QUARTERLY REPORT

AT MARCH 31, 2018

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

HIGHLIGHTS OF THE GROUP

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.

2017 full year (*)	**Income statement highlights** (in millions of euros)	**1st quarter 2018**	1st quarter 2017 (*)	% change
9,624	Sales revenues	2,631	2,706	*(2.8%)*
803	EBITDA	201	229	*(12.2%)*
8.3%	*as a % of sales revenues*	*7.6%*	*8.5%*	-
42	EBIT	95	8	*n.m.*
0,4%	*as a % of sales revenues*	*3.6%*	*0.3%*	-
(176)	Group interest in profit (loss)	42	(19)	*n.m.*

12.31.2017	**Balance sheet highlights** (in millions of euros)	**03.31.2018**	03.31.2017	% change
377	Capital expenditures	88	78	*12.8%*
80	Investments in exploration	6	30	*(80.0%)*
6,319	Net invested capital (A + B)(1)	6,699	7,228	*6.0%*
116	Net financial debt (A)(1)(2)	477	934	*n.m.*
6,203	Total shareholders' equity (B)(1)	6,222	6,294	*0.3%*
5,915	Shareholders' equity attributable to Parent Company shareholders(1)	5,931	5,979	*0.3%*

Rating	**03.31.2018**	03.31.2017
Standard & Poor's		
-Medium/long-term rating	BB+	BB+
-Medium/long-term outlook	Stable	Stable
-Short-term rating	B	B
Moody's		
-Rating	Baa3	Baa3
-Medium/long-term outlook	Stable	Stable

(1) End-of-period data. The changes are computed against the data at December 31, 2017.

(2) A breakdown of this item is provided in the "Net Financial Debt and Cash Flows" section of this report.

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

INTRODUCTION

The preparation criteria of quarterly information

Starting from 2017, the Company decided to continue to provide the market with voluntary quarterly consolidated information, more concise and focused on its business performance. This report therefore includes a comment on the reference economic context, on the performances of the Group and the main operating sectors and provides the presentation formats with economic and financial data comparable with those of the Annual and Semiannual Reports. For quantitative data, the equivalent figures of the previous reference period are also given.

The international accounting principles, the evaluation and consolidation criteria applied in preparing this information is consistent with those used for the 2017 Consolidated Financial Statements with the exception of the two new international accounting principles applicable from January 1, 2018, respectively:

- **IFRS 15** "**Revenues from contracts with customers**"[1], for which, at the moment of first-time adoption, Edison chose to apply the new standard retrospectively with the re-statement of the comparative financial statements of 2017: in this regard, there were no impacts on the shareholders' equity as at January 1, 2017, while – for the application to some contracts of "principal vs agent" principle based on which the qualification of Edison as "agent" requires presenting revenues on net basis in order to highlight only the Agent margin – the "Sales revenues" and "Materials and services used" of the 2017 will see a reduction of the same amount (92 million euros at March, 316 million euros at December), with no impact on EBITDA.
- **IFRS 9 "Financial Instruments",** which replaced IAS 39 with effectiveness for financial years starting on or after January 1, 2018, whose mainly impacts concern:
  a) the introduction of new method of impairment of receivables which includes the expected losses (so called Expected credit losses); the effects of the adoption of the new accounting standard regarding the valuation of receivables, quantified based on the state at December 31, 2017 in a negative amount of about 29 million euros (37 million euros net of the associated tax effect of 8 million euros), were booked to shareholders' equity as at January 1, 2018;
  b) the changes of amendments in terms of hedge accounting that have prospective application from January 1, 2018;
  c) the changes in presentation and treatment of some not significant stakes, the reclassification from "Available-for-sale investments" and "Equity investments held for trading" to "Investments at fair value through profit and loss".

Instead, with reference to the new principle **IFRS 16 "Leases"**, published in the O.J.E.U. on November 9, 2017 and applicable from 2019, it should be noted that the adaptation project is in progress.

For further information please refer to the disclosure provided in 2017 Consolidated Financial Statements.

The Board of Directors, meeting on May 4, 2018, authorized the publication of Edison's Group Quarterly Report at March 31, 2018, which was not audited.

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

[1] Analysis activities were completed in 2017 for the identification of the areas concerned by the new requirements and for the determination of the associated impacts. Eventual changes will be assessed in the light of effective practise of the industry.

Changes in the Scope of Consolidation compared with December 31, 2017 - Acquisition and Disposal of Assets

The main changes occurred in the period are related to:

- the acquisition by Edison Spa of the 100% of Gas Natural Vendita Italia (GNVI), company operating in the sale of natural gas and electricity, consolidated line by line. The name of the company was later changed into Edison Energie Spa; the evaluation pursuant to the IFRS 3 is in progress, it should be noted that a goodwill was preliminary recognized for about 173 million euros;
- the establishment of the company Edison Esplorazione e Produzione Spa, fully owned by Edison Spa, specializing into the Hydrocarbons Exploration & Production activities, in which the Italian hydrocarbons concessions and the participation in foreign companies will be transferred.

KEY EVENTS

Edison completes the acquisition of Gas Natural Vendita Italia

On February 22, 2018, Edison completed the acquisition of Gas Natural Vendita Italia (GNVI), renamed Edison Energie Spa, the price paid to acquire the company, including accrued interest, is 195.3 million euros.

GNVI's gas customer portfolio consists of around 420,000 residential customers (the majority of whom are in the so called "Regime di Maggior Tutela") and 15,000 small and medium enterprises, equivalent to a total volume of 3.3 TWh gas sold. GNVI also sells electricity to around 53,000 retail customers and small and medium enterprises.

Moreover, GNVI works in the gas boiler maintenance sector through Servigas, currently serving more than 90,000 residential customers, and is also active in the compressed natural gas sector for transport.

In April, Gas Natural Fenosa transferred to Edison the contract for gas supply from the Shah Deniz II field in Azerbaijan.

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 Abilitating 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 ecosystem of innovation, investing in one or more innovative Italian start-ups that fall within the scope of its investment focus, through its venture capital business.

Edison signs a binding agreement with Soleil Srl for the acquisition of Attiva

On April 27, 2018 Edison and Soleil Srl entered into a binding agreement for Edison's acquisition of Attiva, a company operating in the market of natural gas sales to end consumers in Puglia. This transaction, which includes 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, strengthens Edison's presence in Puglia, in line with the company's retail market development plan. Founded in 2003, Attiva provides around 20 million cubic meters 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. The transaction closing is expected to take place around mid-May.

Legal disputes

Ausimont – Bussi sul Tirino – Administrative proceedings of remediation of so-called "Solvay External Areas", areas "2A" and "2B"

On February 28, 2018 the Province of Pescara communicated to the companies Solvay Specialty Polymers Italy Spa and Edison Spa the initiation of a proceeding pursuant to Title V Part IV of Legislative Decree 152/2006 for the identification of the responsible for the contamination of the "Solvay External Areas" in Bussi sul Tirino, areas 2A and 2B and neighboring.

The portions of land in question were owned by the company Ausimont Spa, whose shares were transferred in 2002 to Solvay Solexis Spa, today Solvay Specialty Polymers Italy Spa, with consequent succession of the latter in the legal, active and passive position, belonging to the company Ausimont Spa.

