



SEMIANNUAL REPORT

AT JUNE 30, 2018

CONTENT

SEMIANNUAL REPORT AT JUNE 30, 2018

3	Highlights of the Group
4	Information about Edison shares and Corporate Governance bodies
5	SEMIANNUAL REPORT ON OPERATIONS AT JUNE 30, 2018
6	KEY EVENTS
8	EXTERNAL CONTEXT
8	Economic Framework
11	The Italian Energy Market
15	Legislative and Regulatory Framework
21	ECONOMIC & FINANCIAL RESULTS AT JUNE 30, 2018
21	Sales Revenues and EBITDA of the Group and by Business Segment
25	Other Components of the Group's Income Statement
26	Net Financial Debt and Cash Flows
27	Outlook and Expected Year-end Results
28	Edison Spa
29	Risks and Uncertainties
34	OTHER RESULTS FROM OPERATIONS
34	Innovation, Research and Development
35	Health, Safety and the Environment
37	Human resources and industrial relations
40	Other Information
41	CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS AT JUNE 30, 2018
42	Consolidated Income Statement and Other Components of the Comprehensive Income Statement
43	Consolidated Balance Sheet
44	Cash Flow Statement
45	Changes in Consolidated Shareholders' Equity
46	NOTES TO THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS AT JUNE 30, 2018
46	Accounting Principles and Consolidation Criteria
51	Segment Information
52	Notes to the Income Statement
57	Notes to the Balance Sheet
64	Net Financial Debt
65	Commitments, Risks and Contingent Assets
69	Group Financial Risk Management
75	Intercompany and Related-party Transactions
77	Other Information
77	Significant Events Occurring After June 30, 2018
78	Scope of Consolidation at June 30, 2018
83	CONDENSED SEMIANNUAL FINANCIAL STATEMENTS OF EDISON SPA, THE GROUP'S PARENT COMPANY, AT JUNE 30, 2018
84	Income Statement and Other Components of the Comprehensive Income Statement
85	Balance Sheet
86	Cash Flow Statement
87	Changes in Shareholders' Equity
89	NOTES TO THE CONDENSED SEMIANNUAL FINANCIAL STATEMENTS OF EDISON SPA, THE GROUP'S PARENT COMPANY AT JUNE 30, 2018
89	Accounting Principles and Valuation Criteria
94	Notes to the Income Statement
100	Notes to the Balance Sheet
109	Net Financial Debt
110	Commitments, Risks and Contingent Assets
112	Financial Risk Management
115	Intercompany and Related-party Transactions
117	Other Information
118	Significant Events Occurring After June 30, 2018
119	Certification of the Condensed Semiannual Financial Statements Pursuant to Article 81-ter of CONSOB Regulation No. 11971 of May 14, 1999, as Amended
120	Reports of the Independent Auditors

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

HIGHLIGHTS OF THE GROUP

In order to help the reader obtain a better understanding of the Group's operating and financial performance, the tables below contain "alternative performance indicators". The methods used to compute these indicators, consistent with the guidelines of the European Securities and Markets Authority (ESMA), are described in the footnotes to the tables.

2017 full year (*)	Income Statement Data (in millions of euros)	Note (**)	First half 2018	First half 2017 (*)	% change
8,783	Sales revenues	1	4,425	4,377	1.1%
803	EBITDA	5	407	426	(4.5%)
9.1%	as a % of sales revenues		9.2%	9.7%	
42	EBIT		160	19	n.m.
0.5%	as a % of sales revenues		3.6%	0.4%	n.m.
(176)	Group interest in Profit (Loss)		62	(140)	n.m.

12.31.2017	Financial data (in millions of euros)	Note	06.30.2018	06.30.2017	% change
377	Capital expenditures	13, 16	188	153	22.9%
80	Investments in exploration	16	11	42	(73.8%)
6,319	Net invested capital (A + B) ⁽¹⁾		6,483	6,884	2.6%
116	Net financial debt (A) ⁽¹⁾⁽²⁾		203	780	75.0%
6,203	Shareholders' equity total (B) ⁽¹⁾	22	6,280	6,104	1.2%
5,915	Shareholders' equity attributable to Parent Company shareholders' ⁽¹⁾	22	6,017	5,817	1.7%

	Rating	06.30.2018	12.31.2017
	Standard & Poor's		
	-Medium/Long-term rating	BBB-	BB+
	-Medium/Long-term outlook	Stable	Stable
	-Short-term rating	A-3	B
	Moody's		
	-Rating	Baa3	Baa3
	-Medium/Long-term outlook	Stable	Stable

12.31.2017	Key Indicators	06.30.2018	06.30.2017	% change
0.02	Debt / Equity (A/B)	0.03	0.13	
1.8%	Gearing (A/A+B)	3%	11%	
5,144	Number of employees ⁽¹⁾⁽³⁾	5,251	5,017	2.1%

(1) End-of-period data. The changes in these values were calculated as at December 31, 2017.

(2) A breakdown of this item is provided in the "Net Financial Debt" section of the notes to the Condensed Consolidated Semiannual Financial Statements.

(3) Companies consolidated line by line.

(*) 2017 Sales Revenues were restated following the application of IFRS 15 "Revenue from Contracts with Customers", without any impact on the EBITDA, as described in the "Accounting principles and Consolidation criteria" section of the Notes to the Condensed Consolidated Semiannual Financial Statements.

The first adoption impacts related to IFRS 9 were recorded in equity without restatement of 2017 data.

(**) See the Notes to the Condensed Consolidated Semiannual Financial Statements.

2017 full year	Operating data	First half 2018	First half 2017	% change
19.7	Net production of electric power (Twh)	8.8	10.0	(12.0%)
10.9	Sales of electric power to end users (TWh)	6.7	5.2	29.8%
15.1	Gas imports (Bn m ³)	7.0	7.5	(7.1%)
21.3	Total net gas sales in Italy (Bn m ³)	10.3	10.7	(3.1%)
1,059	Locations served power and gas (in thousands)	1,585	1,048	51.2%
17.0	Net hydrocarbon production in Italy and abroad (Mboe)	8.9	8.4	6.0%

INFORMATION ABOUT THE EDISON SHARES

Shares at June 30, 2018		
	number	price
Common shares	5,266,845,824	(*)
Savings shares	110,154,847	0.9303

Shareholders with significant holdings at June 30, 2018		
	% of voting rights	% interest held
Transalpina di Energia Spa ⁽¹⁾	99.484%	97.446%

(*) Delisted as of September 10, 2012.

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

CORPORATE GOVERNANCE BODIES

At June 30, 2018

Board of Directors ⁽¹⁾

Chairman	Jean-Bernard Lévy ⁽²⁾
Chief Executive Officer	Marc Benayoun ⁽³⁾
Directors	Marie-Christine Aulagnon ⁽⁴⁾ Béatrice Bigois ⁽⁵⁾
Independent Director	Paolo Di Benedetto ⁽⁶⁾
Independent Director	Gian Maria Gros-Pietro ⁽⁷⁾ Sylvie Jéhanno ⁽⁸⁾
Independent Director	Nathalie Tocci ⁽⁹⁾ Nicole Verdier-Naves ⁽¹⁰⁾

Secretary to the Board of Directors	Lucrezia Geraci
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Board of Statutory Auditors ⁽¹¹⁾

Chairman	Serenella Rossi
Statutory Auditors	Lorenzo Pozza Gabriele Villa

Independent auditors ⁽¹²⁾	Deloitte & Touche Spa
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(1) Elected by the Shareholders' Meeting on March 22, 2016 for a three-year period ending with the Shareholders' Meeting convened to approve the 2018 financial statements.

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

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

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

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

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

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

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

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

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

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

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



SEMIANNUAL REPORT ON OPERATIONS

AT JUNE 30, 2018

KEY EVENTS

Edison completes the acquisition of Gas Natural Vendita Italia

On February 22, 2018, Edison acquired Gas Natural Vendita Italia Spa (GNVI), which was renamed Edison Energie Spa, and the price for the acquisition of the company was about 193 million euros, in addition to the payment of accrued interest of 2.5 million euros.

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

In April, Gas Natural Fenosa transferred the gas procurement agreement relating to the Azerbaijan Shah Deniz II field to Edison.

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

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

This strategic venture capital partnership covers Edison's investment in the Smart City investment fund managed by Idinvest, focused on start-ups dedicated to Smart Energy, Smart Building & Industry, New Mobility and Abilitating Technologies in Europe, North America, Israel and Asia. The partnership also provides the opportunity to co-invest in start-ups of particular interest for Edison, thus improving the maximum potential of the fund.

At the same time, Idinvest undertakes to promote the Italian ecosystem of innovation, investing in one or more innovative Italian start-ups that fall within the scope of its investment focus, through its venture capital business.

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

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

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

Through its subsidiary Fenice Spa, Edison signs a binding agreement for the acquisition of the majority of Zephyro Spa

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

The shares of Zephyro Spa have been traded on the AIM Italia (Alternative Investments Market) organised and managed by Borsa Italiana Spa since December 2015.

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

At the same time, Fenice submitted to Consob pursuant to and in accordance with articles 102, paragraph 3 of the TUF and 37-ter of the Issuers' Regulations the relative Offer Document that will be published at the end of the investigation carried out by Consob pursuant to article 102, paragraph 4 of the TUF.

As of June 30, 2018, the right of acquisition and the related debt were recorded in the financial statements for a value of 71.8 million euros.

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

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

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

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

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

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

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

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

Significant events occurring after June 30, 2018

Information about events occurring after the end of the period subject of this Report is provided in the section of the Condensed Consolidated Semiannual Financial Statements entitled "Significant Events Occurring After June 30 2018".

EXTERNAL CONTEXT

Economic framework

In the first half of 2018, the pace of global gross domestic product growth remained at significant levels, but experienced an overall slowdown. GDP growth remains rather widespread amongst the main global economies, driven primarily by the sustained pace of expansion of emerging economies as well as the US economy.

Global trade growth remains sustained, as it has for more than one year now, with an expansionary phase in the investment cycle and manufacturing activity, although some signs of a slowdown are emerging.

The stabilisation of the positive trend in economic activity and global trade is threatened by serious risks. First of all, those regarding trade policies announced and in part deployed by the US administration, which could lead to an escalation of protectionist measures between the United States and its main trade partners including China, and Europe as well. This would have a significant recessive effect on global trade and, as a result, on GDP. In the second place, the gradual process of US monetary policy normalisation with the rate hike by the Fed, which is already triggering capital outflows and the depreciation of currencies in several emerging economies, could worsen financial turbulence in such markets. In addition, the upward trajectory in oil prices could have significant impacts on outlooks for growth in certain emerging countries, as well as on consumption and investments in developed countries. Lastly, geopolitical tensions could fuel the climate of uncertainty: although risks linked to relations between the United States and North Korea have declined thanks to the important meeting held on the nuclear issue, it is necessary to consider the possible worsening of geopolitical tensions, including those resulting from the US's abandonment of the nuclear deal with Iran, those in the Middle East and those linked to significant migration flows from the southern Mediterranean.

In the United States, GDP growth shows signs of liveliness: quarterly economic signals are indicating an economic acceleration, especially in the second quarter of the year, thanks to the bipartisan agreement on the federal budget reached in February, which is broader in extent than was expected, and as a result of the tax reform approved at the end of 2017. Lastly, the expanding job market and the positive trend in the manufacturing sector should support both consumption and investments.

With respect to emerging countries, there was in particular an improvement in the Egyptian economy due to structural reforms enacted by the government and the three-year loan granted by the International Monetary Fund in November 2016; however, the risk of worsening social tensions linked to the loss of household buying power remains high, driven by inflationary pressures triggered by significant increases in the cost of fuels, gas, drinking water, means of transport and the price of food and beverages.

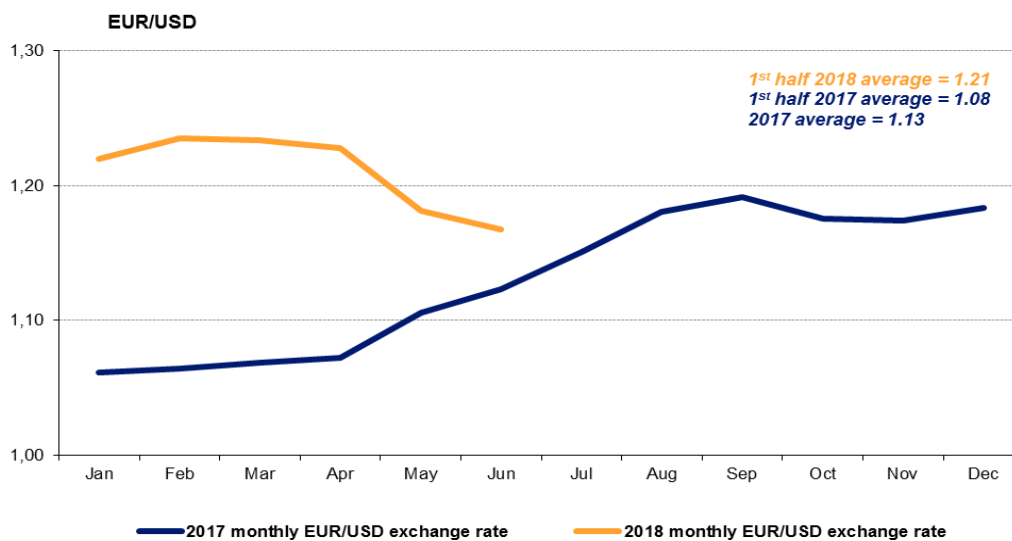
In Europe, the growth of Eurozone countries remains moderate; although the year under way began with a slight slowdown in GDP, subsequently growth regained vigour in light of the improvement in household consumption and business investments. In particular, the good climate of confidence, which is remaining at rather high levels, and conditions in the job market, which marked a decline in the number of unemployed people and a drop in the unemployment rate towards the low levels seen in 2008, contributed towards supporting consumption. Other positive signs regard investments in machinery by industrial companies which, according to the European Commission, are expected to accelerate.

The ECB's monetary policy is embarking upon a process of normalisation; in June, the last extension of quantitative easing was approved, although the volume has been cut in half, and the programme will be completed at the end of 2018. Interest rates will still remain stagnant at all-time lows (zero on loans and negative on deposits) for a significant period of time; indeed, the first rate hike is expected to take place towards the end of 2019.

In Italy, growth continues at limited levels and economic indicators point to a gradual deceleration; the economic slowdown has been impacted by a downsizing of exports as well as private investments. In particular, foreign demand suffered from the strengthening of the euro in the early months of 2018 in addition to the weakening of foreign trade in all European countries. The expansionary phase of private investments is tapering off after the significant progress made last year. Both of these components of demand were impacted by the climate of uncertainty in the international context, especially due to US trade policies, as well as domestically in light of the unclear situation that arose after the elections and all of the doubts surrounding the possibility of forming a new government, alongside which there was also

turbulence in the financial markets. There was a further increase in employees (with limited term employment playing a key role in this growth), but despite the improvements made in the job market in recent years, unemployment remains high. Public finances have improved slowly, although the less favourable GDP trend could have a negative impact and many doubts remain as to the possibility of actually implementing the economic policies outlined by the current government while still respecting public financing restrictions.

During the first half of 2018, the average euro/USD exchange rate came in at 1.21, up 11.9% on the same period of last year. Analysing the monthly trends, the exchange rate rose in the first two months of 2018 to then subsequently drop to 1.17 in June. The appreciation of the dollar was favoured by the Fed's restrictive monetary policy, with two interest rate hikes, in March and June, and the possibility of another two rate hikes in the second half of the year. The simultaneous depreciation of the euro was driven by slowing economic growth in the Eurozone in the first quarter and the announcement at the ECB's June meeting that rates will remain unchanged at least until summer 2019, as well as political tensions in Italy concerning the formation of the new government.



As regards the oil markets, the average price of Brent for the first six months of 2018 came to 71.0 USD/barrel, up 34.5% on the first half of 2017. However, during the first half of 2018, the Brent price continued with its positive trend that began in June 2017, with prices that gained 19.3% since the start of the year, going from 66.6 USD/barrel recorded early January to 79.4 USD/barrel at the end of June.

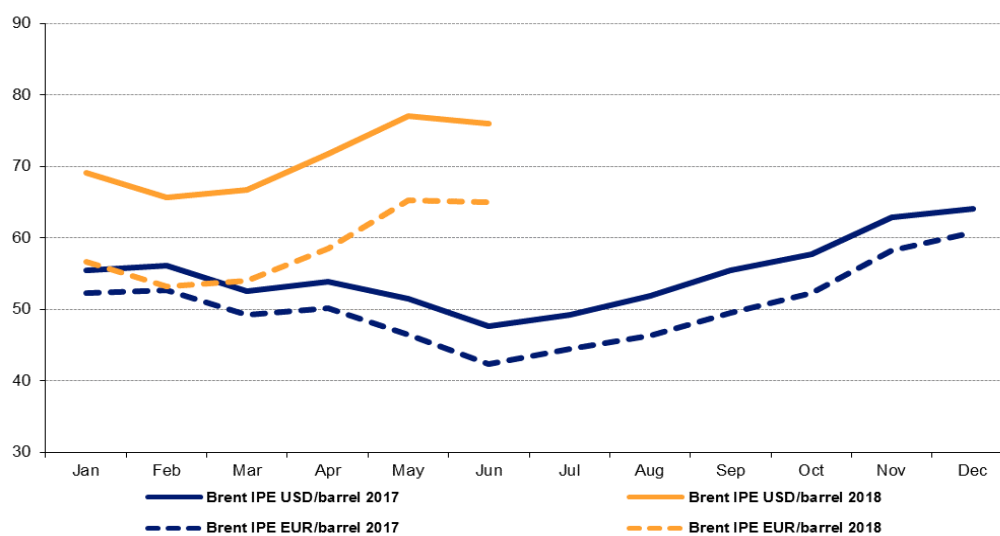
After the decline in prices observed in February, when the US's weekly production exceeded 10 million barrels/day, since March oil prices have experienced a considerable upward trajectory until reaching their highest level since November 2014 on May 23, at 79.8 USD/barrel. This growth reflects the geopolitical tensions between the United States and Iran, which culminated in May with Washington's decision to withdraw from the nuclear deal and reintroduce sanctions against the Middle Eastern Country, which had been lifted in 2016. Fears of a reduction in oil exports from Iran, along with the continuous decline in supplies from Venezuela, bolstered prices; however, the willingness expressed by both Saudi Arabia and Russia to increase production mitigated the impact of these price increasing factors. At the meeting of OPEC members and allies held on June 22, the decision was formally made to boost supply with a view to lowering to 100% the overall level of compliance with the agreement relating to production cuts, which in recent months reached values close to 150%.

In the first half of 2018, the crude oil price in euros was 20.2% higher than the average booked for the same period the previous year. With respect to prices in dollars, the increase was not as considerable as a result of the strengthening of the single currency with respect to the US currency.

The table and chart that follow respectively show the average data for the half-year and the monthly trends for this year and the previous year:

2017 full year		First half 2018	First half 2017	% Change
54.8	Oil price USD/barrel ⁽¹⁾	71.0	52.8	34.5%
1.13	USD/EUR exchange rate	1.21	1.08	11.9%
48.6	Oil price, EUR/barrel	58.8	48.9	20.2%

(1) Brent IPE



In a similar way to oil, distilled products also recorded an upward trend in the first six months of 2018 and half-year averages that were higher than those of the same period 2017. More specifically, oil had an average price in the first half 2018 of 624.6 USD/metric ton, 33.6% higher than the average price for the first half of 2017.

The prices of fuel oils recorded positive changes of 28.1% on the first half 2017 for low sulfur products and 32.6% for high sulfur products.

Coal prices on the Atlantic market also recorded growth, coming in at 88.0 USD/ton, up 11.6% compared to the first half of 2017. In the first three months of the year prices were on a downward trajectory, reflecting the decreases recorded in the Asian market, while in the second quarter they rose, with the support of rising oil prices, amongst other factors.

In a similar way to the other energy commodities, gas prices to the main European hubs have also recorded a rise, on average of 20.5%, with respect to the prices observed during the first half 2017.

In the first six months of 2018, the CO₂ emissions rights market continued with its rising trend that began in the second half of 2017. Prices closed the month of June at 15.2 euro/metric ton, with an average of 12.1 euro/metric ton during the half, up by 143.1% compared with the first half of 2017. The factors triggering this rise in the first part of the year included: in February, the definitive approval by the European Council of the reform of phase 4 of the Emissions Trading System (ETS) and, in May, the reduction in the number of sectors covered by carbon leakage communicated by the European Commission. The commitment, expressed by various European countries, to carry out climate-related and environmental initiatives at national level and achieve the EU objectives at 2030 in terms of renewable sources and energy efficiency has provided further support to prices. Lastly, the upward trend was also supported by the upcoming entry into force of the Market Stability Reserve (MSR), expected to take place in January 2019.

In the first half of 2018, the market of Energy efficiency certificates (TEE) had an average price of 339.7 euros/TEE, up by 50.1% compared with the same period of 2017, when the average price was 226.3 euros/TEE. The first two months

of 2018 witnessed a continuation of the upward drive that began halfway through last year due to the low supply available in the market, also caused by the new restrictive regulation introduced with Ministerial Decree of January 11, 2017. After reaching a record price of 478.8 euros/TEE during the February 13 session, a first regulatory intervention was made to limit price growth, which reduced the frequency of market sessions from weekly to monthly. Since then, prices began to drop, reaching 253.3 euros/TEE in the June session. These reductions took place pending the publication of the Corrective Decree revising Ministerial Decree of January 11, 2017, aiming to overcome current issues linked to the market shortfall and offer greater flexibility to obliged entities.

The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

2017 full year	(TWh)	First half 2018	First half 2017	% Change
285.1	Net production:	136.1	140.4	(3.1%)
199.5	- <i>Thermoelectric</i>	86.2	96.9	(11.0%)
37.5	- <i>Hydroelectric</i>	26.0	19.1	36.5%
24.8	- <i>Photovoltaic</i>	11.4	12.7	(10.5%)
17.5	- <i>Wind power</i>	9.6	8.8	9.2%
5.8	- <i>Geothermal</i>	2.9	2.9	(1.3%)
37.8	Net imports	23.8	18.3	30.2%
(2.4)	Pumping consumption	(1.3)	(1.3)	(3.9%)
320.4	Total demand	158.6	157.4	0.8%

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

In the first half of 2018, gross demand for electric power from the Italian grid totalled 158.6 TWh (TWh = 1 billion kWh), an increase of 1.2 TWh (+0.8%) compared to the corresponding period of the previous year.

The increase in demand is mainly seen in February and March, marked by cold snaps which triggered a significant difference in temperature with respect to period averages, whilst in the spring months, the demand remains substantially stable with a hint of a reduction in June. Domestic production during the half covered roughly 86% of demand, down by 2% compared with the first half of 2017, as a result of higher imports which rose by 30.2% (+5.5 TWh) compared with the first half of 2017, which was partially impacted by lower availability from France.

With respect to the individual sources, please note: the recovery of generation from hydroelectric power plants which, thanks to higher levels of precipitation in the first six months of 2018, recorded significant growth (of about 7 TWh; +36.5%), a slight downturn in photovoltaics (-1.3 TWh; -10.5%), and good performance from wind power, which increased by 9.2% (+0.8 TWh) in these first 6 months of the year.

The effect of increased imports accompanied by a recovery in generation from hydroelectric power plants simultaneously triggered downward pressure on thermoelectric generation, which closed this first half of the year down by 11% (-10.7 TWh).

Insofar as the price scenario at June 30, 2018 is concerned, the time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) settled at 53.8 euros per MWh, up 5.2% compared with the previous year (51.2 euros per MWh).

This limited price recovery with respect to the first half of 2017 comes under the context of an increase in production costs (gas, coal, CO₂) of thermoelectric generation, although the greater availability of hydroelectric energy and imports limited the rises.

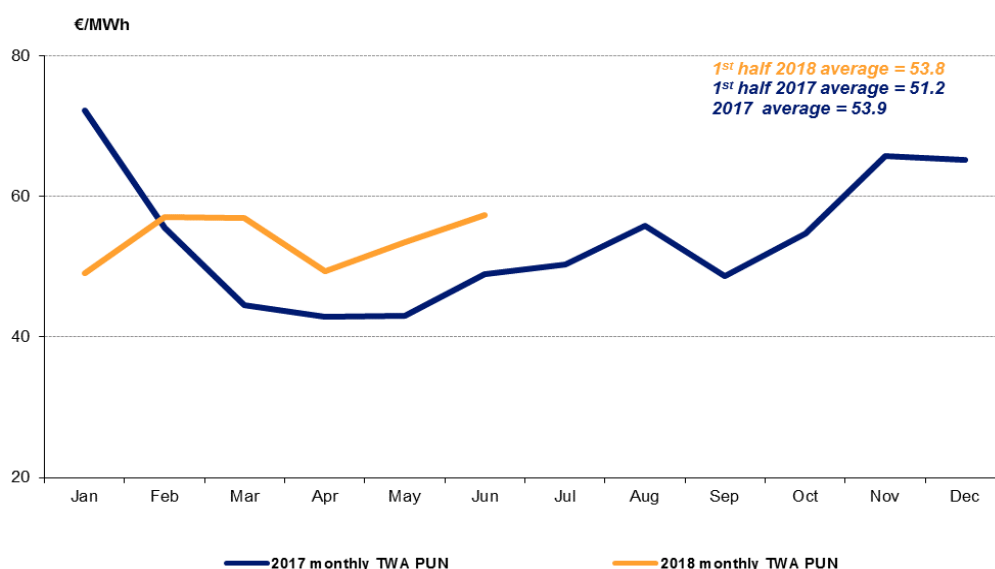
As regards zone prices, in the first half of 2018 there were positive increases: the North and Central North zones marked more limited changes, of +2.7% and +4.5%, respectively, while the southern zones recorded more significant

growth, of 12.0% for the South zone and 10.7% for the Central South zone. The lower price increase in the North was due to greater hydroelectric generation in that zone and the recovery in imports from neighbouring countries. The gap between Sicily and the South zone stands at a half-year average of 7.1 euros/MWh, down on the 9.3 euros/MWh recorded during the first half of 2017, with a limited effect on the PUN, due to the little weighting of the Island on total demand.

In observing the monthly trend of the PUN, the most significant differences were recorded in January and March 2018 (respectively -32.2% and +28.0% on the same month of the previous year): January was characterised by a considerable increase in imports from France, due to the renewed availability of nuclear power from across the Alps, while in March lower than seasonally typical temperatures provided support to gas prices as well as the PUN. In the remaining four months of the half-year, despite the fact that the load was in line with the previous year and hydroelectric production rose, the increase in thermoelectric generation costs and the decline in photovoltaic generation brought about an average increase of approximately 6.7 euros/MWh with respect to the corresponding months of 2017.

In observing the group of hours F1, F2 and F3, we note, coherently with that described thus far, an increase across all brackets, of 4.9%, 6.4% and 4.6%, respectively.

The monthly performance as compared with the previous half-year is shown in the graph below:



As regards prices of foreign countries, France, in light of the improvement in available nuclear capacity, closed the first half of 2018 at -9.3% compared with the same period of the previous year, reaching 40.3 euros/MWh. On the other hand, Germany's prices were in line with the first half of 2017, closing at 35.7 euros/MWh (+0.6%).

Demand for Natural Gas in Italy and Market Environment

2017 full year	(billions of m3)	First half 2018	First half 2017	% Change
29.1	Services and residential customers	17.7	16.8	5.3%
17.9	Industrial users	9.3	9.1	1.9%
25.5	Thermoelectric power plants	10.6	12.3	(13.7%)
2.2	System usage and leaks	0.9	0.9	(3.4%)
74.7	Total demand	38.5	39.2	(1.7%)

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

During the first half of 2018, the demand for natural gas in Italy reached roughly 38.5 billion cubic meters, marking a drop of 1.7% compared with the same period of the previous year (roughly -0.7 billion cubic meters).

