



# 2020 FINANCIAL REPORT

SEPARATE FINANCIAL STATEMENTS

VOLUME 3

# Contents

<b>Separate financial statements (Main financial statements and Reclassified Balance Sheet)</b>	<b>3</b>
Income Statement and Other Components of the Comprehensive Income Statement	4
Balance Sheet	5
Cash Flow Statement	6
Statement of Changes in Shareholders' Equity	7
Reclassified Balance Sheet	8
<b>Notes to the separate financial statements at December 31, 2020</b>	<b>9</b>
<b>1. Introduction</b>	<b>10</b>
1.1 Newly applied accounting standards	10
1.2 Statements adopted by the company	10
1.3 COVID-19	11
1.4 Information relating to the application of IFRS 5	11
1.5 Cross-border merger by incorporation of Edison International Holding NV	13
<b>2. Performance</b>	<b>16</b>
2.1 Core business of the Parent Company	16
2.2 Key events	16
2.3 Economic performance of operations	20
<b>3. Net working capital</b>	<b>26</b>
3.1 Credit risk	26
3.2 Operating working capital	26
3.3 Other assets and liabilities	28
<b>4. Market risk management</b>	<b>29</b>
4.1 Market Risks and Risk Management	29
4.2 Hedge Accounting and Economic Hedges – Fair Value Hierarchy	31
4.3 Effects of Hedging Derivative Transactions on the Income Statement and Balance Sheet at December 31, 2020	32
<b>5. Invested capital and provisions</b>	<b>35</b>
5.1 Non-Current Assets	35
5.2 Equity investments and other non-current financial assets	39
5.3 Operational Provisions	41
5.4 Contingent assets and liabilities	42
<b>6. Shareholders' equity</b>	<b>43</b>
<b>7. Net Financial Debt (Available Funds) and Cost of Debt</b>	<b>47</b>
7.1 Management of Financial Resources	47
7.2 Net Financial Debt (Available Funds) and Cost of Debt	47
7.3 Financial risk management	51
<b>8. Taxation</b>	<b>54</b>
8.1 Tax risk management	54
8.2 Taxes	54
8.3 Tax assets and liabilities	55
<b>9. Non-energy activities</b>	<b>57</b>
<b>10. Other notes</b>	<b>63</b>
10.1 Other Commitments	63
10.2 Intercompany and Related-Party Transactions	65
<b>11. Valuation Criteria</b>	<b>67</b>
11.1 Use of estimated values	67
11.2 Other valuation criteria applied	69
<b>12. Other information</b>	<b>75</b>
12.1 Significant non-recurring events and transactions	75
12.2 Transactions resulting from atypical and/or unusual activities	75
12.3 Treasury Shares	75
12.4 Compensation, Stock Options and Equity Investments of Directors, Executives with Strategic Responsibilities and Statutory Auditors	76
12.5 Fees of the Independent Auditors	76
12.6 Summary of Public Disbursements Pursuant to Art. 1, Paragraphs 125-129, Law No. 124/ 2017	76
<b>Significant Events Occurring After December 31, 2020</b>	<b>77</b>
<b>List of Equity Investments</b>	<b>79</b>
<b>Motion for a Resolution</b>	<b>86</b>
<b>Certification Pursuant to Art. 81-ter of Consob Regulation no. 11971</b>	<b>87</b>
<b>Report of the Independent Auditors</b>	<b>88</b>

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

# Separate financial statements

## (Primary statements and Reclassified Balance Sheet)

## INCOME STATEMENT

(in euros)	Note	2020 full year	of which related parties	2019 full year	of which related parties
Sales revenues	2.3	4.431.726.739	3.379.348.204	6.193.551.607	4.156.769.522
Other revenues and income	2.3	54.035.682	27.613.885	73.047.136	33.754.680
<b>Total revenues</b>		<b>4.485.762.421</b>		<b>6.266.598.743</b>	
Costs for commodities and logistics (-)	2.3	(3.755.846.313)	(821.837.450)	(5.620.800.613)	(940.214.720)
Other costs and external services (-)	2.3	(201.432.274)	(46.960.567)	(211.550.940)	-
Labour costs (-)	2.3	(130.098.060)		(126.326.512)	
Receivables (Write-downs)/reversal	3.2	(2.960.413)		4.974.512	
Other charges (-)	2.3	(35.511.395)		(55.188.191)	
<b>EBITDA</b>	2.3	<b>359.913.966</b>		<b>257.706.999</b>	
Net change in fair value of derivatives (commodity and exchange rate risk)	4.3	(2.922.734)		4.689.926	
Depreciation and amortisation (-)	5.1	(117.534.226)		(122.725.079)	
(Write-downs) reversal on non-current assets	5.1	-		-	
Other income (expense) - non-Energy activities	9	(54.965.345)		(39.917.532)	
<b>EBIT</b>		<b>184.491.661</b>		<b>99.754.314</b>	
Net financial income (expense) on net financial debt (available funds)	7.2	18.939.980	20.647.280	15.325.171	17.385.224
Income (expense) on assignment of receivables without recourse	3.2	(118.815)		(268.981)	
Financial expense for decommissioning and adjustment of provisions	5.3 - 9	(6.106.094)		(6.699.404)	
Net financial income (expense) for leasing	7.2	(1.871.385)	101.842	(2.062.233)	203.236
Other net financial income (expense)	2.3	(1.621.553)	(6.907.074)	1.380.876	7.640.312
Revaluations (write-downs) of equity investments	5.2	(30.773.860)	(30.967.000)	(35.201.071)	(35.543.894)
Dividends	5.2	9.437.351	9.355.513	42.895.632	42.480.030
Gains (losses) on the sale of equity investments	5.2	6.051.750		-	-
<b>Profit (Loss) before taxes</b>		<b>178.429.035</b>		<b>115.124.304</b>	
Income taxes	8.2	(60.024.550)		(25.255.589)	
<b>Profit (Loss) from continuing operations</b>		<b>118.404.485</b>		<b>89.868.715</b>	
Profit (Loss) from discontinued operations	2.3	(186.216.759)		(501.119.614)	
<b>Profit (Loss) for the year</b>	2.3	<b>(67.812.274)</b>		<b>(411.250.899)</b>	

## OTHER COMPONENTS OF THE COMPREHENSIVE INCOME STATEMENTS

(in euros)	Note	2020 Full year	2019 Full year
<b>Net income/(loss) for the year</b>	2.8	<b>(67.812.274)</b>	<b>(411.250.899)</b>
<b>A) Change in the cash flow hedge reserve</b>	6	<b>52.732.377</b>	<b>(54.504.375)</b>
Gains (Losses) arising during the year		73.040.280	(75.532.433)
Income taxes (+/-)		(20.307.903)	21.028.058
<b>B) Actuarial gains (losses) (*)</b>	6	<b>202.096</b>	<b>(876.323)</b>
<b>Total other components of comprehensive income net of taxes (A+B)</b>		<b>52.934.473</b>	<b>(55.380.698)</b>
<b>Total comprehensive profit (loss)</b>		<b>(14.877.801)</b>	<b>(466.631.597)</b>

(\*) Items not reclassifiable in Income Statement.

## BALANCE SHEET

(in euros)	Note	12/31/2020	of which related parties	12/31/2019	of which related parties
<b>ASSETS</b>					
Property, plant and equipment	5.1	1.442.593.376		1.311.357.783	
Intangible Assets	5.1	74.550.630		71.743.705	
Goodwill	5.1	1.543.940.046		1.573.190.046	
Equity investments	5.2	1.344.755.410	1.344.755.410	1.411.984.843	1.411.984.843
Investments at fair value through profit and loss	5.2	1.103.223		899.169	
Non-current financial assets from subsidiaries and affiliated companies	7.2	498.711.324	498.711.324	614.074.868	614.074.868
Other non-current financial assets	5.2	69.960.202	62.003.802	6.130.800	
Deferred-tax assets	8.3	89.313.941		124.535.483	
Non-current tax receivables	8.3	2.003.466		25.011.374	
Other non-current assets	3.3	58.562.312		40.256.900	
Fair value	4	200.707.258		100.300.152	
<b>Total non-current assets</b>		<b>5.326.201.188</b>		<b>5.279.485.123</b>	
Inventories	3.2	42.344.117		57.574.514	
Trade receivables	3.2	551.996.838	345.702.783	621.246.676	405.206.753
Current tax receivables	8.3	4.726.816		57.904	
Other current assets	3.3	264.398.876	63.249.813	290.230.425	55.382.729
Fair value	4	428.536.254		696.579.274	
Current financial assets	7.2	1.335.817		1.335.817	
Current financial assets from subsidiaries and affiliated companies	7.2	617.348.249	617.348.249	537.995.906	537.995.906
Cash and cash equivalents	7.2	234.488.696	213.427.001	169.374.387	156.427.001
<b>Total current assets</b>		<b>2.145.175.663</b>		<b>2.374.394.903</b>	
<b>Assets under disposal</b>	1.5	<b>123.518.213</b>		<b>550.011.908</b>	
<b>Total assets</b>		<b>7.594.895.064</b>		<b>8.203.891.934</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Share capital		5.377.000.671		5.377.000.671	
Statutory reserve		2.757.954		2.757.954	
Reserve from merger by absorption		221.710.485		217.921.729	
Reserves for other components of comprehensive income		28.154.772		(24.779.701)	
Retained earnings/(loss carryforward)		(797.539.186)		(386.288.287)	
Profit(Loss) for the year		(67.812.274)		(411.250.899)	
<b>Total shareholders' equity</b>	6	<b>4.764.272.422</b>		<b>4.775.361.467</b>	
Employee benefits	5.3	14.262.837		14.945.114	
Provisions for decommissioning and remediation of industrial sites	5.3	65.975.977		64.744.104	
Provisions for risks and charges	5.3	78.461.840		223.339.625	
Provisions for risks on equity investments	5.2	11.976.689		-	
Provisions for risks and charges for non-Energy activities	9	299.340.605		265.886.514	
Deferred-tax liabilities	8.3	11.464.362		-	
Fair value	4	187.994.743		92.727.066	
Non-current financial debt	7.2	357.291.234		330.538.519	
<b>Total non-current liabilities</b>		<b>1.026.768.287</b>		<b>992.180.942</b>	
Trade payables	3.2	783.118.592	78.747.261	937.741.613	113.503.326
Current tax payables	8.3	32.377.691	32.377.690	66.255.583	46.010.346
Other current liabilities	3.3	87.830.071	16.995.997	79.873.486	19.563.105
Fair value	4	413.303.995		731.189.440	
Current financial debt	7.2	104.603.099	16.170.430	70.082.727	8.006.403
Current financial payables to subsidiaries and affiliated companies	7.2	323.217.208	323.217.208	504.819.532	504.819.532
<b>Total current liabilities</b>		<b>1.744.450.656</b>		<b>2.389.962.381</b>	
<b>Liabilities under disposal</b>	1.5	<b>59.403.699</b>		<b>46.387.144</b>	
<b>Total liabilities and shareholders' equity</b>		<b>7.594.895.064</b>		<b>8.203.891.934</b>	

## 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 234 million euros, as compared with those of 2019 (169 million euros).

(in euros)	2020 full year	of which related parties	2019 full year	of which related parties
<b>Profit (Loss) before taxes of Edison Spa</b>	<b>178.429.035</b>		<b>115.124.304</b>	
Depreciation, amortisation and write-downs	117.534.226		122.725.079	
Net additions to provisions for risks	30.271.163		(13.085.423)	
(Gains) Losses on the sale of non-current assets	(4.992.090)		2.332.986	
(Revaluations) Write-downs of non-current financial assets	30.773.860	30.967.000	35.201.071	35.543.894
Change in provisions for employee benefits	682.275		149.635	
Change in fair value recognised in EBIT	2.922.734		(4.689.926)	
Change in the operating working capital	(70.142.786)	24.747.905	187.613.314	54.271.379
Dividends from subsidiaries, affiliated companies and other companies	(9.437.351)	(9.355.513)	(42.895.632)	(42.215.969)
Dividends collected (including amounts attributable to previous years)	8.025.254	7.943.416	42.561.869	42.215.969
Total Net financial income (expense)	(12.113.413)	(13.842.048)	(5.358.351)	(17.385.224)
Financial income collected	25.965.035	23.404.714	21.236.519	20.988.582
Financial (expense) paid	(7.916.886)	(2.793.595)	(8.324.124)	(3.906.346)
Net income taxes paid	(71.492.935)		(17.989.327)	
Change in other operating assets and liabilities	1.609.784	(24.066.848)	227.222.687	80.132.757
Cash flow from extraordinary operations	28.442.821		-	
<b>A. Cash flow from operating activities from activities</b>	<b>248.560.726</b>		<b>661.824.681</b>	
Additions to intangibles and property, plant and equipment ( - )	(235.839.668)		(131.697.722)	
Additions to non-current financial assets ( - )	(88.031.461)	(87.830.547)	(216.649.037)	(216.649.037)
Proceeds from the sale of intangibles and property, plant and equipment	855.100		189.835	
Proceeds from the sale of non-current financial assets	223.887.650		-	
<b>B. Cash from (used in) investment activities</b>	<b>(99.128.379)</b>		<b>(348.156.924)</b>	
Proceeds from new medium-term and long-term loans	50.000.000		40.000.000	
Redemptions of medium-term and long-term loans ( - )	(11.913.043)		(22.822.133)	
Change in other current and non-current financial assets	(158.416.196)	36.011.201	42.617.395	82.752.956
Capital injections from parent companies or third party shareholders	36.011.201	(173.438.297)	(249.119.972)	(257.767.143)
<b>C. Cash from (used in) financing activities</b>	<b>(84.318.038)</b>		<b>(189.324.710)</b>	
<b>D. Net change in cash and cash equivalents (A+B+C)</b>	<b>65.114.309</b>		<b>124.343.047</b>	
<b>E. Cash and cash equivalents at the beginning of the year</b>	<b>169.374.387</b>	<b>156.427.001</b>	<b>45.031.340</b>	<b>28.236.317</b>
<b>F. Cash and cash equivalents at the end of the year (D+E)</b>	<b>234.488.696</b>	<b>213.427.001</b>	<b>169.374.387</b>	<b>156.427.001</b>

## 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		
<b>Balances at December 31, 2018</b>	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)
<b>Period changes 2019</b>	-	2.757.954	-	52.401.125	(54.504.375)	(876.323)	(466.409.978)	(466.631.597)
<i>of which total net comprehensive income/(loss) 2019</i>	-	-	-	-	(54.504.375)	(876.323)	(411.250.899)	(466.631.597)
<b>Balances at December 31, 2019</b>	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
Appropriation of the 2019 result	-	-	-	(411.250.899)	-	-	411.250.899	-
Other change in comprehensive income	-	-	-	-	52.732.377	-	-	52.732.377
Surplus from merger by incorporation	-	-	3.788.756	-	-	202.096	-	3.990.852
2020 Profit (loss)	-	-	-	-	-	-	(67.812.274)	(67.812.274)
<b>Period changes 2020</b>	-	-	3.788.756	(411.250.899)	52.732.377	202.096	343.438.625	(11.089.045)
<i>of which total net comprehensive income/(loss) 2020</i>	-	-	-	-	52.732.377	202.096	(67.812.274)	(14.877.801)
<b>Balances at December 31, 2020</b>	5.377.000.671	2.757.954	221.710.485	(797.539.186)	29.572.588	(1.417.816)	(67.812.274)	4.764.272.422

## RECLASSIFIED BALANCE SHEET

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

(in euros)	Note	12.31.2020	12.31.2019
<b>NET WORKING CAPITAL</b>	<b>3</b>	<b>46.353.480</b>	<b>(8.306.584)</b>
<b>Operating Working Capital</b>	<b>3.2</b>	<b>(188.777.637)</b>	<b>(258.920.423)</b>
Inventories (+)		42.344.117	57.574.514
Trade receivables (+)		551.996.838	621.246.676
Trade payables (-)		(783.118.592)	(937.741.613)
<b>Other assets / (liabilities)</b>	<b>3.3</b>	<b>235.131.117</b>	<b>250.613.839</b>
Other current assets		264.398.876	290.230.425
Other non-current assets		58.562.312	40.256.900
Other current liabilities		(87.830.071)	(79.873.486)
Other non-current liabilities		-	-
<b>FAIR VALUE</b>	<b>4</b>	<b>27.944.774</b>	<b>(27.037.080)</b>
- current assets		428.536.254	696.579.274
- non-current assets		200.707.258	100.300.152
- current liabilities		(413.303.995)	(731.189.440)
- non-current liabilities		(187.994.743)	(92.727.066)
<b>INVESTED CAPITAL AND PROVISIONS</b>	<b>5</b>	<b>4.306.225.544</b>	<b>4.072.277.503</b>
<b>Fixed assets</b>	<b>5.1</b>	<b>3.061.084.052</b>	<b>2.956.291.534</b>
Fixed assets		3.061.084.052	2.956.291.534
<b>Equity investments</b>	<b>5.2</b>	<b>1.415.818.835</b>	<b>1.419.014.812</b>
Equity investments		1.344.755.410	1.411.984.843
Investments at fair value through profit and loss		1.103.223	899.169
Other non-current financial assets		69.960.202	6.130.800
<b>Operational Provisions</b>	<b>5.3</b>	<b>(170.677.343)</b>	<b>(303.028.843)</b>
Employee benefits		(14.262.837)	(14.945.114)
Provisions for decommissioning and remediation of industrial sites		(65.975.977)	(64.744.104)
Provisions for risks and charges		(78.461.840)	(223.339.625)
Provisions for risks on equity investments		(11.976.689)	-
<b>TAX ASSETS (LIABILITIES)</b>	<b>8</b>	<b>52.202.170</b>	<b>-</b>
Non-current tax receivables		2.003.466	25.011.374
Current-tax receivables		4.726.816	57.904
Current taxes (payable)		(32.377.691)	(66.255.583)
Deferred-tax assets		89.313.941	124.535.483
(Deferred-tax liabilities)		(11.464.362)	-
<b>NET INVESTED CAPITAL</b>		<b>4.432.725.968</b>	<b>4.036.933.839</b>
<b>Provisions for risks and charges for non-Energy activities</b>	<b>9</b>	<b>(299.340.605)</b>	<b>(265.886.514)</b>
<b>Assets (Liabilities) under disposal</b>	<b>1.5</b>	<b>64.114.514</b>	<b>503.624.764</b>
<b>TOTAL NET INVESTED CAPITAL</b>		<b>4.197.499.877</b>	<b>4.274.672.089</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>6</b>	<b>4.764.272.422</b>	<b>4.775.361.467</b>
<b>NET FINANCIAL DEBT (AVAILABLE FUNDS)</b>	<b>7</b>	<b>(566.772.545)</b>	<b>(417.340.200)</b>
Current financial assets (-)		(1.335.817)	(1.335.817)
Current financial assets from subsidiaries and affiliated companies (-)		(617.348.249)	(537.995.906)
Non-current financial assets from subsidiaries and affiliated companies (-)		(498.711.324)	(614.074.868)
Cash and cash equivalents (-)		(234.488.696)	(169.374.387)
Non-current financial debt (+)		357.291.234	330.538.519
Current financial debt (+)		104.603.099	70.082.727
Current financial payables to subsidiaries and affiliated companies (+)		323.217.208	504.819.532
<b>TOTAL HEDGES</b>		<b>4.197.499.877</b>	<b>4.358.021.267</b>



# Notes to the Separate Financial Statements at December 31, 2020

# 1. INTRODUCTION

Dear Shareholders,

We submit for your approval the separate financial statements of Edison Spa at December 31, 2020, 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).

At its meeting held on February 17, 2021, the Board of Directors authorised the publication of these separate financial statements, which are audited by the company KPMG Spa based on the assignment granted by the shareholders' meeting on April 28, 2020, pursuant to Legislative Decree No. 39 of January 27, 2010, with duration for nine financial years (2020-2028).

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

## 1.1 Newly applied accounting standards

In preparing the separate financial statements, the accounting standards and valuation criteria applied are consistent with those applied in the preparation of the 2019 separate financial statements. During the year, several amendments to the IFRSs were adopted, including in particular:

- to **IFRS 3 Business Combinations**, which provides clarifications to determine whether a transaction must be accounted for as a business combination or as an acquisition of assets. These amendments are applicable to the Group's consolidated financial statements;
- several amendments to **IFRS 9** and **IFRS 7** on the "Interest rate benchmark reform" (IBOR reform), which apply exclusively to hedging relationships directly concerned by the interest rate benchmark reform. The amendments establish exceptions so that companies can continue to apply hedge accounting requirements assuming that the benchmark interest rate associated with the hedged risk or the cash flows of the hedged item or the cash flows of the hedging instrument is not altered as a result of the IBOR reform.

There are no significant effects on the 2020 separate financial statements.

## 1.2 Statements adopted by the Company

Starting with the separate financial statements at December 31, 2018, Edison Spa, based on the numerous projects that the IASB is developing with regard to "**Effective Communication**", opted to introduce a new presentation method that makes financial reporting more relevant and more effective, taking into account the materiality of the information and the expectations of its stakeholders. For this purpose, the notes to the financial statements have been reviewed and broken down into chapters of similar topics rather than by lines of the financial statements. For more information, refer to the comments in the 2018 separate financial statements.

With reference to the effects related to the application of IFRS 5, please refer to the comments below paragraph 1.4.

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.

## 1.3 COVID-19

The year 2020 was dominated by the COVID-19 pandemic, which caused a state of health emergency throughout most of the world, which is likely set to continue for a significant portion of 2021 as well, and to which various countries responded, albeit by adopting different measures, by stopping all commercial and manufacturing activities and services considered not strictly essential, in order to check the spread of the virus. The virus had an immediate impact on the global economy, which was in a recession for the whole of 2020.

During the COVID-19 emergency, Edison continued to operate while safeguarding the health of its employees and suppliers, to ensure continuity in electricity and gas supplies and support hospitals, thus providing an essential service to the country.

The health emergency triggered a significant worsening in the macroeconomic scenario, with effects on both demand and on electricity and gas prices, as well as on a possible deterioration in counterparty solvency.

In accordance with the dictates of CONSOB and ESMA, the company performed detailed analyses on the most sensitive topics most subject to variability correlated with the current emergency situation. Particular attention was dedicated to the valuation of the recoverability of receivables, the stability of the value of assets, goodwill and investments in subsidiaries and affiliates and the effectiveness of hedging transactions in place.

