

Quarterly Report

AT SEPTEMBER 30, 2020



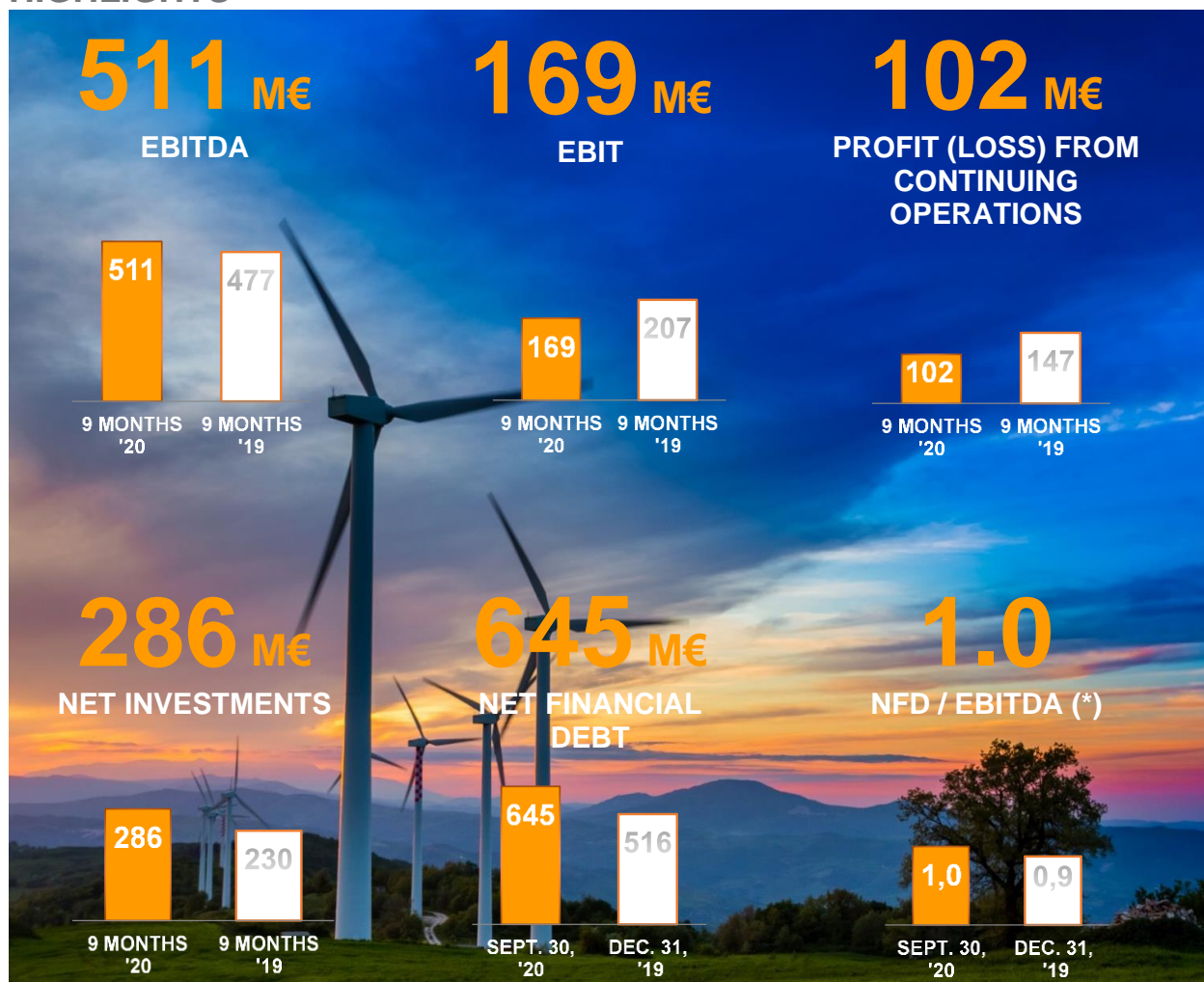
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The document has been translated into English for the convenience of readers outside Italy. The original Italian document should be considered the authoritative version

HIGHLIGHTS



(*) NFD Net Financial Debt.

The ratio at September 30, 2020 was calculated using an EBITDA based on the last twelve months.

Highlights 9 months 2020 (in millions of euros)	Electric Power Operations	Gas Operations and E&P (*)	Corporate	Eliminations	Edison Group
EBITDA	346	237	(72)	-	511
EBIT	113	189	(133)	-	169
Gross Investments	191	60	6	-	257

(*) Including E&P business activities in Algeria and Norway

Rating	Standard & Poor's		Moody's	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019
Medium/long-term rating	BBB-	BBB-		
Medium/long-term outlook	Stable	Stable	Positive	Positive
Short-term rating	A-3	A-3		
Rating			Baa3	Baa3

INTRODUCTION

The preparation criteria of quarterly information

Starting from 2017, 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 2019 Consolidated Financial Statements.

It should be noted that in the period the Regulation no. 2020/551 was published in the Official Journal of the European Union, adopting some amendments to the accounting standard IFRS 3 revised "Business Combinations". The amendments concern the "Definition of a business" and aim to clarify the distinction between "Business acquisition" and "Group of assets acquisition". At present these amendments didn't have significant impacts on the Group.

The Board of Directors, met on November 5, 2020, authorized the publication of Edison's Group Quarterly Report at September 30, 2020, which was not audited.

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

Please remember that the Shareholders' Meeting held on April 28, 2020 resolved to confer the legal audit review mandate of accounts for the period 2020-2028 to the company KPMG Spa and elected the Board of Statutory Auditors for the three-year period 2020-2022, confirming all its members.

Changes in the Scope of Consolidation compared with December 31, 2019 – Acquisition and Disposal of Asset

Some mergers took place during the period, without effects on Group's balance sheet and income statement, in particular:

- the merger, with effect from January 1, 2020, of the companies Edison Facility Solutions Spa and West Tide Srl into the company Zephyro Spa; this latter, on the same date, changed the company name into Edison Facility Solutions Spa;
- the merger in May of the company EDF EN Italia Spa into the company Edison Partecipazioni Energie Rinnovabili Srl (EPER), which simultaneously with the merger changed the company name into Edison Renewables Srl; later, on July 1, 2020, the company EDF EN Services Italia Srl was merged into the company Edison Renewables Srl; furthermore, during the third quarter, some of the companies of EDF EN Italia Group acquired in 2019, operating in the wind and photovoltaic sectors, were merged into Edisonwind Srl and Edisonsolar Srl respectively;
- the merger on July 1, 2020 of the companies Bargenergia Srl, Vernante Nuova Energia Srl, Azienda Energetica Buschese Srl (A.EN.B. Srl) and Antilia Energy Wood Srl (A.EN.W. Srl) into the company Comat Energia Srl, which on the same date changed the company name into Edison Teleriscaldamento Srl.

In addition, it is worth mentioning:

- the purchase in July by Edison Spa of 100% of the company MF Energy Srl, which was accounted as a Group of assets acquisition pursuant to IFRS 3 revised;
- the purchase during July and August by Sersys Ambiente Srl (a company entirely held by Fenice Qualità per l'Ambiente Spa) of 100% of the companies CEA Biogas Srl and Ambyenta Srl; the Purchase Price Allocation process pursuant to IFRS 3 revised is in progress and it should be noted that a goodwill of about 14 million euros has been provisionally booked;
- the deconsolidation, starting from July 1, 2020, of the company Dolomiti Edison Energy Srl, following the application of new management and governance agreements, which entered into force at the same date and resulted in the loss of control over relevant activities; in the second half of 2020 this company is therefore classified as an associate and accounted for using the equity method.

Application of Accounting Standard IFRS 5

Please remind that starting from Semiannual Report at June 30, 2019, following the agreement signed on July 4, 2019 for the sale from Edison to Energean of 100% of Edison Exploration & Production Spa and its subsidiaries operating in Italy and abroad in the hydrocarbons exploration and production business, the E&P business, represented by a number of Cash Generating Units, taking into account its significance and unique characteristics, has been treated as discontinued operations in accordance with IFRS 5. On April 2, 2020 and June 28, 2020 amendments were signed to the terms of the sale agreement of July 4, 2019, concerning, among other things, the exclusion from the scope of the transaction of E&P assets located in Algeria (following the refusal of the Algerian Ministry of Energy) and of Edison Norge AS, which owns the E&P assets located in Norway. Edison will therefore retain the ownership of Algerian assets and Edison Norge. The scope of the sale to Energean now includes the assets, mining rights and equity investments in the hydrocarbon sector of Edison Exploration and Production in Italy, Egypt, Greece, UK and Croatia. Closing with Energean is expected within the year. Considering this situation and in line with the Semiannual Report at June 30, 2020, in the Quarterly Report at September 30, 2020, the assets included in the scope of the sale to Energean continue to be treated as discontinued operations; Algerian assets and Edison Norge, whose sale at the moment is no longer deemed as highly probable in the short term, are instead consolidated between continuing operations.

The representation methods adopted in this Quarterly Report are illustrated below.

E&P assets remaining in the scope of the sale to Energean:

- in the income statement for the first 9 months of 2020 and, for comparative purposes, for the first 9 months of 2019, the revenues and income and costs and expenses, as well as the adjustment of the carrying amount to fair value less cost to sell, of the assets that constitute discontinued operations are classified under the item **Profit (Loss) from discontinued operations** (negative by 170 million euros in 2020 and by 511 million euros in 2019); the determination of the adjustment of the book value of these assets at September 30, 2020 reflects, among other things, the effects of the revisions of the terms of the agreement with Energean;
- in the balance sheet at September 30, 2020, the assets and liabilities are classified under **Assets** and **Liabilities held for sale**.

It should also be noted that the existing relationships between continuing and discontinued operations were treated as relationships between independent parties and that the income statement and balance sheet items referring to discontinued operations also include the effect of the consolidation adjustments on these relationships.

E&P assets in Algeria and Norway that remain under Edison ownership:

These assets, whose sale is not expected in the short term, were re-consolidated between continuing operations starting from the moment in which the hypothesis of sale pursuant to IFRS 5 waned; in particular:

- in the income statement and in flows the representation of the contribution to the values of the Group is on a retrospective basis starting from January 1, 2020, and comparative amounts of 2019 have been appropriately restated;
- the balance sheet has been consolidated prospectively, starting from the date of the termination of the discontinuing.

In this document, therefore, all the economic and flow data referring to the first 9 months of 2019 have been restated to allow a homogeneous comparison with those of 2020; the balance sheet figures at December 31, 2019 are those published in the 2019 Consolidated Financial Statements.

EBITDA of first 9 months of 2020 for these operations totalled 15 million euros (21 million euros in the first 9 months of 2019).

The application of IFRS 5 accounting standard is widely described in 2019 Consolidated Financial Statements and in the Condensed Consolidated Semiannual Financial Statements at June 30, 2020 to which reference should be made for further information.

COVID-19

The first 9 months of 2020 were dominated by the COVID-19 pandemic, which caused a state of health emergency throughout most of the world, which is set to continue all year round, to which various countries responded, albeit by adopting different measures, by stopping all commercial and manufacturing activities and services considered not strictly essential, in order to check the spread of the virus. The virus had an immediate impact on the global economy, which will be in a recession for at least the whole of 2020.

During the COVID-19 emergency Edison has been operating, safeguarding the health of its employees and suppliers, to ensure the continuity of electricity and gas supplies and to support hospitals, thus guaranteeing an essential service for the Country.