Ausimont – Bussi sul Tirino – Criminal proceedings

With reference to the criminal proceedings relating to the site of Bussi sul Tirino (PE), launched in 2008 for alleged crimes of poisoning and disaster, the hearing in the Court of Cassation of the appeal brought by the defense of the 10 defendants convicted on appeal culpable disaster, was updated to September 28, 2018.

Ausimont – Bussi sul Tirino – Criminal proceedings "Piano d'Orta"

In recent months, the Pescara Public Prosecutor has notified the top management of Edison Spa the start of an investigation for the alleged offense of omitted remediation, art. 452 *terdecies* of the Criminal Code, with reference to the industrial settlement in the locality of Piano D'Orta, in the Municipality of Bolognano, where until the 1960s there was a Montecatini plant.

Tax disputes

Edison International Spa – IRES disputed

At the end of March 2018, the definition acts of the disputes were signed with the Revenue Agency – Lombardy Regional Department for the aim of direct taxes for the relevant years (2010-2014). The definition required the payment of charges in the month of April, almost entirely covered by the provision recorded in the previous years.

It should be noted that the matters were mainly related to the tax treatment reserved for tax credit reimbursed by the Norwegian Tax Authority. The complexity of the dispute, the relevance and the multiple financial years involved make opportune the settlement on an amicable basis, deleting a relevant risk both for higher taxes and for possible penalties.

EXTERNAL CONTEXT

Economic Framework

In the first quarter of 2018 global growth remained solid: investments and international trade contributed to supporting expansion, which continued in a more homogeneous manner across various areas and countries, gaining strength and spreading among various economic sectors.

Nonetheless, uncertainty and risks raise the threat of a slowdown in growth if certain weaknesses in the international financial sector should worsen and if the concerns of a trade war should materialise. The initial signs of this can be seen in the introduction of duties on steel and aluminium, currently in force against China, but which, based on the announcements of the US administration, could be extended also to other countries, including European countries.

In the United States, the good health of the economy has been confirmed, growth was driven upwards also by the recent decisions on tax reform and the approval of the federal spending plan for the next two years, which include expansive budget provisions. Nevertheless, there are some risks, in particular the possible reawakening of inflation, which would limit the Fed’s room to manoeuvre in remaining cautious in raising interest rates.

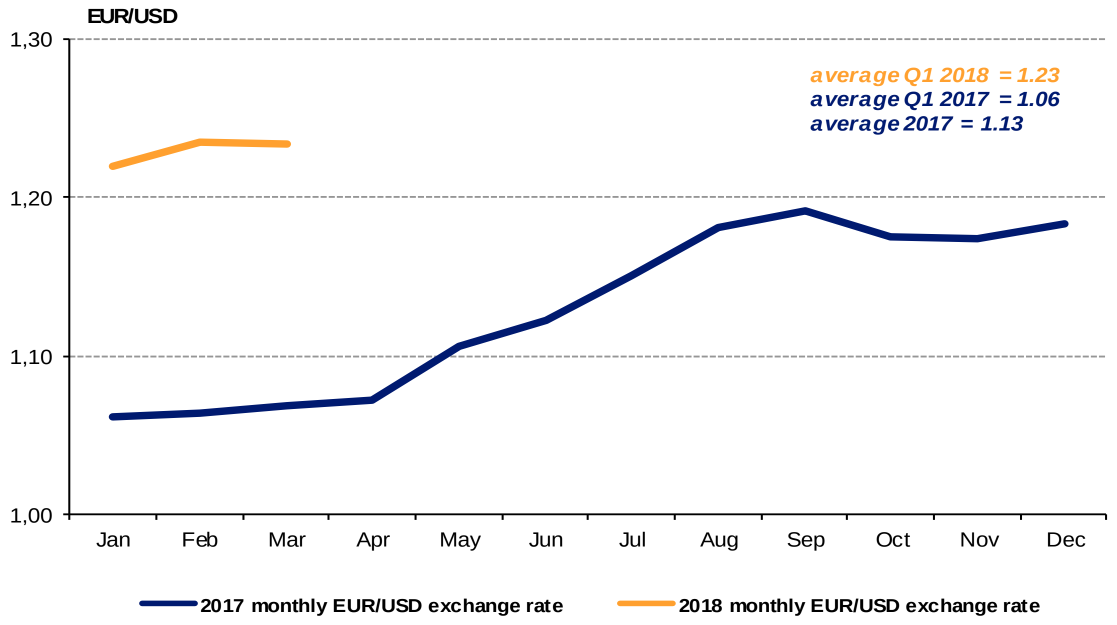
In addition, the measures that the US administration intends to adopt to fulfil the promises made during the electoral campaign to put US manufacturing once again in the centre of national interest, by blocking imports from other countries, also using unfair measures such as duties, raise numerous uncertainties regarding possible future scenarios.

In Europe, growth remained solid and spread among EU countries, specifically in the Eurozone, which continued to benefit from the positive effects generated by the extensive phase of expansive monetary policy. In the main European countries, the soundness of the recovery has been confirmed by the strengthening of investments and a further, gradual increase in employment, factors that contribute to providing stimulus to internal demand. Moreover, exports continued to benefit from the favourable international context, despite the trend of appreciation of the Euro. However, the external framework constituted a destabilising element, both with regard to US trade policy and the negotiations for the conditions of Brexit.

In Italy, although growth remains below that of the other major countries and of the Eurozone, the positive macroeconomic framework was confirmed: GDP growth is keeping pace, Italian industrial production is rising and business and consumer confidence remains near the pre-crisis peaks, while investments confirm the positive trend and Italian exports, following a record year in 2017, continue to grow. Nonetheless there are elements of uncertainty, linked to the political frame of reference.

During the first quarter of 2018, the average euro/dollar exchange rate came in at 1.23, up 15.5% on the same period of last year. An analysis of the monthly trend shows 4.4% increase compared to the fourth quarter of 2017.

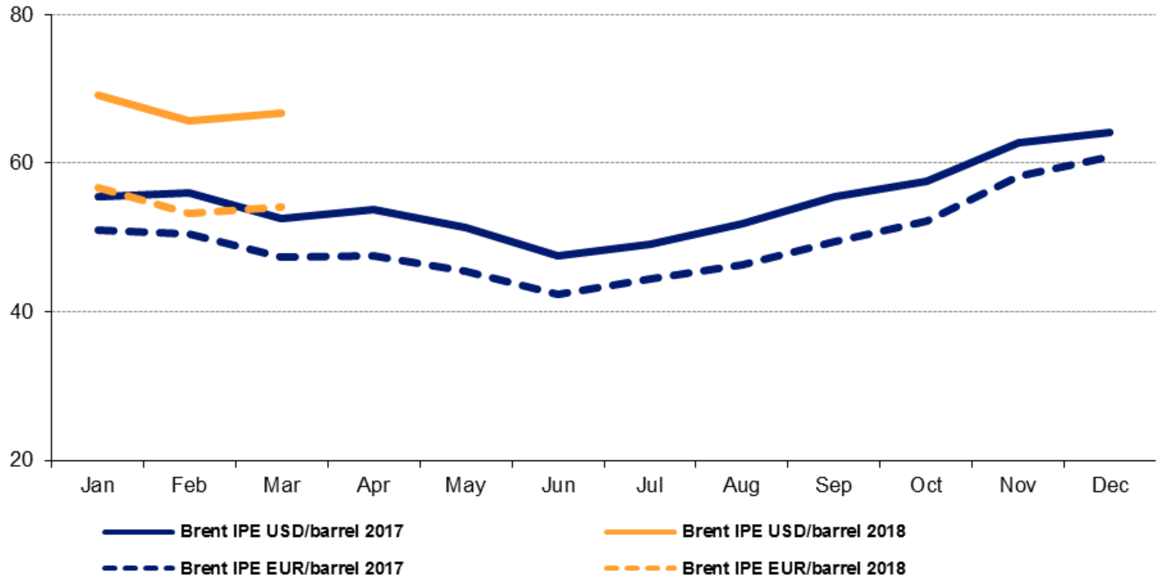
In the first half of January, the appreciation of the euro was fostered by expectations of a less accommodative monetary policy, with the end of quantitative easing, by the ECB. Subsequently, the exchange rate trend was mainly influenced by the weakness of the dollar, caused among other factors, by the protectionist policies of the Trump Administration.