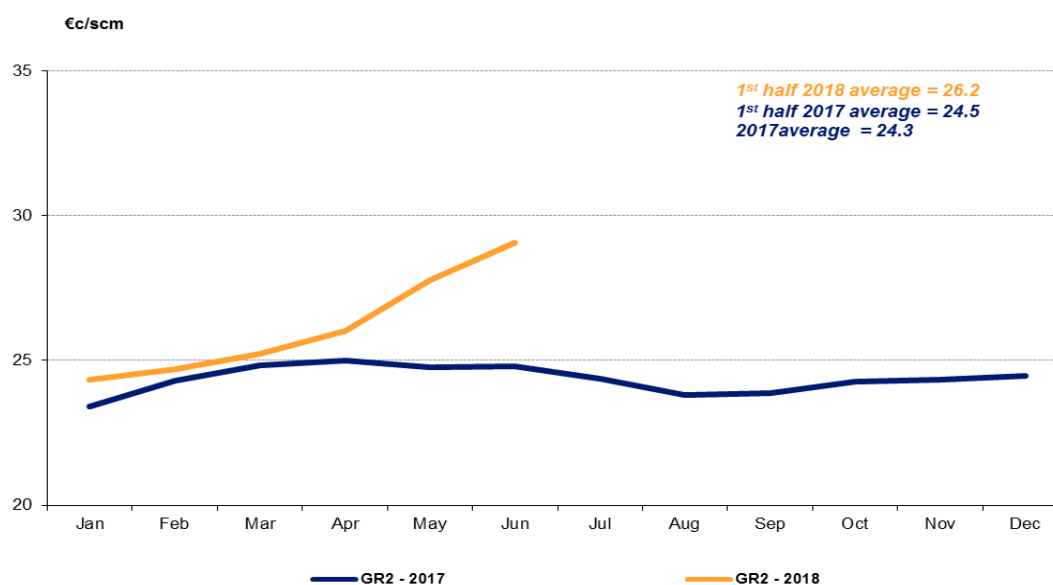
The main driver of this decline in consumption was the lower contribution of the thermoelectric sector, which was impacted by greater hydroelectric availability, losing around 13.7% compared with the same period of the previous year.

On the other hand, there was an increase in withdrawals of the Services and residential customers segment, which as a result of some cold snaps in February and March increased consumption by 5.3% (+0.9 billion cubic meters), and the industrial segment, which rose by 1.9% (+0.2 billion cubic meters).

In terms of the sources of procurement, the first half of 2018 recorded:

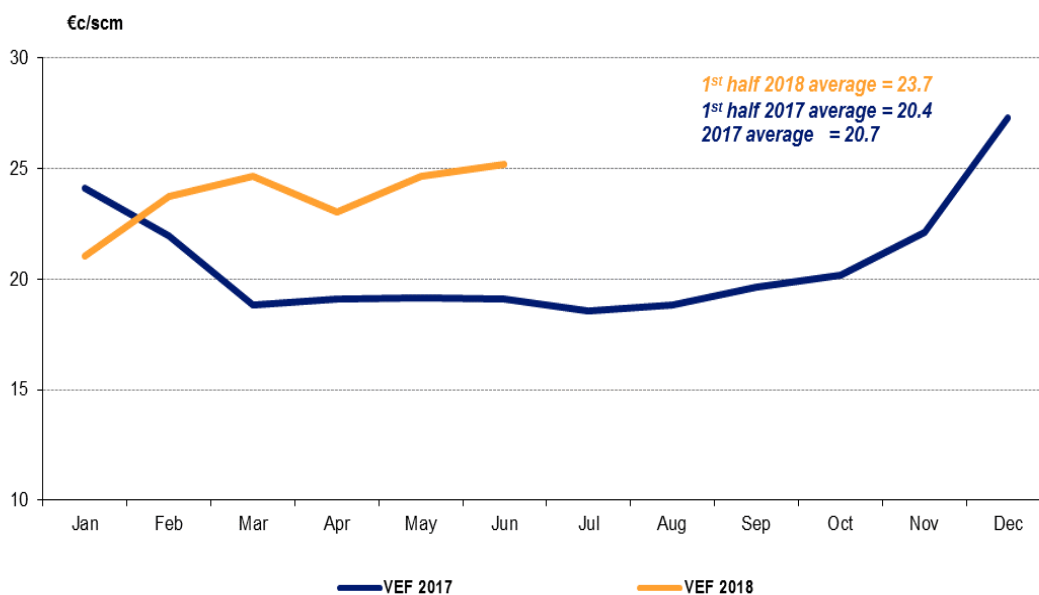
- basically stable national production (+1% compared with the first half of 2017);
- a slight decline in gas imports (-0.2 billion cubic meters; -1% compared with the first half of 2017);
- withdrawal of gas in storage that was less than last year (0.7 billion cubic meters withdrawn as compared with 1.1 billion cubic meters in the first half of 2017; -40% compared with the first half of 2017).

During the first half, the index-linked price of gas (shown in the chart below, which refers to the Gas Release 2 formula) recorded an average value of 26.2 €/scm, up 6.8% on the first six months of 2017. The formula showed a slightly upwards trend during the first quarter similar to the trend observed in the same period of the previous year. Starting in April, upward movements in the oil market and secondary product market added to the upward exchange rate, which accentuated its declining trend, causing an increase in the formula.



The spot gas price in Italy in the first half of 2018 (shown in the chart below, which refers to the price on the VEF), up on the first half of 2017, comes in at around 23.7 €/scm, up 16.3%. In the first quarter of the year, dropping temperatures and reductions in the capacity of several infrastructures in Northern Europe supported prices between February and March. In the second quarter, after a decline in April, prices began to rise once again, driven by the upward trend observed in the oil market. Within this context, the growth recorded in the Italian market, along with what was observed in other European hubs, continued as a result of import restrictions caused by maintenance as well as the sustained storage injection demand.

The TTF (the European gas reference hub) showed a similar trend to that described for the VEF, albeit at lower price levels, coming in at 22.3 €/scm, up approximately 23.5% on the first six months of 2017. The VEF-TTF spread recorded an average of 1.4 €/scm, down by roughly 38.9% on the same period of 2017. This significant decline was due primarily to the inversion of the spread in March (-1.2 €/scm) due to the aforementioned tensions in the gas market in Northern Europe.



Legislative and Regulatory Framework

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

Electric Power

Environment

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

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

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

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

Wholesale Market

The Italian capacity mechanism scheme and national consultation process approved in Brussels: on February 7, the European Commission issued a Decision approving the Italian capacity mechanism scheme, notified to verify their compatibility with the EU regulations on State aid. Pending the finalisation of national regulations, as a result of the Decision, it is possible to conduct the first auctions in 2018, with delivery in 2019. The scheme approved by the Commission includes a 4-year start-up phase, followed by full operation of the mechanism, for an estimated annual cost of the auction premiums in the range of 900 million euros to 1.4 billion euros. The new capacity will be admitted to the auctions conducted by Terna, including heavily refurbished plants, with a minimum investment threshold (€/MW).

With prices being equal, selection shall be made based on flexibility and, in the final analysis, emissions. The strike price is linked to the peak technology with higher variable costs. Specific rules will be set out for the participation of demand, and external capacity is also expected to participate. A penalty system will route temporary and definitive non-fulfilment, using a standby system in the former case and expulsion and reassignment in the latter. Therefore, from March 15 to March 19, Terna launched consultation on the Italian capacity market regulations for the initial implementation phase and the full implementation phase, which are the last opportunities for operators to analyse the regulations and propose amendments. Before each auction, the Authority will need to establish the maximum premium limit that can be recognised to the those awarded as well as the methodology for calculating the strike price used in the capacity contracts to be entered into. Terna, on the other hand, will need to define the demand curves. The final regulation now needs to be submitted to the Ministry of Economic Development for approval, after consulting with the Authority.

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

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

Once the proposal has been received from Terna, the Authority will thus have 45 days to make its decision. The entry into force of any new zone configuration will depend on both the specific zone configuration that is adopted and on the timescales for updating the resolution algorithm for Market Coupling at European level, and, in any event, not before January 1, 2019. For Edison, the relative impact for the next year in terms of decreased margins on forward sales already agreed upon could be significant as the single national price changes.

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

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

The consultation constitutes an initial step by Terna towards the definition of a structure allowing for the adaptation of Italian balancing systems (typical of Central Dispatch systems, which are not very widespread in Europe) to the requirements of the European CACM and EBGL Regulations. Additional elements, especially economic, will need to be provided by the Authority in the coming months. In the future, the amendment process launched may change the performance of the DSM ex-ante.

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

In particular, the project provides the possibility for participation in the DSM of aggregates characterised by the presence of production units (relevant and not relevant), storage systems and consumption units, including those included in dispatching contracts of different users. The UVAM pilot project also includes storage systems used for electric mobility. So as to be able to concretely try out the participation of such resources in the DSM, the consultation document also provides for the possibility of entering into forward agreements, in the form of options, for UVAMs, thus guaranteeing a fixed premium against the commitment of offering resources at prices lower than a certain value (strike) in the spot market. The project will enable Edison to try out new forms of participation of demand, renewable generation and storage in the dispatching services market, and develop new business potential linked to the figure of aggregator, a party which will play an increasingly active role in the coming years within the electricity system.

Retail market

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

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

Maxi-settlements: the 2018 Budget Law established that, for electricity invoices falling due after March 1, 2018 and gas invoices falling due January 1, 2019, due to significant delays in invoicing by the sellers or in invoicing settlements due to unavailability of effective data for long periods, customers may claim the application of the short-term limitation period (decreased from 5 to 2 years) and pay only the last 24 months invoiced. In February, the Authority implemented the provisions set out in Law 205/2017 by way of Resolution 97/2018/R/com, ordering, in brief, that:

- a. the two-year limitation period envisaged by the Law starts from the deadline by which the party providing the service is required to issue the invoice document;
- b. the seller is required to issue the invoice document relating to settlements made based on adjustments of the metering data within 45 days from the time that the adjustment is made available on the Integrated Information System (SII);
- c. pending the proceedings launched to establish the definitive regulations on the issue, with specific regard to the electricity sector, on initial, urgent application:
 - i. on initial application, the provisions are envisaged for residential and non-residential customers connected through low voltage;
 - ii. with regard to the above customers, the seller must inform the customer, at the time of issuing the specific invoice and, in any event, at least 10 days in advance of the due date of the payment terms, of the possibility to

claim the application of the limitation period or the right not to pay the amounts invoiced, in the event of adjustments to metering data relating to periods of more than two years.

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

In March 2018, Resolution 264/2018/R/com was published which, on a transitional basis, if the customer objects to the amount invoiced by the seller with reference to consumption dating back more than two years on the basis of the limitation period, offers the possibility to the seller to have the distributor cancel the invoices concerned and have any excess sums paid returned. This provision applies only in the case of amounts deriving from adjustments attributable to the distributor company. In these cases, Edison intends to rely on this possibility.

Hydrocarbons

Rates and Market

Distribution rates: by Resolution 149/2018/R/gas, the definitive 2017 specific reference tariff components were published for the distribution and metering services. Subsequently, by Resolution 177/18/R/gas, the provisional reference tariffs for 2018 were approved. With regard to the provisional reference tariffs for 2017, determined by Resolution 220/17/R/gas of April 6, 2017, the definitive tariffs for 2017 and the provisional tariffs for 2018 showed insignificant changes.

Gas Transmission Tariffs: the Authority launched an initial discussion on new criteria for the determination of transmission tariffs for the 2020-2023 period. Indeed, in March consultation document 182/2018/R/gas was published, containing initial proposals on the matter. This topic is of particular interest for market participants, including Edison, due to the considerable outlay linked to the use of the gas transmission network as well as future negotiations of importation contracts, considering the fact that the new regulatory period will come to the 2019/2020 thermal year, which is particularly relevant for the Italian gas system, due to the termination of important take or pay commitments.

Gas settlement: with Resolution 77/2018/R/gas, the Authority reformed the regulations on gas settlement, effective from January 1, 2020, approving the "Consolidated Text on Provisions for Settling Physical and Economic Items of the Natural Gas Balancing Service". The new regulations, aimed at ensuring the efficient supply of the natural gas balancing and transport services, with regard to determining the energy withdrawn pertaining to each balancing user, require: 1) the confirmation of the execution of monthly balancing sessions and subsequent adjustment sessions (one for the annual settlement and one for long-term settlement), to determine the balancing of the physical and economic items of the gas withdrawn from the transport system on each gas day, broken down by distribution user; 2) the introduction of the settlement of the variance fees and the variable fees based on the daily allocation as a result of the adjustment session; and 3) the simplification of the procedures to determine the physical and economic items. This provision is relevant for Edison as it renders the post 2020 regulatory framework certain with respect to settlements, definitively overcoming the current methods for carrying out balancing and/or adjustment sessions for the "previous period". Indeed, under normal circumstances, the new regulations call for more accuracy in determining the energy withdrawn pertaining to each balancing user, as well as a more efficient supply of the natural gas balancing and transport services by the balancing manager.

Default Distribution Service: by Resolution 190/2018/R/gas of March 29, 2018, the Authority supplemented the regulations for the assessment of applications requesting partial or full exemption from the payment of the penalties envisaged in the cases of non-physical disconnection of delivery points supplied in the Default Distribution Service (rules defined with Resolution 513/2017). The resolution also amended the "Gas Default Consolidated Text", eliminating all downtime of the judicial proceedings (also inclusive of the relative executive phase), and introduced a new case for the simplified assessment of the above-mentioned applications (case relating to the omission by the distributor of the

judicial action if the customer cannot be located). This measure is positive for the Company Infrastrutture Distribuzione Gas which, in the new regulatory framework, has more time to fulfil obligations connected to the disconnection of delivery points and a new case in which its applications will be assessed in accordance with a simplified approval procedure.

Infrastructures

Storage auctions for thermal year 2018-2019: as a result of Ministerial Decree of February 22, 2018, which regulates storage capacity for thermal year 2018-2019, the Authority published Resolution 121/2018/R/gas, setting out provisions for the organisation of the procedures for the conferral of said capacity (auctions), also defining the criteria to be applied in calculating the reserve price. That resolution did not introduce significant changes on the provisions of Resolution 76/2017/R/gas for the organisation of auctions for thermal year 2017-2018, and confirmed the exclusion from the reserve price of the fees covering the cost of transport capacity to interconnection points with storage. Nonetheless, the Stogit Code - approved by Resolution 156/2018/R/gas - introduced additional products for thermal year 2018-2019, with the goal of providing users with greater flexibility, specifically during the winter. The formula applied to calculate the reserve price, as usual, was delivered by the Authority in confidential form only to storage businesses (Edison Stoccaggio with Annex A to Resolution 140/2018/R/gas). Edison Stoccaggio completed the allocation of all of its storage capacity (885 MSm3) during the auctions carried out in June.

Natural gas storage – service quality and tariffs: by Resolution 68/2018/R/gas the Authority postponed to 2020 the start of the fifth regulatory period for the gas storage service, extending to December 31, 2019 the validity of the current regulatory criteria for tariffs and the quality of that service and confirming for 2019 the current value of the parameter β -asset used to determine the weighted average cost of capital (WACC) for gas storage. Note that, as ordered by Consolidated Text on WACC 2016-2021 (Annex A to Resolution 583/15/R/com), during 2018 all the other parameters of the WACC subject to intra-period adjustments shall be updated, with validity in 2019 and relating to the WACC for all infrastructure services of the electricity and gas services. These consist of the level of taxation, tax shield, risk free rate, country risk premium, levels of indebtedness and inflation rate. Thus, Resolution 68/2018/R/gas postponed the terms for approval of the tariff proposals for the storage service for 2019 in order to take account of the intra-period adjustments to the WACC referenced above. The measure is relevant and positive for Edison Stoccaggio as it defines the regulatory framework for 2019 in terms of tariffs and quality of the storage service, postponing to 2020 any regulatory changes that may be made to that framework in the fifth regulatory period. On June 21, 2018 the annual provision (Resolution 350/2018/R/gas) was published whereby the tariff revenues not achieved in the course of capacity allotment auctions were reinstated for storage companies through the Fund for energy and environmental services (CSEA) in cases in which, like this year, the assignment prices at such actions are lower than the tariffs charged. As the Company has allocated all of its capacity, it may achieve its tariff revenues in their entirety.

Issues Affecting Multiple Business Segments

Public debate: Prime Ministerial Decree no. 76 of May 10, 2018, containing methods for carrying out, types and size thresholds of works subject to public debate, was published in Official Gazette no. 145 of June 25, 2018. The measure, which will enter into force on August 24, 2018, introduces forms of public debate of the communities of the areas concerned by large architectural projects, including plants, industrial establishments and energy infrastructure which entail overall investments exceeding 300 million euros.

Italian Regulatory Authority for Energy, Networks and the Environment Decree Law: the conversion law, with amendments, of decree law no. 30 of April 10, 2018, containing urgent measures to ensure the continuity of the Authority's functions, was published in Official Gazette no. 131 of June 8, 2018. The provision, which entered into force on June 9, 2018, extended the duration in office of the members of ARERA, limiting it to deeds of ordinary administration, which are urgent and not deferrable, not beyond September 30, 2018.

European regulations

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

Emission Trading and Carbon Pricing (EU ETS): on February 27, 2018, on conclusion of three years of negotiations, the European Council formally signed the agreement between the European Institutions on the new text of the EU ETS Directive (revision of Directive 29/2009/EC) for the market of CO₂ credits. The agreement confirmed most of the amendments set out in the final stages of negotiations, aimed at intervening on the supply side and restoring price signs in line with the policy objectives of the European Union, including the commitments signed by way of the Paris Accords, specifically by reducing the annual emissions cap in Europe (from the current 1.74% to 2.2% in 2021) and removing the additional allowances to be managed through the Market Stability Reserve (MSR), which will have to absorb 24% of surplus annual allowances auctioned from 2019. In 2024 the linear reduction factor and the volumes moved to the MSR shall be revised. An additional 800 million surplus allowances are planned to be eliminated in 2021. The revision of the Directive also includes maritime transport in the Emission Trading scheme from 2023, while for aviation, the allowances assigned free of charge will be gradually reduced. The reform of the EU ETS scheme contributed to bringing price signs for CO₂ to double digits for the first time (exceeding 10 EUR/ton) already in March 2018.

ECONOMIC & FINANCIAL RESULTS AT JUNE 30, 2018

Sales Revenues and EBITDA of the Group and by Business Segment

2017 full year (*)	(in millions of euros)	Note (**)	First half 2018	First half 2017 (*)	Change	% Change
Electric Power Operations						
3,970	Sales revenues	1	1,823	1,953	(130)	(6.7%)
289	Reported EBITDA	5	182	142	40	28.2%
265	Adjusted EBITDA ⁽¹⁾	5	182	131	51	38.9%
Hydrocarbons Operations						
5,592	Sales revenues	1	2,914	2,821	93	3.3%
613	Reported EBITDA	5	279	336	(57)	(17.0%)
637	Adjusted EBITDA ⁽¹⁾	5	279	347	(68)	(19.6%)
Corporate Activities and Other Segments ⁽²⁾						
54	Sales revenues	1	29	24	5	20.8%
(99)	EBITDA	5	(54)	(52)	(2)	(3.8%)
Eliminations						
(833)	Sales revenues	1	(341)	(421)	80	19.0%
Edison Group						
8,783	Sales revenues		4,425	4,377	48	1.1%
803	EBITDA		407	426	(19)	(4.5%)
9.1%	as a % of sales revenues		9.2%	9.7%	-	-

(1) With reference to 2017, adjusted EBITDA reflects the effect of the reclassification from the Hydrocarbons Operations to the Electric Power Operations of the portion attributable to the Electric Power Operations of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas. In the first half of 2018, there were no hedges to be reclassified between the two business segments. The adjusted EBITDA for 2017 is not verified by the Independent Auditors.

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

(*) 2017 Sales Revenues were restated following the application of IFRS 15 "Revenue from Contracts with Customers", without any impact on the EBITDA, as described in the "Accounting principles and Consolidation criteria" section of the Notes to the Condensed Consolidated Semiannual Financial Statements.

The first adoption impacts related to IFRS 9 were recorded in equity without restatement of 2017 data.

(**) See the Notes to the Condensed Consolidated Semiannual Financial Statements.

During the first half of 2018, Group sales revenues stood at 4,425 million euros, up 1.1% on the same period of the previous year.

EBITDA came to 407 million euros (426 million euros in the first half of 2017) and recorded a decrease of 19 million euros (-4.5%).

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

Electric Power Operations

Sources

2017 full year (*)	(GWh) ⁽¹⁾	First half 2018	First half 2017 (*)	% Change
19,742	Edison's production:	8,796	9,998	(12.0%)
16,469	- Thermoelectric power plants	6,586	8,415	(21.7%)
2,209	- Hydroelectric power plants	1,681	1,041	61.5%
1,064	- Wind power and other renewables	529	542	(2.3%)
33,288	Other purchases (wholesalers, IPEX, etc.)⁽²⁾	12,279	17,655	(30.5%)
53,030	Total sources	21,075	27,653	(23.8%)

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

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

(*) 2017 "Other purchases" were restated following the application of IFRS 15 "Revenue from Contracts with Customers", as described in the "Accounting principles and Consolidation criteria" section of the Notes to the Condensed Consolidated Semiannual Financial Statements.

Uses

2017 full year (*)	(GWh) ⁽¹⁾	First half 2018	First half 2017 (*)	% Change
10,927	End Customers ⁽²⁾	6,700	5,160	29.8%
42,103	Other sales (wholesalers, IPEX, etc.)⁽³⁾	14,375	22,493	(36.1%)
53,030	Total uses	21,075	27,653	(23.8%)

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

(2) Before line losses.

(3) Excluding trading portfolio.

(*) 2017 "Other sales" were restated following the application of IFRS 15 "Revenue from Contracts with Customers", as described in the "Accounting principles and Consolidation criteria" section of the Notes to the Condensed Consolidated Semiannual Financial Statements.

The Group operates in accordance with a business model that calls for the separation of power generation activities (thermoelectric and renewables), sales to the end-user market (business and retail) and 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.

Under the scope of this model, Edison production in Italy comes in at 8,796 GWh, down 12% on the first half of 2017; more specifically, thermoelectric production decreases by 21.7%, reflecting the national trend for gas-powered plants. As for hydroelectric production, the first half of 2018 records a significant rise (+61.5%) due to the water availability for the period in addition to the contribution of plants acquired in 2017. Furthermore, a slight decline is also recorded in wind power and other renewable productions of -2.3%, due to adverse weather conditions as well as the dismantling of several plants being revamped.

Sales to customers were up 29.8% mainly thanks to the higher volumes sold to the Business segment.

Other purchases and sales of the first half 2018 are down on the values of the same period of 2017; it should be recalled, however, that these items include not only purchases and sales on the wholesale market but also purchases and sales on IPEX, albeit characterized by smaller unitary margins connected with the bidding operating procedures on plants, the balancing of portfolios and the make or buy activity.

Income Statement Data

2017 full year (*)	(in millions of euros)	First half 2018	First half 2017 (*)	% Change
3,970	Sales revenues	1,823	1,953	(6.7%)
265	Adjusted EBITDA ⁽¹⁾	182	131	38.9%

(1) See note on page 21.

(*) 2017 Sales revenues were restated following the application of IFRS 15 "Revenue from Contracts with Customers", without any impact on the EBITDA, as described in the "Accounting principles and Consolidation criteria" section of the Notes to the Condensed Consolidated Semiannual Financial Statements.

The first adoption impacts related to IFRS 9 were recorded in equity without restatement of 2017 data.

Sales revenues for the first half of 2018 came in at 1,823 million euros, down slightly on the first half of 2017, mainly due to the decrease in volumes sold.

The EBITDA for the half-year, which comes in at 182 million euros, records an increase of 51 million euros thanks to the greater contribution of the hydroelectric segment and higher margins in thermoelectric generation.

Hydrocarbons Operations

Sources of Natural Gas

2017 full year	(millions of m3 of natural gas)	First half 2018	First half 2017	% Change
437	Production ⁽¹⁾	191	227	(16.0%)
15,102	Imports (Pipeline + LNG)	7,012	7,545	(7.1%)
5,843	Other purchases	3,127	2,868	9.0%
(94)	Change in stored gas inventory ⁽²⁾	(9)	11	n.m.
21,288	Total sources	10,321	10,651	(3.1%)
1,636	Production outside Italy⁽³⁾	913	786	16.1%

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

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

(3) Counting volumes withheld as production tax.

Uses of Natural Gas

2017 full year	(millions of m3 of natural gas)	First half 2018	First half 2017	% Change
2,404	Residential use	1,537	1,379	11.5%
4,507	Industrial use	2,254	2,209	2.1%
7,311	Thermoelectric fuel use	3,022	3,654	(17.3%)
7,066	Other sales	3,508	3,409	2.9%
21,288	Total uses	10,321	10,651	(3.1%)
1,636	Sales of production outside Italy⁽¹⁾	913	786	16.1%

(1) Counting volumes withheld as production tax.

Period natural gas production, adding Italy and abroad together, came to 1,104 million cubic meters, up by 8.9% compared with the first half of last year. The production sold in Italy declined by 16%, mainly due to the natural decline of the field production curves. Vice versa, production outside of Italy increased by 16.1% due to new wells from the Egyptian concession of Abu Qir, which entered into production in the second quarter of 2017, in addition to the field of Reggane in Algeria which entered into production at the end of December 2017.

Total gas imports decreased while Other purchases recorded an increase of 9%, offsetting lower imports.

The quantities sold, equal to 10,321 million cubic metres, were down slightly on the first half of 2017.

Sales for civil use were up, mainly owing to the contribution from Gas Natural Vendita Italia, consolidated at the end of February 2018; sales for thermoelectric use were down by 17.3% due to the reduced consumption of gas by the thermoelectric power plants owned by the Group and by third parties.

Crude Oil Production

2017 full year	(thousands of barrels)	First half 2018	First half 2017	% Change
1,874	Production in Italy	864	948	(8.9%)
2,127	Production outside Italy ⁽¹⁾	1,175	1,148	2.3%
4,001	Total production	2,039	2,096	(2.7%)

(1) Counting volumes withheld as production tax.

The production of crude oil during the half year totalled a decrease of 2.7%. Production in Italy was down by 84 thousand barrels as a result of the natural decline in concessions; Production outside Italy is slightly up, thanks to the contribution of the new wells in the Egyptian concession of Abu Qir that more than offset the lower production in the United Kingdom.

Income Statement Data

2017 full year(*)	(in millions of euros)	First half 2018	First half 2017(*)	% Change
5,592	Sales revenues	2,914	2,821	3.3%
637	Adjusted EBITDA ⁽¹⁾	279	347	(19.6%)
374	- amount from gas activities	110	204	(46.1%)
263	- amount from Exploration & Production	169	143	18.2%

(1) See note on page 21.

(*) The first adoption impacts related to IFRS 9 were recorded in equity without restatement of 2017 data.

Sales revenues came in at 2,914 million euros, up 3.3% on the first half of 2017 primarily as a result of higher volumes of production outside Italy as well as the improving reference scenario.

The half's EBITDA came to 279 million euros, marking a decline of 68 million euros on the same period of 2017. That change is mainly attributable to the purchase and sale of gas due to worsening price scenarios, partially offset by the higher margin achieved by Exploration & Production activities, due to higher volumes of production outside of Italy and the improving reference scenario. Please recall that the first half of 2017 included non-recurring income totalling roughly 20 million euros, partly related to an insurance reimbursement.