The health emergency led to a significant worsening of the macroeconomic scenario with effects on demand and prices for electricity and gas, as well as on a possible deterioration of the counterparties' creditworthiness.

According to the CONSOB and ESMA requirements, the Group conducted in-depth analysis on the most sensitive and most subject to variability issues related to this emergency situation. Particular attention has been paid to the assessment of the recoverability of receivables, the value retention of assets and goodwill, the effectiveness of existing hedging transactions.

The effects deriving from the spread of COVID-19 had an estimated negative impact on the Group's EBITDA for the first 9 months of the year for about 63 million euros, largely attributable to the contraction in commodities sales volumes compared to sales expectations; on the other hand, there were no significant impacts in terms of receivables writedowns. For further details, please refer to the comments in the following paragraphs.

There were no significant impacts on financial items, instead some positive effects on the item taxes related to specific tax laws issued in support of companies for the emergency period are reflected.

The Company will continue to monitor the evolution of the situation; Edison maintains a solid economic and financial profile and can draw on significant liquidity reserves to support both its operating requirements and business development plans.

KEY EVENTS

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

August 5, 2020 – Edison announced that during the period of voluntary conversion of the Edison Spa savings shares (listed on the MTA (Mercato Telematico Azionario) of the Italian Stock Exchange) into Edison Spa common shares (not listed on the MTA), an extended period to ensure the effectiveness of the exercise in consideration of the epidemiological emergency COVID-19 and the related consequent regulatory measures from April 14, 2020 to July 31, 2020, requests for conversion were submitted for a total of 165,932 savings shares, equal to 0.151% of the share capital represented in the same category. As a result of the conversion, Edison's share capital is unchanged in the amount of 5,377,000,671.00 euros, divided into 5,267,390,650 common shares and 109,610,021 savings shares, with a par value of 1.00 euro each.

Edison and Cogne Acciai Speciali: long-term agreement for the supply of renewable energy

August 6, 2020 – Edison Energia and Cogne Acciai Speciali have entered into a 5-year renewable energy Power Purchase Agreement (PPA). On the basis of the agreement, Edison will make available part of the electricity generated in its renewable fields, which boast of a capacity from green sources in excess of 2,000 MW, and Edison Energia will handle the energy supply and the performance of all activities connected to the renewable procurement of the Cogne Acciai Speciali plant.

Edison: negotiations launched for the acquisition of 70% of E2i Energie Speciali and the negotiation for the sale of 100% of Infrastrutture Distribuzione Gas

September 8, 2020 - Edison announced that it has begun negotiations with F2i Fondi Italiani per le Infrastrutture for the acquisition of 70% of E2i Energie Speciali, a company already 30% held by Edison and consolidated line-by-line. Edison, also, announced, that 2i Rete Gas, an investee company of investment funds managed by F2i, Ardian and APG, sent an expression of interest for the purchase of 100% of Infrastrutture Distribuzione Gas, the company-wholly owned by Edison that manages the gas distribution networks and systems in 58 municipalities in the regions of Abruzzo, Emilia-Romagna, Lazio, Lombardy and Veneto. Edison therefore granted 2i Rete Gas an exclusivity period for the due diligence activities and for the negotiation of the possible transaction.

Edison and BNL BNP Paribas Group: partnership to offer an ecosystem of green services to customers

September 28, 2020 - Edison Energia and BNL BNP Paribas Group announced a strategic partnership to facilitate the adoption of smart solutions for the energy efficiency of residential buildings and the consumption of green energy; concrete initiatives in favour of decarbonisation and the country's energy transition.

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

October 1, 2020 - At Naples Shipping Week, Edison presented its project with Kuwait Petroleum Italia (Q8) relating to a Small Scale coastal LNG (Liquefied Natural Gas) depot at Darsena Petroli in the Port of Naples. The strategic nature of this investment was recently confirmed by the recognition of a European loan for its design, thanks to CEF funds for the authorisation engineering. The location of a coastal depot at Darsena Petroli in the Port of Naples will make liquid natural gas easily available as fuel, for both road and sea transport, throughout the Central-Southern Tyrrhenian area and will enable the Port of Naples to build a hub especially attractive to lower environmental impact ship traffic, stimulating the area's tourism and commercial sectors.

Edison energy for Milan M2 subway passengers: new free charging station service now available

October 5, 2020 - Edison inaugurated a new public service in Milan M2 subway stations to fill up on energy even while travelling. The energy company, which began its history in Milan more than 135 years ago, has installed 20 charging stations in the M2 green line stations with the highest number of travellers, at the Porta Genova, Cadorna, Porta Garibaldi, Stazione Centrale and Piola stops. The service enables passengers to easily charge their mobile devices at no cost.

Edison Energia confirmed at the top of the reliability index in the Altroconsumo ranking

October 9, 2020 - Edison Energia is once again confirmed at the top of the ranking of the most reliable energy operators in the 2020 survey performed by Altroconsumo. The investigation by the consumer association reviewed the main 21 electricity and gas companies, where the difference is made not only by cost effectiveness, but first and foremost by reliability and the overall quality of the service offered. Edison Energia is one of the top operators with national coverage (specifically, in third place amongst the electricity operators), obtaining high scores across all indicators under review, including that of overall satisfaction. The Italian market of energy suppliers to households consists of more than 600 operators.

Edison with Enagás for Small Scale LNG in the Mediterranean

October 23, 2020 - Edison and Scale Gas Solutions, a subsidiary of Enagás specialized in small scale LNG, finalized the transaction that makes the Spanish Company a new shareholder of Depositi Italiani GNL (DIG). The two companies agreed to cooperate in the development of Small Scale LNG in the Mediterranean promoting the establishment of a strong LNG supply chain from Enagás' Mediterranean LNG terminals, led by the Barcelona terminal, to Edison customers, fostering sustainability through the introduction of LNG as an alternative fuel.

In this framework, Scale Gas Solutions acquires from Edison 19% of the shares of Depositi Italiani GNL, the newco created in 2018 between Edison and PIR (Petroliera Italo Rumena) for the development and management of the first coastal deposit in Italy. After the transaction, the shareholding structure of Depositi Italiani GNL will be: 51% PIR, 30% Edison and 19% Scale Gas Solutions.

Non-Energy activities - legal disputes

The legal disputes that had an update during the third quarter of 2020 are described below.

Mantua – Administrative proceedings

In the past years the Province of Mantua served Edison with several orders for remediation (eight) of areas sold by Montedison to ENI Group in 1990 (Petrochimico di Mantova), despite the matter had been disciplined by two different transaction agreements, respectively signed with ENI and the Ministry of the Environment. Against all these orders, Edison filed complaints before Lombardy Regional Administrative Court – Brescia section, which in August 2018 rejected them.

Edison, then, promptly appealed the ruling before the Council of State. On April 1st, 2020, the appeal proposed by Edison has been turned down and the first instance's statement has been confirmed. Edison has already appealed before the Court of Cassation and the Council of State against this decision.

In any case Edison already started the remediation activities on the site, taking the place of the former managers in different procurement contracts.

Bussi – “Tre Monti” area

As part of the remediation procedure in the “Tre Monti” area in the Bussi “National Interest Site” (SIN), in light of the recent case law on remediation activities in areas characterized by historical pollution, the Company during the third quarter decided it would be appropriate to further update the operational provision for site clean-up.

EXTERNAL CONTEXT

Economic Framework

After the first half of the year dominated by the health emergency linked to the global spread of COVID-19 and the sharp contraction in economic activity that came in its wake, in the summer months the global economic cycle experienced an initial recovery, also thanks to the relaxation or suspension of heavy restrictions which, especially in the second quarter of the year, were adopted by many countries all over the world to stem the unbridled pandemic. Although the health emergency is anything but over, and many countries (emerging and others) are still in the grips of it with a high number of infections, the economies of the main developed countries and China have resumed activities (particularly industrial activity).

The recent increase in infections and deaths from COVID-19 in countries where, before the summer, it had seemed like the peak of the health emergency had already been overcome, and the ensuing possibility of reintroducing or tightening new restrictive measures in many of them, has held back optimism, once again highlighting how much the global economy is still exposed to the evolution of the virus, and how fleeting the recovery observed in recent months in certain areas of the planet may have been.

In this context, the economic trends of the United States in recent months have turned out to be better than what was expected at the start of the economic/health crisis, although the US is one of the countries most impacted in the world in terms of infections. Indeed, the Fed recently revised 2020 GDP estimates upwards, from the -6.5% estimated in June to -3.7% in September. After a disastrous second quarter (GDP -9.1% on the previous quarter), positive signs are starting to be seen from industrial production, which has resumed growth, surely partly due to the economic policy to support domestic demand, the effects of which exceeded expectations, also thanks to the reallocation of part of household consumption from the sectors most heavily impacted by the crisis (transport, entertainment and tourism) to different sectors (such as e-commerce and spending on the home). The job market is also improving, although it in any event remains weak: the 13.9 million jobs added between the months of May and August is equal to roughly half of the jobs lost between February and April.

China's recovery has supported an improvement in global trade, which in 2020 however remains down; furthermore, as China is one of the greatest consumers of commodities, its recovery is contributing to an increase in commodity prices in the international markets, with the exception of oil, the price of which is being driven down by abundant supply and lower than expected demand. Industrial performance has been particularly lively, while services, although still growing, have been less brilliant; overall, in 2020 the Asian giant is expected to record growth of around +1.6%, the only one of the main economies worldwide to end 2020 in the black.

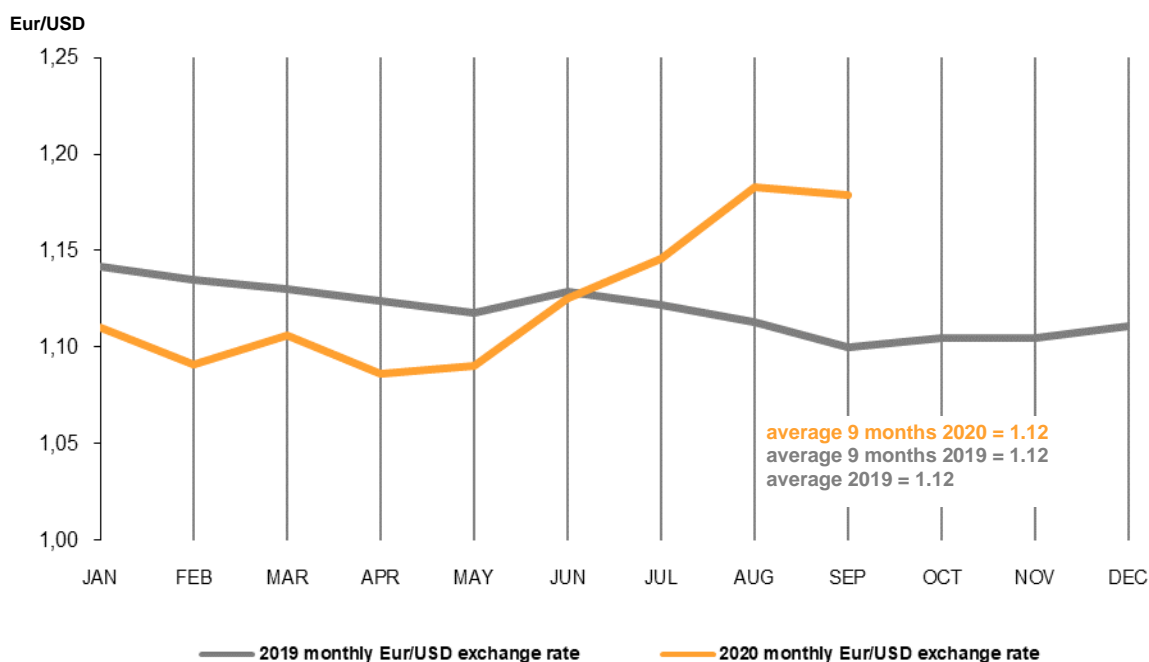
In Europe, after a collapse in production (and demand) triggered by the lock-down imposed in all of the main European countries, although with different intensities and to different extents, industrial activity has started growing once again. To combat the recession and support the recovery, EU economic policy has developed Next Generation EU (NGEU), an important tool through which the European Union intends to deploy considerable community resources to offer the countries most struck by the pandemic crisis significant financing opportunities, thus strengthening European cohesion. As regards the main European countries, Italy, France and Spain, which following the outbreak of the health emergency adopted the most drastic and long-lasting virus containment measures, recorded a deeper decline in GDP than Germany, which instead adopted briefer or more geographically limited restrictions. However, in the third quarter of the year, the most recent economic indicators suggest an even more intense recovery than expected for the entire Eurozone, and for Italy in particular.

