



2018 FINANCIAL REPORT

Report on operations



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

2018 Financial Report

Group Profile



We are Europe's oldest energy company, active in the generation and sale of electricity as well as the supply, distribution and sale of hydrocarbons.

Our flexible and efficient electric power generation capacity is based on thermoelectric, hydroelectric, wind and solar plants.

In the hydrocarbon sector, we operate in Italy, Europe and the Mediterranean region. We are committed to diversifying gas sources and routes, or national energy system transition and security. We are currently developing plans for the construction of a new gas importation infrastructure, as well as for storage and distribution management.

We sell electric energy and natural gas on the end market. We offer services for families and businesses.

We offer innovative, tailor-made solutions for the efficient use of energy resources, and we are active in the environmental services sector.

A Letter to Shareholders

Dear Shareholders,

in 2018, Edison worked on executing the transformation of its business model and on playing a key role in the energy transition in Italy, seizing the opportunities arising from the ongoing changes in the energy market. The Company focused, in particular, on the integration of the assets acquired in retail and in services, completed its market offer and is purposefully treading the path of digitalisation. Just as many resources were dedicated to the development of generation projects, especially in the renewable energy sector, and innovative initiatives, such as the small-scale LNG project, which lay the foundations for future growth.

In the domestic energy market in 2018, electricity demand was essentially stable with respect to the 2017 figures, and favourable weather conditions were recorded, which allowed a recovery in hydroelectric generation to the detriment of thermoelectric power. The decrease in the latter was the main cause of the reduction in natural gas consumption. Electricity, gas and oil prices rose over the previous year. The context defined by the National Energy Strategy, largely reproduced in the Energy and Climate Plan, was confirmed as positive, pending the definition of the application measures of the principles outlined.

In this context, Edison was able to confirm, also for 2018, positive economic-financial results, with a healthy operating performance in all business areas and a return to profit, along with the retention of an extremely solid financial structure. The excellent results achieved, as with the strategic focus, in particular, on end customers, energy efficiency services and renewable energies, were fully recognised by the market, with Edison's long-term rating attributed by Standard & Poor's raised to investment grade.

Thanks to the completion of the acquisition of the commercial activities of Gas Natural Vendita Italia, renamed Edison Energie, Edison increased its customer base by 50%, reaching 1.6 million contracts, and extended its presence throughout Italy, particularly in the southern regions of the country. The Company focused its efforts during the year on guaranteeing the coordination of people, activities and systems. This process culminated in the integration of the sale companies, which will take effect in 2019, the year in which market synergies will be developed even further also through the ramping up of cross-selling activities. The enrichment with innovative services for the home and electric mobility further reinforced Edison's presence on the market, helping make its offer more distinctive for end customers.

Edison also recorded growth in the energy and environmental services sector. The acquisition of Zephyro, a leading operator in the provision of integrated energy management solutions, predominantly for hospitals, represents a huge growth opportunity in the Public Administration segment.

In 2018, six wind farms were energised (for 115MW), whose production capacity was obtained from E2i as part of the competitive auction at the end of 2016; the remaining 50MW will be completed by the first quarter of 2019: it is another important step for Edison towards a leading role in the Italian energy transition. As part of hydroelectric generation, Edison also launched the greenfield construction of the Palestro mini-hydro plant in the Est Sesia district in Lombardy and acquired five mini-hydro plants in Valle d'Aosta (two of which under construction). It should also be noted that, at the end of October, in the presence of extremely intense weather disturbances in northern Italy, Edison demonstrated its experience in managing large-scale hydroelectric plants, making a significant contribution to limiting the effects of the floods and protecting the areas downstream of the dams.

In the presence of increasing power generation from intermittent and non-programmable renewable sources, is also dedicating efforts to guaranteeing adequate flexibility to the national electricity system, through the study of new generation gas-powered plants, characterised by high efficiency and a low environmental impact, where the market conditions allow it. In said context, Edison intends – once the authorisation process has been completed – to launch the project for the upgrading of the Marghera Levante site with a high-efficiency 760 MW turbine whose excellent environmental performances will allow a 20% reduction in CO₂ and a 70% decrease in Nox, with no use of any additional ground. The construction of the plant, whose commercial operations are expected to commence in 2022, will also have a positive impact on the related industries both as regards the construction of machines, which will be produced by Italian manufacturers, and the building site phase.

Thanks to the leading position in the long-term LNG import in Italy, Edison has also launched the first integrated logistics chain of LNG plants on a small-scale, the so-called *small-scale LNG* project. In line with the European targets for the reduction of polluting emissions, the project, which makes provision for a first coastal LNG depot in the port of Ravenna, will make heavy-duty and maritime transport sustainable.

In view of the expiry, in 2019, of the contracts for the long-term import of gas from Russia and Algeria, Edison is also working to guarantee the recomposition and expansion of the procurement portfolio, with a view to diversifying sources and strengthening the gas supply system in Italy. Again in the mid-stream gas sector, the Greece-Bulgaria interconnector was definitively authorised and construction will commence in 2019.

The year 2018 also saw the corporate restructuring of the E&P portfolio in relation to Edison Exploration and Production Spa, to which all activities, mining titles and corporate shareholdings in the hydrocarbons sector in Italy and abroad were assigned. The rationalisation aims to create the conditions for ensuring adequate future development of E&P activities, at the same time as Edison's repositioning on the end market, energy services and renewable generation.

Finally, but of no less importance, in 2018 Edison engaged in the development of initiatives in support of innovation and digitalisation, which culminated in the installation of the first electricity accumulation system in Altomonte and the creation of Officine Edison in Turin, space for research and development in the energy sector in collaboration with the Turin Polytechnic and the local institutions. We should not overlook the creation of the digitalisation platform DAFNE (Digital Arena for the Next Edison) and the venture capital partnership with Iinvest Partners, to promote joint investment in start-ups in the Smart city sector.

As pointed out, from an economic-financial point of view, the year just ended was a positive one: the Company achieved robust operating margins, above expectations across the board, in all sectors. In particular, it is worth stressing that the Company returned to making a profit again, bringing to fruition the strategic and operating decisions taken in the last few years. The positive performance of industrial activities and the constant attention on containing working capital made it possible to effectively balance the outlays connected with the acquisitions, primarily of GNVI and Zephyro. Hence, effective financial management allowed the Company to keep net debt low, in support of the strategic development plan.

The company environment continued to be positive, characterised by increased engagement of people, who share and understand the company objectives in more depth. The Company also recorded a strong social performance, with an injury frequency rate below 2 (1.5 at year-end), always better than the industry averages.

Finally, I am happy to confirm that, in 2018, Edison defined the objectives and actions that will shape the Sustainability Policy for the next three-year period. They are represented by targets, reported in the fifth volume "Non-Financial Statement", relating to the digital transformation, the production of energy from renewable sources, the reduction of CO₂ emissions, inclusion and plurality, innovative services for customers and dialogue with stakeholders.

In conclusion, in 2018, Edison demonstrated an excellent ability to sustainably implement its strategic development plan. Strengthened by its wealth of expertise and experience which have characterised its history, the Company undertook a path of transformation through investments and innovation, enabling it to strengthen its role as national operator. The greater focus on customers and the capacity to develop long-term investments create value not only for its shareholders, but also for the country. The positive results achieved, combined with the financial solidity and stable governance, guarantee the Company a position of strength in a sector undergoing a phase of consolidation.

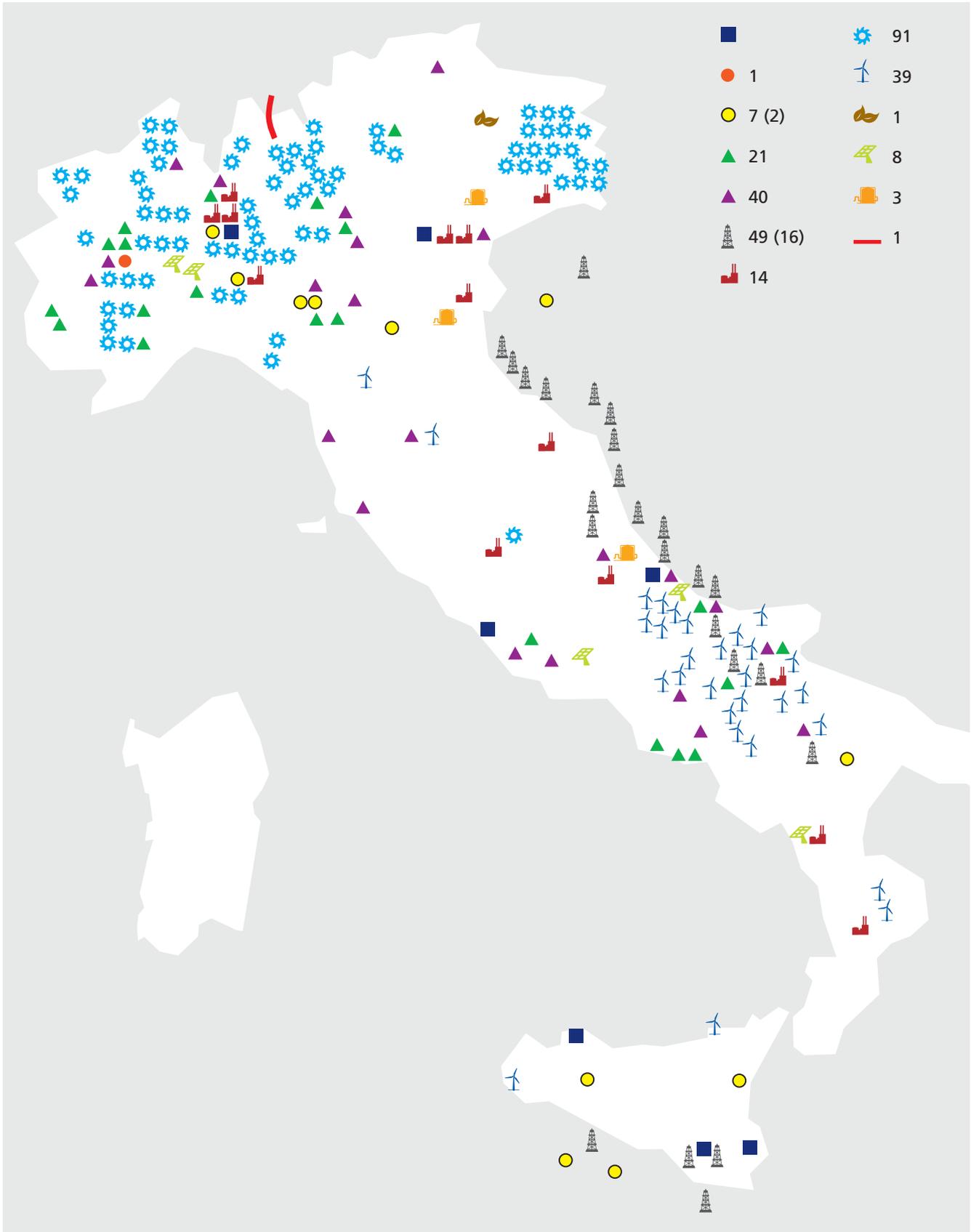
In 2019, the Company will continue to pursue its strategic objectives with determination, tenacity and dedication. This will also be made possible by the new electricity generation – in particular in the renewable sector of mid-stream projects and final gas uses – which, besides making a positive contribution to the Company's economic performance, will have an increasingly more positive environmental and social impact.

Marc Benayoun
Chief Executive Officer

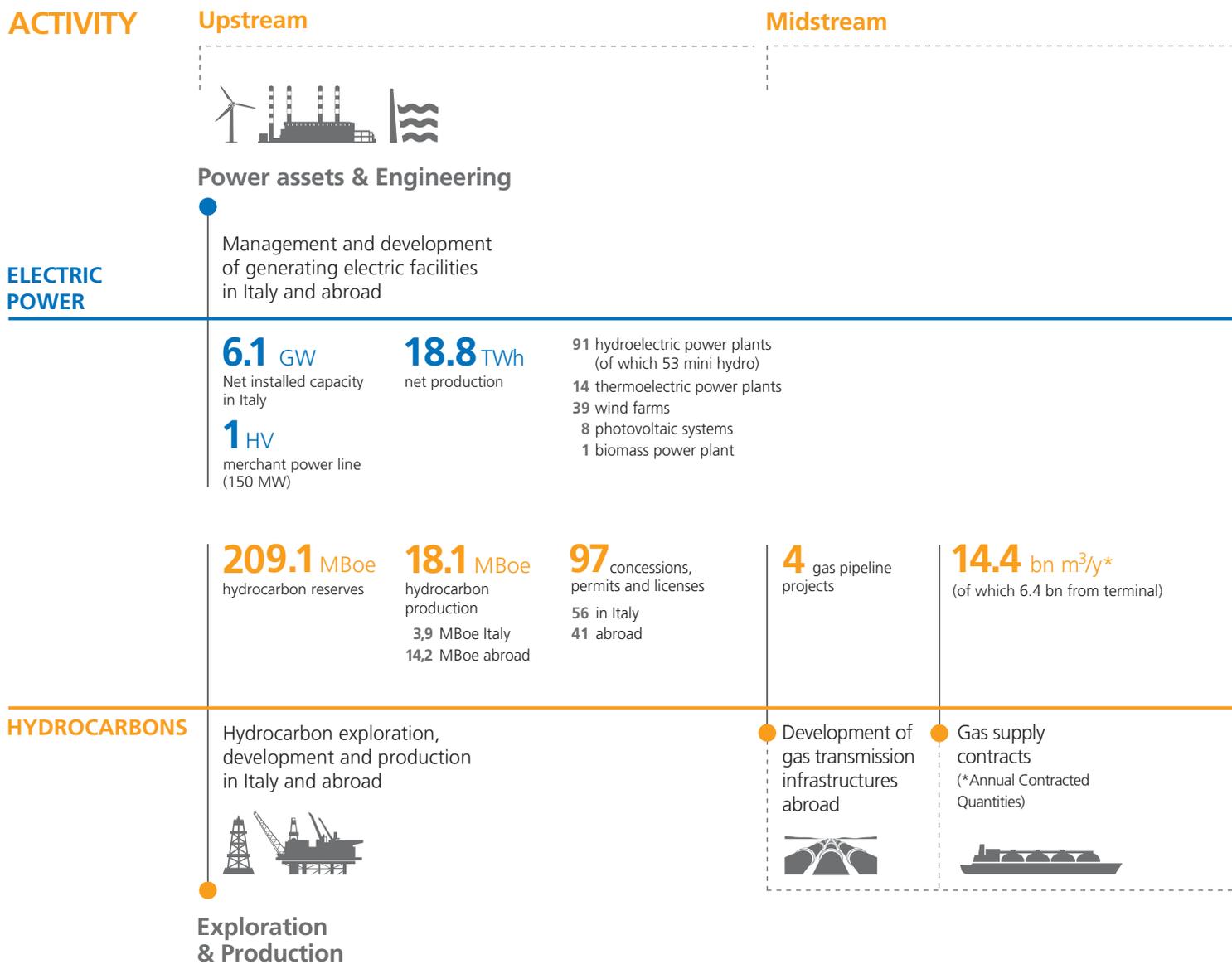
Operational presence

- Edison locations and offices
- Hydrocarbon branches and offices
- ▲ Operating sites for environmental services
- ▲ Managed production sites (Fenice and Edison Energy Solutions)
- R&D center
- Hydrocarbon exploration licenses (of which as operator)
-  Hydrocarbon production concessions (of which as operator)
-  Thermolectric power plants
-  Hydroelectric power plants
-  Wind farms (through E2i)
-  Biomass power plant
-  Photovoltaic plants
-  Gas storage centers
- Merchant line
- Pipelines under development





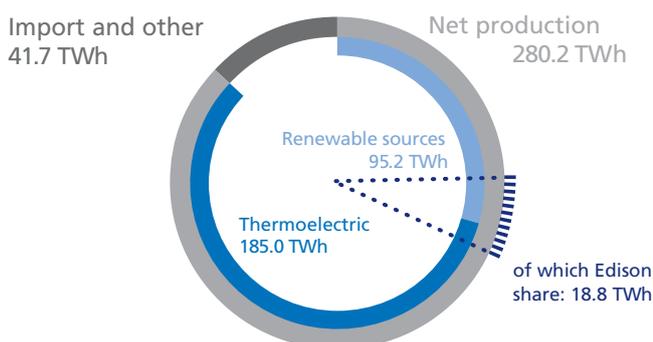
Value chain



ITALIAN MARKET

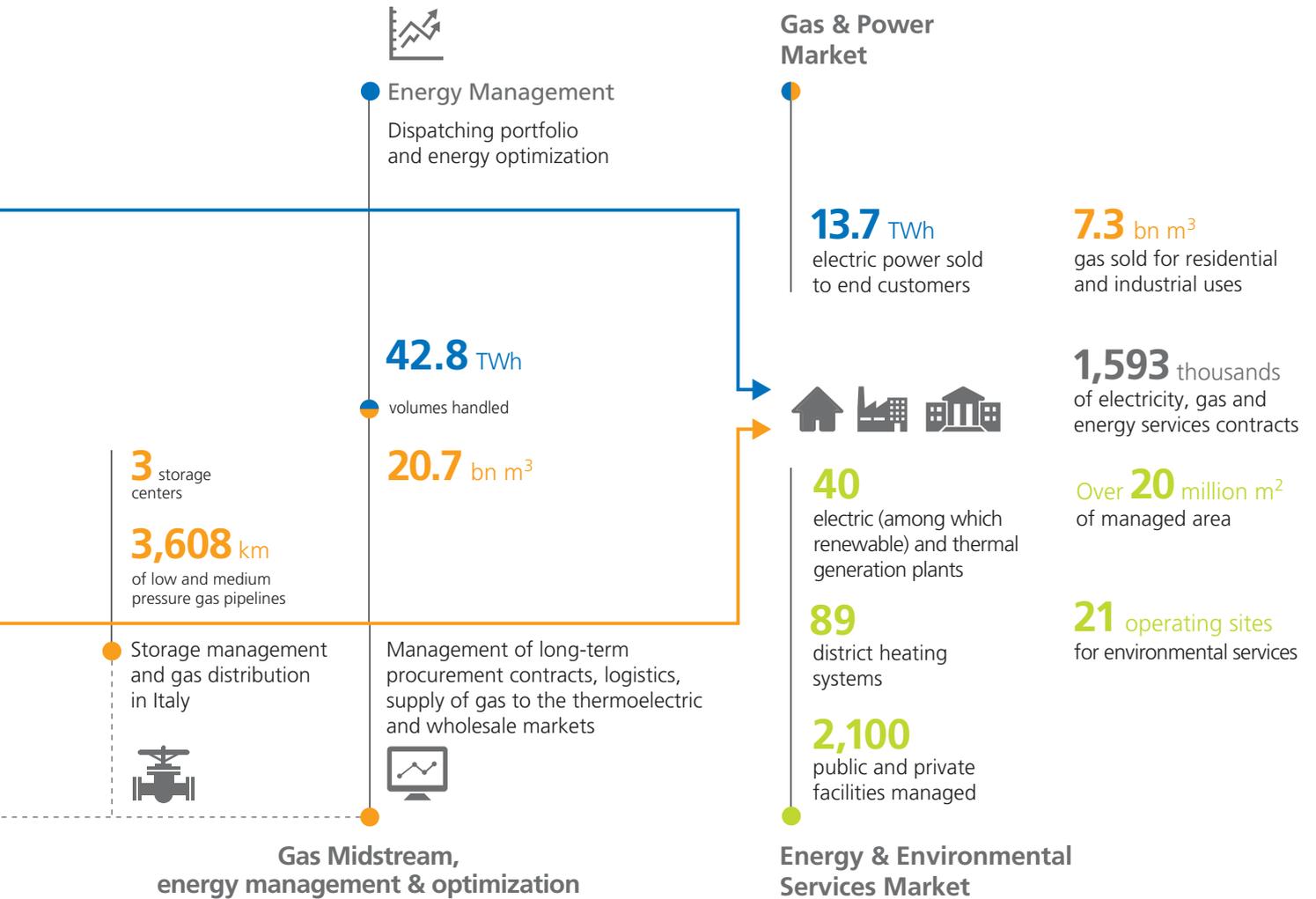
Electric power

2018 - Total gross Italian demand 321.9 TWh



7%
Edison's share of total Italian production

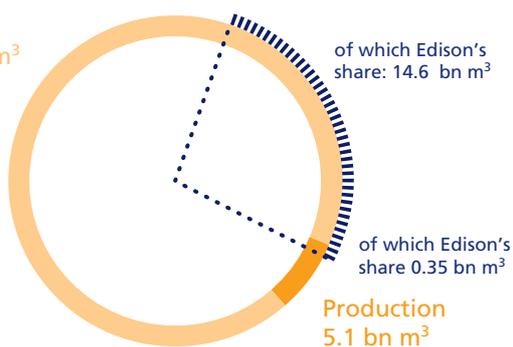
Downstream



Gas

2018 - Total Italian demand 72.1 bn m³

Import
67.4 bn m³



21.6%

Edison's share of total Italian imports

7%

Edison's share of total Italian production

Highlights of the Group

MAIN FINANCIAL AND OPERATING HIGHLIGHTS

In order to help the reader obtain a better understanding of the Group's operating and financial performance, the tables below contain "alternative performance indicators" that are not included among those provided in the IFRS accounting principles. The methods used to compute these indicators, consistent with the guidelines of the European Securities and Markets Authority (ESMA), are described in the footnotes to the tables.

Income statement highlights (in millions of euros)	Chapter ^(*)	2018	% of revenues	2017 ^(**)	% of revenues	% change
Sales revenues	2	9,159		8,783		4.3%
EBITDA	2	793	8.7%	803	9.1%	(1.2%)
EBIT		199	2.2%	42	0.5%	n.m.
Profit (Loss) attributable to Parent Company shareholders		54		(176)		n.m.

Balance sheet highlights (in millions of euros)		12.31.2018	12.31.2017	% change
Capital expenditures	5	418	377	10.9%
Investments in exploration	5	29	80	(63.8%)
Net invested capital (A + B)		6,557	6,319	3.8%
Net financial debt (A) ⁽¹⁾	6	416	116	n.m.
Total shareholders' equity (B)	6	6,141	6,203	(1.0%)
Shareholders' equity attributable to Parent Company shareholders	6	5,886	5,915	(0.5%)

Rating	12.31.2018	12.31.2017
Standard & Poor's		
Medium/Long-term rating	BBB-	BB+
Medium/Long-term outlook	Stable	Stable
Short-term rating	A-3	B
Moody's		
- Rating	Baa3	Baa3
Medium/Long-term outlook	Stable	Stable

Key Indicators	2018	2017	% change
Debt/Equity ratio (A/B)	0.07	0.02	
Gearing (A/A+B)	6.3%	1.8%	
Number of employees ⁽²⁾	5,372	5,144	4.4%

(1) A breakdown of this item is provided in the section 6.3 "Net Financial Debt and cost of debt" of the Notes to the consolidated financial statements.

(2) Year-end data for companies consolidated line by line.

(*) See the Notes to the consolidated financial statements.

(**) 2017 Sales Revenues were restated following the application of IFRS 15 "Revenue from Contracts with Customers", without any impact on the EBITDA, as described in the section 1.1 "Newly applied standards" of the Notes to the consolidated financial statements. The effects resulting from the initial application of IFRS 9 were recognised in shareholders' equity with no restatement of comparative data.

Operating data	2018	2017	% change
Net production of electric power (TWh)	18.8	19.7	(4.8%)
Sales of electric power to end users (TWh)	13.7	10.9	25.3%
Gas imports (Bn m ³)	14.6	15.1	(3.5%)
Total net gas sales in Italy (Bn m ³)	20.7	21.3	(2.7%)
Power and gas contracts (thousands)	1,592.4	1,059.3	50.3%
Energy services contracts	419	391	7.2%
Hydrocarbon reserves (Mboe)	209.1	224.0	(6.7%)
Net hydrocarbon production in Italy and abroad (Mboe)	18.1	17.0	6.5%

Information About the Edison Shares and Corporate Governance Bodies

INFORMATION ABOUT THE EDISON SHARES

Shares at December 31, 2018	Number	Price
Common shares	5,266,845,824	(*)
Savings shares	110,154,847	0.9514

Shareholders with significant holdings at December 31, 2018	% of voting rights	% interest held
Transalpina di Energia Spa ⁽¹⁾	99.484%	97.446%

(*) Delisted as of September 10, 2012.

(1) 100% indirectly controlled by Électricité de France Sa.

CORPORATE GOVERNANCE BODIES

Board of Directors ⁽¹⁾	Chairman	Jean-Bernard Lévy ⁽²⁾	
	Chief Executive Officer	Marc Benayoun ⁽³⁾	
	Directors	Marie-Christine Aulagnon ⁽⁴⁾	
		Béatrice Bigois ⁽⁵⁾	
		Paolo Di Benedetto ⁽⁶⁾	Independent Director
		Gian Maria Gros-Pietro ⁽⁷⁾	Independent Director
		Sylvie Jéhanno ⁽⁸⁾	
Nathalie Tocci ⁽⁹⁾	Independent Director		
Nicole Verdier-Naves ⁽¹⁰⁾			
	Secretary to the Board of Directors	Lucrezia Geraci	
Board of Statutory Auditors ⁽¹¹⁾	Chairperson	Serenella Rossi	
	Statutory Auditors	Lorenzo Pozza	
		Gabriele Villa	
Independent Auditors ⁽¹²⁾		Deloitte & Touche Spa	

(1) Elected by the Shareholders' Meeting on March 22, 2016 for a three-year period ending with the Shareholders' Meeting convened to approve the 2018 financial statements.

