downs) reversal on non-current assets	5.1	-	-	-	-
Other net income (expense) - non-energy activities	9	(22.624.830)	-	-	(22.624.830)
EBIT		**7.018.285**	**(16.585.326)**	**-**	**(9.567.041)**
Net financial income (expense) on net financial debt (available funds)	7.2	19.989.433	-	-	19.989.433
Income (expense) on assignment of receivables without recourse	3.2	(1.374.643)	-	-	(1.374.643)
Financial expense for decommissioning and adjustment of provisions	5.3 - 8.3 - 9	(15.451.474)	8.207.494	-	(7.243.980)
Charges for financial leasing	7.2	-	-	-	-
Other net financial income (expense)	2.4	2.451.668	-	-	2.451.668
Revaluations (write-downs) from equity investments	5.2	(45.416.447)	29.938.100	-	(15.478.347)
Dividends	5.2	90.266.345	-	-	90.266.345
Gains (losses) on the sale of equity investments	5.2	360.931	-	-	360.931
Income (loss) before taxes		**57.844.098**	**21.560.268**	**-**	**79.404.366**
Income taxes	8.2	(2.685.019)	4.906.502	-	2.221.483
Profit (Loss) from continuing operations		**55.159.079**	**26.466.770**	**-**	**81.625.849**
Profit (Loss) from discontinued operations	2.4	-	(26.466.770)	-	(26.466.770)
Net income (loss) for the year	2.4	**55.159.079**	**-**	**-**	**55.159.079**

Restated cash flow statement for the year 2018

	(in euros)	2018 full year	application of IFRS 5	2018 full year restated
Profit (Loss) before taxes of Edison Spa		**57.844.099**	**21.560.268**	**79.404.366**
	Depreciation, amortisation and w rite-dow ns	121.449.670	(12.014.738)	109.434.932
	Net additions to/(Utilisations of) provisions for risks	(50.064.200)	(2.853.654)	(52.917.854)
	(Gains) Losses on the sale of non-current assets	1.114.096	-	1.114.096
	(Revaluations) Write-dow ns of non-current financial assets	45.416.447	(29.938.100)	15.478.347
	Change in provisions for employee benefits	4.743.772	-	4.743.772
	Change in fair value recognised in EBIT	7.443.426	-	7.443.426
	Change in the operating w orking capital	(97.432.963)	12.577.200	(84.855.763)
	Dividends from subsidiaries, affiliated companies and other companies	(90.266.345)	-	(90.266.345)
	Dividends collected (including amounts attributable to previous years)	90.417.391	-	90.417.391
	Net financial income (expense)	(1.568.338)	(8.207.494)	(9.775.832)
	Financial income collected	24.165.560	-	24.165.560
	Financial (expense) paid	(10.865.571)	-	(10.865.571)
	Net income taxes paid	(24.828.319)	-	(24.828.319)
	Change in other operating assets and liabilities	33.356.719	6.372.264	39.728.984
A.	**Cash flow from continuing operations**	**110.925.444**	**(12.504.254)**	**98.421.190**
	Investments in property, plant and equipment and intangible assets (-)	(56.979.795)	12.504.254	(44.475.541)
	Equity investments and other financial assets (-)	(329.810.224)	-	(329.810.224)
	Proceeds from the sale of intangibles and property, plant and equipment	901.053	-	901.053
	Proceeds from the sale of non-current financial assets	3.675.360	-	3.675.360
B.	**Cash flow from investment activities**	**(382.213.606)**	**12.504.254**	**(369.709.352)**
	Proceeds from new medium-term and long-term loans	85.000.000	-	85.000.000
	Redemptions of medium-term and long-term loans (-)	(22.836.891)	-	(22.836.891)
	Change in other current and non-current financial assets	(115.263.057)	-	(115.263.057)
	Other changes in short-term financial debt	203.361.610	-	203.361.610
C.	**Cash flow from financing activities**	**150.261.662**	**-**	**150.261.662**
D.	**Net change in cash and cash equivalents (A+B+C)**	**(121.026.500)**	**-**	**(121.026.500)**
E.	**Cash and cash equivalents at the beginning of the period**	**166.057.840**	**-**	**166.057.840**
F.	**Cash and cash equivalents at the end of the period (D+E)**	**45.031.340**	**-**	**45.031.340**

Liabilities related to the E&P business

Fraudulent activity against Edison Norge AS.

Following a fraud perpetrated at the end of 2019 against Edison Norge AS, the Norwegian company indirectly controlled by Edison Spa and active in the exploration and production of hydrocarbons, funds were withdrawn from the same company for about 12 million euros.

Edison immediately filed a complaint against the scammers with the Norwegian and Hong Kong police.

The first checks carried out by the competent authorities, such as the subsequent ones carried out by Edison itself, through a specialized consultancy company excluded any liability for the employees of the Edison group.

On the contrary, the full collaboration of the unwitting victims of the scam is facilitating police investigations and is supporting Edison in the various judicial initiatives aimed at recovering the sums.

In fact, Edison has already given a mandate to its lawyers to take actions against the companies receiving the fraudulent payments and the financial intermediaries that have allowed them, as well as against the scam authors.

ICI and IMU disputes on offshore platforms for hydrocarbon production (with charges borne by the transferee Edison E&P Spa)

In 2016 the Court of Cassation affirmed, in some disputes against ENI and Edison, the liability of offshore platforms to ICI (IMU), intervening on the methods for determining the possible tax base and however not clarifying which criterion, in the absence of specific law, could be considered valid for the purpose of defining territorial jurisdiction between Municipalities. Consequently, disputes continued with various Municipalities to establish the effective territorial jurisdiction and the taxable bases on which the tax should be applied, in accordance with what is stated by the Court of Cassation.

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

By means of Tax Decree connected with the 2020 Budget Law (Decree Law 124/2019 as converted to law), effective from 2020, a specific tax was introduced for marine platforms (IMPI), which specifies a single rate and which tax base must be considered and makes provision for the issuing of an inter-ministerial decree to identify which Municipalities are responsible for each platform. The introduction of a specific tax and the need to identify, with an ad hoc measure, the tax responsibilities of the Municipalities for the platforms, without, however, regulating any effects on previous years, would seem to confirm that the local taxes on offshore structures were not legitimate in the past, as sustained by the Company before the various Courts.

However, it should be noted that disputes were settled in January 2019 with the Municipality of Scicli for local taxes requested in relation to Vega A, a platform in the Channel of Sicily. All payments made or expected are covered by the existing risk provision. Considering the situation of uncertainty still existing and pending any developments in court proceedings which the new legislation could have for pending disputes, it was considered appropriate to adjust the existing risk provision in view of potential unfavourable outcomes of the dispute or possible settlements.

Ministry of the Environment - request for compensation for environmental damage

On May 31, 2018, the Ministry of the Environment notified Edison of a request for compensation for the alleged environmental damage deriving from the reinjection into the Vega 6 well of the layer and process water, operated by the Vega A platform. The request for compensation is quantified in about 80 million euros.

The facts in question have already been the subject of a criminal case declared extinguished by the competent judge.

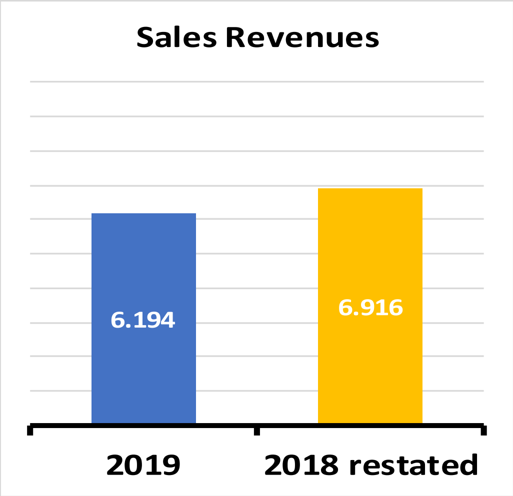
Edison believes that this claim for compensation is totally without foundation since the activities in question do not constitute an illicit case, but, on the contrary, authorized according to the applicable legislation, have not produced any environmental damage, nor any risk of geological pollution, of the water table or the sea.

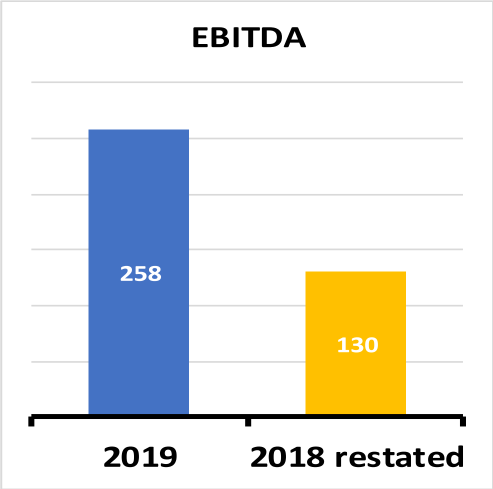
Consequently, the Company appeared in court asking for the total rejection of the applications of the Ministry of the Environment.

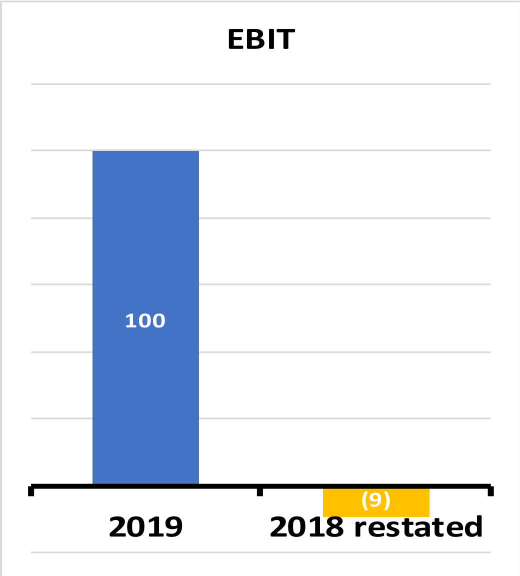
However, following the agreement made for the sale of the E&P business, taking into account that there are contractual indemnity clauses for the buyer, Edison has deemed it appropriate, in a completely prudential way, to provide for a charge related to this dispute. This value, together with estimates of other charges connected with the sale, is recorded in the net result by Discontinued Operations

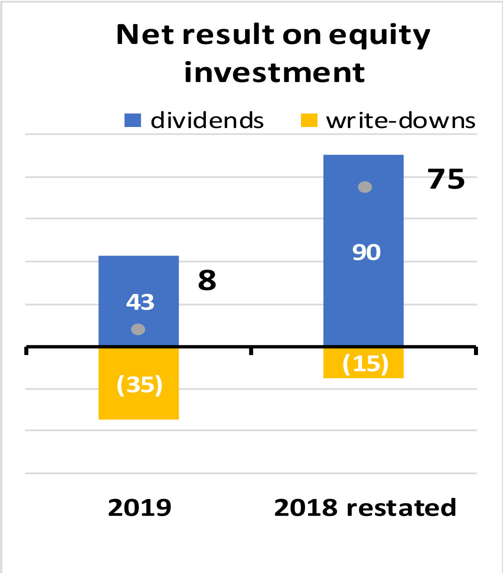
2.4 Economic performance of operations

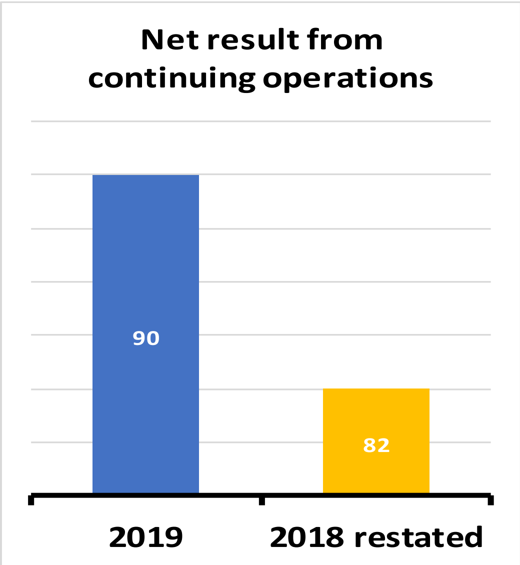
(in millions of euros)

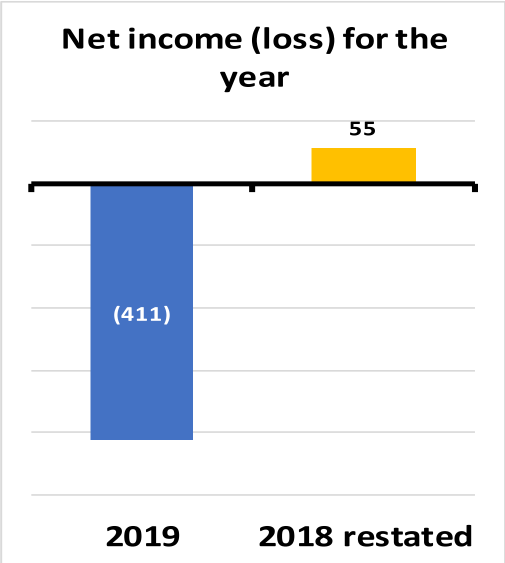












2.4.1 Sales revenues

Sales revenues came in at 6,194 million euros, down 10.4% compared to 2018 restated (6,916 million euros). This change can be attributed to the decline in gas sales, due to the drop-in volumes sold, as well as the decrease in average prices linked to the reference scenario, partially offset by the increase in revenues from electricity.

(in millions of euros)	2019 full year	2018 full year restated	Change	% change
Natural gas	3.735	4.584	(849)	(18,5%)
Electric Pow er Operations	2.419	2.210	209	9,5%
Steam	40	42	(2)	(4,8%)
Environmental securities	8	5	3	60,0%
Other	31	36	(5)	n.m.
Realised commodity derivatives	(69)	8	(77)	n.m.
Total sales	**6.164**	**6.885**	**(721)**	**(10,5%)**
Sundry service revenues	30	31	(1)	(3,2%)
Margin on physical trading activities	-	(2)	2	n.m.
Margin on financial trading activities	-	2	(2)	n.m.
Total sales revenues	**6.194**	**6.916**	**(722)**	**(10,4%)**

The reduction in income from commodity derivatives (for hedges on commodities and foreign exchange rates put in place to manage the risk of fluctuations in the cost of natural gas as well as risks related to its sale, consistent with the indexing formulas and risk factors included therein) should be analysed together with the corresponding cost item, included in **"Materials and services used"**, which also posted a decrease.

2.4.2 Materials and services used

(in millions of euros)	2019 full year	2018 full year restated	Change	% change
- Natural gas	3.693	4.625	(932)	(20,2%)
- Electric pow er	1.176	1.229	(53)	(4,3%)
- Environmental securities	100	42	58	n.m.
- Demineralized industrial w ater	1	2	(1)	n.m.
- Realised commodity and foreign exchange derivatives	(191)	(161)	(30)	n.m.
Total	**4.789**	**5.747**	**(958)**	**(16,7%)**
- Carrier services	661	638	23	3,6%
- Regasification fee	113	115	(2)	(1,7%)
- Facilities maintenance	53	43	10	23,3%
- Professional services	52	54	(2)	(3,7%)
- Insurance services	9	9	-	0,0%
- Change in inventories	57	(33)	90	n,s
- Accruals to provisions for risks	14	17	(3)	(17,6%)
- Costs for use of third party assets (*)	50	62	(12)	(19,4%)
- Indirect taxes and fees	10	26	(16)	(61,5%)
- Sundry charges	80	50	30	60,0%
Total materials and services used	**5.888**	**6.728**	**(840)**	**(12,5%)**

(*) The value for the 2018 financial year does not include the effects deriving from the application of the IFRS 16 accounting standard, applied starting from 1 January 2019

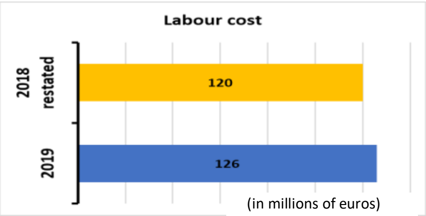
The change in purchases of natural gas should be observed in light of what was already commented on in the relative revenue item, while that in purchases of electricity relates primarily to the optimisation of sources compared to the previous year due to the increase in the clean spark spread which specifically triggered a rise in thermoelectric generation.

2.4.3 Other revenues and income

(in millions of euros)	2019 full year	2018 full year restated	Change	% change
Release of provisions for other risks	7	12	(5)	(41,7%)
Insurance and contractual compensation	5	12	(7)	(58,3%)
Recovery of costs, out-of-period income and sundry items	61	34	27	79,4%
Total other revenues and income	**73**	**58**	**15**	**25,9%**

The increase in this item is partly due to the results achieved under the MASA agreement for the management of the Italy power trading portfolio jointly with Edf Trading Ltd, which, in 2019, allowed the recognition of income of approximately 11 million euros, compared with 2 million euros for the previous year.
It should be noted that the **reversal of sundry provisions for risks** includes in particular, the operational provisions, accrued in previous years to cover any costs, which are considered to have been extinguished in the period under review.
The item **recovery of costs** relates primarily to insurance costs and personnel loans, while **contingent assets and other assets** mainly include assets realised against adjustments relating to previous years in both the gas and electricity sectors.

2.4.4 Labour costs



The labour costs came to 126 million euros, marking an increase from 120 million euros in 2018 restated. This change was due primarily to the increase of 36 units in the average 2019 headcount compared to the average restated value for 2018. The change in the labour costs also includes the effects of salary and contractual policies.

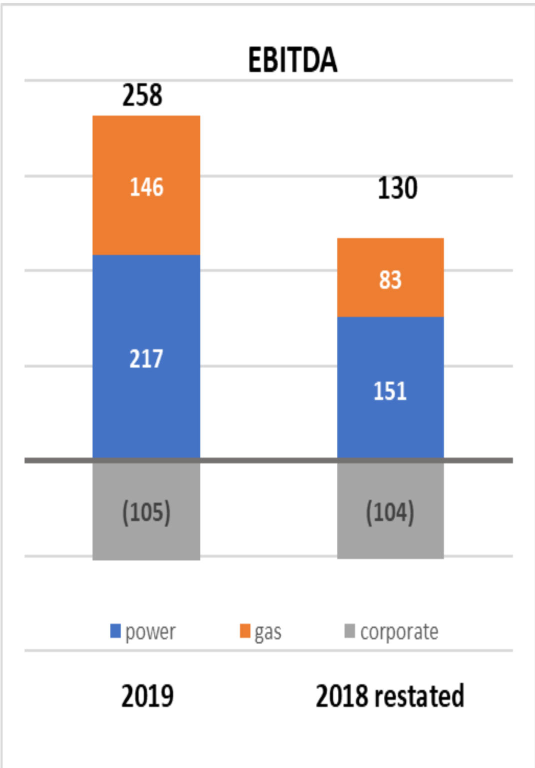
(number of employees)	Start of the year	Incoming	Outgoing	Changes of classification	**End of the year**	**Average number 2019**	**Average number 2018 restated**	**% change**
Managers	116	5	(7)	-	**114**	**113**	115	(1,7%)
Office staff and Middle managers	1.040	99	(53)	3	**1.089**	**1.071**	1.032	3,8%
Production staff	137	12	(7)	(3)	**139**	**138**	139	(0,7%)
Total	**1.293**	**116**	**(67)**	**-**	**1.342**	**1.322**	**1.286**	**2,8%**

2.4.5 EBITDA

Based on the results reported previously, the **EBITDA** was a positive 258 million euros, a notable increase with respect to 2018 restated (130 million euros). In detail, as regards the individual sectors, note the following:

- in the **gas segment**, EBITDA for 2019 rose compared to 2018 due mainly to the optimisation of flexibility on several gas import contracts and unfavourable thermal conditions in the early months of 2018, which narrowed margins for the period in question;
- in the **electric power segment**, EBITDA for the year 2019 rose compared with 2018, thanks in particular to the positive performance of the hydroelectric sector and the thermoelectric segment, where the increase in spark-spreads resulted in higher margins in the market;
- in the **corporate segment**, which incorporated the central and cross-company management activities, i.e. not directly connected to specific business, the EBITDA was a negative 105 million euros in 2019, basically unchanged compared to 2018. Please recall that, as a result of the application of IFRS 16, which requires that, as of January 1, 2019, lease payments for assets recognised as ROUs (Right of Use) be derecognised, particularly with regard to the rental of properties in Foro Buonaparte, the relative economic effect was recognised in part in depreciation and in part in financial expenses.