Overall, the impacts of COVID-19 on the results of Edison Spa in 2020 were limited at operating profit level - also thanks to the margins of flexibility guaranteed by the power plants and the Long Term gas import contracts - but they reflect negatively in particular in the result of some equity investments for certain subsidiaries operating in the downstream segment of energy services, the results of which were impacted by the health emergency.

Following the significant contraction in the reference scenario and the gas and power volumes sold, revenues fell from 6,267 million euros at December 31, 2019 to 4,486 million euros at December 31, 2020 (-28.4%); the same trend was recorded in costs, which declined from 6,009 million euros at December 31, 2019 to 4,126 million euros at December 31, 2020 (-31.3%).

On the other hand, there were no significant impacts on financial items, while there were some positive effects on taxes, correlated with specific tax regulations issued to support businesses in handling the emergency period.

The company will continue to monitor the evolution of the situation and support both operating needs and business development plans, thanks to the favourable level of debt and a solid financial structure which guarantees adequate liquidity reserves.

## 1.4 Information relating to the application of IFRS 5

### 1.4.1 Disposal of Exploration & Production business assets

It should be noted that in the separate financial Statements at 30 June 2019 and subsequently in the 2019 separate financial Statements, following the agreement of 4 July 2019 for the sale by Edison to Energean of 100% of *Edison Exploration & Production Spa* and its investments operating in Italy and abroad in the hydrocarbon exploration and production sector, the E&P business, taking into account its significance and specificity, was treated as Discontinued Operations in accordance with IFRS 5, which provides that the activities and liabilities held for sale are measured at the lower of the book value and the fair value net of sales costs. The sale price had been determined through a locked box mechanism on 31 December 2018.

In the current year, on April 2, 2020 and June 28, 2020, some amendments to the terms of the sale agreement of July 4, 2019 have been signed, concerning, among other things, the exclusion from the scope of the transaction of the E&P assets located in Algeria (following the refusal of authorization by the Algerian Minister of Energy) and Edison Norge AS which owns the E&P assets located in Norway, as well as some revision of the fees.

On December 17, 2020, Edison and Energean executed the agreement signed on July 4, 2019, the enterprise value of the transferred assets was 284 million USD (at the reference date of the transaction - locked box date - of December 31, 2018), with a positive impact of roughly 230 million USD, in addition to the net cash generated by the transferred assets between January 1, 2019 and the closing. The agreement provides for an additional consideration of up to 100 million USD subject to the roll-out of Cassiopea gas field in Italy; this consideration will be

calculated on the basis of gas prices (VTP) recorded when the field begins production, expected in the first quarter of 2024. Finally, the buyer will assume future decommissioning obligations. The buyer will assume future decommissioning obligations. Following the sale, Edison Spa collected approximately 220 million euros.

In these separate financial statements at December 31, 2020, the residual items referring to the sale of the equity investment held in Edison E&P Spa and recognised as Discontinued Operations regard the following values:

<b>Financial Statement Discontinued Operations E&amp;P (million of euros)</b>	<b>31.12.2020</b>
Other non-current activities	53
Other current activities	3
<b>Asset under disposal</b>	<b>56</b>
Provisions for risks and charges	59
<b>Liabilities under disposal</b>	<b>59</b>

- **assets held for sale** refer to:
  - 53 million euros for the present value of the additional consideration set forth in the agreement (up to 100 million USD subject to the roll-out of Cassiopea gas field in Italy); this consideration was calculated on the basis of gas prices (VTP) recorded when the field begins production, expected in the first quarter of 2024;
  - 3 million euros for a price adjustment collected in the early days of January 2021;
- **liabilities held for sale**, amounting to 59 million euros, include provisions for tax and environmental risks, of which 12 million euros recognised during the year (as commented on more extensively at the end of this section “E&P business liabilities”);
- the **net loss from discontinued operations** is 186 million euros and includes the loss deriving from the sale of the equity investment (182 million euros) and the accessory costs of the sale itself and the valuation of some indemnities set forth in the contract and recognised under liabilities held for sale (around 14 million euros). It also includes the effects of cash flow hedges put into place to reduce the EUR/USD exchange rate risk referring to the fixed part of the sale price of the equity investment, including the interest accrued at the reporting date (a positive roughly 10 million euros); these derivatives were recognised as an adjustment to the result from Discontinued Operations, which is in part variable depending on exchange rate trends.

## E&P business liabilities

### Fraudulent activity to the detriment of the company Edison Norge AS

With reference to the fraud perpetrated at the end of 2019 to the detriment of Edison Norge AS (“EN”), the Norwegian company, now in the disposal phase, has launched a series of activities aiming to recover the stolen sums (around 12.5 million euros).

These are legal actions brought against the companies in the Far East that both directly and indirectly received the payments and against the financial intermediaries which permitted such payments.

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

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

On May 31, 2018, the Ministry for the Environment notified Edison of a claim for compensation for alleged environmental damages deriving from reinjection activities for the Vega 6 well of the aquifer and process waters, operated by the Vega A platform.

The request for compensation is quantified at a total maximum amount of roughly 80 million euros.

The facts in question have already been the subject of a criminal procedure declared invalid by the competent court.

Edison believes that this claim for compensation is completely unfounded, since the activities in question are not illegal, rather, on the contrary, authorised according to the applicable regulation, have not produced any environmental damage, nor any risk of geological pollution, or pollution of the aquifer or the sea.

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

Following the agreement made for the disposal of the E&P business in July 2018, the newly established Edison Exploration and Production S.p.A. ("Edison E&P") assumed the liability relating to this dispute. Subsequently, after the agreement was signed for the sale of the entire share capital of Edison E&P to Energean Capital Ltd (executed on December 17, 2020), Edison committed to fully indemnifying the purchaser with reference to this dispute. Therefore, Edison deemed it appropriate, on a completely prudential basis, to forecast an expense correlated with the dispute. This value, along with the estimates of other expenses linked to the disposal, is recognised in the net result from Discontinued operations.

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

Also following the disposal of the E&P assets, particularly in Italy, Edison spa has remained liable for any liabilities that may emerge from the demands made by some coastal municipalities to subject offshore platforms to local taxes for years prior to the locked box date (January 1, 2019), set forth in the agreement with Energean.

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

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

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

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

#### **1.4.2 Disposal Group - Disposal of Infrastrutture Distribuzione Gas**

On January 13, 2021, Edison Spa signed an agreement with 2i Rete Gas, an investee of investment funds managed by F2i, Ardian and APG, for the sale of 100% of Infrastrutture Distribuzione Gas (IDG), which manages the networks and plants for the distribution of gas in 58 Municipalities of Abruzzo, Emilia Romagna, Lazio, Lombardy and Veneto, it is present in 17 minimum territorial areas (Atem) and has 152 thousand customers. The closing of this agreement, which is subject to Antitrust approval, is expected within the first four months of 2021.

The equity investment subject to disposal is considered a Disposal Group pursuant to IFRS 5, therefore the value was recognised in the balance sheet under "assets held for sale" for a value of 38.5 million euros, moreover inclusive of the reclassification of a share of goodwill allocated to it for roughly 29 million euros.

### **1.5 Cross-border merger by incorporation of Edison International Holding NV**

September 21, 2020 – During its meeting on September 17, 2020, the Edison Board of Directors approved, pursuant to articles 2502 and 2505 of the Italian Civil Code and Legislative Decree no. 108/2008, the plan for the cross-border merger by incorporation of Edison International Holding NV (a Dutch company directly and wholly owned by Edison Spa) into Edison SpA, which was registered on September 18, 2020 with the Milan-Monza-Brianza-Lodi Company Register.

The merger of the company Edison International Holding, wholly owned, took place effective with respect to third parties as of December 1, the operation is part of the Group's strategic repositioning strategy in Italy and is accompanied by a consequent reduction in structural costs, a simplification of financial flows and the corporate structure of the Group.

The transaction, under common control, was accounted in continuity of value. More specifically, the balance sheet items of the merged company were recognised at the latest carrying value, and a **merger surplus** was recognised in a special Edison Spa shareholders' equity reserve, due to the effect of the elimination of the equity investment in the merged company Edison International Holding NV, lower than the elimination of the value of shareholders' equity.

The table below outlines its effects:

<i>(in thousands of Euros)</i>	
Shareholders' equity of Edison International Holding NV at 1 December 2020	121.845
Value of equity investments	118.056
<b>Surplus from the merger of Edison International Holding NV as at 1 December 2020</b>	<b>3.789</b>

A summary table is provided of the values included in the Edison Spa balance sheet, deriving from the merger, as of December 1, 2020:

<i>(in millions of euros)</i>	<b>1.12.2020</b>
<b><u>ASSETS</u></b>	
Equity investments	58
Non-current financial assets from subsidiaries and affiliated companies	54
<b>Total non-current assets</b>	<b>112</b>
Current financial assets towards subsidiary and associated parent companies	34
<b>Total current assets</b>	<b>34</b>
<b>Total assets</b>	<b>146</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>	
<b>Total shareholders' equity</b>	<b>122</b>
Provisions for risks on equity investments	22
<b>Total non-current liabilities</b>	<b>22</b>
Current financial payables to subsidiaries and affiliated companies	2
<b>Total current liabilities</b>	<b>2</b>
<b>Total liabilities and shareholders' equity</b>	<b>146</b>

Some information is provided below relating to the balance sheet items that were included in Edison Spa, and more specifically:

- **Equity investments** refer to:
  - 1) 10 million euros in **Elpedison BV**, an equal joint venture (50% held) with HELLENIC PETROLEUM, which in turn holds 100% of the Greek company Elpedison SA, a leading free energy market operator with registered office in Maroussi (Athens). It is the first private energy operator in Greece and an alternative supplier of electricity and natural gas for all market segments. ELPEDISON Sa manages two natural gas fuelled power plants in Thisvi and Thessaloniki with a total installed capacity of 820 MW and serves around 150,000 customers;
  - 2) 48 million euros for 50% of **IGI Poseidon**, a company which is a long-term supporter of European gas procurement security objectives, by promoting three gas pipeline projects: the Poseidon, IGB and EastMed Pipelines.
- The **Poseidon project**: represents a valid, multi-source option to complete the Southern Gas Corridor and to connect additional and diversified gas volumes, in terms of sources and routes, available at the Greek borders with the EU and EEA markets. The project represents a key factor for a partial

diversification of existing supply routes through the Black Sea and for the transport of new and diversified sources from the Eastern Mediterranean, in synergy with the new offshore discoveries that may be made available to the EU market thanks to the EastMed Project.

- The **EastMed project** represents an offshore/onshore gas pipeline which will initially allow for the transport of 10 billion cubic metres/year of natural gas from the significant reserves discovered in the Eastern Mediterranean region to continental Greece, via Cyprus and Crete, and in conjunction with the offshore section of the Poseidon gas pipeline, into Italy.
- The **IGB project** represents the interconnector between Greece and Bulgaria, providing a direct link between the two national natural gas systems. Currently, it is designed for a capacity of 3 billion cubic metres/year, with the possibility to strengthen it up to 5 billion cubic metres/year, and it will act as strategic infrastructure for gas transport, providing diversification to gas procurement for the Bulgarian and South-eastern Europe gas market;
- **Non-current financial assets from subsidiaries and affiliated companies** refer primarily to the long-term portion of the loan granted to Elpedison Sa;
- **Current financial assets from subsidiaries and affiliated companies** refer primarily to the current account with Edison Spa for 31 million euros, a value that was then eliminated against the relative offsetting debt entry, and to the short-term portion of the loan granted to Elpedison Sa for 3 million euros;
- **Provisions for risks on equity investments** refer to the equity investment in Elpedison Sa, and were established in previous years against the losses realised by the company.



## 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, tax, 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, with reference to 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 wind, thermoelectric and hydroelectric production and energy services sectors through its subsidiaries, which head their respective business lines, Edison Renewables S.r.l. (through its subsidiaries, and more specifically E2i Energie Speciali S.r.l.), and Fenice Spa. Edison also continues to hold certain hydrocarbon exploration and cultivation assets through its subsidiary Edison International Spa.

As explained in more detail on the previous pages (paragraph 1.4 “Information relating to the application of IFRS 5”), on December 17, 2020, Edison finalised the sale of 100% of Edison Exploration & Production Spa's shares. This transaction reflects Edison's exit strategy from the exploration and production of hydrocarbons to focus on the development of renewable energies and energy efficiency, in line with the national decarbonisation targets.

### 2.2 Key events

In addition to the more detailed comments made in the Report on Operations with reference to the events that characterised 2020 for Edison Spa, the main transactions and their effects on the 2020 financial statements are described below.

#### **Edison: guarantees around the continuity of essential services, solidarity with the country and “Edison for Italy” initiatives in aid of customers by the subsidiary Edison Energia**

During the COVID-19 emergency, Edison contributed to supporting the country by guaranteeing an essential and necessary service by ensuring the full operations of its 200 electric power plants and energy service and supply activities at its customers' sites. In this unique circumstance, Edison Spa concretely continued its commitment to working closely with and supporting the communities and areas in which it operates by donating roughly 2 million euros to support the construction of the Fiera Milano hospital and help the healthcare facilities of the regions most impacted, aside from providing aid to research at Milan's Sacco Hospital intended to identify the most effective diagnostic strategies and treatments against the pandemic. Furthermore, Edison also launched a crowdfunding campaign amongst its employees that raised 200 thousand euros, which the company doubled, bringing the final amount to 400



thousand euros to be allocated to projects for immediately aiding households and communities, such as mutual aid for the most vulnerable segments of the population and home delivery of consumer staples. With Edison per l'Italia, the subsidiary Edison Energia Spa was the first operator at national level to launch a plan to meet the needs of its customers most impacted by the blocking of production activities, such as workers receiving unemployment benefits and independent contractors, making it possible to postpone the payment of power and gas bills to June, pending the progressive restoration of production activities.

### **The EIB alongside Edison for investments in sustainability**

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

### **Merger of EDF EN Italia Spa and EDF EN Services Srl into Edison Renewables Srl (ex EPER)**

In May, the company EDF EN Italia Spa merged into Edison Partecipazioni Energie Rinnovabili Srl (ex EPER), which at that time changed its company name to Edison Renewables Srl; subsequently, on July 1, 2020, EDF EN Services Italia Srl also merged into Edison Renewables Srl. The carrying amounts of the two equity investments, wholly owned by Edison Spa, were added to the value of the equity investments in Edison Renewables Srl, also wholly owned by Edison Spa.

### **Edison: acquisition of 100% of the company MF Energy Srl**

In July, Edison acquired 100% of the company MF Energy Srl at the price of 4.5 million euros.

MF Energy Srl is a company active, *inter alia*, in the design, marketing, promotion, construction, installation and management of electricity production plants, which exploit renewable as well as conventional sources, including solar. The company is sole owner of an authorised project for the installation of a solar-thermal technology plant with total authorised power of 41 MW to be built in the municipality of Aidone (EN) in Sicily, and all of the connected rights.

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

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

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

On October 1, 2020, during Naples Shipping Week, the joint project of Edison and Kuwait Petroleum Italia (Q8) was presented for a Small Scale coastal LNG depot at Darsena Petroli in the Port of Naples. The strategic nature of this investment was confirmed by the recognition of a European loan for its design, thanks to CEF funds for the authorisation engineering. The project, which exploits synergies deriving from the collaboration between two leading energy operators and integration with the plants already present at Darsena Petroli, guarantees industrial solidity to the construction and future management of the infrastructure.

The location of a coastal depot at Darsena Petroli in the Port of Naples will make liquid natural gas easily available as fuel, for both road and sea transport, throughout the Central-Southern Tyrrhenian area and will enable the Port of

Naples to build a hub especially attractive to lower environmental impact ship traffic, stimulating the area's tourism and commercial sectors.

### **Edison and the ENAGAS group join forces for small scale LNG in the Mediterranean**

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

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

On November 17, 2020, Edison announced that the "class H" GT36 high-efficiency gas turbine, called "Monte Bianco", a true example of Italian excellence constructed by Ansaldo Energia, had been completed and that it will leave the Cornigliano plant in the Port of Genoa to be installed in the heart of the new latest generation combined cycle gas plant currently being built in Marghera.

The new turbine will supply the new Marghera Levante combined cycle gas plant, which will be the most efficient thermoelectric plant in Europe and will have total electricity generation capacity of 780 MW and an energy output of 63%, the highest output currently available from these technologies. This translates into a 40% reduction of specific low carbon emissions compared to the average of the current Italian thermoelectric park and a reduction of emissions of nitrogen oxides (NO<sub>x</sub>) by more than 70%. The total investment for the construction of the new thermoelectric power plant is over 300 million euros. The plant will begin operating in 2022.

### **4.04% increase in the equity investment in Frendy Energy**

In December, an additional 4.04% of Frendy Energy was acquired for less than one million euros. Therefore, after that acquisition the stake in Frendy Energy is now 76.97%.

The reference market for the Frendy Group's activities is the production of electricity from renewable sources using small-scale hydroelectric, or "mini-hydroelectric", plants, with a capacity of between 50 KW and 500 KW. The company's geographical sphere of action is concentrated within Italy, primarily in Northern Italy between Lombardy and Piedmont, with a specific focus on the provinces of Novara and Pavia, considering the high concentration of regulated irrigation channels and waterfalls on small and medium-sized bodies of water that have not yet been exploited. Mini-hydro is currently the most evolving segment of the hydroelectric sector in Italy. The main reasons for this evolution are (i) the recent development of technologies capable of exploiting small waterfalls and very low flow rates for the production of electricity, while also maintaining overall system efficiency; (ii) an incentive system which rewards small-scale plants over large-scale ones; (iii) significant still unexploited potential, unlike the situation in "large hydroelectric". Currently, the market of plants under 1 MW represents a growing sector.

### **Edison announces the signing of the agreement for the sale of Edison Norge to Sval Energi**

December 30, 2020 – Edison announced the signing of the agreement with Sval Energi for the sale, through the subsidiary Edison International Spa, of 100% of Edison Norge AS, which controls the Group's hydrocarbon exploration and production activities located in Norway, which were excluded from the scope of the sale of Edison E&P to Energean.

The agreement is determined on the basis of an enterprise value of 300 million USD at January 1, 2020, and the estimated impact on Edison's net financial position to date is significantly higher than that amount. The closing of the transaction is expected within the first half of 2021 and is subject to the necessary approvals for this type of transactions by the Norwegian authorities.

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

January 13, 2021 – Edison signed an agreement with F2i Fondi Italiani per le Infrastrutture, in order to take over 70% of E2i Energie Speciali, a leading company in the wind sector already fully consolidated by Edison that holds the remaining 30%, thus terminating the partnership started in 2014.

At the closing of the transaction, expected to take place in the first quarter of 2021, the total installed renewable production capacity controlled and consolidated by Edison will be more than 1 GW1.

On the same date, Edison signed a second agreement with 2i Rete Gas, a company owned by the investment funds managed by F2i, Ardian and APG, for the sale of 100% of Infrastrutture Distribuzione Gas (IDG), a company entirely owned by Edison.

The closing of this second agreement, which is subject to Antitrust approval, is expected within the first four months of 2021. In the Edison Spa financial statements, the equity investment was classified under "Disposal Groups".

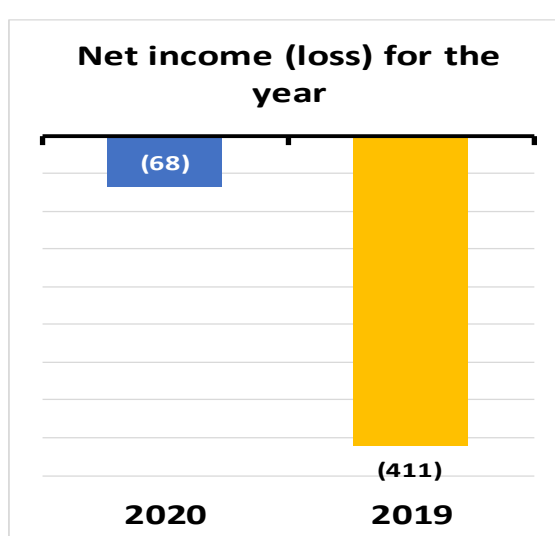
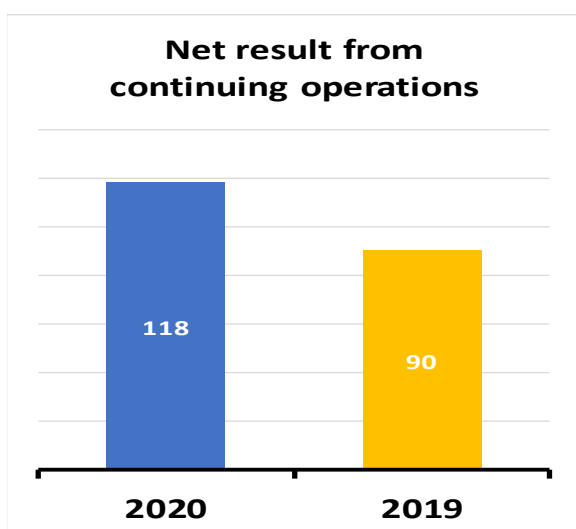
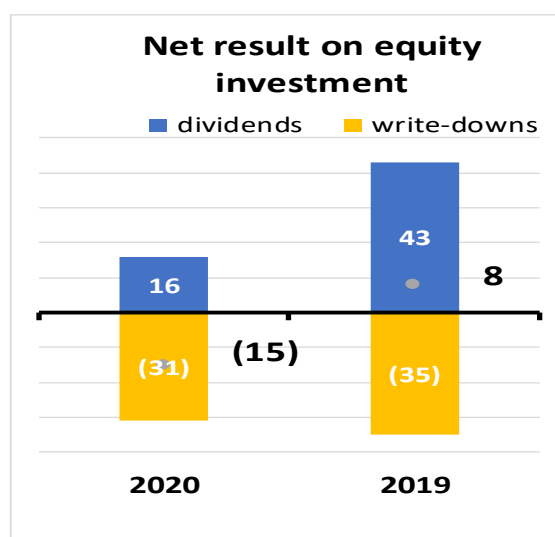
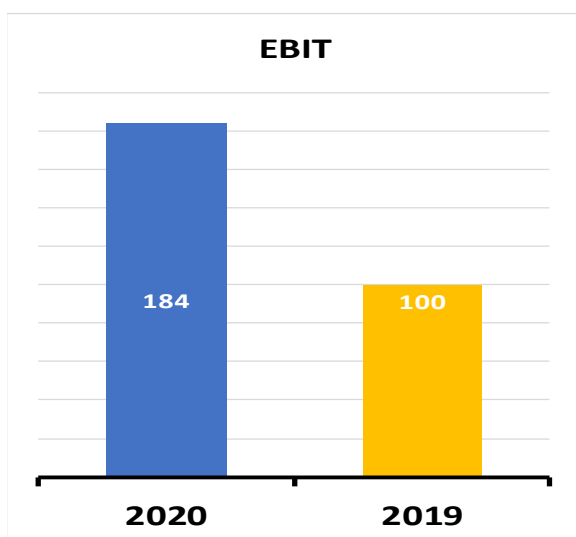
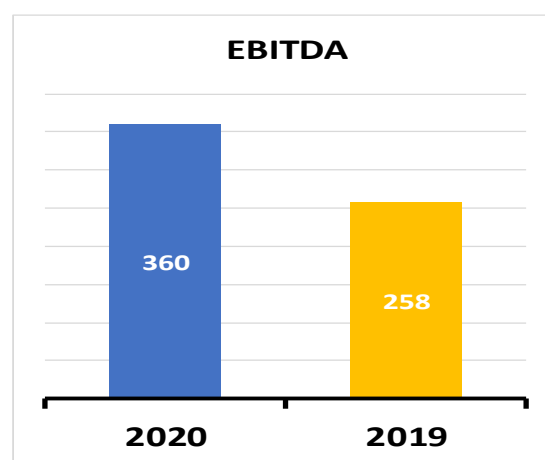
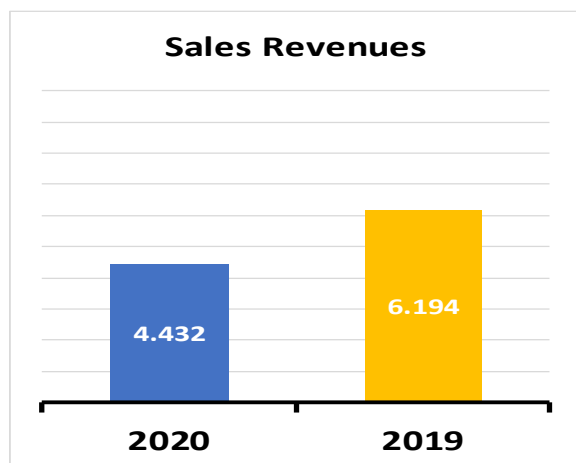
The two agreements signed with F2i and 2i Rete Gas, which overall will translate into an increase in Edison's net financial debt by around 150 million euros, are part of Edison's strategy to develop highly sustainable low-carbon energy from renewable sources, with the aim of bringing renewable generation to 40% of the production mix by 2030 while also divesting from non-core activities.