(2) Confirmed as Director and Chairman by the Shareholders' Meeting on March 22, 2016.

(3) Confirmed as Director by the Shareholders' Meeting on March 22, 2016 and as Chief Executive Officer by the Board of Directors on March 22, 2016.

(4) Elected as Director by the Shareholders' Meeting on March 22, 2016. Chairperson of the Control and Risk Committee.

(5) Confirmed as Director by the Shareholders' Meeting of March 22, 2016. Member of the Control and Risk Committee.

(6) Confirmed as Director by the Shareholders' Meeting of March 22, 2016. Chairperson of the Compensation Committee and member of the Control and Risk Committee, the Committee of Independent Directors and the Oversight Board.

(7) Confirmed as Director by the Shareholders' Meeting of March 22, 2016. Chairperson of the Committee of Independent Directors, Lead Independent Director and member of the Control and Risk Committee, the Compensation Committee and the Oversight Board.

(8) Elected as Director by the Shareholders' Meeting on March 22, 2016.

(9) Confirmed as Director by the Shareholders' Meeting of March 22, 2016. Member of the Compensation Committee and the Committee of Independent Directors.

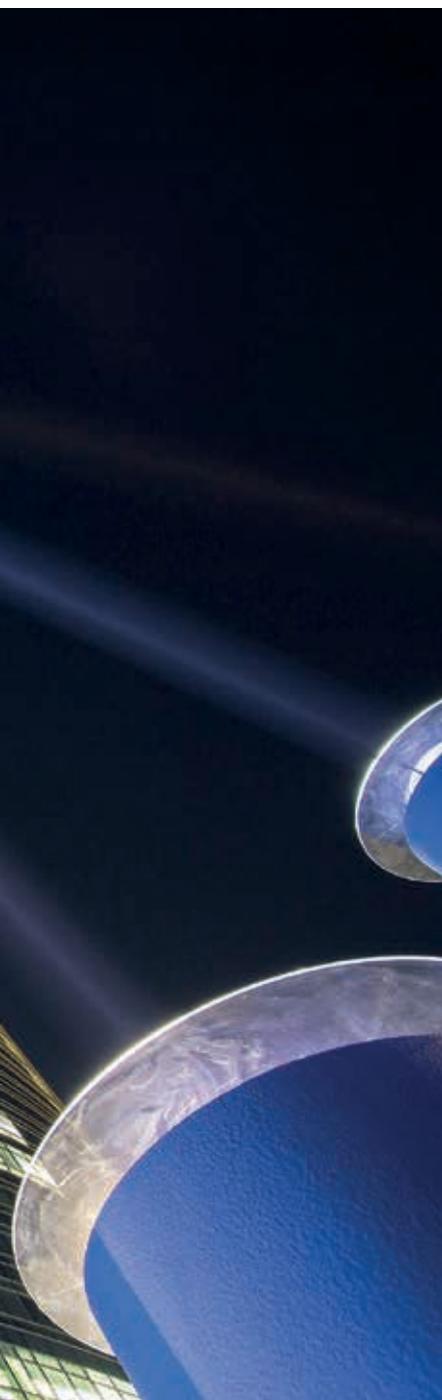
(10) Confirmed as Director by the Shareholders' Meeting of March 22, 2016. Member of the Compensation Committee.

(11) Elected by the Shareholders' Meeting on March 30, 2017 for a three-year period ending with the Shareholders' Meeting convened to approve the 2019 financial statements.

(12) Audit engagement awarded by the Shareholders' Meeting on April 26, 2011 for the nine-year period from 2011 to 2019.



Report on Operations



Key events



Edison completes the acquisition of Gas Natural Vendita Italia

On February 22, 2018, Edison completed the acquisition of Gas Natural Vendita Italia Spa (hereinafter GNVI), which was renamed Edison Energie Spa. The price for the acquisition of the company, including the payment of accrued interest of 2.5 million euros, was approximately 193 million euros.

GNVI's customer portfolio consists of around 420,000 residential customers (the majority of whom are in the protected category) and 15,000 small and medium enterprises, equivalent to a total volume of gas sold of 3.3 TWh. GNVI also sells electricity to around 53,000 retail customers and small and medium enterprises. In addition, GNVI works in the gas boiler maintenance sector through Servigas, currently serving more than 90,000 residential customers, and is active in the compressed natural gas sector for transport.

In April, Gas Natural Fenosa transferred the gas procurement agreement relating to the Azerbaijan Shah Deniz II field to Edison, for an amount of 10 million euros.

Edison participates in the investment fund managed by Idinvest, focused on the Smart City sector

On February 21, 2018, Edison and Idinvest Partners, one of the leading Pan-European private equity firms, signed a Partnership Agreement.

This strategic venture capital partnership covers Edison's investment in the Smart City investment fund managed by Idinvest, focused on start-ups dedicated to Smart Energy, Smart Building & Industry, New Mobility and Enabling Technologies in Europe, North America, Israel and Asia. The partnership also provides the opportunity to co-invest in start-ups of particular interest for Edison, thus improving the maximum potential of the fund. At the same time, Idinvest undertakes to promote the Italian system of innovation, investing in one or more innovative Italian start-ups that fall within the scope of its investment focus, through specific venture capital business.

Edison completes the acquisition of Attiva

On April 27, 2018, Edison and Soleil Srl entered into a binding agreement for Edison's acquisition of Attiva Spa, a company operating in the market of natural gas sales to end consumers in Puglia. This transaction, which was closed in May with an outlay of 19 million euros, involves a portfolio of roughly 30,000 customers located in all municipalities in the province of Lecce and in several municipalities in the provinces of Bari, Brindisi and Taranto, and strengthens Edison's presence in Puglia in line with the Company's retail market development plan.

Founded in 2003, Attiva Spa provides around 20 million cubic metres of natural gas per year to households in Puglia, the majority in the residential market and coming from the protected market, with a high rate of retention and an average churn rate below the national average.

Edison: S&P raises the long-term rating from BB+ to BBB- and confirms the stable outlook. The Company is investment grade

On June 19, 2018, the Standard & Poor's rating agency brought the Company's credit rating back to investment grade level. In particular, S&P raised Edison's long-term rating from "BB+" to "BBB-" and the short-term rating from "B" to "A-3". The outlook is stable.

S&P justified this increase in the long-term rating on the basis of Edison's robust operating performance and the strengthening of its financial structure in 2017. The international agency also positively evaluated the Company's strategic attention paid to renewable energies and the downstream segment, or sales to end customers and energy efficiency services.

The recent acquisition of the customer portfolio of Gas Natural in Italy and the agreement to acquire the majority of Zephyro are concrete manifestations of this repositioning towards the end market and pave the way for the development of synergies with gas importation and procurement activities.

The S&P rating takes into account the fact that Edison plays a leading role in the gas and electricity market, has a diversified electricity generation portfolio, has a critical and broadly diversified position in gas procurement and is fully integrated within the EDF Group. These positive aspects are offset in part by its size and relatively more volatile and limited margins with respect to the sector, its presence in E&P, considered more risky, as well as current regulatory and market uncertainties in Italy.

Edison's BBB- rating is attributed on the basis of the Company's individual credit rating, without the support deriving from its membership in the EDF Group.

The stable outlook reflects S&P's expectation that Edison is capable of generating stable operating cash flows by benefiting from gas procurement contracts more aligned with the market, an efficient electricity generation portfolio and an increasing contribution of renewables. According to Standard & Poor's, Edison has the financial flexibility to support its strategic development through acquisitions as well as through organic growth.

Edison completes the acquisition of the majority of Zephyro Spa through Fenice

On July 2, 2018, Fenice - Qualità per l'Ambiente Spa (hereinafter Fenice), in execution of the agreement entered into on May 28, 2018, acquired the majority investment in Zephyro Spa from Prima Holding Srl, consisting of 7,007,299 common shares, representing 71.32% of the ordinary share capital and 70.66% of the total share capital. The price paid was 10.25 euros per share, with a total outlay of 71.8 million euros.

On the same date, Fenice announced the launch, in compliance with the provisions of art. 9 of the Zephyro Bylaws, of the Mandatory Offer pursuant to art. 102 and art. 106, paragraph 1 of the TUF, as the relative legal requirement was fulfilled with the acquisition of the equity investment noted above.

During the Offer subscription period - started on August 22 and ended, including the reopening of terms, on October 15, 2018 - a total of 3,289,715 common shares were contributed. Following the public tender offer, taking account of the shares already held and those acquired on the AIM Italia market, Fenice ended up holding 99.930% of the share capital represented by Zephyro common shares and 99.050% of the total share capital, with an additional outlay of 33.8 million euros. Consequently, given the conditions for delisting were verified, Borsa Italiana ordered the cancellation of trading of Zephyro common shares and warrants on the AIM market, effective from October 23, 2018.

Zephyro is a reference Italian operator in the sector of energy efficiency and in the provision of integrated energy management solutions, as well as managing and maintaining plants and providing the associated services for complex energy-intensive structures to limit consumption and polluting emissions as well as achieve cost savings. The company, which in 2017 had a production value of 69 million euros and an EBITDA of 15.9 million euros, has more than 200 employees throughout the country, especially in Lombardy, Veneto and Lazio. In particular, Zephyro currently serves more than 30 hospitals and has been awarded new CONSIP lots for the provision of energy services to hospitals.

Edison launches the first small-scale LNG integrated logistics chain in Italy

On November 30, 2018, Edison launched the first small-scale LNG integrated logistics chain in Italy (small-scale liquefied natural gas plants) with a sustainable mobility development plan in the transport sector, both on land and sea, contributing to the attainment of the objectives set at the European level for the reduction of CO₂ and the lowering of other emissions and powders. In fact, Edison announced the incorporation, together with Petrolifera Italo Rumena (PIR) of Depositi Italiani GNL Spa, the newco (51% PIR, 49% Edison), that will build, in the port of Ravenna, the first coastal LNG depot with an annual handling capacity of more than 1 million cubic metres of liquefied gas for an investment of 100 million euros.

The depot, which will start to operate in 2021, will have a storage capacity of 20,000 cubic metres of LNG and will make LNG available in Italy to fuel at least 12,000 trucks and up to 48 ferries a year.

Edison will build the depot and use 85% of its capacity (the remaining 15% will be sold to third parties by Depositi Italiani GNL). PIR, a long-established logistics and storage operator at the Port of Ravenna, as owner of the area of Porto Corsini and dock concessionaire, will guarantee the leasing for use of the area and will offer services connected to the use of the dock and accommodating the tankers.

At the same time, Edison signed a long-term 12-year contract with Norwegian ship owner Knutsen OAS Shipping (which can be renewed for a further 8), for the charter of a 30,000 cubic metres LNG vessel, which will restock the Ravenna LNG depot. The vessel, which will be built by Hyundai Heavy Industries in the Mipo shipyard in South Korea, will be delivered in the first half of 2021.

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2018

Information about events occurring after the end of the reporting year subject of this Report is provided in the section of the Consolidated financial statements entitled "Significant events occurring after December 31, 2018".

External Context



ECONOMIC FRAMEWORK

A few signs of slowdown in the global economy emerged in 2018. Global trade decreased, due in particular to the uncertainty generated by the United States protectionist policies, the possible escalation of commercial tensions, as well as the geopolitical risks in the Middle East. The global repercussions of the commercial conflicts and changed credit conditions in the emerging markets negatively impacted both the growth in global GDP and the expansion in international trade. In addition, expectations of a downturn in the economic cycle were incorporated by the international financial markets and, in particular, the equity indexes recorded significant losses in the final part of the year, including those in the United States.

The expansionary phase in the United States economy, which fundamentally remained robust over the course of the year and with high levels of employment, was stimulated by the tax cut and the increase in public spending which sustained domestic demand. However, the deterioration in the global context was partly to blame for the loss of momentum of the United States economy in the final part of the year.

In China, growth in GDP continued at high rates, also thanks to the support of budgetary and monetary policies, and only partly decreased in the second part of the year. Also as a result of commercial tensions between the United States and China, a policy was implemented to depreciate the Chinese currency against the dollar, which could have negative effects on the growth of China's commercial partners, starting with the other Asian countries.

In Egypt, economic growth is estimated to be high in 2018 (above 5%), also thanks to the devaluation of the Egyptian currency, which made the country more competitive on the international markets. In addition, the relaxation of capital controls triggered an increase in investor confidence and private capital flows rose. However, this context is in contrast to the grave situation the Egyptian population finds itself in, struggling with still very high inflation (although lower than 2017) and with more than one-quarter of the population living below the poverty line.

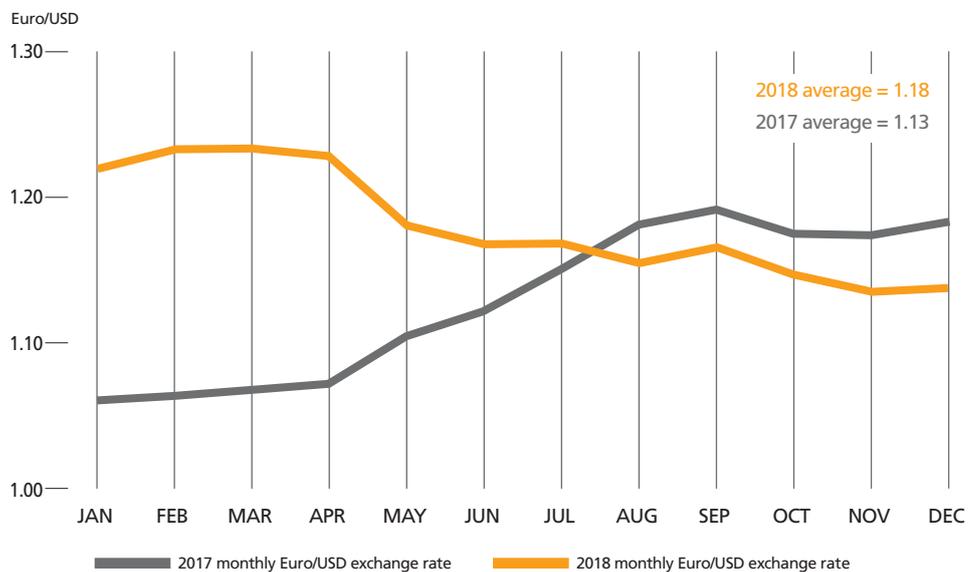
Europe registered a decrease in the rate of growth above the expectations, especially in the final part of the year, also due to the increase in global uncertainties. Despite the less sustained economic trend, the job market situation continued to improve and employment levels continued to grow. The trend in GDP remains quite different between member countries. Germany suffered a standstill, France had to contend with periods of social instability and the United Kingdom continued to negotiate its exit from the European Union, whose income still hangs in the balance.

The Italian economy recorded a slowdown in growth when compared to the previous year, especially in the second part of 2018, and witnessed a slump in both exports and industrial production. The rate of growth is below its main European partners. The weak trend in Italian GDP is attributable to external factors, which hit exports, and also to internal factors. The first phase of institutional uncertainty unfolded after the national elections and subsequently, after the formation of the Government, was followed by an economic policy stance that raised worries on the financial markets and that sparked tensions between the European institutions and the Italian Government regarding their compatibility with the EU economic-financial convergence criteria. These elements caused a temporary slump in investor confidence, an increase in the spread between Government debt securities and their German counterparts and a special focus on the public finance parameters. The trend in spending for private consumption fell slightly, as it did in many other EU countries, while the investment cycle decreased also due to the drop in company spending on operating assets.

The Euro/USD exchange rate in 2018 stood at an average value of 1.18, up by 4.6% over 2017. An analysis of the monthly trend shows that the Euro strengthened in the first two months of the year, reaching a high of 1.25 Euro/USD on February 1, 2018, in the wake of the sustained economic expansion which took hold in 2017. A gradual decrease in the exchange rate was registered from March, which involved, from August onwards, lower prices than 2017, reaching 1.14 in December.

The appreciation of the dollar during the year was facilitated by the solid growth of the United States economy, which brought unemployment to its lowest level in 49 years and inflation close to the FED target of 2%. In said context, the United States central bank implemented a restrictive monetary policy, raising interest rates on four occasions, moving from a range of 1.25%-1.5% at the start of the year to 2.25%-2.5% in December. The decreasing trend in the exchange rate curve over the course of the year was also determined by the weakening of the Euro, as a result of the slowdown in the economic growth of the Euro Area, due to reduced foreign demand and some specific factors at country and manufacturing sector level. The ECB's announcement of the continuation of an accommodating monetary policy, with interest rates set to remain unchanged until at least the summer of 2019, further contributed to the depreciation of the Euro in the second part of the year. In said context, the gradual reduction in monthly bond-buying as part of quantitative easing, ended on December 31, only partially supported the single currency, since these were decisions already widely predicted by the markets.

Exchange rate movements were also influenced by the tensions between the United States and its main commercial partners, particularly China, over protectionist policies, and by the subsequent effects on the global economic framework.



As regards the oil markets, the average price of Brent recorded an increase of 30.5%, moving from 54.8 USD/barrel in 2017 to 71.5 USD/barrel in 2018.

The trend in monthly movements of the price of crude oil was characterised by significant fluctuations, caused not only by the trend in market fundamentals, but also geopolitical and economic factors. The first half of 2018 was marked by a rising trend due to tensions between the United States and Iran, which culminated in the United States decision to withdraw from the nuclear deal and reintroduce sanctions against the Middle-Eastern country and its commercial partners, which were suspended in 2016. Prices were sustained by the expectations that the imposition of the sanctions on the oil sector, expected in November, would have determined a reduction in market supply. The reductions between the end of June and the middle of August were favoured by the decision by OPEC and its partners, led by Russia, to increase production in

order to offset the expected fall in supply from Iran. However, between September and October, with the approaching entry into force of the above-mentioned sanctions, prices started to rise again, hitting 86.3 USD/barrel on October 3, a four-year high. Subsequently, prices recorded a falling trend, and in December reached the lowest levels since August 2017.

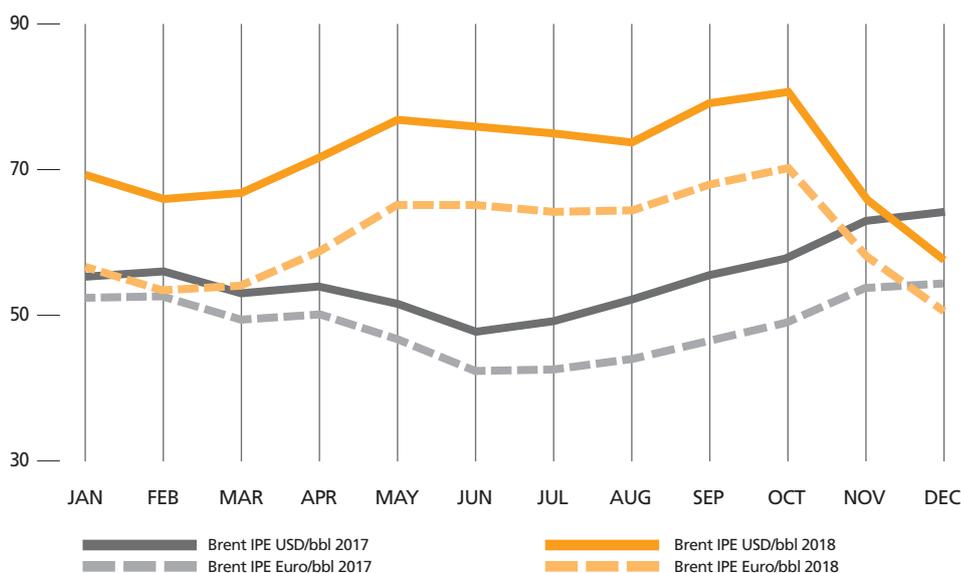
The drop in the prices of crude oil in the final quarter of the year was caused predominantly by the increase in oil production to record levels by the top three global producers. The continuous growth in the supply of shale oil helped the United States become the leading global producer of crude oil, reaching 11.7 million barrels per day. Russia and Saudi Arabia, the leading OPEC country, following the decisions taken in June, increased their supply, reaching a level of production of 11.4 and 11.0 million barrels per day respectively. This increase in global supply, combined with the surprise decision by the United States to exempt the majority of importers of Iranian oil from the sanctions, turned expectations of a supply shortage into fears of excess supply. Worries over lower growth in demand, as a consequence of the slowdown in the global economy as a result of the above-mentioned commercial tensions between the United States and China, further contributed to the reduction in prices.

Crude oil prices in Euro followed the annual trend of prices in Dollars, signalling lower growth as a result of the strengthening of the Euro with respect to the 2017 levels. At 60.6 Euro/barrel, the average price for 2018 was 24.8% higher than the average for the previous year.

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

	2018	2017	% change
Oil price in USD/bbl ⁽¹⁾	71.5	54.8	30.5%
USD/Euro exchange rate	1.18	1.13	4.6%
Oil price in Euro/bbl	60.6	48.6	24.8%

(1) Brent IPE



In 2018, distilled products recorded a similar performance as oil, which determined higher annual averages than 2017. As regards diesel, the average price in 2018 was 637.6 USD/metric ton, 28.9% higher than the average in 2017, while low sulphur and high sulphur fuel oils recorded annual average prices of 398.8 USD/metric ton and 394.2 USD/metric ton respectively, increases of 28.8% and 31.3% compared to the previous year.

The coal market, with reference to prices on the Atlantic market, recorded an increasing trend, with 91.9 USD/ton recorded in 2018, up by 8.8% over the previous year. A look at the monthly trend shows that prices initially dropped in the first quarter, then rose in the ensuing months, reflecting the movements registered on the Asian market. Prices fell in the final quarter as a result of lower demand in Germany, caused by the low water levels of the Rhine, which determined a build-up of stocks in Amsterdam, Rotterdam and Antwerp, with prices signalling a variation of -7.6%. The contributors to the fall in prices were augmented by the downside factors on the global market: restrictions on imports were imposed in China with the goal of maintaining a lower level than 2017 and promoting domestic production.

At the same time, gas prices on the main European hubs stood at higher levels than 2017, with higher annual values of around 29% on average. Prices continued to record positive economic changes during the year, more accentuated in the third quarter (an average of roughly +17%), while the changes were 7%, +1.1% and +0.5% in the first, second and fourth quarters respectively. The price of gas on the TTF, the main European reference hub, stood at an average of 24.1 €/scm, against an average of 18.3 €/scm in 2017, marking an increase of 31.9%.

The market prices of CO₂ emissions rights recorded significant growth over 2017, with an average value of 15.9 Euro/ton, up by almost 173%. The rising trend was more marked in the second and third quarters, characterised by trend-based variations of around +200% and +220%. In the first and fourth quarters, the increases compared to the same period of the previous year were roughly +90% and +175% respectively. In the first half of 2018, the main factors behind the increase in prices were EU policy initiatives: in February, the definitive approval by the European Council of the reform of phase 4 of the Emissions Trading System (ETS), whose main measure provides for the entry into force, on January 1, 2019, of the Market Stability Reserve (MSR), and, in May, the communication from the European Commission of the reduction in the number of sectors covered from carbon leakage. In the second part of the year, prices were sustained not only by the postponement of the German auctions of November and December to the first quarter of 2019, plus increased interest in purchases owing to the impending launch of the MSR, which will involve a gradual reduction in excess supply. In addition, in the final quarter, Brexit discussions shaped the market performance, due to uncertainties relating to the UK's membership of the ETS mechanism until the end of phase 3. The news that the UK auctions will not take place in the first quarter of 2019 boosted prices in December.

In 2018, the Energy efficiency certificates (hereinafter EEC) market had an average price of 298.6 euro/EEC, up by 9.2% compared with the previous year, when the average price was 273.6 euro/EEC. The upward movement that had characterised 2017 continued in the first two months of the year, due to the lack of market supply, as well as the new restrictive regulation introduced in January 2017. After a record price of 478.8 euro/EEC was registered in the session on February 13, 2018, the first regulatory measure was implemented, targeted at limiting the increase in prices: in particular, the number of EEC market sessions was reduced to just one per month compared to the previous weekly frequency. Prices started to drop from then onwards pending new provisions. The new Ministerial Decree, which came into force in July 2018, introduced various measures that aim to address the increase in prices and overcome the problems linked to low levels of market supply. The most significant changes are: the determination of a maximum value for the tariff contribution recognised to obligated entities, equal to 250 euro/EEC, the possibility to request, with precise time and quantity constraints, certificates not deriving from the implementation of energy efficiency projects in order to reach the minimum annual obligation and, finally, the return to two years of the period available for satisfying the residual part of the obligation. In said context, prices stabilised at around 260 euro/EEC in the second part of the year and, from September 2018, the EEC market sessions returned to a weekly frequency.