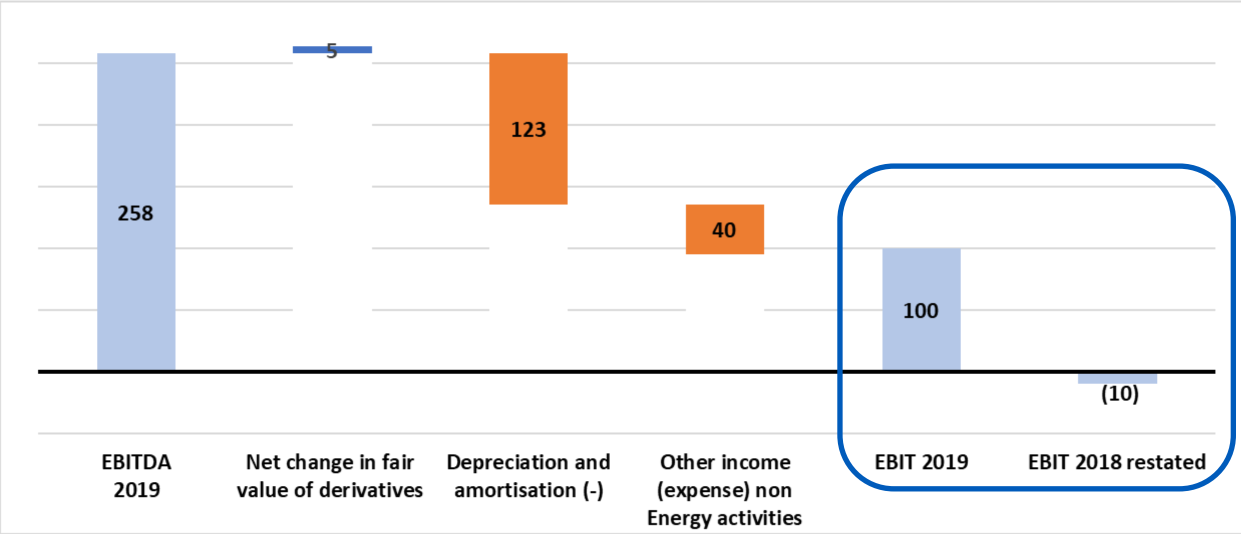
(in millions of euros)



For the sake of comprehensiveness, for a more significant representation of the operating EBITDA of the individual segments[1], the values shown also include intercompany transactions, i.e., those between the different segments of the Company such as the sale of gas from the hydrocarbons segment to the power segment's thermoelectric power stations on the basis of the volumes consumed, and costs for centralised services in the corporate segment but charged back to the operating business units.

2.4.6 EBIT

(in millions of euros)



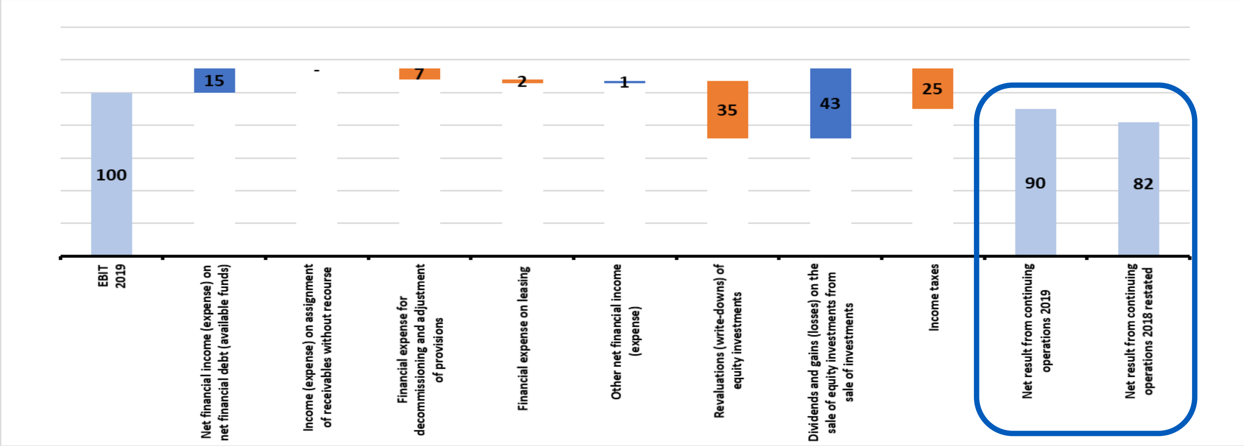
EBIT was a positive 100 million euros (negative 10 million euros in 2018 restated) and includes, for:

- 5 million euros, the positive impact connected with the **net change in fair value of derivatives on commodities and foreign exchange rates** (negative for 8 million euros in 2018) (for more information, see chapter 4. "Market risk management");
- 123 million euros for **depreciation and amortisation** (109 million euros in 2018 restated), with the change due in particular to the application of the new IFRS 16 accounting standard as from January 1, 2019 (for further information see chapter 5. "Invested capital and provisions");
- 40 million euros for **other net non-Energy expenses** (other net expenses in 2018 came to 23 million euros), connected with expenses not directly related to industrial and financial operations, but rather primarily linked to disputes concerning the former Montedison Group (for more information, see chapter 9. "Non-energy activities"), of which approximately 20 million euros for legal fees.

[1] The "Operating" EBITDA of the individual segments is not verified by the Independent Auditors.

2.4.7 Profit (Loss) from continuing operations

(in millions of euros)



In detail, the main items refer to:

- roughly 15 million euros for **net financial income** relating to the financial position (20 million euros net in 2018), of which 21 million euros of financial income from subsidiaries and associates (24 million euros in the first half of 2018) (for more information see the contents of chapter 7);
- roughly 7 million euros (unchanged with respect to 2018) for the adjustment of **decommissioning provisions** and the discounting of provisions for risks (further details provided in chapter 5);
- roughly 2 million euros in **lease costs** as a result of the adoption of the new IFRS 16 accounting standard, which is discussed in detail in chapter 1.1 Accounting Principles and Valuation Criteria;
- around 1 million euros for **other net financial income** (2 million euros in other net financial income in 2018), inclusive in particular for 2 million euros of bank charges net of financial expenses of 1 million euros for receivables from the tax authorities, as well as net exchange gains of 2 million euros (3 million euros in 2018);
- **write-downs of equity investments** of about 35 million euros (16 million euros in 2018 restated), due mainly to the comparison between the carrying amount and the respective shareholders' equity, including the result for the period of the investee companies (for further information, see chapter 5);
- 43 million euros for **dividends from investee companies** (90 million euros in 2018) (for more information, see chapter 5);
- 25 million euros **from income taxes** (positive 2 million euros in 2018 restated), and consist in particular of current taxes including 78 million euros for corporate income taxes (IRES) and 11 million euros for regional business taxes (IRAP), net of 30 million euros in income that the National Consolidated Tax Return, filed by Transalpina di Energia Spa, recognised to the Company for the use of previous tax losses contributed by said entity and used in the consolidated income tax return for the payment of tax for the reporting period and lastly 31 million euros from deferred and prepaid taxes (for more information, see chapter 8).

2.4.8 Net income (loss) for the year

The **net loss for the year 2019** of Edison Spa was 411 million euros, compared with a profit of 55 million euros in 2018.

This result also includes a net loss of 501 million euros from discontinued operations, as discussed earlier in chapter 2.3 "Information on the application of IFRS 5", offset in part by the positive results generated by the industrial margins described above.

3. NET WORKING CAPITAL

3.1. Credit Risk

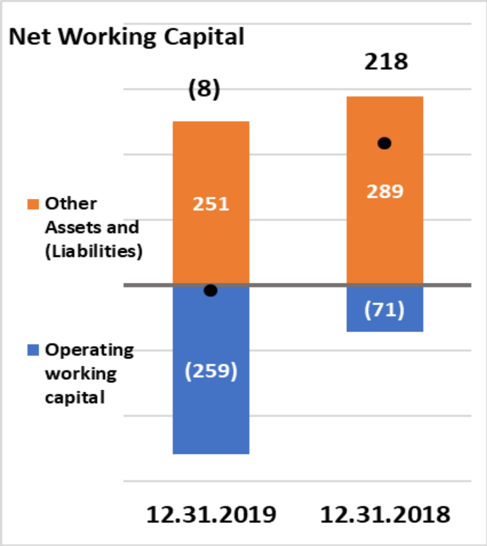
The credit risk represents Edison Spa's exposure to potential losses that could be incurred if a commercial or financial counterpart fails to meet its obligations.

To control this risk, Edison Spa implemented procedures and programs designed to assess customer credit worthiness (using specially designed scoring grids) and subsequently monitor the expected cash flows and any collection actions.

When choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), Edison Spa deals only with entities with a high credit rating.

At December 31, 2019, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment or significant concentrations with individual non-institutional counterparties.

(in millions of euros)



3.2 Operating Working Capital

(in million euros)	12/31/2019	12/31/2018	Changes
Inventories (+)	58	117	*(59)*
Trade receivables (+)	621	824	*(203)*
Trade payables (-)	(938)	(1.012)	*74*
Operating Working Capital	**(259)**	**(71)**	***(188)***

At December 31, 2019 came in at 259 million euros with a reduction of 188 million euros compared to the previous year.

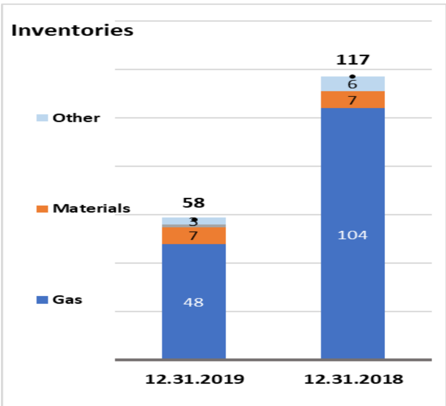
The particularly positive trend compared to the values as at December 31, 2018 is overall attributable to a reduction in prices and volumes of gas and power commodities bought and sold which, on one hand, led to a significant reduction in inventories and trade receivables, and, on the other, to a lesser extent a positive change in trade payables also thanks to optimization actions towards suppliers.

3.2.1 Inventories

They amount to 58 million euros and are aligned when necessary with their estimated realisable value. They consist of gas inventories for 48 million euros (down compared to 104 million euros at December 31, 2018, due to the volume as well as price effect) and materials and equipment used for the maintenance and operation of operating plants for 7 million euros (unchanged compared to December 31, 2018).

Inventories also include 3 million euros (27 million euros at the end of 2018) in quantities of natural gas stored subject to restricted use, both as a strategic reserve and as a guarantee of the balancing margin.

(in millions of euros)



3.2.2 Trade receivables

(in millions of euros)	12/31/2019	12/31/2018	Changes
Total trade receivables	**621**	**824**	**(203)**
Broken down as follows:			
- amount owed to outsiders	*327*	*430*	*(103)*
- amount owed to subsidiaries and affiliated companies	*294*	*394*	*(100)*
of which allowance for doubtful accounts	**(24)**	**(31)**	**8**
Guarantees to cover outstanding loans	**4**	**12**	**(8)**
Overdue receivables			
Within 6 months	**1**	**11**	(10)
1 to 12 months	**-**	**1**	(1)
Over 12 months	**27**	**17**	10

They specifically refer to electricity and steam supply contracts and natural gas supply contracts, with Group companies and Terna, GSE and GME. The change is mainly due to the reduction in volumes and prices experienced year on year, and in any event should be observed in relation to the similar item of trade payables.

Receivables from subsidiaries and affiliated companies relate almost exclusively to gas and electricity sales to the subsidiary Edison Energia for sale on the end market.

It should also be noted that Edison Spa disposes of trade receivables without recourse on a monthly revolving basis and through the transfer without recourse of the credit risk. These transactions were carried out in 2019 for a total value of 480 million euros (905 million euros as at December 31, 2018). The costs related to managing these activities are recorded under financial items and amount to less than 1 million euros.

There were no receivables exposed to the risk of recourse at December 31, 2019.

The **provision for doubtful accounts** amounted to 24 million euros, or 7 million euros less than the 31 million euros registered at December 31, 2018. The table below shows the changes occurred during the year 2019:

(in millions of euros)	Values as at 12.31.2018	Provisions	Utilizations	Values as at 12.31.2019
Total	**31**	1	(8)	**24**

Additions to the **allowance** reflect the result of an assessment, performed consistent with the Edison Group's policy, of the different status of receivables, considering each customer segment, the corresponding past-due receivables and the ageing; **utilizations** were mainly recognised for receivables deemed uncollectible during the year.

3.2.3 Trade payables

(in millions of euros)	12/31/2019	12/31/2018	Changes
Total trade payables	**938**	**1.012**	***(74)***
Broken down as follows:			
- amount owed to outsiders	*901*	*965*	*(64)*
- amount owed to subsidiaries and affiliated companies	*37*	*47*	*(10)*
Total	**938**	**1.012**	***(74)***

Trade payables reflect mainly purchases of natural gas deriving from long-term contracts, purchases of electric power and other utilities, and services related to plant maintenance.

The change is due to lower volumes of electricity and gas purchased on the wholesale market.

3.3 Other assets and liabilities

(in millions of euros)	**12/31/2019**	**12/31/2018**	Changes
VAT receivable from the tax administration	4	103	(99)
Guarantee deposits	15	6	12
Receivables for other taxes	21	7	14
Total other non-current assets (A)	**40**	**116**	**(73)**
Provision of technical, admin. and financial services to Group companies	26	27	(1)
VAT receivable from the tax administration	170	151	19
Customer advances	47	9	35
VAT pool receivables	7	11	(4)
Other	41	71	(30)
Total other current assets (B)	**291**	**269**	**19**
of which allowance for doubtful accounts (*)	***(5)***	***(5)***	**-**
Employees	21	20	1
Social security and welfare institutions	16	16	-
Other taxes payable	4	4	-
Other	39	56	(17)
Total other current liabilities (C)	**80**	**96**	**(16)**
Total other assets/liabilities (A+B-C)	**251**	**289**	**(38)**
Of which to subsidiaries and associated companies:			
- Other current assets	**34**	38	(4)
- Other current liabilities	**6**	18	(12)

More specifically:

- in **other non-current assets**, the main change for the year 2019 is related to the collection of around 100 million euros relating to the VAT receivable for which a reimbursement was requested in the 2017 annual VAT return, recognised in 2018 under non-current assets;
- **other current assets** include the VAT receivable accrued in 2018 for which a reimbursement was not requested, and the VAT receivable accrued in 2019, for a total value of 170 million euros.
  The change compared to December 31, 2018 includes 85 million euros for the request for a VAT reimbursement made with the 2019 annual VAT return, which however was then transferred without recourse through with a primary financial institution;
- **other payables** of 80 million euros were down with respect to 96 million euros in 2018.

4. MARKET RISK MANAGEMENT

This chapter provides a description of the policies and principles adopted by Edison Spa to manage and control the commodity price risk, tied to the volatility of the prices of energy commodities and environmental securities, the foreign exchange risk linked to commodities and other risks correlated with the exchange rate.
As required by IFRS 7 Financial Instruments - Disclosures, the paragraphs that follow provide information about the nature of risks resulting from financial instruments, based on an analysis of an accounting or managerial nature.
The effects on the income statement and balance sheet at December 31, 2019 are also provided.

4.1 Market risks and risk management

4.1.1 Commodity Price Risk and Exchange Rates Risk Related to Commodity Transactions

Edison Spa 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 Company is also exposed to exchange rate risk.
The management and control of commodity price and exchange rate risk related to commodity transactions, governed by the Energy Risk Policies, involve the use of derivatives for hedging purposes in order to reduce or mitigate the related risk, balancing the changes in economic value of the underlying hedged item with those deriving from the use of such instruments.
From an organizational standpoint, the governance model adopted by the Group requires the separation of the risk control and management functions from the derivatives trading activity.
At the operational level, the net exposure is computed for the Company'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[2]) with a confidence index of 97.5% and an annual time horizon.
Each year, the Board of Directors approves the Economic Capital at Group level ceiling concurrently with the approval of the annual budget. The Risk 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 ensure the minimization of the execution risk, related to the concentration of all the hedges in a phase of unfavourable 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 risk management objectives and with the Group's total exposure, the Company, 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.

The unrealised derivatives at December 31, 2019 are measured at fair value with reference to the market forward curve at the reporting date, if the derivative underlying is traded in markets that have official and liquid forward price

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

quotations. If the market has no such forward quotations, forecast price curves based on internal simulation models developed by Edison Group are employed.
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 enough liquidity for peak and off-peak products and for maturities longer than one year. Consequently, market price data obtained from those markets should be viewed as input for the internal valuation model used to measure at fair value the abovementioned products.
For the derivatives that provide hedging for the Industrial Portfolio, which qualify part as cash flow hedges or fair value hedges pursuant to IFRS 9 and part as economic hedges, a simulation is performed to measure the potential impact that fluctuations in market prices of the underlying item could have on the fair value of the outstanding derivatives, pursuant to IFRS 7. The simulation is performed with reference to the time period of the residual life of the derivative contracts in place, whose maximum term is currently 2022.

For all derivative contracts in place as at December 31, 2019, the methodology makes use of the forward prices of commodities and exchange rates, recorded at the reporting date, and of the associated volatilities and correlations.
Once a probability distribution of changes in fair value is thus obtained, it is possible to extrapolate the maximum expected negative variance in the fair value of the outstanding derivatives, over the time horizon corresponding to the reporting year, for a given level of probability, conventionally set at 97.5%.
The following table shows the maximum expected negative variance in the fair value of the outstanding hedging derivative contracts on commodities and exchanges by the end of 2020, compared with the fair value determined at December 31, 2019.

Value at Risk (VaR) (in million euros)	12/31/2019	12/31/2018
Maximum expected variance in the fair value (*)	511.4	584.6

(*) Estimated with a level of probability of 97.5%.

The reduction in the maximum change in fair value compared to December 31, 2018 is primarily connected to the decrease in the volumes of derivatives traded in the energy markets in which the Company operates.
In other words, compared with the fair value determined for hedging derivatives outstanding at December 31, 2019, the probability of a negative variance greater than 511 million euros by the end of 2020 is limited to 2.5% of the scenarios.
For derivatives qualified as fair value hedges, also considering the change in the fair value of the hedged contracts, the above-mentioned maximum expected variance value is reduced from 511 million euros to 316 million euros. Of this value:

- roughly 8 million euros relates to derivatives that may be classified as Economic Hedges and the ineffective part of derivatives qualified as Cash Flow Hedges and Fair Value Hedges; this potential change would therefore be recognised in the income statement;
- around 308 million euros relates to the effective portion of hedging derivatives that may be classified as Cash Flow Hedges and would be shown in the balance sheet with recognition in the dedicated shareholders' equity reserve.

Period hedging allowed the Company's risk management objectives to be achieved, reducing the commodity price risk profile of the Industrial Portfolio to within the approved economic capital limit. The table below shows the risk profile of the Industrial Portfolio in terms of the absorption of economic capital:

Industrial Portfolio Economic capital absorption	2019 full year		2018 full year	
	without derivatives	without derivatives	without derivatives	with derivatives
Average absorption of the approved economic capital limit	223%	54%	187%	52%
Maximum absorption	282% - Dec. '19	36% - Dec. '19	260% - Dec. '18	50% - Dec. '18

During 2019, the trading transactions of Edison Spa were carried out under the joint venture agreement with EDF Trading: from September 1, 2017, the MASA (Trading Joint Venture and Market Access Services Agreement) between EDF Trading and Edison Spa (formerly Edison Trading Spa merged with Edison Spa from December 1, 2017) is in effect, regarding proprietary trading, calling for the execution of activities through a joint desk with EDF Trading, as well as methods for accessing the forward power market. Trading activities in relation to agreements entered into prior to when this agreement was signed, which were managed by Edison, had their natural maturity in 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).
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 also managed in accordance with the above-mentioned specific limits and strategies.

4.2. Hedge accounting and economic hedges – Fair value hierarchy

Whenever possible, Edison uses hedge accounting, provided the transactions comply with the requirements of IFRS 9.

4.2.1 Classification

Forward transactions and existing derivatives can be 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 Hedge – CFH) on exchange rates and commodities and (ii) transactions that hedge the fair value of the hedged item (Fair Value Hedge – FVH) on commodities (price and exchange rate);
2) **forward transactions and derivatives that cannot be defined as hedges pursuant to IFRS 9**, meeting the requirements of compliance with company risk management policies on exchange rates and on energy commodities.

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 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). As at December 31, 2019, this level includes one category of instruments (two categories as at December 31, 2018), the fair value of which is not material.