**Standard & Poor's raises Edison's Outlook to positive from stable. Long-term rating confirmed at BBB-**

On January 22, 2021, Edison announced that the Standard & Poor's rating agency raised the Company's outlook to positive from stable and confirmed the long-term rating at BBB- in light of the significant progress made in terms of risk of your business. Standard & Poor's believes that the divestment from the hydrocarbon exploration and production sector, achieved through the agreement for the sale of the Norwegian activities with Sval Energi and the sale to Energean, resulted in a reduction in the industrial risk profile for Edison .

## 2.3 Economic performance of operations

(in million euros)



### 2.3.1 Sales revenues

**Sales revenues** came in at 4,432 million euros, down -28.4% compared to 2019 (6,194 million euros) and are mainly made in Italy. This change is linked mainly to the decline in sales volumes, also due to COVID-19, which also resulted in a decrease in the average prices of energy commodities.

Please also note the following:

- gas sales were impacted by the decline in volumes sold to wholesalers and end customers;
- electricity sales were impacted by lower sales from production by thermoelectric power plants, also following the unavailability of the Altomonte and Simeri Crichi gas plants in the initial months of the year, in addition to hydroelectric power plant production.

<i>(in millions of euros)</i>	2020 full year	2019 full year	Change	% change
Natural gas	2.451	3.735	(1.284)	(34,4%)
Electric Power Operations	2.102	2.419	(317)	(13,1%)
Steam	34	40	(6)	(15,0%)
Environmental securities	5	8	(3)	(37,5%)
Realised commodity derivatives	(219)	(69)	(150)	n.m.
Other	59	61	(2)	(3,3%)
<b>Total sales revenues</b>	<b>4.432</b>	<b>6.194</b>	<b>(1.762)</b>	<b>(28,4%)</b>

The results achieved from commodity derivatives, to be analysed together with the corresponding item, included in "Costs for commodities and logistics", regard hedges on commodities and foreign exchanges put into place to manage the risk of swings in the cost of natural gas as well as risks related to its sale, consistent with the index formulas and risk factors included therein.

### 2.3.2 Costs for commodities and logistics

<i>(in millions of euros)</i>	2020 full year	2019 full year	Change	% change
- Natural gas	1.910	3.693	(1.783)	(48,3%)
- Realised commodity and foreign exchange derivatives	44	(191)	235	n.m
- Electric power	956	1.176	(220)	(18,7%)
- Carrier services	586	662	(76)	(11,5%)
- Regasification fee	112	113	(1)	(0,9%)
- Environmental securities	117	100	17	17,0%
- Utilities and other materials	13	10	3	30,0%
- Demineralized industrial water	1	1	-	n.m
- Change in inventories	17	57	(40)	n.m
<b>Total commodity and logistic costs</b>	<b>3.756</b>	<b>5.621</b>	<b>(1.865)</b>	<b>(33,2%)</b>

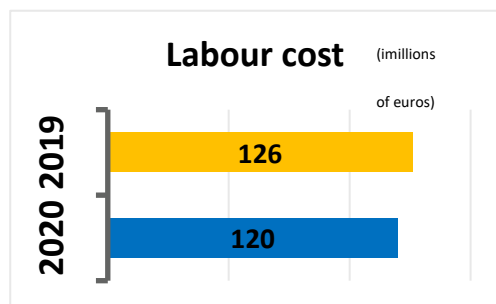
As mentioned in the revenues item, also as regards raw materials used, down -33.2% compared with the previous year, the trend was caused by the reference energy scenario, in relation to purchased volumes as well as average unit costs of the commodities, by impacting the main price formulas indexed to the single national price, Brent or VTP.

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

### 2.3.3 Other costs and external services

<i>(in millions of euros)</i>	2020 full year	2019 full year	Change	% change
- Facilities maintenance	44	53	(9)	(17,0%)
- Professional services	55	52	3	5,8%
- Insurance services	9	9	-	n.m
- Costs for use of third party assets	53	50	3	6,0%
- Others	40	48	(8)	(16,7%)
<b>Total other costs and services used</b>	<b>201</b>	<b>212</b>	<b>(11)</b>	<b>(5,2%)</b>

## 2.3.4 Costs for personnel



Costs for personnel came to 130 million euros, marking an increase from 126 million euros in 2019. This change was caused by the increase in the average headcount in 2020 by 34 compared to the average value in 2019 as well as the change in the cost of labour due to 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 2020	% Change
Managers	114	1	(2)	5	118	118	113	4,4%
Middle managers	383	21	(27)	13	390	389	372	4,6%
Office staff	706	75	(42)	(13)	726	714	699	2,1%
Production staff	139	12	(7)	(5)	139	135	138	(2,2%)
<b>Total</b>	<b>1.342</b>	<b>109</b>	<b>(78)</b>	<b>-</b>	<b>1.373</b>	<b>1.356</b>	<b>1.322</b>	<b>2,6%</b>

## 2.3.5 Other revenues and income and Other charges

(in millions of euros)	2020 full year	2019 full year	Change	% change
Release of provisions for other risks	1	7	(6)	(85,7%)
Insurance and contractual compensation	3	9	(6)	(66,7%)
Revenues for MASA agreement	9	11	(2)	(18,2%)
Recovery of costs, out-of-period income and sundry items	41	46	(5)	(10,9%)
<b>Total other revenues and income</b>	<b>54</b>	<b>73</b>	<b>(19)</b>	<b>(26,0%)</b>

More specifically:

- 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;
- **revenues due to the MASA agreement** relate to remuneration for the joint management of the proprietary trading portfolio with EDF Trading Ltd;
- 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.

(in millions of euros)	2020 full year	2019 full year	Change	% change
- Accruals to provisions for risks	7	14	(7)	(50,0%)
- Indirect taxes and fees	10	10	-	n.m.
- Contingent liabilities and more	18	31	(13)	(41,9%)
<b>Total other charges</b>	<b>35</b>	<b>55</b>	<b>(20)</b>	<b>(36,4%)</b>

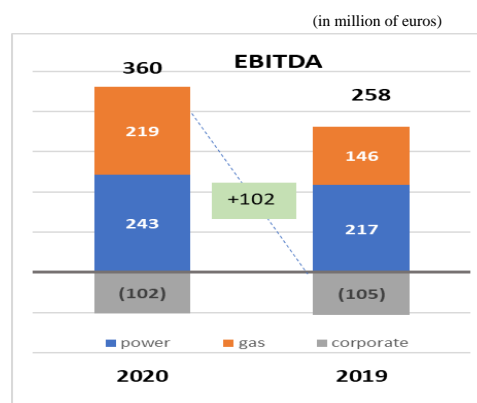
More specifically:

- **allocations to the sundry provisions for risks** refer in particular to environmental and tax risks;
- **indirect taxes and fees** include IMU costs of 9 million euros.

### 2.3.5 EBITDA

Based on the results reported previously, **EBITDA** was positive at 360 million euros, significantly higher than in 2019 (+102 million euros) although the effects of the COVID-19 pandemic resulted in a drop in electricity and gas consumption by industrial and SME customers, and specifically due to the effect of the entry into force of measures to limit infection and the resulting lockdown; with the subsequent easing of those measures, there was a gradual recovery in volumes withdrawn by customers. The decline in volumes also considerably drove down market prices.

In detail, as regards the individual sectors, note the following:

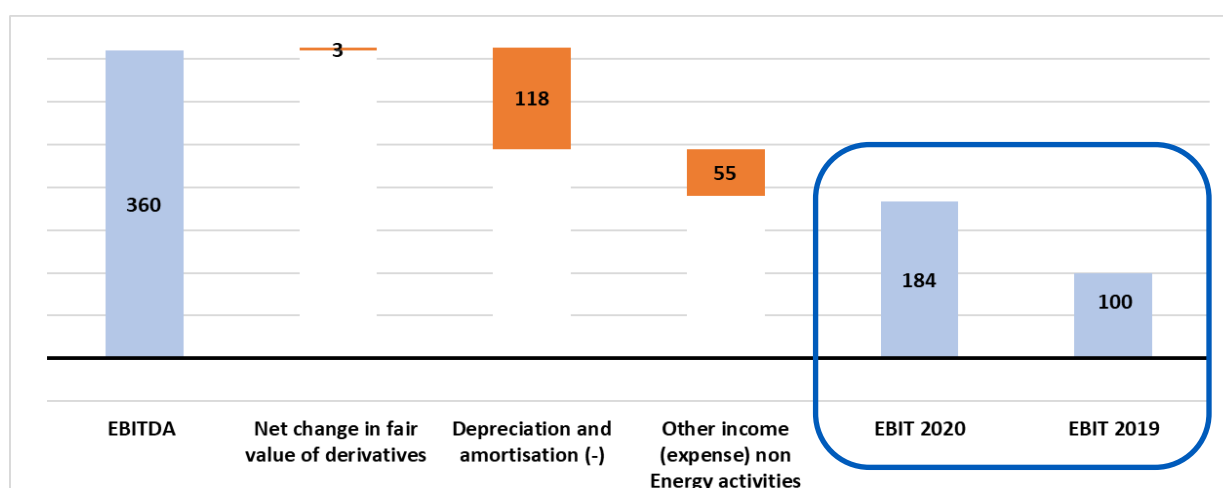


- in the **Gas segment**, EBITDA was a positive 219 million euros, up compared to 2019 primarily due to source optimisation and gas pipe contract flexibility, which more than offset the decrease in consumption triggered by the lockdown and mild weather conditions;
- in the **Power segment**, EBITDA was a positive 243 million euros, up compared to 2019 primarily due to the positive results achieved in the dispatch service market, as well as positive renewable sector performance, which more than offset the shutdown of two thermoelectric power plants in the initial months of the year;
- in the **Corporate segment**, which incorporates central and cross-company management activities, i.e. not directly connected to specific business, EBITDA was a negative 102 million euros in 2020 (negative 105 million euros in 2019).

For the sake of comprehensiveness, for a more significant representation of the operating EBITDA of the individual segments<sup>1</sup>, 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.

### 2.3.6 EBIT

(in million euros)



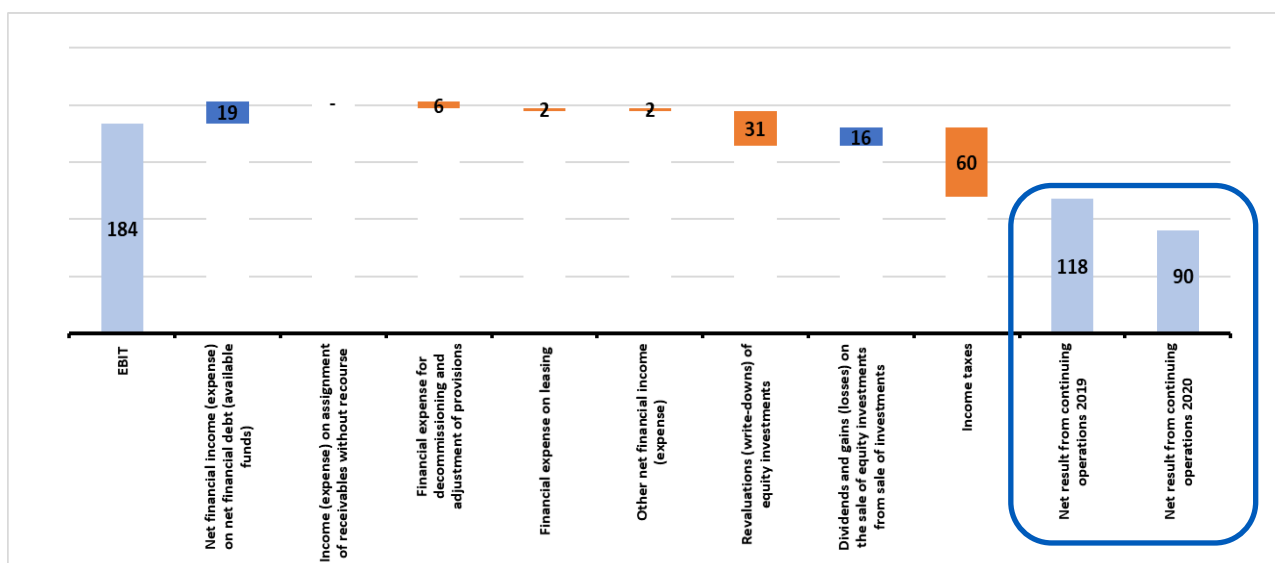
**EBIT** was a positive 184 million euros (100 million euros in 2019) and includes, for:

<sup>1</sup> The "Operating" EBITDA of the individual segments is not verified by the Independent Auditors.

- 3 million euros, the negative impact connected with the **net change in fair value of derivatives on commodities and foreign exchange rates** (positive for 5 million euros in 2019) (for more information, see chapter 4. “Market risk management”);
- 118 million euros for **depreciation and amortisation** (123 million euros in 2019) (for more information, see chapter 5. “Invested capital and provisions”);
- 55 million euros for **other net non-energy expenses** (other net expenses in 2019 came to 40 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 10 million euros for legal expenses.

### 2.3.7 Profit (Loss) from continuing operations

(in million euros)



In detail, the main items refer to:

- roughly 19 million euros for **net financial income** relating to the financial position (15 million euros net in 2019), of which 23 million euros in financial income from subsidiaries and affiliated companies (21 million euros in 2019) (for more information, see chapter 7);
- roughly 6 million euros (7 million euros in 2019) 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** (unchanged compared to 2019) as a result of the adoption of the IFRS 16 accounting standard;
- around 2 million euros for **other net financial expense** (1 million euros in other net financial income in 2019), inclusive in particular for 3 million euros of bank charges net of financial income of 2 million euros for receivables from the tax authorities, as well as net exchange losses of 3 million euros (2 million euros in net gains in 2018); the item Profits (losses) on foreign exchange reflects, among other things, the effects on loans denominated in foreign currencies caused by the fluctuations suffered with respect to 31 December 2019 by some currencies, in particular the Norwegian krone and the British pound;

(in millions of euros)	2020 full year	2019 full year	Changes
Other financial income (expense)	1	(1)	2
Exchange gains/(losses)			
Foreign exchange translation gains:	35	28	7
- amount with EDF	11	16	(5)
- amount with others	24	12	12
Foreign exchange translation losses:	(38)	(26)	(12)
- amount with EDF	(18)	(9)	(9)
- amount with others	(20)	(17)	(3)
Total exchange gains/(losses)	(3)	2	(5)
Total other net financial income/(expense)	(2)	1	(3)



- about 31 million euros in **net write-downs of equity investments** (35 million euros in 2019), 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);
- 16 million euros for **dividends from investee companies** and **gains from the sale of equity investments** (43 million euros in 2019) (for more information, see chapter 5);
- **income taxes** of 60 million euros (25 million euros in 2019) include primarily 34 million euros for corporate income taxes (IRES) and 5 million euros for regional business taxes (IRAP), net of less than 1 million euros in income that the National Consolidated Tax Return, filed by Transalpina di Energia Spa, recognised to the company.  
They also include net deferred/prepaid taxes, which had a negative balance of 26 million euros. The main reasons for this balance are the use 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 (for more information, see chapter 8).

### 2.3.8 Net income (loss) for the year

Edison Spa's **net result for 2020** was negative for 68 million euros, 411 million euros in 2019

This result also includes a net loss of 186 million euros from discontinued operations, as discussed earlier in paragraph "1.4 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

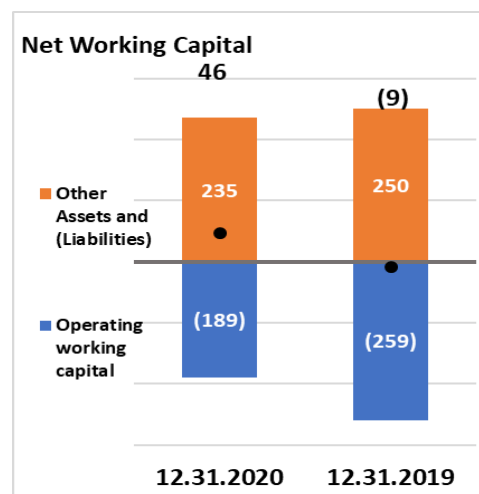
The credit risk represents Edison Spa's exposure to potential losses that could be incurred if a commercial or financial counterpart fails to meet its obligations.

To control this risk, Edison Spa has implemented procedures and programs designed to evaluate customer credit worthiness and optimised collection strategies for the various customer segments.

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, 2020, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment and/or significant concentrations with individual non-institutional counterparties.

(in million euros)



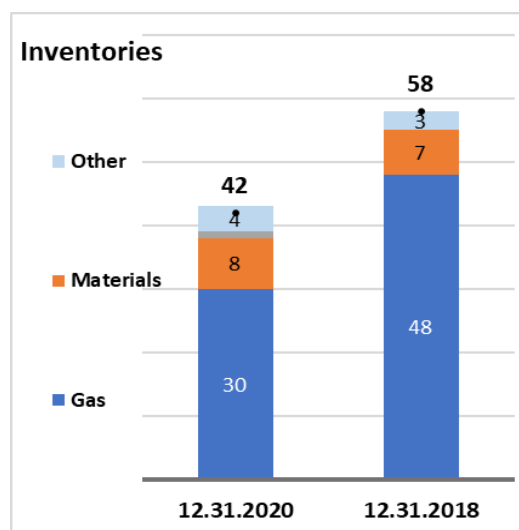
#### 3.2 Operating Working Capital

(in millions of euros)	12/31/2020	12/31/2019	Changes
Inventories (+)	42	58	(16)
Trade receivables (+)	552	621	(69)
Trade payables (-)	(783)	(938)	155
<b>Operating Working Capital</b>	<b>(189)</b>	<b>(259)</b>	<b>70</b>

##### 3.2.1 Inventories

They amount to 42 million euros and are aligned when necessary with their estimated realisable value. They consist of gas inventories for 30 million euros (down compared to 48 million euros at December 31, 2019, due to the volume as well as price effect) and materials and equipment used for the maintenance and operation of operating plants for 8 million euros (basically unchanged compared to December 31, 2019).

Inventories also include 5 million euros (3 million euros at the end of 2019) in quantities of stored natural gas subject to restricted use, both as a strategic reserve and as a guarantee of the balancing margin.



### 3.2.2 Trade receivables

<i>(in millions of euros)</i>	12.31.2020	12.31.2019	Changes
<b>Total trade receivables</b>	<b>552</b>	<b>621</b>	<b>(69)</b>
<i>Broken down as follows:</i>			
- amount owed to outsiders	296	327	(31)
- amount owed to subsidiaries and affiliated companies	256	294	(38)
<b>of which allowance for doubtful accounts</b>	<b>(24)</b>	<b>(24)</b>	-
<b>Guarantees to cover outstanding loans</b>	<b>1</b>	<b>4</b>	<b>(3)</b>
<b>Overdue receivables</b>			
<b>Within 6 months</b>	<b>4</b>	<b>1</b>	<b>3</b>
<b>1 to 12 months</b>	<b>1</b>	-	<b>1</b>
<b>Over 12 months</b>	<b>22</b>	<b>27</b>	<b>(5)</b>

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 sold and average sale prices, and in any event should be observed in relation to the similar item of trade payables.

**Receivables from subsidiaries and affiliated companies** relate almost entirely 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 2020 for a total value of 300 million euros (480 million euros as at December 31, 2019). The costs related to managing these activities are recorded under financial items and amount far less than 1 million euros.

There were no receivables exposed to the risk of recourse at December 31, 2020.

The **provision for doubtful accounts** totalled 24 million euros, unchanged compared with December 31, 2019. The table below shows the changes occurred during the year 2020:

<i>(in millions of euros)</i>	Values as at 12.31.2019	Provisions	Utilizations	Values as at 12.31.2020
<b>Total</b>	<b>24</b>	<b>3</b>	<b>(3)</b>	<b>24</b>

**Additions to the allowance** reflect the result of an assessment, performed consistent with the Edison Group's policy, of the different status of receivables, taking into account each customer segment, the corresponding past-due receivables, the ageing and the methodology requested by accounting standard IFRS 9 (so-called expected credit losses model); **utilizations** were mainly recognised for receivables deemed uncollectible during the year.