Indeed, after the rebound recorded in the summer months linked to the relaxation of social distancing measures adopted to deal with the spread of the virus, in the third quarter Italy confirms a quarterly increase in GDP of roughly 11.4% (Prometeia estimate), which in any event does not match the collapse witnessed in the first two quarters of the year (-17.6%). Estimates for 2020 also indicate that GDP will be roughly 10 percentage points lower than that of 2019, with very uneven trends depending on the sectors considered and their regional and market placement.

The monetary and fiscal measures introduced in recent months (the "Cura Italia", "Rilancio" and "Agosto" decrees; extension of the redundancy fund; suspension of tax payments; sector and liquidity support measures) should provide for a certain stability in our economy in the upcoming quarters, during the phase of living with the virus. However, some

concerns remain in relation to our staying capacity when this exceptional phase of support for production activities, employment and income comes to an end, since, as it exits the crisis, Italy will be left with very high public and private debt.

In the first nine months of 2020, the euro was substantially stable against the US dollar compared with the same period in 2019, with the average EUR/USD exchange rate sitting at 1.12, against a backdrop which saw the central banks on both sides of the Atlantic adopting accommodating measures. Indeed, the COVID-19 pandemic which exploded at the end of February significantly impacted both the European and the US economies, driving the Fed and the ECB to enact stimulus measures. Considering the monthly changes, the exchange rate has had mixed performance over the course of the year, beginning a strong rally trend in June to then backtrack slightly in September. At the end of the second quarter, the Fed announced that interest rates will remain within the current range of 0-0.25% over the next few years, depreciating the greenback. Subsequently, the European agreement on the massive 750 billion euros economic support plan, the difficulties encountered by the US in limiting infections and the Fed's change in approach to the inflation target have further bolstered the single currency. With reference to this last factor, the Fed will permit inflation values even slightly higher than the 2% threshold in order to reach the objective of an average value of 2% in the medium term. In the third quarter of this year, the euro strengthened with respect to the dollar, rising from an average of 1.11 dollars per euro in the third quarter of 2019 to 1.17 dollars in the third quarter of 2020, despite the slowdown recorded in September: the outbreak of new infections in Europe and the resulting uncertainty concerning the economic recovery were some of the factors that provided new lifeblood to the dollar as a safe-haven currency. A further element is represented by the signs of gradual recovery seen from the US job market.



With regard to oil markets, the average crude oil price for the first nine months of 2020 was 42.6 USD/barrel, 34.2% lower than the average recorded for the same period of 2019. In the first four months of the year, the Brent was down significantly due to the spread of the COVID-19, with prices that reached a low in April: during the most serious phase of the health emergency, consumption marked a decline of 27 million barrels/day on an annual basis, causing a significant accumulation of stocks at global level. The combined effects of the progressive relaxation of measures restricting mobility, the historical agreement between the OPEC+ members on the 9.7 million barrels/day production cut until the end of July and the reduction in extraction activities in the United States have reduced excess market supply, paving the way for a recovery in prices. In the third quarter, the average was 43.4 USD/barrel, down 29.9% compared to the same period last year but up 30.2% compared to the second quarter of 2020.

In September, there was a slowdown in the price recovery trend within a context of renewed fears triggered by increases in COVID-19 infections, a reduction in supply limitations by OPEC+ countries and the gradual resumption of oil production in Libya, blocked since the start of the year by militias loyal to General Haftar. These factors more than offset the potential rallying effects deriving from the shut-down of extraction plants located in the Gulf of Mexico area, impacted by a series of hurricanes.

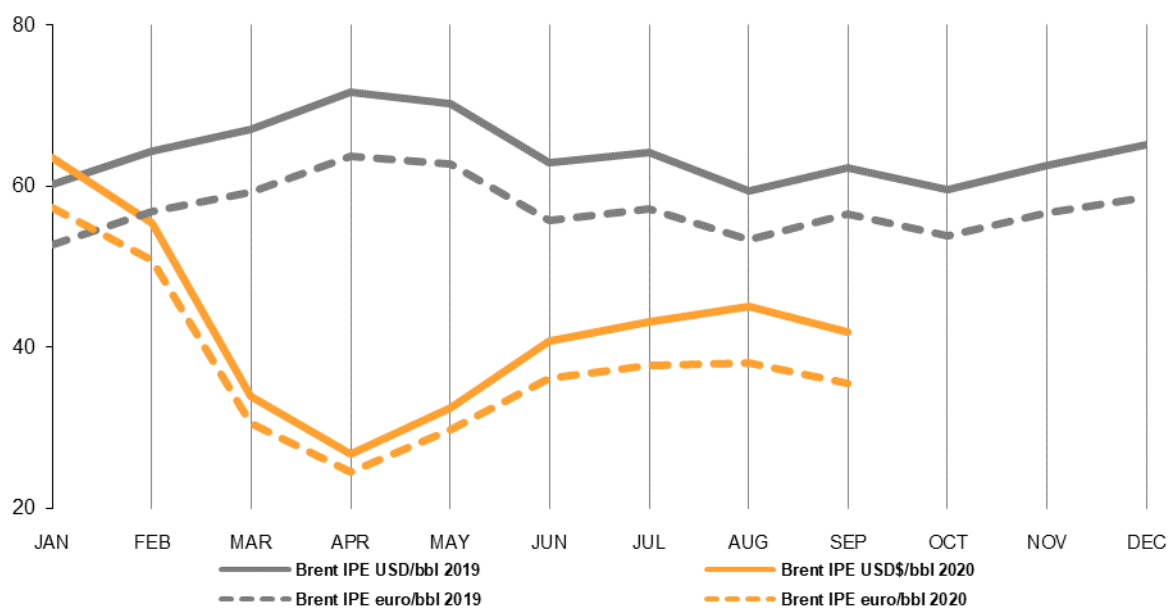
The price of crude oil in euro stood at an average of 37.9 EUR/barrel, down 34.2% over the first nine months of 2019.

The table and chart that follow respectively show the average values for the quarter and the monthly trends for this year and the previous year:

	9 months 2020	9 months 2019	Change %	Q3 2020	Q3 2019	Change %
Oil price in USD/barrel ⁽¹⁾	42.6	64.7	(34.2%)	43.4	62.0	(29.9%)
USD/EUR exchange rate	1.1	1.1	0.0%	1.2	1.1	9.1%
Oil price in EUR/barrel	37.9	57.6	(34.2%)	37.1	55.7	(33.4%)

(1) Brent IPE

USD/barrel



The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

TWh	9 months 2020	9 months 2019	Change %	Q3 2020	Q3 2019	Change %
Net production:	206.4	215.6	(4.2%)	75.5	76.1	(0.8%)
- Thermoelectric	129.5	141.2	(8.3%)	48.7	49.9	(2.4%)
- Hydroelectric	36.4	35.0	4.0%	13.2	13.5	(2.4%)
- Photovoltaic	22.3	20.7	7.5%	8.7	8.1	6.6%
- Wind power	14.0	14.4	(2.5%)	3.5	3.1	12.8%
- Geothermal	4.2	4.3	(1.1%)	1.4	1.4	(3.2%)
Net imports	20.6	27.9	(26.4%)	6.6	8.5	(22.0%)
Pumping consumption	(1.8)	(1.7)	9.2%	(0.5)	(0.4)	15.9%
Total demand	225.1	241.8	(6.9%)	81.6	84.2	(3.1%)

Source: processing of preliminary 2020 and 2019 Terna data, gross of grid losses.

Gross electricity demand in Italy in the third quarter of 2020 was still suffering from the effects of the COVID-19 emergency, recording overall values below those of the previous year, closing at roughly 81.6 TWh (TWh = 1 billion KWh), marking a decline of 3.1% compared to 2019. The sharpest drop was seen in July, which saw a reduction in consumption by 7% compared to 2019, decrease that is even more significant in absolute terms, since this month typically represents the highest consumption of the year. In any event, starting in August there was a gradual recovery in electricity demand, which marked -3.4% on August 2019 and a preliminary value in September in line with the same period of 2019. Looking at the contribution to the electric power balance by source, starting with renewable energy sources, the hydroelectric segment backtracked slightly by 2.4% (-0.3 TWh) in the third quarter compared to 2019, bringing the total to about 13.2 TWh, while solar and wind energy gained 6.6% (+0.6% TWh) and 12.8% (+0.4 TWh), respectively. As concerns thermoelectric generation, the contribution in the third quarter reduced slightly compared to 2019, reaching a total of 48.7 TWh (-2.4%). At total level, national production covered roughly 92% of Italian electricity demand, with net imports suffering from a significant contraction compared to the same period of the previous year, losing roughly 22% (-1.9 TWh).

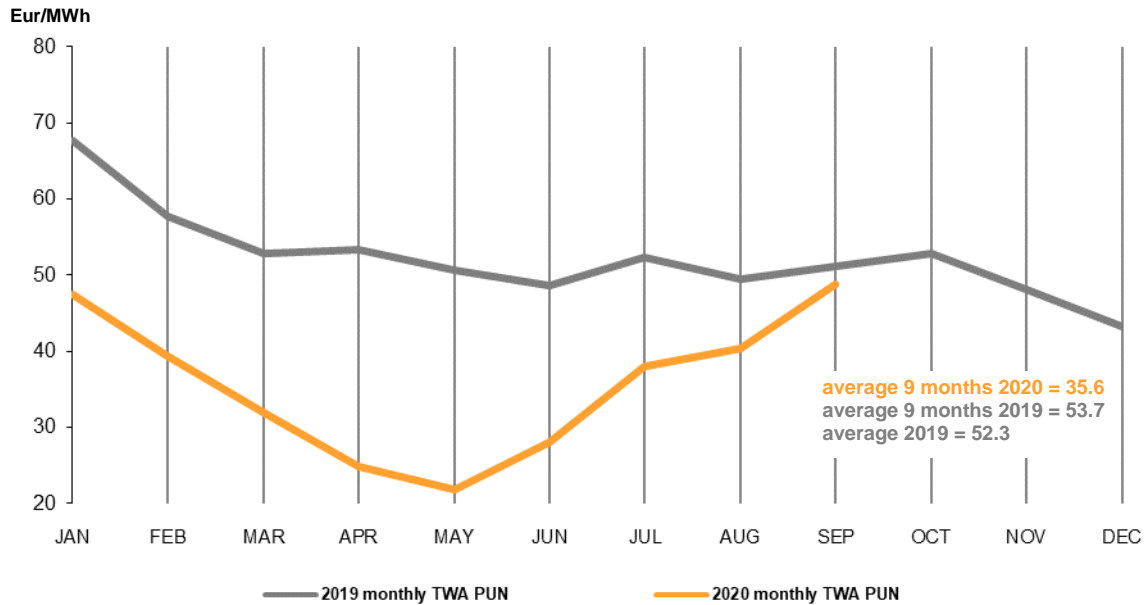
With reference to the price scenario as at September 30, 2020, the average listing in the first nine months of 2020 of the time weighted average (TWA) of the single national price (abbreviated as "PUN" in Italian), came in at 35.6 euro/MWh, a decrease of 33.8% against the figure related to the same period of the previous year (53.7 euro/MWh). In the third quarter of 2020, the average price was 42.3 euro/MWh, marking a significant rise compared to the second quarter (+70.4%) and with a yearly change improving to -17.1%.