The valuation of financial instruments can entail significant subjective judgements. 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 Hedging Derivative Transactions on the Income Statement and Balance Sheet at December 31, 2019

4.3.1 Effects of Hedging Derivative Transactions on the Income Statement at December 31, 2019

(in millions of euros)	12.31.2019 Realized	12.31.2019 Fair value change for the year	12.31.2019 Values recorded in the income statement as at 12.31.2019	12.31.2018 Realized	12.31.2018 Fair value change for the year	12.31.2018 Values recorded in the income statement as at 12.31.2018
	(A)	(B)	(A+B)	(C)	(D)	(C+D)
Result from price risk and exchange risk hedges for commodities of which:						
Total definables as hedges pursuant to IFRS 9 (CFH) (*)	**112**	**2**	**114**	**143**	**(9)**	**134**
Price risk hedges for energy products	64	2	66	159	(10)	149
Exchange risk hedges for commodities	48	-	48	(16)	1	(15)
Total definables as hedges pursuant to IFRS 9 (FVH)	**17**	**(2)**	**15**	**31**	**8**	**39**
Price risk hedges for energy products	(33)	230	197	36	(245)	(209)
Exchange risk hedges for commodities	50	2	52	(5)	66	61
Fair value physical contracts	-	(234)	(234)	-	187	187
Total not definables as hedges pursuant to IFRS 9	**(7)**	**4**	**(3)**	**(5)**	**(7)**	**(12)**
Price risk hedges for energy products	7	(3)	4	3	3	6
Exchange risk hedges for commodities	(14)	7	(7)	(8)	(10)	(18)
Total price risk and exchange risk hedges for commodities (A)	**122**	**4**	**126**	**169**	**(8)**	**161**
Margin on trading activities of which:						
Margin on physical trading activities	-	-	-	(2)	1	(1)
Margin on financial trading activities	-	-	-	2	-	2
Total margin on trading activities (B)	**-**	**-**	**-**	**-**	**1**	**1**
TOTAL INCLUDED IN EBIT (A+B)	**122**	**4**	**126**	**169**	**(7)**	**162**
Result from exchange rate hedges:						
Definables as hedges pursuant to IFRS 9 (CFH)	8	-	8	10	-	10
Not definables as hedges pursuant to IFRS 9	-	(1)	(1)	2	-	2
Total exchange rate hedges (C)	**8**	**(1)**	**7**	**12**	**-**	**12**
TOTAL INCLUDED IN THE OTHER NET FINANCIAL INCOME (EXPENSE) (C)	**8**	**(1)**	**7**	**12**	**-**	**12**

(*) Includes the ineffective part

Please note that trading activities (row B in the table above) refers to contracts that reached their natural maturity in 2019, entered into by Edison before the cooperation agreement with EDF Trading (MASA).

The actual results of the activity carried out within the scope of the MASA joint venture agreement in place with EDF Trading, referred to as "profit sharing", are instead not included here as they are recorded in the item "Other revenues and income" (roughly 11 million euros in 2019).

Focus on the Net change in fair value of derivatives (commodities and foreign exchange)

The following table shows the impact on the income statement of changes in the fair value of derivatives (commodities and foreign exchanges) in 2019 and 2018, positive for 4 million euros and negative for 8 million euros, respectively (see row A in columns B and D in the table above).

(in millions of euros)

Change in fair value commodities and exchange rate	Definable as hedges (CFH) (*)	Definable as hedges (FVH)	Not definable as hedges	Total change in fair value
2019				
Hedges of price risk on energy products	2	230	(3)	229
Hedges of foreign exchange risk on commodities	-	2	7	9
Change in fair value in physical contracts (FVH)	-	(234)	-	(234)
Total 2019 financial year	**2**	**(2)**	**4**	**4**
2018				
Hedges of price risk on energy products	(10)	(245)	3	(252)
Hedges of foreign exchange risk on commodities	1	66	(10)	57
Change in fair value in physical contracts (FVH)	-	187	-	187
Total 2018 financial year	**(9)**	**8**	**(7)**	**(8)**

(*) Refers to the ineffective part

4.3.2 Effects of Hedging Derivative Transactions on the Balance Sheet at December 31, 2019

The table below provides details of the Fair value recorded in Balance Sheet and classification by IFRS 13. As at December 31, 2019, net payables are recognised referring to transactions in derivatives measured at fair value equal to 24 million euros, in large part carried out with EDF Trading Ltd.

(in millions of euros)	12.31.2019			12.31.2018		
	Receivables	**Payables**	**Net**	**Receivables**	**Payables**	**Net**
- Current financial assets / Current financial debt	-	-	-	-	-	-
- Other assets / liabilities (current portion)	697	(731)	(34)	539	(491)	48
- Other assets / liabilities (non current portion)	100	(93)	7	173	(175)	(2)
Fair Value recognised as assets or liabilities (a)	**797**	**(824)**	**(27)**	**712**	**(666)**	**46**
of which of (a) related to:						
- Interest rate risk management	-	-	-	-	-	-
- Exchange rate risk management	57	(14)	43	63	(17)	46
- Commodity risk management	478	(451)	27	371	(508)	(137)
- Trading portfolios	-	-	-	1	(1)	-
- Fair value on physical contracts	262	(359)	(97)	277	(140)	137
Broken down on fair value hierarchy:						
- Level 1	11	(5)	6	66	(1)	65
- Level 2	773	(819)	(46)	644	(665)	(21)
- Level 3 (*)	13	-	13	2	-	2
IFRS 7 Potential offsetting (b)	**(147)**	**147**		**(302)**	**302**	
Potential Net Fair Value (a+b)	**650**	**(677)**	**(27)**	**410**	**(364)**	**46**

(*) The fair value classified at level 3 is recognized in net change of fair value derivatives

Please note that the receivables and payables shown are offset in shareholders' equity by a negative cash flow hedge reserve amounting to 32 million euros, before the applicable deferred taxes (positive for 44 million euros at December 31, 2018).

Instruments Outstanding at December 31, 2019

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

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

A) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)		December 31, 2019									December 31, 2018		
	Fair value hierarchy (***)	Notional amount (*)								Balance sheet value (**)	Notional amount at 12/31/2018 (*)		Balance sheet value (**)
		due within 1 year		due between 2 and 5 years		due after 5 years		Total			Total		
		to receive	to pay	to receive	to pay	to receive	to pay	to receive	to pay		to receive	to pay	
Foreign exchange rate risk management													
A. Cash Flow Hedge pursuant to IFRS 9:													
- on commercial transactions	2	155	-	115	-	-	-	270	-	7	937	-	20
- on financial transactions	2	(3)	-	-	-	-	-	(3)	-	(1)	25	-	-
B. Fair Value Hedge pursuant to IFRS 9:													
. on commercial transactions	2	-	-	-	-	-	-	-	-	40	-	-	-
C. contracts that do not qualify as hedges in accordance with IFRS 9, to hedge margins:													
- on commercial transactions	2	(31)	(94)	-	-	-	-	(31)	(94)	(3)	167	-	(3)
- on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
Total exchange rate derivatives		**121**	**(94)**	**115**	**-**	**-**	**-**	**236**	**(94)**	**43**	**1.129**	**-**	**17**

(*) 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 (-) recognised on the balance sheet following the measurement of derivatives at fair value

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

B) Commodity Risk Management

Price risk hedges for energy products	Fair value hierarchy (***)	December 31, 2019 – Notional amount (*) – Unit of measurement	due within 1 year	due within 2 years	due in more than two years	Total	December 31, 2019 – Balance sheet value (**) (in millions of euros)	December 31, 2018 – Notional amount (*)	December 31, 2018 – Balance sheet value (**) (in millions of euros)
A. to hedge cash flows (Cash Flow Hedge) pursuant to IAS 39 of which:							**(36)**		**26**
- Electric power	2/3	TWh	(9)	-	-	(9)	13	(5)	1
- Natural gas	2	Millions of therms	362	(8)	-	354	(66)	(97)	24
- LNG and oil	2	Barrels	4.894.497	2.102.900	-	6.997.397	11	13.551.348	(64)
- CO2	1	Millions of tonnes	11	1	-	12	6	6	65
B. to cover fair value pursuant to IAS 39 (Fair Value Hedge)							**59**		**(139)**
- Natural gas	2	Millions of therms	274	(614)	6	(334)	73	(749)	(143)
- OIL	2	BBL	8.361.000	6.954.300	-	15.315.300	(15)	17.378.950	(25)
- Exchange rates	2		-	-	-	-	-	-	29
C. not definable as a hedge pursuant to IAS 39, to cover the margin:							**4**		**4**
- Electric power	2	TWh	-	-	-	-	-	-	-
- Natural gas	2	Millions of therms	38	1	-	39	(0)	-	(1)
- LNG and oil	2	Barrels	204.146	(700)	-	203.446	4	1.593.040	3
- CO_2	1	Millions of tonnes	-	-	-	-	0	-	1
- others	3						-	-	1
Totale							**27**		**(109)**

(*) + for purchase balance, - for sales balance
(**) Represents the credit (+) or the net debt (-) recorded in the balance sheet following the fair value measurement of the derivatives
(***) For the definitions see the previous paragraph "Fair Value hierarchy according to IFRS 13"

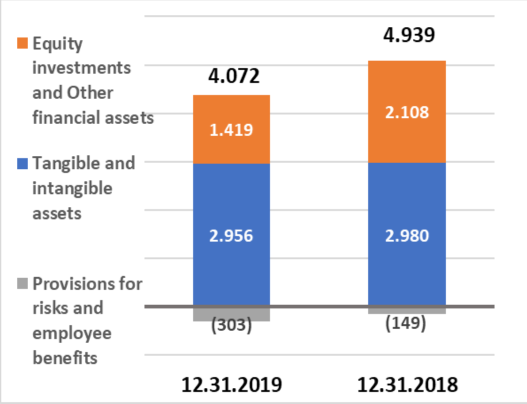
Financial instruments classified as “level 3” concern hedges implemented to reduce the price risk on the Italian electricity market and are classified in Cash Flow Hedges. The valuation is based on models that simulate the functioning of the domestic market on the basis of actual data. An impact of approximately 2 million euros is reported in the income statement referring to the ineffective part (not material in 2018).

It should also be noted that the CO_2 quotas classified in Cash Flow Hedges also include futures with physical delivery in March 2020 referred to 2019 compliance.

5. INVESTED CAPITAL AND PROVISIONS

Edison Spa, is the operating holding of the Edison Group, and through the assets held directly rather than those owned by the companies in which it directly or indirectly holds equity investments, it operates throughout the electric power and natural gas business segment from upstream to downstream, and in the energy efficiency services segment.
The non-current assets thus consist of both assets - for the most part large-scale directly operated thermoelectric and hydroelectric production plants - and equity investments in companies which are almost all subsidiaries, as well as the provisions for operational risks associated with such items.

(in millions of euros)

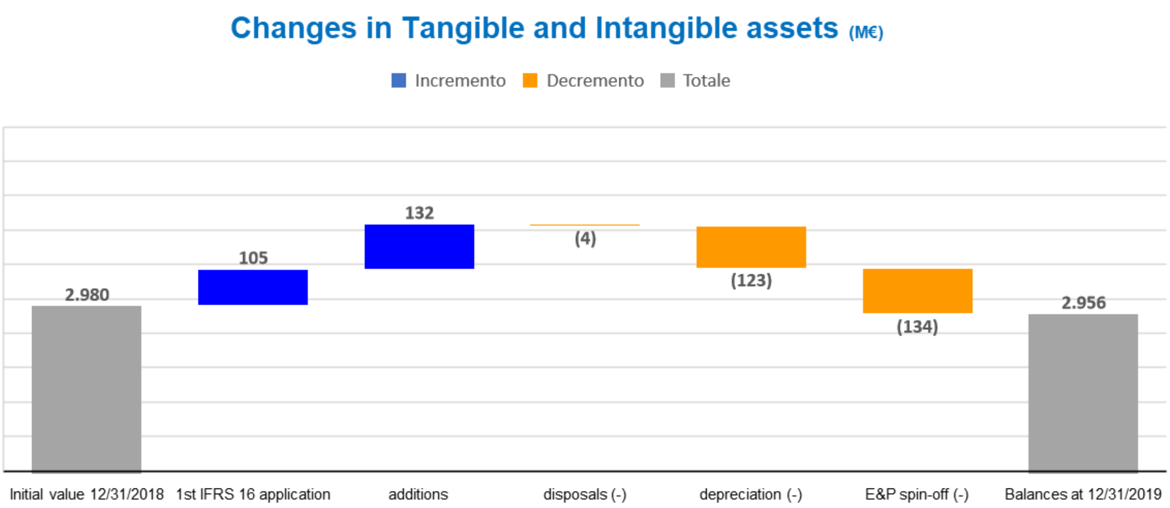


The decrease of about 867 million euros in **invested capital** during the year refers primarily to non-current financial assets and is due mainly to the reclassification to discontinued operations of the interest held in Edison E&P Spa for 862 million euros (see chapter 2.3 Information on the application of IFRS 5), offset in part by the acquisitions of EDF EN Services Italia S.r.l. and EDF EN Italia Spa for a total of 201 million euros.

5.1 Non-current assets

(in millions of euros)	Property, plant and equipment	Intangible Assets	Leased tangible fixed assets IFRS 16	Goodwill	**Total**
Opening balances at 12/31/2018 (A)	**1.201**	**72**	**-**	**1.707**	**2.980**
Changes at Dicember 31, 2019:					
- first-time application of IFRS 16	-	-	105	-	105
- additions	117	14	1	-	132
- disposals (-)	(2)	(2)	-	-	(4)
- depreciation (-)	(100)	(12)	(11)	-	(123)
- reclassification to asset held for sale (-)	-	-	-	(134)	(134)
Total changes (B)	**15**	**-**	**95**	**(134)**	**(24)**
Figures as at 12.31.2019 (A+B)	**1.216**	**72**	**95**	**1.573**	**2.956**

(in millions of euros)



Commitments on non-current assets:

There were commitments of 515 million euros to complete investment projects in progress, which refer primarily to contracts for the construction of a latest-generation combined-cycle thermoelectric power stations fuelled with natural gas, in Marghera Levante (VE) and Presenzano (CE).

5.1.1 Property, plant and equipment and intangible assets

Property, plant and equipment refers for the most part to land and buildings, as well as the assets located there for the production of electricity, consisting of natural gas combined cycles and hydroelectric power stations.

(in millions of euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Payments on account and assets under construction	Investment property	Total
Opening balances at 12/31/2018 (A)	**225**	**944**	**1**	**1**	**25**	**5**	**1.201**
Changes at December 31, 2019:							
- additions	1	10	-	1	105	-	117
- disposals (-)	-	(2)	-	-	-	-	(2)
- depreciation (-)	(8)	(91)	-	(1)	-	-	(100)
- other changes	-	7	-	-	(7)	-	-
Total changes (B)	**(7)**	**(76)**	**-**	**-**	**98**	**-**	15
Balances at 12/31/2019 (A+B)	**218**	**868**	**1**	**1**	**123**	**5**	**1.216**
of which:							
- historical cost	422	3.451	8	13	123	7	4.024
- write-downs (-)	(51)	(588)	-	-	-	(1)	(640)
- depreciation (-)	(153)	(1.995)	(7)	(12)	-	(1)	(2.168)
Net value	**218**	**868**	**1**	**1**	**123**	**5**	**1.216**

The main changes that occurred during the year are reviewed below:

- **additions** of 117 million euros refer mainly to the new combined-cycle facilities at the Marghera Levante and Presenzano thermoelectric power plants, as described in chapter 2.2 Key Events, and to the replacement of plant parts at some hydroelectric power plants;
- **depreciation**, totalling 100 million euros, was down by 9 million euros compared to 2018, mainly due to the separation of the activities of the E&P Division which was spun off from 1 July 2018.

The net carrying amount of **property, plant and equipment** includes **assets transferable without consideration** attributable mainly to Edison's hydroelectric operations, which holds 37 concessions. A breakdown is as follows:

Assets transferable at no cost (in millions of euros)	Buildings and other assets	Plant and machinery	Total
Opening balances at 12/31/2018 (A)	**5**	**36**	**41**
Changes at December 31, 2019:			
- additions	-	2	**2**
- depreciation (-)	(1)	(5)	**(6)**
Total changes (B)	**(1)**	**(3)**	**(4)**
Balances at 12/31/2019 (A+B)	**4**	**33**	**37**
of which:			
- historical cost	7	326	**333**
- depreciation (-)	(3)	(293)	**(296)**
Net value	**4**	**33**	**37**

The balance of **investment property** refers to land and buildings that are not used for production activities.

Lastly, less than 1 million euros in financial expense was capitalised in property, plant and equipment in the year, consistent with the requirements of IAS 23 revised.

The table below provides a **disclosure about the concessions** held by the Company recognised in other intangible assets:

	Number	Residual life from	Residual life to
Hydroelectric concessions	37	1	28

Intangible fixed assets include:

- 39 million euros for an intangible asset recognised in 2014 for the value of the electric power off-take contract, with a total duration of 10 years (5 years remaining), in connection with the renewable energy hub;
- 12 million euros for software licenses and network applications;
- 11 million euros for work in progress and advances;
- 10 million euros for the advance paid to purchase from Gas Natural Fenosa the gas procurement agreement relating to the Azerbaijan Shah Deniz II field.

(in millions of euros)	Other intangible assets	Total
Opening balances at December 31, 2018 (A)	**72**	**72**
Changes at December 31, 2019:		
- additions	14	14
- disposals (-)	(2)	(2)
- depreciation (-)	(12)	(12)
Total changes (B)	**-**	**-**
Amounts at December 31, 2019 (A+B)	**72**	**72**
of which:		
- historical cost	179	179
- depreciation (-)	(106)	(106)
- write-downs (-)	(1)	(1)
Net value	**72**	**72**

Additions during the year refer to the capitalisation of expenses for the implementation and updating of network applications and the acquisition of software licences.

5.1.2 Leased tangible fixed assets IFRS 16

(in millions of euros)	Land and buildings	Other assets	Total
Opening balances at 12/31/2018 (A)	**-**	**-**	**-**
Changes at Dicembre 31, 2019:			
- first-time application of IFRS 16	104	1	105
- additions	-	1	1
- depreciation (-)	(10)	(1)	(11)
Total changes (B)	**94**	**1**	**95**
Balances at 12/31/2019 (A+B)	**94**	**1**	**95**

With reference to the application of the standard and its effects following its first application, reference should be made to the comments made in the chapter “Accounting standards”.

5.1.3 Goodwill

The value is equal to 1,573 million euros and the reduction is attributable to the allocation, made in accordance with IAS 36 par. 86, of the portion relating to the equity investment Edison E&P Spa (approximately 134 million euros), now treated as an asset for disposal (see chapter 2.3 "Information relating to the application of IFRS 5", to which you are referred for more information).

The residual value represents an intangible asset with an undefined useful life and, therefore, it is not subject to systematic amortization, but rather to impairment testing at least once a year.

5.1.4 Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles

The impairment test conducted pursuant to IAS 36 did not bring to light any impairment at CGU level or in goodwill in the course of the year.

The principal assumptions used in the test are as follows:

- in general, and compared to the previous year, the scenario prepared for the 2019 impairment test reflects a worsening in the prices of energy commodities mainly for hydrocarbon activities (gas prices in Italy and Europe);
- In drawing up the reference scenario for the Italian electricity market, the results of the auctions for the remuneration of the electricity generation capacity (the so-called capacity market) which were held in November 2019 were considered with reference to:
  - for the existing generation capacity: to the years 2022 and 2023
  - for the generation capacity that will be made available with new investments: on a horizon of 15 years from entry into operation.

The company took part in the auctions with both existing generation capacity and with that which will be available following the realization of new investments. The results of the auctions led to an upward revision of the level of remuneration that was foreseen in the 2018 impairment test, for the plants under construction that will benefit from an increased and long-term incentive.

- WACCs used in the 2019 impairment test are slightly lower than last year due to a reduction in risk-free rates and the beta parameter of the electricity sector

	WACC 31.12.2019	WACC 31.12.2018
Electric power Operations	5,20%	5,80%
Hydrocarbon Operations	7,00%	7,20%

To support the analyses developed from the test, sensitivity analyses were also conducted to highlight the impact on the recoverable amounts of the assets as specific assumptions change on certain variables.

About goodwill, certain key variables were tested using Montecarlo simulations to identify the recoverable value. In addition to determining the reference recoverable value, the simulation quantifies the possible deviations from this value associated with swings in the variables considered and the statistical probability of these variations. Considering a reasonable interval, the Group's recoverable value would have a relative variation in the interval between +/- 260 million euros.