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

### 3.2.3 Trade payables

<i>(in millions of euros)</i>	12/31/2020	12/31/2019	Changes
<b>Total trade payables</b>	<b>783</b>	<b>938</b>	<b>(155)</b>
<i>Broken down as follows:</i>			
- amount owed to outsiders	761	901	(140)
- amount owed to subsidiaries and affiliated companies	22	37	(15)
<b>Total</b>	<b>783</b>	<b>938</b>	<b>(155)</b>

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 in particular to lower volumes of electricity and gas purchased on the wholesale market and based on long-term gas contracts.

### 3.3 Other assets and liabilities

<i>(in millions of euros)</i>	12/31/2020	12/31/2019	Changes
VAT receivable from the tax administration	3	4	(1)
Guarantee deposits	18	15	3
Receivables for take or pay advances	16	-	16
Receivables for other taxes	21	21	-
<b>Total other non-current assets (A)</b>	<b>58</b>	<b>40</b>	<b>18</b>
Provision of technical, admin. and financial services to Group companies	22	26	(4)
VAT receivable from the tax administration	167	170	(3)
Customer advances	13	47	(34)
VAT pool receivables	7	7	-
Other	55	41	14
<b>Total other current assets (B)</b>	<b>264</b>	<b>291</b>	<b>(27)</b>
<b><i>of which allowance for doubtful accounts</i></b>	<b>(6)</b>	<b>(5)</b>	<b>(1)</b>
Employees	25	21	4
Social security and welfare institutions	18	16	2
Other taxes payable	4	4	-
VAT payables in pool	1	4	(3)
Other	39	35	4
<b>Total other current liabilities (C)</b>	<b>87</b>	<b>80</b>	<b>7</b>
<b>Total other assets/liabilities (A+B-C)</b>	<b>235</b>	<b>251</b>	<b>(16)</b>
<i>Of which to subsidiaries and associated companies:</i>			
- Other current assets	29	34	(5)
- Other current liabilities	2	6	(4)

#### Other non-current assets

The item receivables for take-or-pay advances refers to advances paid as part of long-term natural gas acquisition contracts, relating to volumes not withdrawn for which Edison Spa has a payment obligation as a result of the activation of take-or-pay clauses. For these volumes, recoverability is envisaged over the residual duration of the contracts.

#### Other current assets

With reference to VAT receivables from the tax authorities (in 2019 recognised under other current assets), in the course of May a request was submitted for a partial reimbursement of receivables accrued in 2019 in the amount of 150 million euros. In December, a spot transfer was made to a factoring company of the 2019 VAT receivable (transfer without recourse pursuant to IFRS 9), with the collection of 151 million euros, inclusive of interest accrued.

## 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, 2020 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<sup>2</sup>) 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, 2020 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

---

<sup>2</sup>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 sufficient 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 2023.

For all derivative contracts in place as at December 31, 2020, 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 2021, compared with the fair value determined at December 31, 2020.

<b>Value at Risk (VaR)</b> (in million euros)	<b>12/31/2020</b>	<b>12/31/2019</b>
Maximum expected variance in the fair value (*)	551.6	586.9

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

The reduction in the maximum change in fair value compared to December 31, 2019 is primarily connected to the decrease in volatility and 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, 2020, the probability of a negative variance greater than 552 million euros by the end of 2021 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 552 million euros to 307 million euros. Of this value:

- roughly 50 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 257 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:

<b>Industrial Portfolio Economic capital absorption</b>	<b>2020 financial year</b>		<b>2019 financial year</b>	
	<b>without derivatives</b>	<b>with derivatives</b>	<b>without derivatives</b>	<b>with derivatives</b>
Average absorption of the approved economic capital limit	314%	34%	223%	54%
Maximum absorption	450% - Sep. '20	66% - Jan. '20	282% - Dec. '19	70% - Oct. '19

During 2020, 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.

#### 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, 2020, this level includes one category of instruments, 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, 2020

### 4.3.1 Effects of Hedging Derivative Transactions on the Income Statement at December 31, 2020

(in millions of euros)	12.31.2020			12.31.2019		
	Realized	Fair value change for the year	Values recorded in the income statement as at 12.31.2020	Realized	Fair value change for the year	Values recorded in the income statement as at 12.31.2019
	(A)	(B)	(A+B)	(C)	(D)	(C+D)
<b>Result from price risk and exchange risk hedges for commodities of which:</b>						
<b>Total definables as hedges pursuant to IFRS 9 (CFH) (*)</b>	<b>(201)</b>	<b>(14)</b>	<b>(215)</b>	<b>112</b>	<b>2</b>	<b>114</b>
Price risk hedges for energy products	(203)	(14)	(217)	64	2	66
Exchange risk hedges for commodities	2	-	2	48	-	48
<b>Total definables as hedges pursuant to IFRS 9 (FVH)</b>	<b>(65)</b>	<b>11</b>	<b>(54)</b>	<b>17</b>	<b>(2)</b>	<b>15</b>
Price risk hedges for energy products	(100)	14	(86)	(33)	230	197
Exchange risk hedges for commodities	35	(89)	(54)	50	2	52
Fair value physical contracts	-	86	86	-	(234)	(234)
<b>Total not definables as hedges pursuant to IFRS 9</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>(7)</b>	<b>4</b>	<b>(3)</b>
Price risk hedges for energy products	5	(3)	2	7	(3)	4
Exchange risk hedges for commodities	(3)	3	-	(14)	7	(7)
<b>Total price risk and exchange risk hedges for commodities (A)</b>	<b>(264)</b>	<b>(3)</b>	<b>(267)</b>	<b>122</b>	<b>4</b>	<b>126</b>
<b>Margin on trading activities of which:</b>						
Margin on physical trading activities	-	-	-	-	-	-
Margin on financial trading activities	-	-	-	-	-	-
<b>Total margin on trading activities (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL INCLUDED IN EBIT (A+B)</b>	<b>(264)</b>	<b>(3)</b>	<b>(267)</b>	<b>122</b>	<b>4</b>	<b>126</b>
<b>Result from exchange rate hedges:</b>						
Definables as hedges pursuant to IFRS 9 (CFH)	(6)	-	(6)	8	-	8
Not definables as hedges pursuant to IFRS 9	-	-	-	-	(1)	(1)
<b>Total exchange rate hedges (C)</b>	<b>(6)</b>	<b>-</b>	<b>(6)</b>	<b>8</b>	<b>(1)</b>	<b>7</b>
<b>TOTAL INCLUDED IN THE OTHER NET FINANCIAL INCOME (EXPENSE) (C)</b>	<b>(6)</b>	<b>-</b>	<b>(6)</b>	<b>8</b>	<b>(1)</b>	<b>7</b>

(\*) 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 9 million euros in 2020).

### 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 2020 and 2019, negative for 3 million euros and positive for 4 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
<b>2020</b>				
Hedges of price risk on energy products	(14)	14	(3)	(3)
Hedges of foreign exchange risk on commodities	-	(89)	3	(86)
Change in fair value in physical contracts (FVH)	-	86	-	86
<b>Total 2020 financial year</b>	<b>(14)</b>	<b>11</b>	<b>-</b>	<b>(3)</b>
<b>2019</b>				
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)
<b>Total 2019 financial year</b>	<b>2</b>	<b>(2)</b>	<b>4</b>	<b>4</b>

(\*) Refers to the ineffective part



### 4.3.2 Effects of Hedging Derivative Transactions on the Balance Sheet at December 31, 2020

The table below provides details of the Fair value recorded in Balance Sheet and classification by IFRS 13. As at December 31, 2020, net receivables are recognised referring to transactions in derivatives measured at fair value equal to 28 million euros, in large part carried out with EDF Trading Ltd.

(in millions of euros)	12.31.2020			12.31.2019		
	Receivables	Payables	Net	Receivables	Payables	Net
- Current financial assets / Current financial debt	-	-	-	-	-	-
- Other assets / liabilities (current portion)	428	(413)	15	697	(731)	(34)
- Other assets / liabilities (non current portion)	201	(188)	13	100	(93)	7
<b>Fair Value recognised as assets or liabilities (a)</b>	<b>629</b>	<b>(601)</b>	<b>28</b>	<b>797</b>	<b>(824)</b>	<b>(27)</b>
<i>of which of (a) related to:</i>						
- Interest rate risk management	-	-	-	-	-	-
- Exchange rate risk management	-	(85)	(85)	57	(14)	43
- Commodity risk management	406	(282)	124	478	(451)	27
- Trading portfolios	-	-	-	-	-	-
- Fair value on physical contracts	223	(234)	(11)	262	(359)	(97)
Broken down on fair value hierarchy:						
- Level 1	59	(3)	56	11	(5)	6
- Level 2	565	(597)	(32)	773	(819)	(46)
- Level 3 (*)	4	-	4	13	-	13
<b>IFRS 7 Potential offsetting (b)</b>	<b>(90)</b>	<b>90</b>		<b>(147)</b>	<b>147</b>	
<b>Potential Net Fair Value (a+b)</b>	<b>539</b>	<b>(511)</b>	<b>28</b>	<b>650</b>	<b>(677)</b>	<b>(27)</b>

(\*) 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 positive cash flow hedge reserve amounting to 41 million euros, before the applicable deferred taxes (negative for 32 million euros at December 31, 2019).

### Instruments Outstanding at December 31, 2020

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, 2020								December 31, 2019			
Fair value hierarchy (***)		Notional amount (*)							Balance sheet value (**)	Notional amount at 12/31/2019 (*)	Balance sheet value (**)		
		due within 1 year	due between 2 and 5 years	due after 5 years	Total								
		Interest rate risk management:											
- to hedge the risk of change in the fair value of the hedged item pursuant to IAS 39 (Fair Value Hedge)	2	-	-	-	-	-	-	-	-	-			
- not definable as hedges pursuant to IAS 39	2	-	-	-	-	-	-	-	-	-			
Total interest rate derivatives		-	-	-	-	-	-	-	-	-			
		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	258	(280)	146	(159)	-	-	404	(439)	(35)	270	-	7
- on financial transactions	2	(38)	38	-	-	-	-	(38)	38	-	(3)	-	(1)
B. Fair Value Hedge pursuant to IFRS 9:													
- on commercial transactions	2	-	-	-	-	-	-	-	-	(50)	-	-	40
C. contracts that do not qualify as hedges in accordance with IFRS 9, to hedge margins:													
- on commercial transactions	2	1	(1)	-	-	-	-	1	(1)	-	(31)	(94)	(3)
- on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
Total exchange rate derivatives		221	(243)	146	(159)	-	-	367	(402)	(85)	236	(94)	43

(\*) 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**

Fair value hierarchy (***)		December 31, 2020					December 31, 2019		
		Notional amount (*)					Balance sheet value (**) (in millions of euros)	Notional amount (*)	Balance sheet value (**) (in millions of euros)
		Unit of measurement	due within 1 year	due within 2 years	due in more than two years	Total			
Price risk hedges for energy products									
A. to hedge cash flows (Cash Flow Hedge) pursuant to IAS 39 of which:							51		(36)
- Electric power	2/3	TWh	(7)	-	-	(7)	4	(9)	13
- Natural gas	2	Millions of therms	(246)	(377)	7	(616)	(36)	354	(66)
- LNG and oil	2	Barrels	8.066.540	4.205.564	-	12.272.104	27	6.997.397	11
- CO2	1	Millions of tonnes	4	1	-	5	56	12	6
B. to cover fair value pursuant to IAS 39 (Fair Value Hedge)							73		59
- Natural gas	2	Millions of therms	307	(891)	(305)	(889)	91	(334)	73
- OIL	2	BBL	7.393.200	9.864.375	2.857.700	20.115.275	(18)	15.315.300	(15)
- Exchange rates	2		-	-	-	-	-	-	-
C. not definable as a hedge pursuant to IAS 39, to cover the margin:							-		4
- Electric power	2	TWh	-	-	-	-	-	-	-
- Natural gas	2	Millions of therms	(2)	(2)	-	(4)	-	39	(0)
- LNG and oil	2	Barrels	(1.800)	-	-	(1.800)	-	203.446	4
- CO2	1	Millions of tonnes	0	-	-	0	-	-	0
- others	3						-	-	-
Totale							124		27

(\*) + 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

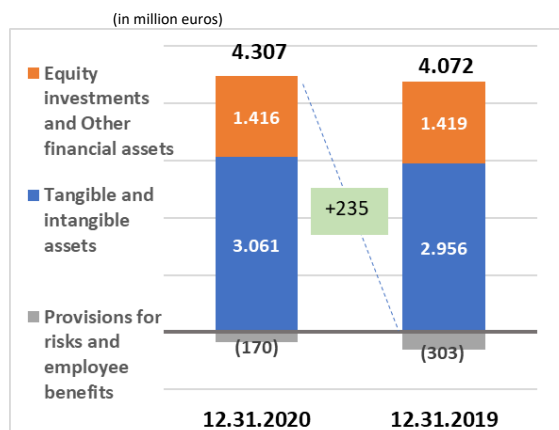
(\*\*\*) For the definitions see the previous paragraph "Fair Value hierarchy according to IFRS 13"

Derivatives classified as "level 3" regard hedges intended to reduce price risk in the Italian electricity market and are classified as cash flow hedges. The valuation is based on models that simulate the functioning of the domestic market on the basis of actual data. The ineffective part had a negative impact of roughly 14 million euros on the income statement (positive impact of 2 million euros in 2019).

## 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 electricity and natural gas business segment from upstream to downstream, and in the energy efficiency services segment.

The non-current assets thus consist of both productive 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.



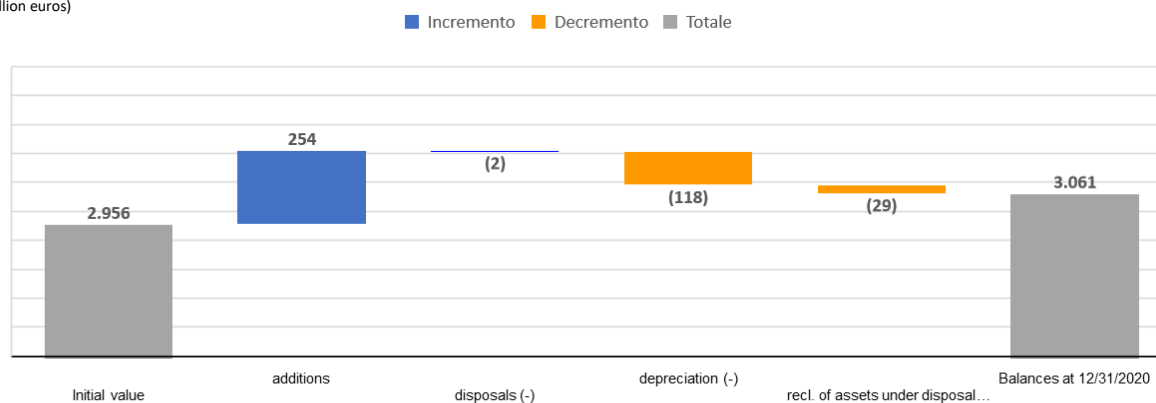
During the year, **invested capital** increased by 235 million euros and non-current financial assets did not change on the whole, however during the year several transactions were concluded, the details of which are provided in note 5.2 below. The decrease in operational provisions is mainly linked for roughly 146 million euros to the use of the valuation of CO<sub>2</sub> emissions quota requirements relating to the year 2019.

### 5.1 Non-current assets

(in millions of euros)	Property, plant and equipment	Intangible Assets	Leased tangible fixed assets IFRS 16	Goodwill	Total
<b>Opening balances at 12/31/2019 (A)</b>	<b>1.216</b>	<b>72</b>	<b>95</b>	<b>1.573</b>	<b>2.956</b>
<b>Changes at December 31, 2020:</b>					
- additions	235	19	-	-	254
- disposals (-)	(2)	-	-	-	(2)
- depreciation (-)	(91)	(16)	(11)	-	(118)
- reclassification to asset held for sale (-)	-	-	-	(29)	(29)
- other changes	1	-	(1)	-	-
<b>Total changes (B)</b>	<b>143</b>	<b>3</b>	<b>(12)</b>	<b>(29)</b>	<b>105</b>
<b>Figures as at 12.31.2020 (A+B)</b>	<b>1.359</b>	<b>75</b>	<b>83</b>	<b>1.544</b>	<b>3.061</b>

### Changes in Tangible and Intangible assets (ME)

(in million euros)



#### Commitments on non-current assets:

There were commitments of 391 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 primarily 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.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Payments on account and assets under construction	Investment property	Total
<i>(in millions of euros)</i>							
<b>Opening balances at 12/31/2019 (A)</b>	<b>218</b>	<b>868</b>	<b>1</b>	<b>1</b>	<b>123</b>	<b>5</b>	<b>1.216</b>
Changes at December 31, 2020:							
- additions	-	29	-	1	205	-	235
- disposals (-)	-	(1)	-	-	-	(1)	(2)
- depreciation (-)	(7)	(83)	-	(1)	-	-	(91)
- other changes	4	23	-	3	(29)	-	1
<b>Total changes (B)</b>	<b>(3)</b>	<b>(32)</b>	<b>-</b>	<b>3</b>	<b>176</b>	<b>(1)</b>	<b>143</b>
<b>Balances at 12/31/2020 (A+B)</b>	<b>215</b>	<b>836</b>	<b>1</b>	<b>4</b>	<b>299</b>	<b>4</b>	<b>1.359</b>
of which:							
- historical cost	427	3.496	8	16	299	6	4.252
- write-downs (-)	(51)	(587)	-	-	-	(1)	(639)
- depreciation (-)	(161)	(2.073)	(7)	(12)	-	(1)	(2.254)
<b>Net value</b>	<b>215</b>	<b>836</b>	<b>1</b>	<b>4</b>	<b>299</b>	<b>4</b>	<b>1.359</b>

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

- **additions** of 235 million euros refer mainly to the new combined-cycle facilities at the Marghera Levante (approximately 100 million euros) and Presenzano (approximately 91 million euros) thermoelectric power plants, work on the Torviscosa plant, particularly to upgrade it with Advanced Gas Path technology (16 million euros) as well as incremental maintenance and minor work on other thermoelectric power plants (around 17 million euros) and several hydroelectric power plants (approximately 8 million euros);
- **depreciation**, amounting to 100 million euros, is aligned with the values of the previous year.

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:

<b>Assets transferable at no cost</b> <i>(in millions of euros)</i>	Buildings and other assets	Plant and machinery	Total
<b>Opening balances at 12/31/2019 (A)</b>	<b>4</b>	<b>33</b>	<b>37</b>
Changes at December 31, 2020:			
- additions	-	2	2
- depreciation (-)	-	(4)	(4)
- other changes	-	3	3
<b>Total changes (B)</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Balances at 12/31/2020 (A+B)</b>	<b>4</b>	<b>34</b>	<b>38</b>
of which:			
- historical cost	7	331	338
- depreciation (-)	(3)	(297)	(300)
<b>Net value</b>	<b>4</b>	<b>34</b>	<b>38</b>

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

In accordance with IAS 23 revised, note that during the period less than 2 million euros in financial expense was capitalised in property, plant and equipment.

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

	Numero	Vita residua	
		da	a
Concessioni idroelettriche	37	3	28

**Intangible assets** include:

- 31 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 (4 years remaining), in connection with the renewable energy hub;
- 18 million euros for software licenses and network applications;
- 10 million euros for work in progress;
- 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;
- 3 million euros for the coastal State concession in Oristano.

<i>(in millions of euros)</i>	<b>Other intangible assets</b>
<b>Opening balances at December 31, 2019 (A)</b>	<b>72</b>
Changes at December 31, 2020:	
- additions	19
- disposals (-)	-
- depreciation (-)	(16)
<b>Total changes (B)</b>	<b>3</b>
<b>Amounts at December 31, 2020 (A+B)</b>	<b>75</b>
of which:	
- historical cost	198
- depreciation (-)	(122)
- write-downs (-)	(1)
<b>Net value</b>	<b>75</b>

Additions to intangible assets during the period mainly include:

- the capitalisation of expenses for the implementation and updating of network applications for approximately 13 million euros;
- the release of the State concession to construct a wharf for mooring ships that will supply the LNG coastal depot planned at the Oristano Port, as part of the Small Scale LNG project, for around 3 million euros.

### 5.1.2 Leased tangible fixed assets IFRS 16

<i>(in millions of euros)</i>	Land and buildings	Other assets	<b>Total</b>
<b>Opening balances at 12/31/2019 (A)</b>	<b>94</b>	<b>1</b>	<b>95</b>
Changes at Dicembre 31, 2020:			
- depreciation (-)	(10)	(1)	(11)
- other changes	(3)	2	(1)
<b>Total changes (B)</b>	<b>(13)</b>	<b>1</b>	<b>(12)</b>
<b>Balances at 12/31/2020 (A+B)</b>	<b>81</b>	<b>2</b>	<b>83</b>

The value mainly refers to the leased properties of the Foro Buonaparte headquarters in Milan.

### 5.1.3 Goodwill

The value is 1,544 million euros, and the reduction can be attributed to the allocation, performed pursuant to IAS 36, par. 86, of the share referring to the Infrastrutture Distribuzione Gas Spa equity investment (around 29 million euros), now treated as a Disposal Group (see paragraph 1.4 "Information relating to the application of IFRS 5" 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, while writedowns totaling 41 million euros were recognized, mainly referred to the subsidiary Fenice Spa, parent company of Edison's energy services division.

The impairment test results and sensitivities are shown below; the methodology is thoroughly reviewed in the chapter 11 Criteria and methods.

In 2020 the trend of the scenario variables has been strongly influenced by the COVID-19 pandemic which generated a contraction in the global demand with repercussions on all the energy commodities prices.

During the first semester there has been a strong reduction in the energy commodity prices (Brent, TTF, PUN) which at the end of the 2020 showed recovery signals; however still remain uncertainty about expected values and, in general, the projections are on a level below compared to the ones available at the end of 2019.

The lockdown period following the spread of COVID-19 brought a general reduction of natural gas and electric power consumption in Italy, for which is expected a partial recovery in 2021.