With regards to the oil markets, the average raw oil price for the first quarter 2018 came in at 67.1 USD/barrel, 22.5% higher than the average recorded for the first quarter 2017 and up 9.2% on the average of the fourth quarter 2017. The increase in the Brent was supported by the continued production cuts by countries participating in the OPEC – Non-OPEC Agreement, in force since January 2017. The total level of compliance by OPEC members remained at high levels – over 130% during the quarter – also due to the significant drop in production in Venezuela due to the difficult economic situation of this South American country.
After reaching a peak since December 2014 of 70.5 USD/barrel on January 24, in February prices decreased due to the continuous increase in US production of crude oil. Lastly, in March prices recovered due to fears that the United States could restore sanctions against Iran, a decision that would have caused a decline in oil exports from the country.
Following the appreciation of the single currency, the growth in prices in Euro decreased: the average value of 54.6 EUR/barrel in the first three months of 2018 was 6.3% higher than in the same period of 2017 and 4.6% higher than in the fourth quarter of 2017.
The table and graph below respectively give the average values per quarter and the monthly trend of this year and the previous year:

2017 full year		**1st quarter 2018**	1st quarter 2017	% change
54.8	Oil price in USD/barrel(1)	67.1	54.7	*22.5%*
1.13	USD/EUR exchange rate	1.23	1.06	*15.5%*
48.6	Oil price in EUR/barrel	54.6	51.4	*6.3%*

(1) Brent IPE



The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

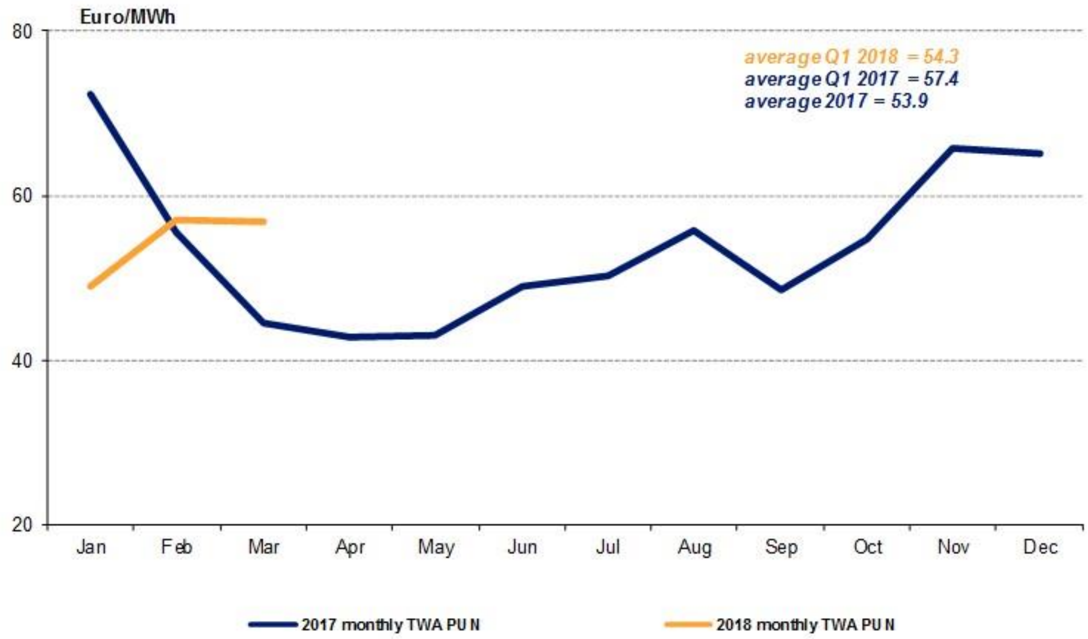
2017 full year	(TWh)	**1st quarter 2018**	1st quarter 2017	Change %
285.1	Net production:	68.7	71.6	*(4.0%)*
199.5	*- Thermoelectric*	48.8	52.6	*(7.1%)*
37.5	*- Hydroelectric*	8.6	7.7	*11.5%*
24.8	*- Photovoltaic*	3.8	4.6	*(18.0%)*
17.5	*- Wind power*	6.1	5.3	*15.6%*
5.8	*- Geothermal*	1.4	1.5	*(1.8%)*
37.7	Net imports	13.5	9.2	*47.0%*
(2.4)	Pumping consumption	(0.7)	(0.7)	*5.3%*
320.4	**Total demand**	**81.5**	**80.1**	***1.8%***

Source: processing of preliminary 2017 and 2018 TERNA data, gross of grid losses.

In the first quarter of 2018, gross total demand for electric power from the Italian grid totalled 81.5 TWh (TWh = billions of KWh), an increase of 1.8% compared to the corresponding period of the previous year.
The rise in demand (+1.4 TWh) was mainly covered by imports, which recorded an increase of 47% (+4.3 TWh) mainly due to the repair of the French nuclear plants, while the contribution of domestic production, which covered 84% of requirements (compared to 89.3% in the first quarter of 2017), decreased by 4% (-2.9 TWh).
In the first quarter of 2018, hydroelectric and wind generation increased by 0.9 TWh (+11.5%) and 0.8 TWh (+15.6%), respectively, while photovoltaic generation decreased by 0.8 TWh (-18%).
The market scenario, which returned to normal conditions on the hydroelectric side, saw a decrease in the contribution from thermoelectric generation, which closed the quarter down by 7.1% (-3.8 TWh), compared to the same period of the previous year.
With reference to the price scenario as at March 31, 2018, the average listing of the time weighted average (TWA) of the single national price (the “PUN” in Italy), came in at 54.3 euro/MWh, down by 5.4% on the same period of the previous year (57.4 euro/MWh).

In January, prices declined sharply (-32% compared to January 2017; -25% compared to December 2017), as, in a scenario of improvement in the availability of the French nuclear plants compared to last January and the end of 2017, Italy had greater availability of import flows. Subsequently, in February and March, temperatures lower than the seasonal average supported gas prices as well as PUN levels.
Zonal prices showed declining trends in general in the north (-9% North zone, -7% Central North zone), while in the south, prices increased slightly compared to the first quarter of 2017, a sharper phenomenon in Sicily (+5%). In the group of hours F1, F2 and F3, we note a decrease across all brackets of around 5.4% compared to the first quarter of 2017.