5.2 Equity investments and Other financial assets

(in millions of euros)	Equity investments	Investments at fair value through profit and loss	Other non-current financial assets	Total
Opening balances at 12/31/2018 (A)	**2.093**	**1**	**14**	**2.108**
Changes at December 31, 2019:				
- additions	206	-	-	206
- changes in share capital and reserves	11	-	-	11
- rev. (+) / write-down (-) on income statement	(35)	-	-	(35)
- reclassification of assets held for sale	(874)	-	-	(874)
- other changes (-)	11	-	(8)	3
Total changes (B)	**(681)**	**-**	**(8)**	**(689)**
Figures as at 12.31.2019 (A+B)	**1.412**	**1**	**6**	**1.419**
of which:				
- historical cost	1.942	6	6	1.954
- depreciation (-)	(530)	(5)	-	(535)
Net value	**1.412**	**1**	**6**	**1.419**

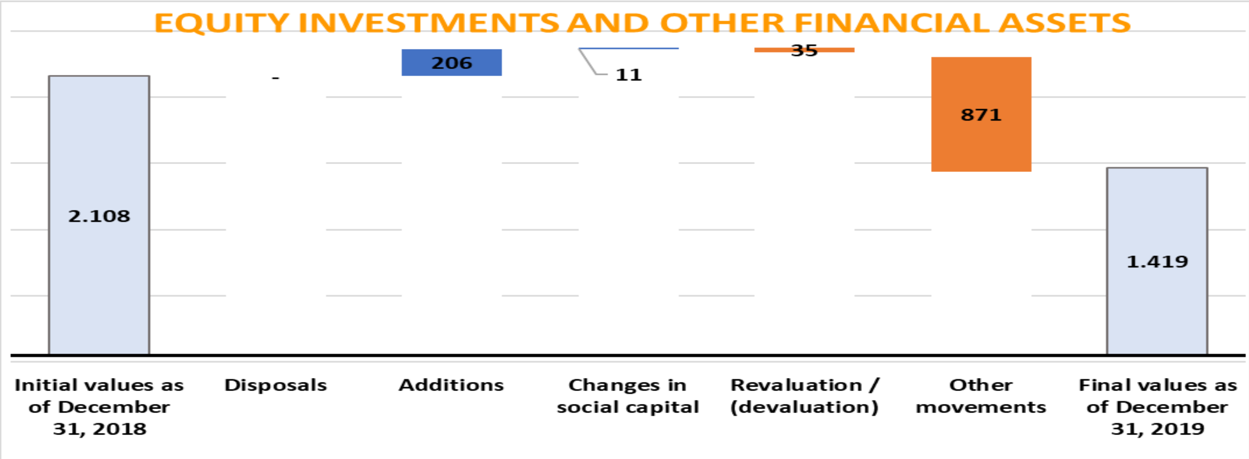
Total equity investments amount to 1,419 million euros and break down as follows:

- **equity investments** of which 1,384 million euros in subsidiaries and 28 million euros in associates and joint ventures;
- **equity investments at fair value through profit and loss** for 1 million euros, refer mainly to the equity investment in American Superconductor:
- **other fixed financial assets**, referring to the investment in the FPCI Electranova - Idinvest Smart City Venture Fund which focuses on fast-growing unlisted companies (from the initial stage to the advanced stage) in the

Energies & Cities sector, mainly at EU level. The value of the investment is measured at fair value (not directly observable on the market) and any changes in value are recognized in the income statement for the period. At 31 December 2019, this value was 6 million euros and is in line with the cost.

As required by the Italian Civil Code, information about the changes that occurred during the year and detailed data about investments in subsidiaries, affiliated companies, joint ventures and other companies is provided in the schedule entitled "List of Equity Investments at December 31, 2019" annexed to these separate financial statements.
The main changes in 2019 are reviewed below:

(in millions of euros)



- **additions** refer primarily:
  - for 183 million euros to the acquisition of 100% of EDF EN Italia;
  - for 18 million euros to the acquisition of an additional 70% of EDF EN Service Italia S.r.l., bringing the ownership percentage to 100%;
  - for 4 million euros to the acquisition of 100% of the company Idroelettrica Saint Barth.
- the **change in the share capital and reserves** relates for 6 million euros to the company Depositi Italiani GNL Spa, of which Edison Spa holds 49%, established along with the shareholder PIR for the construction and management of the Ravenna coastal depot to develop the Small Scale LNG business, and for 5 million euros to the company Nuova Alba S.r.l., which works in the remediation of certain industrial sites (former Montedison group);
- **write-downs/reversals in the income statement**, commented on below, reflect the adjustment of the carrying value of some investees due to the impairment testing process described below;
- **other changes** reflect in particular the **reclassification to discontinued operations** of the equity investment in Edison E&P Spa, as discussed in the chapter of this Report entitled "2.3 Information on the application of IFRS 5".

Impairment test on equity investments

At least once a year the Company evaluates whether there are any indicators of impairment on each equity investment, in line with its strategy for the management of legal entities within the Group and, if they are identified, it tests such assets for impairment. The processes and methods for assessing and determining the recoverable amount of each equity investment are based on assumptions which are at times complex and by their very nature require recourse to the judgement of the Directors, in particular with reference to the identification of indicators of impairment, forecasting their future profitability for the Group's business plan period, determining normalised cash flows on the basis of estimated terminal value and determining long-term growth rates and discounting rates to be applied to expected future cash flows.

The write-downs of equity investments also reflect the valuations resulting from the impairment test performed on such equity investments. The impairment test on the carrying amount of equity investments involves comparing the carrying amount and the respective shareholders' equity and profit (loss) of the investee, which thus includes the effects of the impairment test it has conducted on its own assets. If, following this comparison, the shareholders' equity is lower than the carrying amount, the Company decides whether to adjust the book value of the equity investment.

Dividends, write-downs and other income and (charges) from equity

(in millions of euros)	2019 full year	2018 full year	Changes
Dividends from subsidiaries and affiliated companies:			
- Edison Stoccaggio	14	42	(28)
- Edison Energia	10	10	-
- Edison Partecipazioni Energie Rinnovabili	5	3	2
- Cellina Energy	5	-	5
- Ibiritermo	5	10	(5)
- Sistemi di Energia	1	-	1
- Infrastrutture Distribuzione Gas	-	24	(24)
- Other	3	1	2
Total dividends	**43**	**90**	**(47)**
Total income from equity investments	**43**	**90**	**(47)**
Losses on the sale of equity investments	(35)	(15)	**(20)**
Total expense on equity investments	**(35)**	**(15)**	**(20)**

Write-downs for the year, which amount to 35 million euros, mainly refer to the subsidiaries Edison International Holding BV and Edison Energia Spa.

5.3 Operational Provisions

(in millions of euros)	12/31/2018	Financial expense	Provisions	Utilizations	Other changes	12/31/2019
- Employee benefits	15	-	1	(1)	-	15
- Provisions for decommissioning and remediation of industrial sites	64	3	-	(2)	-	65
- Provisions for other risks and charges	70	1	13	(9)	148	223
Total provisions for operational risks	**149**	**4**	**14**	**(12)**	**148**	**303**

5.3.1 Employee benefits

The value of 15 million euros (unchanged compared to December 31, 2018), reflects the severance indemnities and other benefits accrued at period end in favour of employees. The actuarial gains and losses entered directly as shareholders' equity total around 2 million euros, up by 1 million euros compared to December 31, 2018 (see shareholders' equity table in financial statements).

An actuarial valuation in accordance with IAS 19 was performed only for the liability corresponding to the provision for employee severance indemnities that is still held by the Company. The parameters used for this valuation are as follows:

	12.31.2019	12.31.2018
- Technical annual discounting rate	1,30%	2,30%
- Annual inflation rate	0,90%	0,90%
- Global salary annual increase rate	2,00%	2,00%
- Estimated annual increase in employee severance indemni	2,18%	2,18%

5.3.2 Provisions for decommissioning and remediation of industrial sites

These include, for 65 million euros, the valuation, discounted to the reporting date, of the decommissioning costs that the Company expects to incur for industrial sites, whose change in the year refers to the adjustment for financial expense.

5.3.3 Provisions for other risks and charges

These refer to provisions of a purely industrial nature for the various areas in which the Company operates. In particular, at 31 December 2019 they include the valorisation of the CO2 emission quota requirements for the current year for approximately 146 million euros and also include some provisions related to the sale of equity investments and tax disputes related to property taxes. They also reflect the valuation of **probable liabilities** correlated with some disputes under way for which it was possible to develop a reliable estimate of the corresponding expected obligation, even though the timing of the corresponding cash outlays cannot be objectively predicted.

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

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

At the end of 2018, the Milan Revenue Agency requested that Edison Spa pay the pending amount of the registration tax liquidated for the business transfer transaction of the Taranto thermoelectric power plants to Taranto Energia and subsequent sale of the equity investment to ILVA in 2011.
The dispute, together with that proposed by ILVA, is currently pending before the Court of Cassation following an unfavourable decision for the companies issued by the Regional Tax Commission.
Given that the tax was due based on the rules for collection pending proceedings, Edison arranged for the payment of solely the tax, without interest, in order to avoid enforcement procedures, which may be more damaging. The charge was fully covered through the risk provision for the sale of the equity investment.
In the meantime, the 2019 Budget Law (art. 1, paragraph 87 letter a) of Law 205/2018) established the interpretative nature, and therefore, effective also for the past, of art. 20 of the registration law as amended by the 2018 Budget Law, which limits the possibility of requalifying acts subject to registration, removing the legitimacy of the non-compliant payment notices issued.
However, the proceedings pending at the Court of Cassation in question, despite being called for discussion in October 2019, were suspended at the request of the Attorney General's Office as a result of the question of the constitutionality of the provisions cited above put forward by said Court of Cassation. During 2019, the provision recognized was unchanged.

ICI and IMU disputes, as well as for cadastral income of hydroelectric plants

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

5.4 Contingent assets and liabilities

Contingent assets

Are benefits not recognised in the financial statements as not virtually certain;

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

The dispute, pending since 2010, concerns registration tax settled following the requalification as a business sale of the contribution of the business unit consisting of thermoelectric power stations subject to the CIP 6/92 system and the subsequent sale of the transferee.

This dispute is pending before the Court of Cassation following the Regional Commission's decision that was unfavourable to the Company, but the tax was already paid in full while the proceedings are under way.
This dispute was also concerned by the regulatory amendments cited, in relation to the dispute for registration tax relating to the Taranto plants, and the question of the constitutionality of the same regulations officially promoted by the Court of Cassation.

Contingent liability

Are not recognised in the financial statements as they depend on events that are possible, but not probable, or are probable but cannot be quantified reliably and the corresponding cash outlays cannot be reasonably estimated.

Edison Spa (formerly Edison Trading Spa) – Notice of assessment for 2010 VAT and disputes for the year 2005 - Concluded

Despite the positive outcome of the dispute in the merit venues, in the course of May 2019 the dispute was settled by relying on the provisions set forth in Italian Decree Law no. 119/2018 ("fiscal peace"). Some other minor disputes concerning direct taxes were also settled at the same time. The total expense was covered by the existing provision for risks, already recognised by the merged Edison Trading against disputes for direct taxes. Please also see the comments in chapter 8 below. Taxation.

6. SHAREHOLDERS' EQUITY

Edison Spa's **shareholders' equity** is 4,776 million euros, down by 466 million euros compared to 5,242 million euros recorded at December 31, 2018. The structure of shareholders' equity at December 31, 2019 is shown in the table below compared with that of December 31, 2018:

Shareholders' equity (in millions of euros)				**12.31.2019**				**12.31.2018**
Share capital of which:	No. shares	Unit. Euro N.V.	% of Share capital		No. shares	Unit. Euro N.V.	% of Share capital	
Common shares	5.267.224.718	1,00	97,96%	5.267	5.266.845.824	1,00	97,95%	5.267
Non-convertible savings shares	109.775.953	1,00	2,04%	110	110.154.847	1,00	2,05%	110
Total share capital	**5.377.000.671**		**100,00%**	**5.377**	**5.377.000.671**		**100,00%**	**5.377**
Statutory reserve				3				-
Cash flow hedge reserve				(23)				31
Reserve for actuarial gains (losses)				(2)				(1)
Reserve from merger by absorption				218				218
Retained earnings/(loss carryforward)				(386)				(438)
Net income (loss) for the year				(411)				55
Total shareholders' equity				**4.776**				**5.242**

Note in particular the increase of 3 million euros in the statutory reserve and 52 million euros in the retained earnings reserve, due to the allocation of the 2018 net profit approved by the Shareholders' Meeting of April 2, 2019.
Comments are provided below on the individual items making up the Company's shareholders' equity at the end of 2019:

Share capital

As of February 13, 2020, the share capital totalled 5,377 million euros, divided into 5,267,224,718 common shares, par value 1 euro each, equal to 97.96% of the total share capital, and 109,775,953 savings shares, par value 1 euro each, equal to 2.04% of the total share capital, which are bearer or registered as chosen by the shareholder, with the exception of those held by Directors, Statutory Auditors and any General Manager, which must be registered. The Company's savings shares have been traded on the MTA operated by Borsa Italiana since December 2, 2002 in the FTSE Italia Small Cap index.
We would hereby point out that no financial instruments that convey the right to acquire newly issued shares through subscription are outstanding and no options awarded to Group employees that convey the right to purchase Edison shares at pre-set prices (Stock Option Plans) are outstanding and, consequently, no capital increases earmarked for such purpose were carried out.

Shareholders with Significant Equity Interests

The table that follows, which is based on the data in the Shareholder Register and reflects communications received pursuant to law and other information available as of February 13, 2020, shows that there is no party, other than the EDF Group, that holds, directly or indirectly (including through third parties, nominees and subsidiaries), an interest greater than 3% of the voting stock ("Significant Equity Interests"). A breakdown of the interest held by EDF in Edison's common share capital is as follows:

	Common shares	% voting rights	% of possession
Transalpina di Energia Spa (Ex WGRM)	5.239.669.098	99,48	97,45
Total group EDF	**5.239.669.098**	**99,48**	**97,45**

Rights of the Classes of Shares

COMMON SHARES	SAVINGS SHARES
The common shares, which are registered shares, convey the right to vote at the Company's Ordinary and Extraordinary Shareholders' Meetings, in accordance with the applicable provisions of the law and the Bylaws, and provide their holders with any additional administrative and property rights attributed to voting shares pursuant to law.	The savings shares can be either bearer or registered shares, as the holder may choose, except for shares held by Directors, Statutory Auditors and the General Manager, if one is appointed, which must be registered shares. They do not convey the right to vote at the Company's Ordinary and Extraordinary Shareholders' Meetings. Pursuant to the Bylaws, they convey the benefits and have the characteristics that are listed below in addition to those provided pursuant to law: ✓ A reduction in the share capital to absorb losses does not cause the par value of savings shares to decrease, except for the amount in excess of the aggregate par value of the shares. ✓ If the savings shares are delisted, they will retain all of the rights attributed to them under the Bylaws and may be converted into common shares according to the terms and conditions determined by a Shareholders' Meeting, which must be held within two months from the date of delisting. ✓ The remainder of the earnings shown in the duly approved financial statements, after allocating at least 5% to the statutory reserve, which must be set aside until the reserve reaches one-fifth of the share capital, are distributed to the savings shares up to an amount that may not be greater than 5% of their par value (equal to 5 eurocents). If in a given fiscal year the savings shares receive a dividend that is less than the above-mentioned amount, the difference will be brought forward and added to the preferred dividend over the following four years; ✓ If no dividend is distributed to the savings shares for five consecutive years, these shares can be converted one for one into common shares, upon a simple request by the shareholder, during the period from January 1 to March 31 of the sixth year. ✓ Any remaining earnings that the Shareholders' Meeting decides to distribute are allocated to all of the shares such that the savings shares receive a total dividend that is greater than the dividend paid to the common shares by 3% of their par value.

For any matters not addressed here, please refer to the Company's Bylaws.

OTHER SHAREHOLDERS' EQUITY ITEMS

Statutory reserve

This amounts to 3 million euros and was established based on shareholders' resolution of April 2, 2019.

Cash flow hedge reserves

The cash flow hedge reserve, negative for around 23 million euros, is due to the adoption of IFRS 9 for the accounting of derivatives. It refers to the provisional recognition in equity of the effective portion of derivatives executed to hedge price and foreign exchange risks on energy commodities. The amounts recognised directly in equity will be reflected in the income statement concurrently with the economic effects produced by the hedged items. The table below shows the change with respect to December 31, 2018:

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at 31.12.2018	43	(12)	31
Changes in the year	(75)	21	(54)
Reserve at 12.31.2019	**(32)**	**9**	**(23)**

Reserve for actuarial gains and losses

Entered directly in equity, it is negative for around 2 million euros, and has increased by around 1 million euros compared to 2018. An actuarial valuation in accordance with IAS 19 was performed only for the liability corresponding to the provision for employee severance indemnities that is still held by the Company.

Reserve from merger by absorption

The reserve from merger by absorption, equal to 218 million euros, refers essentially to the merger of the former Edison Trading Spa on December 1, 2017, with accounting effects retroactive to January 1, 2017.

Retained earnings/(loss carry forward)

Losses carried forward amounted to 438 million euros, unchanged compared with December 31, 2018. Retained earnings amounted to 52 million euros, the change is attributable to the allocation of profit for the year 2018, approved by the Shareholders' Meeting of April 2, 2019.

TAX STATUS OF SHARE CAPITAL AND RESERVES IN THE EVENT OF REPAYMENT OR DISTRIBUTION

The types of tax status and utilisation options of the different items that constitute the Company's shareholders' equity are reviewed below:

(in thousands of euros)	Carrying amount	Tax Status		Utilisation options
		Share class	Amount	
Share capital				
Ordinary shares	5.267.225			
Savings shares	109.776			
	5.377.001			
	of which:	B	192.082	-
		C	588.628	-
Earnings reserves:				
Legal reserve	2.758	A		2
Reserve from merger by incorporation	217.922	A		2
Retained earnings	52.401	A		2
Losses carried forward	(438.689)	-		-
CFH derivatives valuation reserve	(23.160)	-		-
Actuarial reserves (IAS 19)	(1.620)	-		-

Tax Status

A: Reserves that, if distributed, would be included in the taxable income of the shareholders.

B: Reserves the taxation of which has been suspended that are part of share capital. If the share capital is reduced upon a shareholder distribution, these reserves would become taxable.

C: Portion of shareholders' equity restricted pursuant to Section 469 of Law No. 266/2005 (so-called realignment), which, if utilised, would be included in the Company's taxable income, increased by a 12% substitute tax, with the concurrent earning of a 12% tax credit (equal to the substitute tax paid).

Utilisation options

1: Share Capital Increase.

2: Coverage of losses.

3: Distribution to shareholders.

A breakdown according to tax status is provided below:

- The reserves the taxation of which has been suspended that are part of share capital, with B status, are broken down below according to the relevant regulatory and corporate references (in thousands of euros):

• No. 576 of 12/01/1975 (old Edison form. Montedison)	31,064
• No. 72 of 3/19/1983 (old Edison form. Montedison)	15,283
• No. 576 of 12/1/1975 (former Finagro)	1,331
• No. 72 of 3/19/1983 (former Finagro)	3,310
• No. 72 of 3/19/1983 (former Montedison)	8,561
• No. 72 of 3/19/1983 (former Silos di Genova Spa)	186
• No. 413 of 12/30/1991 (former Finagro)	4,762
• No. 576 of 12/1/1975 (former Calcemento)	976
• No. 72 of 3/19/1983 (former Calcemento)	4,722
• No. 413 of 12/30/1991 (former Sondel)	2,976
• No. 413 of 12/30/1991 (former Edison)	118,911

Any taxes that may be due on the reserves would amount to 46 million euros for those of Item B, 80 million euros (net of tax credit) for those of Item C.

As for the negative income components that are not reflected in the income statement, which until 2008 could be deducted by listing them on a separate schedule annexed to the income tax return, the provision of the tax code require that a corresponding amount of the unrestricted reserves and retained earnings should be maintained on the Company's financial statements and, if the above-mentioned amount is distributed, it would be included in the Company's taxable income.

As a result of non-accounting depreciation and amortisation taken in 2006 and 2007 and the derecognition in 2004 of entries booked for tax purposes but which had no relevance for statutory reporting purposes, non-accounting deductions still available totalled about 13 million euros. Deferred taxes totalling about 3 million euros were recognised in connection with these entries.

Therefore, should the Company choose to distribute earnings or reserves, it must have residual qualified reserves, as defined in art. 109 of the Uniform Tax Code, totalling 10 million euros. If the Company lacks or has insufficient qualified reserves, any uncovered portion of the distribution, increased by the applicable deferred taxes, would become part of the Company's taxable income.

Lastly, the reform of the corporate income tax system, which went into effect on January 1, 2004, introduced the overriding presumption that the profit for the year and the portion of reserves other than share capital reserves that has not been set aside in a suspended taxation status will be distributed, irrespective of the motions approved by the Shareholder's Meeting (art. 47 of the Uniform Tax Code).

7. NET FINANCIAL DEBT (AVAILABLE FUNDS) AND COST OF DEBT

7.1 Management of Financial Resources

Edison Spa defines its financial strategy with the main view of guaranteeing the availability of monetary resources under the best market conditions, and in the appropriate proportions, to support the running of ordinary business activities and the development of investments to support future growth.