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

- in general, and compared to the previous year, the 2020 impairment test's reference scenario considers a decrease of energy commodity prices.
- In developing the reference scenario for the Italian electricity market, in continuity with previous year's test, were taken into account the results of the capacity market tenders held in November 2019 referring:
  - for existing generation capacity: to years 2022 and 2023;
  - for new generation capacity that will be available from new investments: to 15 years from the start of production.

Edison Group participated to tenders both with existing generation capacity and with capacity that will be available from completion of new investments. In the test it was included the contribution of two new thermoelectric power plants whose construction is currently ongoing and that will begin to produce starting from the end of 2022, whereas for the existing plants it has been supposed the extension of the incentives based on prudential tariffs compared to those resulting from previous tenders.

- The average WACC used in the 2020 impairment test are lightly higher than the one used in the previous year because of the market dynamics due to the spread of COVID-19. The Central Banks' interventions have strongly limited the crisis impact and at the end of the year the rates have settled on a similar level compared to last year. Given the future uncertainty, for the development of the test have been taken as a reference risk-free rates in line with those observed at December 2019 and June 2020 before the significant drop of interest rates noticed in the second semester of 2020.

	WACC	WACC
	12.31.2020	12.31.2019
Electric power Operations	5,60%	5,20%
Hydrocarbon Operations	7,10%	7,00%

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

To support the analyses resulting from the test, sensitivity analyses were also performed to highlight the impact on the assets' and goodwill's recoverable values of changes in specific assumptions. In particular was analyzed the hypothetical impact of the non-renewal of the capacity premium mechanism at the end of the periods already assigned to Edison (2024 for the existing plants and after 15 years for the plants in construction). The sensitivity was performed being equal the other scenario variables.

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

Besides the reference recoverable amount, the simulation allows to quantify the possible deviations from the reference value related to the oscillations of input variables and to the statistical probability of those changes. Considering a reasonable range, the Group's recoverable value may have a relative change nevertheless marginal (in the range of +/-230 million euros) and without impact on total writedowns.

## 5.2 Equity investments and other non-current financial assets

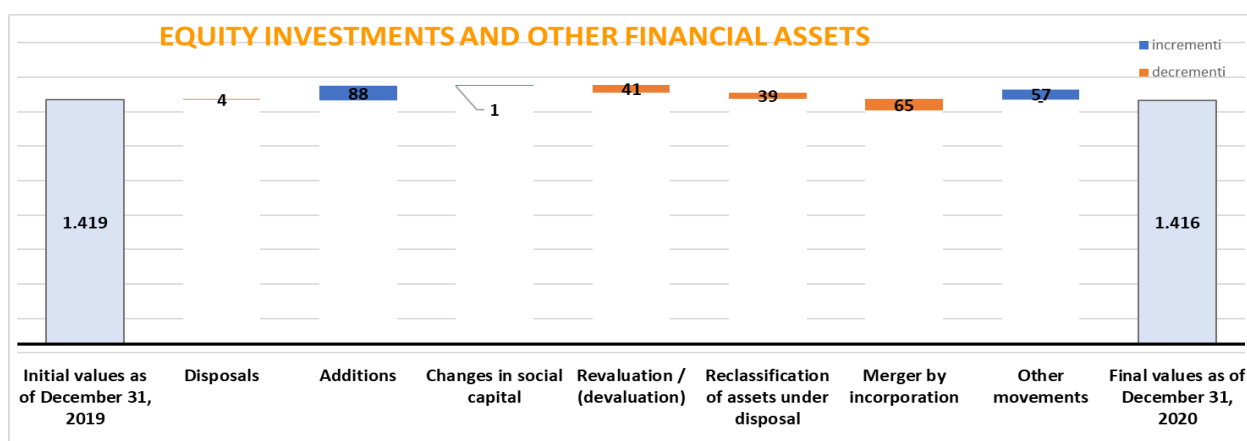
	Equity investments	Investments at fair value through profit and loss	Other non-current financial assets	Total
<i>(in millions of euros)</i>				
<b>Opening balances at 12.31.2019 (A)</b>	<b>1.412</b>	<b>1</b>	<b>6</b>	<b>1.419</b>
Changes at December 31, 2020:				
- disposals (-)	(4)	-	-	(4)
- additions	77	-	11	88
- rev. (+) / write-down (-) on income statement	(41)	-	-	(41)
- reclassification of assets held for sale	(39)	-	-	(39)
- merger by incorporation	(118)	-	53	(65)
- other changes (-)	58	-	-	58
<b>Total changes (B)</b>	<b>(67)</b>	<b>-</b>	<b>64</b>	<b>(3)</b>
<b>Figures as at 12.31.2020 (A+B)</b>	<b>1.345</b>	<b>1</b>	<b>70</b>	<b>1.416</b>
of which:				
- historical cost	1.680	6	70	1.756
- depreciation (-)	(335)	(5)	-	(340)
<b>Net value</b>	<b>1.345</b>	<b>1</b>	<b>70</b>	<b>1.416</b>

Total equity investments and other non-current financial assets amount to 1,416 million euros and break down as follows:

- **equity investments** of which 1,254 million euros in subsidiaries and 90 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 non-current financial assets**, equal to 70 million euros, refer for the most part to receivables from companies not subject to the control of Edison Spa (affiliated companies) plus the investment in the FPCI Eleanova - Idinvest Smart City Venture Fund, which concentrates on unlisted companies experiencing rapid growth (from the initial phase to the advanced phase) in the Energies & Cities sector, primarily at EU level. The value of the investment is measured at fair value (not directly observable in the market) and any changes in value booked to the income statement for the period. As at December 31, 2020, this value was aligned with 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, 2020" annexed to these separate financial statements.

(in million euros)



The main changes in 2020 are reviewed below:

- **disposals**, in October 2020 Edison, holder of a minority stake in Depositi Italiani GNL (DIG), sold 19% (corresponding to a book value of approximately 4 million euros) to Scale Gas Solutions at the price approximately 7 million euros including a share premium. This operation generated a capital gain in the income statement of 3 million euros;

- **additions** refer primarily for:
  - 71 million euros to the acquisition of 100% of Edison International Spa, following the disposal of Edison E&P (see paragraph 1.4 “Information relating to the application of IFRS 5”); a company which in turn works, through subsidiaries, in the Exploration & Production business that was outside the scope of the disposal;
  - roughly 5 million euros to the acquisition of 100% of MF Energy (see comments on “Key events”);
- **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;
- the **reclassification to assets held for sale** refers to the company Infrastruttura Distribuzione Gas (see paragraph 1.4 “Information relating to the application of IFRS 5”);
- the **merger by incorporation** includes the effect of the merger of the company Edison International Holding NV (see notes in paragraph 1.5);
- the **other changes** include the companies Elpedison and IGI Poseidon deriving from the merger of the company Edison International Holding NV (see notes in paragraph 1.5).

### Provisions for risks for impairment of equity investments

(in millions of euros)	12/31/2019	Provisions	Utilizations	Other changes	12/31/2020
- Elpedison	-	-	(10)	22	12
<b>Total provision for write-downs of equity investments</b>	-	-	(10)	22	12

The provision results from the merger by incorporation of Edison International Holding (see paragraph 1.5), and was established to cover future losses of the investee Elpedison.

The investee's business plan used for impairment testing for the year showed positive cash flows, therefore meeting the prerequisites for a recovery of the loss in value, which was prudently carried out due to the profit achieved in 2020. However, the decision was made to retain the residual part of the provision, considering the uncertainties linked to developments in the COVID-19 pandemic.

The partial reversal to income for the year is offset in “total income from equity investments” in the income statement.

### 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 or revaluations of equity investments 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 (expense) from equity investments**

(in millions of euros)	2020 full year	2019 full year	Changes
<b>Total dividends</b>	<b>9</b>	<b>43</b>	<b>(34)</b>
<b>Reversal of write-down of equity investments</b>	<b>10</b>	<b>-</b>	<b>10</b>
<b>Capital gain on disposal of equity investments</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>Total income from equity investments</b>	<b>25</b>	<b>43</b>	<b>(18)</b>
<b>Write-down of equity investments</b>	<b>(41)</b>	<b>(35)</b>	<b>(6)</b>
<b>Total expense on equity investments</b>	<b>(41)</b>	<b>(35)</b>	<b>(6)</b>
<b>Income from (Expense on) equity investments, net</b>	<b>(16)</b>	<b>8</b>	<b>(24)</b>

The **reversal of the write-down on equity investments** refers to the partial reversal to income of the provision for impairment recognised in the liabilities, referring to the affiliated company Elpedison, commented on above.

The **capital gain on the disposal of equity investments** basically includes that relating to the sale of 19% of Depositi Italiani Gas.

**Write-downs** for the year, amounting to 41 million euros, essentially refer to the subsidiary Fenice Spa, the parent company of Edison's energy services division, and derive primarily from the results of the impairment test performed on the equity investment. The write-down can be attributed primarily to the Public Administration sector following the recognition of expected costs on a contract for the management of public buildings and, to a lesser extent, the slowdown in industrial and environmental service activities caused by the lockdown.

**5.3 Operational Provisions**

(in millions of euros)	12/31/2019	Financial expense	Provisions	Utilizations	Other changes	12/31/2020
- Employee benefits	15	-	-	(1)	-	14
- Provisions for decommissioning and remediation of industrial	65	2	-	(1)	-	66
- Provisions for other risks and charges	223	1	7	(7)	(146)	78
- Provision for write-downs of equity investments (*)	-	-	-	(10)	22	12
<b>Total provisions for operational risks</b>	<b>303</b>	<b>3</b>	<b>7</b>	<b>(19)</b>	<b>(124)</b>	<b>170</b>

(\*) for further information see chapter 5.2

**5.3.1 Employee benefits**

The value of 14 million euros (15 million euros at December 31, 2019), 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, unchanged compared to December 31, 2019 (see shareholders' equity table).

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:

	12.31.2020	12.31.2019
- Technical annual discounting rate	1,20%	1,30%
- Annual inflation rate	0,40%	0,90%
- Global salary annual increase rate	2,00%	2,00%
- Estimated annual increase in employee severance indemnities	1,80%	2,18%

**5.3.2 Provisions for decommissioning and remediation of industrial sites**

These include, for 66 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, as well as 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. Specifically, in the column **other changes**, the decrease of 146 million euros is linked to the use of the valuation of CO<sub>2</sub> emissions quota requirements relating to the year 2019 (settled at the end of March).

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.

However, it is necessary to note that the 2019 Budget Law (art. 1, paragraph 87 letter a) of Law 205/2018) established the interpretative nature, and therefore, effective also for the past, of art. 20 of the registration law as amended by the 2018 Budget Law, which limits the possibility of requalifying acts subject to registration, removing the legitimacy of the non-compliant payment notices issued. The legitimacy of the reformulation of art. 20 and its interpretative nature was confirmed by a 2020 ruling of the Constitutional Court.

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

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

#### **Disputed municipal property taxes (ICI and IMU) and assessed property values of hydroelectric and thermoelectric power plants**

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

## **5.4 Contingent assets and liabilities**

### **Contingent assets**

Benefit not 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 was also concerned by the regulatory amendments cited in relation to the dispute for registration tax relating to the Taranto plants, and the confirmation of the legitimacy of the current art. 20 of the registration law and its interpretative nature following the ruling of the Constitutional Court. This dispute, pending before the Court of Cassation following the Regional Commission's decision that was unfavourable to the company, also after several postponements, was discussed before the Supreme Court in December 2020 and a decision is currently pending. The tax had already been paid in full while the judgment was pending.

### **Contingent liabilities**

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.

There were no contingent liabilities as at December 31, 2020.

## 6. SHAREHOLDERS' EQUITY

Edison Spa's **shareholders' equity** is 4,764 million euros, down by 12 million euros compared to 4,776 million euros recorded at December 31, 2019. The breakdown of shareholders' equity at December 31, 2020 is shown in the table below compared with that of December 31, 2019:

Patrimonio netto (in milioni di euro)				31.12.2020	31.12.2019			
	N. azioni	Unit. Euro V.n.	% sul Capitale		N. azioni	Unit. Euro V.n.	% sul Capitale	
<b>Capitale sociale di cui:</b>								
Azioni Ordinarie	5.267.390.650	1,00	97,96%	5.267	5.267.224.718	1,00	97,96%	5.267
Azioni di risparmio non convertibili	109.610.021	1,00	2,04%	110	109.775.953	1,00	2,04%	110
<b>Totale capitale sociale</b>	<b>5.377.000.671</b>		<b>100,00%</b>	<b>5.377</b>	<b>5.377.000.671</b>		<b>100,00%</b>	<b>5.377</b>
Riserva legale				3				3
Riserva Cash Flow Hedge				30				(23)
Riserva per utili (perdite) attuariali				(2)				(2)
Riserva da fusione per incorporazione				222				218
Utili (perdite) portate a nuovo				(798)				(386)
Utile (perdita) dell'esercizio				(68)				(411)
<b>Totale patrimonio netto</b>				<b>4.764</b>				<b>4.776</b>

Changes include specifically for:

- 52 million euros, the positive change to the cash flow hedge reserve linked primarily to the increase in the reference pricing scenarios.
- 4 million euros, the positive change in the reserve from merger by absorption following the merger surplus deriving from the cross-border merger of Edison International Holding NV (see note 1.5).
- 411 million euros, the retained earnings reserve, due to the allocation of the 2019 net loss approved by the shareholders' meeting of April 28, 2020;
- 68 million euros, the loss for the year 2020.

As regards the change in the share capital structure, please refer to the comments in "Key events".

An analysis is provided below of the individual items making up the company's shareholders' equity at the end of 2020:

### Share capital

As of February 17, 2021, the share capital totalled around 5,377 million euros, divided into 5,267,390,650 common shares, par value 1 euro each, equal to 97.96% of the total share capital, and 109,610,021 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.

As regards the change in the composition of the share capital following the voluntary conversion of the savings shares into ordinary shares, please refer to paragraph 2.2 Significant events.

### 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 17, 2021, 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
<b>Total group EDF</b>	<b>5.239.669.098</b>	<b>99,48</b>	<b>97,45</b>

**Rights of the Classes of Shares**

<b>COMMON SHARES</b>	<b>SAVINGS SHARES</b>
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 By-laws, and provide their holders with any additional administrative and property rights attributed to voting shares pursuant to law.	<p>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 By-laws, they convey the benefits and have the characteristics that are listed below in addition to those provided pursuant to law:</p> <ul style="list-style-type: none"> <li>✓ 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.</li> <li>✓ 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.</li> <li>✓ 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;</li> <li>✓ 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.</li> <li>✓ 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.</li> </ul>

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 on the basis of shareholders' resolution of April 2, 2019.

**Cash flow hedge reserves**

The cash flow hedge reserve, positive and amounting to roughly 29 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, 2019:

<i>(in millions of euros)</i>	<b>Gross reserve</b>	<b>Deferred taxes</b>	<b>Net reserve</b>
Reserve at 12.31.2019	(32)	9	(23)
Changes in the year	73	(20)	53
<b>Reserve at 12.31.2020</b>	<b>41</b>	<b>(11)</b>	<b>30</b>

The increase in the value of the reserve is due to the generalized increase in forward prices recorded at the end of the year, in particular on the CO<sub>2</sub> emission market, that the Company subscribed at lower prices through futures during the year.

### Reserve for actuarial gains and losses

It is entered directly as shareholders' equity and is negative for around 2 million euros, basically unchanged with respect to 2019. 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 222 million euros, refers essentially to:

- 218 million euros for the merger of the former Edison Trading Spa on December 1, 2017, with accounting effects retroactive to January 1, 2017;
- 4 million euros for the merger of the former Edison International NV on December 1, 2020.

### Retained earnings and (loss) carryforward

The net value is a negative 798 million euros and consists of:

- 850 million euros in losses carried forward, which increased due to the carryforward of the loss for the year 2019;
- 52 million euros in retained earnings, unchanged compared with December 31, 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	
<b>Share capital</b>				
Ordinary shares	526.730			
Savings shares	109.610			
	636.340			
	of which:	B	192.082	-
		C	588.628	-
<b>Earnings reserves:</b>				
Legal reserve	2.758	A	-	2
Reserve from merger by incorporation	217.922	A	-	2
Retained earnings	52.401	A	-	2
Losses carried forward	(849.940)			-
CFH derivatives valuation reserve	29.573	E	-	-
Actuarial reserves (IAS 19)	(1.418)			-

### 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).

**D:** Reserves that, if distributed, would not be included in the taxable income of the shareholders.

**E:** Cash flow hedge reserve.

### Utilisation options

**1:** Share Capital Increase.

**2:** Coverage of losses.

**3:** Distribution to shareholders.

Specifically as concerns the tax regime, please note that the reserves the taxation of which has been suspended that are part of share capital (see letter B) 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 Calceamento)	976
• No. 72 of 3/19/1983 (former Calceamento)	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 under letter B, 80 million euros (net of tax credit) for those under letter 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 12 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 9 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 shareholders' 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) for the development of specific projects, discussed in more detail below.

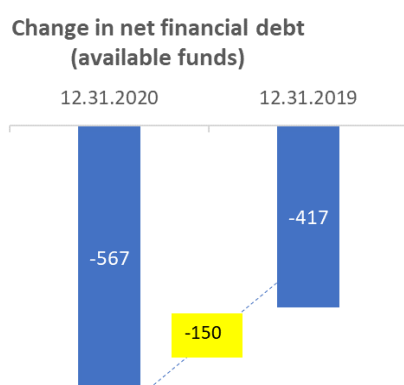
At December 31, 2020, Edison Spa's credit rating is BBB-, stable outlook, for S&P and Baa3, positive outlook, for Moody's.

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, 2020 came to 567 million euros (net available funds of 417 million euros at December 31, 2019).

(in million euros)



The positive change of 150 million euros in net available funds is mainly related to:

- the disposal of the E&P Spa equity investment, with a positive impact for the year 2020 of 310 million euros, the transfer of the VAT receivable for which a reimbursement was requested for 151 million euros and the transfer of the Robin Hood Tax receivable for 20 million euros;
- financial investments for 88 million euros and property, plant and equipment and intangible assets for 254 million euros, the CO<sub>2</sub> payment for 264 million euros and lastly outlays for direct taxes for 82 million euros (of which 45 million euros for the national consolidated tax return due to the Parent Company Transalpina di Energia Spa) .



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

(in millions of euros)	12/31/2020	12/31/2019	Changes
Non-current financial debt	357	330	27
Non-current financial assets from subsidiaries and affiliated companies	(499)	(614)	115
<b>Non-current net financial debt (available funds)</b>	<b>(142)</b>	<b>(284)</b>	<b>142</b>
Current financial debt	105	70	35
Current financial payables to subsidiaries and affiliated companies	323	505	(182)
Current financial assets	(2)	(2)	-
Current financial assets from subsidiaries and affiliated companies	(617)	(537)	(80)
Cash and cash equivalents	(234)	(169)	(65)
<b>Current net financial debt (available funds)</b>	<b>(425)</b>	<b>(133)</b>	<b>(292)</b>
<b>Total net financial debt (available funds)</b>	<b>(567)</b>	<b>(417)</b>	<b>(150)</b>
of which:			
<b>Gross Financial Debt</b>	<b>785</b>	<b>905</b>	<b>(120)</b>
<b>Cash and cash equivalents and financial assets</b>	<b>(1.352)</b>	<b>(1.322)</b>	<b>(30)</b>

Below is the breakdown of **net financial debt referring to the application of IFRS 16**:

(in million of euros)	12/31/2020	12/31/2019	Changes
Non-current financial debt	80	92	(12)
Non-current financial assets from subsidiaries and affiliated companies	(6)	(8)	2
<b>Non-current net financial debt (available funds)</b>	<b>74</b>	<b>84</b>	<b>(10)</b>
Current financial debt	11	11	-
Current financial assets from subsidiaries and affiliated companies	(1)	(1)	-
<b>Current net financial debt (available funds)</b>	<b>10</b>	<b>10</b>	<b>-</b>
<b>Total net financial debt (available funds)</b>	<b>84</b>	<b>94</b>	<b>(10)</b>

## 7.2.1 Non-current financial payables

(in millions of euros)	12/31/2020	12/31/2019	Changes
Banks	277	238	39
Leases IFRS 16	80	92	(12)
<b>Total non-current financial debt</b>	<b>357</b>	<b>330</b>	<b>27</b>

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 and for the construction of the Porto Marghera thermoelectric power plant, for which the new credit line in the amount of 50 million euros was used in the course of the year.

## 7.2.2 Current financial payables

(in millions of euros)	12/31/2020	12/31/2019	Changes
Banks	70	34	36
EDF Sa	1	-	1
Transalpina di Energia Spa	15	8	7
Leases IFRS 16	11	11	-
Factoring companies	2	11	(9)
Other financial debt	6	6	-
<b>Total current financial debt</b>	<b>105</b>	<b>70</b>	<b>35</b>

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 (unchanged compared with December 31, 2019) from instalments falling due on short-term credit lines granted by the EIB, described previously.



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. Indeed, Edison Spa guarantees liquidity management and finances the investment requirements of its subsidiaries and affiliates.