This reduction in the price compared to 2019 took place within a context of a decline in generation costs as well as demand due to the effects of the COVID-19 pandemic. Since the end of May, the progressive relaxation of restrictive measures and the reopening of production activities favoured a gradual recovery in demand with price trends pointing to a recovery after the lows seen in May.

Observing monthly PUN trends, the most significant changes were recorded in April and May 2020 (-53.5% and -57.0%, respectively, compared to the same month of 2019): April was the month with the most severe decline in electricity

consumption due to the measures to limit COVID-19 contagion, while in May, although within a context of a slow recovery in demand, the broad availability of renewable supplies and the continuing decline in gas prices placed the PUN under further pressure. Starting in June, the change in prices on an annual basis progressively declined simultaneous with a rise in demand, which in any event remained lower than 2019 levels, and lower hydroelectric supply. In September, the spread compared to the same month of the previous year reduced to 4.6%, with the PUN supported by the recovery of gas prices and the strengthening of the prices of neighbouring countries.

The following graph shows the comparison of the monthly trend between the two years under review:



In the first nine months of 2020, area prices also recorded downward movements, with a decrease of around 33% in all areas. Hourly time periods F1, F2 and F3 showed a decrease in all bands, in line with what was recorded by the PUN (-32.6%, -30.7% and -36.6% over the first nine months of 2019).

The downward trend, provoked by the impacts of COVID-19 on electricity consumption, was also recorded in prices in foreign countries, with France and Germany showing a similar change in the first nine months of 2020. In particular, in France, prices fell by 26.3% compared with the first nine months of last year, with prices at 28.9 euro/MWh, while in Germany they were down 27.2%, with prices averaging 27.7 euro/MWh. Like in the Italian market, starting in June there was a recovery in prices, which in the case of France marked the third quarter of positive annual changes, also supported by the low availability of nuclear power.

Demand for Natural Gas in Italy and Market Environment

in billions of cubic meter	9 months 2020	9 months 2019	Change %	Q3 2020	Q3 2019	Change %
Services and residential customers	17.9	19.4	(7.7%)	2.0	1.9	5.3%
Industrial use	12.1	13.2	(8.2%)	4.0	4.0	1.0%
Thermoelectric fuel use	18.0	19.7	(8.3%)	7.1	7.2	(2.3%)
Consumptions and system losses	1.5	1.6	(7.6%)	0.6	0.6	0.0%
Total demand	49.6	53.9	(8.1%)	13.7	13.7	0.0%

Source: preliminary data 2020 and 2019 Snam Rete Gas, Ministry of Economic Development and Edison estimates.

In the third quarter of 2020, national demand for natural gas remained basically aligned with 2019, especially thanks to the increases in consumption recorded in August (+1.8%) and September (1.5%), which partially made up for the decline in July (-3.5%). At sector level, industrial uses overall remained basically unchanged throughout the entire period, although there was a recovery in consumption in the central and final part of the quarter, more marked in the month of August with +4.4% and less accentuated in September with +2%. The thermoelectric sector lost some ground, closing at 7.1 billion cubic meters, down by 2.3% compared to the same period of 2019, while the residential segment marked an improvement, gaining 0.1 billion cubic meters (5.3%) over the third quarter of 2019.

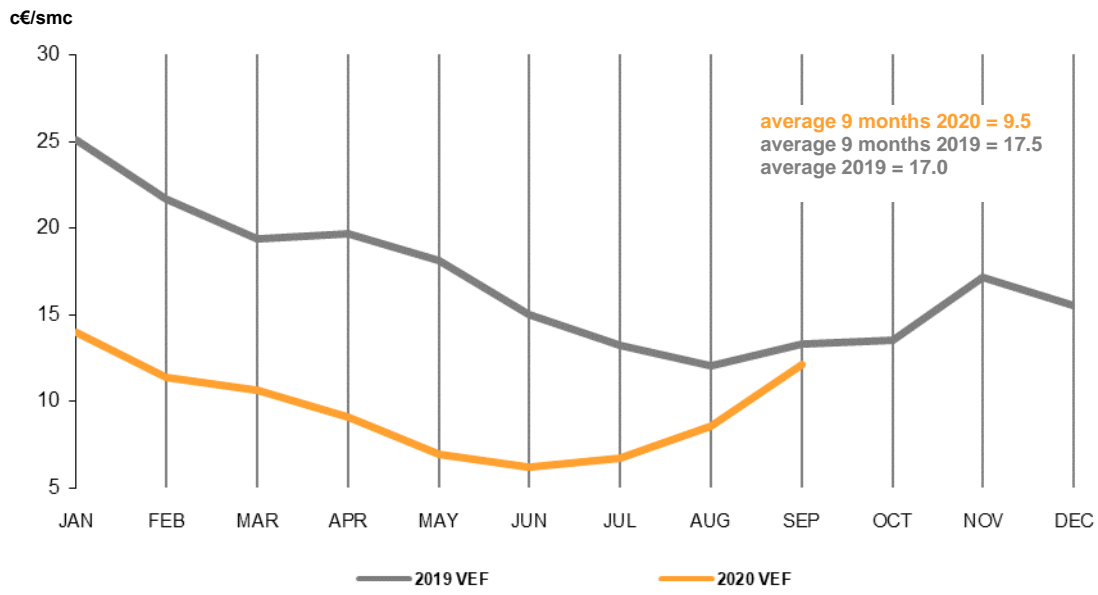
As for supply sources, the following developments characterised the third quarter of 2020:

- lower domestic production (-0.2 billion cubic meters; -14% compared to 2019);
- lower gas imports (-1.1 billion cubic meters; -14% compared to 2019);
- a reduction in volumes injected for storage (-1.2 billion cubic meters; -25% compared to 2019).

The spot gas price in Italy in the first nine months of 2020 fell by 45.6% on the same period of 2019, coming in at an average of 9.5 c€/scm. The prices showed a declining trend in the first six months of the year, driven by the situation of excess supply in the European market, which was accentuated following the reduction in consumption as a result of the COVID-19 pandemic. In the third quarter, prices marked a gradual recovery, recording an average value of 9.1 c€/scm and reducing the spread on an annual basis to -28.9%. The increases in recent months were supported by the recovery in demand and the slowdown in arrivals of LNG in the European market. This last factor arose within a context of a downward alignment of prices in the main global market areas, which as of June entailed the cancellation of a number of US loads of LNG.

The VEF-TTF spread recorded an average of 1.5 c€/scm in the first nine months, down by 46.8% on the first nine months of 2019. In the third quarter of 2020, the price differential stood at 1.0 c€/scm, down by 43.0% compared to the second quarter. The reduction in the spread between the two hubs can be ascribed to the decreased need for imports from Northern Europe following the decline in demand and the satisfactory availability of LNG at the Italian terminals, which during the summer recorded a less accentuated slowdown in arrivals compared to what has taken place in other European countries.

Quarterly Report
at September 30, 2020



Legislative and Regulatory Framework

Below are the key points of the main developments concerning the legislative and regulatory framework relative to the third quarter of 2020, for the various areas of the corporate business. Please refer to the Semiannual Report for updates relating to the first half of 2020.

Electric Power

The Environment

FER1 (renewable energy sources) - On September 30, 2020, the GSE published new tenders for the fourth of seven Registers and Auctions procedures set forth in Ministerial Decree of July 4, 2019. Among the main new initiatives:

- cancellation of restrictions for access to incentives for interventions on plants falling within the scope of application of the “Spread incentives” mechanism, the owner of which has not participated in the tariff remodulation;
- possibility to participate in the Registers for photovoltaic power plants whose surface area is greater than that of the asbestos removed and/or which are installed on roofs of buildings or rural buildings shown in the property registers to be adjacent to those of the roof that was removed;
- access to incentives for photovoltaic power plants the modules of which are installed in agricultural areas, in the case of sites of national interest or on closed and reclaimed landfills and landfill lots, mines or mine lots not susceptible to additional exploitation, for which the completion of environmental recovery and reclamation activities has been certified.

POLLUTANTS - (“Pollutant release and transfer registers”) - Law no. 91 of July 17, 2020 “Ratification and execution of the Protocol on pollutant release and transfer registers, done in Kiev on May 21, 2003” was published in the Official Gazette of August 4, 2020, requiring the Parties to establish national inventories or registers on the release and transfer into the air and water of specific pollutants deriving from the main production sectors and industrial facilities. In Italy, the regulations have already been enacted with the PRTR declaration.

CIRCULAR ECONOMY – With Ministry of Economic Development Decree of August 5, 2020 the opening terms and procedures were defined for the submission of requests for facilitations to support research and development projects for the conversion of production processes from a circular economy perspective.

Wholesale Market

Capacity mechanisms - The Italian authorities seem to be moving towards organizing the auction for 2024 in the course of 2021 (preferably around mid-year) after obtaining the EC’s opinion on the “Implementation Plan”. Before defining the date of the auction, which will be disclosed to operators sufficiently in advance to allow for them to organise their participation, Terna would however like to consider two aspects that will certainly have an impact on the definition of capacity requirements:

- the outcomes of the authorisation procedures under way for new capacity not authorised assigned for the 2023 delivery period. The outcomes will be announced in late March 2021 and will provide Terna with greater visibility with respect to the new capacity supplied in the 2019 auctions, which will be effectively available at delivery;
- due to the effects of the COVID-19 emergency on electricity consumption.

It will also be necessary to update the Capacity Market regulations to fully adapt to the new provisions introduced by the Clean Energy Package. In any event, this update is not expected to require a new notification to the European Commission.

Edison has a strong interest in the continued implementation of the Capacity Market for delivery years subsequent to 2023, which would enable it to leverage its likely available capacity (CDP) relating 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).

Lastly, it should be taken into consideration that several operators^[1] have submitted appeals to the Regional Administrative Court and the Court of First Instance of the European Union against the current design of the Capacity Market, which could result in a cancellation of the auctions already carried out and a revision of the regulations, with a possible new notification to the Commission to verify compatibility with European regulations on State Aid. Edison played an active role in the current appeals to the Regional Administrative Court and the Court of First Instance of the EU to support Terna and Italian institutions to preserve the application of the Capacity Market in the 2022 and 2023 delivery years. As regards the appeal before the Regional Administrative Court, the hearing on the merits is currently scheduled for March 24, 2021.

Hydrocarbons

Rates and Market

Gas settlement - The process continues for implementing the gas settlement reform defined by the ARERA (or Authority) by means of Resolution No. 148/2019/R/gas as amended, by which it introduced substantial changes to the previous regulations, with effect from January 1, 2020, and approved a new *“Integrated text of the provisions governing the settlement of the physical and economic items of the natural gas balancing service (TISG)”*. Overall, the implementation of the gas settlement reform is significant for Edison because it requires a major upgrade of its internal information systems to accommodate the new data that will become available in the IIS as well as a revision of forecasting logics and internal procedures across the Business Units.