Corporate Activities and Other Segments

Income Statement Data

2017 full year	(in millions of euros)	First half 2018	First half 2017	% Change
54	Sales revenues	29	24	20.8%
(99)	EBITDA	(54)	(52)	(3.8%)

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

Sales revenues for the first half of 2018 are up 20.8% on those of the same period of 2017, whilst EBITDA has dropped by 2 million euros due to the lease rental of the properties of Foro Buonaparte, sold in November 2017, in addition to a different phasing of operating expenses.

Other Components of the Group's Income Statement

2017 full year	(in millions of euros)	First half 2018	First half 2017	% Change
803	EBITDA	407	426	(4.5%)
(221)	Net change in fair value of derivatives (commodities and exchanges)	-	(161)	100.0%
(655)	Depreciation, amortization and write-downs	(234)	(240)	2.5%
115	Other income (expense), net	(13)	(6)	n.m.
42	EBIT	160	19	n.m.
(52)	Net financial income (expense)	(15)	(33)	54.5%
(31)	Income (expense) from equity investments	4	(43)	n.m.
(122)	Income taxes	(82)	(77)	(6.5%)
(163)	Profit (Loss) from continuing operations	67	(134)	n.m.
(176)	Group interest in profit (loss)	62	(140)	n.m.

Positive EBIT of 160 million euros is after depreciation, amortization and write-downs totalling 234 million euros and net other expense of 13 million euros.

The value of period depreciation, amortization and write-downs, although basically aligned with the first half of 2017, includes a decline of 31 million euros in exploration costs and write-downs on some assets related to the Exploration & Production activity abroad, mainly due to the revision of the production profiles, of 21 million euros.

Net financial expense, totalling 15 million euros, improved thanks to higher net exchange gains recorded in the first half of 2018 with respect to the net losses recognised in the first half of 2017, as well as a lower level of debt and the lower cost of debt as a result of the different financial mix.

Net equity investment expenses totalled 4 million euros. Please recall that in the first half of 2017, they included the write-down of the 100% interest in Infrastrutture Trasporto Gas Spa (ITG) and the 7.3% interest in Terminale LNG Adriatico Srl to adjust them to their estimated realisable value.

Period income taxes include IRAP (regional business tax) and foreign taxes.

Net Financial Debt and Cash Flows

At June 30, 2018, net financial debt amounted to 203 million euros, for an increase of 87 million euros compared with the 116 million euros at the end of December 2017.

More detailed information about the individual components of this item is provided in the "Net Financial Debt" section of the Condensed Consolidated Semiannual Financial Statements.

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

2017 full year	(in millions of euros)	First half 2018	First half 2017
(1,062)	A. NET FINANCIAL (DEBT) AT BEGINNING OF PERIOD	(116)	(1,062)
803	EBITDA	407	426
26	Elimination of non-cash items included in EBITDA	17	23
(20)	Net financial expense paid	(7)	(12)
(63)	Net income taxes paid (-)	(72)	(43)
17	Dividends collected	8	3
1	Other items from operating activities	(13)	(10)
764	B. CASH FLOW FROM OPERATING ACTIVITIES	340	387
208	Change in the operating working capital	50	170
(8)	Change in non-operating working capital	7	(76)
(489)	Net investments (-)	(452)	(190)
489	Non-recurring transactions	-	-
964	C. CASH FLOW AFTER NET INVESTMENTS AND CHANGES IN WORKING CAPITAL	(55)	291
(46)	Dividends paid (-)	(29)	(29)
28	Other items	(3)	20
946	D. NET CASH FLOW FOR THE PERIOD	(87)	282
(116)	E. NET FINANCIAL (DEBT) AT END OF PERIOD	(203)	(780)

The main period cash flow derives from EBITDA, as commented on previously, the positive change in operating working capital, net investments, which include capital expenditures and exploration (-199 million euros), investments in non-current financial assets (-5 million euros) and restructuring operations (+43 million euros), as well as the acquisitions of Gas Natural Vendita Italia (GNVI) and Attiva Spa (-291 million euros).

More specifically, capital expenditures and exploration include:

- investments in Exploration & Production activities of 81 million euros, which mainly concerned foreign operations. In Egypt (36 million euros), mainly for the drilling of the new wells NAQ PIII-4,5&6 in the concession of Abu Qir, in Norway (23 million euros), mainly for activities as part of the concessions of Dwalin (previously named Zidane) and Skarfjell and in Algeria (7 million euros) for development of the concession of Reggane;
- investment in the sector of electric power generation from renewable sources of 68 million euros, relating to activities for the construction of the new wind power plants (greenfield and full rebuilding) of Vaglio, San Giorgio La Molara, Mazara del Vallo, Montefalcone and Troia;
- investments in exploration of approximately 11 million euros, mainly for exploration activities outside of Italy.

The portfolio readjustments (net positive effect of 43 million euros) refer mainly to the Exploration & Production sector, due to the sale of the Norwegian gas pipeline Polarled and the energy services sector, due to the sale of several assets.

Outlook and Expected Year-end Results

Edison revised upwards its guidance for 2018 EBITDA in the range between 700 million and 740 million euros.

Edison Spa Financial Highlights

2017 full year(*)	(in millions of euros)	First half 2018	First half 2017 pro-forma (**)	% Change	First half 2017(*)
6,840	Sales revenues	3,309	3,264	1.4%	2,179
307	EBITDA	120	161	(25.5%)	62
4.5%	as a % of sales revenues	3.6%	4.9%	-	2.8%
(26)	EBIT	42	(76)	n.s.	(178)
n.s.	as a % of sales revenues	1.3%	n.s.	-	n.s.
(184)	Net profit/(loss)	35	(142)	n.s.	(145)
104	Capital expenditures	30	21	42.9%	21
3,918	Net invested capital ⁽¹⁾	4,993	n.a.	27.4%	4,705
(1,332)	Net financial debt ⁽¹⁾	(369)	n.a.	(72.3%)	(244)
5,250	Shareholders' equity ⁽¹⁾	5,362	n.a.	2.1%	4,949
n.a.	Debt/Equity ratio	n.a.	-	-	n.a.
1,470	Number of employees ⁽¹⁾	1,469	1,471	(0.1%)	1,416

(*) 2017 Sales revenues were restated following the application of IFRS 15 "Revenue from Contracts with Customers", without any impact on the EBITDA, as described in the "Accounting principles and Consolidation criteria" section of the Notes to the Condensed Consolidated Semiannual Financial Statements.

The first adoption impacts related to IFRS 9 were recorded in equity without restatement of 2017 data.

(**) Following the merger by absorption of the former Edison Trading Spa into Edison Spa, some pro-forma adjustments were made to the comparative data from the first half of 2017 to allow for a uniform comparison.

(1) End-of-period data. The changes in these values were calculated as at December 31, 2017.

Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006, the schedules below provide a reconciliation of the Group interest in net profit (loss) for the period and the shareholders' equity attributable to the shareholders of the controlling company at June 30, 2018 to the corresponding data for Edison Spa, the Group's Parent Company:

Reconciliation of the Net Result of Edison Spa to the Group Interest in Net Result

in millions of euros	First half 2018	First half 2017
Net result of Edison Spa	35	(145)
Intra-Group dividends eliminated in the consolidated financial statements	(37)	(91)
Results of subsidiaries, affiliated companies and joint ventures not recognized in the financial statements of Edison Spa	68	122
Valuation of investments in associates measured by the equity method	(4)	(9)
Other consolidation adjustments	-	(17)
Group interest in net result	62	(140)

Reconciliation of the Shareholders' Equity of Edison Spa to the Equity Attributable to the Shareholders of the Controlling Company

in millions of euros	06.30.2018	12.31.2017
Shareholders' equity of Edison Spa	5,362	5,250
Carrying value of investments in associates eliminated against the corresponding interests in the shareholders' equities of the investees:		
- Elimination of the carrying values of the consolidated investments in associates	(2,018)	(1,009)
- Recognition of the shareholders' equities of consolidated companies	2,708	1,720
Valuation of investments in associates measured by the equity method	27	29
Other consolidation adjustments	(62)	(75)
Shareholders' equity attributable to Parent Company shareholders'	6,017	5,915

Risks and Uncertainties

Risk Management at the Edison Group

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

To this end, Edison has defined a risk mapping and risk scoring method and an Enterprise Risk Management process described in the Paragraph entitled "Risk management at the Edison Group" of the Report on Operations as at December 31, 2017, to which reference is made for more detail.

An analysis of the overall results of the process for the half-year just ended is provided in the "Risk Factors" section that follows, while the "Financial Risks" section lists the main factors related to the commodity price, exchange rate, credit, liquidity and interest rate risks, for which specific safeguards were adopted over the years to manage and minimise their impact on the Group's economic and financial equilibrium. For additional details about these risks see the information provided in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2018 entitled "Group Financial Risk Management."

In the first half of 2018, the Group adopted a tax risk management and reporting system, which is integrated within the Group's overall control system (the Tax Control Framework or TCF). The TCF adopted consists of a Tax Policy and General Rules applicable to all Group companies, as well as matrices, coordinated with the provisions of Law 262, to monitor activities with potential tax impacts in the main business processes.

Risk Factors

1. Risks Related to the External Environment

Legislative and Regulatory Risk

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

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

Among the main changes in the evolving legislative framework, which are described in the "Legislative and Regulatory Framework" section of this Report, the most significant risk factors include the following:

- the renewal of large-scale hydroelectric concessions, which were substantially amended by article 37 of Decree Law No. 83 of June 22, 2012, setting forth "Urgent Measures for the Country's Development" (converted into Law No. 134/2012). At the moment, the Ministry of Economic Development is conducting an in-depth review aimed at revising the reference regulatory framework, closing the infraction procedure in progress and completing regulations (detailed and general) concerning the procedures for the renewal of hydroelectric concessions;
- the new system for the remuneration of production capacity, revised in 2016 and 2017 with some consultation documents of Terna and the Authority and approved by the European Commission in February 2018. The new system is expected to begin operating after the approval of the implementing decree by the Ministry of Economic Development;
- the removal, from July 1, 2019, of the protected electric power and gas market, set forth in the Competition Law which entered into force in August 2017; the implementation phase is currently under way and we are waiting for the issue of the ministerial decree relating to the definition of detailed measures for the passage from the protected market to the free market.

Market and competitive environment

The energy markets in which the Group operates registered a slight recovery in the first half of 2018, despite the persistence of high competitive pressure.

In the Italian electric power market, there was a slight increase in demand in the early months of 2018, satisfied primarily by increased hydroelectric production, which benefitted from better weather conditions than in 2017, and a recovery in imports from France, after the decrease seen last year when several nuclear power plants were unavailable. On the other hand, these factors resulted in a reduction of gas-fired thermoelectric production, which represents a significant portion of the Group's production mix.

Hydroelectric production, with specific reference to the major derivation hydroelectric concessions available to the Group, will be exposed in the years to come to the above-mentioned risk of a revision of the reference legislative context and the outcome of the calls for tenders for the renewal of expired or expiring concessions. Moreover, technological changes in the electric power sector could make some technologies/services more competitive than those that are part of the Company's business.

In order to mitigate this risk, Edison monitors and assesses on an ongoing basis the development of new technologies, which are discussed in greater detail in the "Innovation, Research and Development" section of this Report on Operations at June 30, 2018.

In the natural gas market, in the first half of 2018 there was a slight drop in overall demand compared with the same period of the previous year: lower consumption linked in particular to the thermoelectric sector was in large part offset by an increase in the residential and industrial sectors.

The clauses for the renegotiation of prices of long-term gas procurement contracts and constant monitoring activities on changes in the energy scenario and market conditions, represent important elements of mitigation for the Group.

Country Risk

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

- In Greece, there is greater political and financial stability; the third aid program deployed by European and international institutions is expected to end in August, representing an important objective for the Country. Insofar as the energy sector is concerned, the approval of the new temporary mechanism is in the final approval phase, following the April 30, 2017 expiry of the previous mechanism for the remuneration of production capacity for certain types of electric power generating facilities (including the gas-fired, combined-cycle power plants operated by Elpedison Sa, for an installed capacity of roughly 800 MW); the first auctions are expected to take place in the next months. Standard&Poor's raised the sovereign rating to B+ in June (stable outlook), after a previous increase to B (positive outlook) in January. In this context the Company monitors on an ongoing basis Greece's political and economic environment. The table below details Group's exposure to this country at June 30, 2018:

(in millions of euros)	06.30.2018	12.31.2017
Loan receivable from the affiliate ⁽¹⁾	55	68
Guarantees provided	23	24
Equity investments ⁽²⁾	13	10
Total	91	102

(1) At January 1, 2018 the loan was aligned in accordance with IFRS 9.

(2) Referred to the equity investment in IGI Poseidon Sa.

- In Egypt, the political and economic context has improved. Following the confirmation of Al Sisi as President during the March elections, the government is proceeding with its reduction of government subsidies and with privatisations. In terms of security, terrorist attacks have reduced, particularly in urban centres, after a specific fight against terrorism was launched. The Country's improved stability, along with the financial aid from the International Monetary Fund, the World Bank and the African Development Bank (AfDB), represent important signs of confidence for foreign investors. In May, Standard&Poor's raised the sovereign rating to B, with a stable outlook. In this context, the Group monitors the political and economic environment on an ongoing basis, with regard to which the main uncertainties include the commercial exposure with the government owned Egyptian General Petroleum Corporation (EGPC) for approximately 216 million dollars at June 30, 2018, the volatility of the exchange rate (even though the amount of liquid assets held in the local currency was small) and the security conditions under which the Company operates and implements the most appropriate risk mitigation.

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

2. Operational Risks

Processes, structures and Business Management Systems

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

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

Additional information about the management of environmental and occupational safety risks is provided in the section of this Report on Operations as at June 30, 2018 entitled "Health, Safety and the Environment."

Information Technology

The Group's diverse activities and business processes are supported by complex information systems. Risks issues exist with regard to the adequacy of these systems and the availability, integrity and confidentiality of data and information. With respect to the first point, in the first part of 2018 several important projects continued and new ones were also launched; in particular:

- the development of the "Mercurio" program continued for the Gas Midstream, Energy Management & Optimization Department, in order to re-engineer the core application supporting gas logistics processes (short-term and long-term);
- the "Data Platform" project was launched as part of the "Digital Transformation" program for the Gas & Power Market Department, with the specific objectives of expanding the scope of data coming from digital channels (new sales/after-sales portals, apps, IoT data, social networks), improving oversight over this data (controlling its processing and guaranteeing an adequate degree of security and privacy management) and renewing current technologies;

- development began on the Energy Services Market Department's CRM system: specifically, the Opportunity Management module was implemented and the EMS (Energy Management System) and BEMS (Build Energy Management System) were released to production. In addition, a study was initiated to create the Department's data lake.

With regard to the risk of unavailability caused by a system fault, Edison adopted high reliability hardware and software configurations for those applications that support critical activities. These configurations are tested regularly during normal operations and a further disaster recovery test was carried out in May 2018.

Lastly, the risk relating to the integrity/confidentiality of company data and information and their availability in the event of cyber-attacks that are increasingly more frequent and sophisticated, is mitigated with the adoption of strict security standards and solutions; the Security Operation Centre (SOC), operative since January 1, 2016, aims to prevent and manage new forms of computer attack and was expanded during the early months of 2018 with a view to extending the monitoring services to cover the security systems present in the Rivoli data centre.

3. Strategic Risks

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

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

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

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

Financial Risks

Commodity Price Risk

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles, which affect the Group both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the above-mentioned commodity prices are quoted in a foreign currency, the Group is also exposed to the resulting foreign exchange rate risk.

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

Foreign Exchange Risk

The activities carried out by the Group in currencies different from the euro and its strategies of expansion in the international markets expose the Group to fluctuations in foreign exchange rates. The guidelines concerning the governance and strategies to mitigate the foreign exchange risk generated by business activities are set forth in specific policies, which describe the foreign exchange risk management objectives depending on the different nature of the risk in question.

The Group adopts a centralised type of management model, through which the Parent Company is able to constantly safeguard the Group's economic and financial equilibrium by constantly monitoring exposures and implementing appropriate hedging and foreign exchange procurement strategies designed for risk mitigation purposes.

Credit Risk

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

Interest Rate Risk

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

Liquidity Risk

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

Provisions for risks and charges

In addition to the risk management and mitigation activities described above, when faced with present obligations deriving from past events, which can be of a legal or contractual nature or result from statements or conduct of the Company such as to engender in third parties a valid expectation that the Company is responsible or assumes responsibility for fulfilling an obligation, the Edison Group recognised over the years adequate accruals to special provisions for risks and charges listed among the liabilities in the financial statements (see also the accompanying notes to the Condensed Consolidated Semiannual Financial Statements). More specifically, the companies of the Group are parties to judicial proceedings and some tax disputes a description of which is provided in the section entitled "Risks and contingent liabilities associated with legal and tax disputes" in the "Commitments, Risks and Contingent Assets" chapter of the Condensed Consolidated Semiannual Financial Statements at June 30, 2018.

OTHER RESULTS FROM OPERATIONS

Innovation, Research and Development

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

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

Officine Edison is focused on innovation, creativity and training: the thematic areas that will be delved into revolve around energy sustainability and data science based energy optimisation techniques. These matters will be addressed in co-working activities and in the acceleration of specific projects, as well as conferences, meetings and training events. Lastly, it is also a place for training: it is home to the Energy Efficiency Campus and the classes of the second-level Master's program in Energy efficiency and sustainability in industry, created and designed by the Turin Polytechnic and Edison through its subsidiary Fenice.

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

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

Health, Safety and the Environment

The main results achieved in the first half of 2018 and projects under development are reviewed below.

Safety Performance Trend

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

On the basis of this approach, the first half of 2018 closed with a combined injury incidence rate¹ for activities in Italy and abroad that came in at 1.8, a slight deterioration compared with the first half of 2017 (1.3), but in line with the positive performance of recent years. More specifically, the Injury Incidence Rate was 1.5 for Company employees and 2.3 for employees of contractor companies.

The combined Lost Workday incidence rate² was 0.07 at the end of the first half of 2018, an improvement compared with that of the first half of 2017 (0.11).

Activities Concerning Health, Safety and the Environment

The main activities carried out in the first half of 2018 in this area are reviewed below.

- The requirements of the applicable regulations concerning health, safety and the environment were satisfied and verified also with special audits to test legislative compliance, specifically with regard to updating risk assessments and holding periodic safety meetings, during which the implementation progress of training programs and the macro results of the employee health monitoring were presented. In addition, the timing and qualitative requirements of the deadlines of national environmental laws, which fall for the most part in the first half of the year, were complied with.
- All of the required inspections and/or renewal visits for the management systems certified in accordance with the UNI EN 14001 environmental standard, the BSI OHSAS 18001 health and safety standard, the UNI EN ISO 9001 quality standard, the UNI EN ISO 50001 energy standard and the UNI CEI 11352 energy services (ESCo) standard were completed. In addition, where voluntarily applicable, the scheduled audits were conducted to maintain EMAS environmental registrations. All audits were successful, confirming the quality, environment and safety certificates in place, guaranteeing the validity of management and control systems and compliance with legal worker health and safety requirements, health surveillance, training, business coordination and compliance with environmental protection laws implemented by the corporate organisations. In this respect, the move to standards UNI EN ISO 9001 and 14001 of 2015, launched a few years ago now, will be completed in the second half of 2018. In the meantime, following the issue of the new UNI EN ISO 45001 standard on health and safety, activities were launched for the transfer to that standard, to replace the current BS 18001 certification, which should be concluded by the end of 2021.
- An overall company-wide review of the environmental and safety systems was carried out in February in accordance with the Organisational Model and the relevant protocols pursuant to Legislative Decree No. 231/2001; on that occasion, the targets for 2018 were defined and communicated, as was the internal auditing plan and cross-functional training activities for the health, safety, environment and quality professional family. Activities were consolidated within the HSE Select Committee, established with a view to improving the integration and effectiveness of the company's organisational model in line with the individual management systems. The Committee consists of HSE representatives from every Department, whose main task is to identify, coordinate and monitor the initiatives that impact all operating entities, also in consideration of the Group objectives and guidelines.
- The constant commitment continues to the dissemination of the culture of safety with the sensitisation, information, training and involvement of staff through the weekly dissemination of safety messages and high potential events shared with the entire EDF Group, participation in training sessions, and the identification, analysis, sharing and

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

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

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

- There were no accidents with an impact on the environmental matrices (soil, subsoil, surface waters and biodiversity) during the first half of the year. The administrative proceedings initiated last year by the authorities relating to Edison's involvement, as owner/customer, in possible discrepancies in the management of waste generated by maintenance activities by the external business operating at a mini-hydro power plant acquired in 2017 were concluded with an order for dismissal.
- Site characterisation, safety assurance and environmental remediation work continued. Most of these activities involved highly significant industrial sites potentially polluted by activities carried out in the past by businesses that were part of the former Montedison Group sold a long time ago and/or closed. In this regard, please note that during the first half of 2018 experimentation activities were launched in preparation for the subsequent phase of the reclamation project at the Dogaletto (VE) site, aquifer treatment activities are continuing at the Correzzana, Melegnano and San Giuliano sites, the remediation phase has begun on land at the Legnago site and preventive safety implementation activities continue at the Bussi site.
- The process of collecting and analysing the environmental and health and safety data needed to draft and issue the sustainability reports for 2017 of both Edison and the EDF Group was carried out and completed in accordance with the timescales and methods required by the reference standards. In the first half of the year, the required periodic collection of such data was carried out, as required by the Group's policy.

The first half of the year was also characterised by several significant projects, including:

- the preparation of the Large Risks Reports for the offshore facilities in Italy and Croatia in accordance with the Safety Offshore Directive;
- obtaining the positive technical opinion for Large Risk Investigation relating to the Cellino and San Potito Cotignola sites of Edison Stocaggio;
- the consolidation of the overall HSE Management system certification project of the E&P Department pursuant to the ISO 14001 and OHSAS 18001 standards, and relative certification (expected by the end of 2018);
- the development of Edison projects under way on the topic of biodiversity (BioVega A – BioRospo – Monitoring of fauna and flora at South Idku in Egypt) through participation in the "Biodiversity management capacity building in Egypt" workshop held in Cairo in April;
- as part of the digitalisation processes, the SAP Safety Management System was implemented throughout the organisation of Edison Stocaggio, which allows plant operators, using tablets, to register periodic, technical and safety checks carried out and manage the timetable of deadlines, including through automatic warnings;
- the "TUTOR della Sicurezza" Project was confirmed at several sites of the Power Assets & Engineering Department, as a follow-up on the previous training on the perception of risk, along with the initiatives for the recognition of virtuous conduct of personnel from outside companies operating at the sites of the Engineering Department;
- specific projects were launched with a view to integrating recently acquired companies within the Edison Group, taking into account their different businesses and organisational sizes.

Human resources and industrial relations

Human Resources

On June 30, 2018, the Edison Group had a total of 5,251 employees compared with 5,144 employees at December 31, 2017, for an overall increase of 107 employees (+2.1%) as a result in large part of changes in scope (124 resources, +2.4%). Specifically:

- the acquisition of Gas Natural Vendita Italia (GNVI), the name of which was changed to Edison Energie Spa (+112 employees);
- the acquisition of Attiva Spa (+12 employees).

Industrial relations

During the first half of 2018, important agreements were reached for the Edison Group on general matters. More specifically:

- **Agreement for the new working hours at the central headquarters:** on May 25, 2018, an important agreement was reached to renew the working hours of Edison's central and management headquarters (Milan, Rome, Trofarello). The agreement expands existing daily, weekly and monthly flexibility with a view to ensuring that working hours increasingly meet the work-life balance requirements of employees in compliance with the organisational needs of the individual departments. The agreement reinforces the regulations so as to ensure the actual use of annual holidays. Furthermore, there was an increase in the various types of leave that may be used by employees (parental, specialist medical appointments, study, nursery school/child care centre orientation, first day of the first year of primary school).
- **E&P area supplementary company agreements:** in May, three agreements were reached for the renewal of the supplementary company contracts of the Edison Group's Hydrocarbons Operations area (Sicily Area, Adriatic Area, Edison Stocaggio). The agreements, valid for the 2018-2020 period, update the existing indemnity systems and make amendments to the working hour regulations.
- **Agreement for the extension of Smart Working:** on March 29, 2018, an agreement was reached with the central headquarters RSU (trade union representatives) which calls for the gradual extension of Smart Working methods to other departments at the Milan office starting in July 2018. Therefore, the agreement ends the Smart Working experimental start-up phase, following the positive evaluation of the results achieved in qualitative terms (results of surveys and focus groups carried out before and during the project which involved both department heads and employees) and quantitative terms (number of participants and days of use).
- **EDF Group Agreement on Corporate Social Responsibility:** on March 23, 2018, the conclusive session was held of the negotiation of the new agreement on Corporate Social Responsibility of the EDF Group at global level. The employer's delegation represented EDF SA as well as the main Group companies outside of France (Edison and EDF Energy). The agreement renews the commitments of the EDF Group in a detailed and in-depth manner concerning human rights, ethics, the prevention of corruption, liability in relations with suppliers and sub-suppliers, the commitment to combatting all forms of violence and discrimination, health and safety, equality between men and women, skills development, transparency and dialogue with workers, their representatives and with respect to the areas where the Group has a presence.
The four-year agreement, ratified in June, applies to the subsidiaries of the EDF Group.
- **Contribution of the Exploration & Production business unit:** with minutes signed on June 8 and 22 with the managers' and workers' union representatives, respectively, the union procedure set forth in article 47 of law 428/1990 concluded in relation to the contribution of the E&P business unit from Edison Spa to the newco Edison Exploration & Production Spa, a wholly owned subsidiary of Edison Spa. The transfer of the 188 workers involved (15 managers, 70 middle managers, 84 office staff and 19 production staff) will take place with no interruption pursuant to article 2112 of the Italian Civil Code, with the maintenance of all economic and regulatory treatments in place, and shall become effective as of July 1, 2018. During this operation, Edison committed to seeking out suitable solutions to ensure the protection of employment and economic/regulatory conditions for the workers involved. In

the same minutes, the Parties committed to monitoring the evolution of the operation during special subsequent periodic meetings.

- **Fenice Group: Conversion of the performance bonus into welfare services:** in April, a specific understanding was signed, as in 2017, for the companies of the Fenice group in Italy, which allowed for the conversion of the balance of the 2017 performance bonus into welfare services and benefits, in addition to that envisaged on the renewal of the CCNL of the metal-mechanics sector. Also in this case, the employee will benefit not only from an absence of contribution tax withholdings at his expense but also an additional contribution paid entirely by the company equal to 10% of the amount converted.
- **Agreement on the performance bonus for Sersys Ambiente Srl:** on June 21, 2018, the union agreement was entered into with the Fim, Fiom, UILM and FISMIC trade union organisations which governs the performance bonus of Sersys Ambiente Srl for the year 2018. This agreement represents a significant step for leveraging the specific professional skills of Sersys as, although it maintains the same theoretical amounts as that of Fenice Spa, it provides for specific parameters relating to the environmental activities carried out by the company.
- **Meeting between the Chief Executive Officer and the National Unions:** on May 29, 2018, the annual meeting was held between Edison, represented by the Chief Executive Officer, and the National Unions Filctem Cgil, Flaei, Femca Cisl and Uiltec Uil. During the meeting, the Chief Executive Officer described both the results achieved in 2017 and the challenges facing the Company in the coming years, highlighting the strategic axes for growth and the concrete initiatives for implementing the company strategy. In particular, the operation relating to Exploration & Production was extensively discussed.