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



In general, foreign prices showed a performance similar to that seen on the Italian market during the first quarter of 2018. In France, the increased nuclear capacity available compared to the first quarter of 2017 resulted in a YoY decrease in prices (-20%), which stood at 43.8 euro/MWh. Germany reported smaller decreases (-14% compared to the first quarter of 2017), closing at a price of 35.5 euro/MWh.

Demand for Natural Gas in Italy and Market Environment

2017 full year	(billions of m3)	**1st quarter 2018**	1st quarter 2017	% change
29.2	Services and residential customers	14.6	13.6	*7.2%*
17.9	Industrial use	4.9	4.8	*2.0%*
25.4	Thermoelectric fuel use	6.1	6.8	*(10.6%)*
2.2	Consumptions and system losses	0.4	0.4	*2.5%*
74.7	**Total demand**	**26.0**	**25.6**	***1.4%***

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

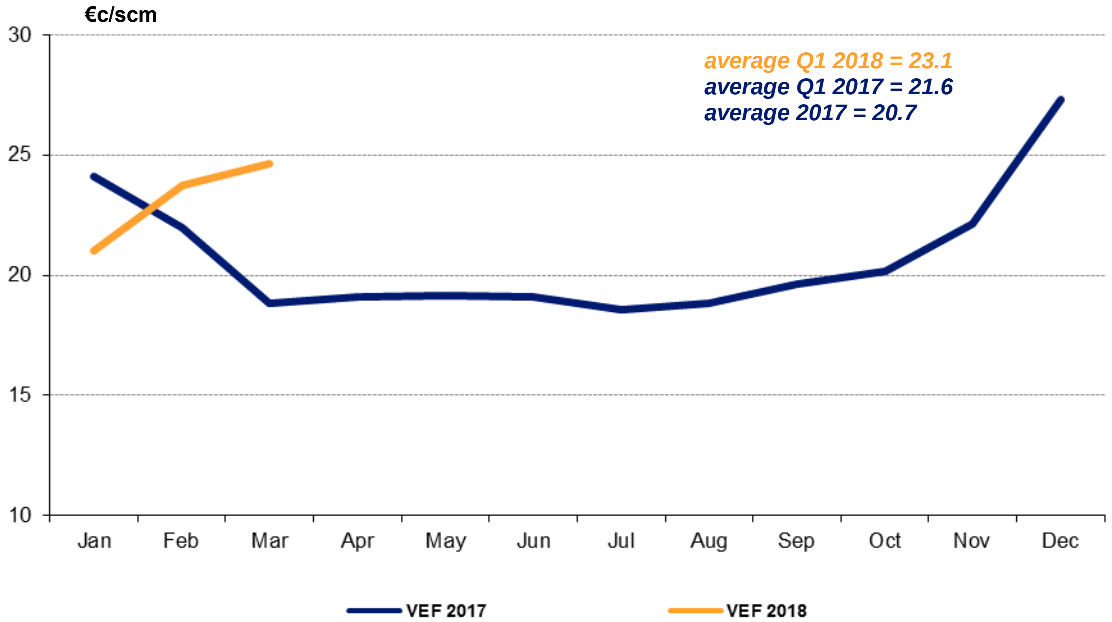
During the first quarter of 2018, the demand for natural gas in Italy grew by 1.4% on the same period of the previous year, coming in at 26 billion cubic metres, thereby rising by approximately 0.4 billion cubic metres.

This trend is mainly due to the increase in consumption by the civil sector (+1 billion cubic metres; +7,2% on the first quarter of 2017) by virtue of the harsher temperatures, particularly in March, offsetting the concurrent drop in thermoelectric production (-0.7 billion cubic metres; -10,6% on the first quarter of 2017) and the resulting decrease in consumption.

In terms of the sources of procurement, the first quarter 2018 recorded, as compared with the first quarter 2017:

- a decline in national production (-0.1 billion cubic metres; -9%);
- a decrease in gas imports (-0.1 billion cubic metres; -1%);
- an increase in volumes disbursed from storage (+0.6 billion cubic metres; +9%).

The spot gas price in Italy rose by 6.9% on the same period of 2017, coming in at 23.1 €c/scm.
The monthly gas prices showed an increasing trend over the quarter, attributable to the drop in temperature which began in the second half of February, in a context of ongoing reductions in capacity of certain infrastructure. With regard to the exact changes compared to the previous year, January saw a decline of 13% while in February and March prices increased by 8% and 31%, respectively due to very cold weather and to tensions on the gas market in Northern Europe.
The Northern European gas markets recorded positive changes greater than those seen in the Italian market: the TTF, the main point of reference for gas in Europe, closed at 22.3 €c/scm, up almost 14% on the first quarter of 2017.
The VEF-TTF spread recorded an average of 0.9 €c/scm, down by 57.8% on the first quarter of 2017. The figure was influenced by the inversion in prices in March (spread at -1.2 €c/scm), with the VEF discounting the TTF due to the already mentioned tensions on the gas market in Northern Europe.



Legislative and Regulatory Framework

Below are the key points of the main developments recorded to the legislative and regulatory framework relative to the first quarter of 2018, for the various businesses of the Group.

Electric Power Operations

The Environment

Energy Efficiency Certificates (EEC): following the joint notification of the Ministry of Economic Development and the Ministry of the Environment, Land and Sea, the GME amended the “Rules of Operation of the Energy Efficiency Certificates Market (EECM)” reducing the frequency of sessions from weekly to monthly. This initiative was taken to safeguard the correct operation of the incentive mechanism and limit the effects of the high levels of volatility of prices on the calculation of the tariff contribution. With Resolution 139/2018/R/Efr the Authority approved said amendment drawn up by the GME and also specified that “*this urgent amendment by itself shall not in any way resolve the tensions that arise on the EEC market, nor may it constitute regulatory intervention to control the gap between demand and supply in the EEC mechanism which is the origin of the anomalous prices of the EEC recorded for over one year”.* All of this, *“pending any urgent corrective regulatory measures which may reduce the trading prices of EEC*”.

Subsidies for energivorous companies: the press release relating to Ministerial Decree dated December 21, 2017 “Provisions on reducing tariffs to cover general system charges of energivorous companies” was published in the Official Gazette of December 27, 2017. From January 1, 2018 this measure reduces the cost of electricity for energivorous manufacturing companies.

Wholesale Market

The Italian capacity mechanism scheme and national consultation process approved in Brussels: on February 7 the European Commission issued a Decision approving the Italian capacity mechanism scheme, notified to verify their compatibility with the EU regulations on State aid. Pending the finalisation of national regulations, as a result of the Decision, it is possible to conduct the first auctions in 2018, with delivery in 2019. 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 (€/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, from 15 to 19 March 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. Following the consultation, TERNA will send the regulations to the Italian Regulatory Authority for Energy, Networks and the Environment (the Authority) and to the Ministry of Economic Development, for definitive approval of the mechanism by the latter.

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 began the related consultation, in which it analyses and compares 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.

Once the proposal has been received from TERNA, the Authority will thus have 45 days to make its decision. The entry into force of any new zone configuration will depend on both the specific zone configuration that is adopted and on the timescales for updating the resolution algorithm for Market Coupling at European level, and, in any event, not before January 1, 2019.

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 typical 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.

