Quarterly Report

AT MARCH 31, 2022

Contents

Quarterly report at March 31, 2022

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

(*) Effect on indebtedness as described in the paragraph Total financial indebtedness and cash flows. The value of the first quarter 2021 does not include the effect of the relevant operations in the renewables sector (acquisition of 70% of E2i Energie Speciali, now Edison Rinnovabili) and the sale of non-core activities (sale of Edison Norge).

Highlights 1st quarter 2022 (in millions of euros)	Electric Power Operations	Gas Operations and E&P (*)	Corporate	Eliminations	**Edison Group**
EBITDA	145	233	(21)	-	**357**
EBIT	68	203	(29)	-	**242**
Gross Investments (**)	80	8	2	-	**90**

(*) Including E&P business activities in Algeria
(**) Relating to increase of property, plant and equipment and of intangible assets during the period

Rating	**Standard & Poor's**		**Moody's**	
	03.31.2022	12.31.2021	03.31.2022	12.31.2021
Medium/long-term rating	BBB	BBB		
Medium/long-term outlook	Negative	Stable	Negative	Stable
Short-term rating	A-3	A-3		
Rating			Baa3	Baa2

Introduction

The preparation criteria of quarterly information

It should be noted that the Company provides 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.

Newly applied standards

The accounting principles, the valuation criteria and consolidation criteria applied in preparing this information are consistent with those adopted for the preparation of the 2021 Consolidated Financial Statements.

The Board of Directors, met on May 3, 2022, authorized the publication of Edison's Group Quarterly Report at March 31, 2022, which was not audited.

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

Changes in the Scope of Consolidation compared with December 31, 2021 – Acquisition and Disposal of Asset

The main changes in the period involved:

- the merger, occurred on January 1, 2022, of the companies **Idroelettrica Cervino** and **Idroelettrica Brusson** into **Energie Rinnovabili Arpitane**;
- the acquisition, executed on January 20, 2022, of 100% of the company **Energia Italia**, operating in the mini-hydro sector, for a consideration of 22 million euros;
- the acquisition, executed on February 18, 2022, of 100% of the company **REN 153**, operating in the photovoltaic sector, which has been valued as Group of assets acquisition pursuant to IFRS 3 revised.

Key Events

Edison enters Hydrogen Park

January 13, 2022 - Edison announced that it has entered Hydrogen Park with a 9.732% stake. Hydrogen Park was established in Porto Marghera in 2003 with the aim of carrying out industrial-scale experiments in the hydrogen sector. The experience gained and the integration of existing infrastructures allow today the Consortium to be the first point of application of the European energy strategy based on the green molecule.

Edison, Eni and Ansaldo Energia, study for the use of hydrogen in the thermoelectric power plant in Porto Marghera

February 22, 2022 - Edison, Eni and Ansaldo Energia have signed an agreement to launch a feasibility study for the production of green hydrogen, produced through water electrolysis, or blue hydrogen through the use of natural gas with capture of the CO_2 produced, to be used to replace a portion of natural gas as fuel at the Edison new power plant in Porto Marghera. The plant, which will enter commercial operation by the second half of this year, is a state-of-the-art combined cycle with a total capacity of 780 MW and will use a high-efficiency turbine equipped with technology designed to be powered by hydrogen.

Edison: rating confirmed by S&P, downgraded by Moody's

February 24, 2022 - Edison announced that the Standard & Poor's rating agency confirmed the company's long-term rating at BBB and revised the outlook to negative from stable, following the downgrade by one notch to BBB with negative outlook of parent company EDF. While noting the solid results achieved by the company in 2021, and in particular the 45% growth in EBITDA, S&P's methodology limits Edison's rating to that of its parent company EDF, given the strategic importance of Edison as a driver of development in Italy, a priority market for EDF.
Edison also announced that Moody's Investors Service lowered the company's long-term rating to Baa3 from Baa2, with a negative outlook, for similar reasons following the downgrade by one notch with negative outlook of the parent company EDF. Both S&P and Moody's note Edison's strong operating performance, solid credit metrics, improved risk profile and progress in Edison's strategic repositioning.

Edison launches a crowdfunding campaign for a new hydroelectric plant in Quassolo

March 24, 2022 - Edison has promoted Edison Crowd for Quassolo, the initiative addressed to the communities of the municipalities of Quassolo, Borgofranco di Ivrea, Quincinetto, Tavagnasco, Montalto Dora and Settimo Vittone that will be able to become an active part of the energy transition of their territory by contributing to the construction of a new mini-hydroelectric power plant on the banks of the Dora Baltea river. It is a plant under construction in Quassolo (2,700 kW of power) that will meet the energy demand of about 3,000 families avoiding the emission into the atmosphere of 3,700 tons of CO_2 per year. From April 1 to April 15, the campaign was extended to all of Italy for Edison Energia customers with an electricity or gas contract.

Edison: agreement with Italgas and Marguerite to acquire the majority of Gaxa and contribute to the development of the retail market in Sardinia

April 1, 2022 - Edison, Italgas and Marguerite signed a binding agreement for Edison to acquire a majority stake in Gaxa, a company owned 51.85% by Italgas and 48.15% by Marguerite, which operates in Sardinia in the marketing of natural gas, LPG and propane air for civil uses. The new Gaxa shareholding structure will consist of Edison with 70%, Italgas with 15.56% and Marguerite with 14.44%. The transaction strengthens the commercial presence and development prospects of Gaxa in view of the important investment plan for Sardinia promoted by Italgas with the construction of new digital native distribution networks.

Fenice signs a binding agreement for the acquisition of Citelum Italia

April 4, 2022 - Fenice Spa, a wholly owned subsidiary of Edison, and Citelum SA (part of the EDF Group), a group active in the field of lighting services to the Public Administration, have signed a binding agreement for the acquisition by Fenice Spa of the entire capital of Citelum Italia Srl. The sale is expected to be completed by the second quarter of the year. The acquisition of Citelum Italian and Spanish operations will enable Fenice to expand its offering in the business of energy services for local areas and cities, and to develop important synergies with Edison activities dedicated to energy services for the energy transition and decarbonization of local areas and cities towards the smart cities of the future.

External Context

Economic Framework

After the health emergency that dominated 2020 and 2021, in the first quarter of 2022 it is the Russian-Ukrainian conflict that keeps the world on its toes. The Russian invasion against Ukraine started on February 24 has in fact suddenly changed the global outlook. While the world economy was grappling with finding a new order after two years of pandemic, Russian aggression against Ukraine seriously hypothecated the recovery and irreversibly altered the world balance. In fact, 2021 closed with a strong rebound in the world economy (which grew by 5.9%, compared with the deep recession of 2020, which saw GDP fall by 3.2%), although not all countries had returned to pre-pandemic levels and there were still profound differences in the pace of recovery, both among advanced and emerging countries. And even in early 2022, the outlook for economic growth was good, albeit expected to be at a slower pace than in 2021. The main cause for concern was the high level of inflation, which reappeared on the economic scene after around twenty years, reaching peaks that were absolutely unthinkable just a year ago.

A few weeks after the start of the war, the Ukrainian people, who are showing an unexpected capacity for resistance, are experiencing the most serious humanitarian crisis in Europe since the Second World War; Russia is about to face one of the heaviest recessions in its history, triggered by the heavy economic sanctions put in place by the international community; the tensions on the prices of raw materials, already strong before the outbreak of the armed conflict, have become even more acute; the blockades of trade lines have become more stringent.

There is the risk of further intensification of the process of commercial diversification implemented by Russia after the Crimean War, reducing the intensity of trade with Europe and increasing trade with China, Sub-Saharan Africa and Arab countries.

Although Russia is not among the world's largest players in either the commodities or financial markets, it plays a crucial role in the production/supply of many commodities, especially energy. In this respect, it is Europe that is most dependent on Russia, with Italy and Germany in the lead. In fact, the United States has already announced an embargo on Russian oil; as far as Europe is concerned, if the reduction of Russian oil imports (which accounts for 10% of Europe's energy needs) could be feasible by drawing on strategic reserves and leveraging on production increases by other countries, it would be much more complicated to give up Moscow gas (which accounts for around 15% of Europe's energy needs), given the need to build new important infrastructures (gas pipelines) that require long lead times, and the increase in supply by other producers would not be immediate either for political or technical reasons.

The Russian invasion of Ukraine has further fuelled increases in the prices of energy raw materials (and not only). The current spike in price levels is destined to persist until Europe has reduced its energy dependence on Russia; and this can only take a long time and involve investments in alternative energy sources. If the latter will be focused on green energy production, as in the objectives of the Next Generation EU (NGEU), energy prices can only remain high for a long time; if instead the EU would open only in the short term to the possibility of producing energy with sources less environmentally sustainable, but also less expensive, energy prices in Europe could fall more and more quickly.

However, in addition to the rise in energy commodity prices, there is also a sharp increase in agricultural production prices, in many of which Russia and Ukraine are world leaders. Particularly intense was the rise in the price of wheat (of which Russia and Ukraine are respectively the first and seventh largest exporters in the world, while in cereals taken together the two countries are the first and third largest exporters in the world), which in March rose by 25% compared with the pre-invasion level, and of oilseeds. Even more worrying is the increase in the price of fertilizers, which are widely used in agriculture, and which in turn require high gas use for their production.

Not to mention the record rises in certain steel raw materials, such as aluminium and nickel (of which Russia is one of the world's leading exporters), the latter of which was suspended from trading on the London Metal Exchange due to excessive volatility.

In addition to the prices of raw materials, the prospects for growth are also weighed down by the reduction in trade: in fact, it is estimated that in 2022, Russian imports will contract by 50%. And European growth will be affected above all: European exports to Russia and Ukraine are in fact worth around one percentage point of GDP, to which must be added the indirect effects inherent in the reduction of exports of trading partners to Russia, which could penalize above all the mechanical, luxury and pharmaceutical sectors.