For this purpose, Edison Spa also relies although not exclusively on the parent company EDF Sa for funding, to obtain loans in any technical form that guarantee flexibility in liquidity and/or coverage of structural needs. The terms and conditions are aligned with the best market conditions for Edison. In terms of cash management, one of Edison's current accounts is dedicated to the cash pooling relationship with EDF Sa, allowing for significant cash flexibility, thanks to a credit facility of up to 199 million euros under 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 correspondent current accounts and intra-group loans. The former are used for the collection and payment system, ensuring, when necessary, cash flexibility in the short term, while the loans make it possible to cover structural requirements, first and foremost investments. The terms and conditions applied reflect prevailing market conditions over time according to the "arm's length" principle, based on which transactions, in this case financial, between members of the same Group must be carried out substantially under the same conditions as would be applied with respect to third parties.

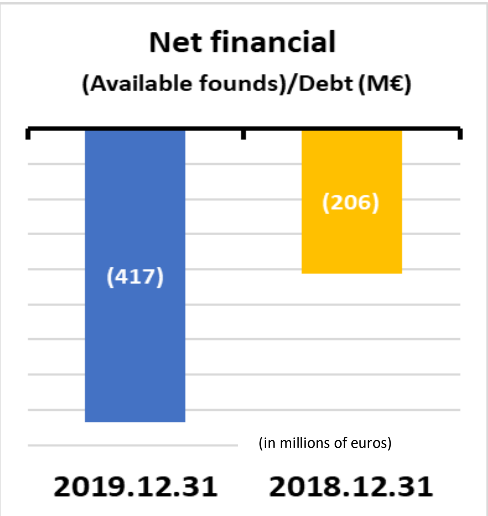
To support certain investment activities, Edison turns to the market when it can find particularly favourable financing opportunities. This is the case of several lines of credit granted to Edison by the European Investment Bank (EIB), either directly or through EDF Sa. These lines of credit are intended for the development of specific projects, which will be described in more detail below.

At December 31, 2019, Edison Spa's credit rating is BBB-, stable outlook, for S&P and Baa3, positive outlook, for Moody's.

This paragraph also provides some sensitivity analyses and details to better describe the financial risk management procedures (interest rate risk, credit risk, liquidity risk).

7.2 Net Financial Debt (Available Funds) and Cost of Debt

Below is a summary of the main phenomena which impacted the net available funds, which as at December 31, 2019 came to 417 million euros (net available funds of 206 million euros at December 31, 2018).



The positive change of 211 million euros in net available funds is related mainly:

- positively: to the change in operating working capital, the collection of VAT for which a reimbursement of 100 million euros was requested, the transfer of the VAT receivable for which a reimbursement was requested for 85 million euros as well as the deferral, not made in the previous year, of the payment of the CO_2 quotas;
- negatively: to equity investments for 206 million euros and investments in property, plant and equipment and intangible assets for 132 million euros, the effects deriving from the first-time adoption of IFRS 16 Leases, which resulted in a 105 million euro increase in debt at January 1, 2019, and lastly the settlement of certain tax disputes (so-called Fiscal peace) for 18 million euros

Below is the breakdown of **net financial debt (available funds)**:

(in millions of euros)	12/31/2019	12/31/2018	*Changes*
Non-current financial debt	330	271	*59*
Non-current financial assets from subsidiaries and affiliated companies	(614)	(574)	*(40)*
Non-current net financial debt (available funds)	**(284)**	**(303)**	***19***
Current financial debt	70	114	*(44)*
Current financial payables to subsidiaries and affiliated companies	505	418	*87*
Current financial assets	(2)	-	*(2)*
Current financial assets from subsidiaries and affiliated companies	(537)	(390)	*(147)*
Cash and cash equivalents	(169)	(45)	*(124)*
Current net financial debt (available funds)	**(133)**	**97**	***(230)***
Total net financial debt (available funds)	**(417)**	**(206)**	***(211)***
of which:			
Gross Financial Debt	**905**	**803**	***102***
Cash and cash equivalents and financial assets	**(1.322)**	**(1.009)**	***(313)***

Please note that the items shown in the table above incorporate the effect of the IFRS 16 accounting standard as of January 1, 2019; the impact on the individual balance sheet items are summarized in the table below:

(in million of euros)	12/31/2019	01/01/2019 first-time application	*Changes*
Non-current financial debt	92	102	*(10)*
Non-current financial assets from subsidiaries and affiliated companies	(8)	(9)	*1*
Non-current net financial debt (available funds)	**84**	**93**	***(9)***
Current financial debt	11	10	*1*
Current financial assets from subsidiaries and affiliated companies	(1)	(1)	*-*
Current net financial debt (available funds)	**10**	**9**	***1***
Total net financial debt (available funds)	**94**	**102**	***(8)***

7.2.1 Non-current financial debt

(in millions of euros)	12/31/2019	12/31/2018	Changes
EDF Sa	-	60	(60)
Banks	238	211	27
Leases IFRS 16 (*)	92	-	92
Total	**330**	**271**	**59**

(*) First leaseback as from January 1, 2019

Payables to **EDF Sa** declined due to the early repayment, in view of the sale of the E&P business, of the EIB loan intermediated by EDF Sa and intended for hydrocarbon production and extraction projects in Italy.

The **amount due to banks** is represented by medium/long-term credit lines granted by the EIB, for the financing of development projects in the wind and storage sector. The increase in the course of the year was due to the full use of the credit line of 150 million euros granted by the EIB to Edison in 2017, usable in tranches with expirations up to 15 years, for the construction of specific wind plants.

7.2.2 Current financial debt

(in millions of euros)	12/31/2019	12/31/2018	Changes
Banks	34	88	(54)
EDF Sa	-	10	(10)
Transalpina di Energia Spa	8	5	3
Leases IFRS 16 (*)	11	-	11
Factoring companies	11	4	7
Other financial debt	6	7	(1)
Total current financial debt	**70**	**114**	**(44)**

(*) First-time application from January 1, 2019

The amounts due to **Banks** derive from accounting overdrafts on ordinary current accounts, margining obligations for spot transactions and transactions in derivatives referring to commodity management, and for 12 million euros (16 million euros at December 31, 2018) from instalments falling due on short-term credit lines granted by the EIB, previously described. **Current payables to EDF Sa** also declined due to the early repayment of the EIB loan intermediated by EDF Sa.

The tables below provide details on **current payables and current and non-current receivables** with respect to subsidiaries and affiliated companies, which represent financial transactions and balances in the intra-group current accounts. Edison Spa thus handles the management of the liquidity and investment requirements of its subsidiaries and affiliates, in particular for the development of activities in the energy efficiency sector, increasing wind power generation and the construction of storage centres.

7.2.3 Current financial payables to subsidiaries and affiliated companies

(in millions of euros)	12/31/2019	12/31/2018	Changes
Edison E&P UK	123	113	10
Edison Energia	80	33	47
Edison Partecipazioni Energie Rinnovabili	77	65	12
Cellina Energy	62	60	2
Edison International Holding NV	47	64	(17)
Edison Idrocarburi Sicilia	16	14	2
Green Energy	10	-	10
EDF EN Services	10	-	10
Solaren	10	-	10
Poggio Mondello	9	10	(1)
Nuova Alba	8	5	3
Santa Luce	7	-	7
Termica Cologno	7	7	-
Energie	7	-	7
Bonorva Windenergy	6	-	6
Nuova Cisa	4	4	-
Jesi Energia	4	4	-
Murgeolica	3	-	3
Assistenza Casa	3	11	(8)
Friel-Nurri	2	-	2
Attiva	2	1	1
Eolo	1	1	-
Serra Carpaneto	1	-	1
Fotosolare	1	-	1
Solareolica Seconda	1	-	1
Fotosolare Sesta	1	-	1
SDE	1	-	1
Fenice	-	15	(15)
Edison E&P	-	10	(10)
Other minor	2	1	1
Total non-current financial assets from subsidiaries and affiliated companies	**505**	**418**	**87**

7.2.4 Current and non-current financial receivables from subsidiaries and affiliated companies

	of which non current			of which current			Total		
(in millions of euros)	**31.12.2019**	**31.12.2018**	***Changes***	**31.12.2019**	**31.12.2018**	***Changes***	**31.12.2019**	**31.12.2018**	***Changes***
Subsidiaries									
Fenice	195	195	-	19	-	*19*	214	195	*19*
Edison Stoccaggio	130	145	*(15)*	62	59	*3*	192	204	*(12)*
Edison International Spa	50	50	-	14	122	*(108)*	64	172	*(108)*
Edison Norge	-	-	-	197	107	*90*	197	107	*90*
E2i	150	110	*40*	1	-	*1*	151	110	*41*
EDF EN Italia	-	-	-	77	-	*77*	77	-	*77*
Edison E&P spa	-	60	*(60)*	57	10	*47*	57	70	*(13)*
Infrastrutture Distribuzione Gas	-	-	-	54	51	*3*	54	51	*3*
Euroil Exploration	-	-	-	21	5	*16*	21	5	*16*
Edison Energy Solutions	7	4	*3*	10	6	*4*	17	10	*7*
Dolomiti Edison Energy	-	7	*(7)*	5	-	*5*	5	7	*(2)*
Bargenergia	-	1	*(1)*	4	1	*3*	4	2	*2*
Solareolica Seconda	23	-	*23*	3	-	*3*	26	-	*26*
Serra Carpaneto	18	-	*18*	2	-	*2*	20	-	*20*
Murgeolica	14	-	*14*	2	-	*2*	16	-	*16*
AMG gas	-	-	-	2	-	*2*	2	-	*2*
Solaren	6	-	*6*	2	-	*2*	8	-	*8*
Energie	6	-	*6*	1	-	*1*	7	-	*7*
Comat	3	-	*3*	1	2	*(1)*	4	2	*2*
Friel Murge	-	-	-	1	-	*1*	1	-	*1*
Frendy Energy	-	-	-	1	-	*1*	1	-	*1*
Idroelettrica Saint Barth	-	-	-	1	-	*1*	1	-	*1*
Solar green Energy	1	-	*1*	-	-	-	1	-	*1*
Idroelettrica Cervino	3	-	*3*	-	-	-	3	-	*3*
Edison Energie Spa	-	-	-	-	18	*(18)*	-	18	*(18)*
Sistemi di Energia	-	-	-	-	5	*(5)*	-	5	*(5)*
Compagnia Energetica Bellunese	-	-	-	-	3	*(3)*	-	3	*(3)*
Financial assets for financial leasing IFRS 16	8	-	*8*	1	-	*1*	9	-	*9*
Other minor	-	1	*(1)*	-	1	*(1)*	-	2	*(2)*
Total subsidiaries (A)	**614**	**573**	***41***	**538**	**390**	***148***	**1.152**	**963**	***189***
Jointly controlled and connected companies									
Ibiritermo	-	1	*(1)*	1	1	-	1	2	*(1)*
Total jointly controlled and associated companies (B)	**-**	**1**	***(1)***	**1**	**1**	**-**	**1**	**2**	***(1)***
IFRS 9 bad debt provision (C)	-	-	**-**	(1)	(1)	**-**	**(1)**	**(1)**	**-**
Total (A+B+C)	**614**	**574**	***40***	**538**	**390**	***148***	**1.152**	**964**	***188***

The main changes in financial receivables from subsidiaries refer in part to changes in the intercompany current account linked to ordinary treasury operations, and in part to financing activities with subsidiaries, in particular with companies acquired in the course of 2019.

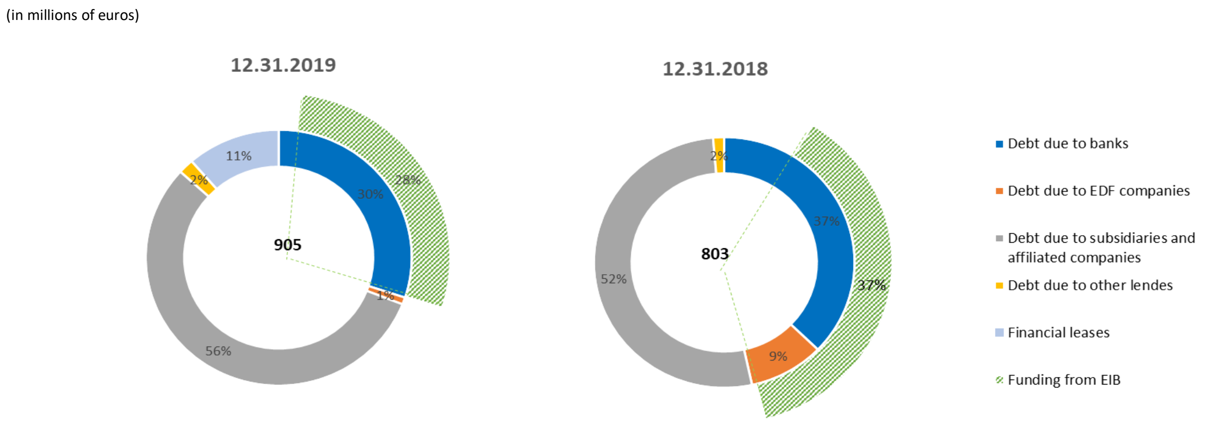
As regards the long-term portion, the main changes were caused by loans granted in 2019 to several subsidiaries to support their development and investment plans.

7.2.5 Cash and cash equivalents

This item totals 169 million euros (45 million euros as at December 31, 2018) and includes the bank account balances of 13 million euros (17 million euros as at December 31, 2018) and available current account balances of EDF Sa for 156 million euros (28 million euros as at December 31, 2018). Please recall that the current account with EDF has a credit facility of 199 million euros under competitive conditions.

7.2.6 Breakdown by funding source of gross financial debt

The external **funding sources** that Edison Spa made use of in the last year are primarily represented by long-term loans for the development of specific projects in the wind sector and in gas storage, granted by the EIB directly to Edison.



7.2.7 Net financial income (expense) linked to debt (available funds)

(in millions of euros)	2019 full year	2018 full year	Changes
Financial income			
Financial income from Group companies	21	24	(3)
Total financial income on cash and cash equivalents	**21**	**24**	**(3)**
Financial expense			
Financial expense paid to EDF	(2)	(2)	-
Interest paid to banks	(2)	(1)	(1)
Financial expense from Group companies	(2)	(1)	(1)
Total financial expense on debt	**(6)**	**(4)**	**(2)**
Total financial income (expense) on net financial debt (available funds)	**15**	**20**	**(5)**
Income (expense) on assignment of receivables without recourse	-	-	-
Charges on financial leases IFRS 16	**(2)**	**-**	**(2)**

Financial income (expense) on net available funds declined due to the change in net average financial exposure to Group companies with respect to the previous year.

The **charges for financial leasing IFRS 16** refer to the financial debt recorded for the application of the new accounting standard as from January 1, 2019 (see chapter 1.1 Accounting standards and valuation criteria).

7.2.8 Cash flow statement reconciliation

Pursuant to IAS 7 “Statement of Cash Flows”, below is a statement of changes in liabilities deriving from lending activities, making it possible to reconcile the cash flows shown in the “Cash Flow Statement” with the total changes recognised during the year in balance sheet items that contribute to net financial debt.

in millions of euros	12/31/2018	*First-time application IFRS 16*	01/01/2019 restated	*Cash flow*	12/31/2019
Non-current financial debt	271	101	372	(42)	330
Other current financial payables	532	11	543	32	575
Current and non-current financial assets (-)	(964)	(10)	(974)	(179)	(1.153)
Net liabilities from financing activities	**(161)**	**102**	**(59)**	**(189)**	**(248)**
Cash and cash equivalents (-)	(45)	-	(45)	(124)	(169)
Net financial debt	**(206)**	**102**	**(104)**	**(313)**	**(417)**

7.3 Financial risk management

7.3.1 Interest rate risk

Considering that the company has financial assets and liabilities primarily indexed to a variable rate (*EURIBOR/EONIA*), interest rate risk is negligible. This being said, as regards its gross financial debt, the Company assesses its exposure to the risk of changes in interest rates on a regular basis, which it manages mainly by selecting loan utilisation methods. Please recall that the direct EIB loans offer the option between a variable and fixed rate every time the loan is utilised.

Gross financial debt: mix fixed and variable rate

Gross Financial Debt	12/31/2019			12/31/2018		
Mix fixed and variable rate: (in million euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion	152	152	17%	50	50	6%
- variable rate portion	753	753	83%	753	753	94%
Total gross financial debt *	**905**	**905**	**100%**	**803**	**803**	**100%**

* the debt analyzed at 31.12.2019 includes the part relating to leases for 103 million euros, recognized in the financial statements from 1 January 2019 pursuant to IFRS16

The fact that debt is mainly at a variable rate has, to date, resulted in significant savings in financial expense.

The fixed rate portion refers:

- to the use as of 2018 of two fixed rate tranches of the loan on EIB funds for the development of the wind capacities of E2i Energie Speciali;
- to the effects deriving from the first application of IFRS 16 Leasing which led to an increase in the debt, which at 31 December 2019 amounted to 103 million euros between the current and non-current portion.

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

Sensitivity analysis on financial expense

Sensitivity analysis (in million of euros)	2019 full year Impact on financial expense (P&L)			2018 full year Impact on financial expense (P&L)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa	3	2	2	3	2	1

7.3.2 Liquidity risk

Liquidity risk is the risk that Edison Spa may not have access to enough financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities.

The Company aims to ensure that the Group always has enough funding sources to meet its obligations that are falling due and to support 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 length of the underlying debt obligation. When present, the effect of interest rate derivatives is also considered;
- 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 more meaningful representation, the prudential value thus obtained is compared with the existing cash and cash equivalents, without considering other assets (e.g., trade receivables).

Projection of future cash flows

	12/31/2019			12/31/2018		
(in millions of euros)	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 and other financial liabilities (*)	26	31	356	77	29	293
Payables to suppliers	869	69	-	955	57	-
Total	**895**	**100**	**356**	**1.032**	**86**	**293**
Cash and cash equivalents	**169**			**45**		

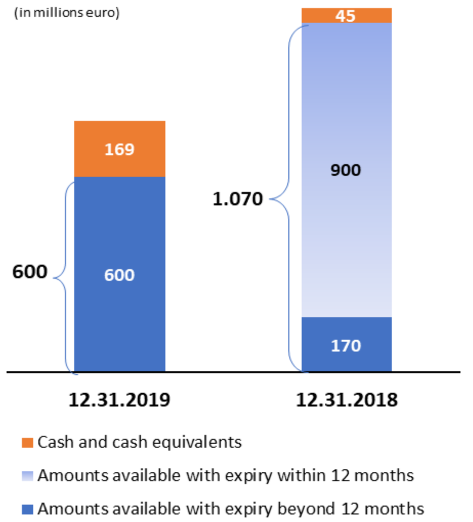
(*) the item does not include "current financial payables to factoring companies and other financial payables", and those to "current and non-current subsidiaries and associates".

The **financial debt due within one year**, amounting to 57 million euros (106 million euros at December 31, 2018) mainly relates to the overdrafts of current accounts, the margin accounts dedicated to derivative transactions to hedge the commodity risk of the Industrial Portfolio, the application of the accounting principle IFRS 16 Leasing and the portions of capital and interest of long-term loans falling due within the year.

The **financial debt falling due beyond the year** (356 million euros) is up compared to the corresponding value as at December 31, 2018 (271 million euros).
The change is due to the combined effect, which increased due to the application of the accounting standard IFRS 16 Leasing (at December 31, 2019 amounted to 100 million euros) and from a new use (40 million euros) on the 150 million line. euro granted by the EIB to Edison on wind farms and decreasing in line with the normal amortization plan for existing loans and for the effect of the early repayment of the EIB loan brokered by EDF Sa.