THE ITALIAN ENERGY MARKET

DEMAND FOR ELECTRIC POWER IN ITALY AND MARKET ENVIRONMENT

(TWh)	2018	2017	% change
Net production:	280.2	285.3	(1.8%)
- Thermoelectric	185.0	200.3	(7.6%)
- Hydroelectric	49.3	37.6	31.2%
- Photovoltaic	22.9	24.0	(4.7%)
- Wind power	17.3	17.6	(1.4%)
- Geothermal	5.7	5.8	(1.9%)
Net imports	43.9	37.8	16.3%
Pumping consumption	(2.2)	(2.5)	9.9%
Total demand	321.9	320.5	0.4%

Source: processing of 2017 official data and 2018 preliminary data from Terna, gross of grid losses.

The gross demand for electricity in 2018 came to 321.9 TWh, up by 1.4 TWh (+0.4%) compared to 2017; on a seasonally adjusted basis (i.e. removing effects resulting from variations in the number of working days from the 2018 data), the value does not record substantial variations.

In 2018, net production fell by about 5 TWh (-1.8%) due to a reduction in the thermoelectric contribution of 15.3 TWh (-7.6%).

The lower thermoelectric production was offset mainly by an increase of 11.7 TWh (+31.2%) in hydroelectric production, thanks to a greater availability of water compared to the previous year, and the increase of 6.1 TWh (+16.3%) in the net import balance compared to 2017, characterised by lower availability from France.

Greater use of hydroelectric pumping (up 0.3 TWh) was recorded compared to the previous year. As regards the other renewable sources, the photovoltaic sector recorded a drop of 1.1 TWh (-4.7%) in production, and wind power also decreased, albeit to a lesser extent, down 0.3 TWh (-1.4%) compared to 2017.

On the whole, national production, net of pumping, met 86.5% of demand, down compared to the previous year, when the figure was 88.3%.

Insofar as the price scenario at December 31, 2018 is concerned, the time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) settled at 61.3 Euro/MWh, up by 13.6% on the same period of the previous year (53.9 Euro/MWh).

This price increase is incorporated in a context of increase in thermoelectric generation costs (gas, coal and CO₂) compared to 2017.

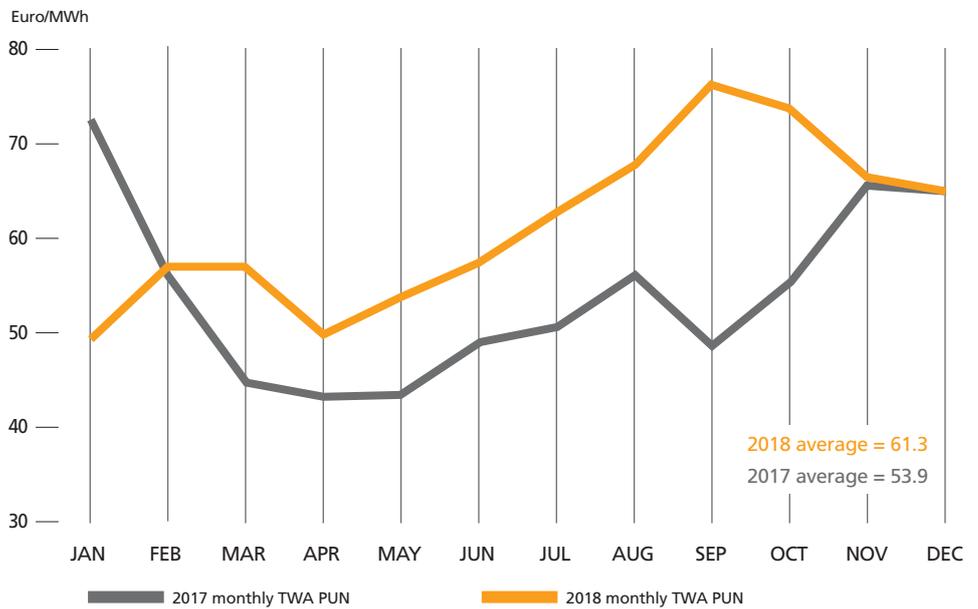
An analysis of the monthly trend in the PUN in 2018 shows that it was higher than that of 2017, with the exception of January. At the start of the year, higher imports from neighbouring countries and mild temperatures determined a drop in prices on the day-ahead market (-32.2% compared to the same month in 2017). However, an abnormal cold snap throughout Europe in February and March caused a sharp drop in temperatures, below the norm, sustaining both gas and PUN prices. With the arrival of the summer season, rising demand and the reduction in transalpine nuclear availability, due to the high temperatures that restricted capacity due to the criticalities connected with cooling systems, sustained the prices. The most significant deviation was registered in September (+57% compared to the same month of 2017), when the PUN was repeatedly close to 90.0 euro/MWh due to limitations on inter-zone transfers and imports from France, as well as the previously mentioned increase in production costs. In the final quarter of

the year, prices gradually realigned with those in the corresponding period of 2017, as a result of the increase in generation from renewable sources (in particular hydroelectric), the return of tensions on the gas market and temperatures above the seasonal norm.

In 2018, the F1, F2 and F3 hourly time period and, similarly, the peak and off peak intervals experienced virtually identical increases of about 13.3% compared with the previous year.

As regards zonal prices, quite homogeneous increases were registered in 2018, with slightly more marked increases in the southern zones (Central South +18.1%, South +19.2%) compared to the increases of around 12% in the northern zones.

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



The prices in foreign countries also showed across-the-board increases. France closed 2018 at 50.2 euro/MWh, marking an increase of 11.6% compared with the previous year. The figure was impacted by the limitations on available capacity due to the restrictions related to cooling water in the summer months and to trade union actions. However, the Italian price rose more than the corresponding French price; therefore, the differential increased by 23.8% compared to the value in the previous year.

Germany closed the year at 44.5 euro/MWh (+30.1% compared to the same period of 2017). Despite the significant generation of renewable energy, predominantly wind power, which determined negative prices in a few days of the year, in periods of low renewable energy sources (RES), the thermoelectric plants (characterised by increased generation costs) were able to influence the prices. The closure of nuclear, coal and lignite plants provided further support. The Italy-Germany spread reduced by 14.6% compared with 2017, sitting at 16.8 euro/MWh.

DEMAND FOR NATURAL GAS IN ITALY AND MARKET ENVIRONMENT

(billions of cubic meter)	2018	2017	% change
Services and residential customers	28.8	29.1	(1.0%)
Industrial users	17.8	17.9	(0.7%)
Thermoelectric power plants	23.4	25.4	(8.1%)
System usage and leaks	2.1	2.2	(3.9%)
Total demand	72.1	74.7	(3.4%)

Source: 2017 final data and 2018 preliminary data from Snam Rete Gas and the Ministry of Economic Development and Edison estimates.

Demand for natural gas stood at 72.1 billion cubic metres in 2018, down by 2.6 billion cubic metres (-3.4%) compared to 2017.

This falling trend is attributable primarily to the contraction in the thermoelectric sector, which recorded a drop of 2 billion cubic metres (-8.1%) compared to the previous year, caused mainly by the increase in hydroelectric production and the recovery of net imports.

The civil sector registered a decrease of 0.3 billion cubic metres (-1%), due primarily to the weather. More specifically, the first quarter was characterised by lower average temperatures than 2017 (+0.9 billion cubic metres) unlike the fourth quarter, in which the average temperatures recorded were higher than the previous year (-1.1 billion cubic metres).

The industrial sector recorded slightly lower volumes than 2017, with a variation of 0.1 billion cubic metres (-0.7%).

As for supply sources, 2018 was characterised by:

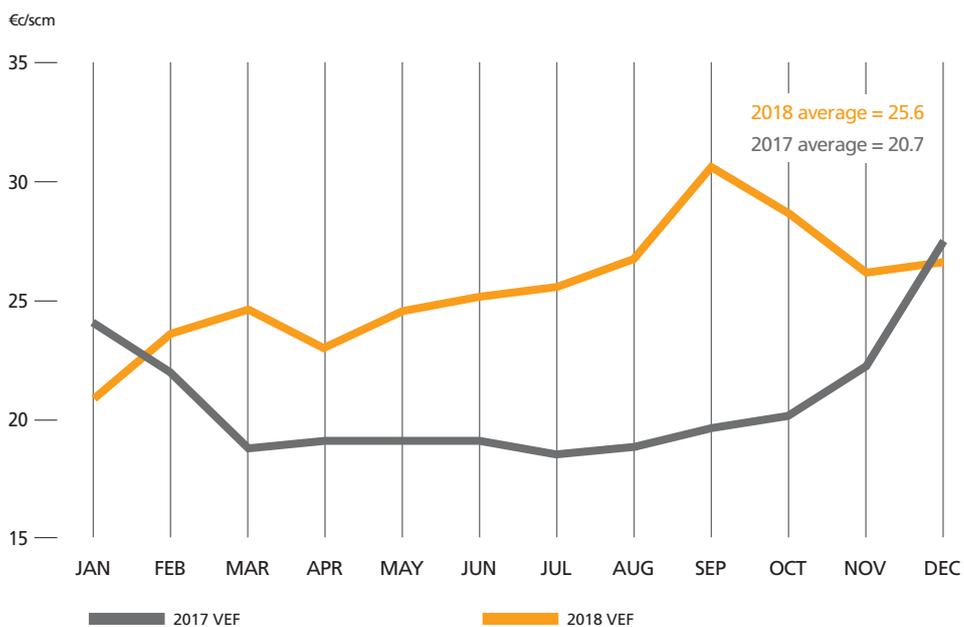
- lower domestic production (-0.1 billion cubic metres; -2.2% compared to the figure in 2017);
- lower gas imports (-1.8 billion cubic metres; -2.6% compared to the figure in 2017);
- about 0.4 billion cubic metres in volumes added to the stored gas inventory.

In 2018, the spot gas price in Italy (represented in the graph below, which uses the Virtual Exchange Facility - VEF as a benchmark), in concert with the movements registered on other European hubs, recorded an increase of around 23.3% compared to the previous year, sitting at 25.6 €/scm.

The market fundamentals drove the increase in the first quarter 2018: the drop in temperatures recorded in the second part of February, in conjunction with persistent reductions in capacity of some infrastructures, put the Italian gas system to the test, determining price spikes between February and March (high of 63,5 €/scm on March 2, 2018). In subsequent months, after a decline in April, prices began to rise once again, driven by the trend observed in the oil market. The increases then continued due to tensions on the north European market, caused by maintenance to the infrastructures in Norway, as well as sustained storage injection demand due to low replenishment levels, bringing prices to new highs in the third quarter (+45.5% on a trend basis).

Prices fell back into position in the final quarter, due to temperatures above the seasonal average, combined with several arrivals of LNG loads. A slight increase in prices was recorded in December, due to unscheduled maintenance to the TAG gas pipeline which connects Italy and Austria.

The VEF-TTF spread fell by 41.6% in 2018 compared to the previous year, averaging 1.4 €/scm. This significant drop is due partly to the higher replenishment level of Italian storage depots, in addition to a better demand-supply balance. The figure was also influenced by the inversion of prices in March (spread at -1.2 €/scm), with the VEF below the TTF due to the tensions on the gas market in Northern Europe.



LEGISLATIVE AND REGULATORY FRAMEWORK

The main legislative and regulatory measures enacted in 2018 that concern the Group's various businesses are reviewed below, except for their impact on the Group, which, when material, is the subject of a specific disclosure in the sections of this Report where results and risks are reviewed.

ELECTRIC POWER

Environment

Energy efficiency certificates: by means of publication in the Official Journal of July 10, 2018, the new Ministerial Decree governing energy efficiency certificates (EEC) came into force. The main changes introduced by said Ministerial Decree with respect to the previous regulation were:

- the introduction of the maximum recognition value for each individual EEC equal to 250 euros. This maximum value is valid for sessions after June 1, 2018 and up until sessions valid for the fulfilment of the national obligations set for 2020;
- the possibility for the issuing, by the GSE (Energy Services Operator) and from May 15 of each year, of EECs not deriving from the implementation of energy efficiency projects (hereinafter also referred to as "virtual" EECs) with a unit value equal to the difference between 260 euros and the value of the definitive tariff contribution relating to the obligation year and, nonetheless, not exceeding 15 euros, i.e. the price of the "virtual" EECs will be equal to the minimum value between 15 euros and the difference between 260 euros and the tariff contribution. For the obligation year 2018, the GSE will issue "virtual" EECs from May 15, 2019. "Virtual" EECs, characterised by a specific type and accounted for separately by the GSE, cannot be sold by the recipients, will be issued and simultaneously cancelled in the first subsequent session for the purposes of fulfilment of the obligation relating to the entity that requested them and will not provide an entitlement to the coverage of expenses;
- the extension from 1 to 2 years of the period of flexibility in which an entity, in the event in which it fulfilled less than 100% of its obligation, but nonetheless above 60%, can offset the residual portion without incurring sanctions;
- the introduction of the reference to the value of bilateral exchanges, if effected at prices of lower than 250 euro/EEC, to the calculation of the tariff contribution.

These provisions mean, on the one hand, that the ESCOs will probably not be able to sell their white certificates at values exceeding 260 euro/EEC and, on the other, that the obligated entities will not have the costs incurred to purchase the EECs needed to fulfil their obligations fully recognised (a loss of 8-12 euro/EEC is estimated).

Finally, as of September 2018, the market sessions of the GME (Electricity Market Operator) went back to being held weekly, as opposed to monthly (introduced in February 2018).

The changes to this legislation certainly have an impact on both the energy efficiency initiatives and distribution costs, an activity that ultimately bears the cost of the measure, in the absence of a tariff mechanism that does not guarantee the full coverage of these expenses. For said reasons, the gas distribution company IDG challenged both the Ministerial Decree and the subsequent resolution of the Authority 487/18/R/efr of September 27, 2018.

Concessions for energy-intensive companies: the announcement relating to Ministerial Decree dated December 21, 2017 "Provisions on reducing tariffs to cover general system charges of energy-intensive companies" was published in the Official Journal of December 27, 2017. From January 1, 2018, this measure reduces the cost of electricity for energy-intensive manufacturing companies.

Adoption of the National Emission Ceiling (NEC) Directive: the NEC Directive, 2016/2284/EU on the reduction of certain atmospheric pollutants, was definitively adopted in Italy with Legislative Decree No. 81 of May 30, 2018 published in Official Journal No. 151/2018 of July 2, 2018. The legislative decree introduces regulations intended to achieve the following objectives: (a) reduction of overall annual national emissions of human origin to respect specific levels by 2020 and 2030, (b) activation of emissions monitoring regarding substances for which emission reduction obligations have not been established, (c) achieving a reduction in emissions through a system for monitoring data relating to the impacts of atmospheric pollution on ecosystems and (d) deferment of the date for the definitive approval of the first national pollution control program to February 28, 2019.

Greenhouse gas management: in June 2018, the ISO 14080 standard, "Greenhouse gas management and related activities - Framework and principles for methodologies on climate actions" was published for the achievement of the targets established by the United Nations in its 2030 Agenda for Sustainable Development and in order to provide support to the Paris Accords. This regulation provides a shared reference framework for the development of methodologies in favour of the climate.

Sistri: following the entry into force of art. 6 of Law Decree No. 135 of December 14, 2018 containing "Urgent provisions governing support and simplification for companies and the Public Administration", Sistri was no longer operational from January 1, 2019. In fact, the article makes provision for the closure of the waste traceability control system and, subsequently, of the relevant contributions. Edison can therefore allocate those resources to other areas of company interest.

Safety Decree: December 4, 2018 saw the entry into force of Law 132/2018, converting Law Decree 113/2018, that establishes the obligation for waste storage and processing plants to prepare internal emergency plans. For Edison, this decree has an impact on the Group companies that deal with environmental and waste management services.

Renewable energies and Energy efficiency: December 29, 2018 saw the publication in Official Journal No. 301 of the Management Decree of the Ministry of the Environment No. 408 of December 17, 2018 for the Guidelines for the drafting of energy-environment planning documents for port systems in implementation of art. 4-bis of Law No. 84 of January 28, 1994. The objective, in particular, is to reduce the emissions of CO₂, by favouring more environmentally-friendly technologies. For Edison, this decree is relevant in relation to projects connected to port systems and LNG coastal depots. It is also important as regards the focus on decarbonisation and the objective of strengthening the CO₂ emissions reduction policy and the redefinition of 2030 targets.

Wholesale Market

Italian capacity mechanism: on February 7, 2018 the European Commission issued a Decision approving the Italian capacity mechanism scheme, notified to verify its compatibility with the EU regulations on State aid. The scheme approved by the Commission includes a 4-year start-up phase, followed by full operation of the mechanism, for an estimated annual cost of the auction premiums in the range of 900 million euros to 1.4 billion euros. The new capacity will be admitted to the auctions conducted by Terna, including heavily refurbished plants, with a minimum investment threshold (Euro/MW). With prices being equal, selection shall be made based on flexibility and, in the final analysis, emissions. The strike price is linked to the peak technology with higher variable costs. Specific rules will be set out for the participation of demand, and external capacity is also expected to participate. A penalty system will route temporary and definitive non-fulfilment, using a standby system in the former case and expulsion and

reassignment in the latter. Therefore, in March 2018, Terna launched consultation on the Italian capacity market regulations for the initial implementation phase and the full implementation phase, which are the last opportunities for operators to analyse the regulations and propose amendments. Before each auction, the Authority will need to establish the maximum premium limit that can be recognised to the those awarded as well as the methodology for calculating the strike price used in the capacity contracts to be entered into. Terna, on the other hand, will need to define the demand curves. The final regulation needs to be submitted to the Ministry of Economic Development for approval, after consulting with the Authority. Following the launch of the new Government, the mechanism is still in the process of being evaluated by the Ministry. Edison's objective is to promote, through the appropriate advocacy activity, the entry into force of the Italian capacity market with the favourable definition of the latest economic elements (maximum premiums, strike price, demand curve).

The Group sees positively the introduction of the Capacity Market, which should contribute to the realization of remunerative investments.

Revision of Italian market zones: following a preparatory phase carried out in previous years with Terna, resulting in the publication of Resolution 22/2018/R/eel on January 18, 2018, the Authority formally launched the revision of the configuration of zones of the Italian electricity network, in accordance with the provisions of Regulation (EU) 1222/2015 which establishes a guideline on capacity allocation and congestion management (CACM). On March 6, 2018, Terna had opened the related consultation, in which it analysed and compared the performance of 5 configurations, suggesting the following alternatives:

- adopting the "Basic Alternative" (eliminating the production hubs, introducing the Calabria zone and moving the Umbria Region from Centre North - CNOR to Centre South - CSUD), which demonstrates the best overall performance and results in changes with slight impacts,
- or adopting the "ARERA Configuration" (eliminating the limited production hubs with the exception of Rossano and moving the Umbria Region from Centre North - CNOR to Centre South - CSUD), which demonstrates performance that is lower, but not far from that of the "Basic Alternative" and is simpler to implement as it does not require changing the Market Coupling algorithm.

By means of Resolution 386/2018/R/eel of July 12, 2018, the Authority revised the zonal set-up of the Italian market, eliminating solely the limited production hubs of Foggia, Brindisi and Priolo, but keeping the remaining zones the same. The new set-up, valid from January 1, 2019, has minimal impacts on the functioning of the market and for Edison, given that the three hubs were never separate, as regards the energy markets, from the adjacent physical zone in the last years. Decisions regarding further revisions of the zones were put back to after Terna's implementation of a model-based approach, i.e. quantitative methods and clustering techniques that evaluate the homogeneity of some values within the same market zone (e.g. nodal prices).

Coordination of the Italian market with the European XBID and TERRE projects: on May 28, 2018, Terna published a consultation document in which it proposes several amendments to the Network Code to allow for the implementation of the new European XBID and TERRE projects within the Italian electricity system. The document defines methods and procedures for:

- the coordination between the Intraday Market and the Dispatching Services Market (DSM) which will be necessary with the future introduction of continuous bargaining on the Intraday Market until time H-1;
- coordination between the DSM and the RR platform that will be necessary for the sharing and activation of balancing resources on that platform;
- the introduction of the possibility of submitting offers in continuous mode on the Balancing Market until time H-1, to allow for its updating as close to in real time as possible.

The consultation constitutes an initial step by Terna towards the definition of a structure allowing for the adaptation of Italian balancing systems (typical of Central Dispatch systems, which are not very widespread in Europe) to the requirements of the European CACM and EBGL Regulations.

Additional elements, especially of an economic nature, must be provided by the Authority in 2019. In the future, the amendment process launched may change the performance of the DSM ex-ante. The process of evolution of the Italian Intraday Market and the DSM depends on the process of European implementation of the intraday market subject to continuous bargaining (XBID) on the borders that include Italy, which has been postponed, in the last few months, from the first half of 2019 to the end of 2019.

UVAM pilot projects: at the end of June 2018, Terna launched a consultation relating to UVAM (mixed virtual units authorised), the last pilot project on methods for aggregating widespread resources, after the UVAC (virtual units of loading authorised), UVAP (virtual units of production authorised) and UPR (relevant production units).

In particular, the project provides the possibility for participation in the DSM of aggregates characterised by the presence of production units (relevant and not relevant), storage systems and consumption units, including those included in dispatching contracts of different users. The UVAM pilot project also includes storage systems used for electric mobility. So as to be able to concretely try out the participation of such resources in the DSM, the consultation document also provides for the possibility of entering into forward agreements, in the form of options, for UVAMs, thus guaranteeing a fixed premium against the commitment of offering resources at prices lower than a certain value (strike) in the spot market. On September 25, 2018, Terna published the definitive regulation approved by means of Resolution 422/2018/R/eel. The first forward supply auctions were held in December for the 2019 annual production and for January 2019 monthly production. The project will allow Edison to experiment with different types of participation in demand, renewable generation, and storage in the dispatching services market and to develop new potential businesses related to the role of aggregator, which will be increasingly active in the electricity system in coming years.

Pilot projects on voltage regulation: by means of Resolution 675/2018/R/eel of December 18, 2018, the Authority approved the regulation for the procurement of the availability of resources for voltage regulation in the Brindisi area, as well as the relevant contract scheme proposed by Terna. By means of said provision, the Authority requested a pilot project for the supply of resources for voltage regulation through existing production plants, based on prior plant adjustment, pursuant to EU Regulation 2016/631 "*Requirements for Generators (RfG)*", with the objective of having new resources for voltage regulation at a lower cost than other solutions, reducing dispatching costs. Terna will procure resources for voltage regulation for an annual requirement of 500 MVA_r, within the limits of an annual spending ceiling equal to the product of the requirement and a non-public Reservation Price, defined by Terna on the basis of the expected benefits of the project and approved by the Authority. The supply period is 10 years and will start in 2020. The offer selection phase will take place on February 20, 2019 via a competitive procedure. Again, by means of Resolution 675/2018/R/eel, the Authority asked Terna to prepare an additional pilot project pursuant to Resolution 300/2017/R/eel, targeted at evaluating the possibility and the methods of obtaining, through competitive procedures, further resources for voltage regulation from distributed generation via the distributors, taking advantage of the results achieved at European level. The launch of the pilot projects for voltage regulation will allow Edison to assess potential new businesses for the supply of network services for network voltage regulation, an increasingly important function in electricity system management, characterised by the growing presence of renewable energy plants.

Retail market

General system charges: the long dispute continued which led, through some rulings of the Council of State, to the cancellation of the provisions of the standard Network Code of the electricity market relating to the system for the collection of general system charges and the associated guarantees that vendors are required to pay to distributors.

The reintegration mechanism for distributors introduced by the Authority by means of resolution 50/2018/R/eel of February 1, 2018 provided a response to the financial risk to which these players in the energy chain are exposed, while a solution has still not been reached for sellers, like Edison Energia, that remain exposed to the risk of non-collection of system charges owing to delayed payment by end customers. During the course of some parliamentary hearings on the matter, the Authority explained its preferred solution: system charges should progressively be merged with general taxation and therefore be removed from the electricity bill. As a transitory mechanism, in order to equally distribute the responsibilities between the different entities in the chain, the Authority proposes that sellers pay, as guarantee, only a portion of the expenses due to distributors, discounted by an unpaid ratio differentiated by geographic area. In the event of non-fulfilment of obligations by sellers, the coverage of the missing amounts would be financed by a mutually-based mechanism paid into by said selling companies. The solution equally preferred by both trade associations and consumers instead involves a similar collection model to the RAI charge. Another element of uncertainty was added by the ruling of the Regional Administrative Court of Lombardy of December 3, 2018, with which the court of administrative justice reiterated the non-fiscal nature of system charges, to the detriment of the standard solution preferred by the Authority.

HYDROCARBONS

Rates and market

Distribution Tariffs: by means of Resolution 149/2018/R/gas, the definitive 2017 specific reference tariff components were published for the distribution and metering services. Subsequently, by Resolution 177/18/R/gas, the provisional reference tariffs for 2018 were approved. With regard to the provisional reference tariffs for 2017, determined by Resolution 220/17/R/gas of April 6, 2017, the definitive tariffs for 2017 and the provisional tariffs for 2018 showed insignificant changes. Resolution 667/18/R/gas of December 18, 2018 then updated the mandatory rates and the reference rate framework for 2019 (which had initially been defined by resolution 367/14/R/gas for the 2014-2019 regulatory period). Lastly, Resolution 529/2018/R/gas of October 23, 2018 deferred to November 2019 the conclusion of the procedure which must lead to the definition of the reference methodology for the recognition of costs relating to investments in natural gas distribution networks at standard costs.