In February 2018, by way of document 52/2018/R/eel, the Authority launched the consultation of its approaches regarding the mechanism for paying sellers for general system charges which otherwise are unrecoverable, that the operators have regularly paid to the distribution companies and have not collected from customers. That mechanism, along with the reinstatement mechanism for distribution companies, already introduced by way of Resolution 50/2018/R/eel, should complete the transitional regulations on collection of general charges for the electrical system, pending a hoped-for final evolution towards a collection system similar to that of the radio and television subscription fee. The purpose of the system set up by the Authority is to maximise the efficiency in collecting the general charges of distributors and sellers and to carry out effective control of sellers’ conduct, also in order to combat possible opportunistic conduct. Therefore, that way the system should reduce and contain the overall, uncontrolled increase in general charges borne by all customers deriving from the rulings. In brief, the measure includes: optional participation in the reinstatement mechanism for only transport users operating on the free market and relating only to charges not collected, with regard to receivables accrued starting from January 1, 2016.

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 February, the Authority implemented the provisions set out in Law 205/2017 by way of Resolution 97/2018/R/com, ordering, in brief, that:

a. the two-year limitation period envisaged by the law starts from the deadline by which the party providing the service is required to issue the invoice document;
b. the seller is required to issue the invoice document relating to settlements made based on adjustments of the metering data within 45 days from the time that the adjustment is made available on the Integrated Information System (SII);
c. pending the proceedings launched to establish the definitive regulations on the issue, with specific regard to the electricity sector, on initial, urgent application:
    i. on initial application, the provisions are envisaged for residential and non-residential customers connected through low voltage;
    ii. with regard to the above customers, the seller must inform the customer, at the time of issuing the specific invoice and, in any event, at least 10 days in advance of the due date of the payment terms, of the possibility to claim the application of the limitation period or the right not to pay the amounts invoiced, in the event of adjustments to metering data relating to periods of more than two years.

Considering the significant impacts on the current regulations in the electricity and gas sectors deriving from the implementation of the 2018 Budget Law due to the effects on the various parties involved in operations and on the related processes, the Authority launched a procedure to fully define the necessary interventions.

Hydrocarbon operations

Rates and Market

Distribution rates: by Resolution 149/2018/R/gas, the definitive 2017 specific reference tariff components were published for the distribution and metering services. With regard to the provisional reference tariffs for 2017, determined by Resolution 220/17/R/gas of April 6, 2017, the definitive tariffs showed insignificant changes.

Gas Settlement: with 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.

Infrastructures

Storage auctions for thermal year 2018-2019: 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).

Natural gas storage – service quality and tariffs: by Resolution 68/2018/R/gas ARERA 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. Note that, as ordered by Consolidated Text on WACC 2016-2021 (Annex A to Resolution 583/15/R/com), during 2018 all the other parameters of the WACC subject to intra-period adjustments shall be updated, with validity in 2019 and relating to the WACC for all infrastructure services of the electricity and gas services. These consist of the level of taxation, tax shield, risk free rate, country risk premium, levels of indebtedness and inflation rate. Thus, Resolution 68/2018/R/gas postponed the terms for approval of the tariff proposals for the storage service for 2019 in order to take account of the intra-period adjustments to the WACC referenced above. The measure is relevant for Edison Stoccaggio as it defines the regulatory framework for 2019 in terms of tariffs and quality of the storage service, and postpones to 2020 any regulatory changes that may be made to that framework in the fifth regulatory period.

EUROPEAN REGULATIONS

Projects of Common Interest (PCI): on January 25 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 being developed by IGI Poseidon, Eastmed and Poseidon. The Eastmed project was granted a second tranche of funding for eligible costs, equal to 34,500,000 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.

ISSUES AFFECTING MULTIPLE BUSINESS SEGMENTS

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 29/2009/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 signs 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 signs for CO2 to double digits for the first time (exceeding 10 EUR/ton) already in March 2018.

PRESENTATION FORMATS

Consolidated Income Statement

(in millions of euros)	1st quarter 2018	1st quarter 2017 (*)
Sales revenues (*)	2,631	2,706
Other revenues and income	23	38
Total net revenues	**2,654**	**2,744**
Raw materials and services used (-) (*)	(2,372)	(2,436)
Labor costs (-)	(81)	(79)
EBITDA	**201**	**229**
Net change in fair value of commodity derivatives	2	(98)
Depreciation, amortization and writedowns (-)	(106)	(122)
Other income (expense), net	(2)	(1)
EBIT	**95**	**8**
Net financial income (expense)	(16)	(13)
Income from (Expense on) equity investments	1	9
Profit (Loss) before taxes	**80**	**4**
Income taxes	(34)	(18)
Profit (Loss) from continuing operations	**46**	**(14)**
Profit (Loss) from discontinued operations	-	-
Profit (Loss)	**46**	**(14)**
Broken down as follows:		
Minority interest in profit (loss)	4	5
Group interest in profit (loss)	**42**	**(19)**
Earnings (Loss) per share (in euros)		
Basic earnings (loss) per common share	0.0073	(0.0040)
Basic earnings per savings share	0.0373	0.0125
Diluted earnings (loss) per common share	0.0073	(0.0040)
Diluted earnings per savings share	0.0373	0.0125

(*) "Sales revenues" and "Raw materials and services used" related to reporting period 2017 were restated following IFRS 15 adoption with no EBITDA impact.
The first adoption impacts related to IFRS 9 were recorded in equity without restatement of 2017 data.

Consolidated Balance Sheet

(in millions of euros)	03.31.2018	12.31.2017
ASSETS		
Property, plant and equipment	3,624	3,657
Investment property	5	5
Goodwill	2,486	2,313
Hydrocarbon concessions	311	322
Other intangible assets	155	154
Investments in associates	64	67
Available-for-sale investments (*)	-	1
Investments at fair value through profit and loss (*)	4	-
Other financial assets	73	80
Deferred-tax assets	469	467
Other assets	242	302
Total non-current assets	**7,433**	**7,368**
Inventories	147	182
Trade receivables	1,810	1,656
Current-tax assets	16	8
Other receivables	936	840
Current financial assets (*)	3	6
Cash and cash equivalents	88	260
Total current assets	**3,000**	**2,952**
Total assets	**10,433**	**10,320**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	5,377	5,377
Reserves and retained earnings (loss carryforward)	391	601
Reserve for other components of comprehensive income	121	113
Group interest in profit (loss)	42	(176)
Total shareholders' equity attributable to Parent Company shareholders	**5,931**	**5,915**
Shareholders' equity attributable to minority shareholders	291	288
Total shareholders' equity	**6,222**	**6,203**
Provision for employee severance indemnities and provisions for pensions	42	42
Provision for deferred taxes	79	76
Provisions for risks and charges	1,232	1,249
Long-term financial debt and other financial liabilities	256	221
Other liabilities	52	65
Total non-current liabilities	**1,661**	**1,653**
Bonds	4	4
Short-term financial debt	308	157
Trade payables	1,592	1,696
Current taxes payable	49	19
Other liabilities	597	588
Total current liabilities	**2,550**	**2,464**
Total liabilities and shareholders' equity	**10,433**	**10,320**

(*) Since January 1, 2018, following the application of the new accounting principle IFRS 9 the "Available-for-sale investments" and the "Equity investments held for trading" (included for about 3 million of euros in "Current financial assets" at December 31, 2017) were reclassified in "Investments at fair value through profit and loss".
The first adoption impacts related to IFRS 9 were recorded in equity without restatement of 2017 data.