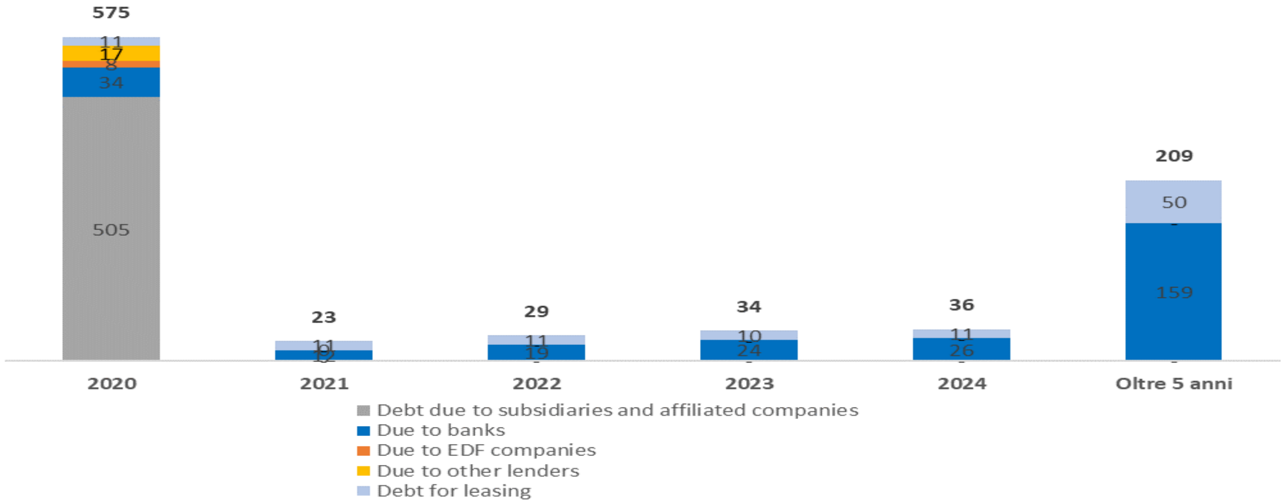
Total available financial resources

As at December 31, 2019, Edison also had cash and cash equivalents of 169 million euros, of which 156 million euros on the treasury current account with EDF Sa.
To ensure financial flexibility and guarantee the coverage of cash requirements for the next few months, in addition to the liquidity on the treasury current account with EDF SA and its related credit, there is a revolving two-year credit line, subscribed with EDF SA for a nominal amount of 600 million euros on April 9, 2019, to replace an analogous credit line subscribed by Edison Spa in 2017 and which reached maturity in 2019. At December 31, 2019, the revolving credit line was fully available.
In March 2019, the revolving line subscribed by Edison Spa in 2017 on a club deal basis with a pool of banks for a nominal amount of 300 million euros instead reached maturity and was not renewed.



Gross financial debt: debt expiration

(in millions of euros)



7.3.3 Risk of early repayment of loans

The Company is not required, under the terms of any of its credit lines, to comply with specific financial covenants

About the effects that a change in control of Edison could have on outstanding loans, please refer to the discussion in the Report on Corporate Governance and on the Company's Ownership Structure, in the section "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 loans for industrial businesses.

On the date on which this report was drafted, Edison Spa was not aware of the existence of any default situation about any of its subsidiaries.

8. TAXATION

8.1 Tax risk management

Starting from 2018, the Edison and its subsidiaries adopted a tax risk management and reporting system, which is integrated within the Group's overall control system (the Tax Control Framework or TCF). The TCF adopted consists of a Tax Policy and General Rules applicable to all the Group companies, as well as some specific controls applied to several principal and cross-company processes, coordinated with the provisions of Law No. 262 to which the parent company Edison Spa is subject, as a tax management instrument to monitor activities with potential tax impacts on the results of the Group.

8.2 Taxes

Current income taxes are determined based on the estimated taxable income, computed in accordance with the tax rates and laws that have been enacted or substantively enacted at the balance sheet date, taking into account any applicable exemptions or available tax credits.

Deferred tax assets and liabilities are computed on the temporary differences between the values attributed to assets and liabilities in the balance sheet and the corresponding values recognised for tax purposes, based on the tax rates in effect when the temporary differences will be reversed. Deferred tax assets are recognized if they are likely to be recovered in the future. When measuring deferred tax assets, the taxable income estimated in the business plans approved by the Company is considered. When gains and losses are recognized directly in shareholders' equity, and namely in the "Reserve for other components of comprehensive income", prepaid-tax assets and deferred-tax liabilities must also be directly recognized in shareholders' equity. For the three-year period 2019-2021, the Company renewed the Group taxation option for corporate income tax (IRES) purposes, pursuant to art. 117 et seq. of the Uniform Tax Code - **so-called National Consolidated Tax Return** - which is filed by Transalpina di Energia Spa (TdE) and involves all the main Group companies. Consequently, the companies included in the return must determine their IRES liability in coordination with the Parent Company TdE. Mutually agreed commitments and actions are governed by new bilateral agreements executed by TdE, the consolidating entity, and the individual companies.

8.2.1. Taxes and tax proof

(in millions of euros)	2019 full year	2018 full year	Changes
Current taxes	(58)	13	(71)
Deferred/(prepaid) tax	31	(29)	60
Previous years' taxes	2	13	(11)
Total	**(25)**	**(3)**	**(22)**

Current taxes include 78 million euros for corporate income taxes (IRES) and 11 million euros for regional business taxes (IRAP), net of about 31 million euros in income that the National Consolidated Tax Return, filed by Transalpina di Energia Spa, recognised to the Company for the use of previous tax losses contributed by said entity and used in the consolidated income tax return for the payment of tax for the reporting period.

Net **deferred/prepaid taxes** had a positive balance of 31 million euros. The main reasons for this balance are the allocation of deferred tax assets on the provisions for risks and the use of deferred tax assets on the difference in the value of property, plant and equipment and the use of the tax asset relating to previous tax losses used in the consolidated tax return to which the company belongs.

An analysis of the reconciliation between the theoretical tax burden, determined by applying the IRES and IRAP tax rate applicable in Italy, and the actual tax burden for the year, is shown below:

(in million of euros)	2019 full year		2018 full year	
Income (loss) before taxes	**115**		**58**	
Taxes applicable in the year	**28**	**24,0%**	**14**	**24,0%**
Non-taxable dividends	(10)	**(8,7%)**	(21)	**(36,2%)**
Write-downs (Revaluations) of equity investments	8	**6,9%**	11	**19,0%**
Permanent differences	10	**8,7%**	5	**8,6%**
Other differences	(16)	**(13,9%)**	(8)	**(13,8%)**
Regional tax (IRAP)	11	**9,5%**	-	**-**
Deferred taxes (IRAP)	(6)	**(5,2%)**	2	**3,4%**
Total income taxes in the income statement	**25**	**21,4%**	**3**	**5,0%**

For a better understanding of this reconciliation, the impact of IRAP was kept separate to avoid any distortion effects, as that tax is applied on a tax base that is not the same as the pre-tax result.
The difference between theoretical and actual taxes in the financial statements is due essentially to the income that the tax consolidation recognised to the company for the full use of previous tax losses it had contributed, the tax asset of which was prudentially recognised only on 50% of their amount.

8.2.2 Income taxes paid

During the year, direct tax payments amounted to 18 million euros and refer to payments for the settlement of tax disputes (so-called "fiscal peace") which fell within the scope of the law.

8.3 Tax assets and liabilities

8.3.1 Taxes receivable and payable

At December 31, 2019 there are net payables of 41 million euros (net receivables of 43 million euros at December 31, 2018); the details are provided in the table below:

(in millions of euros)	12/31/2019	12/31/2018	Changes
Non-current tax assets	25	25	-
Amount due from the controlling company TDE for the filing of a consolidated tax return	-	18	(18)
Total tax assets (A)	**25**	**43**	**(18)**
Current tax payables	11	-	11
Payables for other taxes	9	-	9
Payables due from the controlling company TDE for the filing of a consolidated tax return	46	-	46
Total taxes payable (B)	**66**	**-**	**66**
Taxes receivable (payable) (A-B)	**(41)**	**43**	**(84)**

Non-current tax assets include 18 million euros for the additional Robin tax for which a refund was requested in the tax return submitted in the year 2015, subsequent to the abolition of that tax.

Current taxes payable include 11 million euros owed to the tax authorities for regional business taxes (IRAP) for the period.

The **payables to the parent company** for tax consolidation refer to the IRES National Consolidated Tax Return.

Other taxes payable of 9 million euros refer to amounts owed in connection with the facilitated settlement of tax disputes (so-called "fiscal peace") which provide for an instalment-based payment method (see comments in chapter 2.2 Key Events).

8.3.2 Deferred tax assets and liabilities

At December 31, 2019, assets of 125 million euros were recognised (assets 85 million euros at December 31, 2018).
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.
Please recall that if the requirements set forth in IAS 12 are met, the items are offset.

Impacts on the income statement and shareholders' equity

Changes in deferred-tax liabilities and deferred-tax assets *(in millions of euros)*	**12/31/2018**	**Effect in income statement**	**Effect in shareholders' equity**	**12/31/2019**
Deferred-tax liabilities:				
Adoption of IFRS 9 to value financial instruments:				
- impact on shareholders' equity	12	-	(12)	-
	12	**-**	**(12)**	**-**
Offsets	-	-	-	-
Total deferred-tax liabilities	**12**	**-**	**(12)**	**-**
Deferred-tax assets:				
Tax assets from tax losses	15	(15)	-	-
Taxed provisions for risks	36	50	-	86
Adoption of IFRS 9 to value financial instruments:				
- impact on shareholders' equity	-	-	9	9
Differences in the valuation of property, plant and equipment	33	(5)	-	28
Other	1	1	-	2
	85	**31**	**9**	**125**
Offsets	-	-	-	-
Total deferred-tax assets	**85**	**31**	**9**	**125**

Please note that:

- **Deferred tax liabilities** consist of taxes recognised directly in equity relating to cash flow hedges;
- the valuation of **deferred tax assets** reflects the assumption of probable realisation and recoverability for tax purposes, based on the realisation time horizon. With reference to the tax losses, whose tax asset was prudentially recorded on a recoverability equal to 50% of the same, they were entirely used by the national tax consolidation considering the result for the period, thus releasing the entire amount. The change for taxed risk provisions refers in particular to the CO_2 fund, commented on in chapter 5.3 "Operational funds".

8.3.3 Provisions for tax risks (for income taxes)

They represent the valuation of probable liabilities correlated with several uncertain tax disputes regarding the Company, for which it was possible to develop a reliable estimate of the corresponding expected obligation, even though the timing of any cash outlays cannot be objectively predicted. The table below shows the changes that occurred during the year 2019:

(in millions of euros)	12/31/2018	Financial expense	Provisions	Utilizations	Other changes	12/31/2019
Total provisions for tax disputes	29	-	-	(23)	(6)	-

Utilisations of these provisions refer mainly to the so-called “Fiscal Peace”, which enabled Edison to avail itself of the tax benefits provided in connection with certain tax disputes.

Disputes related to direct taxes (IRPEG and ILOR) for years 1995-1997 Concluded

In the course of May 2019, the dispute was settled by relying on the provisions set forth in Italian Decree Law no. 119/2018 (“fiscal peace”). The expense was covered by the existing provision for risks.

IRES and IRAP dispute – 2005-2007 Tax Years Concluded

In the course of May 2019, the disputes still pending before the Court of Cassation were settled, taking advantage of the provisions set forth in Italian Decree Law no. 119/2018 (“fiscal peace”). The expense was covered by the existing provision for risks.

9. NON-ENERGY ACTIVITIES

The Company is involved in a number of judicial and arbitration proceedings of various types as universal successor of Montedison Spa, which it absorbed. As a result, there are charges and risk provisions in the financial statements for disputes deriving from past events, connected, among other things, to the management of chemical production facilities previously belonging to Montedison Group - which, from the 1990s through 2010, were involved in an extensive divestiture process 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.
For this reason, it was preferred to isolate and represent in a dedicated section the contribution of these business activities to the income statement and balance sheet, as well as the related contingent liabilities.
In following the judicial and tax disputes related to these business 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 current levels of allocations have 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 cases, as well as the uncertainties in terms of merit and time horizons of developments in the various proceedings and, therefore, of the 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.

The non-recurring economic effects associated with such activity, which are joined by the correlated legal costs, are recognised in the item **"Other income (expense) non-Energy activities"** included in EBIT and which in 2019 amounted to a net expense of 40 million euros (net expense of 23 million euros in 2018) of which approximately 20 million euros for legal fees.

The break down and changes in the **risk provisions** and tax liabilities, amounting to 266 million euros (251 million euros at December 31, 2018), present in the financial statements and the elements that led to their recognition are as follows:

(in millions of euros)	12/31/2018	Financial expense	Provisions	Utilizations	12/31/2019
A) Risks for disputes, litigation and contracts	134	3	6	(3)	140
B) Charges for contractual guarantees on sale of equity investments	52	-	-	-	52
C) Environmental risks	62	-	14	(5)	71
D) Disputed tax items	3	-	-	-	3
Provisions for risks on non-Energy activity disputes	**251**	**3**	**20**	**(8)**	**266**

A) Probable liabilities for which a provision for disputes, litigation and contracts risks was recognised

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.	An appeal against the Court of Cassation has been filed.

Actions for damages and administrative proceedings arising from the operation of industrial facilities conveyed to Enimont ***Edison is a party to these proceedings in its capacity as universal successor to Montedison Spa***		
Porto Marghera – Civil lawsuits		
October 25, 2000 Court of Venice / Venice Court of Appeals	These lawsuits represent the tail end of the so-called "Marghera Maxi-trial," which, as it is well known, involved alleged occurrences of *i*) manslaughter for exposure to monovinyl chloride and *ii*) environmental disaster due to pollution for which some former Montedison executives and employees were allegedly responsible. These are lawsuits filed by the counsel of some plaintiffs in the proceedings (heirs to the estates of former employees, environmental associations and local	**Concluded**

	governmental entities, such as the Municipality and Province of Venice and the Veneto Region) seeking payment for the legal expenses they incurred.	
Mantua – Criminal Proceedings		
October 25, 2000 Court of Mantua / Brescia Court of Appeals / Court of Cassation	This trial concerns the Mantua petrochemical facility operated for several decades first by companies of the Montedison group and later by companies of the Eni group. The facts subject to the criminal proceedings concern determining the causality between a series of deaths caused by cancer identified by the Public Prosecutor and concerning employees of the facility, and exposure to the processing that took place there. After the ruling whereby the Brescia Court of Appeal confirmed nine convictions for manslaughter in February 2016, in 2017 the Supreme Court accepted some of the grounds for the appeal and voided part of that decision, sending the record of the proceedings back to the Brescia Court of Appeal. Following the adjournment, on January 20, 2020 the same Court of Appeal issued the judgment acquitting the defendants because “the fact does not exist”.	**Concluded**
Mantua – Administrative proceedings		
2012 - 2016 Lombardy Regional Administrative Court – Brescia Section	In recent years the Province of Mantua sent Edison a number of clean-up orders (eight) relating to areas transferred by Montedison to the ENI Group in 1990 along with the entire petrochemical site of Mantua, despite the fact that the environmental matters had already been subject to two separate settlement agreements entered into, respectively, with ENI and the Ministry of the Environment. On the basis of such agreements, all further liability on the part of Edison is to be deemed excluded for any environmental matters. Edison submitted separate appeals before the Regional Administrative Court of Lombardy - Brescia Section against all of these orders. The Brescia Regional Administrative Court joined the cases in a single hearing and in August 2018 rejected seven appeals of the eight lodged by the Company. Edison challenged this decision before the Council of State, which scheduled a merit hearing for February 27, 2020.	As per the description of the disputes.
Brindisi – Administrative proceedings		
February 25, 2013 Apulia Regional Administrative Court – Lecce Section	These proceedings concern the industrial park of the Port of Brindisi, where the Montedison Group operated petrochemical facilities for over 60 years. On February 25, 2013, the Province of Brindisi notified to Edison, Eni, Syndial and Versalis an injunction pursuant to 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 its plea was denied by the lower court, is waiting for a pronouncement at the appellate level by the Council of State.	As per the description of the disputes.
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 used for food. At the hearing itself, in the light of the evidentiary findings, a request was made to amend the charges	As per the description of the disputes.
Belvedere di Spinello – Civil Proceedings		
October 31, 1986 Court of Catanzaro / Catanzaro Court of Appeals	These proceedings concerning the Belvedere di Spinello mining concession, derives from rock salt mining activities carried out at this location by Montedipe Spa for over 20 years. The proceeding has to do with 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. With ruling 1634/2018, the Court of Appeal of Catanzaro, based on the report of the court-appointed expert ordered in 2016, sentenced Montedipe (now Edison) to provide compensation for damages quantified at 3 million euros, plus interest and legal fees.	The dispute is pending before the Supreme Court
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 recognised 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 regarding the clean-up of the "Solvay Internal Areas"		
December18, 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 contributed to Ausimont from the date of its incorporation in 1981; ii) Ausimont, and only and exclusively Ausimont, operated that establishment 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 into Solvay Solexis in November 2002, resulting in the latter taking over any of Ausimont's legal positions as both defendant and plaintiff. Edison steadfastly contests the legitimacy of this order and the Company reserves the right to take any measure to protect its rights and legitimate interests	As per the description of the dispute.
Ausimont – Bussi sul Tirino – Administrative proceedings regarding the clean-up of the "Solvay External Areas", areas "2A" and "2B"		
February 28, 2018 Abruzzo Regional Administrative Court - Pescara Section – Consiglio di Stato	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 "Solvay External Areas" in Bussi sul Tirino, landfill areas 2A and 2B and neighbouring areas. Subsequently, on June 26, 2018, the Province of Pescara sent Edison 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 authorisation to run, built, managed and closed landfills 2A and 2B located on such portions of land; iii) the shares of Ausimont were transferred to Solvay Solexis Spa, today Solvay Specialty Polymers Italy Spa, in May 2002; iv) Ausimont was merged with Solvay Solexis in November 2002, with the latter becoming successor of any and all legal positions lodged by and against Ausimont. Edison challenged the order before the Regional Administrative Court of Pescara, which dismissed the company's appeal. Edison has therefore filed an appeal before the Council of State.	The hearing at the Council of State is scheduled for March 5, 2020
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 actions 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 dispute.
Ausimont – Spinetta Marengo – Criminal proceedings		
October 2009 Alessandria Court of Assizes	On January 4, 2019, the Court of Assizes of Turin published the grounds of the ruling confirming the acquittal of the former executives and employees of Montedison and	As per the description of the dispute.

	Ausimont with respect to alleged acts of environmental disaster and poisoning of water relating to the management of the Spinetta Marengo industrial site. This judgment was definitively confirmed by the Court of Cassation on December 12, 2019.	
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 are now continuing with an examination of the various requests made by the parties with respect to the merits of the case.	As per the description of the dispute.

C) Probable liabilities for which a provision for environmental risks was recognised:

Date started / Jurisdiction	Description of dispute	Status of proceedings
Bussi sul Tirino National Interest Site – "Former Montedison Srl" area and Bolognano site		
2011 and 2018 Abruzzo Regional Administrative Court - Pescara Section	**"Former Montedison Srl" area**: The administrative proceedings for the remediation of the "Tre Monti" area located in the "National Interest Site" (NIS) of Bussi, is currently in the advanced preliminary investigation phase before the Ministry of the Environment. Although the Company is continuing to cooperate with the Ministry and the other Public Administrations concerned, it reserves the right to take action to protect its interest and rights should it deem that current and/or future decisions made within the scope of the above-mentioned proceedings are illegitimate. **Bolognano site:** with reference to the Piano D'Orta site in the Bussi NIS and the clean-up and environmental restoration activities for the "former Montecatini" area in the Municipality of Bolognano (PE), note that Edison Spa has already initiated the activities set forth in the project agreed upon with the authorities. 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 dispute.

D) Probable liabilities for which a provision for tax dispute risks was recognised:

Date started / Investigating department	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. Pending a judgement, the payment of higher taxes, sanctions and interest has been made as per the rulings issued. The existing provision now relates to possible costs deriving from lower 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 recognised 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 S.p.A. 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; 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 abovementioned 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/Montefluos Group 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 reclamation 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	These proceedings are currently pending at the court of first instance at the preliminary phase.

	conditions for defining a provision linked to a contingent liability, i.e. the issues of actual existence, probability and quantification. Substantially, indeed, there isn't any present obligation, either juridical or environmental to be fulfilled actually with the commitment of economic resources.	
Montecatini Spa – Montefibre Spa – Verbania –criminal proceedings		
2002-2015 Court of Verbania / Turin Court of Appeals / Court of Cassation	All these trials concern the alleged responsibility of former Directors and executives of the 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 of Montefibre Spa at the old plant Montefibre of Pallanza (VB). Edison Spa is exclusively involved in its capacity as the former parent company (until 1989) of Montefibre. To date, all proceedings have led to the acquittal of the defendants on all counts ("because the fact does not exist")..	As per the description of the dispute.
Ausimont's participation in a cartel in the peroxides and perborates market – Claim for damages		
April 2010 Court of Düsseldorf – Court of Justice of the European Union	In April 2010, Edison was served with notices setting forth four amending briefs filed by Akzo Nobel Nv, Kemira Oyi, Arkema Sa and FMC Foret Sa in proceedings before the Court of Düsseldorf in which Cartel Damage Claims Hydrogen Peroxide Sa, a Belgian company specialized in class action lawsuits, is claiming compensation for alleged damages to competition caused by the members of a cartel for the production and distribution of peroxides and perborates on which the European Commission levied a fine in 2006. Edison is being sued due to Ausimont's involvement in the antitrust proceedings launched by the Commission. However, the proceedings are still in the preliminary phase. This is because, in 2013, the judge in the proceedings decided to submit some pretrial questions to the Court of Justice of the European Union, which handed down Decision No. C-352/13 on May 21, 2015.	These proceedings are currently pending at the court of first instance

10. OTHER NOTES

10.1 Other Commitments

(in millions of euros)	12/31/2019	12/31/2018	*Changes*
Guarantees provided	1.098	1.108	*(10)*
Other commitments and risks	760	275	*485*
Total	**1.858**	**1.383**	***475***
Maturity:			
- 1to 3 months	453	459	*(6)*
- More than 3 months and up to 1year	600	274	*326*
- After 1year	805	650	*155*
Total	**1.858**	**1.383**	***475***

Personal guarantees provided were determined based on the potential amount of the commitment not discounted at the balance sheet date. In particular, the personal guarantees provided include:

- guarantees provided by the Company or its banks against guarantees provided in the interest of the Company and its subsidiaries and affiliated companies, mainly for the fulfilment of contractual obligations; guarantees provided on behalf of companies operating in the hydrocarbon exploration and production area, which are the subject of a sales agreement, as explained in chapter 2. Performance are equal to about 115 million euros.
- guarantees issued to third parties concerning activities on the Power Exchange, to the GME, plus sureties issued to the individual operators with which the Company carries out electricity and gas buying/selling activities;
- guarantees given to the Revenue Agency totalling 281 million euros, primarily relating to VAT credit refunds for the years 2015, 2016 and 2017.