As far as the banking system is concerned, there should be no particular problems given the limited exposure of European banks to the Russian market (around 100 billion euros, equal to 0.7% of European GDP) and the even smaller exposure to Ukraine. However, the risk cannot be excluded that, in the event of a protracted conflict, Russia may decide to default on its foreign debt, also taking into account the freezing of reserves held abroad by the Central Bank, the difficulties in managing payments due to sanctions and the possibility that an embargo may also be imposed on gas. Up to now, Russia has fulfilled its commitments on securities in foreign currency and at the moment has the availability necessary to meet the next payments due, also thanks to the inflow of at least 20 billion dollars per month, linked to the export of energy products, gas and oil in particular. Since March 31, however, Moscow has declared that for gas supplies it will only accept payments in roubles from “hostile” countries, i.e., those that have adopted sanctions against Russia, for two reasons: to support the exchange rate of the Russian currency, which is in free fall; and to get around sanctions linked to payments in dollars. The G7 immediately reacted and defined Putin's request as unacceptable, as well as a blatant unilateral violation of existing contracts. At the moment, it is not clear how this situation will be resolved, since it is unthinkable that Europe immediately renounce Russian gas or that Russia continue to supply it free of charge, the former refusing to pay in roubles, the latter accepting payment in dollars or euros.

In this context, economic growth forecasts for the current year have all been revised downwards: for the world economy Prometeia forecasts an increase of 2.5%, compared with the forecast of +4.1% in December 2021. For world trade (which grew 9.5% in 2021), growth of 1.4% is estimated for 2022, up from a December forecast of +4.8%. Only inflation has been revised upwards: having grown by 4.5% in 2021, in the December forecast, it was expected to be 4.6% for 2022; today, it is expected to be +8.1%.

With regard to the main economic areas of the planet, for 2022, the growth forecast for the United States has been reduced from +4.2% (December 2021 estimate) to +3.0% (March 2022 estimate). While inflation has risen from a forecast of +4.6% last December to a current forecast of +6.4%. Inflation that in the United States derives from an excess of demand, unlike in Europe caused by an energy shock.

As regards China, the growth forecast for 2022 is +4.5%, well below government targets (+5.5%), due to new outbreaks of contagion and the ongoing strengthening of the Yuan in international currency markets which, by penalizing Chinese exports, weakens one of the main driving forces behind the country's economy. On the inflation front, China is the only one of the world's major economies to have maintained a level of inflation significantly below the target set by the Central Bank.

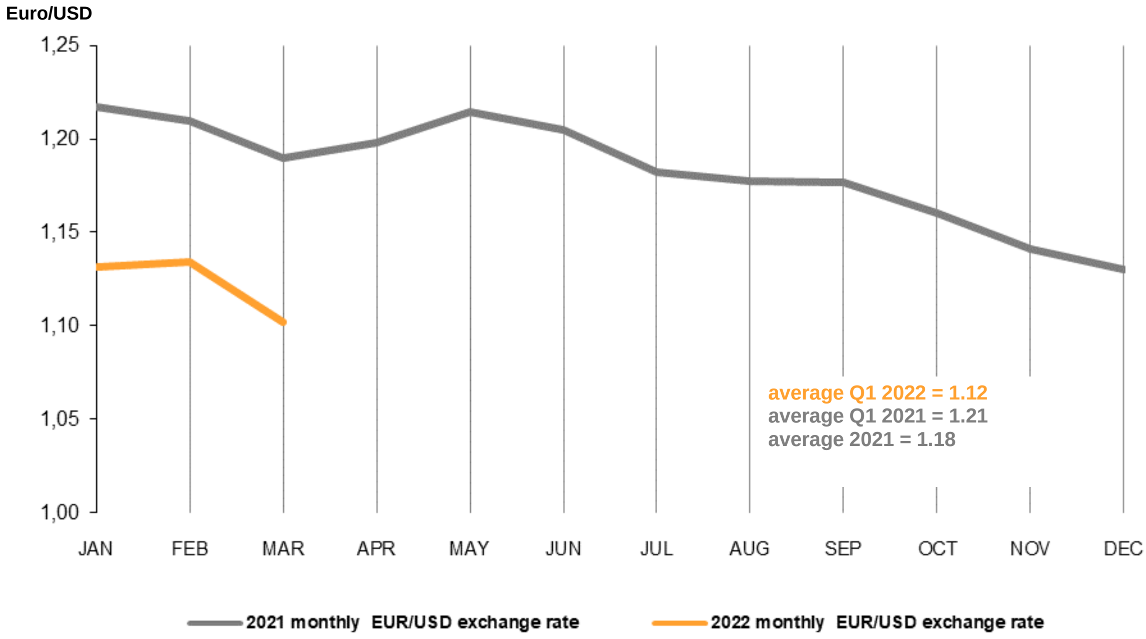
Eurozone GDP growth is expected to be +2.2% this year (up from 4.1% in December 2021), albeit with significant differences between countries in the area: Germany +1.4%; France +2.5%; Spain +3.3%; Italy +2.2%. Although European economies have demonstrated that they are now able to “manage” COVID-19, the risk that the pandemic could again dampen economic growth should not be underestimated.

As far as Russia is concerned, the partial commercial isolation imposed by Western countries and the exclusion of the seven Russian banks from the SWIFT payments system will be at the root of the deep recession forecast for this year, which Prometeia estimates at -14.1%. These are accompanied by the effects of the increase in policy rates in order to contain the depreciation of the rouble, which is fuelling an already very high level of inflation (forecast at 17.1% in 2022) and impoverishing domestic operators, with no provision currently made for the introduction of economic support measures for households and companies.

This is the international framework that has substantially modified the growth prospects of Italy, which had approached the new year with the wind in its sails. Now, however, the conflict in Ukraine could open a new phase for our economy, characterized by high inflation and low growth: according to Prometeia estimates, Italian GDP in 2022 would in fact be 1.8 percentage points lower than pre-war estimates. As mentioned, growth expectations have been reduced to 2.2%, due to the high cost of energy; rising inflation that will cut spending by households and businesses, undermining their confidence and purchasing power; bottlenecks in global supply chains; the more restrictive stance of the ECB, which is likely to have a strong impact on a country with high debt such as Italy.

According to the estimate released by ISTAT, in March, consumer prices rose by 6.7% on an annual basis, mainly due to the prices of energy goods (whose growth went from +45.9% in February to +52.9% in March). However, there was also a marked increase in the prices of foodstuffs, both processed (which rose from +3.1% in February to +4.0% in March) and unprocessed (from +6.9% to +8.0%), sustained by fears of shortages of corn, vegetable oils and cereals and by the explosion in spending on diesel fuel, fertilizers and seeds.
The Russian invasion has also changed the outlook for national budget policy (which remains expansionary) committed in 2022 to mitigate the impact on households and businesses of energy increases, allocating measures for over 10 billion euros only in the first two quarters of 2022 and which, according to Prometeia, will be replicated in the second half of the year, given the persistence of high energy prices. In this regard, there is an even more pressing need to move forward with the energy transition, investing in renewable energy; and in the meantime, focus on greater differentiation of supply sources to reduce our dependence on Russian gas. From this point of view, the agreements for new gas supplies from Algeria, Libya, Mozambique and Angola are positive, and above all the agreement with Azerbaijan which increases the flow of methane transiting the TAP pipeline to 9.5 billion cubic meters (from the current 7). As well as the government's intention to equip itself with two additional regasifiers, also to allow the arrival of the liquid methane that the United States has committed to supplying to Europe.
As far as international trade is concerned, it must be pointed out that only 1.6% of total Italian exports go to Russia and 0.6% to Ukraine; this does not mean, however, that the repercussions could be significant for some specific sectors (machinery, clothing, footwear, pharmaceutical products) and for some regions (above all Lombardy and Marche, which export 25% and 20% of their total exports to Russia, respectively). Russia and Ukraine also hold significant market shares in the supply of some raw materials (such as titanium, palladium, wheat, corn and fertilizers) and semi-finished products that are the basis of sectors such as automotive, engineering, agriculture.
For Prometeia, after a first quarter of the current year in contraction, the factors driving growth could regain the upper hand starting from the summer, bringing the Italian economy back onto a positive growth path. The driving factors include the high level of savings accumulated by households and businesses during the pandemic and the lower level of PA debt in 2021 (-7.2%), compared with that forecast by the DEF - Economic and Financial Document (-11.8%) and the NADEF - Update Note to the Economic and Financial Document (-9.4%). However, growth will continue to be held back by high production prices (energy and raw materials) and high consumer inflation, albeit at lower levels than the European average.

In the first quarter of 2022, the EUR/USD exchange rate stood at an average value of 1.12 dollar per euro, down by 6.9% over the same period in 2021. An analysis of the monthly trend shows that the weakening of the euro that began in June last year continued in the early months of 2022, with an economic change of -1.9% compared with the previous quarter. This dynamic was part of a framework of a different monetary policy of the ECB and FED in order to deal with high inflation. In the United States, the FED accelerated the process of concluding the stimulus measures adopted in 2020 and in March made the first interest rate hike since 2018, bringing the main benchmark to the 0.25-0.50% range from the previous range of 0-0.25%. Expectations that the FED may adopt a more aggressive restrictive monetary policy in the coming months, through multiple interest rate hikes, have encouraged dollar appreciation. In the Eurozone, the ECB maintained a more prudent line, deciding to start reducing stimulus measures, however still maintaining a predominantly accommodating line. The Pandemic Emergency Purchase Programme (PEPP) ended on March 31 and the pace of purchases of traditional Quantitative Easing for the coming months was revised in light of higher than expected inflation. In any case, the ECB announced that it is maintaining ample flexibility on the timing of any future interest rate increases.
In March, the euro reached its lowest level against the dollar since May 2020 due to the repercussions of the war in Ukraine. The dollar appreciated, both as a result of greater demand for safe haven currencies due to geopolitical tensions, and due to the greater exposure of the Eurozone compared to the United States to the repercussions of the economic sanctions imposed against Russia. The euro therefore weakened in the wake of growing concerns about stagflation in the European economy, i.e. a period characterized by lower economic growth and high inflation.



With regard to the oil markets, the average crude oil price for the first quarter of 2022 came in at 97.3 USD/barrel, 59.3% higher than the average recorded for the first quarter 2021 and 21.9% on the average of the fourth quarter 2021. In the first three months of 2022, due to the depreciation of the single currency, the price of crude oil in euros increased more than that in dollars (+71.2%), recording an average of 86.8 EUR/barrel. Since the beginning of the year, prices have shown a bullish trend, supported by strong concerns over a tight supply-demand balance with global inventories falling to their lowest level since 2014.