Gas transport tariffs: as part of the definition of the tariff rules for the fifth regulatory period, 2020-2023 (5PRT), the Authority is required to acknowledge the provisions contained in the TAR (Regional Administrative Court) Code (Regulation EU 460/217), which establishes regulations aimed at harmonising tariff systems in the European Union, without prejudice to the prerogatives of autonomy of the Authority itself. By means of consultation document 182/2018/R/gas published in March 2018, the Authority made its initial observations and presented some proposals on the new criteria for the determination of the transport tariffs of 5PRT. In the recent consultation, concluded in December 2018, the Authority highlighted its final guidelines regarding the criteria for the determination of the revenues recognised for transport services, the methodology of reference prices and the cost allocation criteria for the transport service, consistent with the indications of the TAR Code. This topic is of particular interest for market participants, including Edison, due to the considerable outlay linked to the use of the gas transport network (spending of more than 300 million euro/year) as well as future negotiations of import contracts, considering the fact that the new regulatory period will go beyond the 2019/2020 thermal year, which is particularly relevant for the Italian gas system, due to the termination of important take or pay commitments. In compliance with the time-scales laid down by the TAR Code, with the consultation phase having closed, the next step involves the approval and publication, indicatively by May 2019, of the new tariff fees for the 5PRT.

Gas Settlement: by means of Resolution 77/2018/R/gas, the Authority reformed the regulations on gas settlement, effective from January 1, 2020, approving the "Consolidated Text on Provisions for Settling Physical and Economic Items of the Natural Gas Balancing Service". The new regulations, aimed at ensuring the efficient supply of the natural gas balancing and transport services, with regard to determining the energy withdrawn pertaining to each balancing user, require: 1) the confirmation of the execution of monthly balancing sessions and subsequent adjustment sessions (one for the annual settlement and one for long-term settlement), to determine the balancing of the physical and economic items of the gas withdrawn from the transport system on each gas day, broken down by distribution user; 2) the introduction of the settlement of the variance fees and the variable fees based on the daily allocation as a result of the adjustment session; and 3) the simplification of the procedures to determine the physical and economic items. This provision is relevant for Edison as it renders the post 2020 regulatory framework certain with respect to settlements, definitively overcoming the current methods for carrying out balancing and/or adjustment sessions for the "previous period". Indeed, under normal circumstances, the new regulations call for more accuracy in determining the energy withdrawn pertaining to each balancing user, as well as a more efficient supply of the natural gas balancing and transport services by the balancing manager. In the meantime, pursuant to resolutions 670/2017/R/gas and 782/2017/R/gas, all activities handled by the transport companies were completed, relating to the determination of the physical and economic adjustment items for the previous period - starting from 2013 and until the entry into force of the new regulation. Lastly, provision 676/2018 of the Authority dated December 18, 2018, approved the final provisions regarding the adjustment of the deviation considerations at the adjustment sessions, for the previous period, determined in application of resolution 223/2018/R/gas.

Default Distribution Service: by Resolution 190/2018/R/gas of March 29, 2018, the Authority supplemented the regulations for the assessment of applications requesting partial or full exemption from the payment of the penalties envisaged in the cases of non-physical disconnection of delivery points supplied in the Default Distribution Service (rules defined with Resolution 513/2017). The resolution also amended the "Gas Default Consolidated Text", eliminating all downtime of the judicial proceedings (also inclusive of the relative executive phase), and introduced a new case for the simplified assessment of the above-mentioned applications (case relating to the omission by the distributor of the judicial action if the customer cannot be located). This measure is positive for the company Infrastrutture Distribuzione Gas which, in the new regulatory framework, has more time to fulfil obligations connected to the disconnection of delivery points and a new case in which its applications will be assessed in accordance with a simplified procedure.

Methods of regulation of the payments following the redetermination of the coefficient

k: by means of consultation document 516/2018/R/gas, the Authority had formulated in 2018 its guidelines regarding the possible methods of settlement of the payments as a result of the revision of coefficient k, issued by resolution 737/2017/R/gas, aimed at determining the price of the raw material gas of the protection regime in the two-year period October 1, 2010 - September 30, 2012.

Thereafter, on January 30, 2019, the Authority approved resolution 32/2019/r/gas, in which it defined the methods of recovery for sellers of the amounts due to them as a result of the upward revision of coefficient k. In particular, resolution 32/2019 upheld the preferences expressed by Edison in response to the consultation document and established that the sellers that, in the 2010-2012 thermal two-year period, had served customers subject to the gas protection regime, may be able to obtain payment of the amounts due by presenting the appropriate request and documentary evidence to the Cassa per i Servizi Energetici e Ambientali, at which the necessary account will be set up, financed through the UG2 component by all end consumers with consumption of up to 200,000 Scm/year. The amounts will be paid in three sessions, over a period of 3 years.

Edison may benefit from the mechanism by presenting a request for the different Group companies active in the sale of gas under the protected system in the two-year period concerned.

Infrastructures

Gas storage auctions for the 2018-2019 thermal year: as a result of Ministerial Decree of February 22, 2018, which regulates storage capacity for thermal year 2018-2019, the Authority published Resolution 121/2018/R/gas, setting out provisions for the organisation of the procedures for the conferral of said capacity (auctions), also defining the criteria to be applied in calculating the reserve price. That resolution did not introduce significant changes on the provisions of Resolution 76/2017/R/gas for the organisation of auctions for thermal year 2017-2018, and confirmed the exclusion from the reserve price of the fees covering the cost of transport capacity to interconnection points with storage. Nonetheless, the Stogit Code - approved by Resolution 156/2018/R/gas - introduced additional products for thermal year 2018-2019, with the goal of providing users with greater flexibility, specifically during the winter. The formula applied to calculate the reserve price, as usual, was delivered by the Authority in confidential form only to storage businesses (Edison Stoccaggio with Annex A to Resolution 140/2018/R/gas). Edison Stoccaggio completed the allocation of all of its storage capacity (885 Mscm) during the auctions held in June.

Natural gas storage - service quality and tariffs: by means of Resolution 68/2018/R/gas the Authority postponed to 2020 the start of the fifth regulatory period for the gas storage service, extending to December 31, 2019 the validity of the current regulatory criteria for tariffs and the quality of that service and confirming for 2019 the current value of the parameter β -asset used to determine the weighted average cost of capital (WACC) for gas storage. The measure is relevant and positive for Edison Stoccaggio as it defines the regulatory framework for 2019 in terms of tariffs and quality of the storage service, postponing to 2020 any regulatory changes that may be made to that framework in the fifth regulatory period.

On June 21, 2018, the annual provision (Resolution 350/2018/R/gas) was published whereby the tariff revenues not achieved in the course of capacity allotment auctions were reinstated for storage companies through the Fund for energy and environmental services (CSEA) in cases in which, like this year, the assignment prices at such actions are lower than the tariffs charged. As the Company has allocated all of its capacity, it may achieve its tariff revenues in their entirety. Lastly, by means of resolution 696/2018/R/gas of December 20, 2018, company revenues for the storage service were provisionally approved, relating to the year 2019, as reported in the tariff proposal drafted by Edison Stoccaggio Spa.

Rate of remuneration of invested capital for infrastructural services: by means of Resolution 639/2018/R/com of December 6, 2018, the Authority updated the basic parameters of the WACC (level of taxation, tax shield, risk-free rate, country risk premium, levels of debt and inflation rate) common to all the regulated infrastructural services of the electricity and gas sectors. As a result of the updates to the standard parameters, the rates of remuneration of invested capital for 2019 are as follows:

- 6.7% for the storage service (from 6.5% in the 2015-2018 period);
- 6.3% for the gas distribution service (from 6.1% in the 2015-2018 period);
- 6.6% for the gas metering service (from 6.3% in the 2015-2018 period).

The new parameters common to all structural services will be valid for the entire 2019-2021 three-year period, but the rates of remuneration of invested capital relating to the regulated services of the gas sector may be changed again in 2019, effective from 2020, as a result of possible updates to specific β -asset parameters (measurements of systemic risk which cannot be diversified relating to each regulated activity) which could be made by the Authority in conjunction with the definition of the provisions for the new regulatory periods (2020-2023) for distribution/metering and gas storage.

Installation and commissioning of smart meter units on natural gas distribution networks: by means of resolution 669/2018 of December 18, 2018, the Authority set the new objectives of installation and commissioning of smart meter units (remote readers). For natural gas distribution companies that, like Infrastrutture Distribuzione Gas Spa of the Edison Group, as at December 31, 2014, had between 100,000 and 200,000 end customers, the provision required 85% of class G4 and G6 delivery points to be equipped with commissioned smart meter units by the end of 2021. This new objective confirms, also for the 2019-2021 three-year period, the level of commissioning of smart meters organised in due course by resolution 554/2015/R/gas for 2018.

ENERGY SERVICES

District heating and district cooling: activities continued in 2018 for the definition of the regulatory framework in the district heating and district cooling sector (hereinafter remote heating) by the Authority.

By means of resolution 574/2018/R/TLR, which simplifies the regulation of disclosure obligations for entities operating in the remote heating sector, the requirements for exclusion of a remote heating network from the Authority's regulation were explained.

By means of the same resolution, the Authority also accepted the applications for the exclusion from the group of district heating and district cooling networks subject to the Authority's regulation presented by the company Zephyro Spa, in which Fenice - Qualità per l'Ambiente Spa holds a stake of more than 99%.

Resolution 661/2018/R/TLR instead defined the regulation of the commercial quality of the remote heating service for the regulatory period July 1, 2019 - December 31, 2021. This provision requires the commercial quality obligations to be adjusted in relation to the dimensions of the merchants (defined on the basis of total power). The resolution also explained and defined the commercial quality standards that merchants must comply with in relation to users. Where necessary, Edison will need to make an adjustment into line with these provisions.

ISSUES AFFECTING MULTIPLE BUSINESS SEGMENTS

Maxi-settlements: the 2018 Budget Law established that, for electricity invoices falling due after March 1, 2018 and gas invoices falling due January 1, 2019, due to significant delays in invoicing by the sellers or in invoicing settlements due to unavailability of effective data for long periods, customers may claim the application of the short-term limitation period (decreased from 5 to 2 years) and pay only the last 24 months invoiced. In 2018, the Authority took action with a series of resolutions and consultation documents (Resolutions 97/2018, 264/2018, 569/2018; DCO 408/2018, 570/2018) in order to define the management of the "short-term" provision, both in terms of the scope of application and greater protection of customers that the Authority considers more vulnerable, i.e. domestic customers and non-domestic customers connected through low voltage and/or with annual natural gas consumption of less than 200,000 scm.

To protect the latter, obligations were introduced for sellers, both communication-related and operational. The communication obligations regard the messages to be inserted in the bill which vary based on the subject responsible for the invoicing delay, while the operational obligations relate to the management of customer payments. These obligations are binding for sellers from January 1, 2019. A series of measures are still to be defined, subject to consultation in 2018, targeted at concretely establishing the responsibilities of the various subjects involved in the entire chain of the energy sector. As regards the relationship between sellers and distributors, the Authority set forth that, in the event the distributor is responsible for an invoicing delay, the seller has the right to claim back from the distributor the amounts already paid and not collected from the end customers who have claimed the application of the short-term limitation period.

Public debate: the decree of the President of the Council of Ministers No. 76 of May 10, 2018, containing the methods of performance, types and size limits of works subject to public debate, was published in Official Journal No. 145 of June 25, 2018. The provision, which came into force on August 24, 2018, introduces forms of public debate for the communities in the areas concerned by the implementation of large-scale architectural projects, including plants, industrial establishments and energy infrastructures that involve total investments exceeding 300 million euros.

Extension due to end of the price protection regulation: Law Decree No. 91 of July 25, 2018 was converted under Law No. 108 of September 21, containing the extension of conditions envisaged for various legislative provisions.

Among other matters, the measure envisages the extension to July 1, 2020 of the date established by Law No. 124 of August 4, 2017, for the end of the transitory price protection regulation for domestic customers and small electricity companies and for domestic gas customers.

2019 Budget Law: Law No. 145 of December 30, 2018, "Forecast State Budget for the financial year 2019 and multi-year Budget for the three-year period 2019-2021", published in the Official Journal of December 31, 2018, entered into force on January 1, 2019. The provision contains, inter alia, the following measures:

- extension to December 31, 2019 of the tax deduction for building energy redevelopment initiatives and building restructuring (Eco-bonus);
- building energy redevelopment of Public Administrations;
- revision of agreements relating to renewable energy plants;
- concession (or tax) on emissions of CO₂ g/km of new cars and tax deduction for recharging infrastructures;
- Kyoto fund: extension of low interest loans also to competent public entities for school and university buildings, hospitals and general hospitals, social-healthcare services facilities and sports facilities, for the implementation of efficiency drives and water savings;
- incentives for waste prevention and reduction with reference to plastic waste;
- promotion of public investments, attributed to ordinary statute Regions for the following sectors: a) public safety works on buildings in the area, including therein the seismic upgrading and improvement of buildings; b) prevention of hydro-geological risk and environmental protection; c) initiatives in the road network and transport sector; d) healthcare construction and public residential construction projects; e) initiatives in favour of companies, including therein research and innovation. The grants totalled 2,496.2 million euros for 2019 and 1,746.2 million euros for 2020;
- modification of the national plan of projects in the water sector with an additional allocation for the financing of the design of initiatives considered strategic amounting to 1 billion euros (100 million euros for each year of the 2019-2028 period, of which 60 million euros for the "reservoirs" section).

Preliminary investigation of billing fees: by means of decision DSAI/28/2018/com, the Authority launched a preliminary investigation of Edison Energia regarding charging end customers a fee for the sending of a paper bill in the July 2014-November 2017 period; This procedure closed on December 11, 2018 with the publication of resolution 643/2018/S/com and subsequent acceptance of the obligations presented by Edison Energia. More specifically, these obligations require:

- the reimbursement of all customers who received paper invoices for payment in the period under examination;
- the company to offer a free energy analysis to the customers in question;
- a periodic compliance check by the company on its contract conditions.

2018 Fiscal Law Decree: Law Decree No. 119 of October 23, 2018 “Urgent tax and financial provisions”, was converted into law by conversion law No. 136 of December 17, 2018, published in the Official Journal of December 18, 2018. The provision contains, *inter alia*, the following measures:

- extension of the VAT reverse charge mechanism until June 2022;
- tax simplification in view of the e-billing obligation;
- revision of the regulation of excise duty on combustible gas for cogeneration plants.

Law no. 12 of February 11, 2019, converting Decree Law no. 135 of December 14, 2018 containing “Urgent provisions for support and simplification for companies and the public administration”: Law no. 12 of February 11, 2019, converting Decree Law no. 135 of December 14, 2018 containing “Urgent provisions for support and simplification for companies and the public administration” was published in the Official Journal on February 12, 2019. As regards the regulations of interest, art. 11-*ter* contains provisions for the preparation of a Plan for the Sustainable Energy Transition of the Suitable Areas, for the purpose of identification of the suitable areas for the issue of permits for the survey, research and production of liquid and gaseous hydrocarbons. Pending the adoption of the Plan, the administrative procedures relating to the award of the new permits for the survey or research of liquid and gaseous hydrocarbons have been suspended, without prejudice to the procedures relating to the applications for extension of the existing production concessions. Effective from the date of entry into force of the law and until the adoption of the Plan, the existing permits for the survey or research of hydrocarbons are also suspended, for both dry land and sea, with the subsequent halting of all activities in progress. As of adoption of the Plan, the existing permits for survey or research of hydrocarbons are revoked for incompatible areas, while the existing production concessions remain effective until expiry, without the possibility of further extension. In addition, effective from June 1, 2019, the production fees and the survey and research permits were redetermined. Art. 11-*quater* contains provisions regarding concessions for large-scale water diversions for hydroelectric use. The new regulation governs, *inter alia*, the proprietary system and the criteria for the development of assets on expiry of the concession. In particular, on expiry of the concessions, the so-called “wet works” pass under the ownership of the Regions on a free basis, while the regulation established in art. 25, second paragraph *et seq.* of Royal Decree 1775/1933 applies to the so-called “dry works”, making provision for the payment of a price to be quantified net of depreciated assets, with it being understood that the state bodies are replaced by the corresponding regional bodies. The new regulation also establishes that the methods and criteria for the concession assignment procedures are governed by regional law; the concession assignment procedures must be started within two years of the entry into force of the aforementioned regional law. For concessions expiring prior to December 31, 2023, including therein those already expired, the Regions will establish the methods, conditions and quantification of the considerations to be paid by the outgoing concessionaire for the continued operation of the diversions beyond the expiry and for the time needed for completion of the assignment procedures.

EUROPEAN REGULATIONS

Projects of Common Interest (PCI): on January 25, 2018 the governments of the European Union formally adopted the third list of PCI eligible for EU financing through the Connecting Europe Facility, which includes the two projects under development of IGI Poseidon, Eastmed and Poseidon. The Eastmed project was granted a second tranche of funding for maximum eligible costs equal to 34.5 million euros, which is added to the 2 million euros granted in the previous year, which contributed to funding the technical feasibility and economic sustainability studies. The list was then approved by the European Parliament during the plenary session in Strasbourg on March 14, 2018.

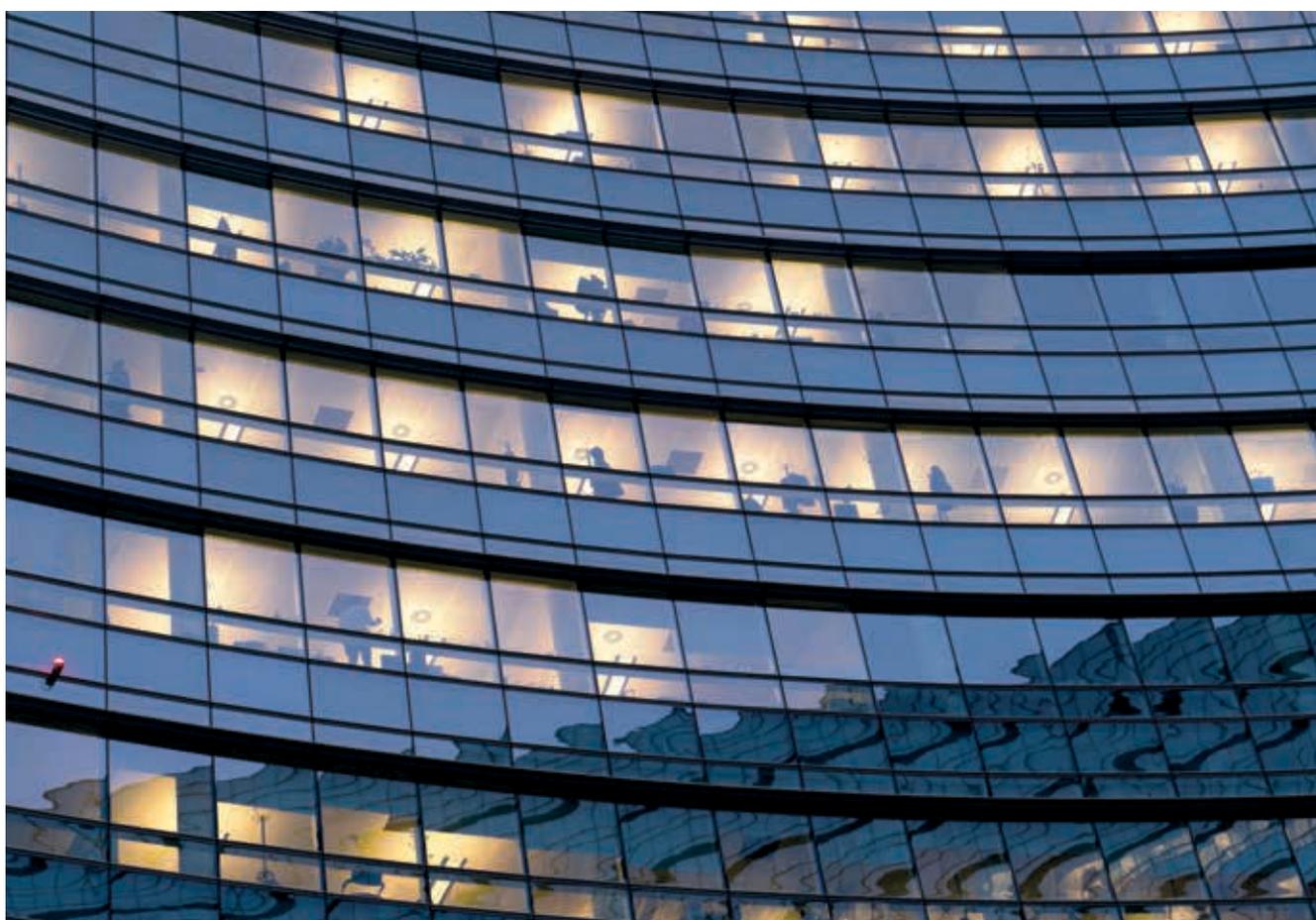
On July 27, 2018, the European Commission granted exemption from the TPA for 25 years to the IGB project (Interconnector Greece-Bulgaria developed by IGI Poseidon), through Decision - C(2018) 5058 final. The IGB project has the status of Project of Common Interest at European level and the Decision will enable the development of the project in line with its economic feasibility and market development.

Emission Trading and Carbon Pricing (EU ETS): on February 27, 2018, on conclusion of three years of negotiations, the European Council formally signed the agreement between the European Institutions on the new text of the EU ETS Directive (revision of Directive 2009/EC) for the market of CO₂ credits. The agreement confirmed most of the amendments set out in the final stages of negotiations, aimed at intervening on the supply side and restoring price signals in line with the policy objectives of the European Union, including the commitments signed by way of the Paris Accords, specifically by reducing the annual emissions cap in Europe (from the current 1.74% to 2.2% in 2021) and removing the additional allowances to be managed through the Market Stability Reserve (MSR), which will have to absorb 24% of surplus annual allowances auctioned from 2019. In 2024, the linear reduction factor and the volumes moved to the MSR shall be revised. An additional 800 million surplus allowances are planned to be eliminated in 2021. The revision of the Directive also includes maritime transport in the Emission Trading scheme from 2023, while for aviation, the allowances assigned free of charge will be gradually reduced. The reform of the EU ETS scheme contributed to bringing price signals for CO₂ to double digits for the first time (exceeding 10 Euro/ton) already in March 2018.

2030 EU targets for renewable energy sources and energy efficiency: during the summer, a political agreement was reached in Brussels on the European targets for renewable energy sources and energy efficiency for 2030. The new Directives, which require only the formal steps of publication in the Official Journal, will set a target of 32% (compared to 27% originally proposed by the European Commission) in 2030 for end consumption of renewable sources, with a 1.3% annual requirement on thermal renewables (heating and cooling) and a 14% requirement for the transportation sector (biofuels). For energy efficiency, the new target for 2030 was set at 32.5% (non-binding at European level). For both Directives, there is also a revision clause in 2023.

Remuneration mechanism in Greece: on July 30, 2018, the European Commission approved the capacity remuneration mechanism in Greece, as part of the government aid procedures. Through competitive auctions, the new mechanism should be in operation until the end of 2019.

Economic & Financial Results at December 31, 2018



SALES REVENUES AND EBITDA OF THE GROUP AND BY BUSINESS SEGMENT

(in millions of euros)	Chapter ^(*)	2018 full year	2017 full year ^(**)	Change	% Change
Electric Power Operations ⁽¹⁾					
Sales revenues	2	3,768	3,970	(202)	(5.1%)
Reported EBITDA	2	328	289	39	13.5%
Adjusted EBITDA ⁽²⁾	2	328	265	63	23.8%
Hydrocarbons Operations ⁽¹⁾					
Sales revenues	2	6,098	5,592	506	9.0%
Reported EBITDA	2	570	613	(43)	(7.0%)
Adjusted EBITDA ⁽²⁾	2	570	637	(67)	(10.5%)
Corporate Activities and Other Segments ⁽³⁾					
Sales revenues	2	69	54	15	27.8%
EBITDA	2	(105)	(99)	(6)	(6.1%)
Eliminations					
Sales revenues	2	(776)	(833)	57	6.8%
Edison Group					
Sales revenues		9,159	8,783	376	4.3%
EBITDA		793	803	(10)	(1.2%)
as a % of sales revenues		8.7%	9.1%	-	-

(1) See the Value Chain on page 8.

(2) With reference to 2017, adjusted EBITDA reflects the effect of the reclassification from the Hydrocarbons Operations to the Electric Power Operations of the portion attributable to the Electric Power Operations of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas. In 2018, there were no hedges to be reclassified between the two business segments.

The adjusted EBITDA for 2017 was not verified by the Independent Auditors.

(3) Includes those operations of Edison Spa, the Group's Parent Company, that engage in central and transversal activities, i.e., activities that are not directly tied with a specific business and certain holding companies and real estate companies.

(*) See the Notes to the Consolidated financial statements.

(**) 2017 Sales Revenues were restated following the application of IFRS 15 "Revenue from Contracts with Customers", without any impact on the EBITDA, as described in the section 1.1 "Newly applied standards" of the Notes to the Consolidated financial statements.