### 7.2.3 Current financial payables to subsidiaries and affiliated companies

<i>(in millions of euros)</i>	12/31/2020	12/31/2019	Changes
Edison Renewables	108	77	31
Cellina Energy	74	62	12
Edison Energia	53	80	(27)
Edisonwind	14	10	4
Edisonsolar	13	1	12
Poggio Mondello	9	9	-
Santa Luce	8	7	1
Nuova Alba	7	8	(1)
Termica Cologno	7	7	-
Bonorva Windenergy	4	6	(2)
Nuova Cisa	4	4	-
Jesi Energia	4	4	-
Edison E&P UK	-	123	(123)
Edison International Holding NV	-	47	(47)
Edison Idrocarburi Sicilia	-	16	(16)
EDF EN Services	-	10	(10)
Solaren	-	10	(10)
Energie	-	7	(7)
Other minor	18	17	1
<b>Total non-current financial assets from subsidiaries and affiliated companies</b>	<b>323</b>	<b>505</b>	<b>(182)</b>

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

<i>(in millions of euros)</i>	of which non current			of which current			Total		
	12.31.2020	12.31.2019	Changes	12.31.2020	12.31.2019	Changes	12.31.2020	12.31.2019	Changes
<b>Subsidiaries</b>									
Edison Norge	-	-	-	207	197	10	207	197	10
E2i	150	150	-	3	1	2	153	151	2
Edison Stoccaggio	114	130	(16)	64	62	2	178	192	(14)
Fenice	90	195	(105)	150	19	131	240	214	26
Edisonsolar	29	-	29	5	-	5	34	-	34
Bonorva	29	-	29	5	-	5	34	-	34
Edisonw ind	28	-	28	52	-	52	80	-	80
Sersys	23	-	23	3	-	3	26	-	26
Edison International Spa	-	50	(50)	56	14	42	56	64	(8)
Infrastrutture Distribuzione Gas	-	-	-	49	54	(5)	49	54	(5)
EDF EN Italia	-	-	-	-	77	(77)	-	77	(77)
Edison E&P spa	-	-	-	-	57	(57)	-	57	(57)
Euroil Exploration	-	-	-	-	21	(21)	-	21	(21)
Solareolica Seconda	-	23	(23)	-	3	(3)	-	26	(26)
Edison Facility Solution	12	-	12	-	-	-	12	-	12
Murgeolica	-	14	(14)	-	2	(2)	-	16	(16)
Serra Carpaneto	-	18	(18)	-	2	(2)	-	20	(20)
Edison Energy Solutions	-	7	(7)	-	10	(10)	-	17	(17)
Other minor	24	27	(3)	19	19	-	43	46	(3)
<b>Total subsidiaries (A)</b>	<b>499</b>	<b>614</b>	<b>(115)</b>	<b>613</b>	<b>538</b>	<b>75</b>	<b>1.112</b>	<b>1.152</b>	<b>(40)</b>
<b>Total jointly controlled and associated companies (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>4</b>
<b>IFRS 9 bad debt provision (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>
<b>Total (A+B+C)</b>	<b>499</b>	<b>614</b>	<b>(115)</b>	<b>617</b>	<b>538</b>	<b>79</b>	<b>1.116</b>	<b>1.152</b>	<b>(36)</b>

The main changes refer in part to changes in the intercompany current account linked to ordinary treasury operations, and in part to financing activities with subsidiaries.

As regards the long-term portion, the main changes were caused by loans granted in 2020 to several subsidiaries to support their development and investment plans.

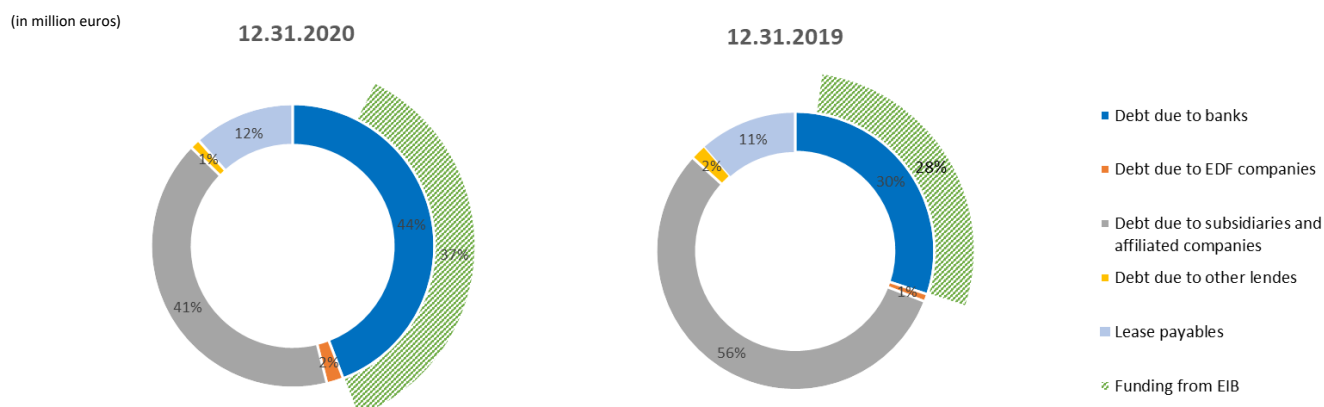
The total value of financial receivables from subsidiaries and associates is essentially stable and is the result of the exit of some E&P companies, following the sale to Energean of Edison Exploration & Production Spa and the restructuring involving EDF EN Italia, merged into Edison Renewables Srl and its subsidiaries.

### 7.2.5 Cash and cash equivalents

This item totals 234 million euros (169 million euros as at December 31, 2019) and includes the bank account balances of 21 million euros (13 million euros as at December 31, 2019) and available current account balances of EDF Sa for 213 million euros (156 million euros as at December 31, 2019). 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** are primarily represented by long-term loans for the development of specific projects in the wind and gas storage sectors and for the development of the Porto Marghera thermoelectric power plant, granted by the EIB directly to Edison Spa.



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

(in millions of euros)	2020 full year	2019 full year	Changes
<b>Financial income</b>			
Financial income from Group companies	24	21	3
<b>Total financial income on cash and cash equivalents</b>	<b>24</b>	<b>21</b>	<b>3</b>
<b>Financial expense</b>			
Financial expense paid to EDF	(2)	(2)	-
Interest paid to banks	(2)	(2)	-
Financial expense from Group companies	(1)	(2)	1
Other	-	-	-
<b>Total financial expense on debt</b>	<b>(5)</b>	<b>(6)</b>	<b>1</b>
<b>Total financial income (expense) on net financial debt (available funds)</b>	<b>19</b>	<b>15</b>	<b>4</b>
<b>Income (expense) on assignment of receivables without recourse</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Charges on financial leases IFRS 16</b>	<b>(2)</b>	<b>(2)</b>	<b>-</b>

**Financial income (expense) on net available funds** rose slightly despite the reduction 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 which entered into force as from January 1, 2019.

## 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	12/31/2019	Cash flow	12/31/2020
Non-current financial debt	330	27	357
Other current financial payables	575	(147)	428
Current and non-current financial assets (-)	(1.153)	35	(1.118)
<b>Net liabilities from financing activities</b>	<b>(248)</b>	<b>(85)</b>	<b>(333)</b>
Cash and cash equivalents (-)	(169)	(65)	(234)
<b>Net financial debt</b>	<b>(417)</b>	<b>(150)</b>	<b>(567)</b>

## 7.3 Financial risk management

### 7.3.1 Interest rate risk

The Edison Group's exposure to interest rate risk has remained basically stable. It should be noted that its fixed rate payables are represented by IFRS 16 leases and uses of EIB funds when Edison has selected the fixed rate option, which is optional for the borrower on each use of the credit lines granted. As a result, the remainder of the payable is primarily indexed to a variable rate (mainly the Euribor rate). Edison assesses its exposure to the risk of changes in interest rates on a regular basis, which it manages mainly by selecting loan utilisation methods.

#### Gross financial debt: mix fixed and variable rate

The table below provides a sensitivity **analysis** that shows the impact on the income statement of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2020, compared with the corresponding data from 2019.

Gross Financial Debt Mix fixed and variable rate: (in million euros)	12/31/2020			12/31/2019		
	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion	191	191	24% #	152	152	17%
- variable rate portion	594	594	76% #	753	753	83%
<b>Total gross financial debt *</b>	<b>785</b>	<b>785</b>	<b>100%</b>	<b>905</b>	<b>905</b>	<b>100%</b>

\* the debt analyzed at 31.12.2020 includes the part relating to operating leases for 91 million euros.

### Sensitivity analysis on financial expense

Sensitivity analysis (in million of euros)	2020 full year			2019 full year		
	Impact on financial expense (P&L)			Impact on financial expense (P&L)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa	3	2	2	3	2	2

### 7.3.2 Liquidity risk

Liquidity risk is the risk that Edison Spa may not have access to sufficient 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 sufficient 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

(in millions of euros)	12/31/2020			12/31/2019		
	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Financial debt and other financial liabilities (*)	77	21	374	26	31	356
Payables to suppliers	708	75	-	869	69	-
<b>Total</b>	<b>785</b>	<b>96</b>	<b>374</b>	<b>895</b>	<b>100</b>	<b>356</b>
Personal guarantees given to third parties (**)	-	-	37	-	-	-
<b>Cash and cash equivalents</b>	<b>234</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) 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".

(\*\*) These guarantees are given to lenders of associated companies

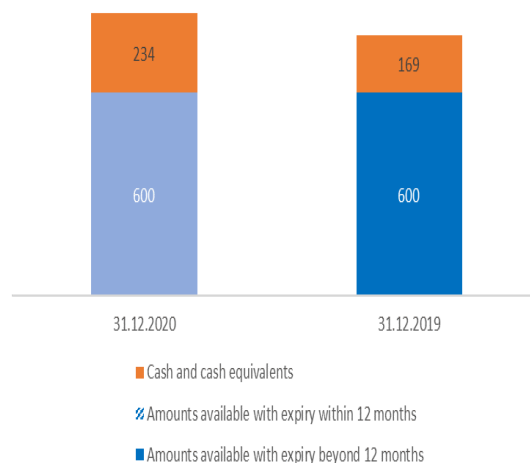
The **financial debt due within one year**, amounting to 98 million euros (57 million euros as at December 31, 2019) relates mainly to accounting overdrafts on current accounts, margin-setting accounts dedicated to transactions in derivatives and portions of principal and interest on leases and long-term loans due within the year.

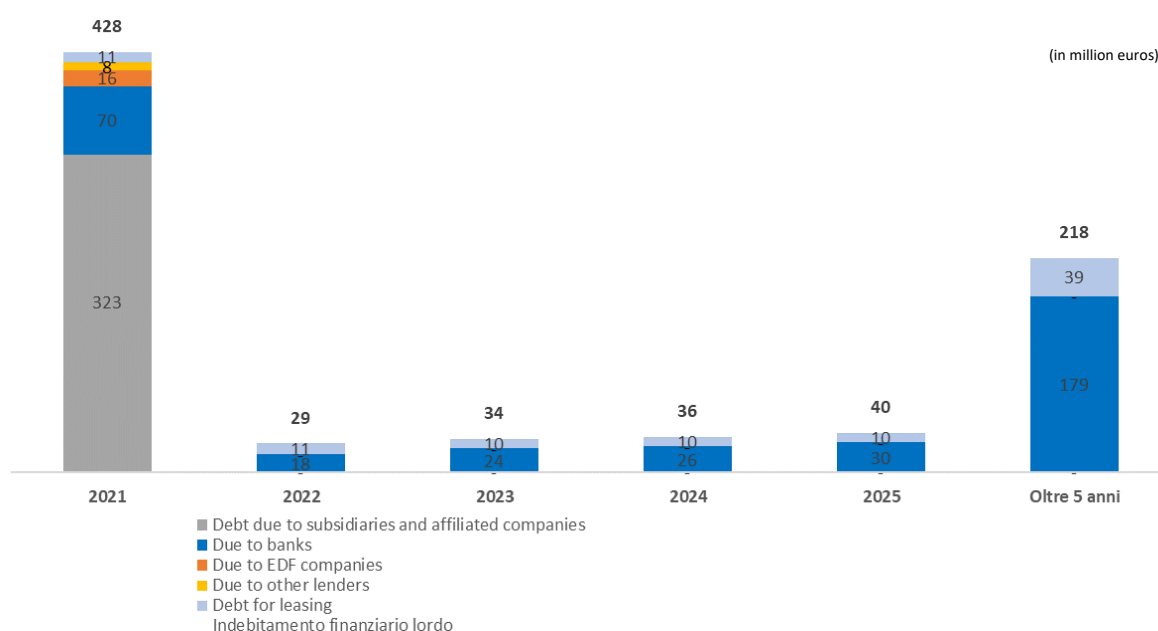
**Financial debt expiring after one year** (374 million euros) consists primarily of leases (80 million euros) and planned repayments on loans outstanding with the EIB, up following the use of 50 million euros of the new loan for the construction of the Marghera Levante combined cycle gas plant.

### Total available financial resources

As at December 31, 2020, Edison also had cash and cash equivalents of 234 million euros, of which 213 million euros in the treasury current account with EDF Sa.

This amount far surpasses cash requirements in the coming months without considering the credit facility on the EDF treasury current account and the EIB credit lines not yet used for a total of 400 million euros. In addition to this is the two-year revolving credit line taken out for 600 million euros from EDF, which is fully available at December 31, 2020. For that line, maturing in April 2021, the evaluation process relating to whether it should be refinanced has already begun.



**Gross financial debt: debt expiration****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

With regard to the effects that a change in control of Edison could have on outstanding loans, please refer to the discussion in the Report on Corporate Governance and on the company's Ownership Structure, in the paragraph "Change of Control Clauses".

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

Note that the medium/long-term credit lines provided by EIB envisage restrictions on the use of funds and on the management of projects financed, typical of 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 with regard to any of its subsidiaries.

## 8. TAXATION

### 8.1 Tax risk management

Starting from the 2018 financial year, Edison and its subsidiaries have adopted a governance 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 on the basis of 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

<i>(in millions of euros)</i>	2020 full year	2019 full year	Changes
Current taxes	(38)	(58)	20
Deferred/(prepaid) tax	(26)	31	(57)
Previous years' taxes	4	2	2
<b>Total</b>	<b>(60)</b>	<b>(25)</b>	<b>(35)</b>

**Current taxes** mainly include 34 million euros for corporate income taxes (IRES) and 5 million euros for regional business taxes (IRAP), net of less than 1 million euros in income that the National Consolidated Tax Return, filed by Transalpina di Energia Spa, recognised to the company.

**Net deferred/prepaid taxes** had a negative balance of 26 million euros. The main reasons for this balance are the use 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.

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:

<i>(in million of euros)</i>	2020 full year		2019 full year	
<b>Income (loss) before taxes</b>	<b>179</b>		<b>115</b>	
<b>Taxes applicable in the year</b>	<b>43</b>	<b>24,0%</b>	<b>28</b>	<b>24,0%</b>
Non-taxable dividends	(2)	(1,2%)	(10)	(8,7%)
Write-downs (Revaluations) of equity investments	10	5,5%	8	6,9%
Permanent differences	1	0,5%	10	8,7%
Other differences	-	-	(16)	(13,9%)
Regional tax (IRAP)	5	2,7%	11	9,5%
Deferred taxes (IRAP)	4	2,2%	(6)	(5,2%)
<b>Total income taxes in the income statement</b>	<b>60</b>	<b>33,6%</b>	<b>25</b>	<b>21,4%</b>

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.

### 8.2.2 Income taxes paid

During the year, direct tax payments amounted to 72 million euros and refer to payments for the settlement of tax disputes (so-called “fiscal peace”) which fell within the scope of the law for 7 million euros, the payment of the IRAP balance for the year 2020 and the relative payments on account for the year 2021 for 20 million euros and the 2020 IRES balance paid for the national consolidated tax return for 45 million euros.

## 8.3 Tax assets and liabilities

### 8.3.1 Taxes receivable and payable

At December 31, 2020 there are net payables of 25 million euros (net payables of 41 million euros at December 31, 2019); the details are provided in the table below:

(in millions of euros)	12/31/2020	12/31/2019	Changes
Non-current tax assets	2	25	(23)
Current tax assets	5	-	5
<b>Total tax assets (A)</b>	<b>7</b>	<b>25</b>	<b>(18)</b>
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	32	46	(14)
<b>Total taxes payable (B)</b>	<b>32</b>	<b>66</b>	<b>(34)</b>
<b>Taxes receivable (payable) (A-B)</b>	<b>(25)</b>	<b>(41)</b>	<b>16</b>

Note that the reduction in non-current tax assets mainly refer to the taxes paid for the so-called Robin Tax and claimed for reimbursement, which were transferred without recourse to a factoring company for around 20 million euros.

The individual components are reviewed below:

- **Current tax assets** represent the receivable due from the tax authorities for IRAP payments on account net of the payable for the period.
- The **payables to the parent company** for tax consolidation refer to the IRES National Consolidated Tax Return.

### 8.3.2 Deferred tax assets and liabilities

At December 31, 2020, liabilities of 11 million euros were recognised in addition to assets of 89 million euros (assets of 125 million euros at December 31, 2019).

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)	12/31/2019	Effect in income statement	Effect in shareholders' equity	12/31/2020
<b>Deferred-tax liabilities:</b>				
Adoption of IFRS 9 to value financial instruments: - impact on shareholders' equity	-	-	11	11
	-	-	11	11
Offsets	-	-	-	-
<b>Total deferred-tax liabilities</b>	-	-	11	11
<b>Deferred-tax assets:</b>				
Taxed provisions for risks	86	(22)	-	64
Adoption of IFRS 9 to value financial instruments: - impact on shareholders' equity	9	-	(9)	-
Differences in the valuation of property, plant and equipment	28	(5)	-	23
Other	2	-	-	2
	125	(27)	(9)	89
Offsets	-	-	-	-
<b>Total deferred-tax assets</b>	125	(27)	(9)	89

In particular, please note that the valuation of **deferred tax assets** reflects the assumption of probable realisation and recoverability for tax purposes, based on the realisation time horizon.

Please note that, in 2020, the company made use of the tax benefits introduced by art. 125 of Law Decree 34/2020, the "Relaunch" Decree, for sanitisation expenses and to purchase personal protection equipment to protect employee and user health. During the year, the company recognised a tax credit of roughly 28 thousand euros against a theoretical credit accrued equal to the maximum of 60 thousand euros.



## 9. NON-ENERGY ACTIVITIES

The Edison group is involved in various judicial and arbitration proceedings of different types, through Edison Spa, as full legal successor for the merged company Montedison Spa. 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 and its subsidiaries.

Precisely for this reason it was decided to isolate and represent in a dedicated chapter the contribution of this management to the income statement and balance sheet, as well as the related potential 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 2020 amounted to a net expense of 55 million euros (net expense of 40 million euros in 2019), of which roughly 10 million euros for legal expenses.

The breakdown and changes in the **risk provisions** and tax liabilities, amounting to 299 million euros (266 million euros at December 31, 2019), present in the financial statements and the elements that led to their recognition are as follows:

(in millions of euros)	12/31/2019	Financial expense	Provisions	Utilizations	12/31/2020
A) Risks for disputes, litigation and contracts	140	3	-	(9)	134
B) Charges for contractual guarantees on sale of equity investments	52	-	-	-	52
C) Environmental risks	71	-	46	(7)	110
D) Disputed tax items	3	-	-	-	3
<b>Provisions for risks on non-Energy activity disputes</b>	<b>266</b>	<b>3</b>	<b>46</b>	<b>(16)</b>	<b>299</b>

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

Date started / Jurisdiction	Description of dispute	Status of proceedings
<b>Collapse of the Stava Dam</b>		
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 breached causing the well-known disaster. In its decision, the lower court ruled that the statute of limitation prevented the action filed against Edison. By a decision published in November 2015, the Milan Court of Appeals upheld that decision. The Court of Cassation instead voided the decision in the second instance and referred the case back to the Milan Court of Appeals, indicating the items for the quantification of the damages for which compensation is to be provided.	

<b><u>Actions for damages and administrative proceedings arising from the operation of industrial facilities conveyed to Enimont</u></b>		
<b><u>Edison is a party to these proceedings in its capacity as universal successor to Montedison Spa</u></b>		
<b>Mantua – Criminal Proceedings</b>		
Court of Mantua	<p>The Public Ministry of Mantua decided to initiate criminal proceedings against some executive directors working for the company over time since 2015 and some of the company's representatives, due to alleged environmental offences, also relevant pursuant to Legislative Decree 231 of 2001, in relation to certain portions of the Mantua petrochemical plant subject to orders of the Province of Mantua, which were confirmed in the Council of State's ruling of April 2020, described in a separate section. The preliminary hearing is scheduled for June 8, 2021.</p> <p>The Mantua petrochemical plant - which Edison (as the successor of Montedison) has not owned or managed since 1990 - was over time subject to a large-scale, detailed and complex programme of environmental clean-up and reclamation activities which also regarded all of the areas relating to which the Public Prosecutor has decided to lodge proceedings. These activities were initiated and carried out for two decades, with significant although uneven progress, by the Eni Group and, after the transfer last June of the relative operational reclamation projects following the Council of State ruling referred to above, Edison, which had already previously performed some preparatory activities, methodically took them over. For at least one of those areas, the reclamation was completed in compliance with the relative project, according to what has been confirmed by the Ministry for the Environment and the Province of Mantua.</p> <p>On these grounds, as well as for an extensive list of legal elements, the company believes that the charges are completely first of all factually and also legally groundless, and it has already filed several defence briefs accompanied by quite considerable documentary evidence.</p>	As per description.
<b>Mantua – Administrative Proceedings</b>		
2012 - 2020 Lombardy Regional Administrative Court (BS) – Council of State	<p>In recent years, the Province of Mantua sent Edison 8 different orders pursuant to art. 244 of Legislative Decree 152/2006, which required securing and reclamation activities on just as many areas of the Mantua Site of National Interest, transferred from Montedison to the ENI Group in 1990 along with the entire Mantua Petrochemical site.</p> <p>These orders were imposed although the environmental remediation obligations relating to the Mantua site had already been subject to two separate settlement agreements entered into by Edison with ENI (2003) and with the Ministry for the Environment (2005), respectively.</p> <p>Edison submitted separate appeals before the Regional Administrative Court of Lombardy - Brescia Section against all of these orders. In August 2018, the Court, which had joined them, rejected them en bloc. Edison then challenged this Regional Administrative Court decision before the Council of State. With decision of April 1, 2020, the appeal lodged by Edison was rejected.</p> <p>Edison, which considers this decision illegitimate, lodged appeals before the Court of Cassation, the Council of State and the ECHR. At the same time, Edison in any event began the remediation activities on the site, taking over from the Eni Group companies in performing the reclamation activities set forth in the provincial orders mentioned above.</p>	As per the description of the dispute.
<b>Brindisi – Administrative proceedings</b>		
February 25, 2013 Apulia Regional Administrative Court – Lecce Section	<p>These proceedings concern the industrial park of the Port of Brindisi, where the Montedison Group operated petrochemical facilities for over 60 years.</p> <p>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.</p> <p>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.</p>	As per the description of the dispute.
<b>Crotone – Criminal Proceedings</b>		
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.	As per the description of the dispute.