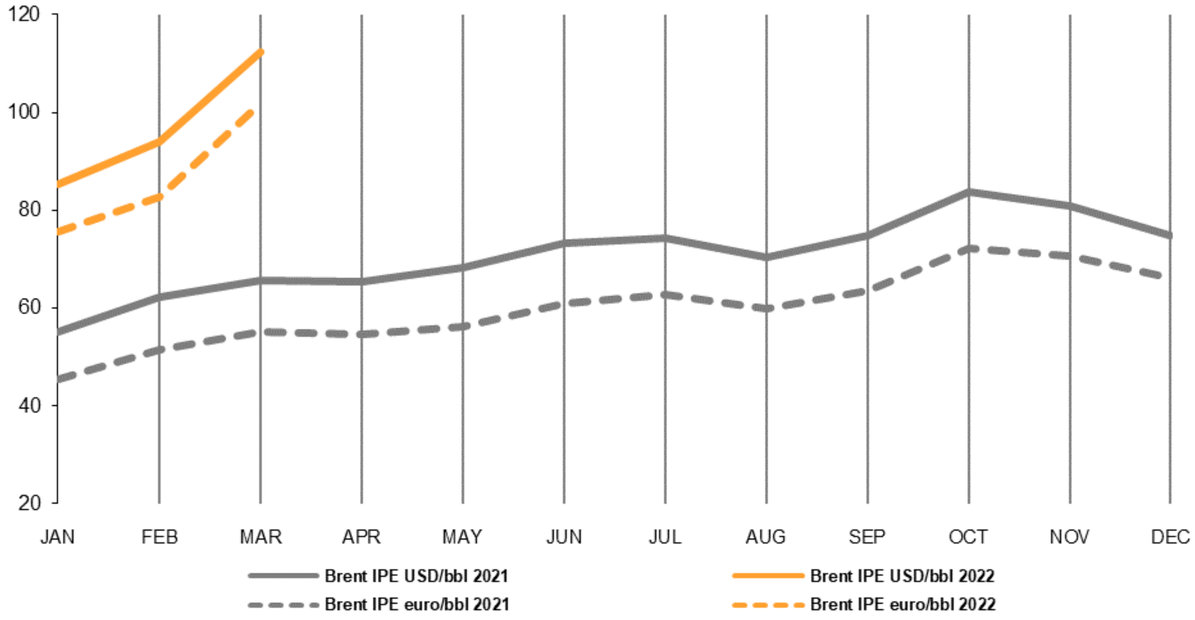
On the demand side, concerns about the impact of the Omicron variant of COVID-19 - which had pushed prices down in late 2021 - have faded. In fact, governments have taken less restrictive measures than in previous waves, and the effects on economic activity and oil demand have been contained. In terms of supply, OPEC+ confirmed its plan for gradual monthly increases in production in the first three months of the year; however, the actual increase was lower due to the difficulty of several countries in reaching their quotas. In this context, geopolitical tensions in Eastern Europe, as well as in the Middle East, have represented a further bullish element for prices since January.

The escalation of the crisis between Ukraine and Russia with the invasion of the Russian army in Ukraine on February 24 accentuated the already high volatility of the oil market and the rest of the energy sector, with prices hitting new highs during March. On March 8, Brent prices reached a record high of 128 USD/barrel, the highest level since 2008, in a climate of great uncertainty due to the possible extension to the energy sector of the economic sanctions adopted against Russia and, consequently, the risk of a partial or total interruption of Russian supplies. Prices then retraced from their highs, though remaining at very high levels, as the European Union decided not to follow the United States in adopting an embargo on Russian oil imports due to the high impact on the European oil budget.

The graph and table below respectively give the average values per quarter and the monthly trend of this year and the previous year:

	1st quarter 2022	1st quarter 2021	% change
Oil price in USD/barrel(1)	97.3	61.0	59.3%
USD/EUR exchange rate	1.12	1.21	(6.9%)
Oil price in EUR/barrel	86.8	50.7	71.2%

(1) Brent IPE



The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

(TWh)	1st quarter 2022	1st quarter 2021	% change
Net production:	71.4	67.0	6.7%
- Thermoelectric	52.1	44.2	17.8%
- Hydroelectric	5.8	10.5	(44.2%)
- Photovoltaic	5.3	4.8	10.9%
- Wind power	6.8	6.1	11.0%
- Geothermal	1.4	1.4	1.5%
Net imports	9.6	12.0	(20.6%)
Pumping consumption	(0.7)	(0.7)	0.2%
Total demand	**80.3**	**78.3**	**2.5%**

Source: processing of preliminary 2022 and 2021 Terna data, gross of grid losses.

In the first quarter of 2022, gross total demand for electric power from the Italian grid totalled 80.3 TWh (TWh = billions of KWh), recording an increase of 2.5% compared to the corresponding period of the previous year. However, it is recalled that restrictive measures had still been in force during the 2021 quarter that impacted mobility and certain market segments due to pandemic management related to COVID-19. In terms of net generation, the contribution of sources as a whole nationwide increased by more than 4 TWh (+6.7%) compared to the 2021 quarter. Looking at renewable generation, wind generation is 0.7 TWh higher (+11%) than in the first quarter of 2021, while photovoltaic generation is 0.5 TWh higher, with an increase of 10.9%. Hydroelectric plants deserve a separate discussion, where the persistent drought, especially in northern Italy, led to an overall decrease of 44.2% for almost 5.0 TWh less than in the same period of the previous year.

As for thermoelectric generation, the contribution in the first quarter of the year was up sharply to compensate for the lower water supply, settling at around 52 TWh, an increase of about 8 TWh (+17.8%). The balance is closed by net imports, which fell by more than 2.0 TWh (-20.6%) in the first quarter, a trend that characterized all three of the first months of 2022 quite uniformly. Overall, domestic generation contributed about 88% of total electricity demand.

With reference to the price scenario as at March 31, 2022, in the first quarter of 2022 the average listing of the time weighted average (TWA) of the single national price (the “PUN” in Italy), came in at 249.3 euro/MWh, four times higher compared to the same period of the previous year (59.3 euro/MWh).

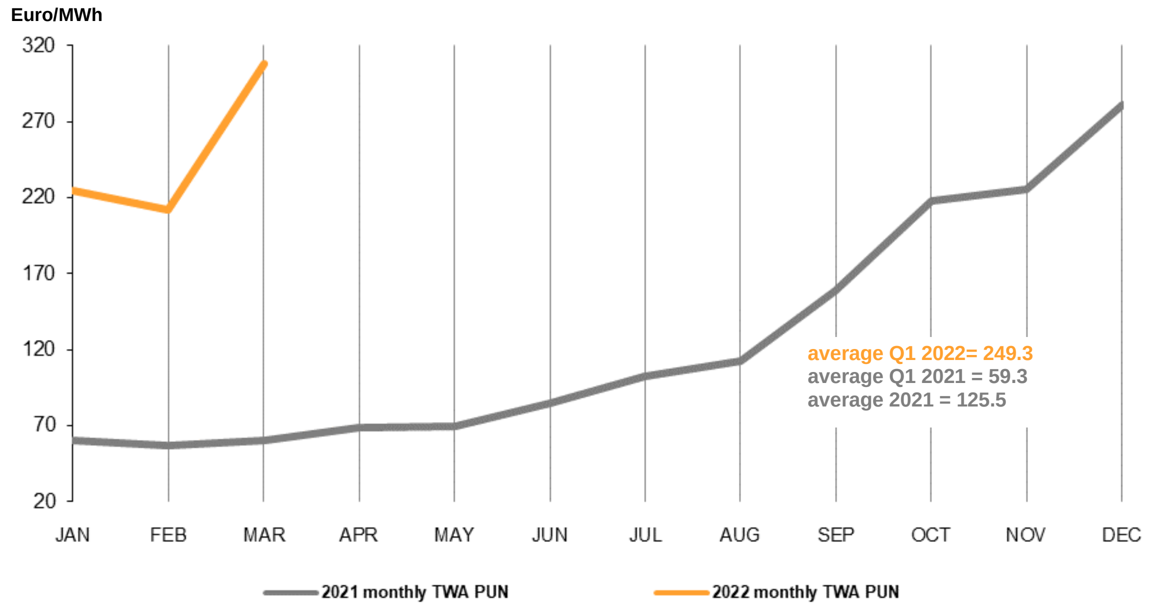
The increase in prices compared to the respective months of 2021 gradually became more pronounced over the course of the quarter, with prices in March being five times higher than the same month of the previous year. This trend took place against a backdrop of higher thermoelectric generating costs following the rise in gas prices, which appreciated at the same rate as tensions in Eastern Europe, culminating in the Russian invasion of Ukraine.

An analysis of the monthly changes in the PUN for the first quarter of 2022 shows a mixed pattern: after a decrease in January and February, subsequently there was a significant increase in March. In particular, during January, prices fell by 20.2% compared to December 2021: temperatures well above the seasonal average in much of Europe contributed to significantly lower gas prices. During the month of February, temperatures remained mild, favouring the decline in prices (-5.7% on a monthly basis), while in March the PUN returned to growth (+45.5% on a monthly basis), impacted by the war in Ukraine that began on February 24 and the consequent rises in all energy markets in Europe.

As regards zonal prices in the first quarter of 2022, differentiated variations were noted, with the increase being more marked in the North (+321.1%) and North Central (+325.8%) zones, whilst it was more contained in the Sicily zone

(+297.5%). The northern areas were more affected by the year-over-year reduction in hydroelectric generation as well as import flows from the northern border. In the group of hours F1, F2 and F3, we observe an increase across all brackets of around 320.1% compared to the first quarter of 2021.

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



As observed in the Italian market, foreign prices have shown upward variations on both a quarterly and yearly basis. The French market recorded an average of 232.2 euro/MWh in the first quarter of 2022, recording the most marked increase (+337.8%) compared to the same period of 2021 following the numerous interruptions for maintenance work on the fleet of nuclear power plants in the country. German prices registered a smaller increase, favoured by an above-average windiness in the first three months of the year, marking a positive trend change of 272.3%, with quotations averaging 184.6 euro/MWh.