The effects resulting from the initial application of IFRS 9 were recognised in shareholders' equity with no restatement of comparative data.

Group sales revenues for 2018 totals 9,159 million euros, up 4.3% on the previous year.

EBITDA recorded a drop of 10 million euros, mainly due to lower profit margins on the buying and selling activities of gas, partly mitigated by an improvement in the Exploration & Production segment.

See the sections of this Report that follow for a more detailed analysis of the performance of the individual business segments.

ELECTRIC POWER OPERATIONS

Sources

(GWh) ⁽¹⁾	2018 full year	2017 full year ^(*)	% Change
Edison's production:	18,798	19,742	(4.8%)
- Thermoelectric power plants	14,763	16,469	(10.4%)
- Hydroelectric power plants	3,080	2,209	39.4%
- Wind power and other renewables	955	1,064	(10.3%)
Other purchases (wholesalers, IPEX, etc.)⁽²⁾	24,020	33,288	(27.8%)
Total sources	42,818	53,030	(19.3%)

(1) 1 GWh is equal to 1 million kWh, referred to physical volumes.

(2) Before line losses and excluding the trading portfolio.

(*) "Other purchases" in 2017 were restated as a result of the application of IFRS 15 "Revenue from Contracts with Customers", as described in the section 1.1 "Newly applied standards" of the Notes to the consolidated financial statements.

Uses

(GWh) ⁽¹⁾	2018 full year	2017 full year ^(*)	% Change
End customers ⁽²⁾	13,694	10,927	25.3%
Other sales (wholesalers, IPEX, etc.) ⁽³⁾	29,124	42,103	(30.8%)
Total uses	42,818	53,030	(19.3%)

(1) 1 GWh is equal to 1 million kWh.

(2) Before line losses.

(3) Excluding trading portfolio.

(*) "Other sales" in 2017 were restated as a result of the application of IFRS 15 "Revenue from Contracts with Customers", as described in the section 1.1 "Newly applied standards" of the Notes to the consolidated financial statements.

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

Under the scope of this model, Edison net production in Italy comes in at 18,798 GWh, down 4.8% on 2017; more specifically, thermoelectric production decreases by 10.4%, reflecting the national trend for gas-powered plants. In 2018, hydroelectric production registers a sharp increase (+39.4%) thanks to the greater availability of water recorded in the year. By contrast, a slight decline is recorded in wind power and other renewable productions of -10.3%, mainly due to the lower wind levels. Sales to customers were up 25.3% mainly thanks to the higher volumes sold to the Business segment.

Other purchases and other sales were down respectively by 27.8% and by 30.8% compared with the previous year. However, it is worth mentioning that these items include not only purchases and sales on the wholesale market, but also purchases and sales on the IPEX, which are characterised by lower unit margin, connected to the balancing of portfolios.

Income Statement Data

(in millions of euros)	2018 full year	2017 full year ^(*)	% Change
Sales revenues	3,768	3,970	(5.1%)
Adjusted EBITDA ⁽¹⁾	328	265	23.8%

(1) See note on page 39.

(*) 2017 Sales Revenues were restated following the application of IFRS 15 "Revenue from Contracts with Customers", without any impact on the EBITDA, as described in the "Accounting Principles and Consolidation Criteria" section of the Notes to the abridged interim consolidated financial statements.

The effects resulting from the initial application of IFRS 9 were recognised in shareholders' equity with no restatement of data.

Sales revenues in 2018 came in at 3,768 million euros, down 5.1% on 2017, due to the decrease in volumes sold.

EBITDA amounts to 328 million (+63 million euros), marking an increase of 23.8%, primarily thanks to higher profit margins on thermoelectric generation and the greater contribution from the hydroelectric segment, which offset the negative effect on the margin deriving from the cessation, in 2018, of incentives for the Candela power plant.

Energy Services

The economic data of the electric power operations include the results of the Energy & Environmental Services Market Division, grouped into the sub-holding Fenice.

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

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

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

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

With reference to 2018, the Energy & Environmental Services Market Division registered:

- sales revenues of 447 million euros, up by 16.4% compared to 2017 (384 million euros) thanks to the contribution from Edison Facility Solutions (about 35 million euros) and Zephyro (about 36 million euros), companies operating primarily in the Public Administration sector, acquired in December 2017 and July 2018 respectively;
- an EBITDA of 84 million euros, up by 6.3% compared to 2017 due to the higher margins achieved by the companies recently acquired, which offset the lower results recorded by the foreign branches, and due to some extraordinary income.

HYDROCARBONS OPERATIONS

Sources of Natural Gas

(Millions of m ³)	2018 full year	2017 full year	% Change
Production ⁽¹⁾	354	437	(19.1%)
Imports (Pipeline + LNG)	14,566	15,102	(3.5%)
Other purchases	5,811	5,843	(0.5%)
Change in stored gas inventory ⁽²⁾	(17)	(94)	82.4%
Total sources	20,714	21,288	(2.7%)
Production outside Italy ⁽³⁾	1,909	1,636	16.7%

(1) Net of self-consumption and at Standard Calorific Power. It includes the production from the Izabela concession in Croatia imported into Italy.

(2) Includes pipeline leaks. A negative change reflects additions to the stored gas inventory.

(3) Counting volumes withheld as production tax.

Uses of Natural Gas

(Millions of m ³)	2018 full year	2017 full year	% Change
Residential use	2,804	2,404	16.7%
Industrial use	4,518	4,507	0.2%
Thermoelectric fuel use	6,501	7,311	(11.1%)
Other sales	6,890	7,066	(2.5%)
Total uses	20,714	21,288	(2.7%)
Sales of production outside Italy⁽¹⁾	1,909	1,636	16.7%

(1) Counting volumes withheld as production tax.

Production of natural gas in 2018, counting the combined output of the Italian and international operations, totalled 2,263 million cubic metres, up 9.2% compared with the previous year. The production sold in Italy declined by 19.1%, mainly due to the natural decline of the field production curves and lower imports from Croatia. Vice versa, foreign production recorded an increase of 16.7% thanks to the Reggane field in Algeria, which entered into production at the end of December 2017 and the new wells for the Egyptian concession of Abu Qir, which entered into production in the second quarter of 2017.

Total gas imports and other purchases fell slightly, down by 3.5% and 0.5%, respectively.

The quantities sold, equal to 20,714 million cubic metres, were down slightly on 2017. In particular, sales for civil use were up by 16.7%, mainly owing to the contribution from Gas Natural Vendita Italia, consolidated at the end of February 2018; while sales for thermoelectric use were down by 11.1% due to the reduced consumption of gas by the thermoelectric power plants owned by the Group and by third parties.

Crude Oil Production

(thousands of barrels)	2018 full year	2017 full year	% Change
Production in Italy	1,664	1,874	(11.2%)
Production outside Italy ⁽¹⁾	2,349	2,127	10.4%
Total production	4,013	4,001	0.3%

(1) Counting volumes withheld as production tax.

Crude oil production in 2018 was unchanged on the whole compared to 2017; lower Italian production, down by 11.2% (-210 thousand barrels) due to the natural decline in concessions, was actually offset by the increase in foreign production (+222 thousand barrels, +10.4%), due to both the contribution of the new wells for the Egyptian concession of Abu Qir, which entered into production in April and May 2017, and higher production in the United Kingdom.

Income Statement Data

(in millions of euros)	2018 full year	2017 full year ^(*)	% Change
Sales revenues	6,098	5,592	9.0%
Adjusted EBITDA ⁽¹⁾	570	637	(10.5%)
- amount from gas activities	203	374	(45.7%)
- amount from Exploration & Production	367	263	39.5%

(1) See note on page 39.

(*) The effects resulting from the initial application of IFRS 9 were recognised in shareholders' equity with no restatement of comparative data.

Sales revenues came in at 6,098 million euros, up 9% on 2017 primarily thanks to the improved reference scenario and higher volumes of production outside Italy.

EBITDA in 2018 came to 570 million euros, down by 67 million euros compared to the previous year (-10.5%). This change is mainly attributable to the purchase and sale of gas due to the

deteriorating market scenario and, to a lesser extent, the sale of Infrastrutture Trasporto Gas Spa (ITG), which took place in October 2017. Lower profitability on the purchase and sale of natural gas was partly offset by higher margins in the Exploration & Production business as a result of the more favourable scenario and the recovery of costs of exploration in Algeria relating to previous years. Moreover, note that non-recurring income of 20 million euros was recognised during 2017, partly linked to an insurance claim reimbursement.

Hydrocarbon Reserves

The Group's hydrocarbon reserves (proven reserves plus 50% of probable reserves) totalled about 34.1 billion cubic meter equivalent (209.1 MBoe) at December 31, 2018, compared with 36.5 billion cubic meter equivalent (224.0 MBoe) the previous year. Therefore, net of the gross 2018 production, totalling about 2.95 billion cubic meter equivalent (18.2 MBoe), hydrocarbon reserves increased by about 0.54 billion cubic meter equivalent (3.3 MBoe). This variation is the result of the revision of the reserve of some concessions.

The most significant variations concerned the oil concessions in Italy (-1.4 MBoe), the Izabela concession in Croatia (-1.0 MBoe) and the Abu Qir concession in Egypt (-3.2 MBoe). Conversely, these reductions were more than offset by the upward revision of reserves of the other concessions, particularly gas concessions in Italy (+3.0 MBoe), and in the Egyptian off-shore concessions of North El Amriya and North Idku (+3.8 MBoe).

More detailed information is available in the section 11.1 of the consolidated financial statements entitled "Additional Disclosure About Natural Gas and Oil".

CORPORATE ACTIVITIES AND OTHER SEGMENTS

Income Statement Data

(in millions of euros)	2018 full year	2017 full year	% Change
Sales revenues	69	54	27.8%
EBITDA	(105)	(99)	(6.1%)

Corporate Activities and Other Segments include those operations of Edison Spa, the Group's Parent Company, that engage in central and transversal activities, i.e., activities that are not directly tied to a specific business, and certain holding companies and real estate companies. Sales revenues in 2018 registered an increase of 15 million euros compared to those of 2017, partly linked to the reversal to the operating areas of a part of the lease fees of the Foro Buonaparte properties, sold in November 2017. EBITDA in 2018 fell by 6 million euros due to the aforementioned lease fee, and extraordinary charges connected primarily to M&A activities.

OTHER COMPONENTS OF THE GROUP'S INCOME STATEMENT

(in millions of euros)	2018 full year	2017 full year	% Change
EBITDA	793	803	(1.2%)
Net change in fair value of derivatives (commodities and foreign exchange)	(7)	(221)	96.8%
Depreciation, amortization and writedowns	(564)	(655)	13.9%
Other income (expense) net	(23)	115	n.m.
EBIT	199	42	n.m.
Financial income (expense), net	(19)	(52)	63.5%
Income from (Expense on) equity investments	4	(31)	n.m.
Income taxes	(117)	(122)	4.1%
Profit (Loss) from continuing operations	67	(163)	n.m.
Profit (loss) attributable to Parent Company shareholders	54	(176)	n.m.

EBIT of 199 million euros are after depreciation, amortisation and write-downs totalling 564 million euros, a negative net change in the fair value of derivatives hedging commodity and foreign exchange transactions amounting to 7 million euros (negative by 221 million euros in 2017) and net other expense of 23 million euros.

Amortisation, amounting to 464 million euros, was down 22 million euros, also due to the effect of lower investments in exploration (-51 million euros).

Writedowns of 100 million euros (169 million euros in 2017) refer almost exclusively to the hydrocarbons concessions abroad, mainly as a result of the downward revision of the hydrocarbons reserves, as well as for the expected long-term prices of oil and gas.

In 2018, other net expenses totalled 23 million euros, while net income of 115 million euros had been registered in 2017, which included the income from the sale of the Foro Buonaparte properties in Milan for 131 million euros.

The net result from continuing operations was a gain of 67 million euros (loss of 163 million euros in 2017), after net financial expense of 19 million euros, net income from equity investments of 4 million euros and income taxes of 117 million euros.

Net financial expense improved thanks not only to the higher net exchange gains recorded in 2018, but a lower level of debt and a lower cost of debt due to a different mix of financial resources. Note that, in 2017, the figure had included financial expense connected to the bond loan of Edison Spa, reimbursed in November 2017.

Net income from equity investments totalled 4 million euros, while net expense on equity investments in 2017 came to 31 million euros, which included the writedown due to the sale of 100% of Infrastrutture Trasporto Gas Spa (ITG) and 7.3% of the equity investment Terminale LNG Adriatico Srl for 55 million euros.

Income taxes include IRAP (regional business tax), foreign taxes and some provisions made for risks relating to tax disputes.

NET FINANCIAL DEBT AND CASH FLOWS

At December 31, 2018, net financial debt amounted to 416 million euros, for an increase of 300 million euros compared with the 116 million euros at the end of December 2017.

More detailed information about the individual components of this item is provided in the section 6.3 "Net Financial Debt and cost of debt" of the 2018 consolidated financial statements.

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

(in millions of euros)	2018 full year	2017 full year
A. Net Financial (Debt) at beginning of period	(116)	(1,062)
EBITDA	793	803
Elimination of non-cash items included in EBITDA	(45)	26
Net financial expense paid	(13)	(20)
Net income taxes paid (-)	(110)	(63)
Dividends collected	11	17
Other items from operating activities	(25)	1
B. Cash Flow from operating activities	611	764
Change in operating working capital	(13)	208
Change in non-operating working capital	(13)	(8)
Net investments (-)	(838)	(489)
Non-recurring operations	0	489
C. Cash Flow after net investments and changes in working capital	(253)	964
Dividends paid (-)	(47)	(46)
Other items	0	28
D. Net Cash Flow for the period	(300)	946
E. Net Financial (debt) at end of period	(416)	(116)

The main cash flows for the year derive from EBITDA, as previously commented, the absorption of cash by operating working capital, net investments, which include capital expenditures and exploration (-447 million euros), investments in non-current financial assets (-34 million euros), restructuring operations (+42 million euros), as well as the acquisitions of GNVI (now Edison Energie), Attiva and Zephiro (-399 million euros).

More specifically, capital expenditures and exploration include:

- investments in Exploration & Production activities of 141 million euros, which mainly concerned foreign operations. In Egypt (45 million euros), mainly for the drilling of the new NAQ PIII-4,5&6 wells for the Abu Qir concession, in Norway (52 million euros), for activities as part of the concessions of Dvalin (formerly Zidane) and Nova (formerly Skarfjell), and in Algeria (14 million euros) for the development of the Reggane concession;
- investment in the sector of electric power generation from renewable sources of 134 million euros, relating to activities for the construction of the new wind power plants (greenfield and full rebuilding) of Vaglio, San Giorgio La Molara, Mazara del Vallo, Montefalcone, Troia, Castiglione Messer Marino and Schiavi d'Abruzzo;
- investments in exploration for around 29 million euros, mainly in the United Kingdom (16 million euros) for activities in the Glengorm and Val d'Isere wells, in Egypt (7 million euros) and in Norway (4 million euros).

Investments in non-current financial assets include the acquisition, completed in October 2018, of Idroelettrica Brusson srl and Idroelettrica Cervino srl (21 million euros), the increase in the share capital of IGI Poseidon SA for 9 million euros and the incorporation and the subsequent increase in the share capital of Depositi Italiani GNL Spa (49% Edison, 51% PIR) for 4 million euros. The portfolio readjustments (net positive effect of 42 million euros) refer mainly to the Exploration & Production sector, due to the sale of the Norwegian gas pipeline Polarled and the energy services sector, due to the sale of several assets.

OUTLOOK AND EXPECTED RESULTS IN 2019

Edison expects that 2019 EBITDA, excluding potential new M&A transactions, will be within the range of 720 and 780 million euros.

EDISON SPA

Financial Highlights

(in millions of euros)	2018 full year	2017 full year (*)	% Change
Sales revenues	6,958	6,840	1.7%
EBITDA	159	307	(48.2%)
as a % of sales revenues	2.3%	4.5%	-
EBIT	7	(26)	n.s.
as a % of sales revenues	0.1%	n.s.	-
Net profit (loss)	55	(184)	n.s.
Capital expenditures	57	104	(45.2%)
Net invested capital ⁽¹⁾	5,036	3,918	28.5%
Net financial debt	(206)	(1,332)	84.5%
Shareholders' equity ⁽¹⁾	5,242	5,250	(0.1%)
Debt/Equity ratio	n.a.	n.a.	-
Number of employees ⁽¹⁾	1,293	1,470	(12.0%)

(*) 2017 Sales Revenues were restated following the application of IFRS 15 "Revenue from Contracts with Customers", without any impact on the EBITDA.

The effects resulting from the initial application of IFRS 9 were recognised in shareholders' equity with no restatement of comparative data.

(1) Period-end data. The changes in these values were calculated as at December 31, 2017.

Pursuant to Consob communication no. DEM/6064293 of July 28, 2006 the schedule below provide a reconciliation of the net result for the year and of the shareholders' equity of Edison Spa with Group interest in net profit and the shareholders' equity attributable to the shareholders of the Parent company at December 31, 2018:

Reconciliation of the net result and the shareholders' equity of Edison Spa to the group interest in net result and the shareholders' equity attributable to Parent company shareholders

(in millions of euros)	12.31.2018		12.31.2017 (*)	
	Net result	Shareholders' equity	Net result	Shareholders' equity
Net result and Shareholders' equity of Edison Spa	55	5,242	(184)	5,250
Results and carrying values of the consolidated companies, excluding minority interests	30	2,747	(66)	1,715
Elimination of the carrying values of the consolidated investments in associates and in companies valued by the equity method		(2,092)		(1,030)
Dividends of Edison Spa	(90)		(36)	
Elimination of Parent company investments' adjustments	45		139	
Investments in companies valued by the equity method	4	71	0	64
Other consolidation adjustments	10	(82)	(29)	(84)
Group interest in profit (loss) and Shareholders' equity attributable to Parent company shareholders	54	5,886	(176)	5,915

(*) 2017 reconciliation items have been restated in order to be comparable with 2018.

RISKS AND UNCERTAINTIES

RISK MANAGEMENT AT THE EDISON GROUP

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

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

- risks related to the external environment, which have to do with conditions in the market and the competitive environment in which the Group operates and changes in the political, legislative and regulatory context;
- operational risks, which are tied to processes, structures and business management systems, specifically regarding production and distribution activities;
- strategic risks, which are related to the definition and implementation of the Company's strategic guidelines.

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

The Enterprise Risk Management process is closely linked with the medium and long-term planning process in order to correlate the Group's overall risk profile with the return on investment projected in the plan/budget document. The results produced by ERM are communicated to the Control and Risk Committee and Board of Directors on predetermined dates and are used by the Internal Audit Department as a source of information to prepare special risk-based audit plans. An analysis of the overall results of the process for the year just ended is provided in the "Risk Factors" section that follows, while the "Financial Risks" section lists the main factors related to the commodity price, exchange rate, credit, liquidity and interest rate risks, for which specific safeguards were adopted over the years to manage and minimize their impact on the Group's economic and financial equilibrium. For additional details about these risks, see the information provided for IFRS 7 purposes in the chapter 4 "Market Risk Management", in the section 3.1 "Credit risk management" and in the section 6.4 "Financial Risk management" of the 2018 consolidated financial statements.

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

RISK FACTORS

1. Risks Related to the External Environment

Legislative and Regulatory Risk

A potential source of uncertainty for Edison is the constant evolution occurring in the reference legislative and regulatory framework, which affects market activity, rate plans, required levels of service quality and technical and operational compliance requirements.

In this regard, Edison is engaged in an ongoing activity to monitor and carry out a constructive dialogue with national and local public institutions, so as to develop opportunities for discussing and promptly assessing the impact of regulatory changes, with the aim of minimizing the resulting economic impact.

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

- the renewal of large-scale diversion hydroelectric concessions, whose regulation was revised extensively under Law no. 12 of February 11, 2019, published in the Official Journal on February 12, 2019. In fact, art. 11-*quater* contains provisions regarding large-scale diversion hydroelectric concessions and establishes, *inter alia*, that the Regions govern by law, to be issued no later than March 31, 2020, the concession assignment methods and procedures, that must be subsequently started within two years of the approval of the aforementioned regional law. For concessions that envisage an expiry term prior to December 31, 2023, including therein those already expired, the new regulation also establishes that the Regions govern, again by means of law, to be issued no later than March 31, 2020, the methods, conditions and quantification of the additional considerations and other expenses, to be paid by the outgoing concessionaire for the continued operation of the concessions beyond the expiry and for the time needed for completion of the assignment procedures. The law also governs the amendments to regional state property fees;
- the regulation governing hydrocarbon concessions, defined by the aforementioned law 12/2019 of February 11, 2019, which provides for the suspension of authorisation procedures for new research and survey permits, the increase in utilisation royalties starting from June 1, 2019 and the issue, within eighteen months, of a Plan for the Sustainable Energy Transition of the Suitable Areas (PITESAI), for the purpose of identifying a defined reference framework for the areas in which it is permitted to carry out hydrocarbon survey, research and production activities.
- the new system for the remuneration of production capacity, revised in 2016 and 2017, was approved by the European Commission in February 2018 and put up for consultation again by Terna in order to acknowledge the latest observations from operators for the first phase of implementation and the full implementation which was followed in April 2018 by the Authority's approval (261/2018) of the update to the regulation. The new system is expected to begin operating after the conclusion of the approval process by the Ministry;
- the extension until July 1, 2020 owing to the removal of the protected electric power and gas market, set forth in the Law which entered into force in September 2018; we are waiting for the implementing decree relating to the definition of detailed measures for the passage from the protected market to the free market.

Market and Competitive Environment

The energy markets in which the Group operates recorded a slowdown in 2018, with competitive pressure remaining high and, nonetheless, increasing prices. Please refer to the section "The Italian energy market" for more in-depth information.

In the Italian electric power market, demand was confirmed at 2017 levels. Unlike the previous year, 2018 recorded increased hydroelectric production, which benefited from more favourable weather conditions, and a recovery in imports from France, observed in particular in the first

half of the year, after the decrease reported in 2017 due to the unavailability of some nuclear power plants, which made a greater contribution to meeting national energy needs. On the other hand, these factors resulted in a reduction of gas-fired thermoelectric production, which represents a significant portion of the Group's production mix.

The aforementioned hydroelectric production, with specific reference to the major derivation hydroelectric concessions available to the Group, benefited in 2018 from the increase in electricity prices, but will remain exposed in the years to come to the above-mentioned risk of a revision of the reference legislative context and the outcome of the calls for tenders for the renewal of expired or expiring concessions.

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

In the natural gas market, demand recorded a decrease in all sectors in 2018, when compared to the previous year. At annual level, the most significant reduction was registered by consumption for thermoelectric generation, impacted by the elements outlined above, while in the second half of 2018, it witnessed greater reductions for the industrial sector and distribution.

The clauses for the renegotiation of prices of long-term gas procurement contracts, as with revisions of their flexibility conditions, offer important tools by which to mitigate the effects of changes in the energy scenario and market conditions, as monitored constantly by the Group.

Country Risk

The Group's presence in the international markets involving both the marketing of electric power and the pursuit of hydrocarbon exploration and production activities exposes the Company to a whole series of risks deriving mainly from political, economic, social, regulatory and financial differences compared with conditions in the country of origin. Currently, the areas that are most significant for the Group are Greece, where Edison, operating through Elpedison Spa, produces and markets electric power through a joint venture with Hellenic Petroleum, its Greek partner, and Egypt, where the Group is a producer of natural gas and crude oil as the operator of the Abu Qir offshore concession.

- In Greece, the end of the third bail-out by the European institutions, closed with the last loan in August 2018, represents an important objective reached for the country and helps the Government regain public support after years of unpopular austerity measures requested by international creditors. The economic and financial situation gradually improved during the year, which permitted an increase in the sovereign rating to B+ (outlook stable) by the agency Standard & Poor in June, and confirmed as of today, following a previous increase to B (outlook positive). As regards the energy sector, at the start of the second half the new capacity remuneration mechanism was approved, in operation until the end of 2019, in whose first action, Elpedison Sa, which has an installed capacity of around 800 MW, successfully participated.

The Company is committed to constant monitoring of the country's political and economic environment, to which the Group is exposed as at December 31, 2018, as indicated below:

(in millions of euros)	12.31.2018	12.31.2017
Loan receivable from the affiliate	63	68
Guarantees provided	29	24
Equity investments ⁽¹⁾	17	10
Total	109	102

(1) Refers to the equity investment in IGI Poseidon Sa.

- In Egypt, the political and economic context has improved. Following the confirmation of Al Sisi as President during the March elections, the government is proceeding with its reduction of government subsidies and with privatisations. In terms of security, terrorist attacks have reduced, particularly in urban centres, after a specific fight against terrorism was launched. The country's improved stability, along with the financial aid from the International Monetary Fund, the World Bank and the African Development Bank (AfDB), represent important signs of confidence for foreign investors. These elements contribute, together with the reduction in imports of natural gas and the recovery in international tourism, to the availability of the dollars needed for observance of sovereign obligations. In May, Standard&Poor's raised the sovereign rating to B, with a stable outlook. In this context, the Group monitors the political and economic environment on an ongoing basis, with regard to which the main uncertainties include the commercial exposure with the government owned Egyptian General Petroleum Corporation (EGPC) for approximately 232 million dollars at December 31, 2018, the volatility of the exchange rate (even though the amount of liquid assets held in the local currency was small) and the security conditions under which the Company operates and implements the most appropriate risk mitigation.