Other commitments and risks specifically include:

- 515 million euros (23 million euros at December 31, 2018) for the completion of investments in progress, including 300 million euros for the construction of a latest-generation combined-cycle thermoelectric power station fuelled by natural gas in Presenzano in the province of Caserta and 185 million euros for the construction of a new latest-generation combined-cycle gas turbine at the Marghera Levante (VE) thermoelectric power plant.
- 111 million euros, against a long-term contract stipulated with the Japanese shipowner Nippon Yusen Kabushiki Kaisha for the lease of an LNG carrier for a duration of 7 years. The ship is under construction and delivery is expected by the first quarter of 2023 at the latest.
- 77 million euros for a long-term 12-year contract with Norwegian ship owner Knutsen OAS Shipping for the charter of an LNG vessel which is under construction and scheduled for delivery during 2021.
- 20 million euros for a gas procurement agreement relating to the Azerbaijan Shah Deniz II gas field, through the Trans Adriatic Pipeline (TAP). The contract’s effectiveness is subject to the construction of the TAP and the 20 million euros will be paid starting in 2021 with the first gas delivery.
- maximum commitments of 26 million euros with regard to the procurement of CO_2 certificates and Certified Emission Reductions (CERs)/Emission Reduction Units (ERUs), referring to Amendment Agreements modifying the original Emission Reductions Purchase Agreements (ERPA) signed by Edison Spa to purchase CERs in China for the 2013-2020 period. These new agreements represent extensions of contracts already held by Edison Spa and originally signed for the 2008-2013 period.

At December 31, 2019, like in the previous year, there were no commitments with regard to long-term contracts to import natural gas with take-or-pay clauses, pursuant to which the buyer must pay for volumes that it could not take delivery of up to a predetermined level.

Please also note that on January 1, 2019, the new IFRS 16 “Leases” entered into force, which amended the method of accounting for operating leases. The effects of first-time adoption are reported in chapter 1.1 “Newly applied standards”.

Unrecognised Commitments and Risks

As regards significant commitments and risks not included in the amounts listed above, in the hydrocarbons segment, the Company is a party to contracts for the importation of natural gas from Russia, Libya, Algeria and Qatar, for a total nominal supply of 12.4 billion cubic metres of natural gas a year.
These contracts typically have an extended duration (as at December 31, 2019 between 1 and 15 years) and therefore their margins are susceptible to change over time as conditions change in the economic and external competitive context and the commodities scenarios used as a reference in the purchase cost/sale price indexing formulas. The presence of procurement price renegotiation clauses as well as revisions of flexibility conditions thus represent important elements to partially mitigate the risk noted above to which the parties may make recourse during contractual windows that open periodically. In this respect, the Company is currently in trade talks with several counterparties.

The table below provides details by maturity on natural gas supplies already in place at December 31, 2019 on the basis of the minimum contractual deliveries:

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

The economic values are according to the prospective price formulas.

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

- the supply of 1 billion cubic meters / year, relating to a long-term supply contract for the gas from the Azerbaijan Shah Deniz II field, through the Trans Adriatic Pipeline (TAP) pipeline, and for which the first delivery is scheduled since 2021;
- 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 the contract for the hire of an LNG vessel that is currently being built.

In addition, based on the existing contract with Terminale GNL Adriatico, Edison benefits from 80% of the terminal's regasification capacity until 2034.

10.2 Intercompany and related-party transactions

Within the Group, the Parent Company Edison Spa operates in the purchase, sale, exchange and supply of electricity and natural gas, with regard to the subsidiaries and affiliated companies, as well as the buying/selling of environmental securities.
As regards the mix of sources and total funding of the Company, special sale agreements are in place with the subsidiary Edison Energia Spa, which, nonetheless, allow the selling party, taking account of the specific roles that the companies play within the Group, to have adequate coverage of both fixed and variable costs.
In line with the related company policies, the economic, equity and financial transactions in place as at December 31, 2019, with related parties, are shown below, in accordance with the disclosure required by IAS 24. These transactions are implemented under the scope of normal operations and regulated at contractual conditions established by the parties in line with ordinary market practice. They do not include the fair value on derivative transactions with EDF Trading Ltd. The table below summarizes the Company’s related-party transactions:

(in millions of euros)	Related parties in accordance with IAS 24				Total for financial statements line item	% impact
	With Edison Group companies	With controlling companies	With other EDF Group companies	Total for related parties		
	(A)	(B)	(C)			
Balance sheet transactions						
Equity investments	1.412	-	-	1.412	1.412	100,0%
Non-current financial assets from subsidiaries and affiliated comp	614	-	-	614	614	100,0%
Trade receivables	294	-	111	405	621	65,2%
Other current assets	34	3	18	55	291	18,9%
Current financial assets from subsidiaries and affiliated companie	538	-	-	538	538	100,0%
Cash and cash equivalents	-	156	-	156	169	92,3%
Trade payables	37	5	71	113	938	12,0%
Current tax payables	-	46	-	46	66	69,7%
Other current liabilities	6	3	11	20	80	25,0%
Current financial debt	-	8	-	8	70	11,4%
Current financial payables to subsidiaries and affiliated companie	505	-	-	505	505	100,0%
Income statement transactions						
Sales revenues	2.970	5	1.182	4.157	6.194	67,1%
Other revenues and income	22	1	11	34	73	46,6%
Materials and services used	274	18	648	940	5.888	16,0%
Net financial income (expense) on net financial debt (available f	20	(2)	-	18	15	n.m.
Other net financial income (expense)	-	8	-	8	2	n.m.
Revaluations (write-downs) of equity investments	(35)	-	-	(35)	(35)	100,0%
Dividends	42	-	1	43	43	100,0%

A) Intercompany transactions

Transactions between Edison Spa and its subsidiaries and affiliated companies and its controlling companies consist primarily of:

- commercial transactions involving the buying and selling of electric power, natural gas and environmental securities;
- transactions involving contracts for the provision of services (technical, organizational, legal and administrative) by headquarters staff functions;
- financial transactions involving lending, risk hedging and current account facilities established within the framework of the cash pooling system with its subsidiaries;
- transactions required to file a consolidated VAT return for the Company (so-called VAT Pool).

As regards **sales revenues**, the amount is almost entirely realised from the subsidiary Edison Energia Spa.

With the exception of transactions related to the VAT Pool and the consolidated corporate income tax return, which are executed first of all pursuant to law, all of the transactions listed above are governed by contracts with conditions that are consistent with market terms, i.e., the terms that would be applied by two independent parties.

Consolidated VAT Return

Edison Spa has a consolidated Group VAT return in place (so-called VAT Pool), that includes the Edison Group companies that meet the requirements of art. 73, paragraph 3 of Presidential Decree No. 633/72. The payment of Group VAT relating to 2019 presented a credit of 170 million euros due from the tax authorities.

B) Transactions with Controlling Companies

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

With respect to the consolidated tax return, totalizing 46 million euros please refer to chapter 8. Taxation.

Intercompany current account by Transalpina di Energia Spa

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

Cash pooling transaction with EDF Sa

At December 31, 2019, the current account established by Edison Spa, dedicated to the cash pooling transaction with EDF Sa, had a credit balance of roughly 156 million euros (28 million euros at December 31, 2018).

Loan by EDF Sa

The two-year revolving credit line granted in 2017 by EDF Sa to Edison Spa, with a nominal value of 600 million euros, expired on April 9, 2019 and was replaced by a new revolving credit line with a two-year duration and a nominal value of 600 million euros granted by EDF Sa to Edison under market conditions; this credit line is entirely available at December 31, 2019. For additional information, see chapter 7. Net Financial Debt (Available Funds) and Cost of Debt.

Other economic relationships

About contracts with the parent companies (TdE SpA and EdF Sa), the following should be noted:

- operating costs of 18 million euros which refer to insurance costs, royalties for the use of the trademark, services rendered, as well as the chargeback of company costs substantially referable to the remuneration of the members of the Board of Directors;
- revenues and income for a total of 6 million euros relating to the services provided in particular in the context of the management of the activities relating to the gas portfolio of the parent company EDF Sa.

In the context of financial transactions Edison entered into transactions to hedge the exchange rate risk that, affected by the currencies' trend, generated net realised financial gains for 8 million euros (net realised gains of 12 million euros at December 31, 2018). In addition, during the year, hedging transactions were also undertaken to hedge the Euro/USD exchange rate risk associated with the fixed part of the price expected for the sale of the equity investment in Edison E&P and therefore classified as an adjustment to the result by Discontinued Operations, the effect of which including the results realized and the fair value, is substantially zero.

C) Transactions with other Companies of EDF Group

The main transactions with other EDF Group companies are essentially commercial in nature and almost all with respect to EDF Trading Ltd. Note that since September 1, 2017 a MASA (Trading Joint Venture and Market Access Services Agreement) cooperation agreement has been in force with EDF Trading Ltd, regarding proprietary trading activities as well as methods for exclusive access to the forward power market. Also note that the item **other revenues and income** includes profit sharing with EDF Trading Ltd, a remuneration mechanism set forth in the MASA cooperation agreement mentioned above, for roughly 11 million euros.

Relevant transactions with related parties

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

On 20 December 2019, Edison signed a contract for the acquisition of 70% from EDF Renouvelables Services Sas (a company directly and wholly owned by EDF Renouvelables Sa, which is in turn directly and wholly owned by EDF Sa) of the share capital by EDF EN Services Italia S.r.l companies of which Edison Spa already owned the remaining 30%. On the same date, the transfer of this investment took place, for a consideration of approximately 18 million euros, Edison therefore became the sole shareholder of EDF EN Services Italia. The company carries out an overall management of renewable assets, concentrating on itself the skills relating to the Operation & Maintenance services and the Asset Management services of plants for the production of electricity from renewable sources. The transaction is configured as a related party transaction since EDF Sa is also the controlling shareholder of Edison, through its 100% subsidiary EDF International Sa.

11. OTHER INFORMATION

11.1 Significant non-recurring events and transactions

Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006, significant non-recurring transactions in 2019 included:

Agreement for the sale of the E&P business to Energean

In July 2019, following the approval by the Board of Directors on 3 July 2019, Edison Spa signed an agreement with Energean for the sale of 100% of Edison Exploration & Production Spa and its investments in the exploration and hydrocarbon production (oil and natural gas). Following this agreement, the E&P business was treated in accordance with IFRS 5 as a Discontinued Operation and its value was adjusted to the presumed realization value. The execution of the sale is subject to obtaining some government authorizations.

In December 2019 Edison received the refusal of the Algerian Energy Minister to transfer the assets located in that country and was invited to discuss the transfer of these assets with Sonatrach (Algerian state-owned company); Edison has therefore started negotiations in this regard. Edison and Energean, who have declared their willingness to implement the operation in any case excluding the Algerian assets, are therefore taking steps to achieve the fulfilment of the other conditions required by the operation and have confirmed the objective of closing the operation as soon as possible in 2020.

Acquisition of EDF EN Italia

During the month of July 2019 Edison completed the acquisition from EDF Renouvelables (EDFR) of EDF EN Italia, which currently has 292 MW of renewable capacity (wind and photovoltaic). During July, according to what has already been agreed, the stake held in Greentech Monte Grighine was then sold.

The total consideration paid for the acquisition of EDF EN Italia, including the contractual adjustments envisaged, was 182.6 million euros.

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

11.2 Transactions resulting from atypical and/or unusual activities

Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006, it should be noted that, in 2019, Edison Spa did not enter into any atypical and/or unusual transactions, as defined by said Communication, according to which the typical and/or unusual transactions are as such that, owing to their significance/relevance, nature of the counterparties, object of the transaction, method of determination of transfer pricing and timing of the event (proximity to close of the year), they may raise doubts regarding the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguarding of company assets and protection of minority shareholders.

11.3 Treasury Shares

At December 31, 2019 Edison Spa owned no treasury shares.

11.4 Compensation, Stock Options and Equity Investments of Directors, Executives with Strategic Responsibilities and Statutory Auditors

For information concerning:

- the compensation of Directors and Statutory Auditors;
- stock options awarded to Directors;
- equity investments of Directors;

please consult the Annual Compensation Report.

11.5 Fees of the Independent Auditors

(Information pursuant to art. 149-*duodiecies* of the Consob Issuers' Regulations)

The statement below, drafted pursuant to art. 149-*duodiecies* of the Consob Issuers' Regulations, shows the consideration for the year 2019 for auditing services and for non-auditing services provided by the same auditing company and entities belonging to its network.

(amounts in euros)	Deloitte & Touche S.p.A.	Deloitte & Touche S.p.A. Network	Deloitte & Touche S.p.A. Total
Edison S.p.A.	**897.068**	**35.150**	**932.218**
Legal and accounting audit	754.860	-	754.860
Certification services	142.208	-	142.208
Other services	-	35.150	35.150
Group Companies (1)	**1.445.278**	**339.206**	**1.784.484**
Legal and accounting audit	1.329.567	300.482	1.630.049
Certification services	115.711	2.674	118.385
Other services	-	36.050	36.050
Total	**2.342.346**	**374.356**	**2.716.702**

(1) Subsidiaries and other companies consolidated line by line.

11.6 Summary of Public Disbursements Pursuant to Art. 1, Paragraphs 125-129, Law No. 124/2017

Law No. 124 of August 4, 2017 ("Annual market and competition law") introduced, in art. 1, paragraphs 125-129, new disclosure obligations to ensure transparency as regards public disbursements, both received and given.

Please note that no collections for the year 2019 arising from green certificates, feed-in tariffs, white certificates or the energy account were taken into consideration, as they all constitute a fee for supplies and services rendered.

The reporting approach to be followed is the "cash approach". In 2019, Edison Spa did not receive any contributions of the types referred to in Law No. 124 of August 4, 2017.

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2019

No significant events have occurred after December 31, 2019.

Milan, February 13, 2020

On behalf of the Board of Directors
The Chief Executive Officer
Nicola Monti

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LIST OF EQUITY INVESTMENTS

LIST OF EQUITY INVESTMENTS

Investments in subsidiaries

			Share capital		Shares or par value interests held		Initial value (A)		
Company	Head office	Curr.	Amount	Par value per share	%	Number or par value	Cost	Revaluations (Writedowns)	Net carrying amount
Atema DAC	Dublin Ireland	EUR	1,500,000	0.50	100.00	3,000,000	1,381,681	-	1,381,681
Cellina Energy Srl (Sole shareholder)	Milano(*)	EUR	5,000,000	-	100.00	5,000,000	171,128,000	(168,000)	170,960,000
Dolomiti Edison Energy Srl	Trent	EUR	5,000,000	-	49.00	2,450,000	8,187,900	-	8,187,900
Edison Energia Spa (Sole shareholder)	Milan (*)	EUR	40,000,000	WPV	100.00	41,000,000	192,376,125	(106,052,765)	86,323,360
Edison Energie Spa (Sole shareholder)	Milan (*)	EUR	2,100,000	10.00	100.00	210,000	193,190,608	-	193,190,608
Edison Engineering Sa in liquidation	Athens (Greece)	EUR	260,001	3.00	100.00	86,667	260,001	(191,001)	69,000
Edison Hellas Sa	Athens (Greece)	EUR	263,700	2.93	100.00	90,000	187,458	(8,000)	179,458
Edison International Holding NV	Amsterdam (Netherlands)	EUR	123,500,000	1.00	100.00	123,500,000	446,587,200	(318,530,902)	128,056,298
Edison Stoccaggio Spa (Sole shareholder)	Milan (*)	EUR	90,000,000	1.00	100.00	90,000,000	134,280,847	-	134,280,847
Edison Partecipazioni Energie Rinnovabili Srl	Milan (*)	EUR	20,000,000	-	83.30	16,660,000	151,372,434	-	151,372,434
EDF EN Italia Spa (Sole shareholder)	Rome (*)	EUR	14,000,000	1.00	100.00	14,000,000	-	-	-
EDF EN Services Italia Srl (Sole shareholder)	Bologna (*)	EUR	10,000	-	100.00	10,000	-	-	-
Elio Sicilia Srl (Sole shareholder)	Bologna (*)	EUR	10,000	-	100.00	10,000	-	-	-
Fenice Qualità per l'ambiente Spa (Sole shareholder)	Rivoli (TO) (*)	EUR	330,500,000	100.00	100.00	3,305,000	246,994,680	-	246,994,680
Frendy Energy SpA	Milan (*)	EUR	14,829,312	WPV	72.93	43,259,978	14,708,392	(606,000)	14,102,392
Jesi Energia Spa	Milan (*)	EUR	5,350,000	1.00	70.00	3,745,000	15,537,145	(11,608,445)	3,928,700
Idroelettrica Brusson Srl (Sole shareholder)	Aosta (*)	EUR	20,000	-	100.00	20,000	2,008,641	-	2,008,641
Idroelettrica Cervino Srl (Sole shareholder)	Aosta (*)	EUR	100,000	-	100.00	100,000	10,669,245	-	10,669,245
Idoelettrica Saint-Barth Basso Srl (Sole shareholder)	Aosta (*)	EUR	100,000	-	100.00	100,000	-	-	-
Infrastrutture Distribuzione Gas Spa (Sole shareholder)	Selvazzano Dentro (PD) (*)	EUR	460,000	1.00	100.00	460,000	38,512,802	-	38,512,802
Nuova Alba Srl (Sole shareholder)	Milan (*)	EUR	2,016,457	-	100.00	2,016,457	34,669,151	(32,458,396)	2,210,755
Nuova Cisa Spa in liquidation (Sole shareholder)	Milan (*)	EUR	1,549,350	1.00	100.00	1,549,350	3,500,109	(1,086,596)	2,413,513
Sistemi di Energia Spa	Milan (*)	EUR	10,083,205	1.00	88.28	8,901,029	4,400,206	4,150,094	8,550,300
Società Generale per Progettazioni Cons. e Part. Spa (extraordinary administration)	Rome	LIT	300,000,000	10,000.00	59.33	17,800	1	-	1
Società Idroelettrica Calabrese Srl (Sole shareholder)	Milan (*)	EUR	10,000	-	100.00	10,000	430,000	(380,000)	50,000
Tremonti Srl (Sole shareholder)	Milan (*)	EUR	100,000	-	100.00	100,000	100,000	-	100,000
Termica Cologno Srl	Milan (*)	EUR	1,000,000	-	65.00	650,000	2,819,782	-	2,819,782
Total Investments in subsidiaries							**1,673,302,408**	**(466,940,011)**	**1,206,362,397**

(A) Amounts in euros.
(*) Company subject to management and coordination by Edison Spa.
(**) Values as per draft financial statements submitted to the Board of Directors if already available; alternatively the last approved budget.