Demand for Natural Gas in Italy and Market Environment

(Billions of m^3)	1st quarter 2022	1st quarter 2021	% change
Services and residential customers	13.6	13.7	(0.6%)
Industrial use	4.3	4.7	(7.8%)
Thermoelectric fuel use	7.2	6.4	11.6%
Consumptions and system losses	0.4	0.4	1.6%
Total demand	**25.5**	**25.2**	**1.2%**

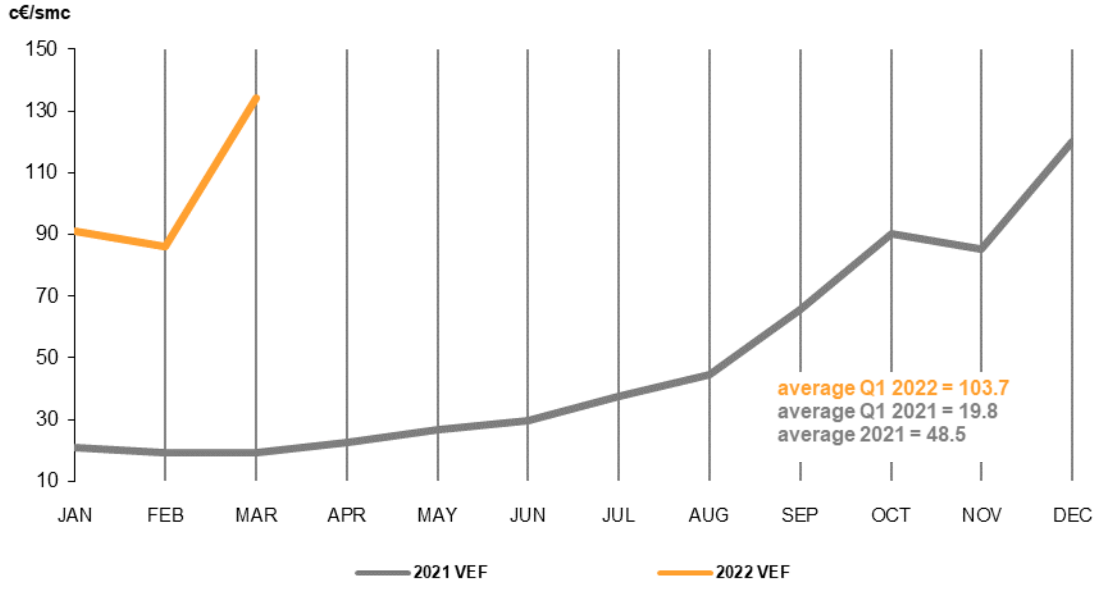
Source: preliminary data 2022 and 2021 Snam Rete Gas, Ministry of Economic Development and Edison estimates.

In the first quarter of 2022, the consumption of natural gas on the Italian territory amounted to approximately 25.5 billion cubic meters, an increase of approximately 0.3 billion (+1.2%) compared to the same period of 2021 which, it should be remembered, had still been subject to partial restrictive measures aimed at managing the COVID-19 pandemic. As regards demand by individual market segment, there was a slight reduction in the residential sector (down 0.6%), which was affected by weather conditions that were more or less similar to those observed last year, with a reduction in absolute terms of around 0.1 Mcm. Demand in industrial uses shows a sharper contraction compared to 2021 of approximately 0.4 billion cubic meters (-7.8%), particularly in February and March due to the worsening economic and energy context. The demand for the thermoelectric segment closes the balance, which reported a marked increase of approximately 0.8 billion cubic meters, above all offsetting the lower contribution from hydroelectric sources.

As for supply sources, the first quarter of 2022 recorded:

- lower domestic production (-0.1 billion cubic meters; -13% compared to 2021);
- higher gas imports (+0.7 billion cubic meters; +4% compared to 2021);
- a decrease in volumes injected from storage (-0.3 billion cubic meters; -5% compared to 2021).

During the first quarter of the year, the price of spot gas in Italy stood at 103.7 €c/scm, registering an increase of 423.6% compared with the same period of 2021; however, the change on an economic basis was more contained, amounting to +5.3%.
The rise in prices took place against a backdrop of high volatility in European gas markets following geopolitical tensions and growing uncertainty regarding pipeline supply from Russia, in a climate of instability that will continue in the coming months. In particular, in March, prices showed extraordinary volatility as a result of the climate of instability created by the repercussions of the outbreak of war in Ukraine at the end of February. Despite strong concerns, import flows from Russia have been regular and the European Union has decided not to impose sanctions on gas from Russia.
The Northern European gas markets recorded upward trends when compared to the same period in 2021, in line with as observed in Italy: the TTF, the main point of reference for gas in Europe, closed the first quarter of 2022 at 101.2 €c/scm, up 417.7% compared to 2021.
The VEF-TTF spread recorded an average of 2.6 c€/scm, a significant increase compared to the first quarter of 2021, when it stood at 0.3 €c/scm. The widening of the differential between the two hubs was primarily driven by some economic factors including the high demand for gas for thermoelectric generation, which resulted in Italian demand being higher than average over the last three years, unlike the situation in Northern Europe where consumption was below average.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average Q1 2022 = 103.7
average Q1 2021 = 19.8
average 2021 = 48.5
2021 VEF
2022 VEF

Legislative and Regulatory Framework

Below are the key points of the main developments concerning the legislative and regulatory framework relative to the first quarter of 2022, for the various areas of the corporate business.

Electric Power Operations

Wholesale Market

Capacity Mechanisms - The auction for the 2024 delivery year was held on February 21, 2022. A total of 41.541 GW was allocated, including 37.931 GW of domestic capacity (including 3.778 GW of new capacity) and 3.61 GW of foreign capacity. Edison was awarded 2,275 MW of existing capacity at a premium of 33,000 €/MW/year and 7 MW of new unlicensed capacity at a premium of 33,467 €/MW/year for 15 years[1].
The continuation of the mechanism for future years, particularly 2025, is not a foregone conclusion. The MiTE first highlighted this in 2021, in the deed of address of June 30, stressing that, downstream of the auctions for 2024 and 2025, a phase of in-depth analysis will follow to assess whether - based on the evolution of the system - it is still necessary to repeat further auctions, together with the possibility of orienting the mechanism even more to support energy transition, should the mechanism be confirmed.
More recently, with Decree October 28, 2021 concerning "*Approval of the regulations of the system for remunerating the availability of electricity production capacity and definition of the target value of the system adequacy indicator*", in addition to providing for the launch of the procedures for carrying out the auctions for the procurement of capacity for the year 2024 only, the MITE has again specified that, following the outcome of the same, the conditions will be evaluated for the possible continuation of the system of remuneration of capacity. The Decree also establishes that, if for three consecutive years the long-term capacity adequacy assessments carried out by Terna do not identify any reason for concern, the capacity remuneration system will be terminated.
The feasibility of a possible Capacity Market auction for the 2025 delivery period will then be evaluated after the analysis of the 2024 auction results. However, there are uncertainties about the actual continuation of the mechanism post-2025 and how it will be implemented.
In the meantime, ARERA (or the Authority) has introduced, with a specific resolution (Resolution 83/2022/R/eel) published on March 4, 2022, important changes to the methodology for calculating the strike price of the capacity market in order to take into account the significant and exceptional volatility that is characterizing the prices of natural gas and emission quotas, in a context of international crisis the duration of which is currently unpredictable. This is a critical issue that has been repeatedly reported by the industry associations (particularly Elettricità Futura and Energia Libera) in which Edison participates.
The resolution therefore introduced a change in the calculation of the strike price of the capacity market, providing for daily indexing of the standard value of natural gas and the emissions component so that the strike price is more representative of the variable cost of the leading technology (open cycle turbogas) even in the presence of conditions of exceptional market volatility. These amendments are effective as of Saturday, March 5, 2022 (i.e. the day following the date of publication of this resolution) and will remain in effect until further action.
Regarding the appeals pending with the Regional Administrative Court and the Court of First Instance of the European Union against the Capacity Market, the Lombardy Regional Administrative Court postponed its decision following the ruling of the Court of First Instance, which in the meantime decided to handle the case without opening the oral phase of the proceedings. The Court will therefore proceed directly with handing down the ruling, without hearing the parties at a hearing for oral discussion. Edison has a strong interest in the continued implementation of the Capacity Market for delivery years subsequent to 2023, which would make it possible to leverage its likely available capacity (CDP) relating

[1] Similar to the battery installed at the Bussi plant.

to existing plants (roughly 2.8 GW awarded in the 2022 and 2023 auctions for this capacity category at a premium of 33,000 €/MW/year) and any new capacity to be developed.

Retail Market

Zeroing of general charges for the first quarter of 2022 - In order to limit the impact on the bill of the extraordinary rises in the prices of wholesale energy products, ARERA with Resolution 35/2022/R/eel has set general system charges to zero for the first quarter of 2022 for all medium/large companies with power equal to or greater than 16.5 kW. The measure of the Authority applies the provisions of the decree sostegni-ter, approved January 21, which identified as beneficiaries of the measure all users above this power threshold, in medium, high and very high voltage, or those of public lighting uses or electric vehicle charging in places accessible to the public. The resolution therefore resets the current rates of the Asos and Arim tariff components for all users above 16.5 kW, defining specific obligations towards sellers in order to ensure that end customers who are entitled to them receive the full benefits of the provisions in a timely manner.
ARERA had already provided for the same measure of zeroing the general system charges for the first quarter of 2022 for domestic customers and small businesses in low voltage (under 16.5 kW of power) on the occasion of the quarterly update of the conditions of protection at the end of December, implementing what was provided for by the Budget Law 2022 (in continuity with what was also provided for in the fourth quarter of 2021 by resolution 396/2021/R/com).
The same resolution also introduces an amendment for 2022 to the procedures relating to relief for energy-intensive companies, reducing the amount of the first instalment of the partial contribution to system charges due from some of them in light of uncertainties about market trends.

Gradual Protection Service for Micro-enterprises - With Decree-Law No. 183 of December 31, 2020, the deadline for exceeding protected prices for protection services for micro-enterprises up to 15 kW of committed power, with a maximum of 10 employees and 2 million euros in turnover is further extended to January 1, 2023.

Implementation of the facilitation mechanism for gas-intensive companies - With Resolution 41/2022/R/gas, the Authority initiates the procedure for the regulation of facilitations for natural gas-intensive companies, as per Ministerial Decree no. 541 of December 21, 2021, so-called “Gas-intensive companies decree”, which provided for the recalculation of the fees to cover the general charges of the gas system applied to gas companies, related to the financing of measures aimed at achieving common decarbonization objectives as of April 1, 2022.
As part of this measure, ARERA published consultation 59/2022/R/gas in which it proposes the operating methods for an initial application, on an urgent and necessarily simplified basis, of the facilitations for gas-intensive companies, which on the one hand, allow these companies to benefit from the reduction in the RE_{TIG} and RE_{IG} tariff components as of April 1, 2022, and on the other hand limit, to the maximum extent possible, the need for subsequent adjustments that could lead to outstanding payments in the case of customers who have now switched to other suppliers. Edison, in response to the consultation, proposes to re-evaluate the guidelines for initial application and the related attribution of responsibility with a view to simplifying the mechanism in the first phase of implementation and minimizing the impact on operators in the supply chain, which appear to be significant.