Following Snam’s publication of the first financial statements for 2020, several anomalies - still in part not resolved - were found in the allocation data returned by the IIS, reflecting the criteria of the new settlement regulations launched starting from 2020. In view of the potential economic impact of these inefficiencies, Edison, first of all, and the main associations promptly sent reports to ARERA, SNAM and the IIS in order to have the anomalies identified corrected which, if not resolved, would result in completely unjustified variance fees and would generate significant economic damages for the operators involved. By means of Resolution No. 222/2020/R/gas of June 16, 2020 a new process was introduced for sharing and checking the data used for settlement, involving the IIS, the distribution companies, the Distribution Users (UdD), the Balancing Users (UdB) and the balancing manager, which is intended to identify and correct anomalies. As requested by Edison, the set of information made available to the operators by the IIS and used for verifications concerning their own withdrawals has also been expanded. Subsequently, with the publication on July 28, 2020 of the ARERA communication concerning *“TISG:Application of Resolution No. 222/2020/R/gas”*, the right was introduced for UdBs to request from the balancing manager a correction of the withdrawal data of distribution redelivery points which did not positively pass the consistency checks according to a predefined set of withdrawal exclusion criteria and, to that end, a dedicated adjustment service provided by the transport companies has been set up. Edison, in concert with other operators, has deemed the implementation of the adjustment procedure significantly complex, as well as onerous for the system, therefore highlighting its exclusively temporary nature. In this sense, a structural intervention by ARERA is desirable to resolve the critical issues brought about by the settlement regulations.

Gas transport - Variance fees - Accepting the requests received from operators (first and foremost, Edison), in view of the transport capacity transfers for the 2020-21 thermal year, ARERA urgently intervened in order to reduce the onerous nature of the variance fees applicable in the gas transport service. Resolution No. 329/2020/R/gas of September 8 indeed established an annual maximum ceiling on the economic value of the applicable variances at the network redelivery points, considering the tariff increases of the new 2020-2023 regulation and the uncertainties surrounding the estimation of transport capacity deriving from the settlement reform and the possible past and future effects of the COVID-19 pandemic, including on industrial activity trends. In general, the resolution appears to go in the direction desired by operators and Edison is performing further analyses.

^[1] The following companies have appealed before the Regional Administrative Court: AXPO, SET, Tirreno Power and Italia Solare. The companies SET and Tirreno Power instead appealed before the Court of First Instance of the EU.

Infrastructures

Storage – 2021 Revenues: by means of Resolution No. 275/2020/R/gas of July 21, 2020, the Authority approved the reference revenues of Edison Stocaggio Spa relating to 2021, for 61 million euros, consistent with the proposal submitted in May 2020 by the same company.

Issues Affecting Multiple Business Segments

Energy Efficiency Certificates (EEC) - The Authority published on July 17, 2020 Resolution No. 270/2020/R/efr whereby it ordered the reform of the tariff contribution for obliged entities within the scope of the EEC mechanism. The new regulatory mechanism introduced by this last resolution is less penalising than the one previously in force, but critical issues remain linked to the very high likelihood of scenarios in which the obliged entities will not be able to fully recover the costs incurred for the acquisitions of ECCs and in addition no recalculation is planned of the tariff contribution for compliance period 2018 which, please recall, was determined according to the rules of Ministerial Decree of May 10, 2018 and Resolution No. 487/2018, which are no longer effective as a result of the ruling of the Regional Administrative Court. Resolution No. 270/2020 also, incorporating what is set forth in Ministerial Decree of May 19, 2020 (the “Relaunch Italy” Ministerial Decree), postponed the conclusion of compliance period 2019 from May 31, 2020 to November 30, 2020 and as a result deferred the start of compliance period 2020 to December 1, 2020.

Removal of the Protected Market - Following up on the provisions of the Milleproroghe Decree Law, ARERA published DCO 220/20/R/eel, illustrating its orientations on the gradual protection service, intended to guarantee supply continuity to small businesses connected at low voltage (other than microenterprises) which have no supplier starting from January 2021. According to ARERA, after a six month period of being supplied with their current protection operator, those customers would be assigned to a new supplier through an auction mechanism, with lots designed taking into account both a geographical factor and the need to have uniformity from the perspective of customer defaults. The customers would continue to receive supplies with the service assignee for three years under contractual conditions that would mirror those of PLACET offers. The service would be assigned to the operator that would offer the lowest supply price at auction. On the basis of the mechanism's design, the procedure could be of interest to Edison to expand its customer base; however, given the low number of customers expected to be involved in the mechanism and the many points not yet decided upon by ARERA on its functioning, the company will evaluate its effective interest when the mechanism is definitively implemented.

Relaunch Decree-Law: conversion law no. 77 of July 17, 2020, with amendments, of the **Relaunch Decree-Law 34/2020** “Urgent measures on health, support to employment and the economy and social policies linked to the COVID-19 epidemiological emergency” has been published in the Official Gazette.

It contains, inter alia, the following measures:

- application from July 1, 2020 to December 2021 of an increased rate, equal to 110%, for certain “eco-bonus” and “earthquake-bonus” interventions on residential buildings; simplification of methods for using tax deductions in building for 2020 and 2021 through transformation into a tax credit that may be transferred to third parties, including banks;
- reduction in the cost of electricity for non-domestic electricity customers;
- closure of the preliminary technical committee established to support the EIA-SEA Environmental Impact Assessment Commission;
- support to urban micromobility.

Simplification Decree-Law containing “Urgent measures for simplification and digital innovation” – Decree-Law no. 76 of July 16, 2020, converted, with amendments, by conversion law no. 120 of September 11, 2020, published in the Official Gazette of September 14, 2020. The provision contains, inter alia, the following measures:

- streamlining of the EIA (environmental impact assessment) procedure; introduction of an accelerated procedure dedicated to works included within the PNIEC (integrated national plan for energy and climate) and establishment of the relative ad hoc Commission;
- simplification of authorisation procedures for interventions on existing renewable energy plants;
- provisions on Sardinia’s LNG supply, establishing a virtual connection with peninsular Italy operated by the TSO;
- on strategic storage, assignment of the relative costs to customers connected to the distribution network’s redelivery points;
- establishment of precise regulations for the construction of the various types of energy storage plants.

Recovery Plan and New EU Budget: the EU Council confirmed the amount of 750 billion euros for the Next Generation EU (Recovery Plan) proposed by the Commission, including 390 billion euros in grants and 360 billion euros in loans; the EU Council’s proposal for the new 1,047 billion euros EU Budget was also confirmed. 208.8 billion euros is allocated to Italy, of which 81.4 billion euros in grants and 127.4 billion euros in the form of loans. 70% of the subsidies disbursed will be used in the years 2021 and 2022. The remaining 30% will be used in its entirety by the end of 2023. As part of the increase in own resources and to ensure that the Commission can obtain the 750 billion euros required for Next Generation EU in the financial markets, every Member State is being asked to pay 2% of its Gross National Income (GNI) into the EU’s coffers for the 2021-2024 period. This percentage is currently 1.4% of GNI. This increase in the contribution will need to be approved by all 27 national parliaments by the end of December, in order to definitively provide the green light to the Recovery Plan. At the same time, the Member States are preparing the national recovery and resilience plans which define the spending programmes for Next Generation EU funds for the years 2021-23.

EU Financing for Small Scale LNG Depot at the Port of Naples: as part of the Connecting Europe Facility (CEF), the European Commission has recognised a 669,533 euro loan for research relating to the design of the joint Edison-Kuwait Petroleum Italia (Q8) project for a Small Scale LNG (Liquefied Natural Gas) coastal depot at Darsena Petroli in the Port of Naples.

PRESENTATION FORMATS

CONSOLIDATED INCOME STATEMENT

(in millions of euros)	9 months 2020	9 months 2019 (*)
Sales revenues	4,521	6,114
Other revenues and income	75	80
Total net revenues	4,596	6,194
Commodity and logistic costs (-)	(3,393)	(5,024)
Other costs and services used (-)	(380)	(398)
Labor costs (-)	(237)	(225)
Receivables (writedowns) / reversals	(20)	(11)
Other costs (-)	(55)	(59)
EBITDA	511	477
Net change in fair value of derivatives (commodity and exchange rate risk)	(15)	(3)
Depreciation and amortization (-)	(256)	(251)
(Writedowns) and reversals	(24)	-
Other income (expense) non Energy activities	(47)	(16)
EBIT	169	207
Net financial income (expense) on debt	(9)	(8)
Other net financial income (expense)	(18)	(4)
Net financial income (expense) on assigned trade receivables without recourse	(11)	(13)
Income from (Expense on) equity investments	3	3
Profit (Loss) before taxes	134	185
Income taxes	(32)	(38)
Profit (Loss) from continuing operations	102	147
Profit (Loss) from discontinued operations	(170)	(511)
Profit (Loss)	(68)	(364)
Broken down as follows:		
Minority interest in profit (loss)	10	9
Group interest in profit (loss)	(78)	(373)

(*) The amounts of 9 months 2019 were restated pursuant to IFRS 5.

CONSOLIDATED BALANCE SHEET

	09.30.2020	12.31.2019
(in millions of euros)		
ASSETS		
Property, plant and equipment	3,559	3,312
Intangible assets	316	344
Goodwill	2,230	2,220
Investments in companies valued by the equity method	120	91
Other non-current financial assets	64	68
Deferred-tax assets	244	216
Non-current tax receivables	35	35
Other non-current assets	195	43
Fair value	142	100
Assets for financial leasing	2	2
Total non-current assets	6,907	6,431
Inventories	122	133
Trade receivables	922	1,132
Current tax receivables	29	26
Other current assets	372	380
Fair value	496	676
Current financial assets	166	347
Cash and cash equivalents	140	283
Total current assets	2,247	2,977
Assets held for sale	1,014	1,401
Total assets	10,168	10,809
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	5,377	5,377
Reserves and retained earnings (loss carryforward)	(74)	374
Reserve for other components of comprehensive income	(15)	12
Group interest in profit (loss)	(78)	(436)
Total shareholders' equity attributable to Parent Company shareholders	5,210	5,327
Shareholders' equity attributable to minority shareholders	149	186
Total shareholders' equity	5,359	5,513
Employee benefits	33	38
Provisions for decommissioning and remediation of industrial sites	182	163
Provisions for risks and charges	308	342
Provisions for risks and charges for non Energy activities	304	266
Deferred-tax liabilities	81	95
Other non-current liabilities	6	5
Fair value	134	93
Non-current financial debt	612	615
Total non-current liabilities	1,660	1,617
Trade payables	1,148	1,425
Current tax payables	133	104
Other current liabilities	178	184
Fair value	561	726
Current financial debt	289	342
Total current liabilities	2,309	2,781
Liabilities held for sale	840	898
Total liabilities and shareholders' equity	10,168	10,809

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, 2019	5,377	374	12	(436)	5,327	186	5,513
Appropriation of the previous year's profit (loss)	-	(436)	-	436	-	-	-
Dividends and reserves distributed	-	-	-	-	-	(33)	(33)
Changes in the scope of consolidation	-	-	-	-	-	(14)	(14)
Other changes	-	(12)	-	-	(12)	-	(12)
Total comprehensive profit (loss)	-	-	(27)	(78)	(105)	10	(95)
of which:							
- Change in comprehensive income	-	-	(27)	-	(27)	-	(27)
- Profit (loss) at September 30, 2020	-	-	-	(78)	(78)	10	(68)
Balance at September 30, 2020	5,377	(74)	(15)	(78)	5,210	149	5,359

Changes in shareholders' equity attributable to Parent Company shareholders (M€)



Changes in shareholders' equity attributable to minority shareholders (M€)



ECONOMIC & FINANCIAL RESULTS AT SEPTEMBER 30, 2020

Sales Revenues and EBITDA of the Group and by Business Segment

(in millions of euros)	9 months 2020	9 months 2019 (*)	Change %	3Q 2020	3Q 2019 (*)	Change %
Electric Power Operations						
Sales revenues	2,789	3,077	(9.4%)	958	1,006	(4.8%)
EBITDA	346	305	13.4%	87	72	20.8%
Gas Operations and E&P						
Sales revenues	2,257	3,687	(38.8%)	627	987	(36.5%)
EBITDA	237	246	(3.7%)	70	87	(19.5%)
Corporate Activities ⁽¹⁾						
Sales revenues	39	40	(2.5%)	12	13	(7.7%)
EBITDA	(72)	(74)	2.7%	(26)	(23)	(13.0%)
Eliminations						
Sales revenues	(564)	(690)	18.3%	(183)	(213)	14.1%
Edison Group						
Sales revenues	4,521	6,114	(26.1%)	1,414	1,793	(21.1%)
EBITDA	511	477	7.1%	131	136	(3.7%)
as a % of sales revenues	11.3%	7.8%		9.3%	7.6%	

(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.