Organisation and Employee Services

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

- The Strategy, Corporate Development & Innovation Department was created, reporting directly to the Chief Executive Officer, with the mission of focusing and reinforcing the process of Origination and Development of strategic options supporting the top management and the managers of the company's various business areas and favouring an approach more integrated with technological, digital and business innovation factors at company-wide level.
- Following the entry into force of the General Data Protection Regulation (GDPR), it was necessary to issue a new regulation concentrating on the protection of only data relating to natural persons and which therefore governs all types of Personal Data Processing. To coordinate, at Edison Group level, the methods for managing Personal Data Processing, the full implementation and ordinary administration of the new regulatory environment, the Personal Data Protection Function was created within the Internal Audit Department and the Data Protection Officer (DPO) for the entire Edison Group was appointed.
- The organisational structure and fundamental responsibilities of the Planning & Control Department were redefined, with the objective of guaranteeing more integrated and coordinated management of the planning processes and control of economic and financial performance and of the assessment processes and risk control.
- The organisational model and the main responsibilities of the Information & Communication Technology Department were redefined in line with the evolution of the Edison Group's business.

With regard to employee services, the Company continued to provide significant support to the "Edison per Te" employee wellbeing program, the objective of which is to help employees reconcile their personal needs with their professional obligations with the aim of improving their quality of life. Employees continue to give highly positive ratings to this program, as shown in the results of the annual My Edf 2017 survey.

In addition, the use of flexible benefits continues, whereby it is possible to convert performance-related bonuses to welfare services and benefits, in accordance with the criteria set forth by law and the trade union agreements signed at the company. This initiative provides employees with the added possibility of using an additional welfare credit deriving from the conversion of performance-related bonuses to satisfy additional needs in terms of reconciling their

personal needs with their professional obligations, as well as to contribute to their own supplementary pension, increasing the net value of their overall salary package without an increase in costs for the company.

Training and Development

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

More specifically:

- A pilot training project was carried out for the management with a view to spreading a greater culture of risk, resilience and acceptance of errors.
- With respect to the topic of diversity and inclusion, a further session was held of the seminar on the development of female leadership dedicated to female managers, and thanks to the contribution of the Transformation Team, training sessions were held on inclusive leadership as well as on the inclusion of the local sites.
- Professional updating of managers continues also thanks to the participation and the permanent update service provided through the Ambrosetti network and access to the web platform of the Ecampusmanager Group, which systematically proposes new updated content on both the issues of development of managerial skills and the economic scenario and innovation.
- The collaboration with Edf's Corporate University makes it possible to enhance the training offering with international scope programs on the development of leadership and on the improvement of strategic business expertise. The initiatives proposed have seen both young talents participate, and Group managers and top managers.
- The Digital Education and Transformation project continued, whose main objective is to facilitate the understanding and use of new digital technologies.
- As usual, the Edison Energy Summer Camp was held which, also for 2018, was designed and run in collaboration with WEC Services Italia: a week of full immersion in the energy sector and Edison, which saw 43 young people involved, including students from the Universities of L'Aquila, Naples, Rieti and Tuscia and Edison's Young Community. In addition, Edison Talks were launched: meetings/interviews with the company's management organised on a monthly basis by the Young Community.
- As regards the professional family initiatives, the most significant ones were as follows: the conclusion of the Copernico project dedicated to the development of the team leadership skills of 10 young professionals of the Short Term Gas Portfolio Management & Logistics Business Unit. This course works alongside a strong training component (Project Management Fundamentals course and in-depth analyses of role-related skills) on individual tasks with transversal effects on the Business Unit. Also for the professionals of the Gas Midstream, Energy Management & Optimization Department, two professional specialised training programs were held on LNG (value chain, market, transactions and contracts) and on linear derivatives on energy commodities.
- High level specialist training provided through internationally recognised partners continued, in particular the Nautilus program on geo-sciences, which involved employees from the Exploration and Production Department.
- The activities of the Edison Market Academy continued for employees who operate in the business world, which is concentrated on the launch of an innovative training course in e-learning mode dedicated to residential market agents and vendors, targeted at strengthening customer sales and contact skills.

OTHER INFORMATION

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

- At June 30, 2018, it did not hold treasury shares or shares of its parent company in the portfolio, neither indirectly through nominees nor other third parties. No transactions involving treasury shares or shares of the parent company were executed during the period, either directly or indirectly through nominees or other third parties.
- The Group executed transactions with related parties during the half-year. A description of the most significant transactions is provided in the section of the Condensed Consolidated Semiannual Financial Statements entitled "Intercompany and Related-Party Transactions."
- No secondary registered offices have been established.

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



CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS

AT JUNE 30, 2018

Consolidated Income Statement

(in millions of euros)		1 st half 2018		1 st half 2017 (*)	
	See Note		of which related parties		of which related parties
Sales revenues (*)	1	4,425	433	4,377	147
Other revenues and income	2	57	3	65	7
Total net revenues		4,482	436	4,442	154
Raw materials and services used (-) (*)	3	(3,914)	(283)	(3,859)	(102)
Labor costs (-)	4	(161)		(157)	
EBITDA	5	407		426	
Net change in fair value of commodity derivatives	6	-		(161)	
Depreciation, amortization and writedowns (-)	7	(234)		(240)	
Other income (expense), net	8	(13)		(6)	
EBIT		160		19	
Net financial income (expense)	9	(15)	3	(33)	(4)
Income from (Expense on) equity investments	10	4	3	(43)	2
Profit (Loss) before taxes		149		(57)	
Income taxes	11	(82)		(77)	
Profit (Loss) from continuing operations		67		(134)	
Profit (Loss) from discontinued operations		-		-	
Profit (Loss)		67		(134)	
Broken down as follows:					
Minority interest in profit (loss)		5		6	
Group interest in profit (loss)		62		(140)	
Earnings (Loss) per share (in euros)	12				
Basic earnings (loss) per common share		0.0108		(0.0272)	
Basic earnings per savings share		0.0408		0.0250	
Diluted earnings (loss) per common share		0.0108		(0.0272)	
Diluted earnings per savings share		0.0408		0.0250	

(*) "Sales revenues" and "Raw materials and services used" related to reporting period 2017 were restated following IFRS 15 adoption with no EBITDA impact.

The first adoption impacts related to IFRS 9 were recorded in equity without restatement of 2017 data.

Other Components of the Comprehensive Income Statement

(in millions of euros)	See Note	1 st half 2018	1 st half 2017
Profit (Loss)		67	(134)
Other components of comprehensive income:			
A) Change in the Cash Flow Hedge reserve	22	75	12
- Gains (Losses) arising during the period		104	17
- Income taxes		(29)	(5)
B) Differences on the translation of assets in foreign currencies		(1)	(10)
- Gains (Losses) not realized		-	(14)
- Income taxes		(1)	4
C) Pro rata interest in other components of comprehensive income of investee companies		-	-
D) Actuarial gains (losses) (*)		-	(1)
- Actuarial gains (losses)		-	(1)
- Income taxes		-	-
Total other components of comprehensive income net of taxes (A+B+C+D)		74	1
Total comprehensive profit (loss)		141	(133)
Broken down as follows:			
Minority interest in comprehensive profit (loss)		5	6
Group interest in comprehensive profit (loss)		136	(139)

(*) Items not reclassifiable in Income Statement.

Consolidated Balance Sheet

(in millions of euros)		06.30.2018		12.31.2017	
	See Note		of which related parties		of which related parties
ASSETS					
Property, plant and equipment	13	3,603		3,657	
Investment property		5		5	
Goodwill	14	2,414		2,313	
Hydrocarbon concessions	15	301		322	
Other intangible assets	16	355		154	
Investments in associates	17	64	64	67	67
Available-for-sale investments (*)	17	-		1	
Investments at fair value through profit and loss (*)	17	4		-	
Other financial assets	18	72	56	80	69
Deferred-tax assets	19	468		467	
Other assets	20	470		302	
Total non-current assets		7,756		7,368	
Inventories		200		182	
Trade receivables		1,344	83	1,656	77
Current-tax assets		10		8	
Other receivables		1,054	36	840	44
Current financial assets (*)		2	1	6	3
Cash and cash equivalents		272	174	260	141
Total current assets	21	2,882		2,952	
Total assets		10,638		10,320	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,377		5,377	
Reserves and retained earnings (loss carryforward)		391		601	
Reserve for other components of comprehensive income		187		113	
Group interest in profit (loss)		62		(176)	
Total shareholders' equity attributable to Parent Company shareholders		6,017		5,915	
Shareholders' equity attributable to minority shareholders		263		288	
Total shareholders' equity	22	6,280		6,203	
Provision for employee severance indemnities and provisions for pensions		42		42	
Provision for deferred taxes	23	136		76	
Provisions for risks and charges	24	1,266		1,249	
Long-term financial debt and other financial liabilities	25	267	65	221	70
Other liabilities	26	195		65	
Total non-current liabilities		1,906		1,653	
Bonds		4		4	
Short-term financial debt		206	29	157	29
Trade payables		1,362	53	1,696	74
Current taxes payable		19		19	
Other liabilities		861	59	588	34
Total current liabilities	27	2,452		2,464	
Total liabilities and shareholders' equity		10,638		10,320	

(*) Since January 1, 2018, following the application of the new accounting principle IFRS 9 the "Available-for-sale investments" and the "Equity investments held for trading" (included for about 3 million of euros in "Current financial assets" at December 31, 2017) were reclassified in "Investments at fair value through profit and loss".

The first adoption impacts related to IFRS 9 were recorded in equity without restatement of 2017 data.

Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months) in first half of 2018. In order to provide a better understanding of the Group's cash generation and utilization dynamics, the information provided below is supplemented by the data presented in a separate statement, included in the Report on Operations, which shows the changes in the Group's net financial debt.

(in millions of euros)		1 st half 2018		1 st half 2017	
	See Note		of which related parties		of which related parties
Profit (Loss) before taxes		149		(57)	
Depreciation, amortization and writedowns	7	234		240	
Writedowns of activities held for sale	10	-		55	
Net additions to provisions for risks		1		6	
Interest in the result of companies valued by the equity method (-)		(3)	(3)	(2)	(2)
Dividends received from companies valued by the equity method		8	8	-	
(Gains) Losses on the sale of non-current assets		-		1	
Change in the provision for employee severance indemnities and provisions for pensions		(2)		-	
Change in fair value recorded in EBIT		-		161	
Change in operating working capital		50	(27)	170	(23)
Change in non-operating working capital		7	2	(76)	5
Change in other operating assets and liabilities		18		14	
Net financial (income) expense	9	15	(3)	33	4
Net financial income (expense) paid		(7)	3	(12)	(4)
Net income taxes paid		(72)		(43)	
A. Cash flow from continuing operations		398		490	
Additions to intangibles and property, plant and equipment (-)	13-16	(199)		(195)	
Additions to non-current financial assets (-)		(5)	(4)	-	
Net price paid on business combinations (*)		(290)		(9)	
Proceeds from the sale of intangibles and property, plant and equipment		39		11	
Proceeds from the sale of non-current financial assets		4		11	
Repayment of capital contribution by non-current financial assets		-		2	
B. Cash used in investing activities from continuing operations		(451)		(180)	
Receipt of new medium-term and long-term loans	25-27	65		-	
Redemption of medium-term and long-term loans (-)	25-27	(12)		(162)	(150)
Other net change in financial debt		40	(5)	(35)	(15)
Change in other current financial assets		1	1	(5)	
Net liabilities resulting from financing activities (**)		94		(202)	
Capital and reserves contributions (+)		-		1	
Dividends and reserves paid to controlling companies or minority shareholders (-)		(29)	(1)	(29)	(1)
C. Cash used in financing activities from continuing operations		65		(230)	
D. Net currency translation differences		-		-	
E. Net cash flow for the period from continuing operations (A+B+C+D)		12		80	
F. Net cash flow for the period from discontinued operations		-		-	
G. Net cash flow for the period (continuing and discontinued operations) (E+F)		12		80	
H. Cash and cash equivalents at the beginning of the year from continuing operations		260	141	206	74
I. Cash and cash equivalents at the beginning of the year from discontinued operations		-		-	
L. Cash and cash equivalents at the end of the period (continuing and discontinued operations) (G+H+I)		272	174	286	174
M. Cash and cash equivalents at the end of the period from discontinued operations		-		-	
N. Reclassification to Assets held for sale		-		-	
O. Cash and cash equivalents at the end of the period from continuing operations (L-M+N)		272	174	286	174

(*) Acquisitions prices 212 million euros net of -8 million euros of cash and cash equivalents acquired; financial debt paid 86 million euros.

(**) For the reconciliation with the amounts of balance sheet please refer to the section "Net financial debt".

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
			Cash Flow Hedge reserve	Differences on the translation of assets in foreign currencies	Interest in other components of comprehensive income of investee companies	Actuarial gains (losses)				
Balance at December 31, 2016	5,377	988	(57)	39	-	(3)	(389)	5,955	310	6,265
Appropriation of the previous year's profit (loss)	-	(389)	-	-	-	-	389	-	-	-
Dividends and reserves distributed	-	-	-	-	-	-	-	-	(29)	(29)
Increase of share capital and reserves	-	-	-	-	-	-	-	-	1	1
Other changes	-	1	-	-	-	-	-	1	(1)	-
Total comprehensive profit (loss)	-	-	12	(10)	-	(1)	(140)	(139)	6	(133)
of which:										
- Change in comprehensive income	-	-	12	(10)	-	(1)	-	1	-	1
- Profit (Loss) from 01.01.2017 to 06.30.2017	-	-	-	-	-	-	(140)	(140)	6	(134)
Balance at June 30, 2017	5,377	600	(45)	29	-	(4)	(140)	5,817	287	6,104
Dividends and reserves distributed	-	-	-	-	-	-	-	-	(17)	(17)
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	10	10
Other changes	-	1	-	-	-	-	-	1	1	2
Total comprehensive profit (loss)	-	-	137	(4)	-	-	(36)	97	7	104
of which:										
- Change in comprehensive income	-	-	137	(4)	-	-	-	133	-	133
- Profit (Loss) from 07.01.2017 to 12.31.2017	-	-	-	-	-	-	(36)	(36)	7	(29)
Balance at December 31, 2017	5,377	601	92	25	-	(4)	(176)	5,915	288	6,203
IFRS 9 - first application	-	(29)	-	-	-	-	-	(29)	-	(29)
Balance at January 1, 2018	5,377	572	92	25	-	(4)	(176)	5,886	288	6,174
Appropriation of the previous year's profit (loss)	-	(176)	-	-	-	-	176	-	-	-
Dividends and reserves distributed	-	-	-	-	-	-	-	-	(29)	(29)
Other changes	-	(5)	-	-	-	-	-	(5)	(1)	(6)
Total comprehensive profit (loss)	-	-	75	(1)	-	-	62	136	5	141
of which:										
- Change in comprehensive income	-	-	75	(1)	-	-	-	74	-	74
- Profit (Loss) from 01.01.2018 to 06.30.2018	-	-	-	-	-	-	62	62	5	67
Balance at June 30, 2018	5,377	391	167	24	-	(4)	62	6,017	263	6,280

NOTES TO THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS AT JUNE 30, 2018

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

Content and Presentation

The Edison Group's Condensed Consolidated Semiannual Financial Statements at June 30, 2018 were prepared in accordance with Article 154-ter of Legislative Decree No. 58 of February 24, 1998, as amended, and the interim financial disclosures provided are consistent with the provisions of IAS 34 - Interim Financial Reporting. The abovementioned report is consistent with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.).

Methods applied to the Preparation of the Financial Statements

The international accounting principles, the evaluation and consolidation criteria and methods applied in preparing this information are consistent with those used for the 2017 Consolidated Financial Statements, which should be referenced for additional details. As from January 1, 2018, two new accounting standards apply:

- **IFRS 15 "Revenue from contracts with customers"** is a very complex standard which introduces specific and more restrictive principles with respect to the previous IAS 18 "Revenue". In particular, while IAS 18 had separate criteria for the recognition of revenue for goods and services, this distinction was removed in IFRS 15. The new standard instead focuses on the identification of the "performance obligation" with which the relative revenue recognition criterion is related and has an accounting model based on five steps: (i) identification of the contract with the customer; (ii) identification of the contractual commitments to transfer goods and/or services to a customer (so-called performance obligation); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified; and (v) recognition of the revenue when the associated performance obligation is satisfied.

At the moment of first-time adoption, Edison chose to apply the new standard retrospectively with the presentation of the comparative financial statements of 2017 with the following exemptions: (i) concerning contracts yet fulfilled, starting and ending in the same reporting period, revenues were not restated; (ii) concerning contracts agreed, which include a variable income, it was maintained the price of the operation at the date of the in which the contract was fulfilled, without estimating the amounts of the variable income for the comparative reporting periods; (iii) for all the reporting periods disclosed before the first-time adoption date were not re-determined the prices referring at the remaining performance obligations.

In transition, there were no impacts on the shareholders' equity as at January 1, 2017, while 'Sales revenues' and 'Materials and services used' saw a reduction of the same amount (591 million euros at first half 2017 values; 1,157 million euros for the whole 2017), with no impact on the EBITDA. This change was caused by the application of the following principles:

- a. "**principal versus agent**", on the basis of which the qualification of Edison as "agent" requires revenues to be presented at net basis to highlight only the Agent margin;
- b. "**combination of contracts**" concerning the **identification of the performance obligation**. IFRS 15 establishes that a separate performance obligation may be (i) a "distinct" good or service or (ii) a series of distinct goods or services which are substantially the same and which have the same pattern of transfer to the customer. If the goods or services promised, even if included in several contracts, are not distinct, an entity must combine those goods or services with other goods or services promised so as to identify a single and distinct performance obligation. In this regard, concerning certain sales and purchases of electricity, it was applied par. 17 (c) of IFRS 15 proceeding with the combination of two or more contracts finalized into in the same period of time with the same customer, and account for them as if they were a single contract;

the table below shows the impacts on the first half of 2017:

IFRS 15 impacts (in millions of euros)	1 st half 2017 published	Principal vs agent	Combination of contracts	Total impact IFRS 15	1 st half 2017 restated
Electric Power Operations	2,544	(144)	(447)	(591)	1,953
Hydrocarbons Operations	2,821	-	-	-	2,821
Corporate Activities and Other Segments	24	-	-	-	24
Eliminations	(421)	-	-	-	(421)
Total Sales Revenues	4,968	(144)	(447)	(591)	4,377
Electric Power Operations	(2,349)	144	447	591	(1,758)
Hydrocarbons Operations	(2,477)	-	-	-	(2,477)
Corporate Activities and Other Segments	(52)	-	-	-	(52)
Eliminations	428	-	-	-	428
Total Raw Materials and Services Used	(4,450)	144	447	591	(3,859)

- **IFRS 9 "Financial Instruments"** which replaced IAS 39 with effect for financial years starting on or after January 1, 2018; it (i) amended the classification and measurement model for financial assets basing it on the characteristics of the financial instrument and the business model adopted by the company, which for Edison Group is the so-called Held-to-collect and sell model; (ii) introduced a new method of impairment of financial assets which takes account of expected losses (so-called expected credit losses); and (iii) modified hedge accounting rules.

The rules of IFRS 9 were applied prospectively upon transition, starting from January 1, 2018:

- the adoption of the expected credit losses model for the impairment of receivables entailed the recognition of an initial bad debt provision in shareholders' equity at January 1, 2018. The new methodology is based on a predictive approach, based on the probability of default of the counterparty and the recovery capacity in the event in which the default event is verified (so-called loss given default). In estimating the impairment of receivables (i) were used official ratings, when available, or internal ratings already used in making decisions about granting credit to customers, to determine the probability of default of the counterparties; (ii) for retail customers, without specific internal ratings, a simplified cluster-based approach was implemented, breaking customers down on the basis of homogeneous risks; (iii) was identified the recovery capacity in the case of counterparty default based on previous experiences and different recovery methods than can be employed;
- minority shareholdings recognised previously under available-for-sale investments (1 million euros) and equity investments held for trading (3 million euros), respectively, were reclassified to non-current investments at fair value through profit and loss (4 million euros) with no impact on the initial shareholders' equity;
- with respect to hedge accounting, we report that the guidelines provided by the new principle IFRS 9 include, with reference to the previous standard IAS 39 applied till December 31, 2017, changes of the rules regulating the hedge accounting relationships, aligning their assessment logics to those used by the Group's risk management activity. The new principle allows, indeed, to apply the hedge accounting on a prospective basis from January 1, 2018, also to group of items and to risk components of non-financial items (e.g. items included in commodities' price formula) only in case the hedged item could be reliably measured. In transition, the existing hedge relationships were analysed with regard to the new principle and, in some cases, the previous hedge relationships were reviewed and extended in line with the risk management objectives. The hedge relationships so designated under IAS 39 and which were equally defined under IFRS 9 weren't impacted in the transition; on the contrary, if the previously designed hedge relationship ceased and a new relationship was designed to reflect the risk management objectives, the newly designed hedge relationship was applied only prospectively from the transition date while the fair value previously booked - if any - remained, waiting for the realization of the positions, in the income statement or in the cash flow hedge reserve.

The adoption of IFRS 9 allows to reduce the derivatives' volatility effects and entailed a reduction in Group's shareholders' equity at January 1, 2018, of about 29 million euros (37 million euros net of the associated tax effect of 8 million euros) referring primarily to the adoption of the expected credit losses model; the perspective application of the hedge accounting didn't produce material impacts at the transition date.

With reference, instead to the **IFRS 16 "Leases"**, published in the O.J.E.U. on November 9, 2017 and applicable from January 1, 2019, it should be noted that is still in progress the adaptation project.

This principle will replace IAS 17 and will amend the method of accounting for operating leases for lessees that rent/lease a specific asset. Based on this new standard, for each contract the company must evaluate if it falls in the definition of lease; a lease is defined as a contract for which the lessee is entitled to control the use of an identified asset, for a determined period of more than twelve months, in exchange for a consideration.

The application of the new principle to the identified contracts will determine the initial recognition in the balance sheet (i) of an asset, which represents the right of use pursuant to IFRS 16 (equal to the present value of the mandatory minimum future lease payments) that will be subject to systematic amortisation over the residual term of the contract, and (ii) of a financial liability for the same amount that will be reduced over time as the lease fees are paid. In the income statement, the lease payment will therefore no longer be recognized in EBITDA, instead will be recognized (i) the depreciation of the asset representing the right of use and (ii) the financial expenses on the financial liability.

The Board of Directors, meeting on July 27, 2018, authorized the publication of the Condensed Consolidated Semiannual Financial Statements at June 30, 2018, which were the subject of a limited audit by Deloitte & Touche Spa in accordance with an assignment awarded by Shareholders' Meeting of April 26, 2011 for a period of nine years (2011-2019), pursuant to the Legislative Decree No. 39 of January 27, 2010.

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

Use of Estimated Values

The preparation of Edison Group's Condensed Consolidated Semiannual Financial Statements at June 30, 2018 and the accompanying notes required the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent liabilities. The future results that will arise upon the occurrence of the relevant events could differ from these estimates. The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the financial statements. Generally, the use of estimates is particularly significant for the following items: i) the assessment that the value of Company's property, plant, equipment and intangible assets, including the goodwill, may be subject to a permanent reduction (so called impairment test); ii) the valuation of certain provisions for risks and charges, such as the provisions for decommissioning and remediation of industrial sites and those for legal and tax disputes; iii) measurement of certain sales revenues.

For a more detailed description of the valuation processes with a more significant impact on the Group, unchanged compared to previous year, please consult the paragraph of the 2017 Consolidated Financial Statements entitled "Use of Estimated Values".

Significant assumptions in determining control in accordance with IFRS 12

With regard to the definition of control set forth in IFRS 10, please note that the Edison Group consolidates line by line two companies even though it does not hold a majority equity stake; more specifically, Dolomiti Edison Energy Srl, (owned at 49%), in the hydroelectric area and E2i Energie Speciali Srl (E2i) owned at 30% through Edison Partecipazioni Energie Rinnovabili Srl in the renewable energy area. A more detailed description of these topics is provided in the 2017 Consolidated Financial Statements.

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

The main changes in the scope of consolidation are the following:

- in February, Edison Spa acquired the 100% of **Gas Natural Vendita Italia Spa**, a company operating in the sale of natural gas and electricity which is consolidated line by line; the company name was later changed in **Edison Energie Spa**;
- a new company **Edison Esplorazione e Produzione Spa**, (subsequently renamed **Edison Exploration & Production Spa**), fully owned by Edison Spa, was established in February and it is consolidated line by line. It is intended for Exploration & Production activities;
- in May, Edison Energia Spa acquired the 100% of **Attiva Spa**, company operating in the sale of natural gas and consolidated line by line.

Information pursuant to IFRS 3 revised

The first half of 2018 was characterized by some business combination's transactions related to:

- Gas Natural Vendita Italia Spa;
- Attiva Spa.

These transactions are reflected in the balance sheet in accordance with IFRS 3 revised "Business Combinations" recognizing the acquired assets, liabilities and contingent liabilities at fair value at the acquisition date.

It is noted that the amounts should be viewed provisional at the moment since, pursuant to the IFRS 3 revised, the valuation becomes final 12 months after the date of acquisition.

1) Gas Natural Vendita Italia Spa (GNVI)

On February 22, 2018, following the European Competition clearance, Edison completed the acquisition of the 100% of GNVI from Gas Natural Fenosa for a price, subject to adjustment, of about 193 million euros and in addition the payment of financial interests for about 2.5 million euros fully recognized in income statement in the first half of the year.

The company commercializes natural gas and electricity with a customer portfolio consisting of around 500,000 customers. This acquisition is part of Edison group strategy to become market leader in the retail sector and, at the same time, to strengthen its position in southern Italy, namely in Puglia, Calabria and Sicily regions.

The Purchase Price Allocation (PPA) process in a preliminary way identified about 122 million euros as intangible assets related to the customer list and about 83 million euros as goodwill, the last one resulting from *inter alia* the development and the synergies expected from the company's integration into Edison Group.

The values of Purchase Price Allocation are the following:

(in millions of euros)	Fair value of acquired assets and liabilities
ASSETS	
Property, plant and equipment	3
Goodwill	83
Other intangible assets	128
Deferred-tax assets	8
Total non-current assets	222
Inventories	18
Trade receivables	148
Other receivables	25
Cash and cash equivalents	7
Total current assets	198
Total assets (A)	420
LIABILITIES	
Provision for employee severance indemnities and provisions for pensions	1
Provision for deferred taxes	34
Provisions for risks and charges	1
Total non-current liabilities	36
Short-term financial debt	86
Trade payables	52
Other liabilities	53
Total current liabilities	191
Total liabilities (B)	227
Fair value of net acquired assets (A-B)	193
- % attributable to Edison (100%)	193
Price of acquisition (C)	193
Cash and cash equivalents acquired (D)	(7)
Financial debt reimbursed (E)	86
Net price paid on business combination (C+D+E)	272

The GNV contribution to income statement from acquisition date until June 30, 2018 is the following:

Income Statement (in millions of euros)	1 st half 2018
Sales revenues	126
EBITDA	3
Depreciation, amortization and writedowns	(3)
EBIT / Profit (Loss) before taxes	-
Profit (Loss)	-

2) Attiva Spa

On May 18, 2018 Edison Energia acquired from Soleil Group the 100% of Attiva Spa for an amount of about 19 million of euros subject to price adjustment.

The company operates in the market of natural gas sales in all municipalities in the province of Lecce and in some municipalities in the provinces of Bari, Brindisi and Taranto with about 30,000 customers. Through this acquisition Edison Energia strengthens and increases its customer base in southern Italy.