Changes in Consolidated Shareholders' Equity

(in millions of euros)	Share capital	Reserves and retained earnings (loss carry-forward)	Reserve for other components of comprehensive income	Group interest in profit (loss)	Total shareholders' equity attributable to Parent Company shareholders	Shareholders' equity attributable to minority shareholders	Total shareholders' Equity
Balance at December 31, 2017	**5,377**	**601**	**113**	**(176)**	**5,915**	**288**	**6,203**
IFRS 9 - first adoption	-	(29)	-	-	**(29)**	-	**(29)**
Balance at January 01, 2018	**5,377**	**572**	**113**	**(176)**	**5,886**	**288**	**6,174**
Aprropriation of the previous year's profit (loss)	-	(176)	-	176	**-**	-	**-**
Dividends and reserves distributed	-	-	-	-	**-**	(1)	**(1)**
Other changes	-	(5)	-	-	**(5)**	-	**(5)**
Total comprehensive profit (loss)	-	-	8	42	**50**	4	**54**
of which:							
- Change in comprehensive income	-	-	8	-	**8**	-	**8**
- Profit (loss) at March 31, 2018	-	-	-	42	**42**	4	**46**
Balance at March 31, 2018	**5,377**	**391**	**121**	**42**	**5,931**	**291**	**6,222**

ECONOMIC & FINANCIAL RESULTS AT MARCH 31, 2018

Sales Revenues and EBITDA of the Group and by Business Segment

2017 full year (*)	(in millions of euros)	1st quarter 2018	1st quarter 2017(*)	change	% change
	Electric Power Operations				
4,811	Sales revenues	1,161	1,295	(134)	*(10.3%)*
289	Reported EBITDA	93	74	19	*25.7%*
265	Adjusted EBITDA(1)	93	68	25	*36.8%*
	Hydrocarbons Operations				
5,592	Sales revenues	1,657	1,636	21	*1.3%*
613	Reported EBITDA	133	175	(42)	*(24.0%)*
637	Adjusted EBITDA(1)	133	181	(48)	*(26.5%)*
	Corporate Activities and Other				
54	Sales revenues	14	12	2	*16.7%*
(99)	Gross operating profit	(25)	(20)	(5)	*(25.0%)*
	Eliminations				
(833)	Sales revenues	(201)	(237)	36	*15.2%*
	Edison Group				
9,624	**Sales revenues**	**2,631**	**2,706**	**(75)**	***(2.8%)***
803	**Gross operating profit**	**201**	**229**	**(28)**	***(12.2%)***
8.3%	***as a % of sales revenues***	***7.6%***	***8.5%***		

(1) 2017 adjusted EBITDA reflect 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 the first quarter 2018, there are not hedges to be reclassified between the two sectors, therefore the amount here showed coincides with the reported EBITDA.

(2) 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.

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

During the first quarter of 2018, Group sales revenues stood at 2,631 million euros, down 2.8% on the first quarter of 2017.

EBITDA came to 201 million euros (229 million euros in the first quarter of 2017) and recorded a decrease of 28 million euros, deriving from an increase in margins of thermoelectric generation, more than offset by the worsening of the price scenario in gas sales.

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

2017 full year (*)	(GWh) (1)	**1st quarter 2018**	1st quarter 2017 (*)	% change
19,742	**Edison's production:**	**4,734**	**5,343**	***(11.4%)***
16,469	*- Thermoelectric power plants*	*3,932*	*4,682*	*(16.0%)*
2,209	*- Hydroelectric power plants*	*466*	*337*	*38.2%*
1,064	*- Wind power and other renewables*	*336*	*324*	*3.8%*
48,533	**Other purchases (wholesalers, IPEX, etc.)(2)**	**9,896**	**13,364**	***(25.9%)***
68,275	**Total sources**	**14,630**	**18,707**	***(21.8%)***

(1) 1 GWh is equal to 1 million kWh, referred to physical volumes.
(2) Before line losses and excluding the trading portfolio.
(*) 2017 "Other purchases" were restated following the application of IFRS 15 "Revenues from contracts with customers".

Uses

2017 full year (*)	(GWh) (1)	**1st quarter 2018**	1st quarter 2017 (*)	% change
10,927	Customers (2)	3,373	2,606	*29.5%*
57,348	Other sales (wholesalers, IPEX, etc.)(3)	11,257	16,101	*(30.1%)*
68,275	**Total uses**	**14,630**	**18,707**	***(21.8%)***

(1) 1 GWh is equal to 1 million kWh.
(2) Before line losses.
(3) Excluding trading portfolio.
(*) 2017 "Other sales" were restated following the application of IFRS 15 "Revenues from contracts with customers".

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 maximizing their profitability through their optimization.
Under the scope of this model, Edison production in Italy comes in at 4,734 GWh, down 11.4% on the first quarter of 2017; more specifically, thermoelectric production decreases by 16%, reflecting the national trend for gas-powered plants.
As regards production from renewable energy sources, the trend in the first quarter of 2018 saw hydroelectric production up 38.2%, also thanks to the contribution of the plants acquired in 2017, and wind power generation and other renewables with values slightly up due primarily to more wind in the period.
Sales to customers were up 29.5% mainly thanks to the higher volumes sold to the business segment.
Other purchases and sales of the first quarter 2018 are down on the values of the same period of 2017; it should be recalled, however, that these items include not only purchases and sales on the wholesale market but also purchases and sales on IPEX, albeit characterised by smaller unitary margins connected with the bidding operating procedures on plants, the balancing of portfolios and the make or buy activity.

Income Statement Data

2017 full year (*)	(in millions of euros)	**1st quarter 2018**	1st quarter 2017 (*)	% change
4,811	Sales revenues	1,161	1,295	*(10.3%)*
265	Adjusted EBITDA (1)	93	68	*36.8%*

(1) See note on page 19.
(*) 2017 "Sales revenues" were restated following the application of IFRS 15 "Revenues from contracts with customers", without any impact on the EBITDA.

Sales revenues for the first quarter of 2018 came in at 1,161 million euros, down 10.3% on the first quarter of 2017, mainly due to the decrease in volumes sold.

The quarter's EBITDA, which comes in at 93 million euros (68 million euros during the same period of 2017), records an increase of 25 million euros mainly thanks to higher margins in thermoelectric generation.

Hydrocarbons Operations

Sources of Natural Gas

2017 full year	(millions of m3 of natural gas)	1st quarter 2018	1st quarter 2017	% change
437	Production (1)	97	114	*(14.8%)*
15,102	Imports (Pipeline + LNG)	3,792	3,899	*(2.7%)*
5,843	Other purchases	1,860	1,746	*6.5%*
(94)	Change in stored gas inventory (2)	230	236	*(2.5%)*
21,288	**Total sources**	**5,979**	**5,995**	***(0.3%)***
1,636	**Production outside Italy (3)**	**455**	**333**	***36.5%***

(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

2017 full year	(millions of m3 of natural gas)	1st quarter 2018	1st quarter 2017	% change
2,404	Residential use	1,290	1,180	*9.3%*
4,507	Industrial use	1,241	1,150	*7.9%*
7,311	Thermoelectric fuel use	1,840	2,107	*(12.7%)*
7,066	Other sales	1,608	1,558	*3.2%*
21,288	**Total uses**	**5,979**	**5,995**	***(0.3%)***
1,636	**Sales of production outside Italy (1)**	**455**	**333**	***36.5%***

(1) Counting volumes withheld as production tax.