	The proceedings concluded with a dismissal. However, as the grounds were not deemed fully satisfactory, we decided to lodge an appeal.	
<b>Belvedere di Spinello – Civil Proceedings</b>		
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.	Pending before the Court of Cassation.
<b>Claims for Damages Caused by Exposure to Asbestos</b>		
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
<b><u>Civil lawsuits, criminal trials and administrative proceedings concerning the sale of Agorà Spa, which owned 100% of the shares of Ausimont Spa</u></b> <b><u>Edison is a party to these proceedings in its capacity as universal successor to Montedison Spa</u></b>		
<b>Ausimont – Bussi sul Tirino – Administrative proceedings regarding the clean-up of the “Solvay Internal Areas”</b>		
December 18, 2019	On December 18, 2019, the Province of Pescara served Edison with an order pursuant to art. 244 of Legislative Decree No. 152/2006 (the “Environmental Code”) for the remediation of the areas where the Ausimont plant in Bussi, which was sold to Solvay in 2002, was located.  With regards to this measure, it should be stressed that: i) the area on which the facility is built was 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, so the company lodged an appeal before the Abruzzo Regional Administrative Court and is waiting for the hearing for oral arguments.	As per the description of the dispute.
<b>Ausimont – Bussi sul Tirino – Administrative proceedings regarding the clean-up of the “Solvay External Areas”, areas “2A” and “2B”</b>		
February 28, 2018 Pescara Regional Administrative Court / Council of State	On February 28, 2018, the Province of Pescara notified the companies Solvay Specialty Polymers Italy Spa and Edison Spa that it was initiating proceedings pursuant to Title V Part IV of Legislative Decree No. 152/2006 to identify the party liable for the contamination of the “Solvay External Areas” or “North areas” in Bussi sul Tirino, landfill areas 2A and 2B and adjoining areas.  Subsequently, on June 26, 2018, the Province of Pescara served Edison with an order pursuant to art. 244 of Legislative Decree No. 152/2006 (the “Environmental Code”) for the removal of all waste dumped over time in the above-mentioned areas of the Bussi site.  With regard to this measure, it is necessary to note that: i) the portions of land in question were contributed to Ausimont since its date of establishment in 1981; ii)	The hearing at the Council of State is scheduled for March 5, 2020.

	<p>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.</p> <p>Edison, deeming this order illegitimate, challenged the decision before the Regional Administrative Court of Pescara, which however dismissed the company's appeal. Edison has therefore filed an appeal before the Council of State.</p> <p>With a ruling published on April 6, 2020, the Council of State confirmed, although requalifying its scope and content, the decision of the Province of Pescara and the subsequent ruling of the Pescara Regional Administrative Court in relation to the reclamation procedure for the "North" areas of the Bussi sul Tirino site.</p> <p>The Council of State ruling, moreover, postponed to a subsequent administrative procedure the definition of remediation obligations for Edison; therefore, at the moment, it is not possible to determine any further economic commitments related to the decision.</p> <p>Although the company believes that this ruling is arbitrary and has lodged appeals against it before the Court of Cassation, the Council of State and the ECHR, in the second half of 2020 it began activities to secure the areas in agreement with the competent Public Administrations.</p>	
<b>Ausimont – Spinetta Marengo – Administrative proceedings</b>		
February 2012 Piedmont Regional Administrative Court	<p>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.</p> <p>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.</p>	As per the description of the dispute.
<b>Ausimont – Solvay Arbitration</b>		
May 2012 ICC – Geneva	<p>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 warranties 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.</p> <p>After a first phase focusing on preliminary and prejudicial issues, the proceedings continued with an examination of the various requests made by the parties with respect to the merits of the case and the arbitration decision is pending.</p>	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
<b>Bussi sul Tirino National Interest Site – "Former Montedison Srl" area and Bolognano site</b>		
2011 and 2018 Abruzzo Regional Administrative Court - Pescara Section	<p><b>"Former Montedison Srl" area:</b> As part of the clean-up procedure in the "Tre Monti" area in the Bussi SNI, which is in the advanced preliminary investigation phase before the Ministry for the Environment, in light of the evolution of economic scenarios as concerns reclamation activities in contaminated areas and the most recent case law on remediation activities in areas characterised by historical pollution (in 2019, the company lodged an appeal against some of the requirements received from the Ministry), in the third quarter of 2020 Edison decided it would be appropriate to further update the operational provision for site clean-up.</p> <p><b>Bolognano site:</b> with reference to the Piano D'Orta site in the Bussi SNI and the clean-up and environmental restoration activities for the "former Montecatini" area in the</p>	As per the description of the dispute.

	<p>Municipality of Bolognano (PE), note that Edison Spa has already initiated the activities set forth in the sub-project approved by the competent Public Administrations. agreed upon with the authorities.</p> <p>As concerns the criminal proceedings for alleged "failure to remediate", in December 2018 the Public Prosecutor of Pescara asked for them to be dismissed.</p>	
--	---	--

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

Date started / Investigating department	Description of dispute	Status of proceedings
<b>Income Tax Assessments for 1991 and 1992 (Old Calcestruzzi Spa)</b>		
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

<b>Environmental Legislation</b>
<p>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.</p>

Date started / Jurisdiction	Description of dispute	Status of proceedings
-----------------------------	------------------------	-----------------------

<b>Ausimont - Bussi sul Tirino - Civil proceedings for alleged environmental disaster</b>		
April 8, 2019	<p>On April 8, 2019 the Ministry for the Environment and Protection of Land and Sea, the Abruzzo Region and the Presidency of the Council of Ministers sued Edison Spa before the Court of L'Aquila and, with it, six of the defendants who had already been involved, in relation to the same events, in the criminal proceedings brought in 2011 before the Court of Pescara and concluded with the acquittal decision of the Court of Cassation No. 47779 of 2018, asking the judge before whom the proceedings were filed to:</p> <p>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, order the defendants to pay compensation for environmental damage to the Ministry for 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;</p> <p>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;</p>	These proceedings are currently pending at the court of first instance at the preliminary phase.

	<p>c) <i>order the defendants to reimburse all costs which may be paid in advance and/or incurred in lieu of payment by the Ministry for the Environment;</i></p> <p>d) <i>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;</i></p> <p>e) <i>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".</i></p> <p>As mentioned earlier, the charges on which the current lawsuit is based are the same as those raised in the above-mentioned criminal proceedings, from which Edison was excluded pursuant to law and which ended with the acquittal of all of the defendants. These charges refer mainly to the management of the Bussi plant, which was transferred from Montedison (now Edison) to the Ausimont/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.</p> <p>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.</p> <p>With reference to this dispute, Edison, following assessments performed with leading legal and accounting advisors, believes that the necessary requirements are not met to define a provision with respect to a contingent liability, or its actuality, probability and quantifiability. Therefore, in essence, there is no current obligation, either legal or environmental in nature, to be met for which the use of economic resources is currently expected.</p>	
<b>Montecatini Spa – Montefibre Spa – Verbania – Criminal proceedings</b>		
2002-2015 Court of Verbania / Turin Court of Appeals / Court of Cassation	<p>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) allegedly caused by exposure to asbestos.</p> <p>Edison Spa is exclusively involved in its capacity as the former parent company (until 1989) of Montefibre.</p> <p>To date, all proceedings have led to the acquittal of the defendants on all counts ("because the fact does not exist").</p>	As per the description of the dispute.
<b>Ausimont's participation in a cartel in the peroxides and perborates market – Claim for damages</b>		
April 2010 Court of Düsseldorf / Court of Justice of the European Union	<p>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.</p>	In December 2020, Cartel Damage Claim withdrew the action before the Court of Düsseldorf. Therefore, this dispute has been closed.



## 10. OTHER NOTES

### 10.1 Other Commitments

<i>(in millions of euros)</i>	12/31/2020	12/31/2019	Changes
Guarantees provided	1.414	1.098	316
Other commitments and risks	722	760	(38)
<b>Total</b>	<b>2.136</b>	<b>1.858</b>	<b>278</b>
<b>Maturity:</b>			
- 1 to 3 months	503	453	50
- More than 3 months and up to 1 year	786	600	186
- After 1 year	847	805	42
<b>Total</b>	<b>2.136</b>	<b>1.858</b>	<b>278</b>

**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 by banks and counter guarantees on its own behalf and on behalf of subsidiaries and affiliated companies mainly to secure the performance of contractual obligations;
- guarantees issued to third parties concerning activities on the Power Exchange, in particular to the GME, plus sureties issued to the individual operators with which the company carries out electricity and gas buying/selling activities;
- guarantees given to the Revenue Agency totalling 534 million euros (up by 253 million euros), primarily relating to VAT credit refunds for the years 2015 and 2019;
- guarantees given in the interest of Elpedison Sa for 70 million euros, recognised following the merger by incorporation into Edison Spa of Edison International Holding NV, as described in paragraph 1.5 of the financial statements.

Following the sale of Edison Exploration & Production Spa and its investments in the hydrocarbon exploration and production sector, there was a decrease compared to the previous year for approximately 108 million euros..

**Other commitments and risks** specifically include:

- 391 million euros (515 million euros at December 31, 2019) for the completion of investments in progress, including 224 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 143 million euros for the construction of a new latest-generation combined-cycle gas turbine at the Marghera Levante (VE) thermoelectric power plant.
- 117 million euros, for commitments relating to take-or-pay clauses. With reference to the long-term contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay any shortage between the stipulated minimum quantities and the quantity actually used, please note that at December 31, 2020 advances of around 16 million euros are recognised in the item Other assets and liabilities (note 3.3). The update of the risk profiles and economic recoverability are checked periodically throughout the year.
- 101 million euros, against a 7-year long-term contract entered into with a shipowner for the charter of a LNG carrier. The ship is under construction and delivery is expected by the first quarter of 2023 at the latest.
- 77 million euros, against a long-term contract stipulated with a shipowner for the charter of a LNG carrier for a duration of 12 years; the ship is under construction and will be delivered in the course of 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 payment of 20 million euros which is expected to take place in 2021 with the first gas delivery.

## 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, for a total nominal supply of 12.7 billion cubic metres of natural gas a year.

These contracts typically have an extended duration (as at December 31, 2020 between 1 and 14 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. Please note that as part of the renegotiation of the Qatar contract price, arbitration proceedings activated by the counterparty are currently under way.

The table below provides details by maturity on natural gas supplies already in place at December 31, 2020 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 cubic metres	11.9	43.8	68.8	124.5

*The economic values are according to the prospective price formulas.*

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

- the supply of 1 billion cubic metres/year of gas relating to a long-term gas supply agreement, from the Azerbaijan Shah Deniz II gas field through the Trans Adriatic Pipeline (TAP), for which the first delivery is expected in the course of 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.

Furthermore, based on the agreement in place 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 particular 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, 2020, with related parties, are shown below, in accordance with the disclosure required by IAS 24.

These transactions are implemented under the scope of normal operations and regulated at contractual conditions established by the parties in line with ordinary market 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)			
<b>Balance sheet transactions</b>						
Equity investments	1.345	-	-	1.345	1.345	100,0%
Non-current financial assets from subsidiaries and affiliated companies	499	-	-	499	499	100,0%
Other non-current financial assets	62	-	-	62	70	88,6%
Trade receivables	256	-	90	346	552	62,7%
Other current assets	29	10	24	63	264	23,9%
Current financial assets from subsidiaries and affiliated companies	617	-	-	617	617	100,0%
Cash and cash equivalents	-	213	-	213	234	91,0%
Trade payables	22	4	53	79	783	10,1%
Current tax payables	-	32	-	32	32	100,0%
Other current liabilities	2	1	14	17	88	19,3%
Current financial debt	-	16	-	16	105	15,2%
Current financial payables to subsidiaries and affiliated companies	323	-	-	323	323	100,0%
<b>Income statement transactions</b>						
Sales revenues	2.510	4	865	3.379	4.432	76,2%
Other revenues and income	18	-	9	27	54	50,0%
Costs for commodities and logistics	188	-	634	822	3.755	21,9%
Other costs and external services (-)	19	19	9	47	201	23,4%
Net financial income (expense) on net financial debt (available funds)	22	(2)	-	20	19	n.m.
Net financial income (expense) for leasing	-	-	-	-	(2)	n.m.
Other net financial income (expense)	-	(7)	-	(7)	(2)	n.m.
Revaluations (write-downs) of equity investments	(31)	-	-	(31)	(31)	100,0%
Dividends	9	-	-	9	9	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).

In particular, **trade receivables** are from the subsidiary Edison Energia Spa, the same as regards **sales revenues**. 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 2020 presented a credit of 167 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, with a payable of 32 million euros, please refer to chapter 8. Taxation.

### Intercompany current account by Transalpina di Energia Spa

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

### Cash pooling transaction with EDF Sa

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

### Loan by EDF Sa

The two-year revolving credit line taken out for 600 million euros from EDF Sa under market conditions, which is fully available at December 31, 2020, will be maturing in April 2021. The evaluation process relating to whether it should be refinanced has already begun.

For additional information, see chapter 7. Net Financial Debt (Available Funds) and Cost of Debt.

### Other relationships

As concerns economic relationships with the parent companies (TdE SpA and EdF Sa), please take note of the following:

- operating costs equal to 18 million euros referring in particular to insurance costs, royalties for trademark use, the provision of services, as well as the chargeback of corporate costs, basically linked to remuneration for members of the Board of Directors;
- revenues and income totalling 4 million euros referring to services provided, particularly in the management of activities regarding 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 losses for 7 million euros (net realised gains of 8 million euros at December 31, 2019). Furthermore, during the year hedging transactions were entered into on EUR/USD exchange rate risk associated with the fixed portion of the expected price for the disposal of the equity investment in Edison E&P and therefore classified as an adjustment of the result from Discontinued Operations, the effect of which, inclusive of the results realised and the fair value, was positive in the amount of around 10 million euros.

## 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 9 million euros.

## 11. VALUATION CRITERIA

### 11.1 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), with the exception of goodwill, which is annually subjected to mandatory impairment testing.

IAS 36 defines the recoverable amount as the higher of the fair value of an asset or cash generating unit, less costs to sell, and its value in use. Thus, the recoverability of the value of fixed assets is verified by comparing the carrying amount recorded in financial statements with the 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 particular, 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 2021 budget and 2022-2023 Medium Term Plan approved by the Board of Directors on December 7, 2020;
- the long-term plan drawn up by senior management.

When the valuation entails estimates 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 cash flows were deemed to be suitable for impairment test purposes by the Board of Directors, which approved the results on February 17, 2021.

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-discretionary investments to maintain normal business operating conditions).

For details on the results of the impairment test conducted this year, please refer to the paragraph "Impairment test pursuant to IAS 36 on the value of goodwill, property, plant and equipment and intangible assets" (paragraph 5.1.4).

- 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 on the basis of a risk-free rate. The estimate is based on the principle of prudence in light of the market, legislative and technological conditions known at the moment 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 so as 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 paragraph 1.2 "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 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 determination of **some sales revenues**, in particular revenues from the sale of electricity and natural gas to customers and the subsidiary Edison Energia Spa. These revenues include turnover on the basis of the periodic reading of consumption for the year and the estimate for the supply of commodities provided but not yet invoiced at the reference date.

This estimate is calculated in a differentiated manner depending on the commodity and on the basis of the 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.

## 11.2 Other valuation criteria applied

### Net working capital

#### Inventories

Inventories relating to 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 on the basis of the Expected Credit Losses model set forth in IFRS 9.

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

Revenues from contracts with customers are recognised in accordance with IFRS 15.

Operating grants are booked in full in the income statement when the conditions for recognition are satisfied; items that qualify as operating grants include agreed incentives for energy produced by plants using renewable sources, which are measured at fair value pursuant to IAS 20.

**Valuation of medium/long-term gas importation contracts (“take-or-pay”)**

Under the terms of medium/long-term contracts for the importation of natural gas, the Group is required to take delivery of a minimum annual quantity of natural gas. If delivery of the minimum annual quantity is not achieved, the 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 on a three-year basis 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; 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 input 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) and in the wind sector (refitting) 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:

	<u>Electric power operations</u>		<u>Corporate activities</u>	
	minimum	maximum	minimum	maximum
Buildings	1%	8%	3%	4%
Plant and machinery	1%	7%	4%	13%
Industrial and commercial equipment	3%	10%	2%	2%
Other assets	1%	15%	4%	20%
Investment property	-	-	2%	4%

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 (taking into account any renewals/extensions) or their estimated useful lives, whichever is shorter.

Upon first-time adoption of the IFRS, the company used fair value as deemed cost. As a result, accumulated depreciation 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.

### Hydrocarbons sector assets

A significant portion of the hydrocarbons sector assets are amortised according to the **unit of production (UOP) method**. In this approach, the amortisation rate is determined comparing the quantity extracted during the year with the estimated quantity of extractable reserves outstanding at the beginning of the year; the value of opening reserves is based on the best latest estimates available at the end of every period.

Indeed, with the UOP method plants appurtenant to hydrocarbon production concessions and the related costs incurred to close mineral wells, clear the drill site and dismantle or remove structures are recognised in the balance sheet assets as well as the concessions themselves.

### Leased assets (IFRS 16)

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 expedients), whereby contracts with a duration of less than 12 months and some contracts with a low market value were excluded from the valuation. 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 of time. The application of the standard to the contracts identified resulted in the recognition of a right of use plus, when applicable, any accessory costs required to make the asset ready for use. The right of use is depreciated over the



shorter duration between the economic-technical life of the asset and the residual duration of the contract. During the transition phase, the exemption from the provision for deferred taxes provided for by IAS 12 "Income taxes" was applied.

### **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 (at least 1 year/at most 50 years). 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.

### **Hydrocarbon concessions, exploration activities and measurement of mineral resources**

The costs incurred to **acquire mineral leases** or extend the duration of existing concessions are recognised as "Intangible assets" and amortised on a straight line basis over the length of the exploration license. If an exploration project is later abandoned, the residual cost is immediately recognized in profit or loss.

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

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

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

**Concessions for the production of hydrocarbons** are amortised with the UOP method.

Moreover, every year the company checks that the book value does not exceed the higher of the recoverable value, determined discounting future cash flows estimated according to future production plans, and their market value.

### **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 utilised 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 reserves 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 with regard to 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 on the basis of 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 time-frame of the business planning period for which approved company plans are available is taken into account.

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.

## 12. OTHER INFORMATION

### 12.1 Significant non-recurring events and transactions

In accordance with Consob Communication no. DEM/6064293 of July 28, 2006, during 2020, significant non-recurring transactions regarded:

#### Cross-border merger by incorporation of Edison International Holding NV

On September 21, 2020, the Edison Board of Directors, during its meeting on September 17, 2020, approved, pursuant to articles 2502 and 2505 of the Italian Civil Code and Legislative Decree no. 108/2008, the plan for the cross-border merger by incorporation of Edison International Holding NV (a Dutch company directly and wholly-owned by Edison Spa) into Edison SpA, which was registered on September 18, 2020 with the Milan-Monza-Brianza-Lodi Company Register.

#### Agreement for the disposal of the E&P business to Energean

On December 17, 2020, Edison and Energean executed the agreement signed on July 4, 2019, revised on April 2, 2020 and subsequently amended on June 28, 2020 due to the economic impacts of the pandemic crisis and the change in the scope of the transaction, for the sale of Edison Exploration and Production S.p.A. (E&P) and its equity investments in the hydrocarbons (oil and natural gas) exploration & production sector.

The enterprise value of the transferred assets is 284 million USD (at the reference date of the transaction - locked box date - of January 1, 2019), with a positive impact of roughly 230 million USD, in addition to the net cash generated by the transferred assets between January 1, 2019 and the closing. The agreement provides for an additional consideration of up to 100 million USD subject to the roll-out of Cassiopea gas field in Italy; this consideration will be calculated on the basis of gas prices (VTP) recorded when the field begins production, expected in the first quarter of 2024. The buyer will also assume future decommissioning obligations.

#### Disposal of Infrastrutture Distribuzione Gas

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

The equity investment subject to disposal is considered a Disposal Group pursuant to IFRS 5, therefore the value was recognised in the balance sheet under "assets held for sale" for a value of 38.5 million euros, moreover inclusive of the reclassification of a share of goodwill allocated to it for roughly 29 million euros.

### 12.2 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 2020, 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.

### 12.3 Treasury Shares

At December 31, 2020 Edison Spa owned no treasury shares.

## 12.4 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 refer to what is reported in "Corporate Governance" in the "Report on the remuneration policy and remuneration paid".

## 12.5 Fees of the Independent Auditors

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

The statement below, drafted pursuant to art. 149-duodecies of the Consob Issuers' Regulations, shows the consideration for the year 2020 for auditing services and for non-auditing services provided by the same auditing company and entities belonging to its network.

(amounts in euros)	KPMG S.p.A.	Rete KPMG S.p.A.	KPMG S.p.A. Total	Deloitte & Touche S.p.A.	Rete Deloitte & Touche S.p.A.	Deloitte & Touche S.p.A. Total	TOTAL
<b>Edison S.p.A.</b>	<b>773.318</b>	<b>97.500</b>	<b>870.818</b>	<b>28.234</b>	<b>23.400</b>	<b>51.634</b>	<b>922.452</b>
Legal and accounting audit	693.568	-	693.568	12.234	-	12.234	705.802
Certification services	79.750	97.500	177.250	16.000	-	16.000	193.250
Other services	-	-	-	-	23.400	23.400	23.400
<b>Group Companies (1)</b>	<b>805.692</b>	<b>124.950</b>	<b>930.642</b>	<b>781.391</b>	<b>91.799</b>	<b>873.190</b>	<b>1.803.832</b>
Legal and accounting audit	733.984	124.950	858.934	734.473	64.949	799.422	1.658.356
Certification services	71.708	-	71.708	46.918	-	46.918	118.626
Other services	-	-	-	-	26.850	26.850	26.850
<b>Total</b>	<b>1.579.010</b>	<b>222.450</b>	<b>1.801.460</b>	<b>809.625</b>	<b>115.199</b>	<b>924.824</b>	<b>2.726.284</b>

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

## 12.6 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 2020 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 2020, 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, 2020**

February 16, 2021 - Edison, through the subsidiary Edison Renewables srl, acquired 70% of E2i Energie Speciali following the agreement with F2i Fondi Italiani for Infrastructures signed on January 14, thus terminating the partnership started in 2014. With the closing of the transaction, Edison confirms its position as the second wind operator in Italy with a renewable park with an installed capacity of 1 GW (excluding installed hydroelectric capacity).