In the first evaluation was preliminary recognized a goodwill for about 18 million euros.

The values of Purchase Price Allocation were the following:

(in millions of euros)	Fair value of acquired assets and liabilities
ASSETS	
Goodwill	18
Total non-current assets	18
Trade receivables	5
Cash and cash equivalents	1
Total current assets	6
Total assets (A)	24
LIABILITIES	
Total non-current liabilities	-
Short-term financial debt	1
Trade payables	1
Other liabilities	3
Total current liabilities	5
Total liabilities (B)	5
Fair value of net acquired assets (A-B)	19
- % attributable to Edison (100%)	19
Total cost of acquisition (C)	19
Cash and cash equivalents acquired (D)	(1)
Net price paid on business combination (C+D)	18

SEGMENT INFORMATION

The segments, as identified by the Group in accordance with IFRS 8, correspond to the Electric Power Operations, the Hydrocarbons Operations and Corporate Activities and Other Segments, as a residual sector. This segment information disclosure is based on the same structure used for the reports that are periodically analyzed by management and the Board of Directors to manage the Group's business activities and for management reporting, planning and control purposes.

INCOME STATEMENT	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		EDISON GROUP	
	1 st half 2018	1 st half 2017 (*)	1 st half 2018	1 st half 2017	1 st half 2018	1 st half 2017	1 st half 2018	1 st half 2017	1 st half 2018	1 st half 2017 (*)
(in millions of euros)										
Sales Revenues (*)	1,823	1,953	2,914	2,821	29	24	(341)	(421)	4,425	4,377
- third parties sales revenues	1,816	1,945	2,607	2,429	2	3	-	-	4,425	4,377
- Intra-Group sales revenues	7	8	307	392	27	21	(341)	(421)	-	-
EBITDA	182	142	279	336	(54)	(52)	-	-	407	426
as a % of sales revenues	10.0%	7.3%	9.6%	11.9%	n.m.	n.m.			9.2%	9.7%
Net change in Fair Value of Commodity derivatives	-	5	-	(166)	-	-	-	-	-	(161)
Depreciation, amortization and writedowns	(110)	(113)	(122)	(124)	(2)	(3)	-	-	(234)	(240)
Other income (expense), net	-	-	-	-	(13)	(6)	-	-	(13)	(6)
EBIT	72	34	157	46	(69)	(61)	-	-	160	19
as a % of sales revenues	3.9%	1.7%	5.4%	1.6%	n.m.	n.m.			3.6%	0.4%

(*) "Sales revenues" and "Raw materials and services used" related to reporting period 2017 were restated following IFRS 15 adoption with no EBITDA impact.

BALANCE SHEET	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		EDISON GROUP	
	06.30.2018	12.31.2017	06.30.2018	12.31.2017	06.30.2018	12.31.2017	06.30.2018	12.31.2017	06.30.2018	12.31.2017
(in millions of euros)										
Total assets	5,206	5,224	5,066	4,630	3,589	3,431	(3,223)	(2,965)	10,638	10,320
Total liabilities	1,479	1,448	3,065	3,723	1,151	1,038	(1,337)	(2,092)	4,358	4,117
Net Financial Debt									203	116
Number of employees	3,186	3,156	1,439	1,359	626	629	-	-	5,251	5,144

OTHER INFORMATION	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		EDISON GROUP	
	1 st half 2018	1 st half 2017	1 st half 2018	1 st half 2017	1 st half 2018	1 st half 2017	1 st half 2018	1 st half 2017	1 st half 2018	1 st half 2017
(in millions of euros)										
Capital expenditures	86	30	84	110	-	-	-	-	170	140
Investments in exploration	-	-	11	42	-	-	-	-	11	42
Investments in intangibles	3	2	15	9	-	2	-	-	18	13
Total capital investments	89	32	110	161	-	2	-	-	199	195

The Group does not view **geographic area** segment information as meaningful. It should be noted although that, at June 30, 2018, the net non-current assets of its foreign operations, referred to the Hydrocarbons Operations, totaled 1,007 million euros (for about 15.5% of net invested capital); among these the Exploration & Production operations located in Egypt have significant relevance.

The contribution of the Exploration & Production business, as reported above, in the first half of 2018 is distinctly improving compared with the same period of previous year also thanks to a favorable scenario effect.

(in millions of euros)	1 st half 2018	1 st half 2017	Change	% change
Sales revenues	259	234	25	10.7%
Reported EBITDA	169	143	26	18.2%
as % of sales revenues	65.3%	61.1%		
EBIT	62	38	24	63.2%
as % of sales revenues	23.9%	16.2%		

Major customers as defined by IFRS 8

The Group's sales are generally not concentrated and there are not relevant customers.

NOTES TO THE INCOME STATEMENT

The first half of 2018 was characterized by a recovery of international oil products prices that also driven up the other energy commodities.

Concerning the Italian electricity market, showing a slight growth compared with the same period of the previous year, it should be noted:

- the relevant contribution of hydroelectric production sustained by the higher water availability recorded in winter and spring months and a good performance of production from wind sources;
- the increased use of electricity import (in the beginning of 2017 it was reduced by unavailability of some French nuclear plants);

The national demand for natural gas decreased compared to the first half of 2017 mainly due to the contraction of thermoelectric generation, caused by the above-mentioned phenomena, which resulted in a lower demand for natural gas partially offset by higher demand for residential and industrial uses.

In this scenario, Group **EBITDA** were positive by 407 million euros (426 million euros in the first half of 2017); more specifically:

- the EBITDA of the **Electric Power Operations**, amounting to 182 million euros, show an increase compared with the previous year¹ (131 million euros) due to the contribution of production from hydroelectric plants and for an increased marginality of thermoelectric generation;
- the EBITDA of the **Hydrocarbons Operations** totaled 279 million euros, against 347 million euros in the first half of 2017¹. The decrease is related to the reduction of gas activities margins, partially offset by the better performances of the Exploration & Production sector.

The **Group's interest in the net result** was positive by 62 million euros (negative by 140 million euros in the first half of 2017).

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

- a nil change in the fair value of derivatives (negative by 161 million euros in first half of 2017);
- net financial expense of 15 million euros, compared to net financial expense of 33 million euros in the first half of 2017;
- net income from equity investments for 4 million euros; net expense of 43 million euros in the same period of 2017 which included 55 million euros writedowns of activities held for sale;
- income taxes for 82 million euros which include IRAP and foreign taxes.

¹The amounts of the first half of 2017 are referred to the *adjusted* EBITDA, which reflects the reclassification of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas from the Hydrocarbons Operations to the Electric Power Operations, for the portion of gains and losses attributable to them (-13 million euros). In the first half of 2018 there are not hedges to be reclassified between the two segments. The *adjusted* EBITDA amount is not subject to independent auditors' review.

1. Sales Revenues - 4,425 million euros

(in millions of euros)	1 st half 2018	1 st half 2017 (*)	Change	% change
Electric power	1,213	1,415	(202)	(14.3%)
Natural gas	2,341	2,111	230	10.9%
Steam	26	25	1	4.0%
Oil	109	88	21	23.9%
Other sales revenues	4	2	2	100.0%
Sub-total	3,693	3,641	52	1.4%
Transmission revenues	484	394	90	22.8%
Realized commodity derivatives	13	119	(106)	(89.1%)
Margin on trading activities	-	3	(3)	(100.0%)
Storage services	36	45	(9)	(20.0%)
Revenues from services provided	7	3	4	n.m.
Other revenues from sundry services	192	172	20	11.6%
Total for the Group	4,425	4,377	48	1.1%
Breakdown by Business Segment	1st half 2018	1st half 2017 (*)	Change	% change
Electric Power Operations (*)	1,823	1,953	(130)	(6.7%)
Hydrocarbons Operations	2,914	2,821	93	3.3%
Corporate and Other Segments	29	24	5	20.8%
Eliminations	(341)	(421)	80	(19.0%)
Total for the Group	4,425	4,377	48	1.1%

(*) "Sales revenues" and "Raw materials and services used" related to 2017 were restated following IFRS 15 adoption with no EBITDA impact.

Sales revenues are booked for the most part in the Italian market.

The sales revenues of the **Electric Power Operations** decreased by 6.7% compared with the first half of previous year mainly as a consequence of a reduction in volume sales due to a different portfolio optimization partially offset by an increase in average selling prices.

The sales revenues of the **Hydrocarbons Operations** show an increase of 3.3% mainly due to the price increase of oil and natural gas.

The reduction of the income from **Realized commodity derivatives** (concerning the foreign exchange and commodities hedge executed to mitigate the risk of fluctuation in the cost of natural gas and that related to its sale, in line with the indexing formulas and the risk factors included) should be analyzed together with the corresponding item included in **Raw materials and services used**, also this in decrease.

The **Other revenues from sundry services** include the energy services of Fenice group (160 million euros in the first half of 2018, 144 million euros in the first half of 2017).

2. Other Revenues and Income - 57 million euros

(in millions of euros)	1 st half 2018	1 st half 2017	Change	% change
Recovery of costs from partners in hydrocarbon exploration projects	3	5	(2)	(40.0%)
Net reversals in earnings of provisions for risks on receivables and other risks	12	2	10	n.m.
Gains on disposals	-	1	(1)	(100.0%)
insurance reimbursements	8	14	(6)	(42.9%)
Out of period and sundry items	34	43	(9)	(20.9%)
Total for the Group	57	65	(8)	(12.3%)

3. Raw Materials and Services Used - 3,914 million euros

(in millions of euros)	1 st half 2018	1 st half 2017 (*)	Change	% change
Natural gas	2,056	1,885	171	9.1%
Electric power	556	705	(149)	(21.1%)
CO ₂ emissions rights	16	19	(3)	(15.8%)
Utilities and other materials	44	35	9	25.7%
Sub-total	2,672	2,644	28	1.1%
Transmission of electric power and natural gas	871	788	83	10.5%
Maintenance	108	109	(1)	(0.9%)
Regasification fee	59	59	-	-
Professional services	51	44	7	15.9%
Writedowns of trade and other receivables	14	25	(11)	(44.0%)
Realized commodity derivatives	(17)	46	(63)	n.m.
Additions to provisions for miscellaneous risks	24	16	8	50.0%
Change in inventories	(1)	8	(9)	n.m.
Use of property not owned	56	46	10	21.7%
Sundry items	77	74	3	4.1%
Total for the Group	3,914	3,859	55	1.4%
Breakdown by Business Segment	1st half 2018	1st half 2017 (*)	Change	% change
Electric Power Operations	1,590	1,758	(168)	(9.6%)
Hydrocarbons Operations	2,611	2,477	134	5.4%
Corporate Activities and Other Segments	60	52	8	15.4%
Eliminations	(347)	(428)	81	(18.9%)
Total for the Group	3,914	3,859	55	1.4%

(*) "Sales revenues" and "Raw materials and services used" related to 2017 were restated following IFRS 15 adoption with no EBITDA impact.

4. Labor Costs - 161 million euros

The increase of 4 million euros compared with the same period of previous year is mainly due to the changes in the scope of consolidation.

5. EBITDA – 407 million euros

(in millions of euros)	1 st half 2018	as a % of sales revenues	1 st half 2017	as a % of sales revenues
Reported EBITDA				
Electric Power Operations	182	10.0%	142	7.3%
Hydrocarbons Operations	279	9.6%	336	11.9%
Corporate Activities and Other Segments	(54)	n.m.	(52)	n.m.
Total for the Group	407	9.2%	426	9.7%
Adjusted EBITDA (*)				
Electric Power Operations	182	10.0%	131	6.7%
Hydrocarbons Operations	279	9.6%	347	12.3%
Corporate Activities and Other Segments	(54)	n.m.	(52)	n.m.
Total for the Group	407	9.2%	426	9.7%

(*) The adjusted EBITDA reflect the reclassification to the Electric Power Operations of a portion of the result from transactions executed to hedge natural gas importation contracts, since, from an operational standpoint, the margins earned on sales of electric power also benefit from these hedges.

In the first half of 2018 there are not hedges to be reclassified between the two segments.

The performance of the Group's businesses is reviewed below:

- the EBITDA of the **Electric Power Operations** show the positive contribution from Fenice Group (41 million euros in the first half 2018, 38 million euros in 2017), the improvement of hydroelectric power production and the increased margins of thermoelectric generation;
- the decrease of the EBITDA related to **Hydrocarbons Operations** is mainly due to a reduction of margin in natural gas buying and selling activities.

6. Net Change in Fair Value of Commodity Derivatives

(in millions of euros)	1 st half 2018	1 st half 2017	Change	% change
Change in fair value in hedging the price risk on energy products:	15	(186)	201	n.m.
- definable as hedges - Cash Flow Hedge (CFH) (*)	-	(3)	3	100.0%
- definable as hedges - Fair Value Hedge (FVH)	10	(52)	62	n.m.
- not definable as hedges	5	(131)	136	n.m.
Change in fair value in hedging the foreign exchange risk on commodities:	30	(79)	109	n.m.
- definable as hedges - Cash Flow Hedge (CFH) (*)	1	(3)	4	n.m.
- definable as hedges - Fair Value Hedge (FVH)	39	(55)	94	n.m.
- not definable as hedges	(10)	(21)	11	52.4%
Change in fair value in physical contracts (FVH)	(45)	104	(149)	n.m.
Total for the Group	-	(161)	161	100.0%

(*) Referred to the ineffective portion.

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

The amount of the first half 2017, negative by 161 million euros, was mainly related to derivatives that, as a result of economic hedging strategies to protect margins and of the significant commodities prices fluctuations, determined in past years, starting from 2014, a positive Fair Value that is necessarily reversed in the income statement accounts of the following years until 2017, with a negligible economic effect in the total period.

7. Depreciation, Amortization and Writedowns – 234 million euros

(in millions of euros)	1 st half 2018	1 st half 2017	Change	% change
Depreciation and amortization of:	211	240	(29)	(12.1%)
- property, plant and equipment	165	168	(3)	(1.8%)
- exploration costs	11	42	(31)	(73.8%)
- hydrocarbon concessions	21	21	-	-
- other intangible assets	14	9	5	55.6%
Writedowns of:	23	-	23	n.m.
- property, plant and equipment	23	-	23	n.m.
Total for the Group	234	240	(6)	(2.5%)
Breakdown by Business Segment	1st half 2018	1st half 2017	Change	% change
Electric Power Operations	110	113	(3)	(2.7%)
Hydrocarbons Operations	122	124	(2)	(1.6%)
Corporate Activities and Other Segments	2	3	(1)	(33.3%)
Total for the Group	234	240	(6)	(2.5%)

For further information about writedowns of property, plant and equipment please refer to the disclosures reported in the note **Impairment test in accordance with IAS 36** (Note 16).

8. Other Income (Expense), Net - (13) million euros

They reflect nonrecurring items that are not directly related to the current Group's industrial operations and they mainly include costs referred to legal disputes.

More detailed information is provided in Note 24 "Provision for Risk and Charges" and in the section entitled "Commitments, Risks and Contingent Assets" provided in 2017 Consolidated Financial Statements and in the related update later in these notes.

9. Net Financial Income (Expense) - (15) million euros

(in millions of euros)	1 st half 2018	1 st half 2017	Change
Net financial expense on debt	(2)	(6)	4
Fees	(5)	(5)	-
Financial expense on decommissioning projects and provisions for risks	(14)	(14)	-
Other financial income (expense)	3	3	-
Net foreign exchange translation gains (losses)	3	(11)	14
Net financial income (expense) for the Group	(15)	(33)	18

The financial expense benefited by a lower level of indebtedness and by lower cost resulting from a different mix of financial resources; the amount of the first half 2017 included the net financial expense on the bond issue of Edison Spa (nominal value 600 million euros) which was reimbursed at maturity on November 10, 2017. It also should be noted that higher net foreign exchange translation gains result from currency trends.

10. Income from (Expense on) Equity Investments – 4 million euros

They are mainly related to net result of investments valued by the equity method. It should be noted that the first half of 2017 recorded net expense for 43 million euros which included for 55 million euros the writedowns related to the adjustment to the presumed realizable value for the sale (finalized in October 2017) of ITG and of the 7.3% investment in Terminale GNL Adriatico.

11. Income Taxes - 82 million euros

(in millions of euros)	1 st half 2018	1 st half 2017	Change
Current taxes	41	43	(2)
Net deferred-tax liabilities (assets)	6	1	5
Income taxes attributable to previous years and other taxes	35	33	2
Total for the Group	82	77	5

The item **income taxes attributable to previous years and other taxes** also includes foreign taxes.

12. Earnings (Loss) per Share

(in millions of euros)	1 st half 2018		1 st half 2017	
	Common shares	Savings shares ⁽¹⁾	Common shares	Savings shares ⁽¹⁾
Group interest in profit (loss)	62	62	(140)	(140)
Profit (Loss) attributable to the different classes of shares (A)	57	5	(143)	3
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,266,845,824	110,154,847	5,266,845,824	110,154,847
- diluted (C) ⁽²⁾	5,266,845,824	110,154,847	5,266,845,824	110,154,847
Earnings (Loss) per share (in euros)				
- basic (A/B)	0.0108	0.0408	(0.0272)	0.0250
- diluted (A/C) ⁽²⁾	0.0108	0.0408	(0.0272)	0.0250

(1) 5% of par value for the higher dividend paid to the savings shares compared with the common shares. Savings shares are treated as common shares, since the portion of net income attributable to the savings shares has been deducted from Group interest in profit (loss).

(2) When the Group reports a loss, potential shares are deemed to have no dilutive effect.

NOTES TO THE BALANCE SHEET

Assets

13. Property, Plant and Equipment – 3,603 million euros

(in millions of euros)	Land and buildings	Plant and machinery	Assets transferable at no cost	Assets acquired under finance leases (*)	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2017 (A)	326	2,930	133	7	3	7	251	3,657
Changes at June 30, 2018:								
- Additions	2	49	1	-	-	-	118	170
- Additions (IFRS 3 revised)	-	3	-	-	-	-	-	3
- Disposals (-)	-	(43)	-	-	-	-	-	(43)
- Depreciation (-)	(6)	(151)	(7)	-	-	(1)	-	(165)
- Writedowns (-)	-	(21)	-	-	-	-	(2)	(23)
- Other changes	3	18	1	-	-	1	(19)	4
Total changes (B)	(1)	(145)	(5)	-	-	-	97	(54)
Balance at 06.30.2018 (A+B)	325	2,785	128	7	3	7	348	3,603

(*) Recorded as required by IAS 17 revised; the relative financial debt is exposed in "Long-term financial debt and other financial liabilities" (4 million euros) and in "Short-term financial debt" (less than 1 million euros).

Breakdown of the additions by Business Segment	1 st half 2018	1 st half 2017
Electric Power Operations	86	30
<i>broken down as follows:</i>		
- Thermoelectric area	4	10
- Hydroelectric area	4	7
- Renewable sources area	67	2
- Energy services area	11	11
Hydrocarbons Operations	84	110
<i>broken down as follows:</i>		
- Hydrocarbon fields in Italy	12	6
- Hydrocarbon fields outside Italy	69	102
- Transmission and storage infrastructures	3	2
Corporate Activities and Other Segments	-	-
Total for the Group	170	140

The main investments carried out by the **Electric Power Operations** included:

- investments in wind power plants, following the assignment, through the process of calls for tenders issued by the Electrical Service Manager (GSE) in 2016, to E2i of new wind power capacity to be installed;
- activities related to energy services, in particular in Fenice Group.

In the **Hydrocarbons Operations** investments mainly focused on the Exploration & Production area and specifically:

- in Italy the development of Ibleo project and a work over of a field in the Colle di Lauro area;
- abroad mainly for the development of projects: Dvalin (previously named Zidane) in Norway and Reggane in Algeria and for platform NAQ PIII in Egypt.

The borrowing costs capitalized as part of property, plant and equipment, as allowed by IAS 23 Revised, are not material.

The item **additions (IFRS 3 revised)** is referred to the acquisitions of GNVI; for additional information please refer to the paragraph "Information pursuant to IFRS 3 revised".

For more information concerning writedowns please refer to the note "Impairment Test in accordance with IAS 36" in the following pages (Note 16).

Please note that assets valued at 15 million euros are encumbered as collateral for loans provided by financial institutions.

14. Goodwill – 2,414 million euros

(in millions of euros)	06.30.2018	12.31.2017
Electric Power Operations	1,624	1,624
Hydrocarbons Operations	790	689
Total	2,414	2,313

The increase of goodwill allocated to Hydrocarbons Operations reflects the recognizing of new goodwill mainly related to the acquisitions of the companies GNVI and Attiva described in the paragraph "Information pursuant to IFRS 3 revised".

The balance in this account is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments, but must be tested for impairment at least once a year (Note 16).

15. Hydrocarbon Concessions – 301 million euros

The hydrocarbon concessions decreased, compared with December 31, 2017, by 21 million euros mainly due to the depreciation of the period.

16. Other Intangible Assets – 355 million euros

(in millions of euros)	Concessions, licenses, patents and similar rights (*)	Exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2017 (A)	98	-	44	12	154
Changes at June 30, 2018:					
- Additions	4	11	3	11	29
- Additions (IFRS 3 revised)	6	-	122	-	128
- Amortization (-)	(6)	(11)	(8)	-	(25)
- Other changes	(1)	-	70	-	69
Total changes (B)	3	-	187	11	201
Balance at 06.30.2018 (A+B)	101	-	231	23	355

(*) Included the infrastructures used to distribute natural gas (62 concessions) as required by IFRIC 12.

Exploration costs for the semester, which were amortized in full when incurred, totaled 11 million euros (42 million euros in the first semester 2017) and refer mainly to exploration activities in Egypt.

The **acquisitions** include for 10 million euros the down-payment for the acquisition from Gas Natural Fenosa of the contract for the supply of gas from the Shah Deniz II field in Azerbaijan. The effectiveness of the contract is subject to the construction of the Trans Adriatic Pipeline (TAP) and the related import of natural gas is expected to start at the end of 2020, so the advance is considered as "work in progress", it is not subject to depreciation but to impairment test. From 2021, with the first gas delivery to Italy through the TAP, further 20 million euros will be paid to the counterpart.

The item **additions (IFRS 3 revised)** is referred to the acquisition of GNVI; for additional information please refer to the paragraph "Information pursuant to IFRS 3 revised".

The item **Other changes** include for 72 million euros the right arising for Fenice to acquire the 71.32% of ordinary share capital of the company Zephyro Spa; the related debt is recognized in other liabilities (Note 27). The transaction was finalized on July 2, 2018 and so are met the conditions to promote a Public Tender Offer on the remaining common shares. It should be noted that Zephyro Spa closed the 2017 financial statement with an EBITDA of about 15.9 million euros and a positive net financial debt for about 4.6 million euros.

Impairment Test in Accordance with IAS 36

As required by IAS 36, in the first half of 2018 the Group performed an update of impairment test analysis of the individual Cash Generation Units (CGUs) which have shown specific impairment indicators that may change the recoverable value.

The writedowns recorded in the semester are equal to 23 million euros and are mainly related to losses of value identified on foreign assets in the Hydrocarbons Operations segment (21 million euros) for the most part as a consequence of the reduction of production profiles.

Specifically, with regard to the goodwill, waiting for the Group to draw up a new industrial plan, the short/medium-term economic and scenario variables were analyzed which haven't shown any trigger to require a semiannual impairment test.

17. Investments in associates and Investments at fair value through profit and loss – 68 million euros

Following the application of the new accounting standard IFRS 9, 4 million euros have been accounted for in "Investments at fair value through profit and loss". This item includes the investments that as at December 31, 2017 were included in "Available-for-sale investments" (1 million euros) and "Equity investments held for trading" (3 million euros) these latter were included in "Current financial assets".

18. Other Financial Assets – 72 million euros

They include 55 million euros (67 million euros at December 31, 2017) related to the loan receivable from Elpedison Sa which, on January 1, 2018, was aligned according to the IFRS 9. The loan versus Elpedison Sa is expiring on September and the activities for refinancing are ongoing. The interest and principal payments due in the period were made regularly; Edison constantly monitors the situation.

19. Deferred-tax Assets – 468 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Deferred-tax assets:			
Tax loss carryforward	32	32	-
Taxed provisions for risks	113	98	15
Valuation differences of property, plant and equipment and intangibles	309	323	(14)
Other	14	14	-
Deferred-tax assets	468	467	1

We give notice that following the operations of business combination occurred in the first half of the year the deferred tax assets increased by 8 million euros (for a more detailed analysis please refer to the paragraph "Information pursuant to IFRS 3 revised") and that the application of IFRS 9 determined an increase of 8 million euros.

Deferred-tax assets, specifically referring to previous years fiscal losses, were valued based on the assumption that they would probably be realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies.

20. Other Assets – 470 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Fair value on industrial portfolio (*)	272	144	128
Tax refunds receivable	179	138	41
Security deposits / others	19	20	(1)
Total Other assets	470	302	168

(*) A comprehensive review is provided in the Section "Group Financial Risk Management".

Tax refunds receivables include VAT receivables for 146 million euros (104 million euros at December 31, 2017). These amounts should be analyzed together with the current receivables included in other receivables (Note 21). It should be noted that the 2016 tax receivables, requested for reimbursement, were partially collected for an amount of about 58 million euros in the semester.

21. Current Assets – 2,882 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Inventories	200	182	18
Trade receivables	1,344	1,656	(312)
Current-tax assets	10	8	2
Other receivables	1,054	840	214
Current financial assets (*)	2	6	(4)
Cash and cash equivalents	272	260	12
Total current assets	2,882	2,952	(70)

(*) Since January 1, 2018, following the application of the new accounting principle IFRS 9 the "Equity investments held for trading" (here included for about 3 million of euros at December 31, 2017) were reclassified in "Investments at fair value through profit and loss".

- The table that follows shows a breakdown of **Inventories** by Business Segment:

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	Other	Total at 06.30.2018	Total at 12.31.2017	Change
Electric Power Operations	7	-	-	23	30	27	3
Hydrocarbons Operations	29	129	12	-	170	155	15
Total for the Group	36	129	12	23	200	182	18

The increase of the period is mainly related to the increase of stored natural gas.

The inventories include, for about 36 million euros, stored natural gas the use of which is restricted as a strategic reserve.

- A breakdown of **Trade receivables** by Business Segment is provided in the table below:

(in millions of euros)	06.30.2018	12.31.2017	Change
Electric Power Operations	630	681	(51)
Hydrocarbons Operations	730	987	(257)
Corporate Activities and Other Segments and Eliminations	(16)	(12)	(4)
Total trade receivables	1,344	1,656	(312)
Of which Allowance for doubtful Accounts	(269)	(211)	(58)

Specifically, trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas and Power Exchange transactions. The decrease reported versus December 31, 2017 is mainly a consequence of the relevant payments received in Egypt and the seasonal trend of sales.

The following table shows the changes in "Allowance for doubtful accounts":

(in millions of euros)	12.31.2017	IFRS 9 - first application	Additions	Utilizations	Other changes	06.30.2018
Allowance for doubtful accounts (*)	(211)	(31)	(13)	12	(26)	(269)

(*) Included default interests.

Additions to the allowance reflect the result of an assessment, performed consistent with the Group's policy, of the different status of receivables, taking into account each customer segment, the corresponding past-due receivables and the aging; utilizations were mainly recognized for receivables deemed uncollectible during the period; other changes mainly refer to changes in the scope of consolidation.

It is worth mentioning that the Group executes on a regular basis transactions involving the irrevocable assignment of receivables without recourse; for additional details please consult the disclosure in the section entitled "Group Financial Risk Management".