Additionally, with reference to the long-term gas procurement contracts, the Company is exposed to the geographical-political context of the countries from which it gains its supplies (i.e. Qatar, Libya, Algeria and Russia) and, therefore, constantly monitors the situation.

2. Operational Risks

Processes, structures and Business Management Systems

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

The policy to manage these risks calls for the adoption of specific security and quality standards, and the implementation of upgrades to comply with international and national laws and the requirements of local entities with regulatory authority over such issues and of activities to improve the quality of processes in the various areas of business, with special focus on customer services. In addition, the management of potential crisis events is governed by specific internal guidelines designed to provide a quick and effective response to potential crisis situations that could cause injuries to people and damage the environment and the Company's facilities and reputation.

Additional information about the management of environmental and occupational safety risks is provided in the section of this 2018 Report on Operations entitled "Health, Safety and the Environment".

Information Technology

The Group's diverse activities and business processes are supported by complex information systems. Risks issues exist with regard to the adequacy of these systems and the availability, integrity and confidentiality of data and information.

With respect to the first point, in 2018 several important projects continued and new ones were also launched; in particular:

- the "Mercurio" program is at the go-live phase for the Gas Midstream, Energy Management & Optimisation Department, in order to re-engineer the core application supporting gas logistics processes (short-term and long-term);

- the “Data Platform” project was launched as part of the “Digital Transformation” program for the Gas & Power Market Department, with the specific objectives of expanding the scope of data coming from digital channels (new sales/after-sales portals, apps, IoT data, social networks), improving oversight over this data (controlling its processing and guaranteeing an adequate degree of security and privacy management) and innovating current technologies;
- development began on the Energy Services Market Department’s CRM system: specifically, the Opportunity Management module was implemented and the EMS (Energy Management System) and BEMS (Build Energy Management System) were released to production. In addition, a study was completed to create the Department’s data lake;
- finally, the modules were implemented for e-billing in the different company areas.

With regard to the risk of unavailability caused by a system fault, Edison adopted high reliability hardware and software configurations for those applications that support critical activities. These configurations were regularly tested during normal operations. Lastly, to protect against disasters, a disaster recovery solution is in operation which is tested annually (last successful test performed in May 2018).

The risk relating to the integrity/confidentiality of company data and information and their availability in the event of cyber-attacks that are increasingly more frequent and sophisticated, is mitigated with the adoption of strict security standards and solutions; the Security Operation Centre, operative since January 1, 2016, aims to prevent and manage new forms of computer attack and was expanded in 2018 with a view to extending the monitoring services to cover the security systems present in the Rivoli data centre. Finally, at EDF Group level, the Rex Wannacry project was launched, targeted at strengthening the company IT system’s resilience to new generation attacks.

3. Strategic Risks

The development of the core businesses of the Edison Group must be supported with investments, acquisitions and selected divestments, implemented as part of a strategy to streamline the overall portfolio and constantly responding to the competitive environment: the Group’s ability to strengthen its core businesses in the markets where it operates is predicated on the effective deployment of these initiatives.

More specifically, insofar as direct investments are concerned, they typically entail a risk related to potential overruns in operational and investment costs, as well as possible delays in the start of commercial service, due in part to uncertainties in the permit issuing process, with a resulting impact on the profitability of these initiatives.

As for the strategy of growth through acquisitions, its success is predicated on the availability in the market of opportunities that could help the growth of the Group’s core businesses at an acceptable cost and on the Company’s ability to identify those opportunities on a timely basis and effectively integrate the acquired assets into the Group’s activities.

In order to mitigate these risks, the Company adopted a series of internal processes to monitor the research and assessment phases of investment initiatives. In addition to the use of appropriate written procedures, these processes require the use of due diligence activities, binding contracts, multilevel internal authorisation processes, project risk assessment activities and project management and project control activities.

FINANCIAL RISKS

Commodity Price Risk

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles, which affect the Group both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the above-

mentioned commodity prices are quoted in a foreign currency, the Group is also exposed to the resulting foreign exchange rate risk.

The activities required to manage and control these risks are governed by the Energy Risk Policies, which require the adoption of specific risk limits, in terms of economic capital, and the use of financial derivatives that are commonly used in the market for the purpose of containing the risk exposure within preset limits.

Foreign Exchange Risk

The activities carried out by the Group in currencies different from the euro and its strategies of expansion in the international markets expose the Company to fluctuations in foreign exchange rates. The guidelines concerning the governance and strategies to mitigate the foreign exchange risk generated by business activities are set forth in specific policies, which describe the foreign exchange risk management objectives depending on the different nature of the risk in question. The Company adopts a centralised type of management model, through which the Parent Company is able to constantly safeguard the Group's economic and financial equilibrium by constantly monitoring exposures and implementing appropriate hedging and foreign exchange procurement strategies designed for risk mitigation purposes.

Credit Risk

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

Interest Rate Risk

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

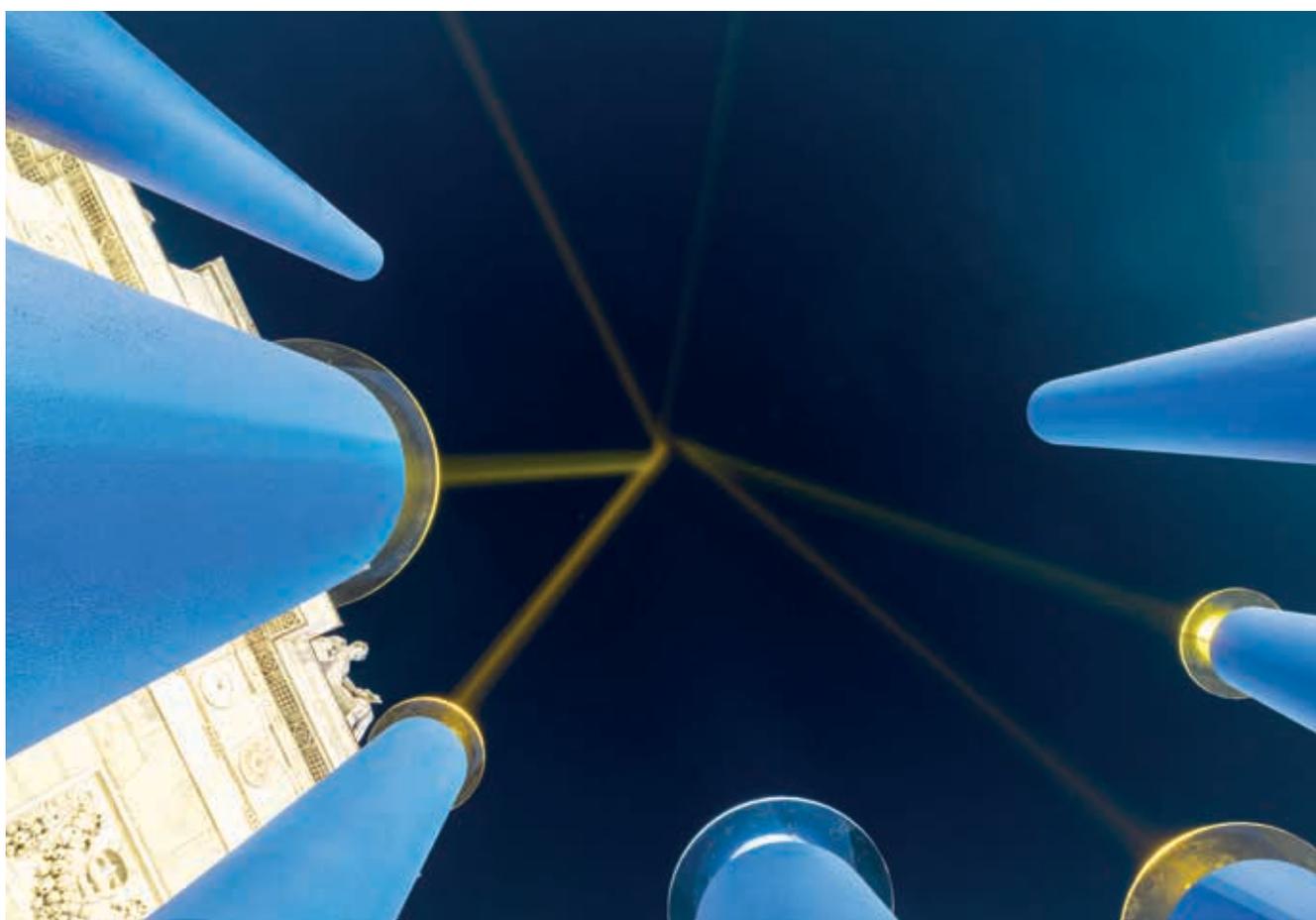
Liquidity Risk

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

PROVISIONS FOR RISKS AND CHARGES

In addition to the risk management and mitigation activities described above, when faced with present obligations deriving from past events, which can be of a legal or contractual nature or result from statements or conduct of the Company such as to engender in third parties a valid expectation that the Company is responsible or assumes responsibility for fulfilling an obligation, the Edison Group recognized over the years adequate accruals to special provisions for risks and charges listed among the liabilities in the financial statements (see also the accompanying Notes to the consolidated financial statements). More specifically, the companies of the Group are parties to judicial proceedings and some tax disputes, a description of which is provided in the chapter 8 "Non-energy operations" of the 2018 consolidated financial statements.

Other Results from Operations



INNOVATION, RESEARCH AND DEVELOPMENT

In 2018, the Research, Development & Innovation (RD&I) Department continued its study and research activities to deal with a change in the electricity and gas markets, with a special sensitivity focused on environmental sustainability, and collaborates with the other Departments and business units for the development of solutions supporting the business.

On June 14, 2018, Edison officially inaugurated Officine Edison, a multifunctional space in the Energy Centre, the centre of excellence established by the Turin Polytechnic with the support of the Municipality of Turin, the Piedmont Region, Compagnia di San Paolo and the CRT Foundation.

Officine Edison is focused on innovation, creativity and training: the thematic areas that will be delved into revolve around energy sustainability and data science based energy optimisation techniques. These matters will be addressed in co-working activities and in the acceleration of specific projects, as well as conferences, meetings and training events.

Lastly, it is also a place for training: it is home to the Energy Efficiency Campus and the classes of the second-level Master's program in Energy efficiency and sustainability in industry, created and designed by the Turin Polytechnic and Edison through Fenice.

The collaboration was renewed with the EDF R&D International centres during the international seminar organised with EDF R&D which, on an annual basis, brings together representatives from research centres from all over the world. This year, the meeting was held in Turin, where colleagues from all over the world had the opportunity to visit and work in the new Officine Edison space.

The RD&I Department continues to rely on collaborations with Italian and foreign industrial and academic partners: the Polytechnic of Milan, the Polytechnic of Turin, Federico II University of Naples, the University of Pisa, the University of L'Aquila and Stanford University.

HEALTH, SAFETY AND THE ENVIRONMENT

The main results achieved in 2018 and projects under development are reviewed below.

SAFETY PERFORMANCE TREND

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

Based on said approach, 2018 closed with a total injury frequency rate¹ for activities in Italy and abroad of 1.5 which, albeit slightly above 2017 (1.0), confirms the positive trend. More specifically, the Injury Incidence Rate was 1.2 (0.8 in 2017) for Company employees and 2.0 (1.3 in 2017) for employees of contractor companies.

The total seriousness rate² in 2018 was 0.06, lower than the figure at the end of 2017 (0.09), confirming the limited severity of our accidents.

The year-end figure does not include companies acquired in 2018 and which will be inserted from January 1, 2019.

1. Calculated as the ratio between the number of injuries and the number of hours worked, multiplied by one million.

2. Calculated as the ratio between days of work lost due to injuries and the number of hours worked, multiplied by one thousand.

ACTIVITIES CONCERNING HEALTH, SAFETY AND THE ENVIRONMENT

The main activities and processes carried out in 2018 are reviewed below.

- Following the issuing of the EDF Group's Health & Safety Policy and the associated 2018-2020 road map, Edison prepared its action plan in line with the principles and ambitions set out in said policy, which is based on the maintenance and implementation of management systems, the preparation of self-evaluations, the collection, analysis and circulation of high risk potential events (known as HPE), health protection programmes and the development of digital projects. This plan was presented to the company executive committee and will be periodically monitored.
- The requirements of the applicable regulations concerning health, safety and the environment were satisfied and verified also with special audits to test legislative compliance, specifically with regard to updating risk assessments and holding periodic safety meetings, during which the implementation progress of training programme and the macro results of the employee health monitoring were presented. In addition, the timing and qualitative requirements of the deadlines of national environmental laws, which fall for the most part in the first half of the year, were complied with.

- All of the required inspections and/or renewal visits for the management systems certified in accordance with the UNI EN 14001 environmental standard, the BS OHSAS 18001 health and safety standard, the UNI EN ISO 9001 quality standard, the UNI EN ISO 50001 energy standard and the UNI CEI 11352 energy services (ESCo) standard were completed. In addition, where voluntarily applicable, the scheduled audits were conducted to maintain EMAS environmental registrations. In particular, the significant initiatives include the obtainment of the integrated 14001 and 18001 certification for the company Edison Exploration & Production Spa for sites and processes carried out in Italy and abroad, and the renewal of the EMAS environmental registration of the company E2i through use of a video environmental declaration.

All audits conducted in relation to the aforementioned schemes were successful, confirming the quality, environment and safety certificates in place, guaranteeing the validity of our management and control systems and compliance with legal worker health and safety requirements, such as risk assessment, health surveillance, training, business coordination and compliance with environmental protection laws implemented by the corporate organisations. In this respect, the move to standards UNI EN ISO 9001 and 14001 of 2015, launched a few years ago now, was completed in the second half of 2018. In the meantime, following the issue of the new UNI EN ISO 45001 standard on health and safety, activities were launched for the transfer to that standard, to replace the current BS 18001 certification, which should be concluded by the end of 2021. In that sense, it should be noted that, in 2018 Edison Stocaggio has already obtained said certification.

- In February, the comprehensive corporate review was carried out of the safety and environmental management systems, also in line with the Organisational Model and the specific protocols pursuant to Italian Legislative Decree No. 231/2001; on that occasion, the targets for 2018 were defined and communicated, as was the internal auditing plan and cross-company training activities for the health, safety, environment and quality professional family.

Activities were consolidated within the HSE Select Committee, established with a view to improving the integration and effectiveness of the Company's organisational model in line with the individual management systems. The Committee consists of HSE representatives from every Department, whose main task is to identify, coordinate and monitor the initiatives that impact all operating entities, also in consideration of the Group objectives and guidelines.

- The year 2018 also saw the continuation of the constant commitment to the dissemination of the culture of safety with the sensitization, information, training and involvement of staff through the weekly dissemination of safety messages and of high potential events, the participation in training sessions, the identification, analysis, sharing and resolution of

dangerous situations or events noted in the various production units and in order to prevent potential injuries.

- There were no incidents in 2018 with an impact on environmental matrices (soil, subsoil, surface water and biodiversity). The administrative proceedings initiated last year by the authorities relating to Edison's involvement, as owner/customer, in possible discrepancies in the management of waste generated by maintenance activities by the external business operating at a mini-hydro power plant acquired in 2017 were concluded with an order for dismissal.
- On July 19, 2018, the Public Prosecutor of Potenza ordered the seizure of the hydraulic barrier of the Rendina Ambiente (Melfi) WTE plant due to the alleged contamination of the groundwater and presumed hazard to public health. The provision of the Public Prosecutor of Potenza contained, in particular, the application of a precautionary prohibiting measure against the Chief Executive Officer of Rendina Ambiente and the appointment of a commissioner for the management of the hydraulic barrier. The Company was able to demonstrate the absence of contamination of the drinking water; consequently, on July 31, 2018, the Court of Review revoked the seizure provisions as well as the precautionary prohibiting measures handed down by the Public Prosecutor of Potenza against the Chief Executive Officer of Rendina Ambiente. The Public Ministry submitted an appeal against the decision of the Court of Review and, the Court of Cassation, at the hearing on January 11, 2019, rejected the appeals of the Public Prosecutor, upholding the decision of the Court.

It should also be noted that, following the visit by ISPRA to the Vega platform as part of the controls on the Integrated Environmental Authorisation, during which situations were recorded whereby three authorised limits had been exceeded, works were carried out to restore two of the three parameters within the limits and authorisation requests were presented and equipment purchases formalised to carry out the major modification works targeted at also bringing the third parameter back inside the authorised limits.

- All situations of potential emergency identified were subject to work simulations or tests, in certain cases also with the participation of third parties present in the area or the authorities responsible for controlling their effectiveness.
- Site characterisation, safety assurance and environmental remediation work continued. Most of these activities involved highly significant industrial sites potentially polluted by activities carried out in the past by businesses that were part of the former Montedison Group sold a long time ago and/or closed. In this regard, please note that in 2018 experimentation activities were successfully completed in preparation for the subsequent phase of the reclamation project at the Dogaletto (VE) site, aquifer treatment activities continued at the Correzzana, Melegnano, Massa and San Giuliano sites, the remediation phase has begun on land at the Legnago site, and preventive safety implementation activities continued at the Bussi site.
- The process of collecting and analysing the environmental and health and safety data needed to draft and issue the EDF sustainability report and the consolidated non-financial statement of Edison for 2018 was carried out and completed in accordance with the time-scales and methods required by the reference standards.

The year 2018 was also characterised by several significant projects, including:

- the drafting of the Large Risks Reports for the offshore facilities in Italy and Croatia in accordance with the Safety Offshore Directive and the obtainment of the positive technical opinion from the large risk research entities relating to the Cellino and San Potito Cotignola sites of Edison Stocaggio;
- the development of Edison projects under way on the topic of biodiversity (BioVega A – BioRospo – Monitoring of fauna and flora at South Idku in Egypt) through participation in the "Biodiversity management capacity building in Egypt" workshop held in Cairo in April;
- as part of the digitalisation processes, the SAP Safety Management System was implemented throughout the organisation of Edison Stocaggio, which allows plant operators, using tablets, to register periodic, technical and safety checks carried out and manage the timetable of deadlines, including through automatic warnings;

- the training and awareness initiatives like the “Tutor della Sicurezza” (safety tutor) Project at several sites of the Power Assets & Engineering Department (as a follow-up on the previous training on the perception of risk), the recognition of good conduct of personnel from outside companies operating at the sites of the Engineering Department, the “*Safety Challenge*” in Fenice (in its tenth edition). Also in this regard, Edison actively took part in the safety week of the EDF Group, focused on the theme of Shared Vigilance, through the putting up of posters in all sites, provision of an e-learning course and the organisation of a dedicated workshop;
- specific projects were launched with the goal of integrating, taking account of the different business aspects, risk factors and organisational dimensions, companies recently acquired by the Edison Group that essentially operate in the Energy & Environmental Services Market Department in the energy services sector.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

HUMAN RESOURCES

On December 31, 2018, the Edison Group had a total of 5,372 employees compared with 5,144 employees at December 31, 2017, marking an overall increase of 228 employees (+4.4%), due entirely to the changes in scope, in particular:

- the acquisition of Gas Natural Vendita Italia (GNVI), whose name was changed to Edison Energie (+112 employees);
- the acquisition of Attiva (+12 employees);
- the acquisition of Zephyro (+255 employees);
- sale of Modularis (-139 employees).

The cost of labour in the year reported a value of 336.8 million euros, marking a total increase of 8.4% compared to the previous year, determined primarily by the change in scope relating to the above-mentioned acquisitions.

INDUSTRIAL RELATIONS

In 2018, important agreements were reached for the Edison Group on general matters. More specifically:

- **Agreement for the new working hours of the central headquarters:** on May 25, 2018, an important agreement was reached to renew the working hours of Edison’s central and management headquarters (Milan, Rome, Trofarello). The agreement expands existing daily, weekly and monthly flexibility with a view to ensuring that working hours increasingly meet the work-life balance requirements of employees in compliance with the organisational needs of the individual departments. The agreement reinforces the regulations so as to ensure the actual use of annual holidays. Furthermore, there was an increase in the various types of leave that may be used by employees (parental, specialist medical appointments, study, nursery school/child care centre orientation, first day of the first year of primary school).
- **E&P area supplementary company agreements:** in May, three agreements were reached for the renewal of the supplementary company contracts of the Edison Group’s Hydrocarbons Operations area (Sicily Area, Adriatic Area, Edison Stocaggio). The agreements, valid for the 2018-2020 period, update the existing indemnity systems and make amendments to the working hour regulations.
- **Agreement for the extension of Smart Working:** on March 29, 2018, an agreement was reached with the central headquarters RSU (trade union representatives) which calls for the

gradual extension of Smart Working methods to other departments at the Milan office starting in July 2018. Therefore, the agreement ends the Smart Working experimental start-up phase, following the positive evaluation of the results achieved in qualitative terms (results of surveys and focus groups carried out before and during the project which involved both department heads and employees) and quantitative terms (number of participants and days of use).

- **EDF Group agreement on Corporate Social Responsibility:** on March 23, 2018, the conclusive session was held of the negotiation of the new agreement on Corporate Social Responsibility of the EDF Group at global level. The employer's delegation represented EDF SA as well as the main Group companies outside of France (Edison and EDF Energy). The agreement renews the commitments of the EDF Group in a detailed and in-depth manner concerning human rights, ethics, the prevention of corruption, liability in relations with suppliers and sub-suppliers, the commitment to combatting all forms of violence and discrimination, health and safety, equality between men and women, skills development, transparency and dialogue with workers, their representatives and with respect to the areas where the Group has a presence. The four-year agreement, ratified in June, applies to the subsidiaries of the EDF Group.
- **Contribution of the Exploration & Production business unit:** with minutes signed on June 8, 2018 and June 22, 2018 with the managers' and workers' union representatives, respectively, the union procedure set forth in art. 47 of law 428/1990 concluded in relation to the contribution of the E&P business unit from Edison Spa to the newco Edison Exploration & Production S.p.A., a wholly owned subsidiary of Edison Spa. The transfer of the 188 workers involved (15 managers, 70 middle managers, 84 office staff and 19 production staff) will take place with no interruption pursuant to art. 2112 of the Italian Civil Code, with the maintenance of all economic and regulatory treatments in place, and shall become effective as of July 1, 2018.
- **Merger by incorporation of Edison Energie Spa in Edison Energia Spa:** as part of the process of integration following the acquisition of the company Gas Natural Vendita Italia Spa, on November 15, 2018, the trade union consultation procedure set forth in art. 47 of Law 428/1990 was activated, relating to the merger by incorporation of Edison Energie Spa in Edison Energia Spa. The associated joint review with the company union representatives and the National Trade Union Organisations was held on December 6, during which the reasons and consequences of said operation were highlighted and discussed, which is incorporated in a broader corporate integration process. The corporate merger becomes operational from January 1, 2019 and 112 former Edison Energie Spa employees will become, to all intents and purposes, employees of Edison Energia Spa.
The agreement report was signed on December 20 with the National Trade Union Organisations and the RSU/RSA (trade union representatives/trade union representation structure) in order to harmonise some economic/regulatory conditions needed to guarantee company operations. The corporate integration process will continue in the next few months.
- **Research, Development & Innovation Department:** discussions were launched in November with the RSU (trade union representative) of the central/management headquarters regarding the new allocation of the Research, Development & Innovation Department which, in 2019, will be transferred to the new offices known as "Officine Milano" at the PoliHub of the Milan Polytechnic and "Officine Torino" at the Energy Centre of the Turin Polytechnic. Discussions with the RSU will continue in the first few months of 2019.
- **Fenice Group: Conversion of the performance bonus into welfare services:** in April, a specific understanding was signed, as in 2017, for the companies of the Fenice group in Italy, which allowed for the conversion of the balance of the 2017 performance bonus into welfare services and benefits, in addition to that envisaged on the renewal of the CCNL (national collective labour agreement) of the metal-mechanics sector. Also in this case, the employee will benefit not only from an absence of contribution tax withholdings at his expense but also an additional contribution paid entirely by the Company equal to 10% of the amount converted.
- **Agreement on the performance bonus for Sersys Ambiente Srl:** on June 21, 2018, the union agreement was entered into with the Fim, Fiom, UILM and FISMIC trade union organisations, which governs the performance bonus of Sersys Ambiente Srl for the year

2018. This agreement represents a significant step for leveraging the specific professional skills of Sersys as, although it maintains the same theoretical amounts as that of Fenice, it provides for specific parameters relating to the environmental activities carried out by the Company.

- **Fenice Group: Collective Redundancy Procedure of Edison Facility Solutions Spa Casino of Campione d'Italia:** by means of letter dated September 3, 2018 (received on September 7, 2018), the receivers in bankruptcy of the Casino communicated the immediate termination of the tender contract in place and subsequent immediate request for the cessation of the services provided by Edison Facility Solutions Spa. In relation to the communication by the receivers in bankruptcy of the Casino of the termination of the services contract in place and the impossibility for the Company to assign the personnel who operated exclusively at the Casino of Campione d'Italia to other activities, Edison Facility Solutions, by means of letter dated October 10, 2018, launched the collective redundancy procedure, pursuant to and in accordance with art. 4 and art. 24 of Law 223/1991 for 12 workers, considered definitively surplus to the Company's technical-organisational requirements.