**Milan, February 17, 2021**

**The Board of Directors**

**By Nicola Monti**

***Chief Executive Officer***

**(page intentionally left blank)**

# LIST OF EQUITY INVESTMENTS

# LIST OF EQUITY INVESTMENTS

## Investments in subsidiaries

Company	Head office	Share capital		Shares or par value interests held			Initial value (A)		
		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	Trento	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	387,110,518	(121,922,765)	265,187,753
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	(328,530,902)	118,056,298
Edison International Spa	Milan (*)	EUR	75,000,000	1.00	100.00	75,000,000	-	-	-
Edison Stocaggio Spa (Sole shareholder)	Milan (*)	EUR	90,000,000	1.00	100.00	90,000,000	134,280,847	-	134,280,847
Edison Renewables srl	Milan (*)	EUR	16,660,000	-	100.00	16,660,000	151,372,434	-	151,372,434
Edison Reggane	Milan (*)	EUR	200,000	1.00	100.00	200,000	-	-	-
EDF EN Italia Spa (Sole shareholder)	Rome (*)	EUR	14,000,000	1.00	100.00	14,000,000	182,631,337	-	182,631,337
EDF EN Services Italia Srl (Sole shareholder)	Bologna (*)	EUR	10,000	-	100.00	10,000	18,736,400	-	18,736,400
Elio Sicilia Srl (Sole shareholder)	Bologna (*)	EUR	10,000	-	100.00	10,000	320,000	-	320,000
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	(5,406,000)	9,302,392
Jesi Energia Spa	Milan (*)	EUR	5,350,000	1.00	70.00	3,745,000	15,537,145	(12,408,445)	3,128,700
Idroelettrica Brusson Srl (Sole shareholder)	Aosta (*)	EUR	20,000	-	100.00	20,000	2,127,468	-	2,127,468
Idroelettrica Cervino Srl (Sole shareholder)	Aosta (*)	EUR	100,000	-	100.00	100,000	11,300,418	-	11,300,418
Idroelettrica Saint-Barth Basso Srl (Sole shareholder)	Aosta (*)	EUR	100,000	-	100.00	100,000	4,000,000	-	4,000,000
Infrastrutture Distribuzione Gas Spa (Sole shareholder)	Selvazzano Dentro (PD) (*)	EUR	460,000	1.00	100.00	460,000	38,512,802	-	38,512,802
MF Energy srl (Sole shareholder)	Milan	EUR	10,000	-	100.00	10,000	-	-	-
Medicoora Srl	Boilogna	EUR	30,000	-	5.00	1,500	-	-	-
Nuova Alba Srl (Sole shareholder)	Milan (*)	EUR	2,016,457	-	100.00	2,016,457	39,669,151	(36,458,396)	3,210,755
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	(415,000)	15,000
Tremonti Srl (Sole shareholder)	Milan (*)	EUR	100,000	-	100.00	100,000	100,000	(20,000)	80,000
Termica Cologno Srl	Milan (*)	EUR	1,000,000	-	65.00	650,000	2,819,782	-	2,819,782
<b>Total Investments in subsidiaries</b>							<b>1,886,023,929</b>	<b>(502,274,010)</b>	<b>1,383,749,919</b>

(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)							Ending value at December 31, 2020 (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	1,549,382	1,549,382	(80,560)	(80,560)
-	-	-	-	-	-	-	171,128,000	(168,000)	170,960,000	180,663,669	180,663,669	(684,664)	(684,664)
-	-	-	-	-	-	(8,187,900)	-	-	-	-	-	-	-
-	-	-	-	-	-	(1,508,711)	385,601,807	(121,922,765)	263,679,042	103,200,431	103,200,431	(1,580,285)	(1,580,285)
-	-	-	-	-	-	-	187,458	(8,000)	179,458	568,709	568,709	42,426	42,426
-	-	-	-	-	(118,056,298)	-	-	-	-	-	-	-	-
70,926,759	-	-	-	-	-	-	70,926,759	-	70,926,759	542,307,544	542,307,544	(376,725,351)	(376,725,351)
-	-	-	-	-	-	-	134,280,847	-	134,280,847	183,925,918	183,925,918	21,969,956	21,969,956
-	-	-	-	-	-	202,179,248	353,551,682	-	353,551,682	288,206,032	288,206,032	28,024,743	28,024,743
-	-	200,000	-	-	-	-	200,000	-	200,000	-	-	-	-
-	-	-	-	-	-	(182,631,337)	-	-	-	-	-	-	-
811,511	-	-	-	-	-	(19,547,911)	-	-	-	-	-	-	-
-	-	-	250,000	(401,000)	-	-	570,000	(401,000)	169,000	171,835	171,835	(35,899)	(35,899)
-	-	-	-	(40,000,000)	-	-	246,994,680	(40,000,000)	206,994,680	213,165,474	213,165,474	(72,720,202)	(72,720,202)
743,062	-	-	-	-	-	-	15,451,454	(5,406,000)	10,045,454	13,060,255	9,524,844	(163,919)	(119,546)
-	-	-	-	(514,000)	-	-	15,537,145	(12,922,445)	2,614,700	3,839,755	2,687,829	(103,453)	(72,417)
-	-	-	-	-	-	-	2,127,468	-	2,127,468	1,073,605	1,073,605	129,996	129,996
-	-	-	-	-	-	-	11,300,418	-	11,300,418	3,697,373	3,697,373	847,997	847,997
-	-	-	-	-	-	-	4,000,000	-	4,000,000	2,527,362	2,527,362	(65,225)	(65,225)
-	-	-	-	-	-	(38,512,802)	-	-	-	-	-	-	-
4,551,546	-	-	-	-	-	-	4,551,546	-	4,551,546	(11,166)	(11,166)	(21,166)	(21,166)
1,500	-	-	-	-	-	-	1,500	-	1,500	-	-	-	-
-	-	-	-	(25,000)	-	-	39,669,151	(36,483,396)	3,185,755	3,185,602	3,185,602	(35,041)	(35,041)
-	-	-	-	-	-	-	3,500,109	(1,086,596)	2,413,513	3,443,013	3,443,013	(329,738)	(329,738)
-	-	-	-	-	-	-	4,400,206	4,150,094	8,550,300	19,035,425	16,803,712	(104,317)	(92,087)
-	-	-	-	-	-	-	1	-	1	-	-	-	-
-	-	-	-	(15,000)	-	-	430,000	(430,000)	-	19,458	19,458	(31,338)	(31,338)
-	-	-	-	(9,000)	-	-	100,000	(29,000)	71,000	70,648	70,648	(10,556)	(10,556)
-	-	-	-	-	-	-	2,819,782	-	2,819,782	4,319,624	2,807,756	(706,061)	(458,940)
<b>77,034,378</b>	<b>-</b>	<b>200,000</b>	<b>250,000</b>	<b>(40,964,000)</b>	<b>(118,056,298)</b>	<b>(48,209,413)</b>	<b>1,468,711,694</b>	<b>(214,707,108)</b>	<b>1,254,004,586</b>				

# LIST OF EQUITY INVESTMENTS (continued)

## Investments in joint ventures and affiliated companies

Company	Head office	Share capital		Shares or par value interests held			Initial value (A)		
		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	30.00	60,000	9,800,000	-	9,800,000
Dolomiti Edison Energy Srl	Trento	EUR	5,000,000	-	49.00	2,450,000	-	-	-
EL.I.T.E. Spa	Milan	EUR	3,888,500	1.00	48.45	1,883,940	1,883,940	-	1,883,940
Elpedison BV	Amsterdam (Netherlands)	EUR	1,000,000	1.00	50.00	500,000	-	-	-
Ibiritermo Sa	Ibiritè (Brasil)	BRL	7,651,814	1.00	50.00	3,825,907	1,161,903	-	1,161,903
IGI Poseidon	Herakleio, Attiki (Greece)	EUR	128,850,000	1.00	50.00	64,425,000	-	-	-
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 (Switzerland)	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
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
<b>Total Investments in joint ventures and affiliated companies</b>							<b>52,778,618</b>	<b>(24,543,694)</b>	<b>28,234,924</b>
<b>Total Equity investments</b>							<b>1,938,802,547</b>	<b>(526,817,704)</b>	<b>1,411,984,843</b>

## Investments in subsidiaries - Discontinued operations

Company	Head office	Share capital		Shares or par value interests held			Initial value (A)		
		Curr.	Amount	Par value per share	%	Number or par value	Cost	Revaluations (Writedowns)	Net carrying amount
Infrastrutture Distribuzione Gas Spa (Sole shareholder)	Selvazzano Dentro (PD) (*)	EUR	460,000	1.00	100.00	460,000	38,512,802	-	38,512,802
Edison Exploration & Production Spa (Sole shareholder)	Milan (*)	EUR	500,000,000	1.00	100.00	500,000,000	873,995,150	(327,210,835)	546,784,315

(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)							Ending value at December 31, 2020 (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 (**)
-	(3,800,000)	-	-	-	-	-	6,000,000	-	6,000,000	19,753,041	5,925,912	(222,352)	(66,706)
-	-	-	-	-	-	8,187,900	8,187,900	-	8,187,900	30,162,130	14,779,444	5,759,307	2,822,060
-	-	-	-	-	-	-	1,883,940	-	1,883,940	7,176,634	3,477,007	398,158	192,904
-	-	-	-	-	10,000,000	-	89,605,200	(79,605,200)	10,000,000	57,957,000	28,978,500	(11,872,000)	(5,936,000)
-	-	-	-	-	-	-	1,161,903	-	1,161,903	20,517,455	10,258,728	5,116,184	2,558,092
-	-	-	-	-	48,128,000	-	64,425,000	(16,297,000)	48,128,000	108,227,682	54,113,841	(20,622,318)	(10,311,159)
-	-	-	-	-	-	-	4,405,565	(378,938)	4,026,627	13,680,303	4,412,992	189,905	61,260
-	-	-	-	-	-	-	11,362,052	-	11,362,052	112,016,293	22,403,259	925,754	185,151
-	-	-	-	-	-	-	1	-	1	-	-	-	-
-	-	-	-	-	-	-	400	-	400	-	-	-	-
-	-	-	-	-	-	-	24,164,757	(24,164,756)	1	78,407,406	18,448,479	(327,348)	(77,022)
-	(3,800,000)	-	-	-	58,128,000	8,187,900	211,196,718	(120,445,894)	90,750,824				
77,034,378	(3,800,000)	200,000	250,000	(40,964,000)	(59,928,298)	(40,021,513)	1,679,908,412	(335,153,002)	1,344,755,410				

Changes during the year (A)							Ending value at December 31, 2020 (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 (**)
-	-	-	-	-	-	38,512,802	38,512,802	-	38,512,802	47,737,605	47,737,605	5,900,627	5,900,627
-	(546,784,315)	-	-	-	-	-	-	-	-	-	-	-	-

# LIST OF EQUITY INVESTMENTS (continued)

## Fixed equity investments valued at fair value through profit or loss

Company	Head office	Share capital		Shares or par value interests held			Initial value (A)		
		Curr.	Amount	Par value per share	%	Number or par value	Cost	Revaluations (Writedowns)	Net carrying amount
European Energy Exchange Ag - EEX	Leipzig (Germany)	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.S.V.E.U.R. 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
Edison Egypt Energy Services J.S.C.	New Cairo (Egypt)	EGP	20,000,000	1,00	1,000	200,000	-	-	-
Consel Srl	Rome	EUR	51,000	1,00	1,000	510	-	-	-
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 (USA)	USD	276,031	0,01	0,058	160	4,975,111	(4,862,880)	112,231
<b>Total Long-term investments valued at fair value through profit or loss</b>							<b>6,166,443</b>	<b>(5,267,273)</b>	<b>899,170</b>

(A) Amounts in euros.

The currency codes used are consistent with the ISO 4217 International Standard.

EUR Euro

USD U.S. dollar

EGP Egyptian pound

Changes during the year (A)						Ending value at December 31, 2020 (A)		
Additions	Disposals	Advance on (Distribution of) capital and reserves	Revaluations (Writedowns)	Conveyance	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
-	-	-	-	10,404	-	10,404	-	10,404
510	-	-	-	-	-	510	-	510
-	-	-	-	-	-	479,473	(404,393)	75,080
-	-	-	-	-	-	13,450	-	13,450
-	-	-	-	-	-	1	-	1
-	-	-	193,139	-	-	4,975,111	(4,669,741)	305,370
<b>510</b>	<b>-</b>	<b>-</b>	<b>193,139</b>	<b>10,404</b>	<b>-</b>	<b>6,177,357</b>	<b>(5,074,134)</b>	<b>1,103,223</b>

## MOTION FOR A RESOLUTION

*Dear Shareholders,*

Your Company's separate financial statements at December 31, 2020 show a loss of 67,812,274.59 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 resolution.

### Motions for resolutions to the shareholders' meeting

#### FIRST RESOLUTION

*"The Shareholders' Meeting,*

- having reviewed the Company's separate financial statements and the Group's consolidated financial statements at December 31, 2020, 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, 2020;

#### *resolves*

to approve the Company's separate financial statements for the year ended December 31, 2020, as a whole, and the individual items contained therein, which show a loss of 67,812,274.59 euros, rounded to 67,812,274 euros in the financial statements."

In relation to the methods of coverage of said loss, please refer to the motions to the extraordinary shareholders' meeting.

Milan, February 17, 2021

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 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, 2020.

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 17, 2021

The Chief Executive Officer

Nicola Monti

The Corporate Accounting  
Documents Officers

Didier Calvez  
Roberto Buccelli



KPMG S.p.A.  
Revisione e organizzazione contabile  
Via Vittor Pisani, 25  
20124 MILANO MI  
Telefono +39 02 6763.1  
Email [it-fmauditaly@kpmg.it](mailto:it-fmauditaly@kpmg.it)  
PEC [kpmgspa@pec.kpmg.it](mailto:kpmgspa@pec.kpmg.it)

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

## **Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014**

*To the shareholders of  
Edison S.p.A.*

### **Report on the audit of the separate financial statements**

#### ***Opinion***

We have audited the separate financial statements of Edison S.p.A. (the "company"), which comprise the balance sheet at 31 December 2020, the income statement and other components of the comprehensive income, cash flow statement and statement of changes in shareholders' equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Edison S.p.A. as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the separate financial statements" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Other matters - Comparative figures**

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

### **Key audit matters**

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

#### **Recoverability of goodwill, intangible assets, property, plant and equipment and equity investments**

<b>Key audit matter</b>	<b>Audit procedures addressing the key audit matter</b>
<p>The separate financial statements at 31 December 2020 include goodwill of €1,544 million, intangible assets of €75 million, property, plant and equipment of €1,442 million and equity investments of €1,345 million.</p> <p>Impairment testing entails firstly checking that the carrying amount of the individual cash-generating units ("CGUs"), excluding goodwill, does not exceed their related recoverable amount and secondly analysing the carrying amount of the groups of CGUs including goodwill allocated thereto. Lastly, as a second-level check, the company tests the carrying amount of the assets as a whole for impairment.</p> <p>The company tests its assets for impairment with the assistance of an independent expert, by estimating their recoverable amount (i.e. value in use), and their ability to generate future cash flows.</p> <p>Equity investments are tested for impairment by comparing their carrying amount with the company's share of the investees' net equity, inclusive of previously mentioned impairment test effects.</p> <p>The company then proceeds to align the equity investments' carrying amounts with their recoverable amounts.</p> <p>As a result of its impairment tests, the company has recognised total impairment losses of €41 million on the carrying amount of some of its subsidiaries.</p> <p>Impairment testing is complex and requires management to make assumptions about, inter alia, the CGUs' expected cash flows</p>	<p>We checked how management calculated the CGUs' and equity investments' value in use by challenging the methods and assumptions used in impairment testing.</p> <p>Our audit procedures, carried out partly by involving our own specialists, included the following:</p> <ul style="list-style-type: none"> <li>— understanding the controls implemented by the company over the process of impairment testing of goodwill, intangible assets, property, plant and equipment and equity investments;</li> <li>— comparing the equity investments' carrying amount with the company's share of the investees' net equity, inclusive of previously mentioned impairment test effects.</li> <li>— analysing the reasonableness of the assumptions used to estimate cash flows, including through sector data analyses;</li> <li>— comparing actual figures to forecasts to assess any discrepancies and the reliability of the estimation process;</li> <li>— challenging the reasonableness of the discount (WACC) and long-term growth (g-rate) rates;</li> <li>— checking the mathematical accuracy of the model used to calculate the CGUs' and equity investments' value in use;</li> <li>— checking the calculation of the carrying amount of the CGUs, the groups of CGUs relating to the electricity and</li> </ul>

and the appropriate discount (WACC) and long-term growth (g-rate) rates.

The company has estimated the recoverable amount mainly on the basis of the cash flows presented in:

- the 2021 budget approved by the board of directors on 7 December 2020;
- the 2022-2023 medium-term projections approved by the board of directors on the same date;
- the long-term projections prepared by management.

The above assumptions are affected by expectations about future market conditions.

The most significant variables underlying the estimated cash flows are as follows:

- variations in the national single price (PUN) and the related spark spread, changes in the Italian sector regulations, with specific reference to the capacity remuneration provisions and mechanisms for certain types of reliable power plants (capacity market), and the trend of national demand for electricity, with respect to the company's electricity power operations;
- variations in the price of oil commodities and natural gas and in the €/USD exchange rate, with respect to the company's hydrocarbon operations;
- the discount and long-term growth rates.

Considering the materiality of the carrying amount of assets and the subjectivity affecting the estimated cash flows and the most significant variables set out above, we believe that impairment testing is a key audit matter of Edison S.p.A. separate financial statements' audit.

Notes "Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles", "5.2 Equity investments and other non-current financial assets" and "11.1 Use of estimated values" to the separate financial statements present the disclosures about the impairment tests, the impairment losses recognised on equity investments and the changes in the most significant variables used for impairment testing.

hydrocarbons markets, the assets as a whole and equity investments;

- challenging management's sensitivity analysis;
- checking whether how management carried out impairment tests of goodwill, intangible assets, property, plant and equipment and equity investments complied with the IFRS;
- assessing the appropriateness of the disclosures provided in the notes about the impairment tests and their compliance with the requirements of IAS 36.



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

Key audit matter	Audit procedures addressing the key audit matter
<p>Revenue from sales of electricity and natural gas of €2,102 million and €2,451 million, respectively, include turnover on the basis of the periodic reading of consumption for the year and the estimate for the supply of commodities provided but not yet invoiced at the reference date.</p> <p>This estimate is calculated in a differentiated manner depending on the commodity and on the basis of the segment of customers receiving the supply, according to the following factors:</p> <ul style="list-style-type: none"> <li>— volumes distributed (based on communications coming from third parties: transporters and distributors);</li> <li>— historical consumption of the customer;</li> <li>— pipeline leaks and adjustments to reflect weather conditions or other factors that could impact the consumption estimate.</li> </ul> <p>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.</p> <p>We believe that how the above revenue from sales is determined is a key audit matter of Edison S.p.A. separate financial statements' audit, taking into account i) the discretionary component of any estimates; (ii) the materiality of the total amount; (iii) the large number of transactions involving end-users; and (iv) the effort necessary to carry out the related audit procedures, which require the involvement of experienced personnel and specialists.</p> <p>Note "11.1 Use of estimated values" to the separate financial statements discloses the revenue recognition policies used by the company.</p>	<p>We carried out the following audit procedures on the estimated revenue from the sales carried out between the last metering date and the reporting date:</p> <ul style="list-style-type: none"> <li>— checking the algorithms and data used in the IT systems, including by involving our IT specialists;</li> <li>— understanding the revenue recognition process and the main controls implemented by the company, again by involving our IT specialists;</li> <li>— checking, on a sample basis, the correct application of the reference prices and the completeness and accuracy of the data used by management for these estimates;</li> <li>— comparing the estimates recognised in the separate financial statements with the subsequent actual figures;</li> <li>— assessing the appropriateness of the disclosures provided in the notes.</li> </ul>

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

Key audit matter	Audit procedures addressing the key audit matter
<p>The company's separate financial statements at 31 December 2020 include provisions for decommissioning and remediation of industrial sites, for risks and charges for non-Energy activities of €66 million, €78 million and €299 million, respectively.</p> <p>The caption includes also the provisions for decommissioning and remediation of industrial sites ("decommissioning").</p> <p>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.</p> <p>The provisions for risks and charges are of a purely industrial nature and relate to the various segments in which the company operates. They include provisions for sales of equity investments and property tax disputes.</p> <p>The provisions for risks and charges for non-Energy activities cover: i) disputes, litigation and contracts, ii) contractual guarantees on the sale of equity investments, iii) environmental risks and iv) tax disputes.</p> <p>As disclosed in the notes, the company is involved in a number of legal and arbitration proceedings. Management estimates affect the following captions: "provisions for risks and charges", "provisions for risk and charges for non-Energy activities" and "liabilities held for sale". The different types of disputes include disputes of an environmental nature that entail a high level of complex estimates and uncertainties, as they are linked to different legal proceedings in which the company is involved as a result of the merger of Montedison S.p.A. into it. Specifically as regards the provisions recognised in relation to disputes deriving</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— understanding the controls implemented by the company over the process for the identification, initial recognition and monitoring of proceedings and investigations at the organisation's various levels;</li> <li>— understanding the controls implemented by the company over the process for the identification, initial recognition and updating of provisions;</li> <li>— assessing the appropriateness of management's estimation methods in relation to the requirements of the IFRS;</li> <li>— analysing the accounting policies and assumptions used by management to estimate provisions;</li> <li>— checking the accuracy and completeness of the data used for the estimates;</li> <li>— discussing the progress of the most significant disputes with the company's legal and tax departments;</li> <li>— sending requests for information to the legal and tax advisors assisting the company and checking the consistency of the information obtained with the risk assessment made by management and the legal and tax departments;</li> <li>— analysing supporting documentation, including minutes of the board of directors' meetings, agreements with counterparties and updates prepared by the company;</li> <li>— analysing the events after the reporting date up to the date of this report;</li> <li>— assessing the appropriateness of the disclosures provided in the notes.</li> </ul>



**Edison S.p.A.**

Independent auditors' report  
31 December 2020

---

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 Edison S.p.A. activities in the energy sector - the current levels of allocation 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 matters, 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.

Considering the complexity of the pending proceedings, the uncertainty of the estimation process and the significant potential effects on the company's financial position, financial performance and cash flows, we believe that this is a key audit matter of Edison S.p.A. separate financial statements' audit.

Notes "5.3 Operational Provisions", "5.4 Contingent assets and liabilities", "9. Non-energy activities" and "11.1 Use of estimated values" to the separate financial statements present the disclosures about estimates of provisions.

---

### ***Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements***

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures.



The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist or have no realistic alternative but to do so.

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

### ***Auditors' responsibilities for the audit of the separate financial statements***

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

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

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

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

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

### **Report on other legal and regulatory requirements**

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

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

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

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



**Edison S.p.A.**  
*Independent auditors' report*  
31 December 2020

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

Milan, 25 February 2021

KPMG S.p.A.

(signed on the original)

Umberto Scaccabarozzi  
Director of Audit