- A breakdown of **other receivables**, is provided in the table below:

(in millions of euros)	06.30.2018	12.31.2017	Change
Fair Value on industrial portfolio and trading activities (*)	658	316	342
Advances to suppliers	20	26	(6)
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	11	17	(6)
VAT credit	116	123	(7)
Sundry items	249	358	(109)
Total other receivables	1,054	840	214

(*) A comprehensive review is provided in the Section "Group Financial Risk Management".

- Cash and cash equivalents** of 272 million euros (260 million euros at December 31, 2017) consist of short-term deposits in bank and postal accounts and other short-term investments. This item also includes the current account established with EDF Sa with a positive balance for 173 million euros (140 million euros at December 31, 2017).

Liabilities and Shareholders' Equity

22. Shareholders' Equity Attributable to Parent Company Shareholders – 6,017 million euros - and Shareholders' Equity Attributable to Minority Shareholders – 263 million euros

The shareholders' equity attributable to Parent Company shareholders is 102 million euros higher than at December 31, 2017 (5,915 million euros) mainly due to the profit for the period (62 million euros), to the positive change in the Cash Flow Hedge Reserve (75 million euros) and for the negative impact due to the first application of the IFRS 9 (-29 million euros).

The shareholders' equity attributable to minority shareholders decreased by 25 million euros compared with December 31, 2017 (288 million euros); the net decrease mainly reflects the profit for the period (5 million euros) and the reserves and dividends' distribution to minority shareholders (29 million euros).

A breakdown of the shareholders' equity attributable to Parent Company shareholders and to minority shareholders is provided in the schedule entitled "Changes in Consolidated Shareholders' Equity".

A breakdown of share capital, which consists of shares with a par value of 1 euro each, all with regular ranking for dividends, is as follows:

Share class	Number of shares	Millions of euros
Common shares	5,266,845,824	5,267
Savings shares	110,154,847	110
Total	5,377,000,671	5,377
Shareholder's Equity per share Attributable to Parent Company Shareholders	06.30.2018	12.31.2017
Shareholder's Equity Attributable to Parent Company Shareholders (in millions of euros)	6,017	5,915
Shareholder's Equity per share Attributable to Parent Company Shareholders (in euros)	1.119	1.100

The table below provides a breakdown of the changes that occurred in the Cash Flow Hedge reserve related to the IFRS 9 application for the accounting treatment of derivatives. The change refers to the provisional recognition in equity of effective portion of derivatives executed to hedge price and foreign exchange risks on energy commodities. The amounts recognized directly in equity are reflected in the income statement in line with the effects of the hedged item.

Cash Flow Hedge reserve (in millions of euros)	Gross reserve	Taxes	Net reserve
Reserve at December 31, 2017	127	(35)	92
Changes in the period	104	(29)	75
Reserve at June 30, 2018	231	(64)	167

23. Provision for Deferred Taxes – 136 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Deferred-tax liabilities:			
Valuation differences of property, plant and equipment and intangibles	72	41	31
Adoption principle to value financial instruments with impact:			
- on the income statement	-	1	(1)
- on shareholders' equity	64	35	29
Other deferred-tax liabilities	50	47	3
Total (A)	186	124	62
Deferred-tax assets usable for offset purposes:			
Valuation differences of property, plant and equipment and intangibles	5	5	-
Other deferred-tax assets	45	43	2
Total (B)	50	48	2
Total provision for deferred taxes (A-B)	136	76	60

The table shows a breakdown of the provision by type of underlying temporary difference and the deferred-tax assets, led to offset when they meet the requirements of IAS 12.

It is worth of mentioning that provision for deferred taxes were recognized for 34 million euros as result of business combinations occurred in the first half of 2018; a more detailed analysis of additions is provided in the paragraph "Information pursuant to IFRS 3 revised".

For additional details, please refer to Note 11 "Income Taxes" and Note 19 "Deferred-tax Assets".

24. Provisions for Risks and Charges – 1,266 million euros

(in millions of euros)	12.31.2017	Additions	Utilizations	Other changes	06.30.2018
Risks for disputes, litigation and contracts	131	3	(1)	1	134
Charges for contractual guarantees on sale of equity investments	81	-	-	(6)	75
Environmental risks	73	-	(3)	1	71
Other risks and charges	10	5	-	-	15
Disputed tax items	104	7	(39)	-	72
Total for legal and tax disputes	399	15	(43)	(4)	367
Provisions for decommissioning and remediation of industrial sites	692	12	(3)	1	702
Provision for CO2 emission rights	-	-	-	38	38
Other risks and charges	158	15	(13)	(1)	159
Total for the Group	1,249	42	(59)	34	1,266

The **Provisions for legal and tax disputes** recorded in the period a net decrease of 32 million euros mainly due to tax disputes utilizations which determined in the semester a total cash outflow of about 38 million euros. More information is provided in the paragraph "Risks and contingent liabilities associated with legal and tax disputes" later in these notes and for a more detailed explanation concerning the contents please refer to the same paragraph of 2017 Consolidated Financial Statements.

The **Provisions for decommissioning and remediation of industrial sites** reflect the valuation, discounted to the reporting date, of the decommissioning costs that the Group expects to incur for industrial sites and mineral extraction facilities.

The **Other risks and charges** include a provision booked in the period in relation with a penalty procedure notified by ARERA to Edison Energia for the alleged violation of the provisions of Italian Legislative Decree No. 102/2004 with regard to the billing of consumption and, in particular, as provided for in terms of economic conditions for the transmission of documentation relating thereto. At this concern, Edison Energia sued ARERA a proposal with a wide range of initiatives aimed at voiding the sanctioning assumptions and encourage efficient use of energy by domestic end customers. The company expects the proceeding to find its conclusion by the end of 2018.

25. Long-term Financial Debt and Other Financial Liabilities – 267 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Due to banks	196	144	52
Due to other lenders	71	77	(6)
Total for the Group	267	221	46

26. Other Liabilities – 195 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Fair Value on industrial portfolio (*)	194	65	129
Other liabilities	1	-	1
Total other liabilities	195	65	130

(*) A comprehensive review is provided in the Section "Group Financial Risk Management".

27. Current Liabilities – 2,452 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Bonds	4	4	-
Short-term financial debt	206	157	49
Trade payables	1,362	1,696	(334)
Current taxes payable	19	19	-
Other liabilities	861	588	273
Total current liabilities	2,452	2,464	(12)

More specifically:

- **Short-term financial debt** includes:

(in millions of euros)	06.30.2018	12.31.2017	Change
Debt due to banks	120	56	64
Debt due to EDF companies	14	10	4
Debt due to unconsolidated Edison Group companies	14	16	(2)
Debt due to other lenders	58	75	(17)
Total Short-term financial debt	206	157	49

- A breakdown of **trade payables** is provided below:

(in millions of euros)	06.30.2018	12.31.2017	Change
Electric Power Operations	620	750	(130)
Hydrocarbons Operations	711	918	(207)
Corporate Activities and Other Segments and Eliminations	31	28	3
Total trade payables	1,362	1,696	(334)

Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance. The decrease compared with December 31, 2017 is mainly due to seasonality effects.

- A breakdown of **other liabilities** is as follows:

(in millions of euros)	06.30.2018	12.31.2017	Change
Fair Value on industrial portfolio and trading activities (*)	475	260	215
Amount owed to the controlling company in connection with the filing of a consolidated tax return	55	33	22
Amount owed to employees	28	32	(4)
Payables owed to social security institutions	23	23	-
Sundry items	280	240	40
Total other liabilities	861	588	273

(*) A comprehensive review is provided in the Section "Group Financial Risk Management".

The **Sundry items** include for 72 million euros the debts for obligation related to the acquisition of the 71.32% of the ordinary share capital of company Zephyro Spa, as previously disclosed in Note 16.

NET FINANCIAL DEBT

At June 30, 2018, net financial debt totaled 203 million euros, or 87 million euros more than the 116 million euros owed at December 31, 2017.

The table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	See note	06.30.2018	12.31.2017	Change
Non-current bank loans	25	196	144	52
Amounts due to other lenders - non-current portion	25	71	77	(6)
Non-current financial debt		267	221	46
Bonds	27	4	4	-
Short-term financial debt	27	206	157	49
Current financial assets (*)	21	(2)	(6)	4
Cash and cash equivalents	21	(272)	(260)	(12)
Current net financial debt		(64)	(105)	41
Net financial debt		203	116	87

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

The change of the period is mainly due to the acquisitions of the companies GNVI and Attiva and the positive cash generation of the characteristic operations that permitted to limit the net financial debt.

The **Non-current financial debt** increase includes:

- the drawdown for 35 million euros of the second tranches of the credit line of 150 million euros provided from EIB (European Investment Bank) to Edison in 2017 and usable in several tranches with maturity up to 15 years;
- the drawdown for 30 million euros of a revolving credit facility subscribed by E2i in the period (total nominal amount of 100 million euros);

these facilities are mainly intended to finance specific investment projects mainly for the construction of new wind power plants through the company E2i.

The **Cash and cash equivalent** include for 173 million euros (140 million euros at December 31, 2017) held in current account with EDF Sa.

The table below provides the changes of liabilities resulting from financing activities as required by IAS 7 "Statement of Cash Flows":

(in millions of euros)	12.31.2017	Cash Flow (*)	Non-cash Flow				06.30.2018
			Changes in scope of consolidation (**)	Currency differences	Changes in fair value	Other changes	
Non-current financial debt	221	53	-	-	-	(7)	267
Bonds	4	-	-	-	-	-	4
Short-term financial debt	157	40	1	-	-	8	206
Current financial assets	(6)	1	-	-	-	3	(2)
Net liabilities resulting from financing activities	376	94	1	-	-	4	475
Cash and cash equivalents (*)	(260)	(4)	(8)	-	-	-	(272)
Net Financial debt	116	90	(7)	-	-	4	203

(*) Flow s show ed in the Cash Flow Statement.

(**) For further information please refer to the section "Accounting Principles and Consolidation Criteria".

COMMITMENTS, RISKS AND CONTINGENT ASSETS

Commitments - 1,622 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Guarantees provided	1,223	1,218	5
Collateral provided	15	15	-
Other commitments and risks	384	650	(266)
Total for the Group	1,622	1,883	(261)

Guarantees provided (1,223 million euros) were determined based on the undiscounted amount of contingent commitments on the balance sheet date. They consist mainly of guarantees provided by the Group's Parent Company or by banks with the Parent Company's counter-guarantee to secure the performance of contractual obligations by subsidiaries and affiliated companies. They include 54 million euros in guarantees provided to the Revenue Office on behalf of subsidiaries for the offsetting of VAT credits and those provided in connection with the intra-Group assignment of tax credits.

Collateral provided (15 million euros) reflects the carrying amounts of the assets or rights pledged as collateral on the balance sheet date. This account consists for the most part of mortgages and encumbrances granted on facilities of the Electric Power Operations to secure financing provided by financial institutions.

Other commitments and risks (384 million euros) mainly contain:

- 226 million of euros for primarily commitments undertaken to complete investment projects under construction in Italy and abroad;
- 124 million of euros for future minimum lease payments mainly referred to the rent of the Foro Buonaparte buildings sold during the 2017.

The decrease compared with December 31, 2017, is mainly due to the cancellation of the commitment for the acquisition of GNV from Edison Spa, which was finalized on February 22, 2018.

It is worth of mentioning that starting from January 1, 2019 will enter into force the new principle IFRS 16 "Leases" that will amend the accounting treatment of operating leasing; in this regard a dedicated working group is operating to which has been assigned the adaptation project with the aim of quantify the impacts of the first application of this principle.

With reference to the long-term contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay any shortage between the stipulated minimum quantities and the quantity actually used, please note that at June 30, 2018 and as in the previous year, no commitments were recorded.

Unrecognized Commitments and Risks

Concerning the main risks and commitments not included in the amounts above, there were no significant changes in the first half of 2018 compared with what disclosed in the 2017 Consolidated Financial Statements, which should be consulted for more complete and comprehensive information. In particular, the Hydrocarbons Operations entered into long term contracts for the importation of natural gas from Algeria, Libya, Qatar and Russia.

The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

		within 1 year	from 2 to 5 years	over 5 years	Total
Natural Gas	Billions of m ³	13.6	41.4	92.0	147.0

The economic data are based on prospective pricing formulas.

Risks and contingent liabilities associated with legal and tax disputes

A review, based on information currently available, of the developments affecting the main legal and tax disputes that occurred in the first half of 2018 is provided in this paragraph, listing separately actions involving Edison Spa and actions involving other Group companies, with a further differentiation between:

- **probable liabilities**, for which it was possible to develop a reliable estimate of the underlying expected obligation and recognize a corresponding provision for risks, even though the timing of any resulting monetary outlay cannot be objectively predicted; and
- **contingent liabilities**, which are dependent on the occurrence of events that are possible, but not probable, or are probable but their impact cannot be quantified reliably and are likely to result in a cash outlay of an amount that cannot reasonably be estimated, with regard to which only a disclosure is provided in the notes to the financial statements.

Please see the disclosure provided in the 2017 Consolidated Financial Statements for a comprehensive review of these issues.

Probable liabilities associated with legal disputes

A) **Liabilities for which a provision for disputes, litigation and contracts risks was recognized in the balance sheet:**

There were no developments compared with the disclosure provided in the 2017 Consolidated Financial Statements.

B) **Liabilities for which a provision for risks for contractual guarantees on sale of equity investments was recognized in the balance sheet:**

Edison Spa

Date started / Jurisdiction	Description of dispute	Status of proceedings
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Civil lawsuits, criminal trials and administrative proceedings concerning the sale of Agorà Spa, which owned 100% of the shares of Ausimont Spa.
Edison is a party to these proceedings in its capacity as universal successor to Montedison Spa

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

February 28, 2018	<p>On February 28, 2018 the Province of Pescara communicated to the companies Solvay Specialty Polymers Italy Spa and Edison Spa the initiation of a proceeding pursuant to Title V Part IV of Legislative Decree 152/2006 for the identification of the responsible for the contamination of the so-called "Solvay External Areas" in Bussi sul Tirino, dumping areas 2A and 2B and neighboring.</p> <p>Subsequently on June 26, 2018, the Province of Pescara communicated to Edison by order in accordance with the article 244 of Decree Law No. 152/2006 (Environmental Code) for the removal of all waste abandoned over time in the aforementioned areas of the Bussi site.</p> <p>With regard to this provision it should be noted that: i) such portions of land had been conferred to Ausimont since it was incorporated in 1981; ii) Ausimont, solely and exclusively, has obtained the authorizations to operate, has realized, has managed and has closed the landfills called 2A and 2B on these portions of land; iii) the shares of Ausimont were transferred to Solvay Solexis Spa, today Solvay Specialty Polymers Italy Spa, in May 2002; iv) Ausimont was merged in Solvay Solexis in November 2002, with consequent succession of the latter in the legal, active and passive position, belonging to the company Ausimont.</p> <p>Regarding this order, of which Edison firmly disputes the lawfulness, the Company reserves any actions in order to preserve their rights and legitimate interests.</p>	As per description of the dispute.
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Ausimont – Bussi sul Tirino – Criminal proceedings

2008. Court of Pescara /Chieti Court of Assizes/ Court of Cassation/Court of Assizes of appeals of L'Aquila	<p>With reference to the criminal proceedings relating to the site of Bussi sul Tirino (PE), launched in 2008 for alleged crimes of poisoning and disaster, the hearing in the Court of Cassation of the appeal brought by the defense of the 10 defendants convicted on appeal culpable disaster, was updated to September 28, 2018.</p>	As per description of the dispute
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Ausimont – Spinetta Marengo – Criminal proceedings		
October 2009 Court of Assizes of Alessandria and Turin	On June 20, 2018 the Court of Assizes of Appeals of Turin delivered a ruling with a full acquittal of all employees and ex-manager of Ausimont who acted on behalf of the company in the period in which it was subject to the control of Montedison (until May 2002), in relation with the hypotheses of crime formulated by the Public Prosecutor of Alessandria with reference to alleged facts of poisoning and disaster. Publication is pending of the grounds of the ruling.	As per description of the dispute

C) Liabilities for which a provision for environmental risks was recognized in the balance sheet:

There were no developments compared with the disclosure provided in the 2017 Consolidated Financial Statements.

D) Liabilities for which a provision for other legal risks was recognized in the balance sheet:

Edison Spa

Date started / Jurisdiction	Description of dispute	Status of proceedings
Dispute between Axpo Italia and Edison – Supply contract for natural gas		
December 23, 2013 Court of Milan	On December 23, 2013 Axpo Italia Spa, with reference to the contract to supply natural gas that the parties executed on October 26, 2012, filed a lawsuit against Edison Spa before the Court of Milan aiming to obtain compensation for alleged damages resulting from Edison's alleged failure to provide the contractually stipulated gas volumes. Edison joined the proceeding flatly denying any breach and filing a counterclaim against Axpo Italia for breach of contract. In June 2018, the Court defined the proceedings at first instance, ordering Edison to pay compensation of about 15 million euro for the benefit of Axpo Italia; the existing provision for risk was adjusted in the period.	As per description of the dispute

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Contingent Liabilities Associated with Legal Disputes

Edison Spa

Date started / Jurisdiction	Description of dispute	Status of proceedings
Ministry of the Environment – request for compensation for environmental damage		
May 31, 2018	On May 31, 2018 the Ministry of the Environment notified Edison of a claim for compensation for the alleged environmental damage deriving from the reinjection activity in the Vega 6 well of the layer and process waters operated by the Vega A platform. The amount of the claim is about 80 million euros. The facts in question have already been the subject of a criminal procedure declared extinguished by the competent court. Edison considers such claim totally groundless, since the facts under discussion do not constitute an unlawful case, but, on the contrary, authorized by the applicable laws, haven't caused any environmental damage, nor any risk of geological pollution, of the groundwater or of the sea. Consequently Edison will provide its defenses according with the terms of the proceeding, requiring the judge for the unconditional rejection of the claims submitted by the Ministry of the Environment.	As per description of the dispute

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Probable Liabilities Associated with Tax Disputes**Edison Spa**

Date started / Assessing office	Description of dispute	Status of proceedings
Income Tax Assessments for 1995, 1996 and 1997 (merged Edison Spa)		
Assessments notified in 2001 and 2002 by the Milan Revenues Agency (former Milan Income Tax Office)	Following the decisions handed down on review by the Regional Tax Commission, favorable only in part to the Company, the Company is again submitting an appeal before the Court of Cassation as what was laid out in these recent decisions does not appear to be aligned with the OECD guidelines on transfer pricing. In the meantime, as the proceedings are in progress and pending the settlement of the disputes, the Company deposited the amounts that have become enforceable for part of the higher taxes assessed. The payment, still provisional in nature, was fully covered by part of the existing provision for risks.	As per the description of the dispute.
Disputed municipal property taxes (ICI and IMU) and assessed property values of hydroelectric and thermoelectric power plants		
Adjustments to the adjusted property values notified by the Territorial Revenue Agency	In April, the Court of Cassation confirmed the assessed property value proposed by the Company for the Torviscosa (Udine) thermoelectric power station, after an extended dispute in which the Company came out victorious. This confirmed property value refers to the entire period prior to 2015 and may also drive for the positive resolution of the disputes regarding local property taxes (ICI and IMU) lodged over the years by the Municipality of Torviscosa.	As per the description of the dispute.
Disputed Municipal Property Taxes (ICI) on Offshore Hydrocarbon Production Platforms		
Various assessments for local taxes (ICI and IMU) from various municipalities, from 2005 to the present	Following the 2016 decisions of the Court of Cassation, which affirmed that offshore platforms are indeed subject to ICI, pending any regulatory clarifications, disputes continued with the various Municipalities to establish the actual jurisdiction with respect to the sheets of water where the platforms subject to requests by several municipalities, in certain cases even concurrent, are located, and to establish the tax bases on which the tax should be applied, in line with what has been declared by the Court of Cassation. In April, the dispute was resolved with the Municipality of Vasto in relation to the tax due for the Rospo Mare C platform in the Rospo Mare field in the Adriatic Sea. The relative expense was covered in full by part of the existing provision for risks.	As per the description of the dispute.

Others Group Companies

Edison International Spa – General audit by the Tax Authority for 2010-2013 years		
2015 Formal Report of Findings by the Regional Tax Directorate of Lombardy - Consequent notices of assessment for 2010 - 2012 years	In late March 2018, deeds were entered into with the Revenue Agency - Lombardy Regional Office for the settlement of disputes relating to direct taxes for all relevant years (2010-2014). The settlement entailed the payment of expenses the following April, nearly entirely covered by the provision for risks set aside in previous years. Please recall that the findings referred for the most part to the taxation to be applied to the tax credit obtained as a refund from the Norwegian tax authorities. The complexity of the dispute, its relevance and number of years concerned made an out-of-court settlement more appropriate, eliminating a relevant risk for higher taxes as well as possible penalties.	Concluded.

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Contingent liabilities associated with tax disputes

There were no developments compared with the disclosure provided in the 2017 Consolidated Financial Statements.

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Contingent assets

There were no developments compared with the disclosure provided in the 2017 Consolidated Financial Statements.

GROUP FINANCIAL RISK MANAGEMENT

This Section provides an overview of the policies and principles adopted by the Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities and other risks related to financial instruments (foreign exchange risk, interest rate risk, credit risk and liquidity risk).

A more complete description is provided in the notes to the 2017 Consolidated Financial Statements.

Consistent with Report on Operations, the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.

1. Commodity Price Risk and Exchange Rate Risk Related to Commodity Transactions

The management and control of the commodity price risk and foreign exchange rate risk connected with commodities, regulated by the Energy Risk Policy, envisage the use of hedging derivatives with a view to reducing or mitigating the risk in question, balancing the changes in the economic value of the underlying that is hedged with those resulting from the use of these instruments.

From an operative standpoint, for the entire portfolio of Group assets and contracts (the "Industrial Portfolio"), are implemented operative hedges aimed at blocking the margin of an individual transaction or a limited set of related transactions, or strategic hedges, aimed at hedging the risk if the level of economic capital should exceed the maximum limit approved by the Board of Directors.

For hedging derivatives of the Industrial Portfolio, a simulation is carried out to measure the potential impact of market price oscillations on the fair value of the derivatives in place.

The simulation is carried out for a length of time equal to the residual lives of outstanding derivative contracts, the farthest maturity of which is currently 2021.

The following table shows the maximum expected negative variance in the fair value of the outstanding hedging derivatives by the end of 2018 compared with the fair value determined at June 30, 2018.

Variance in the fair value (in millions of euros)	06.30.2018	06.30.2017
Maximum negative variance in the fair value (*)	287	185.8

(*) Evaluated with a level of probability of 97.5%.

In other words, compared with the fair value determined for hedging derivatives outstanding June 30, 2018 the probability of a negative variance greater than 287 million euros by the end of 2018 is limited to 2.5% of the scenarios.

Considering for the derivatives qualified as Fair Value Hedge also the changes in fair value of the contracts object of hedge, the above-mentioned amount of maximum negative variance in the fair value decreases from 287 million euros to 123 million euros. Of this amount:

- about 15 million euros refer to derivatives qualified as Economic Hedge and to the ineffective portion of derivatives qualified as Cash Flow Hedge and Fair Value Hedge; therefore, this potential change would be recognized in income statement;
- about 108 million euros refer to the effective portion of derivatives qualified as Cash Flow Hedge and would be recognized in balance sheet in the specific equity's reserve.

The hedging strategy deployed during the period enabled the Group to comply with its risk management objectives, reducing the Industrial Portfolio's commodity price risk profile within the approved limit of Economic Capital. The Industrial Portfolio's commodity price risk profile in terms of absorption of economic capital is the following:

Industrial portfolio Economic Capital absorbed	1 st half 2018		1 st half 2017	
	without derivatives	with derivatives	without derivatives	with derivatives
Average absorption of the approved limit of Economic Capital	163%	57%	71%	46%
Maximum absorption	187% - Jan '18	67% - Jan. '18	105% - Jan '17	83% - Jan. '17

In 2018 the trading activity of Edison is carried out under the joint venture agreement with EDF Trading: in fact, the MASA (Trading Joint Venture and Market Access Services Agreement) is in force between EDF Trading and Edison Trading (merged in Edison since December 31, 2017) as from September 1, 2017. Thus, the trading portfolios are no longer monitored based on limit risks, but Edison manages solely the physical and financial position until maturity. For further information please refer to the paragraph "Non-recurring transactions" in the section "Accounting Principles and Consolidation Criteria" of the 2017 Consolidated Financial Statements.

2. Foreign Exchange Risk

The types of foreign exchange risk and the guidelines related to the governance and to the risk mitigation strategies are unchanged compared with December 31, 2017.

3. Interest Rate Risk

The Edison Group is exposed to fluctuations in interest rates (mainly the Euribor rate) specifically with regard to the measurement of debt service costs. Consequently, it values on a regular basis its exposure to the risk of fluctuations in interest rates, which it mainly manages with the negotiation of the loans, if necessary, also with financial hedging instruments.

Gross Financial Debt <i>Mix fixed and variable rate:</i> (in millions of euros)	06.30.2018			12.31.2017		
	without derivatives	with derivatives	% with deriv.	without derivatives	with derivatives	% with deriv.
- fixed rate portion (included structures with CAP)	23	23	5%	40	40	10%
- variable rate portion	454	454	95%	342	342	90%
Total gross financial debt	477	477	100%	382	382	100%

The Edison group has negotiated loans at variable tax rates (mainly the Euribor rate). The lower level of indebtedness result in limited exposure to interest rate risk, even if the debt is almost entirely indexed to variable rate: this resulted, until today, in a significant saving in financial expenses.

The table below provides a sensitivity analysis that shows the impact on the income statement of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2018 and provides a comparison with the 2017.

Sensitivity analysis (in millions of euros)	1 st half 2018			1 st half 2017		
	Impact on financial expense (P&L)			Impact on financial expense (P&L)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	1	1	1	6	5	4

4. Credit Risk

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

Edison Group is currently a party to contracts assigning trade receivables without recourse on a monthly revolving basis and by the transfer of the credit risk on a without recourse basis. The receivables assigned with such transactions during the first half of 2018 totaled 1,894 million euros (2,299 million euros in the first half of 2017). At June 30, 2018, these receivables were not exposed to the risk of recourse.

The table below provides an overview of gross trade receivable, the corresponding allowance for doubtful accounts and the guarantees held to secure the receivables.

(in millions of euros)	06.30.2018	12.31.2017
Gross trade receivables	1,613	1,867
Allowance for doubtful accounts (-) (*)	(269)	(211)
Trade receivables	1,344	1,656
Guarantees held (**)	232	326
Receivables less than 6 in arrears	126	126
Receivables 6 to 12 months in arrears	97	89
Receivables more than 12 months in arrears	290	229

(*) The IFRS 9 first application resulted in an increase of about 31 million of euros.

(**) Including 46 million euros to hedge receivables outstanding at June 30, 2018.

The ongoing credit management approach, differentiated for the three market segments (Retail, Business and Public Administration) with the aim, with structural actions, to prevent the accumulation of new receivables and quickly reduce current receivables and receivables in arrears, continues in 2018.

With regard to foreign activities, it is worth of mentioning that in Egypt thanks to the collections recorded in the period the past-due receivables, at June 30, 2018 by the Egyptian General Petroleum Corporation (EGPC) (154 million euros) decreased by 30 million euros compared with December 31, 2017 (184 million euros). Edison constantly monitors the situation.

The amount of the allowance for doubtful accounts is determined based on the different statuses of the underlying receivables - particularly for retail customer receivables - taking into account the aging of past-due receivables and on the methodology required by the new accounting principle IFRS 9 applicable from January 1, 2018 (so-called expected credit losses model).