Gas Operations

Rates and Market

Gas storage auctions for the thermal year 2022-2023 - In March 2022, also as a result of the evolution of the international geopolitical situation and the forward structure of gas prices (spread winter 23 - summer 22 significantly negative), significant legislative/regulatory changes were introduced aimed at encouraging the filling of storage facilities in the short term and referring both to the final phase of the winter 2021-2022 supply phase and the subsequent storage year 2022-2023. Resolution 97/2022/R/gas defined an increase in the fees for the offer of short-term capacity in order to discourage the supply from storage and requested storage operators to favour injection (Edison Stoccaggio already offers injection capacity even for the winter period). MD March 14, 2022, of the MiTE and Resolution 110/2022/R/gas for storage provided:

- to charge a zero fee to holders of gas in storage at April 1, 2022 for the automatic allocation for the next thermal year of the relevant occupied space;
- that reserve prices will be zero for all storage capacity allocation procedures (previously reserve prices had to be non-zero and were not disclosed to the market);
- that the costs associated with the technical consumption of the compressor and treatment plants should not be charged to storage users;
- for the purposes of providing incentives to fill storage capacity, if at the end of October 2022, the user's storage capacity is less than the minimum storage capacity allowed, an increased fee (penalty) will be applied to this user compared with the current one of 1.15 euro/MWh, commensurate with the financial burden not incurred in the event of failure to fill the allocated capacity.

Edison Stoccaggio, at auctions held on March 18 and 22, respectively, offered to market users its available capacity, conferring 120 MScm at the first auction for the seasonal Peak Modulation service and an additional 24 MScm for the so-called Constant Peaks Modulation service.

Issues affecting multiple business segments

“**Sostegni-ter” (Support) Decree-Law** - The measure containing “Urgent measures regarding support for businesses and economic operators, work, health and territorial services, connected to the COVID-19 emergency as well as to contain the effects of price increases in the electricity sector” - Decree-Law January 27, 2022, no. 4, was converted by the conversion law of March 28, 2022, no. 25, published in the Official Journal of March 28, 2022. The measure contains provisions regarding support for companies to contain the effects of increases in electricity costs.
In particular, article 15-*bis* of the measure introduces provisions that envisage a two-way compensation mechanism, calculated in relation to historical reference prices and applied, from February 1 to December 31, 2022, on electricity fed into the grid by the following renewable source plants (excluding plants < 20kW): photovoltaic plants that benefit from the Energy Account; plants powered by hydroelectric, solar and wind sources, operational before January 1, 2010 that do not qualify for incentive mechanisms. The mechanism does not apply to energy covered by supply contracts entered into before January 27, 2022, provided they are not linked to spot market price trends and are not entered into at a price 10% higher than the reference value.

“Ukraine” Decree-Law - The measure, entitled “Urgent provisions on the crisis in Ukraine” - Decree-Law no. 14 of February 25, 2022, was published in the Official Journal and is in force from February 25, 2022, then transmitted to Parliament for the start of the process of conversion into law, which must take place within 60 days.
The provision contains measures to be adopted on an emergency basis, aimed at increasing the availability of gas and the planned reduction in consumption as provided for in the National Emergency Plan.

"Energy" Decree-Law - The measure, relating to "Urgent measures for the containment of electricity and natural gas costs, the development of renewable energy and the relaunch of industrial policies" - Decree-Law no. 17 of March 1, 2022, was published in the Official Journal and has been in force since March 2, 2022, after which it was sent to Parliament for the start of the process of conversion into law, which must take place within 60 days.
Specifically, inter alia, the measure contains the following provisions:

- measures to combat rising energy prices, such as the cancellation of system charges for the second quarter of 2022, the reduction of VAT and general charges in the gas sector, the strengthening of the social bonus for electricity and gas and a tax credit for energy-intensive businesses and businesses with high natural gas consumption;
- procedures for end-use customers for long-term procurement of domestically produced natural gas;
- contribution in the form of a tax credit of 20% of expenses incurred for the purchase of LNG for the freight sector;
- simplifications of the authorization procedures for the installation of photovoltaic and thermal systems on buildings or on structures and facilities above ground other than buildings;
- incentives for photovoltaic systems with modules placed on the ground in an agricultural context (so-called agri-voltaic);
- in the area of gas storage, rules aimed at increasing the security of natural gas supplies by setting a target for filling storage facilities for the thermal year 2022-2023.

In particular, in line with the provisions of the aforementioned decree-law, the **Ministerial Decree of March 14, 2022** on gas storage for the thermal year 2022-2023 was adopted, which governs the method of allocating storage capacity for the storage contract year from April 1, 2022 to March 31, 2023, taking into account the objectives in terms of achieving storage levels.

"Cut prices" Decree-Law - The provision contains "Urgent measures to counter the economic and humanitarian effects of the Ukrainian crisis" - Decree-Law no. 21 of March 21, 2022, published in the Official Journal and in force since March 22, 2022, then sent to Parliament for the start of the process of conversion into law, which must take place within 60 days.
In particular, the measure contains provisions for the introduction of an extraordinary contribution to be paid by entities that produce and sell electricity and gas in Italy for subsequent sale and by entities that import electricity and gas from other EU countries. The contribution, which is due by June 30, 2022, is calculated as 10% with respect to a taxable base consisting of the increase in the balance between VAT receivable and payable transactions, during the period October 1, 2021 through March 31, 2022 compared to the period October 1, 2020 through March 31, 2021.
In addition, measures are provided for the support of businesses through the instalment of electricity and gas bills.

On May 2, 2022 the Council of Ministers approved the so-called "Helps Decree" which, among the other measures, would provide the increase from 10% to 25% of the rate of the extraordinary contribution required by art. 37 of D.L. 21/2022 (Decree-Law "Cut prices"). The measure is waiting for the publication in the Official Journal, so at present there is no additional obligation for the Group.

Taxonomy Regulation Delegated Act - On February 2, 2022, the European Commission published the supplemental Taxonomy Delegated Act on gas and nuclear. The legislative process on Taxonomy - a classification system that establishes a list of economic activities defined as environmentally 'sustainable' - had begun with the adoption of the European Taxonomy Regulation on July 12, 2020. The supplementary delegated act of February 2 confirms the inclusion of nuclear and gas in the taxonomy on the basis of criteria that are nevertheless stringent. The text states that in order to qualify for the taxonomy, gas-fired generation must have (life cycle) GHG emissions of less than 100 gCO_2e/kWh, with different criteria applying over a transition period. Plants for which a construction permit is granted by December 31, 2030, in fact:

a) must have direct emissions of less than 270gCO_2e/kWh or annual direct emissions of less than 550kgCO_2e/kW (as a twenty-year average);
b) must demonstrate that the energy cannot be generated from renewable sources;
c) replace an existing business that uses oil or coal;
d) have a production capacity that does not exceed the capacity of the replaced facility by more than 15%;
e) are designed to use renewable and/or low-carbon gases with transition to full use by 2035;
f) by replacing a more polluting plant, lead to a reduction in GHG emissions of at least 55%;
g) are located in a member state that, where it still produces electricity from coal, has committed to a coal phase-out plan.

The taxonomy may influence the propensity of financial operators to invest in certain activities. However, it does not place any constraints on investments, which may continue to be allocated. The taxonomy support for green technologies will enhance the attractiveness of investments in this area.

RePowerEU Communication - On March 8, 2022, the European Commission published a Communication called “RePowerEU” on gas prices and gas supplies, which is a non-binding policy act. The Communication makes explicit the objective of eliminating the EU dependence on Russian gas 'well before' 2030 and reducing it by as much as two-thirds in 2022. The Commission expects to meet the 2022 target by encouraging import diversification, accelerating the development of renewables and decarbonized gas, and reducing energy consumption. Other measures include the possibility of introducing regulated prices and taxing the extra profits of energy companies. RePowerEU also makes explicit the need to ensure that storage facilities are filled from winter 2022 onwards. In this regard, on March 23, the European Commission published a proposal for a Regulation introducing mandatory storage fill targets. This proposal will be discussed and approved between the second and third quarters of 2022.

Presentation formats

Consolidated income statement

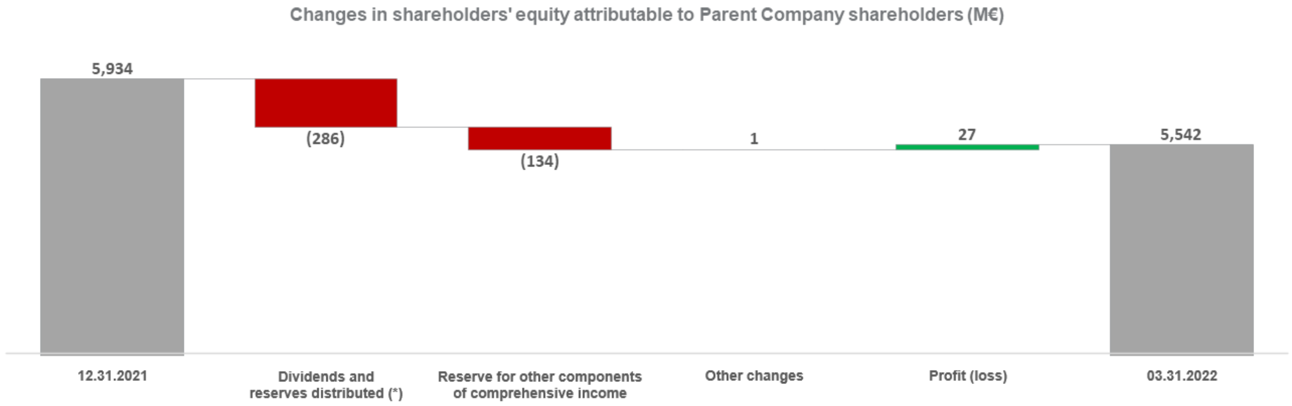
(in millions of euros)	**1st quarter 2022**	1st quarter 2021
Sales revenues	7,111	2,131
Other revenues and income	15	34
Total net revenues	**7,126**	**2,165**
Commodity and logistic costs (-)	(6,497)	(1,677)
Other costs and services used (-)	(164)	(131)
Labor costs (-)	(84)	(83)
Receivables (writedowns) / reversals	(2)	(3)
Other costs (-)	(22)	(19)
EBITDA	**357**	**252**
Net change in fair value of derivatives (commodity and exchange rate risk)	(19)	(18)
Depreciation and amortization (-)	(94)	(89)
(Writedowns) and reversals	-	-
Other income (expense) non Energy activities	(2)	(1)
EBIT	**242**	**144**
Net financial income (expense) on debt	(2)	(3)
Other net financial income (expense)	8	(4)
Net financial income (expense) on assigned trade receivables without recourse	(4)	(4)
Income from (Expense on) equity investments	(1)	1
Profit (Loss) before taxes	**243**	**134**
Income taxes	(177)	(36)
Profit (Loss) from continuing operations	**66**	**98**
Profit (Loss) from discontinued operations	-	-
Profit (Loss)	**66**	**98**
Broken down as follows:		
Minority interest in profit (loss)	39	-
Group interest in profit (loss)	**27**	**98**