(*) The 2019 figures have been restated pursuant to IFRS 5.

Revenues in the first nine months of 2020 decreased compared with the previous year to 4,521 million euros. The reduction, mainly affecting Gas Operations and E&P, is due to the price scenario and to a lesser extent to the drop in volumes.

EBITDA totalled 511 million euros, or 7.1% more than the previous year, recording in particular a positive contribution from Electric Power Operations.

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

COVID-19 Impact

The Group's financial results as at September 30, 2020 were impacted significantly by COVID-19. The main effects were:

- a drop in electricity and gas consumption by active industrial customers and SMEs in the portfolio compared to sales forecasts, particularly following the entry into force of the contagion containment measures pursuant to Italian Decree Law no. 19 of March 25, 2020 and the resulting lockdown; with the subsequent relaxation of those measures, there was a gradual recovery in volumes withdrawn by customers; the decrease in volumes took place simultaneous with a sharp drop in wholesale market prices, the reference level for the resale of volumes not consumed by customers;
- a reduction in the provision of energy and environmental services to our main industrial customers, in terms of volumes as well as prices;
- reductions in certain cost items such as labour, thanks to partial recourse to social safety nets, and travel and training costs;
- non-recurring costs linked to some donations made during the health emergency;
- a slight deterioration of our credit standing.

The effects of COVID-19 had a negative impact on the Group's EBITDA in the first nine months of 2020, estimated at around -63 million euros, to a large extent attributable to the decrease in commodity sales volumes compared to sales forecasts.

Electric Power Operations

Sources

(GWh) ⁽¹⁾	9 months 2020	9 months 2019	Change %	3Q 2020	3Q 2019	Change %
Edison's production:	13,977	15,484	(9.7%)	4,860	5,112	(4.9%)
- Thermoelectric power plants	10,322	12,140	(15.0%)	3,799	4,011	(5.3%)
- Hydroelectric power plants	2,366	2,307	2.6%	731	807	(9.4%)
- Wind power and other renewables	1,289	1,037	24.3%	330	294	12.2%
Other purchases (wholesalers, IPEX, etc.) ⁽²⁾	14,991	15,311	(2.1%)	4,838	5,186	(6.7%)
Total sources	28,968	30,795	(5.9%)	9,698	10,298	(5.8%)

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

(2) Before line losses.

Uses

(GWh) ⁽¹⁾	9 months 2020	9 months 2019	Change %	3Q 2020	3Q 2019	Change %
End customers ⁽²⁾	11,588	11,255	3.0%	4,139	3,859	7.3%
Other sales (wholesalers, IPEX, etc.)	17,380	19,540	(11.1%)	5,559	6,439	(13.7%)
Total uses	28,968	30,795	(5.9%)	9,698	10,298	(5.8%)

(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 at maximising their profitability through their optimisation.

Within this model, Edison production in Italy amounted to 13,977 GWh, down 9.7% from the same period of 2019. The negative trend is due mainly to the performance of thermoelectric production, which decreased by 15.0%, due in part to the fall in consumption at national level and in part to the shutdown of two power plants in the early months of the year. As regards hydroelectric, wind and other renewable production, in the first 9 months of the year it was on the rise (by 2.6% and 24.3%, respectively); the increase in wind and other renewable volumes can be attributed to the change in scope linked to the acquisition of EDF EN Italia (now Edison Renewables) and its subsidiaries in the second half of 2019.

Volumes sold to end customers rose slightly (3.0%) compared to the same period of 2019, despite the reduction in consumption, particularly in the industrial segment, as a result of the lockdown.

Other purchases are down slightly compared to the previous year, while Other sales fell by 11.1%; 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, albeit characterised by smaller unitary margins connected with the balancing of portfolios.

Income Statement Data

(in millions of euros)	9 months 2020	9 months 2019	Change %	3Q 2020	3Q 2019	Change %
Sales revenues	2,789	3,077	(9.4%)	958	1,006	(4.8%)
EBITDA	346	305	13.4%	87	72	20.8%

Sales revenues for the first 9 months of 2020 came in at 2,789 million euros, down 9.4% on last year, due to the drop in volumes as well as the reduction in average sale prices driven by the reference scenario.

EBITDA amounted to 346 million euros (305 million euros in the same period of 2019), marking an increase of 13.4%. This increase can primarily be ascribed to the renewables sector, due to the acquisition of EDF EN Italia (now Edison Renewables) and its subsidiaries, consolidated as of July 2019. Despite good DSM market performance, the thermoelectric sector was penalised in part by the shutdown of two power stations in the early months of the year. The result relating to electricity sales decreased due to the reduction in consumption in the industrial segment compared to forecasts, with resulting exposure to the market under less favourable conditions.

The income statement data of the Electric Power Operations include the results of the Energy & Environmental Services Market Division which, as of September 30, 2020, showed a 7.4% decrease in sales revenues compared to last year, reaching 338 million euros. EBITDA fell slightly to 47 million euros (50 million euros in 2019), mainly due to the slowdown in industrial and environmental service activities caused by the lockdown.

Gas Operations and E&P

Sources of Natural Gas

(millions of m3 of natural gas)	9 months 2020	9 months 2019	Change %	3Q 2020	3Q 2019	Change %
Production ⁽¹⁾	7	7	0.0%	2	2	0.0%
Production from discontinued operations	222	256	(13.3%)	73	82	(11.0%)
Imports (Pipeline + LNG)	8,521	10,642	(19.9%)	2,629	3,696	(28.9%)
Other Purchases ⁽²⁾	3,445	3,855	(10.6%)	928	1,015	(8.6%)
Change in stored gas inventory ⁽²⁾	29	(47)	n.m.	(62)	(192)	67.7%
Total sources	12,224	14,713	(16.9%)	3,570	4,603	(22.4%)
Production outside Italy ⁽³⁾	103	119	(13.4%)	37	41	(9.8%)
Production outside Italy from discontinued operations ⁽⁴⁾	994	1,215	(18.2%)	321	401	(20.0%)

(1) Production by Edison Stocaggio. Net of self-consumption and at standard calorific power.

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

(3) Production relating to the concession in Algeria retrospectively reconstituted from the beginning of the year; 2019 has been restated for comparative purposes.

(4) Counting volumes withheld as production tax.

Uses of Natural Gas

(millions of m3 of natural gas)	9 months 2020	9 months 2019	Change %	3Q 2020	3Q 2019	Change %
Residential use	1,504	1,924	(21.8%)	197	190	3.7%
Industrial use	3,656	3,602	1.5%	1,150	1,111	3.5%
Thermoelectric fuel use	4,456	5,028	(11.4%)	1,672	1,689	(1.0%)
Other sales	2,608	4,159	(37.3%)	551	1,613	(65.8%)
Total uses	12,224	14,713	(16.9%)	3,570	4,603	(22.4%)
Sales of production outside Italy	103	119	(13.4%)	37	41	(9.8%)
Sales of production outside Italy from discontinued operations ⁽¹⁾	994	1,215	(18.2%)	321	401	(20.0%)

(1) Counting volumes withheld as production tax.

Total gas imports and Other purchases both fell, by 19.9% and 10.6%, respectively. As regards uses, equal to 12,224 million cubic meters, there was a downturn across all segments, with the exception of quantities sold for industrial uses,

which showed slightly positive performance despite the reduction in consumption as a result of the lockdown. Sales for residential use declined by 21.8% primarily due to the particularly mild winter; sales for thermoelectric uses reduced as a result of the drop in production, while other sales also showed a considerable reduction.

Income Statement Data

(in millions of euros)	9 months 2020	9 months 2019 (*)	Change %	3Q 2020	3Q 2019 (*)	Change %
Sales revenues	2,257	3,687	(38.8%)	627	987	(36.5%)
EBITDA	237	246	(3.7%)	70	87	(19.5%)

(*) The 2019 figures have been restated pursuant to IFRS 5.

Sales revenues in the first 9 months of 2020 came in at 2,257 million euros, down by 38.8% compared to the previous year, primarily due to the price scenario, to a lesser extent following the drop in volumes.

EBITDA for the first 9 months of the year, which includes the result of regulated activities and E&P activities in Algeria and Norway, not subject to disposal and reconstituted as of January 2020, amounted to 237 million euros, a drop of 9 million euros compared to the same period of 2019 due to the reduction in margins resulting from the effects of the mild winter and lower than expected consumption due to the lockdown, offset only in part by the optimisation of sources deriving from pipeline contract flexibility.

Discontinued operations

Production

Gas production in the first 9 months of the year attributable to discontinued operations, by adding Italy and abroad together, came to 1,216 million cubic meters, down 17.3% on the same period of last year (1,471 million cubic meters). The production sold in Italy decreased mainly due to the natural decline of the field production curves. Overall, production outside Italy was also down, due mainly to the depletion of fields.

Production of crude oil attributable to the discontinued operations decreased by about 4.0% in the 9 months, due primarily to the depletion of fields in Egypt (-13.6%), not offset by increased production in the United Kingdom.

Income Statement Data

The E&P business under disposal is treated as discontinued operations in accordance with IFRS 5.

EBITDA (85 million euros) decreased by 52% in the first 9 months of 2020 (178 million euros in the same period of 2019) due to lower sales revenues caused by lower volumes and an unfavourable price scenario.

Corporate Activities

Income Statement Data

(in millions of euros)	9 months 2020	9 months 2019	Change %	3Q 2020	3Q 2019	Change %
Sales revenues	39	40	(2.5%)	12	13	(7.7%)
EBITDA	(72)	(74)	2.7%	(26)	(23)	(13.0%)

Corporate Activities include those operations of Edison Spa, the Group's Parent Company, that engage in central and transversal activities, i.e., activities that are not directly tied to a specific business, and certain holding companies and real estate companies.

Sales revenues in the first 9 months of 2020 were down slightly by 2.5% compared with the same period in 2019, while EBITDA improved by 2 million euros.