5. Liquidity Risk

The liquidity risk is the risk that Edison may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The table that follows, representing the *worst case scenario*, provides a prudential evaluation of liabilities, in fact:

- includes, in addition to principal and accrued interest, all future interest payments estimated for the entire length of the underlying debt obligation and the effect of interest rate derivatives;
- assets (cash and cash equivalents, trade receivables, etc.) are not taken into account;
- financing facilities are treated as if repayable on demand, in the case of revocable lines of credit, or on the first due date when repayment can be demanded, in other cases.

Consequently, the aggregate liability thus computed is larger than the gross financial debt amount used to determine the net financial debt of the Group.

Worst-case scenario (in millions of euros)	06.30.2018			12.31.2017		
	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Bonds	-	4	-	-	4	-
Financial debt and other financial liabilities	75	36	295	23	30	233
Trade payables	1,308	54	-	1,639	57	-
Total	1,383	94	295	1,662	91	233
Guarantees provided to third parties ⁽¹⁾	62	851	310	603	335	280

⁽¹⁾ These guarantees, mainly of a commercial nature and related to the Group's core businesses, are shown based on their remaining contractual maturity. For further details, see the "Commitments, Risks and Contingent Assets" section of this Report.

The **financial debt maturing within one year**, amounting to 115 million euros (57 million euros at December 31, 2017), included principal and accrued interest falling due related to long-term debt and, also, the zero-coupon bond related to the company Frendy Energy acquired by Edison in October 2017.

In order to assure financial flexibility and coverage of the financial needs over the coming months, in addition to the availability on the current account with EDF Sa (199 million euros), there are two revolving credit lines with 2 years maturity subscribed in 2017 and fully available at June 30, 2018:

- with EDF Sa for a nominal amount of 600 million euros,
- with a pool of banks on Club Deal basis for a nominal amount of 300 million euros.

It should be noted that as at June 30, 2018, the Edison group, in addition to the above revolving facilities fully available for a total of 900 million euros, has cash and cash equivalents for 272 million euros, of which 173 million euros held in the treasury current account with EDF Sa.

With regard the **financial debt after one year** (295 million euros), the change compared with the financial debt at December 31, 2017 (233 million euros) is mainly due to the financing of the projects related to E2I company.

Specifically, in the period were drawn down 35 million euros related to the credit line (total amount of 150 million euros) provided to Edison by EIB. This line, signed in November 2017 and usable in several tranches with maturity up to 15 years, is intended to finance the execution of wind project (capacity of 165 MW) through the company E2i. A new credit line, signed by E2i last April, provided by a limited number of financial institutions for a total amount of 100 million euros, covers the estimated needs of this investment. This line, formed by two tranches of 60 and 40 million euros with a final maturity of end 2025 and end 2026 respectively, was utilized for a total amount of 30 million of euros at June 30, 2018.

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Group companies are a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" paragraph above).

Outstanding debt obligations of the Group include non-syndicated facilities totaling 878 million euros, the unused portion of which was 600 million euros at June 30, 2018 and Club Deal facility for 400 million euros available for 370 million euros at June 30, 2018 (including the new bank credit line provided to E2i, previously mentioned).

In regard to Edison Spa there have been no changes to the transactions in place and the related regulations, or indeed to the associated covenants with respect to December 31, 2017; reference is therefore made to that extensively commented on in the 2017 Consolidated Financial Statements.

Please note that the medium-long term credit lines provided by the European Investment Bank (EIB) includes, in addition to clauses that are standard for direct long-term facilities, also restrictions, typical of specific-purpose loans provided to industrial companies, in the usage of funds and in the projects management.

Lastly, in addition to the above, some financing facilities provided to some companies of the Group, include the obligation to comply with and/or maintain certain financial indices. These typically consist of the obligation to maintain financial debt, in itself or in relation to EBITDA, below a certain maximum level and/or ensure that shareholders' equity, in itself or in relation to net financial debt, does not fall below a predetermined minimum value, and/or restrictions are imposed to the distribution of dividends if the operating cash flow falls below security thresholds for debt service purposes.

At present, the Group is not aware of the existence of any default situation or non-compliance with covenants.

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

Whenever possible, the Group uses hedge accounting, provided the transactions comply with the requirements of IFRS9.

Forward transactions and derivatives can be classified as follows:

- 1) **Derivatives that qualify as hedges in accordance with IFRS 9.** This category includes transactions that hedge the risk of fluctuations in cash flow (Cash Flow Hedges - CFH) and those that hedge the fair value of the hedged item (Fair Value Hedge - FVH).
- 2) **Forward transactions and derivatives that do not qualify as hedges in accordance with IFRS 9.** They can be:
 - a. Transactions to manage interest rate and foreign exchange and price risk on energy commodities. For all derivatives that comply with internal risk policies and procedures, realized results and expected values are either included in EBIT, if they refer to activities related to the Industrial Portfolio, or recognized as financial income or expense, in the case of financial transactions.
 - b. Trading Portfolios. As explained before they include physical and financial energy commodity contracts and are managed under the MASA joint venture agreement with EDF Trading; both realized results and expected values of these transactions are included in EBITDA.

Fair Value Hierarchy According to IFRS 13

The classification of financial instruments at fair value, provided by IFRS 13, based on the reliability of inputs used to measure it, is based on the following hierarchy:

- **Level 1:** Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets. Instruments with which Edison Group operates directly in active markets (e.g., futures) are included in this category.
- **Level 2:** Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable (e.g., forward contracts or swaps in futures markets).
- **Level 3:** Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At this time, as at December 31, 2017, the Group hold a category of instruments classified at this level.

The valuation of financial instruments can entail significant subjective judgment. However, Edison uses prices quoted in active markets, when available, as the best estimate of the fair value of all derivatives.

Effects of Hedging Derivative and Trading Transactions on the Income Statement and Balance Sheet
in first half 2018

Income Statement

(in millions of euros)	Realized	Change in Fair Value in the period	Amounts recognized in earnings at 06.30.2018	Amounts recognized in earnings at 06.30.2017
	(A)	(B)	(A+B)	
Result from price risk and exchange risk hedges for commodities of which:				
Total definables as hedges pursuant to IFRS 9 (CFH) (*)	29	1	30	(28)
Price risk hedges for energy products	49	-	49	(37)
Exchange risk hedges for commodities	(20)	1	(19)	9
Total definables as hedges pursuant to IFRS 9 (FVH) (***)	6	4	10	39
Price risk hedges for energy products	14	10	24	(23)
Exchange risk hedges for commodities	(8)	39	31	(42)
Fair value physical contracts	-	(45)	(45)	104
Total not definables as hedges pursuant to IFRS 9	(5)	(5)	(10)	(99)
Price risk hedges for energy products	(3)	5	2	(89)
Exchange risk hedges for commodities	(2)	(10)	(12)	(10)
Total price risk and exchange risk hedges for commodities (A)	30	-	30	(88)
Margin on trading activities of which:				
Margin on physical trading activities (**)	-	(1)	(1)	(5)
Margin on financial trading activities	1	-	1	8
Total margin on trading activities (B)	1	(1)	-	3
TOTAL INCLUDED IN EBIT (A+B)	31	(1)	30	(85)
Result from interest rate hedges:				
Definables as hedges pursuant to IFRS 9 (FVH)	-	-	-	1
Not definables as hedges pursuant to IFRS 9	-	-	-	-
Total interest rate hedges (C)	-	-	-	1
Result from exchange rate hedges:				
Definables as hedges pursuant to IFRS 9 (CFH)	1	-	1	(3)
Not definables as hedges pursuant to IFRS 9	1	-	1	(2)
Total exchange rate hedges (D)	2	-	2	(5)
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (C+D)	2	-	2	(4)

(*) Includes the ineffective portion.

(**) Includes the fair value adjustment of trading inventories, the carrying amount of which was immaterial at June 30, 2018.

(***) Related to the hedging relationships carried out prospectively from January 1, 2016.

Fair value recorded in Balance Sheet and classification by IFRS 13:

(millions of euros)	06.30.2018			12.31.2017		
Broken down as follows:	Receivables	Payables	Net	Receivables	Payables	Net
- Current financial assets / Short-term financial debt	-	-	-	-	-	-
- Other assets / liabilities (non-current portion)	272	(194)	78	144	(65)	79
- Other assets / liabilities (current portion)	658	(475)	183	316	(260)	56
Fair Value recognized as assets or liabilities (a)	930	(669)	261	460	(325)	135
of which of (a) related to:						
- Interest Rate Risk Management	-	-	-	-	-	-
- Exchange Rate Risk Management	17	(24)	(7)	2	(78)	(76)
- Commodity Risk Management	689	(326)	363	414	(154)	260
- Trading Portfolios (physical and financial)	9	(10)	(1)	10	(10)	-
- Fair value on physical contracts	215	(309)	(94)	34	(83)	(49)
Classification by IFRS 13 and IFRS 7 potential offsetting						
Fair Value recognized as assets or liabilities (a)	930	(669)	261	460	(325)	135
Broken down on fair value hierarchy:						
- Level 1	78	(8)	70	20	(1)	19
- Level 2	852	(661)	191	440	(324)	116
- Level 3 (*)	-	-	-	-	-	-
IFRS 7 potential offsetting (b)	(321)	321	(91)	(91)	91	-
Potential Net Fair Value (a+b)	609	(348)	261	369	(234)	135

(*) The fair value classified at Level 3 is immaterial and recognized in Raw materials and services used.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the applicable policies adopted by the Group, transactions with related parties affecting the income statement and balance sheet that were outstanding at June 30, 2018 are reviewed below. The information provided is sufficient to meet the disclosure requirements of IAS 24. These transactions were executed in the normal course of business and on contractual terms that were consistent with standard market practices.

(in millions of euros)	Related Parties pursuant to IAS 24			Total for related parties	Total for financial stat. line item	Impact %
	With unconsolidated Edison Group companies	With controlling companies	With other EDF Group companies			
Balance Sheet transactions:						
Investments in associates	62	-	2	64	64	100.0%
Other financial assets	56	-	-	56	72	77.8%
Trade receivables	-	-	83	83	1,344	6.2%
Other receivables	1	20	15	36	1,054	3.4%
Current financial assets	1	-	-	1	2	50.0%
Cash and cash equivalents	-	173	1	174	272	64.0%
Long-term financial debt and other financial liabilities	-	65	-	65	267	24.3%
Short-term financial debt	14	5	10	29	206	14.1%
Trade payables	-	6	47	53	1,362	3.9%
Other liabilities	-	59	-	59	861	6.9%
Income Statement transactions:						
Sales revenues	5	3	425	433	4,425	9.8%
Other revenues and income	1	-	2	3	57	5.3%
Raw materials and services used	(6)	(9)	(268)	(283)	(3,914)	7.2%
Financial income	2	-	-	2	10	20.0%
Financial expense	-	(1)	-	(1)	(28)	3.6%
Net foreign exchange translation gains (losses)	-	2	-	2	3	66.7%

A) Transactions with unconsolidated Edison Group companies

These transactions, which represent outstanding transaction with unconsolidated Group companies, joint venture and affiliated companies, primarily include:

- financial transactions, such as lending facilities;
- commercial transactions, mainly related to the electric power sector.

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for June 30, 2018 showed a credit of 94 million euros. Please note that during the period was collected for about 58 million of euros part of the credit request for reimbursement relating the year 2016.

B) Transactions with controlling companies

Consolidated IRES Return held by Transalpina di Energia Spa

For more details please refer to the disclosures provided in 2017 Consolidated Financial Statements.

Intercompany current account by Transalpina di Energia Spa (TdE)

Please note that current account established by TdE with Edison Spa at June 30, 2018 has a debit balance lower than 1 million euros (4 million euros at December 31, 2017).

Centralized Cash Management System by EDF Sa

Please note that at June 30, 2018, the current account established by EDF Sa with Edison Spa had a credit balance for 173 million euros (140 million euros at December 31, 2017).

Loans by EDF Sa

The credit line, granted by EDF Sa to Edison Spa in 2017 (face amount of 600 million euros; with a maturity date of two years), is totally available at June 30, 2018.

It should be noted that, in December 2015, EDF Sa provided to Edison Spa with a new medium/long-term credit facility for a maximum amount of 200 million euros, earmarked for investment projects and originating from a credit facility provided by the EIB to EDF Sa; a total of 70 million euros had been drawn against this line at June 30, 2018, as at December 31, 2017. It should be noted that 5 million euros have been reclassified in current financial debt in the period.

Other intercompany transactions with EDF Sa

With regard to contracts for services rendered by EDF Sa (mainly financial and insurance) and other recharges of expenses, the costs for the period amounted to about 9 million euros. It is worth mentioning that in the context of financial transactions Edison entered into transactions to hedge the exchange rate risk that, affected by the currencies' trend, generated net realized gain for 2 million euros.

C) Transactions with other EDF Group companies

An analysis of the main transactions with other EDF Group companies is provided below.

(in millions of euros)	EDF Trading Ltd	EDF EN Service Italia	Citelum	Others	Total
Balance Sheet transactions					
Trade receivables	74	-	9	-	83
Other receivables	15	-	-	-	15
Trade payables	40	6	-	1	47
Other liabilities	-	-	-	-	-
Income Statement transactions					
Sales Revenues	414	-	10	1	425
Electric power and natural gas	398	-	10	-	408
Realized commodity derivatives	13	-	-	-	13
Margin on physical trading activities	3	-	-	-	3
Margin on financial trading activities	-	-	-	-	-
Others	-	-	-	1	1
Other revenues and income	-	-	-	2	2
Raw materials and services used	(249)	(15)	-	(4)	(268)
Electric power and natural gas	(258)	-	-	-	(258)
Realized commodity derivatives	12	-	-	-	12
Plant maintenance	-	(15)	-	-	(15)
Utilities / other	(3)	-	-	(4)	(7)

With regard to the transactions with EDF Trading, it is worth of mentioning that the MASA cooperation agreement (Trading Joint Venture and Market Access Services Agreement) is effective starting from September 1, 2017; for further information please refer to the paragraph "Non-recurring transactions" in the section "Accounting Principles and Consolidation Criteria" of the 2017 Consolidated Financial Statements.

It should be noted that Edison Group obtained insurance reimbursement for about 2 million euros by the company Wagram Insurance Company in the period.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

In accordance with Consob Communication n° DEM/6064293 of 28 July 2006, we note that during the first half of 2018, no significant non-recurring events and transactions are reported.

Transactions Resulting from Atypical and/or Unusual Activities

The Edison Group declares that it did not execute atypical and/or unusual transactions in the first half of 2018 as defined in the CONSOB Communication No. DEM/6064293 of July 28, 2006.

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SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2018

It should be noted that the acquisition of a majority shareholding in the Zephyro Spa was finalized on July 2, 2018 as already reported.

SCOPE OF CONSOLIDATION AT JUNE 30, 2018

LIST OF EQUITY INVESTMENTS

Company name	Head office	Currency	Share capital	Consolidated Group interest (a)		Interest held in share capital		Type of investment relationship (c)	Notes
				06.30.2018	12.31.2017	% (b)	by		

A) Investments in companies included in the scope of consolidation

Companies consolidated line by line

Group Parent Company									
Edison Spa	Milan (IT)	EUR	5,377,000,671						
Electric Power Operations									
Alfa Idro Srl (single shareholder)	Costigliole d'Asti (AT) (IT)	EUR	20,360	72.93	71.25	100.00	Frendy Energy Spa	S	(vi)
Assistenza Casa Spa - Electric Power Activities	Milan (IT)	EUR	50,000	51.00	51.00	51.00	Edison Energia Spa (single shareholder)	S	(i)
Bargenergia Srl (single shareholder)	Milan (IT)	EUR	10,000	51.00	-	100.00	Comat Energia Srl	S	(i)
C.C.S. Blu Srl (single shareholder)	Costigliole d'Asti (AT) (IT)	EUR	183,674	72.93	71.25	100.00	Frendy Energy Spa	S	(vi)
Cellina Energy Srl (single shareholder)	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Comat Energia Srl	Milan (IT)	EUR	120,000	51.00	51.00	51.00	Edison Energy Solutions Spa (single shareholder)	S	(i)
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	86.12	100.00	Sistemi di Energia Spa	S	(i)
Conef Solutions Slu	Madrid (E)	EUR	3,001	100.00	100.00	100.00	EDF Fenice Iberica Slu	S	-
Consorzio SST Scarl	Trento (IT)	EUR	10,000	51.00	51.00	51.00	Edison Facility Solutions Spa (single shareholder) ex Ergeron Facility Solutions Spa (single shareholder)	S	-
Cryptima Luxembourg Sarl	Luxembourg (L)	EUR	12,500	51.00	51.00	100.00	Modularis Group Srl	S	-
Cryptima Polska Sp Zoo	Warsaw (PL)	PLZ	50,000	51.00	51.00	100.00	Cryptima Sas	S	-
Cryptima Sas	Decines (F)	EUR	100,000	51.00	51.00	100.00	Modularis Group Srl	S	-
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	S	-
E2i Energie Speciali Srl	Milan (IT)	EUR	4,200,000	24.99	24.99	30.00	Edison Partecipazioni Energie Rinnovabili Srl	S	-
Ecologica Marche Srl	Monsano (AN) (IT)	EUR	20,000	75.00	51.00	75.00	Sersys Ambiente Srl (single shareholder)	S	(v)
EDF Fenice Iberica Slu	Madrid (E)	EUR	12,000,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
Edf Fenice Maroc	Casablanca (MA)	MAD	300,000	100.00	100.00	99.97 0.03	EDF Fenice Iberica Slu Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
EDF Fenice Services Iberica Sl	Madrid (E)	EUR	6,010	100.00	100.00	100.00	EDF Fenice Iberica Slu	S	-
Edison Energia Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	40,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.00	100.00	100.00	Edison Spa	S	-
Edison Facility Solutions Spa (single shareholder) ex Ergeron Facility Solutions Spa (single shareholder)	Trento (IT)	EUR	5,650,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Edison Partecipazioni Energie Rinnovabili Srl	Milan (IT)	EUR	20,000,000	83.30	83.30	83.30	Edison Spa	S	(i)
Eolo Energia Srl	Milan (IT)	EUR	10,000	54.73	54.73	49.00 51.00	E2i Energie Speciali Srl Edison Partecipazioni Energie Rinnovabili Srl	S	(i)
Fenice Poland Sp.z.o.o.	Bielsko Biala (PL)	PLZ	30,000,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
Fenice Qualità per l'Ambiente Spa (single shareholder)	Rivoli (TO) (IT)	EUR	330,500,000	100.00	100.00	100.00	Edison Spa	S	(i)
Fenice Services Polska	Bielsko Biala (PL)	PLZ	600,000	100.00	100.00	100.00	Fenice Poland Sp.z.o.o.	S	-
Fompedraza Cogeneracion Sa	Fompedraza (Valladolid) (E)	EUR	649,093	90.00	90.00	90.00	EDF Fenice Iberica Slu	S	-
Frendy Energy Spa	Milan (IT)	EUR	14,829,312	72.93	71.25	72.93	Edison Spa	S	(i)
Idroblu Srl	Milan (IT)	EUR	100,000	37.20	36.34	51.00	Frendy Energy Spa	S	(vi)
Idrocarrù Srl	Milan (IT)	EUR	20,410	37.20	36.34	51.00	Frendy Energy Spa	S	(vi)
Interecogen Srl (single shareholder)	Rivoli (TO) (IT)	EUR	110,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	S	(i)
Magnoli & Partners Srl	Cremona (IT)	EUR	10,000	60.00	-	60.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a)		Interest held in share capital		Type of investment relationship (c)	Notes
				06.30.2018	12.31.2017	% (b)	by		
Modularis Group Srl	Rivoli (TO) (IT)	EUR	10,000	51.00	51.00	51.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Modularis Sas	Decines (F)	EUR	2,000	51.00	51.00	100.00	Modularis Group Srl	S	-
Novaction Energies Sas	Decines (F)	EUR	150,000	51.00	51.00	100.00	Modularis Group Srl	S	-
Ooo Cryoptima Rus	Moscow (RUS)	RUR	120,000	51.00	51.00	100.00	Novaction Energies Sas	S	-
Pavoni Rossano Srl	Filottrano (AN) (IT)	EUR	100,000	60.00	60.00	60.00	Sersys Ambiente Srl (single shareholder)	S	(v)
PVB Suisse Sa	Ascona (CH)	CHF	120,000	100.00	100.00	100.00	Edison Facility Solutions Spa (Socio Unico) ex Energon Facility Solutions Spa (single shareholder)	S	-
Rendina Ambiente Srl (single shareholder)	Rivoli (TO) (IT)	EUR	50,000	100.00	100.00	100.00	Sersys Ambiente Srl (single shareholder)	S	(v)
Sersys Ambiente Srl (single shareholder)	Rivoli (TO) (IT)	EUR	1,000,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Sinergia Srl (single shareholder) (in liquidation)	Rivoli (TO) (IT)	EUR	99,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	86.12	86.12	86.12	Edison Spa	S	(i)
Società Idroelettrica Calabrese Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	100.00	100.00	Edison Spa	S	(i)
Termica Cologno Srl	Milan (IT)	EUR	1,000,000	65.00	65.00	65.00	Edison Spa	S	(i)
West Tide Srl (single shareholder)	Modena (IT)	EUR	20,000	100.00	100.00	100.00	Edison Facility Solutions Spa (Socio Unico) ex Energon Facility Solutions Spa (single shareholder)	S	-
Hydrocarbons Operations									
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Energia Spa (single shareholder)	S	(i)
Assistenza Casa Spa - Hydrocarbons Activities	Milan (IT)	EUR	50,000	51.00	51.00	51.00	Edison Energia Spa (single shareholder)	S	(i)
Attiva Spa (single shareholder)	Milan (IT)	EUR	200,000	100.00	-	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison E&P UK Ltd	London (GB)	GBP	81,867,411	100.00	100.00	100.00	Edison International Holding Nv	S	-
Edison Egypt-Energy Service J.s.c.	New Cairo (ET)	EGP	20,000,000	100.00	100.00	1.00	Edison International Holding Nv	S	-
						98.00	Edison International Spa (single shareholder)		
						1.00	Edison Spa		
Edison Energia Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	40,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energie Spa (single shareholder)	Milan (IT)	EUR	2,100,000	100.00	-	100.00	Edison Spa	S	(i)
Edison Exploration & Production Spa (single shareholder)	Milan (IT)	EUR	300,000	100.00	-	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	1,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison International Spa (single shareholder)	Milan (IT)	EUR	75,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Norge As	Stavanger (N)	NOK	3,000,000	100.00	100.00	100.00	Edison International Spa (single shareholder)	S	-
Edison North Sea Ltd	London (GB)	GBP	2	100.00	100.00	100.00	Edison E&P UK Ltd	S	-
Edison Stocaggio Spa (single shareholder)	Milan (IT)	EUR	90,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00	Edison International Holding Nv	S	-
						0.00	Edison Spa		
Infrastrutture Distribuzione Gas Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	S	(i)
Corporate Activities									
Atema Dac	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	S	-
Edison International Development Bv	Amsterdam (NL)	EUR	18,018,000	100.00	100.00	100.00	Edison International Holding Nv	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	123,500,000	100.00	100.00	100.00	Edison Spa	S	-
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	S	(i)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2017	Interest held in share capital		Carrying value (in millions of euros) (d)	Type of investment relationship (c)	Notes
					% (b)	by			
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000	50.00	Edison International Spa (single shareholder)	-	JV	(iii)(iv)	
Ed-Ina D.o.o.	Zagreb (HR)	HRK	20,000	50.00	Edison International Spa (single shareholder)	-	JV	(iii)	
Elpedison Bv (*)	Amsterdam (NL)	EUR	1,000,000	50.00	Edison International Holding Nv	-	JV	(iii)	
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000	30.00	Edison International Spa (single shareholder)	-	JV	(iii)(iv)	
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814	50.00	Edison Spa	14.7	JV	(iii)	
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon (**)	Herakleio Attiki (GR)	EUR	52,650,000	50.00	Edison International Holding Nv	13.3	JV	(iii)	
North Idku Petroleum Company	Cairo (ET)	EGP	20,000	50.00	Edison International Spa (single shareholder)	-	JV	(iv)	
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,100	47.62	Jesi Energia Spa	-	AC	-	
EDF EN Services Italia Srl	Bologna (IT)	EUR	10,000	30.00	Edison Spa	2.4	AC	-	
EL.IT.E Spa	Milan (IT)	EUR	3,888,500	48.45	Edison Spa	3.0	AC	-	
Fenice Assets Iberica Sl	Madrid (E)	EUR	10,000	40.00	EDF Fenice Iberica Slu	0.7	AC	-	
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000	32.26	Edison Spa	4.1	AC	-	
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000	20.00	Edison Spa	21.0	AC	-	
Palmanova Servizi Energetici Scarl	Zola Predosa (BO) (IT)	EUR	10,000	40.00	Edison Facility Solutions Spa (single shareholder) ex Energon Facility Solutions Spa (single shareholder)	-	AC	-	
Prometeo Spa	Osimo (AN) (IT)	EUR	2,826,285	20.91	Edison Spa	1.9	AC	(vii)	
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardegna. Galsi Spa	Milan (IT)	EUR	37,419,179	23.53	Edison Spa	-	AC	-	
Syremont Spa	Rose (CS) (IT)	EUR	1,325,000	22.64	Edison Spa	-	AC	(ii)	
T.E.S.I. Engineering Srl	Trento (IT)	EUR	104,000	24.00	Energon Facility Solutions Spa (single shareholder) ex Energon Facility Solutions Spa (single shareholder)	-	AC	-	
Total investments in companies valued by the equity method							61.1		

(*) The carrying value includes the valuation of Elpedison Sa.

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2017	Interest held in share capital		Type of investment relationship (c)	Notes
					% (b)	by		
Elpedison Sa	Marousi Attiki (GR)	EUR	99,633,600		75.78	Elpedison Bv	JV	-

(**) The carrying value includes the valuation of ICGB AD.