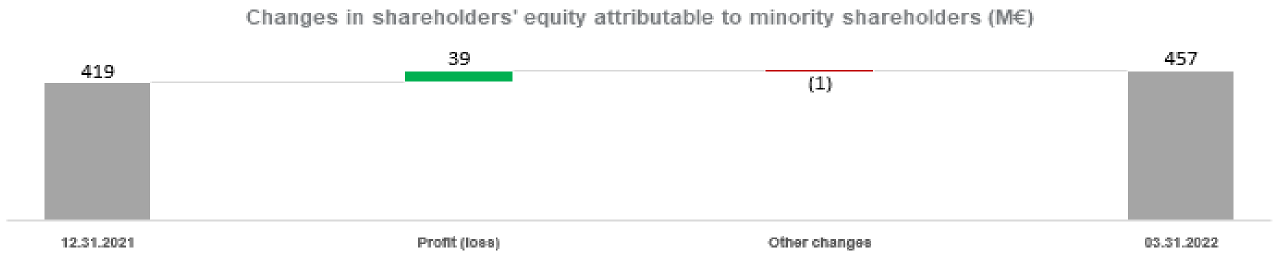
Consolidated balance sheet

	03.31.2022	12.31.2021
(in millions of euros)		
ASSETS		
Property, plant and equipment	3,742	3,744
Intangible assets	345	339
Goodwill	2,184	2,184
Investments in companies valued by the equity method	168	160
Other non-current financial assets	38	33
Deferred-tax assets	413	329
Non-current tax receivables	2	2
Other non-current assets	94	71
Fair value	1,241	863
Assets for financial leasing	2	2
Total non-current assets	**8,229**	**7,727**
Inventories	140	176
Trade receivables	3,686	3,542
Current tax receivables	7	6
Other current assets	446	432
Fair value	6,994	3,843
Current financial assets	2	3
Cash and cash equivalents	1,266	910
Total current assets	**12,541**	**8,912**
Assets held for sale	**69**	**69**
Total assets	**20,839**	**16,708**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	4,736	4,736
Reserves and retained earnings (loss carryforward)	1,108	980
Reserve for other components of comprehensive income	(329)	(195)
Group interest in profit (loss)	27	413
Total shareholders' equity attributable to Parent Company shareholders	**5,542**	**5,934**
Shareholders' equity attributable to minority shareholders	457	419
Total shareholders' equity	**5,999**	**6,353**
Employee benefits	37	37
Provisions for decommissioning and remediation of industrial sites	189	188
Provisions for risks and charges	318	239
Provisions for risks and charges for non Energy activities	390	396
Deferred-tax liabilities	45	44
Non-current tax payables	17	17
Other non-current liabilities	17	15
Fair value	1,639	891
Non-current financial debt	600	614
Total non-current liabilities	**3,252**	**2,441**
Trade payables	3,133	2,872
Current tax payables	345	136
Other current liabilities	711	402
Fair value	6,947	4,092
Current financial debt	422	382
Total current liabilities	**11,558**	**7,884**
Liabilities held for sale	**30**	**30**
Total liabilities and shareholders' equity	**20,839**	**16,708**

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, 2021	4,736	980	(195)	413	5,934	419	6,353
Appropriation of the previous year's profit (loss)	-	413	-	(413)	-	-	-
Dividends and reserves distributed (*)	-	(286)	-	-	(286)	-	(286)
Other changes	-	1	-	-	1	(1)	-
Total comprehensive profit (loss)	-	-	(134)	27	(107)	39	(68)
of which:							
- Change in comprehensive income	-	-	(134)	-	(134)	-	(134)
- Profit (loss) at March 31, 2022	-	-	-	27	27	39	66
Balance at March 31, 2022	4,736	1,108	(329)	27	5,542	457	5,999





(*) Edison Spa Shareholders' Meeting, held on March 31, 2022, passed a resolution for the distribution of a portion of 2021 profit, for an overall amount of 286 million euros, as dividend for saving and ordinary shares. Such amount, which was paid on April 27, 2022, is booked under the item "Other current liabilities" at March 31, 2022.

Economic & Financial Results at March 31, 2022

Sales Revenues and EBITDA of the Group and by Business Segment

(in millions of euros)	1st quarter 2022	1st quarter 2021	Change	% change
Electric Power Operations				
Sales revenues	2,278	1,014	1,264	*124.7%*
EBITDA	145	186	(41)	*(22.0%)*
Gas Operations and E&P				
Sales revenues	5,644	1,267	4,377	*345.5%*
EBITDA	233	88	145	*164.8%*
Corporate Operations (1)				
Sales revenues	18	15	3	*20.0%*
EBITDA	(21)	(22)	1	*4.5%*
Eliminations				
Sales revenues	(829)	(165)	(664)	*(402.4%)*
Edison Group				
Sales revenues	**7,111**	**2,131**	**4,980**	***233.7%***
EBITDA	**357**	**252**	**105**	***41.7%***
as a % of sales revenues	***5.0%***	***11.8%***	**-**	**-**

(1) 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.

Revenues in the first quarter of 2022 increased compared with the previous year to 7,111 million euros, attributable to both lines of business, following the rise in the reference scenario.
EBITDA totalled 357 million euros, or 41.7% more than the previous year, with a positive contribution in particular from Gas Operations and E&P.

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]	1st quarter 2022	1st quarter 2021	% change
Edison's production:	**5,455**	**4,284**	***27.3%***
- thermoelectric	4,573	3,214	*42.3%*
- hydroelectric	275	503	*(45.3%)*
- wind power and other renewables	607	567	*7.0%*
Other purchases (wholesalers, IPEX, etc.) [2]	**4,150**	**4,868**	***(14.7%)***
Total sources	**9,605**	**9,152**	***5.0%***
EESM Division Production	**192**	**185**	***3.8%***

(1) 1 GWh is equal to 1 million kWh, referred to physical volumes.
(2) Before line losses.

Uses

(GWh) [1]	1st quarter 2022	1st quarter 2021	% change
End customers [2]	3,432	3,290	*4.3%*
Other sales (wholesalers, IPEX, etc.)	6,173	5,862	*5.3%*
Total uses	**9,605**	**9,152**	***5.0%***
EESM Division Sales	**192**	**185**	***3.8%***

(1) 1 GWh is equal to 1 million kWh.
(2) Before line losses.

The Group operates in accordance with a business model that calls for the separation of power generation activities (thermoelectric and renewables), sales on the end market (business and retail) and wholesale market and buying and selling activities, aimed at implementing adequate segregation and risk hedging policies for the above-mentioned portfolios and the maximising their profitability through their optimisation.
Within this model, Edison production in Italy amounted to 5,455 GWh, up 27.3% from the same period of 2021. The positive trend is dictated in particular by the performance of thermoelectric production, which shows an increase of 42.3%, mainly related to the shutdown in 2021 of a power plant due to failure and the need in 2022 to cover the losses of hydroelectric production which, on the contrary, show a decrease of 45.3% mainly attributable to lower hydraulicity. As regards wind power generation and other renewables, an increase of 7% was recorded due to the change in the scope of consolidation linked to the acquisition, carried out during the third quarter of 2021, of Vibinum Srl and Aerochetto Srl and the commissioning of complete reconstruction of wind farms in Abruzzo and Casone Romano.
Sales to end customers increased by 4.3% due to more sites in the SME segment portfolio and an increase in average consumption due to growth in Microbusiness customers.
Other purchases are down 14.7% on the first quarter of the previous year, while other sales are up 5.3%; it should be noted that, however, these items include not only purchases and sales on the wholesale market but also purchases and sales on IPEX, connected with the balancing of portfolios.
There was an increase in sales volumes related to the Energy & Environmental Services Market Division.

Income Statement Data

(in millions of euros)	1st quarter 2022	1st quarter 2021	% change
Sales revenues	2,278	1,014	*124.7%*
EBITDA	145	186	*(22.0%)*

Sales revenues in the first quarter of 2022 came in at 2,278 million euros, up 124.7% compared to the previous year, mainly due to the rise in the price scenario.
EBITDA came to 145 million euros (186 million euros in the first quarter of 2021) and recorded a decrease of 22%.
The thermoelectric sector shows an upward trend compared to last year, thanks to a good performance of the MSD and MGP markets and the contribution of the capacity market, which more than offset some one-off components recorded in 2021, such as the contribution of CIP6 incentives linked to the years 2003-2004 and the release of a provision for risks.
The renewables sector, on the other hand, achieved a negative result, especially in hydroelectricity, as a result of a reduction in volumes due to low hydraulicity. The reduction in wind power, on the other hand, is mainly due to the lower contribution of incentives. There was also a drop in results in the commercial sector, in particular the retail segment due to the price scenario. In contrast, value-added services (VAS) sales results were in line with last year.
The income statement data of Electric Power Operations include the results of the Energy & Environmental Services Market Division which, in the first quarter of 2022, showed a 41% increase in sales revenues compared to the first quarter of 2021, reaching 212 million euros (150 million euros in the first quarter of 2021). EBITDA is down 6% on last year, recording 29 million euros (31 million euros in the first quarter of 2021); this reduction is primarily attributable to the Public Administration segment due to the price scenario.