Other components of the Group's Income Statement

(in millions of euros)	9 months 2020	9 months 2019 (*)	% change
EBITDA	511	477	7.1%
Net change in fair value of derivatives (commodity and exchange rate risk)	(15)	(3)	<i>n.m.</i>
Depreciation and amortization (-)	(256)	(251)	(2.0%)
(Writedowns) and reversals	(24)	-	<i>n.m.</i>
Other income (expense) non Energy activities	(47)	(16)	<i>n.m.</i>
EBIT	169	207	(18.4%)
Net financial income (expense) on debt	(9)	(8)	(12.5%)
Other net financial income (expense) (**)	(18)	(4)	<i>n.m.</i>
Net financial income (expense) on assigned trade receivables without recourse	(11)	(13)	15.4%
Income from (Expense on) equity investments	3	3	0.0%
Income taxes	(32)	(38)	15.8%
Profit (Loss) from continuing operations	102	147	(30.6%)
Profit (Loss) from discontinued operations	(170)	(511)	<i>n.m.</i>
Group interest in profit (loss)	(78)	(373)	<i>n.m.</i>

(*) The amounts of 2019 were restated pursuant to IFRS 5.

(**) Including financial income (expense) versus discontinued operations.

The **Profit (Loss) from continuing operations** is positive by 102 million euros (positive by 147 million euros in the same period of 2019).

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 15 million euros (negative by 3 million euros in the first 9 months of 2019);
- depreciation and amortization (256 million euros) and writedowns (24 million euros) deriving from the impairment test carried out in the first half of 2020;
- net expense non Energy activities including, inter alia, additions to risk provisions for disputes related to environmental issues;
- the financial items, which recorded net expenses in increase mainly for net foreign exchange translation losses linked to loans denominated in foreign currencies granted to some foreign subsidiaries pertaining to E&P business, and
- the income taxes, with a tax rate of 24%, which include some positive effects related to specific tax laws issued in support of companies for the emergency period linked to COVID-19.

Profit (Loss) from discontinued operations is a loss for 170 million euros (a loss for 511 million euros in the same period of 2019) and, as previously commented, it includes amongst other the writedown determined to align the book value of the E&P perimeter held for sale to the expected sale price, following the amendments of the terms of the agreement with Energean signed in 2020. Please remember that the amount for 2019 similarly included the writedown determined to align the book value of the business held for sale to the expected sale price of the agreement of July 4, 2019, in addition to costs related to the sale and expected charges for risks and indemnities. For further information reference should be made to 2019 Consolidated Financial Statements and to the Condensed Consolidated Semiannual Financial Statements at June 30, 2020.

After deducting the item described above and allocating the minority interest (10 million euros in profit), the Group interest in profit (loss) is equal to 78 million euros in loss (a loss for 373 million euros in the same period of 2019).

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)

(in millions of euros)	Definable as hedges (CFH) (*)	Definable as hedges (FVH)	Not definable as hedges	Total net change in fair value
2020				
Hedges of price risk on energy products	(3)	(79)	(2)	(84)
Hedges of foreign exchange risk on commodities	-	(50)	-	(50)
Change in fair value in physical contracts (FVH)	-	119	-	119
9 months 2020	(3)	(10)	(2)	(15)
2019				
Hedges of price risk on energy products	1	186	(2)	185
Hedges of foreign exchange risk on commodities	-	41	5	46
Change in fair value in physical contracts (FVH)	-	(234)	-	(234)
9 months 2019	1	(7)	3	(3)

(*) It refers to the ineffective portion.

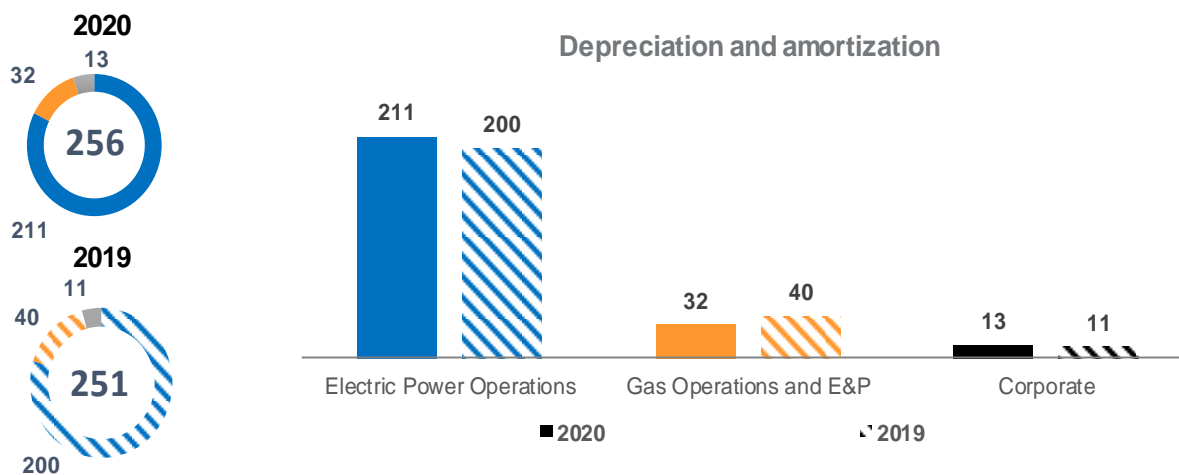
We remind that the Group extensively applies hedge accounting and that new principle IFRS 9, which entered into force starting from January 1, 2018, changed these amendments, also modifying the rules of the accounting hedge relationships approaching the logics of recognition to those of risk management, consequently reducing the volatility effects.

Specifically with regard to the changes recorded, the general decrease in the prices of all the commodities and the fluctuations of the euro/dollar exchange rate, determined a negative effect on the value of hedging financial derivatives, appropriately offset by a positive effect on the value of the underlying physical contracts hedged thanks to the positive outcome of the effectiveness tests. In this regard, were used volume forecasts based on the most up to date information. With particular reference to the health emergency linked to the spread of COVID-19, such forecasts may be subject to future updates as a consequence of the development of the situation.

Depreciation, Amortization and Writedowns

The following chart shows the amount of depreciation and amortization by business segment, which doesn't show significant changes compared to the same period of 2019. Writedowns totalling 24 million euros (22 million euros on intangible assets and 2 million euros on goodwill) pertain to Electric Power Operations and, in particular, to a CGU in Energy & Environmental Services Market Division; for further information reference should be made to the Condensed Consolidated Semiannual Financial Statements at June 30, 2020.

(in millions of euros)



Other net financial income (expense)

(in millions of euros)	9 months 2020	9 months 2019	Change
Financial expenses on provisions	(8)	(7)	(1)
Net foreign exchange translation gains (losses) (*)	(16)	6	(22)
Other (**)	6	(3)	9
Other net financial income (expense)	(18)	(4)	(14)

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

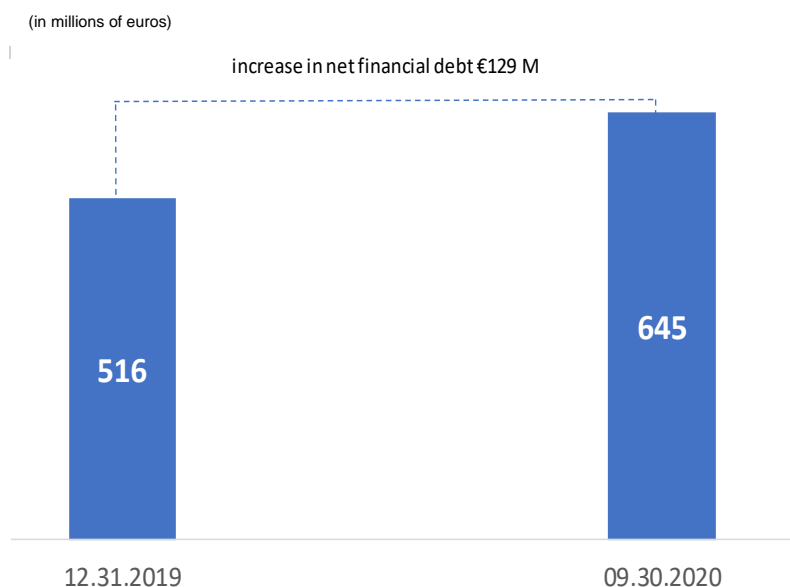
(**) Including financial income/expense versus discontinued operations.

Net foreign exchange translation gains (losses) show net losses for 16 million euros, which mainly reflect the adjustment of financial receivables and payables denominated in foreign currencies to exchange rates at September 30, 2020 and are affected by significant fluctuations suffered by some currencies, especially Norwegian krone and British pound, compared to December 31, 2019.

Net Financial Debt and Cash Flows

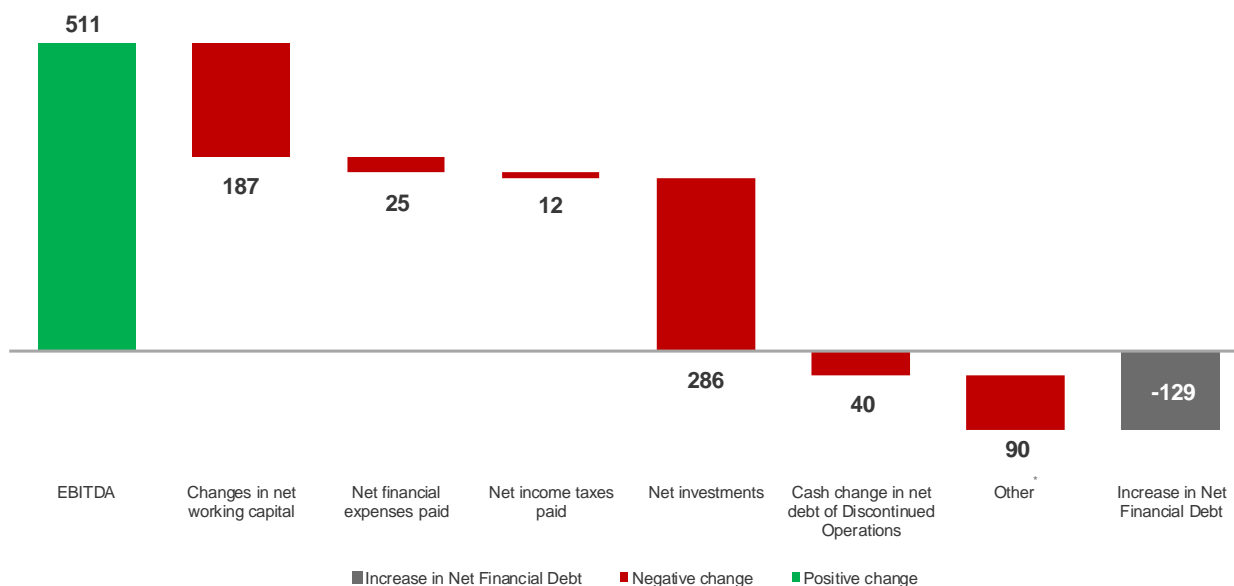
At September 30, 2020, net financial debt totalled 645 million euros (516 million euros at December 31, 2019).

Change in net financial debt



Below the analysis of changes in net financial debt is provided:

(in millions of euros)



* Of which non monetary items included in EBITDA for 56 million euros

The main cash flows of the period derive from the positive operating performance, previously commented, the cash absorption of working capital and net investments, which include:

- capital expenditures (248 million euros), mainly related to the construction of combined cycle gas turbines in the thermoelectric plants of Marghera Levante (40 million euros) and Presenzano (32 million euros), the environmental

and energy services (55 million euros), wind farms (25 million euros) referred to complete reconstructions, and the activity of Exploration & Production not in the perimeter of disposal (44 million euros);

- net effects of changes occurred in the scope of consolidation, totalling 17 million euros, mainly pertaining to the aforementioned acquisitions of the companies CEA Biogas Srl and Ambyenta Srl in the environmental and energy services;
- investments in non-current financial assets (22 million euros) referred to capital contributions in the company IGI Poseidon Sa linked to Eastmed pipeline.