Period gas production, adding Italy and abroad together, came to 552 million cubic metres, up 23.4% on the first quarter of last year. The production sold in Italy declined by 14.8%, mainly due to the natural decline of the field production curves. Vice versa, production outside of Italy increased by 36.5% due to new wells from the Egyptian concession of Abu Qir, which entered into production in the second quarter of 2017, in addition to the field of Reggane in Algeria which entered into production at the end of December 2017.

Total gas imports decreased slightly while Other Purchases recorded an increase of 6.5%, offsetting lower imports.

The quantities sold, equal to 5,979 million cubic metres, were substantially stable on the first quarter of 2017.

Sales for civil use were up, mainly owing to the contribution from Gas Natural Vendita Italia, consolidated at the end of February 2018; sales for thermoelectric use were down by -12.7% due to the reduced consumption of gas by the thermoelectric power plants owned by the Group and by third parties, while sales for industrial use were up 7.9%, thanks to the acquisition of new customers.

Crude Oil Production

2017 full year	(thousands of barrels)	1st quarter 2018	1st quarter 2017	% change
1,874	Production in Italy	401	467	*(14.2%)*
2,127	Production outside Italy (1)	622	479	*29.9%*
4,001	**Total production**	**1,023**	**946**	***8.1%***

(1) Counting volumes withheld as production tax.

Quarter production of crude oil totalled an increase of 8.1% due to the greater production outside of Italy (+143 thousand barrels), mainly due to the contribution of the new wells in the Egyptian concession of Abu Qir, partially offset by lower production in Italy (-66 thousand barrels) due to the natural decline of concessions.

Income Statement Data

2017 full year	(in millions of euros)	**1st quarter 2018**	1st quarter 2017	% change
5,592	Sales revenues	1,657	1,636	*1.3%*
637	Adjusted EBITDA (1)	133	181	*(26.5%)*
374	*- amount from gas activities*	60	121	*(50.4%)*
263	*- amount from Exploration & Production*	73	60	*21.7%*

(1) See note on page 19.

Sales revenues came in at 1,657 million euros, substantially in line with the first quarter of 2017.
The quarter's EBITDA came to 133 million euros, down 48 million on the same period of 2017. That change is mainly attributable to the purchase and sale of gas due to worsening price scenarios, partially offset by the higher margin achieved by Exploration & Production activities, due to higher volumes of production outside of Italy.

Corporate Activities and Other Segments

Income Statement Data

2017 full year	(in millions of euros)	**1st quarter 2018**	1st quarter 2017	% change
54	Sales revenues	14	12	*16.7%*
(99)	Gross operating profit	(25)	(20)	*(25.0%)*

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 for the first quarter of 2018 are up 2 million euros on those of the same period of 2017, whilst EBITDA has dropped by 5 million euros due to the lease rental of the properties of Foro Buonaparte, sold in November 2017, in addition to a different phasing of operating expenses.

Other Components of the Group's Income Statement

2017 full year	(in millions of euros)	1st quarter 2018	1st quarter 2017	Change %
803	**EBITDA**	**201**	**229**	***(12.2%)***
(221)	Net change in fair value of derivatives (commodity and foreign exchange)	2	(98)	*n.m.*
(655)	Depreciation, amortization and writedowns	(106)	(122)	*(13.1%)*
115	Other income (expense), net	(2)	(1)	*(100.0%)*
42	**EBIT**	**95**	**8**	***n.m.***
(52)	Financial income (expense), net	(16)	(13)	*(23.1%)*
(31)	Income from (expense on) equity investments	1	9	*(88.9%)*
(122)	Income Taxes	(34)	(18)	*(88.9%)*
(163)	**Profit (Loss) from continuing operations**	**46**	**(14)**	***n.m.***
(176)	**Group interest in profit (loss)**	**42**	**(19)**	***n.m.***

The **Group's interest in the net result** was positive by 42 million euros (negative by 19 million euros in the first quarter 2017).

In addition to the industrial margin dynamics discussed above, the main factors affecting the result for the period included:

- a net positive change in the fair value of derivatives amounting to 2 million euros (negative by 98 million euros in the first quarter of 2017);
- depreciation and amortization for 106 million euros in 2018 decreased compared with the first quarter 2017 (122 million euros) mainly due to lower exploration costs;
- the financial items (it should be noted that the first quarter 2017 included the gain of about 7 million euros resulting from the sale of the equity investment held in Istituto Europeo di Oncologia) and the Income Taxes which include regional taxes (IRAP) and foreign taxes.

Here below the details of the main Other Components of the Group's Income Statement:

Net Change in Fair Value of Commodity Derivatives

(in millions of euros)	1st quarter 2018	1st quarter 2017	Change
Change in fair value in hedging the price risk on energy products:	**21**	**(113)**	**134**
- definable as hedges - Cash Flow Hedge (CFH) (*)	(1)	(2)	1
- definable as hedges - Fair Value Hedge (FVH)	17	(24)	41
- not definable as hedges	5	(87)	92
Change in fair value in hedging the foreign exchange risk on commodities:	**5**	**(24)**	**29**
- definable as hedges - Cash Flow Hedge (CFH) (*)	1	(1)	2
- definable as hedges - Fair Value Hedge (FVH)	12	(14)	26
- not definable as hedges	(8)	(9)	1
Change in fair value in physical contracts (FVH)	**(24)**	**39**	**(63)**
Total for the Group	**2**	**(98)**	**100**

(*) Referred to the ineffective portion.

It should be noted that the new accounting principles IFRS 9, which substituted the IAS 39, is entered into force starting from January 1, 2018 and moreover changed the amendments in term of hedge accounting. These new amendments involve also changes in the rules of the accounting hedge relationships approaching the logics of recognition to those of risk management. The application of these new rules, possible only prospectively, entailed a re-assessment of the hedging relationships on the contracts in existence as at January 1, 2018. This review had extended the application of hedge accounting consequently reducing the volatility effects.

The amount of the first quarter 2017, negative by 98 million euros, was mainly related to derivatives that, as a result of economic hedging strategies to protect margins and of the significant commodities prices fluctuations, determined in past years, starting from 2014, a positive Fair Value that is necessarily reversed in the income statement accounts of the following years until 2017, with a negligible economic effect in the total period.

Depreciation, Amortization and Writedowns

(in millions of euros)	1st quarter 2018	1st quarter 2017	Change
Depreciation and amortization of:	**104**	**122**	**(18)**
- property, plant and equipment	82	79	3
- exploration costs	6	30	(24)
- hydrocarbon concessions	11	9	2
- other intangible assets	5	4	1
Writedowns of:	**2**	**-**	**2**
- property, plant and equipment	2	-	2
Total for the Group	**106**	**122**	**(16)**

Breakdown by Business Segment	1st quarter 2018	1st quarter 2017	Change
Electric Power Operations	57	56	1
Hydrocarbons Operations	48	64	(16)
Corporate Activities and Other Segments	1	2	(1)
Total for the Group	**106**	**122**	**(16)**

Net Financial Income (Expense)

(in millions of euros)	1st quarter 2018	1st quarter 2017	Change
Net financial expense on debt	(1)	(3)	2
Fees	(3)	(3)	-
Financial expense on decommissioning projects and provisions for risks	(7)	(7)	-
Other financial income (expense)	(1)	1	(2)
Net foreign exchange translation gains (losses)	(4)	(1)	(3)
Net financial income (expense) for the Group	**(16)**	**(13)**	**(3)**

The **Net financial expense on debt** benefited from a lower level of indebtedness; it should be noted that the amount of the first quarter 2017 included the net financial expense on the bond issue of Edison Spa (nominal value 600 million euros) which was reimbursed at maturity on November 10, 2017.