Gas Operations and E&P

Sources of Gas

(millions of m^3 of natural gas)	1st quarter 2022	1st quarter 2021	% change
Production (1)	2.1	2.1	*0%*
Production outside Italy (2)	40	41	*(2.4%)*
Imports (Pipeline + LNG)	2,967	2,972	*(0.2%)*
Other purchases	2,899	1,909	*51.9%*
Change in stored gas inventory (3)	124	183	*(32.2%)*
Total sources	**6,032**	**5,107**	***18.1%***

(1) Production by Edison Stoccaggio. Net of self-consumption and at standard calorific power.
(2) Production related to the concession in Algeria.
(3) Includes pipeline leaks. A negative change reflects additions to the stored gas inventory.

Uses of Gas

(millions of m^3 of natural gas)	1st quarter 2022	1st quarter 2021	% change
Residential use	994	907	*9.6%*
Industrial use	1,488	1,575	*(5.5%)*
Thermoelectric fuel use	1,644	1,341	*22.6%*
Sales of production outside Italy	40	41	*(2.4%)*
Other sales	1,866	1,243	*50.1%*
Total uses	**6,032**	**5,107**	***18.1%***

First-quarter gas imports are in line with last year, while the change in storage is down 32.2% due to an earlier release than last year.
In terms of uses, amounting to 6,032 million cubic meters, there was an increase in sales to residential users, thanks to the increased number of contracts with Microbusiness customers and higher consumption by residential customers, and an increase in sales to thermoelectric users.
On the other hand, sales to industrial users decreased by 5.5% due to the rise in gas prices that led some customers to reduce or stop production.

Income Statement Data

(in millions of euros)	1st quarter 2022	1st quarter 2021	% change
Sales revenues	5,644	1,267	*345.5%*
EBITDA	233	88	*164.8%*

In the first quarter of 2022, sales revenues grew to 5,644 million euros, or 345.5% more than in the same period last year, thanks to a favourable price scenario and an increase in volumes sold for civil and thermoelectric uses.
EBITDA, which includes income from regulated activities, amounted to 233 million euros, an increase of 164.8% compared with the first quarter of 2021, partly attributable to non-recurring events, some of which will be reabsorbed by the end of the year and partly to portfolio optimization actions and new supply agreements. The greater availability of supply sources, which instead recorded a negative trend in the same period of 2021, also contributed to the result. In the commercial sector there was a decrease in results, particularly in the retail segment, due to the price scenario.

Corporate Operations

Income Statement Data

(in millions of euros)	1st quarter 2022	1st quarter 2021	% change
Sales revenues	18	15	*20.0%*
EBITDA	(21)	(22)	*4.5%*

Corporate Operations 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 and EBITDA for the first quarter of 2022 show an upward trend from last year, driven by a gradual upgrade of service contracts to operating units.

Other components of the Group's Income Statement

(in millions of euros)	**1st quarter 2022**	1st quarter 2021	% change
EBITDA	**357**	**252**	***41.7%***
Net change in fair value of derivatives (commodity and exchange rate risk)	(19)	(18)	*(5.6%)*
Depreciation and amortization	(94)	(89)	*(5.6%)*
(Writedowns) and reversals	-	-	*n.m.*
Other income (expense) non Energy activities	(2)	(1)	*(100.0%)*
EBIT	**242**	**144**	***68.1%***
Net financial income (expense) on debt	(2)	(3)	*33.3%*
Other net financial income (expense)	8	(4)	*n.m.*
Net financial income (expense) on assigned trade receivables without recourse	(4)	(4)	*0.0%*
Income from (Expense on) equity investments	(1)	1	*n.m.*
Income taxes	(177)	(36)	*n.m.*
Profit (Loss) from continuing operations	**66**	**98**	***(32.7%)***
Profit (Loss) from discontinued operations	**-**	**-**	***n.m.***
Minority interest in profit (loss)	39	-	*n.m.*
Group interest in profit (loss)	**27**	**98**	***(72.4%)***

The **Profit (Loss**) **from continuing operations** is positive by 66 million euros (positive by 98 million euros in the first quarter of 2021).

In addition to the industrial margin dynamics discussed above, the main factors affecting this result were:

- a net negative change in the fair value of derivatives amounting to 19 million euros (negative by 18 million euros in the first quarter of 2021);
- depreciation and amortization for 94 million euros (89 million euros in the first quarter of 2021);
- the financial items, which record net income for 2 million euros (net expense for 11 million euros in the first quarter of 2021); and
- the income taxes, which show a strong increase mainly for the effect of the inclusion of the extraordinary contribution required by art. 37 of D.L. 21/2022 (Decree-law "Cut prices").
  While waiting the conversion into law, expected within May, 20, a first estimate of such contribution for about 100 million euros has been recorded. In absence of such item the tax rate would have been about 32%.

Following the allocation of minority interest in profit (loss), for a profit of 39 million euros, which reflect essentially the positive performance of Edison Renewables (owned by Edison at 51%) and its subsidiaries, **Group interest in profit (loss)** is positive for 27 million euros (positive for 98 million euros in the first quarter of 2021).

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

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

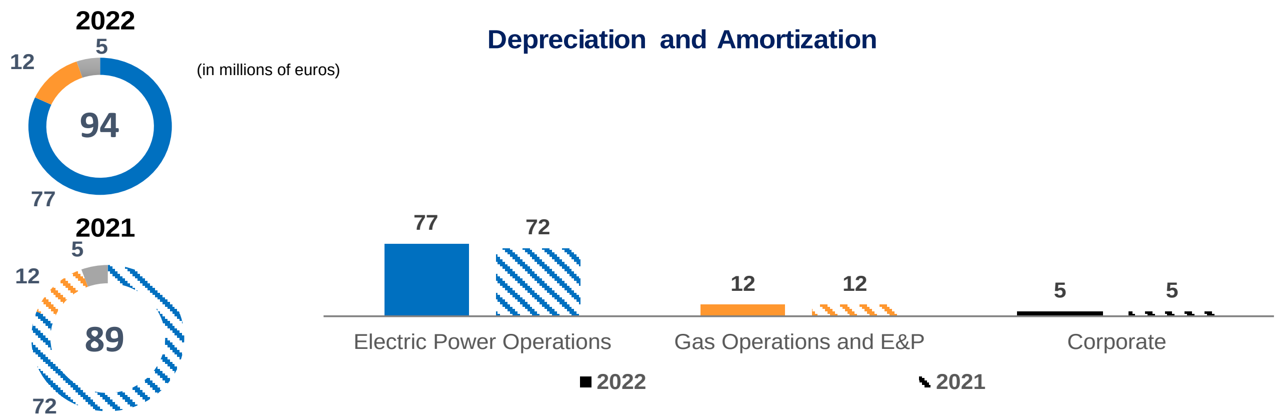
Net change in fair value of derivatives (commodity and exchange rate risk) (in millions of euros)	Definable as hedges (CFH) (*)	Definable as hedges (FVH)	Not definable as hedges	Total net change in fair value
1st quarter 2022				
Hedges of price risk on energy products	-	(764)	(4)	**(768)**
Hedges of foreign exchange risk on commodities	-	10	-	**10**
Change in fair value in physical contracts (FVH)	-	739	-	**739**
Total 2022	**-**	**(15)**	**(4)**	**(19)**
1st quarter 2021				
Hedges of price risk on energy products	(4)	53	1	**50**
Hedges of foreign exchange risk on commodities	-	40	-	**40**
Change in fair value in physical contracts (FVH)	-	(108)	-	**(108)**
Total 2021	**(4)**	**(15)**	**1**	**(18)**

(*) It refers to the ineffective portion.

Net change in fair value recorded in the first quarter of 2022 is linked to the increase in prices of the main reference commodities.

Depreciation, Amortization and Writedowns

The following chart shows the detail of depreciation and amortization by business segment.



Other net financial income (expense)

(in millions of euros)	1st quarter 2022	1st quarter 2021	Change
Financial expenses on provisions	(3)	(3)	-
Net foreign exchange translation gains (losses) (*)	13	-	13
Other	(2)	(1)	(1)
Other net financial income (expense)	**8**	**(4)**	**12**

(*) Including net results of the transactions with EDF Sa to cover exchange rate risk.

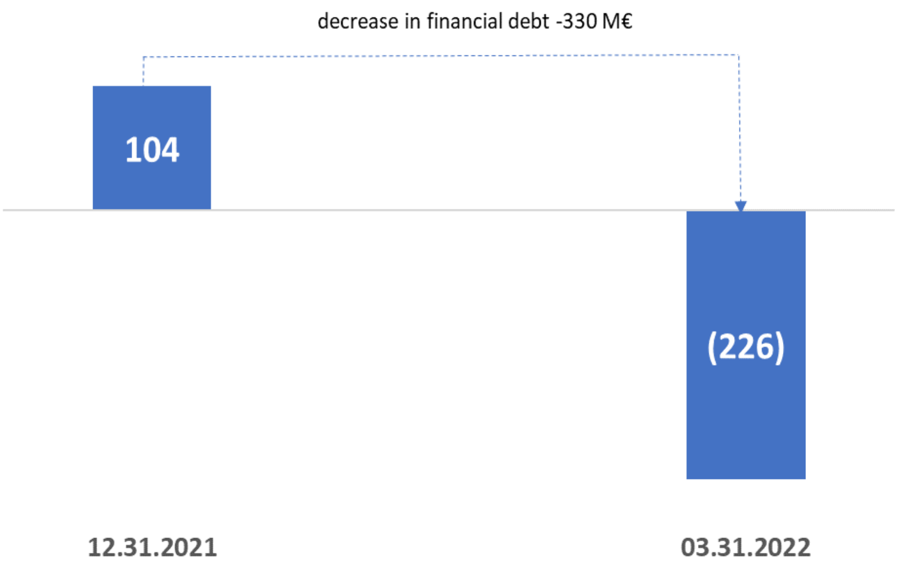
The item Net foreign exchange translation gains (losses), positive for 13 million euros in the first quarter of 2022, reflects in particular the positive results of the hedging derivatives related to the strengthening of the US dollar.

Total financial indebtedness and cash flows

At March 31, 2022, total financial indebtedness shows a liquidity of 226 million euros (debt of 104 million euros at December 31, 2021).

Change in financial debt

(in millions of euros)



Below the analysis of changes in financial debt is provided:

(in millions of euros)

The main cash flows of the period reflect the positive cash generation from operating activities, partially balanced by net investments for 111 million euros, which essentially include:

- net capital expenditures (92 million euros), mainly for the construction of combined cycle gas turbines in the thermoelectric plants of Marghera Levante (22 million euros) and Presenzano (12 million euros), the environmental and energy services (21 million euros), the wind and photovoltaic sectors (5 million euros) and the incremental costs incurred to obtain new contracts in the commercial sector (18 million euros);
- the aforementioned purchase of 100% of Energia Italia, with a total effect on the indebtedness of 19 million euros.