The change in net financial debt is also affected by the payment of dividends to minority shareholders for 30 million euros as well as the payment of CO₂ emission rights referred to 2019 compliance. These effects are reflected in the item Other (negative by 90 million euros) which includes also the elimination of the use of the 2019 CO₂ provision, carried out in March 2020, following the physical delivery of the emission rights (146 million euros).

The table below provides a breakdown of the net financial debt.

Net financial debt

(in millions of euros)	09.30.2020	12.31.2019	Change
Non-current financial debt	612	615	(3)
- Due to banks	378	318	60
- Due to EDF Group companies	-	34	(34)
- Debt for leasing	233	259	(26)
- Due to other lenders	1	4	(3)
Assets for financial leasing	(2)	(2)	-
Non-current net financial debt	610	613	(3)
Current financial debt	303	358	(55)
- Due to banks	70	49	21
- Due to EDF Group companies	9	14	(5)
- Debt for leasing	32	33	(1)
- Debt for valuation of Cash Flow Hedge derivatives	14	16	(2)
- Due to other lenders (*)	178	246	(68)
Current financial assets (**)	(166)	(347)	181
Cash and cash equivalents	(140)	(283)	143
Current net financial debt	(3)	(272)	269
Net financial debt Assets held for sale	38	175	(137)
Net financial debt	645	516	129
of which:			
Gross financial debt	816	869	(53)
Cash and cash equivalents and financial assets	(171)	(353)	182

(*) Include financial debt versus Assets held for sale for 126 million euros (138 million euros at December 31, 2019).

(**) Include financial receivables versus Assets held for sale for 150 million euros (341 million euros at December 31, 2019).

The **non-current net financial debt** is stable compared to December 31, 2019. It is worth mentioning:

- the increase in amounts due to banks as a result of the drawdown of the first tranche of 50 million euros of the loan granted by EIB to Edison Spa in June 2020 for the upgrade of the CCGT plant in Marghera Levante and of a new utilization of 20 million euros on the E2i Club Deal loan;
- a reduction of other items of the non-current net financial debt, determined by the debt refinancing process of EDF EN Italia (now merged into Edison Renewables Srl, which therefore now owns all assets and liabilities of EDF EN

Italia) and its subsidiaries which began in the last quarter of 2019. In the period, in fact, the loan granted by EDF Investissement Groupe (EDF IG) to Bonorva Windenergy, a subsidiary of Edison Renewables (recognised for 34 million euros in non-current debts and for 6 million euros in current debts at December 31, 2019), was repaid early. Furthermore some leases were repaid early and maturing instalments were paid for a total of 22 million euros.

The **current net financial debt** was impacted primarily by the reduction of 191 million euros on the balance of current financial receivables versus assets held for sale, due nearly exclusively to the change in the scope of discontinued operations and which corresponds to a reduction in the net financial debt of Assets held for sale. Please also note the reabsorption of excess cash compared to the end of 2019.

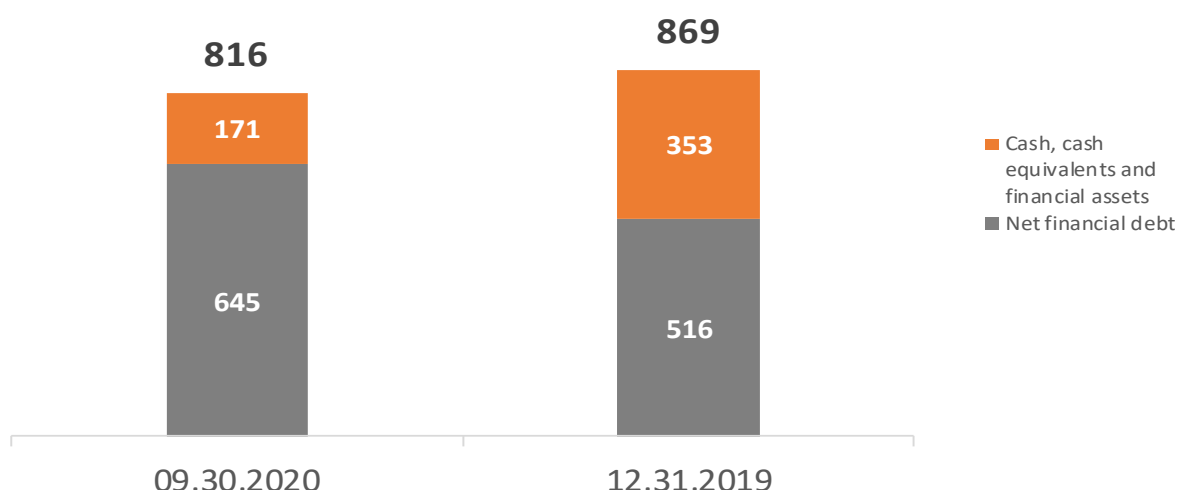
Cash and cash equivalents, include for 47 million euros (156 million euros at December 31, 2019) available funds held in the current accounts with EDF Sa and 93 million euros in bank current account balances (127 million euros at December 31, 2019) consisting mainly of the cash balances in the current accounts of companies with non-centralised cash management systems.

At September 30, 2020, Edison Group had unused committed lines of credit totalling 1,060 million euros, represented:

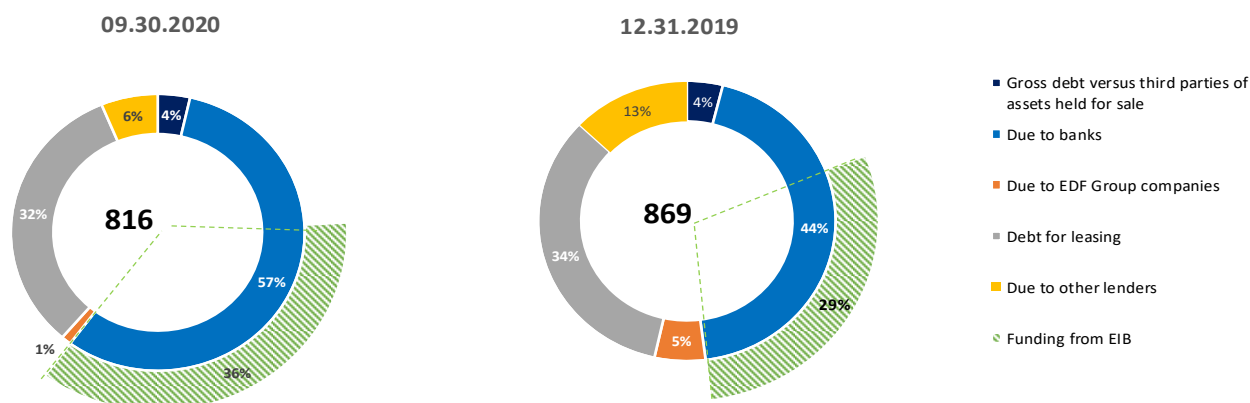
- by the two-year revolving credit line (600 million euros) signed with EDF Sa on April 9, 2019;
- by the remaining available portion of the Club Deal granted in 2018 to E2i by a pool of banks and Cassa Depositi e Prestiti for an original amount of 100 million euros, increased to 130 million euros in 2019 (used for 70 million euros at September 30, 2020);
- by the remaining available portion of the loan granted by the EIB in mid-June 2020 to upgrade the latest-generation combined cycle plant in Marghera Levante (Venice), for an original amount of 150 million euros (used for 50 million euros at September 30, 2020). The loan has a tenor of 15 years and is mainly at fixed rate, at very competitive levels;
- by the Green Framework Loan for 300 million euros granted by the EIB at the end of June 2020 to finance a portfolio of projects throughout Italy for energy efficiency and for the construction of renewable energy plants. The line of credit has a tenor of 15 years and may be used over the next four years.

Gross financial debt and breakdown by financial source (*)

(in millions of euros)



(*) Include amounts attributable to Assets held for sale



The composition of gross financial debt at the end of the third quarter of 2020 changed compared to 31 December 2019. On the one hand, debt due to EDF Group companies decreased due to the early repayment of the medium-long-term loan granted by EDF IG to Bonorva Windenergy. On the other hand, bank debts increased due to the drawdown of the first tranche of 50 million euros of the EIB loan for Marghera Levante and of 20 million euros of the Club Deal granted to E2i.

The bank facilities used include primarily long-term loans for the development of specific projects in the wind, thermoelectric and gas storage sectors granted directly to Edison by the EIB and the Club Deal loan provided to E2i by a pool of banks and Cassa Depositi e Prestiti.

Fair value recorded in Balance Sheet and Cash Flow Hedge Reserve

Fair Value recorded in Balance Sheet

(in millions of euros)	09.30.2020			12.31.2019		
Broken down as follows:	Receivables	Payables	Net	Receivables	Payables	Net
- Financial assets (liabilities)	-	(14)	(14)	-	(16)	(16)
- Non-current assets (liabilities)	142	(134)	8	100	(93)	7
- Current assets (liabilities)	496	(547)	(51)	676	(710)	(34)
Fair Value recognized as assets or liabilities (a)	638	(695)	(57)	776	(819)	(43)
of which of (a) related to:						
- Interest Rate Risk Management	-	(14)	(14)	-	(16)	(16)
- Exchange Rate Risk Management	11	(43)	(32)	52	(10)	42
- Commodity Risk Management	397	(430)	(33)	462	(434)	28
- Fair value on physical contracts	230	(208)	22	262	(359)	(97)

The impacts on the income statement of the changes recorded with respect to December 31, 2019 have been previously commented on with reference to the item Net change in fair value of derivatives (commodities and exchange rates).

The table below, instead, provides a breakdown of the changes that occurred in the Cash Flow Hedge reserve for the accounting treatment of derivatives referring 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, 2019	(21)	7	(14)
Changes in the period	(22)	5	(17)
Reserve at September 30, 2020	(43)	12	(31)

The change that occurred during the period and the reserve at September 30, 2020 are related mainly to the net fair value of the derivatives outstanding to hedge the commodity and foreign exchange risk associated with the formulas used both in sales and purchases contracts entered into by Edison to manage its physical and contractual assets. The figures, down from December 31, 2019, reflect the fall in prices recorded during the period with reference to all commodity markets. 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 (less the ineffective portion appropriately reflected in the income statement). Specifically, concerning the volume forecasts employed, apply the same consideration disclosed as a comment to the item Net change in fair value of derivatives (commodity and exchange rate risk).

Finally, it should be noted that the negative value of these financial derivatives, read together with the expected cash flows relating to the physical contracts hedged, does not represent, at present, a critical element in terms of prospective marginality.

OUTLOOK

The 2020 EBITDA forecast issued before the COVID-19 emergency, included in a range between 560 and 620 million euros, is revised upwards between 585 and 635 million euros thanks to the positive industrial performance recorded in the period, despite the effects of the pandemic.

SIGNIFICANT EVENTS OCCURRING AFTER SEPTEMBER 30, 2020

No significant events occurred after September 30, 2020.

Milan, November 5, 2020
The Board of Directors
By Nicola Monti
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 September 30, 2020 is consistent with the data in documents, accounting records and other records.

Milan, November 5, 2020

**“Dirigenti Preposti alla redazione
dei documenti contabili societari”
Didier Calvez
Roberto Buccelli**