The currency codes used are consistent with the ISO 4217 International Standard.
EUR Euro CHF Swiss franc USD U.S. dollar BRL Brazilian real

Changes during the year (A)							Eding value at December 31, 2019 (A)						
Additions	Disposals	Advance on (Distribution of) capital and reserves	Coverage of loss	Revaluations (Writedowns)	Conveyance	Other changes	Cost	Revaluations (Writedowns)	Net present value recorded in the balance sheet	S.E. last financial statements (**)	Pro rata interest in S.E. (**)	Net result last fin. statements (**)	Pro rata interest in net result (**)
-	-	-	-	-	-	-	1,381,681	-	1,381,681	1,629,942	1,629,942	(74,684)	(74,684)
-	-	-	-	-	-	-	171,128,000	(168,000)	170,960,000	181,348,333	181,348,333	1,868,899	1,868,899
-	-	-	-	-	-	-	8,187,900	-	8,187,900	30,162,130	14,779,444	5,759,307	2,822,060
-	-	-	-	(15,870,000)	194,734,393	-	387,110,518	(121,922,765)	265,187,753	104,769,832	104,769,832	3,230,934	3,230,934
-	-	-	-	-	(193,190,608)	-	-	-	-	-	-	-	-
-	-	-	-	(18,894)	-	(50,106)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	187,458	(8,000)	179,458	526,282	526,282	5,362	5,362
-	-	-	-	(10,000,000)	-	-	446,587,200	(328,530,902)	118,056,298	121,889,098	121,889,098	(7,416,808)	(7,416,808)
-	-	-	-	-	-	-	134,280,847	-	134,280,847	183,925,918	183,925,918	21,960,956	21,960,956
-	-	-	-	-	-	-	151,372,434	-	151,372,434	142,530,770	118,728,131	5,816,857	4,845,442
182,631,337	-	-	-	-	-	-	182,631,337	-	182,631,337	20,468,226	20,468,226	3,236,735	3,236,735
18,200,000	-	-	-	-	-	536,400	18,736,400	-	18,736,400	12,385,141	12,385,141	4,398,341	4,398,341
320,000	-	-	-	-	-	-	320,000	-	320,000	12,465	12,465	(17,544)	(17,544)
-	-	-	-	-	-	-	246,994,680	-	246,994,680	294,538,798	294,538,798	(33,463,276)	(33,463,276)
-	-	-	-	(4,800,000)	-	-	14,708,392	(5,406,000)	9,302,392	13,223,927	9,644,210	(4,703,039)	(3,429,926)
-	-	-	-	(800,000)	-	-	15,537,145	(12,408,445)	3,128,700	5,628,335	3,939,835	(402,613)	(281,829)
118,827	-	-	-	-	-	-	2,127,468	-	2,127,468	943,608	943,608	156,676	156,676
631,173	-	-	-	-	-	-	11,300,418	-	11,300,418	2,849,375	2,849,375	530,667	530,667
4,000,000	-	-	-	-	-	-	4,000,000	-	4,000,000	2,592,586	2,592,586	2,435	2,435
-	-	-	-	-	-	-	38,512,802	-	38,512,802	42,028,612	42,028,612	5,624,905	5,624,905
-	-	5,000,000	-	(4,000,000)	-	-	39,669,151	(36,458,396)	3,210,755	3,220,643	3,220,643	(3,990,166)	(3,990,166)
-	-	-	-	-	-	-	3,500,109	(1,086,596)	2,413,513	3,772,750	3,772,750	(63,163)	(63,163)
-	-	-	-	-	-	-	4,400,206	4,150,094	8,550,300	19,139,743	16,895,800	1,155,203	1,019,767
-	-	-	-	-	-	-	1	-	1	-	-	-	-
-	-	-	-	(35,000)	-	-	430,000	(415,000)	15,000	50,796	50,796	(45,380)	(45,380)
-	-	-	-	(20,000)	-	-	100,000	(20,000)	80,000	91,157	91,157	(8,843)	(8,843)
-	-	-	-	-	-	-	2,819,782	-	2,819,782	5,025,685	3,266,695	(375,181)	(243,868)
205,901,337	**-**	**5,000,000**	**-**	**(35,543,894)**	**1,543,785**	**486,294**	**1,886,023,929**	**(502,274,010)**	**1,383,749,919**				

LIST OF EQUITY INVESTMENTS (continued)

Investments in joint ventures and affiliated companies

			Share capital		Shares or par value interests held		Initial value (A)		
Company	Head office	Curr.	Amount	Par value per share	%	Number or par value	Cost	Revaluations (Writedowns)	Net carrying amount
Depositi Italiani GNL Spa	Ravenna	EUR	20,000,000	100.00	49.00	98,000	4,052,300	-	4,052,300
EDF En Services Italia Srl	Bologna	EUR	10,000	-	30.00	3,000	536,400	-	536,400
EL.I.T.E. Spa	Milan	EUR	3,888,500	1.00	48.45	1,883,940	1,883,940	-	1,883,940
Ibiritermo Sa	Ibiritè (Brasile)	BRL	7,651,814	1.00	50.00	3,825,907	1,161,903	-	1,161,903
Iniziativa Universitaria 1991 Spa	Varese	EUR	16,120,000	520.00	32.26	10,000	4,405,565	(378,938)	4,026,627
Kraftwerke Hinterrhein (KHR) Ag	Thusis (Svizzera)	CHF	100,000,000	1,000.00	20.00	20,000	11,362,052	-	11,362,052
Nuova ISI Impianti selez.inerti Srl in bankruptcy	Vazia (RI)	LIT	150,000,000	-	33.33	50,000,000	1	-	1
Prometeo Spa	Osimo (AN)	EUR	2,826,285	1.00	20.91	590,835	4,221,289	(2,677,504)	1,543,785
Syremont Spa	Rose (CS)	EUR	1,325,000	1.00	22.64	300,000	400	-	400
Soc.Svil.Realiz.e Gest. Gasdotto Algeria-Italia via Sardegna Spa - Galsi Spa	Milan	EUR	37,419,179	1.00	23.53	8,804,516	24,164,757	(24,164,756)	1
Total Investments in joint ventures and affiliated companies							**51,788,607**	**(27,221,198)**	**24,567,409**
Total Equity investments							**1,725,091,015**	**(494,161,209)**	**1,230,929,806**

Investments in subsidiaries - Discontinued operations

			Share capital		Shares or par value interests held		Initial value (A)		
Company	Head office	Curr.	Amount	Par value per share	%	Number or par value	Cost	Revaluations (Writedowns)	Net carrying amount
Edison Exploration & Production SpA (Socio unico)	Milan (*)	EUR	500,000,000	1.00	100.000	500,000,000	862,300,000	-	862,300,000

(A) Amounts in euros.
(*) Company subject to management and coordination by Edison Spa.
(**) Values as per draft financial statements submitted to the Board of Directors if already available; alternatively the last approved budget.

The currency codes used are consistent with the ISO 4217 International Standard.
EUR Euro CHF Swiss franc USD U.S. dollar BRL Brazilian real

Changes during the year (A)							Eding value at December 31, 2019 (A)						
Additions	Disposals	Advance on (Distribution of) capital and reserves	Coverage of loss	Revaluations (Writedowns)	Conveyance	Other changes	Cost	Revaluations (Writedowns)	Net carrying amount	S.E. last financial statements (**)	Pro rata interest in S.E. (**)	Net result last fin. statements (**)	Pro rata interest in net result (**)
-	-	5,747,700	-	-	-	-	9,800,000	-	9,800,000	19,975,393	9,787,943	(24,607)	(12,057)
-	-	-	-	-	-	(536,400)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,883,940	-	1,883,940	6,778,476	3,284,104	348,991	169,083
-	-	-	-	-	-	-	1,161,903	-	1,161,903	35,467,370	17,733,685	4,143,322	2,071,661
-	-	-	-	-	-	-	4,405,565	(378,938)	4,026,627	13,529,477	4,364,339	39,080	12,606
-	-	-	-	-	-	-	11,362,052	-	11,362,052	111,709,969	22,341,994	1,151,649	230,330
-	-	-	-	-	-	-	1	-	1	-	-	-	-
-	-	-	-	-	(1,543,785)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	400	-	400	-	-	-	-
-	-	-	-	-	-	-	24,164,757	(24,164,756)	1	79,153,639	18,624,060	(328,885)	(77,383)
-	**-**	**5,747,700**	**-**	**-**	**(1,543,785)**	**(536,400)**	**52,778,618**	**(24,543,694)**	**28,234,924**				
205,901,337	**-**	**10,747,700**	**-**	**(35,543,894)**	**-**	**(50,106)**	**1,938,802,547**	**(526,817,704)**	**1,411,984,843**				

Changes during the year (A)							Eding value at December 31, 2019 (A)						
Additions	Disposals	Advance on (Distribution of) capital and reserves	Coverage of loss	Revaluations (Writedowns)	Conveyance	Other changes	Cost	Revaluations (Writedowns)	Net carrying amount	S.E. last financial statements (**)	Pro rata interest in S.E. (**)	Net result last fin. statements (**)	Pro rata interest in net result (**)
-	-	-	-	(327,210,835)	11,695,150	-	873,995,150	(327,210,835)	546,784,315	865,654,192	865,654,192	(5,486,855)	(5,486,855)

LIST OF EQUITY INVESTMENTS (continued)

Fixed equity investments valued at fair value through profit or loss

Company	Head office	Curr.	Share capital Amount	Par value per share	Shares or par value interests held %	Number or par value	Initial value (A) Cost	Revaluations (Writedowns)	Net carrying amount
European Energy Exchange Ag - EEX	Leipzig (Germania)	EUR	60,075,000	1.00	0.505	303,106	680,500	-	680,500
FCA Security S.c.p.a. ex Sirio Sicurezza Industriale Scpa	Turin	EUR	152,520	1.00	0.250	382	288	-	288
I.SV.E.UR. Spa in liquidation	Rome	EUR	2,500,000	1,000.00	1.000	25	5,620	-	5,620
MIP Politecnico di Milano Graduate School of Business Scpa	Milan	EUR	378,000	1.00	3.175	12,000	12,000	-	12,000
Nomisma - Società di studi economici Spa	Bologna	EUR	6,963,499	0.24	1.096	320,000	479,473	(404,393)	75,080
Reggente Spa	Lucera (FG)	EUR	260,000	0.52	5.209	26,043	13,450	-	13,450
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome	EUR	154,950	51.65	12.600	378	1	-	1
American Superconductor	Devens (Stati Uniti)	USD	217,655	0.01	0.074	16,000	4,975,111	(4,819,303)	155,808
Total Long-term investments valued at fair value through profit or loss							**6,166,443**	**(5,223,696)**	**942,747**

(A) Amounts in euros.

The currency codes used are consistent with the ISO 4217 International Standard.
EUR Euro USD U.S. dollar

Changes during the year (A)						Eding value at December 31, 2019 (A)		
Additions	Disposals	Advance on (Distribution of) capital and reserves	Revaluations (Writedowns)	Reclassification (*)	Other changes	Cost	Revaluations (Writedowns)	Net present value recorded in the balance sheet
-	-	-	-	-	-	680,500	-	680,500
-	-	-	-	-	-	288	-	288
-	-	-	-	-	-	5,620	-	5,620
-	-	-	-	-	-	12,000	-	12,000
-	-	-	-	-	-	479,473	(404,393)	75,080
-	-	-	-	-	-	13,450	-	13,450
-	-	-	-	-	-	1	-	1
-	-	-	(43,577)	-	-	4,975,111	(4,862,880)	112,231
-	**-**	**-**	**(43,577)**	**-**	**-**	**6,166,443**	**(5,267,273)**	**899,170**

MOTION FOR A RESOLUTION

Dear Shareholders,

Your Company's separate financial statements at December 31, 2019 show a loss of 411,250,898.65 euros.
If you concur with the criteria adopted to prepare the financial statements and the accounting principles and methods applied, we recommend that you adopt the following resolutions.

First resolution

"The Shareholders' Meeting,

- having reviewed the Company's separate financial statements and the Group's consolidated financial statements at December 31, 2019, the Report on Operations submitted by the Board of Directors and the Report on Corporate Governance and the Company's Ownership Structure, as well as the consolidated non-financial statement;
- considering the Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to art. 153 of Legislative Decree No. 58/1998 (TUF);
- considering the Reports of the Independent Auditors on the separate and consolidated financial statements at December 31, 2019;

resolves

to approve the Company's separate financial statements for the year ended December 31, 2019, as a whole, and the individual items contained therein, which show a loss of 411,250,898.65 euros, rounded to 411,250,899 in the financial statements."

Second resolution

"The Shareholders' Meeting,
acknowledging that the separate financial statements for the year ended December 31, 2019, approved by this Shareholders' Meeting, show a loss of 411,250,898.65 euros;
having regard to the previous losses carried forward for an amount of 438,689,411.81 euros;
having regard to the existing reserves;

resolves

to bring forward the loss of 411,250,898.65 euros."

Milan, February 13, 2020

On behalf of the Board of Directors
The Chief Executive Officer
Nicola Monti

Certification of the Statutory Financial Statements Pursuant to Art. 81-ter of Consob Regulation No. 11971 of May 14, 1999, as Amended

1. The undersigned Nicola Monti, as “Chief Executive Officer”, Didier Calvez and Roberto Buccelli, as “Corporate Accounting Documents Officers” of Edison Spa, also taking into account the provisions of art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of February 24, 1998, hereby certify the following:

   - the adequacy in relation of the characteristics of the business and
   - the effective application,

   of the administrative and accounting procedures for drawing up the financial statements during the period ranging from January 1 to December 31, 2019.

2. We further certify that:

2.1 – the financial statements:

a) are drawn up in compliance with the applicable international accounting principles accepted within the European Community pursuant to the (EC) Regulations No. 1606/2002 of the European Parliament and of the Council, dated 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;

2.2 – the Report on Operations includes a reliable analysis of the trend and of the operating profit, the situation of the issuer and of all of the consolidated companies, together with the description of the major risks and uncertainties to which they are exposed.

Milan, February 13, 2020

The Chief Executive Officer

Nicola Monti

The Officers appointed to prepare
the Company’s accounting documents

Didier Calvez
Roberto Buccelli

REPORT OF THE INDEPENDENT AUDITORS

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

To the Shareholders of
EDISON S.p.A.

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Description of the key audit matter	The Company accounts for goodwill, for euros 1.573 million (19% of total assets in the separate financial statements at December 31, 2019), property, plant and equipment, for euros 1.311 million, intangible assets, for euros 72 million, and equity investments, for euros 1.412 million.

The impairment test first requires verification that the carrying amounts of the CGUs, excluding goodwill, do not exceed the recoverable amounts and, subsequently, an analysis of the carrying amounts, including the goodwill, of the CGUs. Lastly, the Company analyses the carrying amount of assets as a whole (second level impairment test). The preparation of impairment test is carried out with the aid of an external appraiser, who estimates the recoverable amount as "value in use". Such evaluation is based on the asset's capability of generating future cash flows. The impairment test on the equity investments, on the other hand, requires a comparison of the carrying amount of the participated company and the corresponding net assets, including the effects of the impairment test described above. Taking into account this comparison, as well as the recoverable amount of the CGU, the Company determines the value that the investment is accounted for.

The outcome of the impairment test implied to recognize write-downs for a total amount of euros 35 million, related to the carrying amount of certain equity investments.

The impairment process carried out by the Management is complex since it includes several assumptions regarding the forecasted future cash flows from CGUs, the definition of an appropriate discount rate (WACC) and of a long-term growth rate (g-rate). In order to determine the recoverable amounts, the Company took into account cash flows as reported in:

- the 2020 Budget, approved by the Board of Directors on December 7, 2019;
- the medium-term forecasts, 2021-2023, approved by the Board of Directors during the meeting mentioned above;
- the long-term forecasts elaborated by Management.

Such assumptions are affected by future expectations on market conditions. The most relevant of these variables in determining cash flows are:

- the different scenarios with reference to electricity prices (PUN) and the resulting margins (Spark spread), the evolution of Italian sectorial legislation, with specific regard to the regulation and incentivisation for electricity producers (capacity payment) and the trends of national demand for electricity, for the activities related to Electric Power Operations;
- the scenarios regarding oil commodities, natural gas and Euro/USD exchange rate, for the activities related to Hydrocarbon Operations;
- the long-term discount and growth rates.

Considering the relevant value of assets accounted for within the financial statements, and the subjectivity of estimates used to determine future cash flows, as well as the key variables described above, we considered the impairment test to be a key audit matter for the Company's separate financial statements.

The paragraphs "1.2 Other valuation criteria applied" and "5.1.4 Impairment test in accordance with IAS 36 applied to the value of goodwill, property, plant and equipment and other intangibles" and "5.2 Equity investments and Other financial assets" within the separate financial statements, report information on the impairment test, on the write-downs of equity instruments and on the variations of the key variables used in implementing the impairment test.

Audit procedures performed	We first examined how the Management determined the value in use of the CGUs and the equity investments, taking into account procedures and assumptions on which the impairment test is based. In particular, we carried out the following procedures, with assistance of experts: • understanding of relevant controls carried out by the Company on the implementation of the impairment test on goodwill, intangible assets, property, plant and equipment and equity investments; • assessment of the reasonableness of main assumptions used to forecast the cash flows, also through analysis of sector-based data (for example national demand, estimates on Gross Domestic Product growth, national energetic strategy) and collection of other relevant information for us obtained by the Management; • analysis of actual values, compared with the original plans, in order to understand the nature of variations and the reliability of the budgeting process; • assessment of the reasonableness of the discount rate (WACC) and the growth rate (g-rate); • assessment of mathematical accuracy of the model used to determine the value in use of CGUs and equity investments; • verification of the correct determination of the carrying amount of CGUs, of the groups of CGUs related to electric power market and hydrocarbon market, of the assets as a whole and of equity investments; • assessment of the sensitivity analysis implemented by Management; • assessment of compliance with applicable accounting standards, over the procedures implemented by Management for the impairment test on goodwill, on intangible assets, on property, plant and equipment and on equity investments; • assessment of compliance with applicable accounting standards over the information disclosed by the Company with reference to the impairment test.

Revenue recognition – Commodities supplied between the last metering and the reporting date

Description of the key audit matter	Revenues arising from the sale of electricity and gas, amounting to euros 6.154 million, are recognized and accounted for at the moment in which the service is delivered. At the end of the fiscal year, they include the estimated revenues related to commodities supplied between the date of last metering of actual consumption and the reporting date. Such revenues are determined through the estimate of the daily consumption of each customer, taking into account historical trends, as well as the atmospheric conditions and other factors that may affect consumption.

Deloitte.

	We concluded that the process of determining such revenues constitutes a key audit matter for the Company's separate financial statements at December 31, 2019 considering: i) discretion embedded in the nature of the recognitions; ii) relevance of these accounts; iii) high number of transactions concerning final clients; iv) effort necessary to implement the related audit procedures, which require the cooperation of expert and specialized personnel. The paragraph "1.2 Other valuation criteria applied" within the separate financial statements, reports the information of the revenue recognition principles implemented by the Company.
Audit procedures performed	The audit procedures on revenue estimates related to the services delivered between the date of last inspection and the reporting date included: • analysis of IT procedures, implemented by the Company in order to determine the amount of commodities supplied, and of the related algorithm, with the support of our IT specialists; • observation of the main controls implemented by the Company to mitigate the risk of incorrect recognition and verification of the operating effectiveness of such controls. Also, these procedures were carried out with the support of our IT specialists; • sample based verifications aimed to ensure the completeness and accuracy of the data used by Management to determine the above mentioned estimates; • assessment, on a sample basis, of the process through which consumption in estimated. Verification of the application of correct tariffs; • analysis of the main parameters, related to consumptions, used to estimate the revenues; • analysis of actual data and comparison with estimated data in order to understand the nature of differences and the reliability of the process through which recognitions are determined; • Assessment of compliance with accounting standards on revenue recognition of the information disclosed.

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

Description of the key audit matter	The provisions accounted for in the separate financial statements at December 31, 2019 include provision for decommissioning and remediation of industrial sites amounting to euros 65 million, provisions for risks and charges amounting to euros 223 million and provisions for risks and charges for non energy activities amounting to euros 266 million. Furthermore, liabilities held for sale and discontinued operations include provisions for tax litigations and provisions for environmental issues related to the hydrocarbons exploration and production business.

Within the account, provisions for decommissioning and remediation of industrial sites (from now on also "decommissioning") are included. The valuation of future liabilities for decommissioning and remediation for industrial sites obligations is a complex process, based on technical and financial hypothesis of Management, using, if necessary, an evaluation issued by external specialists as a support. Such liabilities represent estimated costs for decommissioning and remediation of industrial sites that the Company will have to pay when the production activities cease in order to restore the environmental conditions as required by the applicable regulation.

Provisions for other risks and charges refer to provisions of a purely industrial nature for the various areas in which the Company operates, and also include some provisions related to the sale of equity investments and tax disputes related to property taxes.

As for the provisions for risks and charges for non energy activities, they include the following provision typologies: i) risks for disputes, litigations and contracts; ii) charges for contractual guarantees on sale of equity investments; iii) environmental risks; iv) disputed tax items.

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

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

The paragraphs "1.2 Other valuation criteria applied", "5.3 Operational Provisions", "5.4 Contingent assets and liabilities", "8.3.3 Provisions for tax risks (for income taxes)" and chapter "9. Non-Energy activities" within the separate financial statements deal with all the information about provisions and tax litigations.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

DELOITTE & TOUCHE S.p.A.

Signed by
Matteo Ogliari
Partner

Milan, Italy,
February 26, 2020

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