In order to search for solutions that limit the social impact and in view of the impossibility to internally source employment solutions that addressed the declared surplus, the Company researched and offered to all interested employees the chance to be re-located with the other Group companies operating in the same business sector and in neighbouring areas.

Three workers accepted this opportunity, while for the remaining nine employees involved, the procedure concluded on December 28, 2018 with the termination of employment contracts.

ORGANIZATION AND EMPLOYEE SERVICES

The main organisational changes that occurred in the reference period are reviewed below:

- The Strategy, Corporate Development & Innovation Department was created, reporting directly to the Chief Executive Officer, with the mission of focusing and reinforcing the process of Origination and Development of strategic options supporting the top management and the managers of the Company's various business areas and favouring an approach more integrated with technological, digital and business innovation factors at company-wide level.
- Following the entry into force of the General Data Protection Regulation (GDPR), it was necessary to issue a new regulation concentrating on the protection of only data relating to natural persons and which therefore governs all types of Personal Data Processing. To coordinate, at Edison Group level, the methods for managing Personal Data Processing, the full implementation and ordinary administration of the new regulatory environment, the Personal Data Protection Function was created within the Internal Audit Department and the Data Protection Officer (DPO) for the entire Edison Group was appointed.
- In line with the Company's new strategic guidelines in the hydrocarbons sector, the company Edison Exploration & Production Spa (Edison E&P Spa) was incorporated. The process of corporate restructuring of the entire E&P portfolio was also launched, today held by Edison, as part of which all activities, mining titles and corporate shareholdings for the exploration and production of hydrocarbons in Italy and abroad are assigned to the new company.
- The Sustainability, Institutions & Regulation Department was created, reporting directly to the Chief Executive Officer, with the mission of systematically interpreting the regulatory developments at international, European and national level, and coordinating dialogue with the various institutional stakeholders and regulators and with associations, in debates on energy issues, in Italy and in significant international contexts.
- In July, through its subsidiary Fenice – Qualità per l'Ambiente Spa, Edison acquired the company Zephyro Spa, operating in energy services for the Public Administration. The process of organisational integration of the company in the Energy & Environmental Services Market Department was therefore launched.
- Etna Integration Project activities continued during the year, targeted at the integration of Edison Energie Spa (former Gas Natural Vendita Italia).

On conclusion of the first phase of the project, the deed of merger by incorporation of Edison Energie Spa in Edison Energia Spa was stipulated on December 10, 2018, which takes effect from January 1, 2019.

The start of 2019 will see the completion of the overall integration project, with the definition of the organisational and operational restructuring of the activities of Edison Energie within the Gas & Power Market Department.

- The organisational structure and fundamental responsibilities of the Planning & Control Department were redefined, with the objective of guaranteeing more integrated and coordinated management of the planning processes and control of economic and financial performance and of the assessment processes and risk control.
- The organisational model and the main responsibilities of the Information & Communication Technology Department were redefined in line with the evolution of the Edison Group's business.

With regard to employee services, the Company continued to provide significant support to the "Edison per Te" employee well-being programme, the objective of which is to help employees reconcile their personal needs with their professional obligations with the aim of improving their quality of life. Employees continue to give highly positive ratings to this programme, as shown in the results of the annual My Edf 2018 survey. Through said survey conducted by the company IPSOS, the group of services for employees and pension, healthcare and accident cover proposed to employees also met with an excellent level of satisfaction, sitting at around 80%, higher than the average of other large Italian companies.

The use of flexible benefits continues, whereby it is possible to convert performance-related bonuses to welfare services and benefits, in accordance with the criteria set forth by law and the trade union agreements signed at the Company. This initiative provides employees with the added possibility of using an additional welfare credit deriving from the conversion of performance-related bonuses to satisfy additional needs in terms of reconciling their personal needs with their professional obligations, as well as to contribute to their own supplementary pension, increasing the net value of their overall salary package without an increase in costs for the Company.

TRAINING AND DEVELOPMENT

During 2018, training and development activities continued in line with the previous year, consistent with business development and with the ongoing digital transformation within the Company.

More specifically:

- In 2018, Edison implemented a training plan encompassing more than 173,000 hours, involving around 90% of the company population, for a total cost of roughly 8.6 million euros (which includes internal costs, i.e. the cost of personnel dedicated to training, the hourly costs of training recipients and external training costs), of which 0.3 million euros was covered by the financing procedure through use of the training account of the interprofessional funds Fondimpresa and Fondirigenti.
- For the fourth year in a row, in 2018 Edison received the Top Employers Italia award, the certification of quality and excellence guaranteed by the Top Employer Institute, an independent international organisation which analyses more than 2,500 companies worldwide on an annual basis. The certification, which is the result of research conducted independently and based on objective data, recognised the excellence of Edison in terms of the employment conditions offered to employees, training and development policies circulated at all company levels, the on-boarding process, in employer branding and CSR, hence demonstrating that it is a leading company in Human Resources, committed to constantly improving HR practices.
- The training and development activities saw the revision of the learning guidelines, contents and methods of managerial training, in line with the execution of the new business strategies and changed competitive context. In particular, the development process for recently appointed executives was redesigned and launched, with the goal of enhancing leadership, vision and decision-making skills. A pilot training project was also implemented during the

year, in which a group of senior company managers took part, with the aim of disseminating an improved culture of risk, resilience and acceptance of mistakes.

Training initiatives continued for improving people management skills and the knowledge of personnel management tools; in particular, an extensive managerial training programme was developed covering personnel management themes, which saw employees involved from the Gas Midstream, Energy Management and Optimisation Department.

Lastly, senior staff development plans were implemented, who participated in the potential assessment course in 2017 and 2018.

- As regards digital training, the platform Digital Training MyLA – My Learning Area was enriched with new contents, an environment integrated with the Edison intranet that makes it possible to quickly and easily access all e-learning contents, in particular, on certain matters like HSE, compliance and digital education.

The process of education on digital skills, started in 2017, continued during the year, whose main objectives are increasing employee awareness of the themes of Digital Transformation and enhancing digital expertise connected to the use of company work tools.

In particular, the project benefited from different training formats such as: e-learning, webinars and mentoring sessions. In this phase, the project is targeted at more than 2,000 employees and the objective is to extend the project to all Edison Group employees in 2019. More than 67% of employees took part in the programme, over 300 mentoring sessions were held and more than 7 mentoring events were organised in the main areas in which Edison operates.

In this domain, in collaboration with the Strategy, Corporate Development & Innovation Department, training courses were launched on agile work methods and a series of meetings organised with speakers from outside the Company on the issues of innovation and digital transformation in progress at the Company.

- As regards the issue of plurality and inclusion, a training session was organised on the development of female leadership dedicated to female managers: the various project activities implemented included training sessions on the issue of development of an inclusive management style, on the inclusion of regional offices, and lunch dates were organised with the Chief Executive Officer, open to all employees; the second wave of the mentorship programme was also launched, which involved senior managers in the role of mentor and developing professionals in the role of mentee.
- Training updating of managers continues also thanks to the participation in the permanent update service provided through the Ambrosetti network and access to the web platform of the Ecampusmanager Group, which systematically proposes new updated content on both the issues of development of managerial skills and the economic scenario.
- The collaboration with Edf's Corporate University makes it possible to enhance the managerial training offering with international scope programs on the development of leadership and on the improvement of strategic business expertise. The initiatives proposed have seen both young talents participation, and Group managers and top managers.
- Edison has always been committed to the education, guidance and training of young people. Since the start of Buona Scuola in 2015, Edison has provided Work Experience courses throughout the country. The commitment to guiding young people is driven by the desire to spread the culture of sustainable energy and development through the new generations. In 2018, thanks to the commitment of more than 20 employees, Edison met more than 800 students in second level education, initiating partnerships with 12 institutions in 4 Italian regions (Lombardy, Piedmont, Veneto and Calabria) for visiting activities, testimonies, project work and internships. For the fourth year, Edison participated in *Deploy Your Talent*, an intercompany project promoted by Sodalitas which intends to promote studies of the technical-scientific disciplines (STEM: Scientific, Technology, Engineering & Maths) and dispel the gender stereotypes that surround them. The project lasting about two months was concluded in May with a presentation of the school-company partnerships at the Assolombarda auditorium. Edison, together with the Vittorio Veneto Scientific Grammar School of Milan, won the award for the best training project on STEM subjects. In addition, a partnership process was launched with

the Ettore Molinari Technical-Technological Institute of Milan. The course *Tuned On Edison*, aims to increase awareness of the trades and activities of the Company through an interactive journey through the Company's Departments.

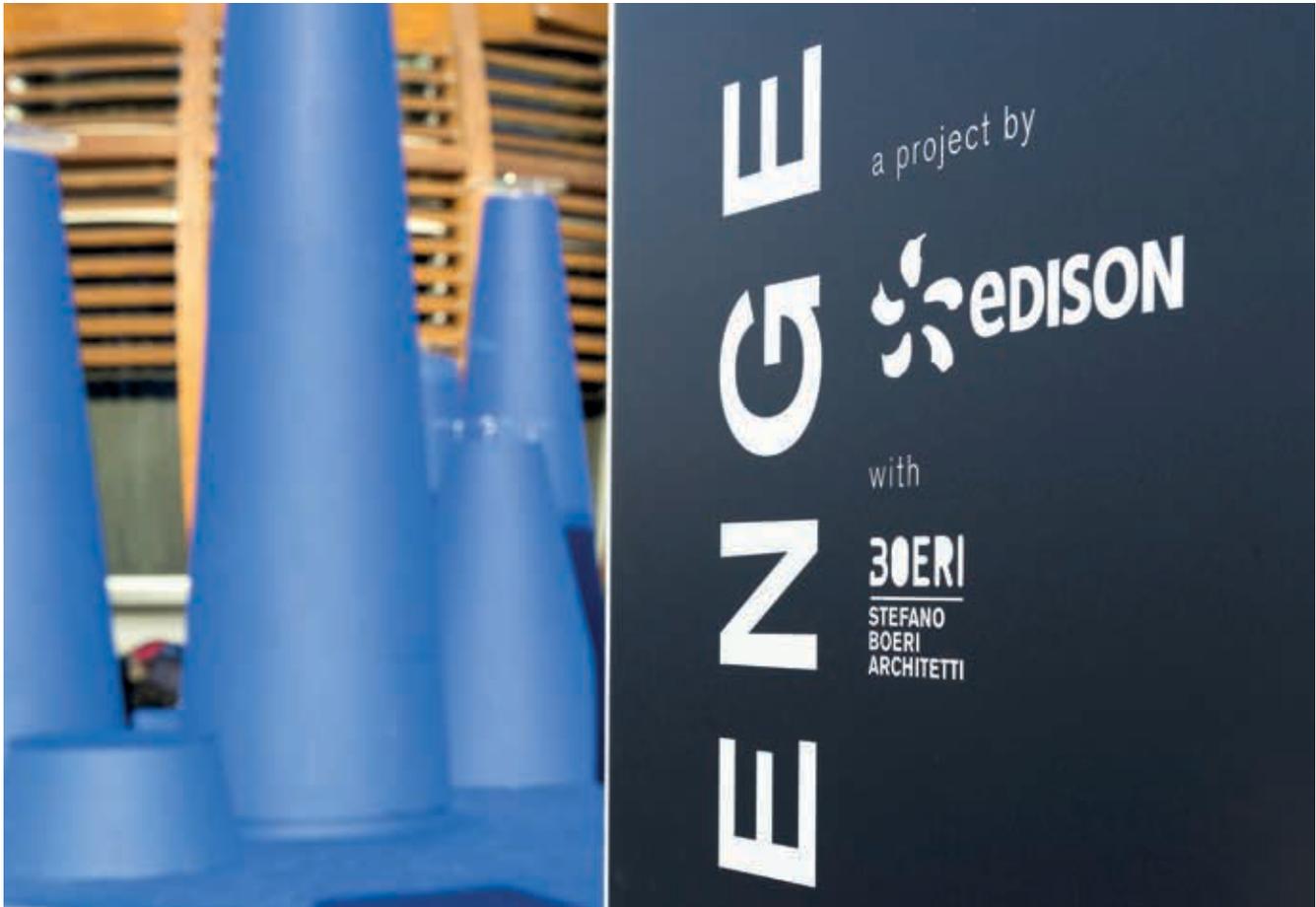
Again in 2018, Edison conceived and presented to 350 students a Work Experience project in Valtellina, *Power2Talent*, in partnership with the Enea Mattei Higher Technical Education Institute of Sondrio, which will involve future electro-technical, mechanical and IT experts.

In addition to the above-mentioned activities, in 2018, Edison commenced support activities for the children of employees who were in need of Work Experience.

- Huge attention was also focused on the insertion and training of young personnel, predominantly new graduates or with little professional experience, at whom Edison's graduate programme was aimed, i.e. the *Young Community*, a three-year development and training programme. In 2018, all the planned training programmes were implemented: the *Expo* (training on company trades), training courses on soft skills, an Economic course provided for the first time in blended mode, *Edison Energy Summer Camp* (a week of full immersion in the energy sector and in Edison which involved 43 young people including students from the Universities of L'Aquila, Naples, Rieti, Tusciana and Edison's Young Community), an *Exploring Edison* workshop to get to know the Company, *Skill Lab* for skills training and, finally, *Edison Talks* (meetings-interviews with the Company's top management on a monthly basis, organised in order to stimulate a collective vision).
- As regards professional family initiatives, two specialist professional training programmes were provided for the professionals in the Gas Midstream, Energy Management and Optimisation Department, one taken by an external tutor on LNG (value chain, market, operations and contracts) and the other by an internal tutor on linear derivatives on energy commodities. High level specialist training provided through internationally recognised partners continued, in particular the Nautilus programme on geo-sciences and sub-soil, which involved employees from the Exploration and Production Department. The New Digital Technologies programme was also launched, which involved all employees in the ICT department.
- With reference to the Energy & Environmental Services Market Department, technical-professional training continues to be the central focus of training investments. The project known as *Top Technical Expertise* continued, with the start of the "in the field" phase, which saw 23 sessions provided in the last few months of the year. The project, which aims to develop and strengthen the technical training of the plant's operating personnel, at the same time developing the know-how at the Company, is incorporated in the broader project targeted at reaching the contractual objective on continuous training which requires at least 24 hours of non-mandatory training to be provided to each employee in the 2017-2019 three-year period. A change management project was also implemented, with a series of workshops and intense internal communication activities, which incorporated three theme-based work areas: to develop a strong and shared identity of the Department consistent with the business strategy, promote operating integration between the various business sectors and achieve the execution of the action plans developed in the project phases.
- Lastly, the activities of the Edison Market Academy (EMA) continued, the trade academy for employees operating in the commercial world, which was created in 2011 with the aim of pursuing an innovative approach for the development of skills and corporate culture based on the concepts of customer centrality and service quality, collaboration and operating efficiency.

SUSTAINABILITY

Edison's sustainable business model is illustrated in the Consolidated Non-Financial Statement pursuant to art. 3 and art. 4 of Legislative Decree No. 254 of 2016, contained in the 2018 Financial Report.



OTHER INFORMATION

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

- at December 31, 2018, it did not hold treasury shares or shares of its parent company in the portfolio, neither indirectly through nominees nor other third parties. No transactions involving treasury shares or shares of the parent company were executed during the financial year, neither indirectly through nominees nor other third parties;
- the Group executed transactions with related parties. A description of the most significant transactions is provided in the section 9.3 of the 2018 consolidated financial statements entitled "Intercompany and Related-party Transactions";
- no secondary registered offices have been established.

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

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF EDISON S.P.A. PURSUANT TO ART. 153 OF LEGISLATIVE DECREE NO. 58/1998

Dear Shareholders,

In the year ended December 31, 2018, the Board of Statutory Auditors of Edison S.p.A. (hereinafter the "Company" or "Edison") carried out its oversight activities pursuant to law, performing its work in accordance with the rules of conduct for Boards of Statutory Auditors recommended by the Italian Board of Certified Public Accountants and Accounting Experts and consistent with the pronouncements published by the Consob concerning corporate controls and the activities of the Board of Statutory Auditors. This report was prepared in accordance with the guidelines provided by the Consob in Communication DAC/RM/97001574 of February 20, 1997 and Communication DEM/1025564 of April 6, 2001, as amended and integrated by Communication DEM/3021582 of April 4, 2003 and Communication DEM/6031329 of April 7, 2006.

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting on March 30, 2017 in compliance with provisions of law, regulations and the Bylaws, and its term of office will end with the Shareholders' Meeting convened to approve the financial statements at December 31, 2019.

The members of the Board of Statutory Auditors are in compliance with the limit on the number of governance posts held set forth in art. 144-*terdecies* of the Issuers' Regulations.

The independent statutory audits required by Legislative Decree No. 58/1998 and Legislative Decree No. 39/2010 are performed by Deloitte & Touche S.p.A., (the "Independent Auditors") pursuant to an assignment awarded for nine years (2011-2019) by the Shareholders' Meeting on April 26, 2011.

With regard to the performance, in the course of the year, of the activities under its jurisdiction, the Board of Statutory Auditors declares that:

- It attended the Ordinary Shareholders' Meeting on March 29, 2018, and the meetings of the Board of Directors and obtained from the Directors adequate information about the Company's operating performance and business outlook, as well as about transactions executed by the Company and its subsidiaries that qualified as highly material, because of their size and characteristics;
- It obtained the information needed to perform the activities required to verify compliance with the law, the Bylaws and the principles of correct management and the adequacy of the Company's organisational structure through documents and information obtained from managers of the relevant company departments and periodic exchanges of information with the Independent Auditors;
- It participated, at least through its Chairman, in the meetings of the Control and Risk Committee, the Compensation Committee and the Oversight Board, and also attended, through its Chairman and one of its members, the meeting of the Committee of Independent Directors;
- It monitored the working and effectiveness of the system of internal controls and the adequacy of the administrative and accounting system, specifically with regard to the latter's reliability in presenting the results from operations;
- It promptly exchanged significant data and information with the managers of the Independent Auditors for the performance of the respective duties pursuant to art. 150 of Legislative Decree No. 58/1998, also by examining the results of the work carried out and the receipt of the reports established in art. 14 of Legislative Decree No. 39/2010 and art. 11 of EU Regulation No. 537/2014;

- It examined the content of the additional report pursuant to art. 11 of EU Regulation No. 537/2014, which was sent to the Board of Directors and did not highlight any aspects that need to be mentioned in this report;
- It monitored the functionality of the control system for Group companies and the adequacy of the instructions given to them, also pursuant to art. 114, paragraph 2, of Legislative Decree No. 58/1998;
- It was informed of the preparation of the Compensation Report required pursuant to art. 123-ter of Legislative Decree No. 58/1998 and art. 84-quater of the Issuers' Regulations and has no remarks to make in this regard;
- It ascertained that the provisions of the Bylaws were in compliance with statutory and regulatory requirements;
- It monitored the concretion methods deployed to implement the corporate governance rules adopted by the Company in accordance with the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A.;
- It ensured that the internal procedure concerning related-party transactions was consistent with the principles set forth in the Regulation approved by the Consob with Resolution No. 17221 of March 12, 2010, as amended, and that the abovementioned procedure was being complied with, pursuant to art. 4, paragraph 6, of the abovementioned Regulation;
- It monitored the corporate information process and verified compliance by the Directors with the procedural rules governing the preparation, approval and publication of the separate and consolidated financial statements;
- It ascertained the methodological adequacy of the impairment process applied to determine whether any company assets listed on the balance sheet were impaired;
- It verified that the 2018 Report of the Board of Directors on Operations complied with current laws and regulations and was consistent with the resolutions adopted by the Board of Directors and the facts presented in the separate and consolidated financial statements;
- It acknowledged the content of the semi-annual consolidated report, with no need to express any remarks, ascertaining the publication of the report according to the methods set forth by law;
- It was informed that the Company is continuing to publish, on a voluntary basis, quarterly reports by the deadlines required under the old regulations;
- It also acted as an Internal Control and Audit Committee, pursuant to art. 19, paragraph 1 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016, and in this capacity performed the specific information, monitoring, control and review functions set forth therein, fulfilling all of the obligations and tasks required by the abovementioned regulation;
- It supervised observance with the provisions laid out in Legislative Decree No. 254/2016, examined, *inter alia*, the consolidated non-financial statement, ascertaining compliance with the provisions governing its preparation pursuant to the abovementioned decree.

In the course of its oversight activities, which the Board of Statutory Auditors carried out in the manner described above, based on the information and the data obtained, no facts were uncovered indicating failures to comply with the applicable laws and the Articles of Incorporation or otherwise requiring disclosure to the regulatory authorities or mention in this report.

The additional disclosures that must be provided pursuant to Consob Communication DEM/1025564 of April 6, 2001, as subsequently updated, are listed below:

1. Amongst the significant events specified by the Company in the Directors' Report on Operations please take note of the following transactions with a greater material impact on the Company's income statement, balance sheet and financial position executed in 2018, including those implemented through subsidiaries:
 - on February 22, 2018, Edison completed the acquisition of Gas Natural Vendita Italia s.p.a. (GNVI), then renamed Edison Energie s.p.a.; the price paid for purchasing the company

- was approximately 193 million euros, plus the payment of interest accrued of 2.5 million euros; subsequently, in April 2018, Gas Natural Fenosa transferred to Edison the contract for the procurement of gas from the Shah Deniz II gas field in Azerbaijan;
- on April 27, 2018, Edison and Soleil s.r.l. entered into a binding agreement for Edison's acquisition of Attiva s.p.a, a company operating in the market of natural gas sales to end consumers in Puglia. Following the transaction, Edison acquired a portfolio of around 30,000 customers distributed throughout all the municipalities of the province of Lecce and in several municipalities of the provinces of Bari, Brindisi and Taranto;
 - on May 28, 2018, Fenice s.p.a. acquired the majority interest in Zephyro s.p.a. from Prima Holding s.r.l., consisting of 7,007,299 common shares, representing 71.32% of the ordinary share capital and 70.66% of the total share capital. The price paid was 10.25 euros per share, with a total outlay of 71.8 million euros. Subsequently, according to the provisions of art. 9 of the Bylaws of Zephyro, Fenice promoted a mandatory take-over bid pursuant to articles 102 and 106, paragraph 1, of the TUF, following which Fenice held 99.930% of share capital composed of Zephyro common shares and 99.050% of total share capital, with a further disbursement of 33.8 million euros. Consequently, given the conditions for delisting were verified, Borsa Italiana ordered the cancellation of trading of Zephyro common shares and warrants on the AIM market, effective from October 23, 2018;
 - on November 30, 2018, Edison launched the first small-scale LNG integrated logistics chain in Italy (small-scale liquefied natural gas plants). In particular, Edison announced the incorporation, together with Petrolifera Italo Rumena (PIR), of Depositi Italiani GNL s.p.a., that will build, in the port of Ravenna, the first coastal LNG depot with an annual handling capacity of more than 1 million cubic metres of liquefied gas, with an investment of 100 million euros. In addition, at the same time, Edison signed a long-term 12-year contract with Norwegian ship owner Knutsen OAS Shipping (which can be renewed for a further 8), for the charter of a 30,000 cubic metres LNG vessel, which will restock the Ravenna LNG depot.

Furthermore, in 2018, Edison reorganised the activities relating to the hydrocarbons Exploration & Production sector, which were all concentrated, through transfers and sales, on a newco called Edison Exploration & Production s.p.a., wholly-owned by Edison.

Based on the information supplied by the Company and data obtained regarding the transactions described above, the Board of Statutory Auditors ascertained that they were consistent with the provisions of the applicable laws, the Articles of Incorporation and the principles of sound management, making sure that they were not patently imprudent or reckless, potentially entailing conflicts of interest, in violation of the resolutions adopted by the Shareholders' Meeting or capable of impairing the integrity of the Company's assets.

2. In the course of its reviews, the Board of Statutory Auditors did not identify any transactions that were atypical and/or unusual, as defined in Consob Communication DEM/6064293 of July 28, 2006. The Board of Statutory auditors acknowledges that the information provided in the Financial Report regarding significant non-recurring events and transactions and atypical and/or unusual transactions, including intercompany or related-party transactions, is adequate.
3. The characteristics of intercompany and related-party transactions executed by the Company and its subsidiaries in 2018, the parties involved and their financial effects are explained in the sections of the 2018 separate financial statements and consolidated financial statements entitled "Intercompany and Related-party Transactions," which should be consulted for additional information.

The Board of Statutory Auditors believes that information provided in the manner mentioned above about the abovementioned transactions is adequate overall and that, based on the data thus acquired, the transactions in question appear to be fair and in the Company's interest, considering that they are monitored by the Company on an ongoing basis, taking also into account the Company's ownership structure.