Net Financial Debt and Cash Flows

At March 31, 2018, net financial debt totaled 477 million euros, or 361 million euros higher than the 116 million euros owed at December 31, 2017. The table below provides a simplified breakdown of the net financial debt:

(in millions of euros)	03.31.2018	12.31.2017	Change
Non-current bank loans	179	144	35
Amounts due to other lenders - non-current portion	77	77	-
Non-current financial debt	**256**	**221**	**35**
Bonds	4	4	-
Short-term financial debt	308	157	151
Current financial assets (*)	(3)	(6)	3
Cash and cash equivalents	(88)	(260)	172
Current net financial debt	**221**	**(105)**	**326**
Net financial debt	**477**	**116**	**361**

(*) At December 31, 2017 the "Current financial assets" included for about 3 million euros the "Equity investments held for trading" starting from January 1, 2018 included in the "Investments at fair value through profit and loss" followiong the application of the new principle IFRS 9.

The change of the period is mainly related to the acquisition of the company GNVI (now Edison Energie) which had an impact for a total amount of 274 million euros, including the debt reimbursement.

The **non-current financial debt** included:

- for 60 million euros (25 million euros at December 31, 2017) the uses on the 150 million euros medium-long term credit line provided by EIB to Edison Spa in 2017, intended to finance the execution of wind project through the company E2i Energie Speciali;
- the drawdown for 70 million euros, unchanged compared with December 31, 2017, of the medium-long term credit line (total nominal amount 200 million euros), intended to specific investment projects, provided by EDF Sa to Edison Spa in December 2015 on a similar credit line provided by EIB to EDF Sa.

With regard to the **current net financial debt**, it should be noted that the treasury current account with EDF Sa at March 31, 2018 had a debit balance of 110 million euros (credit balance of 140 million euros at December 31, 2017).

It should be noted that at March 31, 2018, as at December 31, 2017, the two credit lines for a total amount of 900 million euros subscribed by Edison Spa in 2017 were fully available (with EDF Sa for nominal amount of 600 million euros and with a pool of banks on Club Deal basis for nominal amount of 300 million euros).

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

2017 full year	(in millions of euros)	1st quarter 2018	1st quarter 2017
(1,062)	**A. NET FINANCIAL (DEBT) AT BEGINNING OF PERIOD**	**(116)**	**(1,062)**
803	EBITDA	201	229
26	Elimination of non-cash items included in EBITDA	5	4
(20)	Net financial expense paid	(8)	(2)
(63)	Income taxes paid (-)	(38)	(11)
17	Dividends collected	2	-
1	Other items from operating activities	(5)	(2)
764	**B. CASH FLOW FROM OPERATING ACTIVITIES**	**157**	**218**
208	Change in operating working capital	(147)	15
(8)	Change in non-operating working capital	(32)	(11)
(489)	Net investments (-)	(52)	(106)
489	Non-recurring operations	(274)	-
964	**C. CASH FLOW AFTER NET INVESTMENTS AND CHANGE IN WORKING CAPITAL**	**(348)**	**116**
(46)	Dividends paid (-)	(1)	(1)
28	Other items	(12)	13
946	**D. NET CASH FLOW FOR THE PERIOD**	**(361)**	**128**
(116)	**E. NET FINANCIAL (DEBT) AT END OF PERIOD**	**(477)**	**(934)**

The main period cash flow derives from EBITDA, as commented on previously, from the absorption of cash by operating working capital, essentially due to the seasonality of volumes sold, from net investments, which include capital expenditures and exploration (-94 million euros) and portfolio readjustment operations (+42 million euros), as well as from non-recurring operations (-274 million euros).

More specifically, capital expenditures and exploration include:

- investments in Exploration & Production activities of 40 million euros, which mainly concerned foreign operations. In Egypt (20 million euros), mainly for the drilling of the new wells NAQ PIII-4&5 in the concession of Abu Qir, in Norway (9 million euros), mainly for activities as part of the concession of Zidane and in Algeria (3 million euros) for development of the concession of Reggane;
- investment in electric power generation from renewable sources sector of 37 million euros, relating to activities for the construction of the new wind power plants (greenfield and full rebuilding) of Montefalcone, Mazara del Vallo and Vaglio;
- investments in exploration of approximately 6 million euros, mainly for exploration activities outside of Italy.

The portfolio readjustment operations (net positive effect of 42 million euros) refer mainly to the Exploration & Production sector, due to the sale of the stake in the Norwegian gas pipeline Polarled and the energy services sector, due to the sale of several assets.

Non-recurring transactions refer to the acquisition of Gas Natural Vendita Italia (GNVI).

Fair value recorded in Balance Sheet and Cash Flow Hedge Reserve

The fair value recorded in balance sheet is reported here below.

(in millions of euros)	03.31.2018			12.31.2017		
Broken down as follows:	**Receivables**	**Payables**	**Net**	**Receivables**	**Payables**	**Net**
- Current financial assets / Short-term financial debt	-	-	-	-	-	-
- Other assets / liabilities (non-current portion)	139	(52)	87	144	(65)	79
- Other assets / liabilities (current portion)	417	(334)	83	316	(260)	56
Fair Value recognized as assets or liabilities (a)	**556**	**(386)**	**170**	**460**	**(325)**	**135**
of which of (a) related to:						
- Interest Rate Risk Management	-	-	-	-	-	-
- Exchange Rate Risk Management	5	(89)	(84)	2	(78)	(76)
- Commodity Risk Management	446	(119)	327	414	(154)	260
- Trading Portfolios (physical and financial)	5	(5)	0	10	(10)	-
- Fair value on physical contracts	100	(173)	(73)	34	(83)	(49)

The table below provides a breakdown of the changes that occurred in the Cash Flow Hedge reserve for the accounting treatment of derivatives. The change refers to the provisional recognition in equity of the effective portion of derivatives executed to hedge price and foreign exchange risks on energy commodities. The amounts recognized directly in equity are reflected in the income statement in line with the effects of the hedged item.

Cash Flow Hedge reserve			
(in millions of euros)	**Gross reserve**	**Taxes**	**Net reserve**
Reserve at December 31, 2017	127	(35)	92
Changes in the period	22	(6)	16
Reserve at March 31, 2018	**149**	**(41)**	**108**

OUTLOOK

Edison confirms its guidance for an expected 2018 EBITDA in the range of 670 and 730 million euros.

SIGNIFICANT EVENTS OCCURRING AFTER MARCH 31, 2018

No significant events occurred after March 31, 2018.

Milan, May 4, 2018

The Board of Directors
By Marc Benayoun
Chief Executive Officer

CERTIFICATION
Pursuant to article 154-bis, Section 2, of Legislative Decree No. 58/1998

Didier Calvez and Roberto Buccelli, in their capacity as "Dirigenti preposti alla redazione dei documenti contabili societari" of Edison Spa, declare that the accounting information contained in this Quarterly Report at March 31, 2018 is consistent with the data in documents, accounting records and other records.

Milan, May 4, 2018

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