The following table gives the breakdown of Total financial indebtedness (TFI), as defined by ESMA Guidelines published on March 4, 2021 and which CONSOB requested to be adopted starting from May 5, 2021 (for further information please refer to the 2021 Consolidated financial statements).

Total financial indebtedness (in millions of euros)	03.31.2022	12.31.2021	Change
Non-current financial debt	600	614	(14)
- Due to banks	366	372	(6)
- Due to EDF Group companies	-	-	-
- Debt for leasing	234	241	(7)
- Due to other lenders	-	1	(1)
Other non-current liabilities	17	15	2
Non-current financial indebtedness	**617**	**629**	**(12)**
Current financial debt (excluding current portion of non-current financial debt)	366	330	36
- Due to banks	123	135	(12)
- Due to EDF Group companies	6	8	(2)
- Debt for valuation of Cash Flow Hedge derivatives	3	6	(3)
- Due to other lenders	234	181	53
Current portion of non-current financial debt	59	58	1
- Due to banks	25	24	1
- Debt for leasing	34	34	-
Current financial assets	(2)	(3)	1
Cash and cash equivalents	(1,266)	(910)	(356)
Net current financial indebtedness	**(843)**	**(525)**	**(318)**
Net financial debt Assets held for sale	**-**	**-**	**-**
Total financial indebtedness (TFI)	**(226)**	**104**	**(330)**
of which:			
Gross financial debt	**1,042**	**1,017**	**25**
of which Other non-current liabilities	17	15	2
Liquidity	**(1,268)**	**(913)**	**(355)**

The slight reduction in **non-current financial indebtedness**, compared to December 31, 2021, is mainly due to the effect of the early repayment of a bank loan by Edison Rinnovabili, refinanced with an intra-group loan at more competitive conditions, and of the reclassification among current financial debt of the expiring portion of the debt due to banks and debt for leasing.

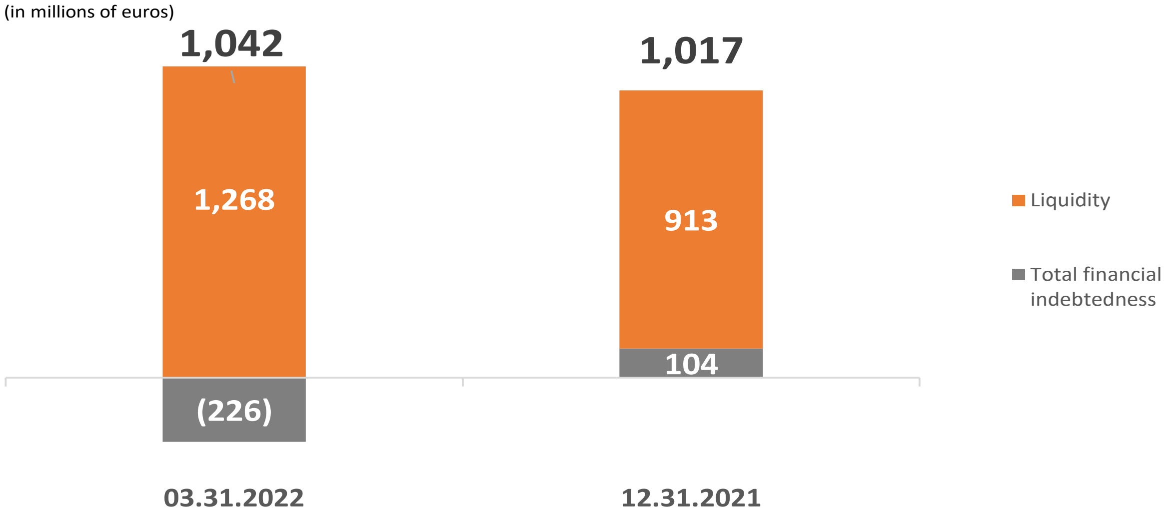
The significant improvement in **net current financial indebtedness**, compared to December 31, 2021, reflects the positive cash generation from operating activities.

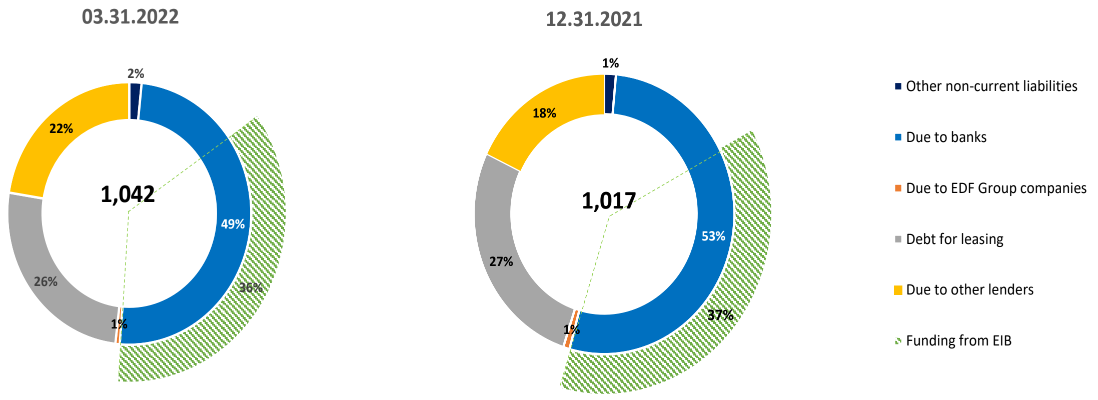
It should be noted that **Cash and cash equivalents** include 1,230 million euros (850 million euros at December 31, 2021) in available funds held in the current account with EDF Sa and 36 million euros (60 million euros at December 31, 2021) in bank current account balances which include also the cash balances in the current accounts of companies with non-centralized cash management systems.

At March 31, 2022, Edison Group has unused committed lines of credit totalling 550 million euros, represented:

- by the two-year term revolving credit line (250 million euros), signed with EDF Sa on April 29, 2021 in line to ordinary market conditions;
- by the Green Framework Loan for 300 million euros granted by the EIB at the end of June 2020 to finance the creation of a portfolio of projects throughout Italy for energy efficiency and for the construction of renewable energy plants. The line of credit may be used until June 2024.

Gross financial debt and breakdown by financial source





The composition of gross financial debt at March 31, 2022 does not show significant changes compared to December 31, 2022.

The bank facilities used include primarily long-term loans for the development of specific projects in the wind sector and gas storage and for the construction of Marghera Levante power plant granted directly to Edison by the EIB.

It should be noted that Edison is the beneficiary, as the buyer, of a gas sale agreement with Azerbaijan Gas Supply Company (AGSC) for the long-term supply of gas for a contractual volume of 1bcm per year until 2044. As part of this agreement AGSC benefits from a clause which allows to call for a cash or bank guarantee should Edison fall below a certain credit quality rating.
On 21st February 2022 Moody's downgraded Edison SpA's long term unsecured debt rating from Baa2 to Baa3/negative outlook. Per the contractual terms this entitles AGSC to ask Edison for a credit support equivalent to 6 months of forward delivery.
The bank guarantee needs to take the form of an irrevocable standby letter of credit in USD, valid for a 6-month period. Further, the guarantor must be a bank with a long-term unsecured debt rating no worse than A1/stable (Moody's) or A+/stable (S&P). Edison is currently working to remedy this situation.

Fair value recorded in Balance Sheet and Cash Flow Hedge Reserve

Fair Value recorded in Balance Sheet

(in millions of euros)	03.31.2022			12.31.2021		
Broken down as follows:	**Receivables**	**Payables**	**Net**	**Receivables**	**Payables**	**Net**
- Financial assets (liabilities)	-	(3)	(3)	-	(6)	(6)
- Non-current assets (liabilities)	1,241	(1,639)	(398)	863	(891)	(28)
- Current assets (liabilities)	6,994	(6,944)	50	3,843	(4,086)	(243)
Fair Value recognized as assets or liabilities (a)	**8,235**	**(8,586)**	**(351)**	**4,706**	**(4,983)**	**(277)**
of which of (a) related to:						
- Interest Rate Risk Management	-	(3)	(3)	-	(6)	(6)
- Exchange Rate Risk Management	60	(10)	50	45	(12)	33
- Commodity Risk Management	4,448	(6,305)	(1,857)	2,493	(3,516)	(1,023)
- Fair value on physical contracts	3,727	(2,268)	1,459	2,168	(1,449)	719

The increase in receivables and payables, compared to December 31, 2021, especially related to current values, is due to the general increase in prices recorded in the period on all commodity markets. For further information on the commodities prices dynamic, please refer to the economic framework and the Italian energy market sections.

The table below, instead, 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 and interest rate risk. 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, 2021	**(256)**	**73**	**(183)**
Changes in the period	(182)	50	(132)
Reserve at March 31, 2022	**(438)**	**123**	**(315)**

The change recorded in the period and the reserve at March 31, 2022 are mainly related to the net fair value of the derivatives being as hedges of commodity and exchange risk related to the formulas existing both in sale and gas purchase contracts entered by Edison to manage it physical and contractual assets. The amount, increased with respect to December 31, 2021, shows the price increase recorded in the period with reference to all commodity markets, in comparison to the prices fixed with the outstanding hedges However, the effectiveness of the hedge, both in terms of the risk factors hedged and the volumes hedged, guarantees an equivalent positive change in the expected cash flows associated with the underlying physical contracts or assets (less the ineffective portion appropriately reflected in the income statement). Finally, it should be noted that the value of these financial derivatives, read together with the expected cash flows relating to the physical contracts or assets hedged, maintains expectations of positive margins.

Outlook

Characterized by extremely high price volatility and ongoing governmental decisions on several regulatory changes affecting the energy sector, the current context does not yet allow to provide an annual EBITDA forecast. However, the company believes that its operational performance should remain close to that of 2021.

Significant events occurring after March 31, 2022

No significant events occurred after March 31, 2022

Milan, May 3, 2022
The Board of Directors
By Nicola Monti
Chief Executive Officer

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

Ronan Lory 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, 2022 is consistent with the data in documents, accounting records and other records.

Milan, May 3, 2022

“Dirigenti Preposti alla redazione dei documenti contabili societari”
Ronan Lory
Roberto Buccelli