Related-party transactions are governed by an internal procedure (the "Procedure") adopted by the Company's Board of Directors on December 3, 2010, as required by art. 2391-*bis* of the Italian Civil Code and the provisions issued by the Consob, as amended, most recently on November 12, 2014. The Board of Statutory Auditors reviewed the Procedure, verifying that it was compliant with Consob Regulation No. 17221 of March 12, 2010, as amended and interpreted by Resolution No. 78683 of September 24, 2010.

In 2018, the Company carried a transaction with related parties that qualified as a "less material transaction" pursuant to the aforementioned Procedure, relating to the restructuring of contractual relations governing the reciprocal performance of services between Edison and EDF, approved by the Board of Directors at the meeting on July 27, 2018, and accompanied by the opinion issued by the Committee of Independent Directors. For the aforementioned transaction, the Board verified the observance of the methods of approval set forth in the Procedure.

In 2018, the Company also carried out other transactions with related parties that qualified as "Ordinary Transactions" or intercompany transactions and transactions that did not qualify as "Highly Material or Less Material Transactions" pursuant to the Procedure.

4. On February 20, 2019, the Independent Auditors issued the reports required by art. 14 of Legislative Decree No. 39/2010 and art. 10 of EU Regulation No. 537/2014, which certified that:
 - the separate financial statements of the Company and the consolidated financial statements of the Group at December 31, 2018 provide a true and fair view of the balance sheet and the income and cash flows for the year ending at that date in compliance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued in implementation of art. 9 of Legislative Decree No. 38/2005;
 - the Directors' Report on Operations and some specific information set forth in the Report on Corporate Governance and the Company's Ownership Structure specified in art. 123-*bis*, paragraph 4 of Legislative Decree No. 58/1998 are consistent with the Company's separate financial statements and the Group's consolidated financial statements and drawn up in compliance with the law;
 - the opinion on the separate and consolidated financial statements expressed in the abovementioned reports is aligned with what is specified in the additional report prepared pursuant to art. 11 of EU Regulation No. 537/2014.

In the report on the audit of the consolidated financial statements, the Independent Auditors also declared that they had verified the approval by Edison's Directors of the Non-Financial Statement relating to the year 2018.

The abovementioned reports of the Independent Auditors do not contain any qualifications or disclosure requests or statements issued pursuant to art. 14, paragraph 2, letters d) and e) of Legislative Decree No. 39/2010.

Also on February 20, 2019, the Independent Auditors also:

- sent to the Board of Statutory Auditors, as the Internal Control and Audit Committee, the additional report established by art. 11 of EU Regulation No. 537/2014 issued on the same date;
- issued, pursuant to art. 3, paragraph 10 of Legislative Decree No. 254/2016 and art. 5 of Consob Regulation 20267/2018, the certification of compliance, with regard to all significant aspects, of the consolidated non-financial statement prepared by the Company with what is required by the abovementioned Decree and the principles and methodologies pursuant to the GRI Standards selected by the Company. In that report, the Independent Auditors declared that nothing had come to their attention that would lead them to believe that the Edison Group's non-financial statement for the year ending on December 31, 2018 was not drafted, with regard to all significant aspects, in compliance with the requirements of art. 3 and 4 of the Decree and the selected GRI Standards.

No issues requiring mention in this report were uncovered in the course of the regular meetings that the Board of Statutory Auditors held with the Independent Auditors, as required by art. 150, paragraph 3, of Legislative Decree No. 58/1998.

In addition, the Board of Statutory Auditors did not receive disclosures from the Independent Auditors on facts deemed objectionable identified in the performance of their auditing activities on the separate and consolidated financial statements.

5. In 2018, the Board of Statutory Auditors did not receive any complaints pursuant to art. 2408 of the Italian Civil Code or negative remarks submitted by shareholders or third parties.

After the close of 2018, on February 25, 2019, the Board of Statutory Auditors received, through the Company's offices, a communication addressed to the Company, to this Board of Statutory Auditors (at the Company's headquarters), to the Representative of Savings Shareholders and Consob, from a shareholder in possession of 120,000 company savings shares, regarding the issue of the distribution of dividends to savings shareholders and of the exercise of the right of conversion of savings shares to common shares set forth in art 25 of the Company's By-laws in the event of the non-assignment of dividends to savings shareholders for five consecutive financial years.

The Board of Statutory Auditors will conduct the in-depth analyses and any necessary assessments for matters within its competence.

6. In the course of 2018, on the basis of what was reported by the Independent Auditors, Edison and some of its subsidiaries assigned duties to the Independent Auditors and the parties belonging to its network in favour of the Parent Company, some Group companies and their employees, for services other than the audit of Edison's accounts.

The fees for the aforementioned engagements, according to the information confirmed by the Independent Auditors, totalled 528,848 euros, of which 403,072 euros paid for the audit of the subsidiaries.

It is also acknowledged that the other services rendered in the course of 2018 by the Independent Auditors or parties belonging to its network in favour of Edison or its subsidiaries derive from engagements assigned in previous years.

The details of the fees paid during the year and the cost for the tasks carried out - including those relating to engagements assigned in 2018 - by the Independent Auditors and by parties belonging to its network in favour of Edison, its subsidiaries and their employees, are provided in the Company's separate financial statements, as required by art. 149-*duodecies* of the Issuers' Regulation.

In its role as Internal Control and Audit Committee, the Board of Statutory Auditors fulfilled the obligations laid out in art. 19, paragraph 1, letter e) of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016 and art. 5, paragraph 4 of EU Regulation No. 537/2014, approving in advance, where required by the applicable law, the abovementioned engagements, based on the verification of their compatibility with the regulations in force and, specifically, with the provisions pursuant to art. 17 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016 - as well as with the prohibitions pursuant to art. 5 of EU Regulation No. 537/2014 referred to therein.

In addition, the Board of Statutory Auditors:

- a) verified and monitored the independence of the Independent Auditors, in accordance with art. 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of Legislative Decree No. 39/2010 and art. 6 of EU Regulation No. 537/2014, confirming compliance with regulatory provisions in force on the matter and that the engagements for services other than auditing assigned

to that company and to entities belonging to its network do not appear to be such so as to generate potential risks for the auditor's independence and for the safeguards pursuant to art. 22-ter of Dir. 2006/43/EC;

- b) examined the transparency report and the additional report pursuant respectively to articles 13 and 11 of EU Regulation No. 537/2014 prepared by the Independent Auditors in observance of the criteria of the aforementioned EU Regulation, highlighting that, based on the information obtained, no problematic issues were uncovered regarding the independence of the Independent Auditors;
- c) received the written confirmation that the Independent Auditors, in the period from January 1, 2018 to the date of issuing of the communication, did not identify situations that could compromise its independence from Edison pursuant to the joint provisions of articles 4, 5 and 6, paragraph 2, letter a) of EU Regulation No. 537/2014, as well as articles 10 and 17 of Legislative Decree No. 39/2010;
- d) discussed with the Independent Auditors the risks for its independence and the measures it adopted to mitigate them, in accordance with art. 6, paragraph 2, letter b) of EU Regulation No. 537/2014.

- 8. In 2018, the Board of Statutory Auditors issued the opinions required pursuant to the applicable laws and regulations, specifically regarding:
 - a. the approval of the actual 2017 MBO data relating to the variable portion of the compensation of the Chief Executive Officer, also examining the guidance and guidelines of the 2018 compensation policy for the Directors and the management;
 - b. the approval of the objectives underlying the 2018 MBO of the Chief Executive Officer as identified by the Company's Board of Directors.

It also provided its opinion whenever the Board of Directors requested it, also in accordance with provisions that, for certain decision, require the prior input of the Board of Statutory Auditors.

- 9. In general, in order to obtain the information needed to carry out its oversight activities, the Board of Statutory Auditors met sixteen times in 2018, respecting the minimum frequency required by law. The activities performed on those occasions were documented in the minutes of the meetings.

In addition, in 2018, the Board of Statutory Auditors participated:

- in all six meetings of the Company's Board of Directors;
- in the Ordinary Shareholders' Meeting of March 29, 2018;
- through its Chairman as a minimum, the five meetings of the Control and Risk Committee and the four meetings of the Compensation Committee;
- through its Chairman or another of its members, in the meeting of the Committee of Independent Directors, which was held in 2018 to review related-party transactions;
- through its Chairman, in the four meetings of the Oversight Board of the Organisational and Management Model adopted pursuant to Legislative Decree No. 231/2001.

Lastly, the Board of Statutory Auditors exchanged information with the control bodies of the subsidiaries, as required by art. 151 of Legislative Decree No. 58/1998, there being no indication of any significant issues or ascertained circumstances that would require mention in this report.

- 10. The Board of Statutory Auditors monitored compliance with the law and the Articles of Incorporation and with the principles of sound management, ensuring that all transactions approved and executed by the Board of Directors complied with the abovementioned rules and principles, were financially sound, were not manifestly imprudent or reckless, did not give rise to potential conflicts of interest with the Company, were not in conflict with

resolutions approved by the Shareholders' Meeting and did not impair the integrity of the Company's assets. The Board of Statutory Auditors believes that the tools and governance systems adopted by the Company provide an effective safeguard in terms of compliance with the principles of sound management.

11. The Board of Statutory Auditors monitored the adequacy of the organisational structure of the Company and the Group by gaining an understanding of the Company's administrative structure and exchanging data and information with the managers of the various company functions, the manager of the Internal Auditing Department and the Independent Auditors.

The Company's Board of Directors retains broad decision-making powers.

The Board of Directors delegated powers exclusively to the Chief Executive Officer enabling him to perform all activities that are consistent with the Company's purpose, except for the limitations imposed by laws and the Company's Bylaws and excluding the transactions over which the Board of Directors decided to reserve sole jurisdiction.

Pursuant to the Bylaws, the Chairman of the Board of Directors and the Chief Executive Officer are the Company's legal representative vis-à-vis third parties and in court proceedings.

The Chairman of the Board of Directors does not have operational authority, serving instead in an institutional guidance and control function.

The organisational structure of the Company and the Group is defined by the Chief Executive Officer and implemented by means of a system of internal communications, by which the managers of the various departments and business units were appointed and to whom power were delegated consistent with the assigned responsibilities, the attribution guidelines of which are specified within the framework of the 231 Model. The responsibilities of the Company's top management are clearly defined, with a detailed specification of the attributions of the managers of the main areas of business and corporate functions, all members of the Executive Committee (COMEX).

The more operational aspects of the organizational structure are defined by additional organisational communications issued by the managers of the various departments and business units, with the prior approval of the Chief Executive Officer, which are posted on the company Intranet.

The Group's organisational, management and corporate structure underwent several changes in 2018. In the first place, at the initiative of the Chief Executive Officer, approved of by the Board of Directors, the number of members of the Executive Committee (COMEX) was increased by two following the establishment of the Strategy, Corporate Development & Innovation Division, effective as of March 2018, and the Sustainability, Institutions & Regulation Division, effective as of October 2018. The decision was also taken in 2018 to continue the activities of the Transformation Team, established in 2016 and composed of managers and professionals, in support of the transformation of the organisational model and of managerial conduct in light of the development of the company business.

Based on the verifications performed, no problematic issues having been uncovered, the Company's organisational structure appears adequate in light of the Company's purpose, characteristics and size.

12. In monitoring the adequacy and effectiveness of the system of internal controls, also with regard to the requirements of art. 19 of Legislative Decree No. 39/2010 currently in effect, the Board of Statutory Auditors met on a regular basis with managers of the Internal Auditing Department and other company functions and participated, through its Chairman

as a minimum, attended the relevant meetings of the Control and Risk Committee and the Oversight Board of the Model pursuant to Legislative Decree No. 231/2001.

The Board found that Edison's system of internal controls is based on a structured and organic set of rules, procedures and organisational structures aimed at preventing or minimizing the impact of unexpected results and allow for the achievement of the Company's strategic and operating objectives (i.e., consistency of the activities with the desired objectives, effectiveness and efficiency in conducting its operations, and protection of the corporate assets), compliance with applicable laws and regulations, and accurate and transparent internal and market communications (reporting).

The guidelines of this system are defined by the Board of Directors with the assistance of the Control and Risk Committee. The Board of Directors also evaluates its adequacy and proper functioning, at least once per year, with the support of the Internal Auditing Department.

The Board of Statutory Auditors periodically interacted with the Internal Auditing Department for the purpose of assessing the audit plan and its findings, both in the planning phase and in the review of completed audits and the corresponding follow-up activities.

Consistent with past practice, the Board of Statutory Auditors verified, for the areas under its jurisdiction, that internal control monitoring tools were also promptly activated by subsidiaries whenever necessary or just appropriate, depending on the circumstances.

The Company, directly and at the Group level, uses additional tools to monitor progress toward the achievement of operational and compliance objectives, including a structured and periodic planning, management control and reporting system, a financial risk governance system (commodity and foreign exchange risks primarily), a system to manage company risks in accordance with Enterprise Risk Management (ERM) principles, and the accounting control model required by Law No. 262/2005 in the area of financial disclosures. The characteristics of the structure and functioning of these systems and models are described in the Report on Corporate Governance and the Company's Ownership Structure.

Periodically, the Board of Statutory Auditors, working with managers of the relevant department, reviewed changes in the risk map based on ERM methods.

The Board of Statutory Auditors also monitored the adequacy of the organizational structure and the correct implementation of the safeguards adopted by the Company to ensure compliance with provisions of the EMIR Regulation.

Edison adopted the organizational model required pursuant to Legislative Decree No. 231/2001 ("231 Model") of which the Code of Ethics is an integral part. The Model is designed to prevent the perpetration of the unlawful acts referred to in the abovementioned Decree and, consequently, shield the Company from administrative liability.

In the course of 2018, Edison's 231 Model was updated, as approved by the Board of Directors at its meeting on December 7, 2018, with a view to strengthening the existing system regarding whistleblowing and the rights of whistleblowers, in line with the new elements introduced by Law No. 179/2017 on Whistleblowing. In the case in point, the anti-corruption guidelines adopted by the Company were also supplemented and the Whistleblowing Policy was updated, which governs in detail the different phases of the process of reporting violations.

In addition, two new rules of conduct were introduced to the Code of Ethics for the protection of the confidentiality of the whistleblower and to protect the whistleblower from acts of discrimination or reprisals.

The Company then updated the protocols, including those relating to the management of the “purchase/sale of energy commodities for business purposes”, “mergers and acquisitions”, “sponsorships, membership fees and charitable donations”, “professional engagements to third parties”, “procurement of goods and services”, by referring to the control tools - indicated in detail in the Integrity Check guidelines - that Edison employs to evaluate the reputational reliability of the third parties with which, in various capacities, it enters into contact with or has business dealings (suppliers, consultants, business partners, etc.).

The Company, with the support of the Internal Auditing Department, continued the training programmes on the 231 Model, the Code of Ethics and the Anti-corruption Guidelines, also through the use of multimedia on-line courses aimed at all employees, to help them achieve a sufficiently detailed knowledge of those documents.

The Oversight Board supervised the functioning and observance of the 231 Model - the “suitability” of which it evaluated pursuant to Legislative Decree No. 231/2001 - monitoring the evolution of the relevant regulations, the implementation of personnel training initiatives and the observance of the Protocols by their addressees, also through audits conducted with the support of the Internal Auditing Department.

Lastly, some time ago the Company adopted an Antitrust Code that complements the Code of Ethics, with the aim of supporting and facilitating compliance with the rules protecting competition.

In the area of internal dealing, in addition to the obligations that already exist pursuant to the regulations concerning market abuse, the Company adopted rules governing the obligation to refrain from executing transactions that involve financial instruments issued by the Company that are listed on regulated markets, as required by EU Regulation No. 596/2014 on market abuse, making the prohibition requirement applicable only to mandatory financial documents and specifying the timing and duration of this prohibition, in accordance with the provisions of the abovementioned Regulation.

For the year 2018, the Board of Directors, based on the available information and evidence, gathered in part thanks to the preparatory work of the Control and Risk Committee, carried out an overall assessment of the adequacy of the internal control and risk management system, concluding that it was generally adequate for the purpose of providing a reasonable certainty that the main risks identified are properly managed.

On May 25, 2018, EU Regulation No. 679/2016 (General Data Protection Regulation) became effective. In complying with said regulation, Edison adjusted its organisational processes regarding personal data protection, appointing the Data Protection Officer.

As a result of the analyses conducted by the Board, and the information acquired, also in consideration of the dynamic and evolutionary nature of the Company's internal control and risk management system, no elements emerged to suggest that said system is not adequate, effective and effectively implemented.

13. In addition, the Board of Statutory Auditors monitored the adequacy and reliability of the Company's administrative and accounting system in presenting accurately the results from operations by obtaining information from the managers of the relevant departments, reviewing company documents and analysing the information produced by the Independent Auditors. The two Officers appointed to prepare the Company's accounting documents were awarded jointly the attributions that the law requires and were provided with sufficient authority and resources to discharge their duties. In addition, the Chief Executive Officer, through the Documents Officers, is responsible for implementing the “Accounting Control Model Pursuant

to Law No. 262/2005”, the purpose of which is to establish the guidelines that must be applied within the Edison Group to satisfy the obligations set forth in art. 154-*bis* of Legislative Decree No. 58/1998 with regard to the preparation of corporate accounting documents and comply with the resulting certification requirements. The preparation of accounting disclosures and of statutory and consolidated financial statements is governed by the Group Accounting Manual and by the other administrative and accounting procedures that are part of the Model pursuant to Law No. 262/2005, including the fast closing procedure adopted by the Company.

The Model adopted pursuant to Law No. 262/2005 includes official procedures concerning the impairment test, performed in accordance with IAS 36. The analysis of the recoverable values of goodwill and other assets was carried out with the support of a highly qualified independent expert and approved by the Board of Directors on February 14, 2019. A detailed description of the methods and assumptions applied is provided in the relevant note to the consolidated financial statements.

The impairment test procedure and its results were monitored by the Board of Statutory Auditors through meetings with company managers and the Independent Auditors and through the attendance by one of its members at meetings held by the Control and Risk Committee to review the abovementioned results.

The Board of Statutory Auditors is cognizant of the attestations issued by Edison’s Chief Executive Officer and Documents Officers regarding the adequacy of the administrative and accounting system, in light of the Company’s characteristics, and the effective implementation of the administrative and accounting procedures required for the preparation of the separate financial statements of Edison and the consolidated financial statements of the Edison Group. In addition, the Board of Statutory Auditors monitored the financial information reporting process by obtaining information from company managers. As a result of the analyses performed and the information acquired, it found that, overall, the Company’s administrative-accounting system is adequate and reliable in accurately presenting operating results.

The Company has a Procedure (Guidelines for the sustainability reporting process) for the preparation of the Edison Group’s sustainability reports, which therefore facilitates the identification and collection of the qualitative and quantitative information required to draw up the non-financial statement.

The Board of Statutory Auditors examined this Procedure and deemed it to be adequate on the whole.

The non-financial statement is prepared by the Company based on the data collected and coordinated by the Sustainability, Institutions and Regulation Division, which coordinates and supplements the contributions of the competent departments and divisions on the respective sustainability themes.

14. The Board of Statutory Auditors monitored the adequacy of the instructions provided by the Company to its subsidiaries pursuant to art. 114, paragraph 2, of Legislative Decree No. 58/1998, determining, based on information provided by the Company, that these instructions were suitable for providing the information needed to comply with statutory disclosure requirements, and has no objections.
15. The Board of Statutory Auditors, with the support of the Corporate Affairs Department, monitored the process adopted to ensure the concrete implementation of the corporate governance rules set forth in the edition currently in effect of the Corporate Governance Code published by Borsa Italiana (the “Code”), also with respect to updating those monitoring activities to reflect the provisions added to the Corporate Governance Code further to the revisions completed in July 2018.

The Report on Corporate Governance and the Company's Ownership Structure lists the Code recommendations that the Board of Directors chose not to adopt, explaining the reasons for those choices, and describes any alternative solutions that may have been adopted.

16. The Company's Board of Directors is currently comprised of nine members, including three independent Directors. Its composition is compliant with gender parity rules.

The office of the current Directors will expire on approval of the financial statements for the year ended as at December 31, 2018.

In 2018, the Board of Directors carried out a self-assessment of the size, composition and activities of the Board of Directors and its Committees. The results of this process were presented to the Board of Directors at a meeting held on February 14, 2019 and are listed in the Report on Corporate Governance and the Company's Ownership Structure.

With regard to the procedure followed by the Board of Directors to ascertain the independence of its members, the Board of Statutory Auditors carried out a review of the issues over which it has jurisdiction, concluding that the criteria and procedures used to verify the independence requirements, pursuant to the applicable laws and the Corporate Governance Code, were correctly applied and the requirements concerning the overall composition of the Board of Directors were complied with.

The Board of Statutory Auditors ascertained that its members met the same independence requirements as the Directors and notified the Company's Board of Directors of this fact. It also adopted the Corporate Governance Code's recommendation requiring that its members disclose any direct or third-party interest they may have in specific transactions submitted to the Board of Directors. No situation with respect to which the members of the Board of Statutory Auditors would have been required to make disclosures of this type occurred in 2018.

The following committees have been established within the framework of the Board of Directors:

- The Control and Risk Committee, which is responsible for providing consulting support and making recommendations, reports to the Board of Directors at least once every six months about the work it performed and the adequacy of the internal control and risk management system, as well as on the sustainability and Corporate Social Responsibility policies enacted in Edison, also with regard to the obligations to draft the non-financial statement pursuant to Legislative Decree No. 254/2016. This committee, which is comprised of four non-executive Directors, two independent, met five times in 2018. The recommendation of the Corporate Governance Code that the Control and Risk Committee be comprised exclusively of independent Directors was not complied with for the reasons presented in the Report on Corporate Governance and the Company's Ownership Structure.
- The Compensation Committee, which is comprised of four non-executive Directors, three independent, met four times in 2018.
- The Committee of Independent Directors, composed of three independent Directors, met once in 2018 and reviewed and assessed three related-party transactions, of which only one transaction qualified as a "Less Material Transaction" in accordance with the Procedure for Related-party Transactions (discussed in section 3 of this report), with regard to which the Committee of Independent Directors rendered its opinion.

Additional information about the Company's corporate governance is provided in the Report on Corporate Governance and the Company's Ownership Structure, with regard to which the Board of Statutory Auditors has no objections requiring disclosure.

17. The Board of Statutory Auditors reviewed the Compensation Report approved by the Board of Directors on February 14, 2019 upon a recommendation by the Compensation Committee and verified its compliance with the applicable laws and regulations, and the clarity and completeness of the disclosures provided regarding the compensation policy adopted by the Company.
18. The Board of Statutory Auditors also reviewed the motions that the Board of Directors, meeting on February 14, 2019, resolved to submit to the Shareholders' Meeting and declares that it has no specific remarks in this regard.
19. Lastly, the Board of Statutory Auditors, taking into account the specific tasks of the Independent Auditors regarding control of the accounts and verification of the reliability of the separate financial statements and the consolidated financial statements, verified directly compliance with the provisions of the statutes governing the preparation of the draft separate financial statements and consolidated financial statements of the Group at December 31, 2018, the respective accompanying Notes and the Directors' Report on Operations. It accomplished this task through direct observations and with the support of managers of company departments and representatives of the Independent Auditors and has no observations to formulate to the Shareholders' Meeting on the matter.

The separate and consolidated financial statements are accompanied by the required conformity declarations signed by the Chief Executive Officer and the Officers appointed to prepare the Company's accounting documents.

In addition, the Board of Statutory Auditors verified that the Company fulfilled the obligations laid out in Legislative Decree No. 254/2016 and that, in particular, it drafted the consolidated non-financial statement in compliance with the provisions of art. 3 and 4 of the same Decree. On this point, the Board of Statutory Auditors acknowledges that the Company relied on exemption from the obligation to draft the separate non-financial statement laid out in art. 6, paragraph 1 of Legislative Decree No. 254/2016, as it prepared the consolidated non-financial statement pursuant to art. 4. This statement was accompanied by the required certifications of the Independent Auditors on the compliance of the information provided with what is set forth in the abovementioned Legislative Decree with reference to the principles, methodologies and procedures established for its preparation, also pursuant to the Consob Regulation adopted with resolution No. 20267 of January 18, 2018.

Based on the foregoing considerations, which provide an overview of its activities in the year, the Board of Statutory Auditors did not uncover any specific negative issues, omissions, improper acts or irregularities and has no remarks or recommendations for the Shareholders' Meeting, as would be required pursuant to art. 153 of Legislative Decree No. 58/1998, with regard to issues under its jurisdiction, and finds no grounds for objecting to the approval of the motions submitted by the Board of Directors to the Shareholders' Meeting.

Milan, February 27, 2019

The Board of Statutory Auditors
Serenella Rossi (Chairperson)
Lorenzo Pozza (Statutory Auditor)
Gabriele Villa (Statutory Auditor)

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PATTE INDESI EN: NOMI DELL' E VITTORE
DASE I GIOVANI ACCORSI VOLONTARI A COMATTERE
DUCE GARIBOLDI
INAVEVVARONO NEL MDCCCLIX LA SECONDA BISSOFA
IL POPOLO MILANESE
RESALVATA DOPO XLI ANNI L' ERDE INCANVITTO NON DOMO
ANI QUEL SALVTO FU L' ULTIMO
MA LO ETERNA NEI CUORI E IV CHE NEL BRONZO
LA RICORDANZA DELLA PATRIA