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2017	Interest held in share capital		Type of investment relationship (c)	Notes
					% (b)	by		
ICGB AD	Sofia (BG)	BGL	33,053,560		50.00	IGI Poseidon Sa - Nat. Gas Subm. Interc. Gre-Ita-Poseidon	JV	-

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2017	Interest held in share capital		Carrying value (in millions of euros) (d)	Type of investment relationship (c)	Notes
					% (b)	by			
C) Investments in companies in liquidation or subject to permanent restrictions									
Auto Gas Company S.A.E. (in liquidation)	Cairo (ET)	EGP	1,700,000	30.00		Edison International Spa (single shareholder)	-	AC	-
E.E.S.CO. Srl (in liquidation)	Marcallo con Casone (MI) (IT)	EUR	150,000	30.17		Edison Facility Solutions Spa (single shareholder) ex Energon Facility Solutions Spa (single shareholder)	-	AC	-
Emittenti Titoli Spa (in liquidation)	Milan (IT)	EUR	4,264,000	3.89		Edison Spa	-	NG	-
Interenergoeffect LLC (in liquidation)	Moscow (RUS)	RUR	8,000,000	50.00		Fenice Qualità per l'Ambiente Spa (single shareholder)	-	AC	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350	100.00		Edison Spa	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT in Euros	150,000,000 77,468.53	33.33		Edison Spa	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000	100.00		Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950	12.60		Edison Spa	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT in Euros	300,000,000 154,937.07	59.33		Edison Spa	-	S	-
Total investments in companies in liquidation or subject to permanent restrictions							2.4		
D) Investments in other companies valued at fair value through profit and loss									
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105	1.94		Edison Spa	3.7	NG	-
Amsc-American Superconductor	Devens (MA) (USA)	USD	209,251	0.08		Edison Spa	0.1	NG	-
European Energy Exchange Ag - Eex	Lipsia (D)	EUR	60,075,000	0.50		Edison Spa	0.7	NG	-
Rashid Petroleum Company - Rashpetco	Cairo (ET)	EGP	20,000	10.00		Edison International Spa (single shareholder)	-	NG	-
Renit Group Srl	Giulianova (TE) (IT)	EUR	300,000	19.49		West Tide Srl	-	NG	-
Total investments in other companies valued at fair value through profit and loss							4.5		
Total equity investments							68.0		

Notes

- (a) The consolidated Group interest is computed on the basis of the interest held in the respective share capital by the Parent Company or subsidiaries consolidated on a line-by-line basis, and by jointly controlled companies consolidated by the proportional method.
- (b) The interest in the share capital is equivalent to the ratio between the aggregate par value of all equity securities held directly and the total share capital. In this computation, the denominator (total share capital) is net of any treasury shares held.
- (c) S = subsidiary; JO = joint operation; JV = joint venture; AC = affiliated company; NG = non-Group company.
- (d) The carrying value is shown only for companies valued by the equity method or at cost, owned directly by the Parent Company. For other companies consolidated on a line-by-line basis or by the proportional method, it is shown only if it is equal to or greater than one million euros.
- (i) Company subject to the oversight and coordination of Edison Spa.
- (ii) On 1/30/07 Edison exercised the option to sell its equity investment, with respect to which the counterparty is now in default.
- (iii) From January 1, 2014, company valued with equity method according to IFRS 11.
- (iv) Operating Company acting as Agent of Edison International Spa, it should be noted that the relationships regaled on behalf of it in the execution of the Concession Agreement continue to be consolidated line by line through the separated financial statements of the company.
- (v) Company subject to the oversight and coordination of Fenice Qualità per l'Ambiente SpA (single shareholder).
- (vi) Company subject to the oversight and coordination of Frendy Energy.
- (vii) Of which n. 183.699 of common shares and n. 407.136 of common share cat. A.

The currency codes used in this report are those of the ISO 4217 International Standard.

BGL Bulgarian lev	EUR Euro	NOK Norwegian krone	RUR Russian ruble
BRL Brazilian real	GBP British pound	PLZ Polish zloty	USD U.S. dollar
CHF Swiss franc	HRK Croatian kuna	RON Romanian leu	MAD Moroccan dirham
EGP Egyptian pound			

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CONDENSED SEMIANNUAL FINANCIAL STATEMENTS OF EDISON SPA, THE GROUP'S PARENT COMPANY

AT JUNE 30, 2018

During 2017, Edison Spa carried out the merger by absorption of Edison Trading Spa, of which it held the entire share capital. The accounting and tax effects were therefore backdated to January 1, 2017, also considering the relevance of the transaction, so as to allow for improved data comparability. Aside from the regular comparative balances, the pro-forma statements for the first half of 2017 relating to the Income statement, the Statement of comprehensive income and the Cash Flow Statement are also presented below. In this regard, an appropriate section “*Merger of Edison Trading Spa*” has also been inserted, which through reconciliation tables, highlights such effects, including the intercompany items.

Income Statement

(in millions of euros)	Note	First half 2018	First half 2017 (*)	First half 2017 pro-forma (*)
Sales revenues	1	3,309	2,179	3,264
Other revenues and income	2	42	33	48
Total revenues		3,351	2,212	3,312
Raw materials and services used (-)	3	(3,162)	(2,082)	(3,080)
Labour costs (-)	4	(69)	(68)	(71)
EBITDA	5	120	62	161
Net change in fair value of derivatives (commodities and foreign exchange)	6	1	(161)	(158)
Depreciation, amortization and write-downs (-)	7	(66)	(74)	(74)
Other income (expense), net	8	(13)	(5)	(5)
EBIT		42	(178)	(76)
Net financial income (expense)	9	5	(9)	(11)
Income (expense) from equity investments	10	10	13	(57)
Profit (Loss) before taxes		57	(174)	(144)
Income taxes	11	(22)	29	2
Profit (Loss) from continuing operations		35	(145)	(142)
Profit (Loss) for the period		35	(145)	(142)

(*) “Sales revenues” and “Raw materials and services used” for 2017 were restated due to the application of IFRS 15 with no impacts on the EBITDA. The effects resulting from the initial application of IFRS 9 were recognised in shareholders’ equity with no restatement of comparative data.

Other Components of Comprehensive Income Statement

(in millions of euros)	Note	First half 2018	First half 2017	First half 2017 pro-forma
Profit (Loss) for the period		35	(145)	(142)
A) Change in the cash flow hedge reserve	22	81	5	4
- Gains (Losses) from valuations for the period		113	8	7
- Income taxes (+/-)		(32)	(3)	(3)
B) Actuarial gains (losses) (*)		-	-	-
- Actuarial gains (losses)	22	-	-	-
Total other components of comprehensive income net of taxes (A+B)		81	5	4
Total comprehensive profit (loss)		116	(140)	(138)

(*) Items that cannot be reclassified to the income statement.

Balance Sheet

(in millions of euros)	Note	06.30.2018	12.31.2017
ASSETS			
Property, plant and equipment	12	1,474	1,516
Investment property	13	5	5
Goodwill	14	1,707	1,707
Hydrocarbon concessions	15	15	17
Other intangible assets	16	70	65
Investments in associates	17	2,043	1,032
Available-for-sale investments (*)	17	-	1
Investments at fair value through profit and loss (*)	17	4	-
Other financial assets	18	15	11
Deferred-tax assets	19	244	249
Other assets	20	462	288
Total non-current assets		6,039	4,891
Inventories		120	105
Trade receivables		664	938
Other receivables		854	542
Current financial assets (*)		824	1,704
Cash and cash equivalents		190	166
Total current assets	21	2,652	3,455
Total assets		8,691	8,346
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		5,377	5,377
Statutory reserve		-	-
Other reserves and retained earnings carried forward		(220)	(32)
Reserves for other components of comprehensive income		170	89
Profit (Loss) for the period		35	(184)
Total shareholders' equity	22	5,362	5,250
Reserve for employee severance indemnities and provisions for pension	23	19	20
Provision for deferred taxes	24	67	35
Provisions for risks and charges	25	896	865
Long-term financial debt and other financial liabilities	26	232	213
Other liabilities	27	154	67
Total non-current liabilities		1,368	1,200
Current financial payables		412	325
Trade payables		928	1,205
Current taxes payable		8	13
Other payables		613	353
Total current liabilities	28	1,961	1,896
Total liabilities and shareholders' equity		8,691	8,346

(*) Since January 1, 2018 following the application of the new IFRS 9, "Investments at fair value through profit and loss" include "Available-for-sale investments" and "Trading investments" (at December 31 included in current "Financial assets" in the amount of roughly 3 million euros).

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

Cash Flow Statement

This cash flow statement analyses **cash flows** relative to short-term liquid funds (due within 3 months), the value of which at period end is 190 million euros, as compared with those of first half 2017 (178 million euros).

(in millions of euros)	Note	First half 2018	First half 2017	First half 2017 pro-forma
Profit (Loss) before taxes of Edison Spa		57	(174)	(144)
Depreciation, amortization and write-downs	7	66	74	74
Net additions to provisions for risks		(19)	5	5
(Gains) Losses on the sale of non-current assets		1	(7)	(7)
(Revaluations) Write-downs of non-current financial assets	10	35	100	100
Change in the provision for employee severance indemnities and provisions for pensions	23	1	-	-
Change in fair value recognized in EBIT		(1)	161	159
Change in the operating working capital		(18)	255	119
Change in other operating assets and liabilities		1	(165)	(124)
Dividends from subsidiaries, affiliated companies and other companies	10	(45)	(105)	(35)
Dividends collected (including amounts attributable to previous years)		45	92	22
Net financial income (expense)	9	(2)	(1)	-
Financial income collected		16	18	18
Financial (expense) paid		(4)	(8)	(9)
Income taxes paid		(21)	-	-
A. Cash flow from continuing operations		112	245	178
Investments in property, plant and equipment and intangible assets (-)	12-16	(30)	(21)	(21)
Equity investments and other financial assets (-)	17	(1.046)	-	-
Proceeds from the sale of intangibles and property, plant and equipment		1	1	1
Proceeds from the sale of non-current financial assets		-	20	20
Capital distributions from non-current equity investments	17	-	2	2
B. Cash flow from investment activities		(1.075)	2	2
Proceeds from new medium-term and long-term loans	26, 28	35	-	-
Redemptions of medium-term and long-term loans (-)	26, 28	(11)	(157)	(157)
Other changes in short-term financial debt		83	(142)	282
Capital contributions from controlling companies or minority shareholders		880	133	(227)
C. Cash flow from financing activities		987	(166)	(102)
D. Net change in cash and cash equivalents (A+B+C)		24	81	78
E. Cash and cash equivalents at the beginning of the period		166	97	111
F. Cash and cash equivalents at the end of the period (D+E)		190	178	189
G. Total cash and cash equivalents at the end of the period (F)		190	178	189
H. Cash and cash equivalents from continuing operations (G)		190	178	189

Changes in Shareholders' Equity

<i>(in millions of euros)</i>	Share capital	Statutory Reserve	Other reserves and retained earnings	Reserve for other components		Profit (Loss) for the period	Total shareholders' equity
				Cash flow hedge	Actuarial gains (losses) pursuant to IAS 19		
Balances at December 31, 2016	5,377	-	-	(37)	(1)	(250)	5,089
Appropriation of the 2016 result	-	-	(250)	-	-	250	-
Total comprehensive profit (loss) from January 1 to June 30, 2017	-	-	-	5	-	(145)	(140)
of which:							
Change in the comprehensive income	-	-	-	5	-	-	5
Net profit (loss) from January 1 to June 30, 2017	-	-	-	-	-	(145)	(145)
Balances as at June 30, 2017	5,377	-	(250)	(32)	(1)	(145)	4,949
Total comprehensive profit (loss) from July 1 to December 31, 2017	-	-	218	122	-	(39)	301
of which:							
Edison Trading merger by absorption surplus	-	-	218	(3)	-	-	215
Change in the comprehensive income	-	-	-	125	-	-	125
Profit (Loss) from July 1 to December 31, 2017	-	-	-	-	-	(39)	(39)
Balance at December 31, 2017	5,377	-	(32)	90	(1)	(184)	5,250
IFRS 9 - initial application	-	-	(4)	-	-	-	(4)
Balances at January 1, 2018	5,377	-	(36)	90	(1)	(184)	5,246
Appropriation of the 2017 result	-	-	(184)	-	-	184	-
Total comprehensive profit (loss) from January 1 to June 30, 2018	-	-	-	81	-	35	116
of which:							
Change in the comprehensive income	-	-	-	81	-	-	81
Net profit (loss) from January 1 to June 30, 2018	-	-	-	-	-	35	35
Balances as at June 30, 2018	5,377	-	(220)	171	(1)	35	5,362

Core business of the Parent Company

Within the different Group Divisions, the Parent Company Edison Spa is responsible for the strategic direction, planning, control, financial management, risk and the coordination of the activities of the Edison Group. Electricity and gas generation, procurement and sales activities and buying and selling activities in forward markets and in spot markets in Italy and abroad were also concentrated. In compliance with the business model which calls for the separation of retail segment sales activities (residential and industrial market), Edison Spa also provides its subsidiary Edison Energia Spa with the energy and gas needed to meet its requirements, optimising its supply in terms of both volume and price.

In particular, Edison Spa:

- provides Group companies with business support and operating activity support services, such as administrative, legal, procurement, personnel management, information technology and communication services, as well as risk management, through the management of financial derivatives relating to energy commodities, in order to optimise the available resources and make efficient use of existing know-how, providing subsidiaries with use of spaces for offices and for operating areas, as well as services relating to their use. These services are governed by the appropriate intercompany service agreements;
- in the electric power segment, it runs the generation of thermoelectric and hydroelectric power stations, purchases, sells and trades electricity as well as electricity transport capacity and makes the relative sales to the wholesale market;
- in the hydrocarbons segment, it carries out hydrocarbon production activities, the importing of gas based on long-term contracts and the sale of hydrocarbons for thermoelectric uses, including through the contracting of fossil fuel storage and transport capacity and the relative rights, for itself or for third parties, in Italy and abroad.

Key Events

Edison Spa completes the acquisition of Gas Natural Vendita Italia

On February 22, 2018, Edison Spa acquired Gas Natural Vendita Italia (GNVI), which was renamed Edison Energie Spa, and the price for the acquisition of the company, including accrued interest, was around 196 million euros. GNVI's customer portfolio consists of around 420,000 residential customers (the majority of whom are in the protected category) and 15,000 small and medium enterprises, equivalent to a total volume of gas sold of 3.3 TWh. GNVI also sells electricity to around 53,000 retail customers and small and medium enterprises. In addition, GNVI also works in the gas boiler maintenance sector through Servigas, currently serving in excess of 90,000 residential customers, and is also active in the compressed natural gas sector for transport.

In April, Gas Natural Fenosa transferred the gas procurement agreement relating to the Azerbaijan Shah Deniz II field to Edison. Edison's takeover of the contract provided for an disbursement of 10 million euro and provides that, at the time of delivery, Edison disburse further 20 million euro. The long-term supply contract lasts for 20 years and provides for an annual gas purchase volume of 1 billion Smc.

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

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

This strategic venture capital partnership covers Edison's investment in the Smart City investment fund managed by Idinvest, focused on start-ups dedicated to Smart Energy, Smart Building & Industry, New Mobility and Abilitating Technologies in Europe, North America, Israel and Asia. The partnership also provides the opportunity to co-invest in start-ups of particular interest for Edison, thus improving the maximum potential of the fund.

At the same time, Idinvest undertakes to promote the Italian ecosystem of innovation, investing in one or more innovative Italian start-ups that fall within the scope of its investment focus, through its venture capital business.

NOTES TO THE CONDENSED SEMIANNUAL FINANCIAL STATEMENTS OF EDISON SPA AT JUNE 30, 2018

ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

Content and form

Dear Shareholders,

the condensed semiannual financial statements of the parent company Edison Spa at June 30, 2018 was prepared in accordance with Article 154-ter of Legislative Decree No. 58 of February 24, 1998, as amended, and the interim financial disclosures provided are consistent with the provision of IAS 34 "Interim Financial Reporting" and were drafted in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.).

Methods applied in drafting the financial statements

The accounting principles applied are consistent with those used for the 2017 Financial Statements, to which reference should be made, taking into account the adoption of two new international accounting standards:

- **IFRS 15 "Revenue from contracts with customers"** is a very complex standard which introduces specific and more restrictive principles with respect to the previous IAS 18 "Revenue", due to which there may be substantial changes in revenue recognition criteria. In particular, while IAS 18 had separate criteria for the recognition of revenue for goods and services, this distinction was removed in IFRS 15. The new standard instead focuses on the identification of the "performance obligation" with which the relative revenue recognition criterion is related and has an accounting model based on five steps: (i) identification of the contract with the customer; (ii) identification of the contractual commitments to transfer goods and/or services to a customer (so-called performance obligation); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified; and (v) recognition of the revenue when the associated performance obligation is satisfied. At the moment of first-time adoption, Edison Spa chose to apply the new standard retrospectively with the re-statement of the comparative financial statements of 2017 applying the following exemptions: (i) concerning contracts yet fulfilled, starting and ending in the same reporting period, revenues were not restated; (ii) concerning contracts agreed, which include a variable income, it was maintained the price of the operation at the date of the in which the contract was fulfilled, without estimating the amounts of the variable income for the comparative reporting periods; (iii) for all the reporting periods disclosed before the first-time adoption date were not re-determined the prices referring at the remaining performance obligations.

In transition, there were no impacts on the shareholders' equity as at January 1, 2017, while 'Sales revenues' and 'Materials and services used' saw a reduction of the same amount (584 million euros at first half 2017; 1,142 million euros for the whole 2017), with no impact on the EBITDA. This change was caused by the application of the following principles:

- a. "**principal versus agent**", on the basis of which the qualification of Edison as "agent" requires revenues to be presented at net values to highlight only the gross operating income, with a decline in revenues by 137 million euros (values in the first half of 2017), with no impact on the EBITDA;
- b. "**combination of contracts**" concerning the **identification of the performance obligation**. IFRS 15 establishes that a separate performance obligation may be (i) a "distinct" good or service or (ii) a series of distinct goods or services which are substantially the same and which have the same pattern of transfer to the customer. If the goods or services promised, even if included in several contracts, are not distinct, an entity must combine those goods or services with other goods or services promised so as to identify a single and distinct performance obligation. In this regard, concerning certain purchases and sales of electricity, it was applied par. 17 (c) of IFRS 15 proceeding with the combination of two or more contracts agreed into in the same period of time with the same customer, and account for them as if they were a single contract;

the table below shows the impacts on the first half of 2017:

IFRS 15 impacts (in millions of euros)	1 st half 2017 pro- forma ante restatement (*) published	Principal vs agent	Combination of contracts	Total impact IFRS 15	1 st half 2017 pro- forma reworked
Hydrocarbons Operations	2.114	-	-	-	2.114
Electric Power Operations	1.723	(137)	(447)	(584)	1.139
Corporate Activities	11	-	-	-	11
Total Sales Revenues	3.848	(137)	(447)	(584)	3.264
Hydrocarbons Operations	(2.351)	-	-	-	(2.351)
Electric Power Operations	(1.260)	137	447	584	(676)
Corporate Activities	(53)	-	-	-	(53)
Total Raw Materials and Services Used	(3.664)	137	447	584	(3.080)

(*) It includes values related to merger of Edison Trading Spa before the application of IFRS 15.

- **IFRS 9 "Financial Instruments"** which (i) amended the classification and measurement model for financial assets basing it on the characteristics of the financial instrument and the business model adopted by the company, which for Edison Spa is the Held-to-collect and sell model; (ii) introduced a new method of impairment of financial assets which takes account of expected losses (so-called expected credit losses); and (iii) modified hedge accounting provisions.

The provisions of IFRS 9 were applied upon transition on a prospective basis, starting from January 1, 2018:

- the adoption of the expected credit loss model for the impairment of receivables entailed the recognition of an initial bad debt provision in shareholders' equity at January 1, 2018. The new methodology is based on a predictive approach, based on the probability of default of the counterparty and the recovery capacity in the event in which the default event is verified (so-called loss given default). In estimating the impairment of receivables, the following were used (i) official ratings when available or internal ratings already used in making decisions about granting credit to customers, to determine the probability of default of the counterparties; (ii) for retail customers, without specific internal ratings, a simplified cluster-based approach was implemented, breaking customers down on the basis of uniform risks; (iii) the identification of the recovery capacity in the case of counterparty default based on previous experiences and different recovery methods than can be employed;
- minority shareholdings recognised previously under available-for-sale investments (1 million euros) and trading investments (3 million euros), respectively, were reclassified to non-current investments measured at fair value through profit and loss (4 million euros) with no impact on the initial shareholders' equity;
- with respect to hedge accounting, we report that the guidelines provided by the new principle IFRS 9 include, with reference to the previous standard IAS 39 applied till December 31, 2017, changes of the provisions regulating the hedge accounting relationships, aligning their assessment logics to those used by the company's risk management activity. The new principle allows, indeed, to apply the hedge accounting on a prospective basis from January 1, 2018, also to group of items and to risk components of non-financial items (e.g. items included in commodities' price formula) only in case the hedged item could be reliably measured. In transition, the existing hedge relationships were analysed with regard to the new principle and, in some cases, the previous hedge relationships were reviewed and extended in line with the risk management objectives. The hedge relationships so designated under IAS 39 and which were equally defined under IFRS 9 weren't impacted in the transition; on the contrary, if the previously designed hedge relationship ceased and a new relationship was designed to reflect the risk management objectives, the newly designed hedge relationship was applied only prospectively from the transition date while the fair value previously booked – if any – remained, waiting for the realization of the positions, in the profit and loss or in the cash flow hedge reserve.

Net of the relative tax effect, the adoption of IFRS 9 entails a reduction in shareholders' equity of 4 million euros, (5 million euros net of the relative tax impact of 1 million euro), referring primarily to the adoption of the expected credit loss model; the perspective application of the hedge accounting didn't produce material impacts at the transition date.

With reference, instead to the **IFRS 16 "Leases"**, published in the O.J.E.U. on November 9, 2017 and applicable from January 1, 2019, it should be noted that is still in progress the adaptation project.

This principle will replace IAS 17 and will amend the method of accounting for operating leases for lessees that rent/lease a specific asset. Based on this new standard, for each contract the company must evaluate if it falls in the

definition of lease; a lease is defined as a contract for which the lessee is entitled to control the use of an identified asset, for a determined period of more than twelve months, in exchange for a consideration.

The application of the new principle to the identified contracts will determine the initial recognition in the balance sheet (i) of an asset, which represents the right of use pursuant to IFRS 16 (equal to the present value of the mandatory minimum future lease payments) that will be subject to systematic amortisation over the residual term of the contract, and (ii) of a financial liability for the same amount that will be reduced over time as the lease payments are being paid. At profit and loss level, the lease payment will therefore no longer be recognised in EBITDA, instead will be recognized (i) the amortizations of the asset representing the right of use and (ii) the financial expenses on the financial liability.

The Board of Directors, meeting on July 27, 2018, authorized the publication of this interim financial report, which was audited by Deloitte & Touche Spa in accordance with an assignment awarded by the Shareholders' Meeting of April 26, 2011 for a period of nine years (2011-2019), pursuant to Legislative Decree No. 39 of January 27, 2010.

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

Use of estimated values

The drafting of the abridged interim separate financial statements as at June 30, 2018 and the notes required the use of estimates and assumptions both in determining some assets and liabilities and in the valuation of potential assets and liabilities. The actual results that arise upon the occurrence of the relevant events could differ from these estimates.

Generally, the use of estimates is particularly significant for the following items: i) the assessment that the value of Company's property, plant, equipment and intangible assets, including the goodwill, may be subject to a permanent reduction (so called impairment test); ii) the valuation of certain provisions for risks and charges, such as the provisions for decommissioning and remediation of industrial sites and those for legal and tax disputes; iii) measurement of certain sales revenues. For a more extensive description of the most relevant valuation processes for the company, which have not changed on last year, reference is made to the paragraph on the "Use of estimated values" in the 2017 separate financial statements.

Merger of Edison Trading Spa

Please recall that the merger by absorption of Edison Trading Spa was completed in 2017. The transaction met the need of corporate simplification thanks to the integration of all upstream and mid-stream electric power operations activities in Edison Spa: from the purchase of gas for production, electricity generation and its marketing on the wholesale energy markets. In this regard, and taking account of the backdating of the merger to January 1, 2017 for accounting purposes, this paragraph presents the appropriate pro-forma income statement, statement of comprehensive income and cash flow statement for the first half of 2017. The pro-forma statements have been drafted as follows: i) aggregated the financial statements figures of Edison Spa and of Edison Trading Spa as at June 30, 2017; ii) applied pro-forma eliminations.

Considering the significance of the transaction and so as to allow for improved comparability of the data provided below, the pro-forma values determined as described are provided in the notes along with the regular comparative balances published in the previous year, in order to facilitate the comments on performance in the first half of 2018.

It is also noted that pro-forma statements include the effects of applying the new IFRS 15 accounting standard commented earlier.

Pro-forma statements as at June 30, 2017

Pro-forma income statement

(in millions of euros)	Edison Spa First half 2017	Edison Trading Spa First half 2017	Eliminations	Edison Spa First half 2017 pro-forma (*)
Sales revenues	2,179	1,682	(597)	3,264
Other revenues and income	33	15	-	48
Total revenues	2,212	1,697	(597)	3,312
Raw materials and services used (-)	(2,082)	(1,595)	597	(3,080)
Labour costs (-)	(68)	(3)	-	(71)
EBITDA	62	99	-	161
Net change in fair value of derivatives (commodities and foreign exchange)	(161)	3	-	(158)
Depreciation, amortization and write-downs (-)	(74)	-	-	(74)
Other income (expense), net	(5)	-	-	(5)
EBIT	(178)	102	-	(76)
Net financial income (expense)	(9)	(2)	-	(11)
Income (expense) from equity investments	13	-	(70)	(57)
Profit (Loss) before taxes	(174)	100	(70)	(144)
Income taxes	29	(27)	-	2
Profit (Loss) from continuing operations	(145)	73	(70)	(142)
Profit (Loss) for the period	(145)	73	(70)	(142)

(*) Values referred to 1st half of 2017 pro-forma include effects from the application of IFRS 15.

Pro-forma other components of the comprehensive income statement

(in millions of euros)	Edison Spa First half 2017	Edison Trading Spa First half 2017	Eliminations	Edison Spa First half 2017 pro- forma
Profit (Loss) for the period	(145)	73	(70)	(142)
A) Change in the cash flow hedge reserve	5	(1)	-	4
- Gains (Losses) from valuations for the period	8	(1)	-	7
- Income taxes (+/-)	(3)	-	-	(3)
B) Actuarial gains (losses) (*)	-	-	-	-
- Actuarial gains (losses)	-	-	-	-
Total other components of comprehensive income net of taxes (A+B)	5	(1)	-	4
Total comprehensive profit (loss)	(140)	72	(70)	(138)

(*) Items that cannot be reclassified to the income statement.

Pro-forma cash flow statement

(in millions of euros)	Edison Spa First half 2017	Edison Trading Spa First half 2017	Eliminations	Edison Spa First half 2017 pro- forma
Profit (Loss) before taxes of Edison Spa	(174)	100	(70)	(144)
Depreciation, amortization and write-downs	74	-	-	74
Net additions to/(Utilisations of) provisions for risks	5	-	-	5
(Gains) Losses on the sale of non-current assets	(7)	-	-	(7)
(Revaluations) Write-downs of non-current financial assets	100	-	-	100
Change in fair value recognized in EBIT	161	(2)	-	159
Change in the operating working capital	255	(136)	-	119
Change in other operating assets and liabilities	(165)	41	-	(124)
Dividends from subsidiaries, affiliated companies and other companies	(105)	-	70	(35)
Dividends collected (including amounts attributable to previous years)	92	-	(70)	22
Net financial income (expense)	(1)	1	-	-
Financial income collected	18	-	-	18
Financial (expense) paid	(8)	(1)	-	(9)
A. Cash flow from continuing operations	245	3	(70)	178
Investments in property, plant and equipment and intangible assets (-)	(21)	-	-	(21)
Proceeds from the sale of intangibles and property, plant and equipment	1	-	-	1
Proceeds from the sale of non-current financial assets	20	-	-	20
Capital distributions from non-current equity investments	2	-	-	2
B. Cash flow from investment activities	2	-	-	2
Redemptions of medium-term and long-term loans (-)	(157)	-	-	(157)
Dividends paid to controlling companies or minority shareholders (-)	-	(70)	70	-
Change in other current assets	133	64	(424)	(227)
Other changes in short-term financial debt	(142)	-	424	282
C. Cash flow from financing activities	(166)	(6)	70	(102)
D. Net change in cash and cash equivalents (A+B+C)	81	(3)	-	78
E. Cash and cash equivalents at the beginning of the period	97	14	-	111
F. Cash and cash equivalents at the end of the period (D+E)	178	11	-	189
G. Total cash and cash equivalents at the end of the period (F)	178	11	-	189
H. Cash and cash equivalents from continuing operations (G)	178	11	-	189

NOTES TO THE INCOME STATEMENT

Economic performance in the first half of 2018

Taking into account the fact that the items in the income statement for the first half of 2018, and more specifically sales revenues and raw materials and services used, were significantly impacted by the effects of the merger by absorption of former Edison Trading Spa, retroactive to January 1, 2017, the main values for the first half of 2018 are analysed with respect to the first half 2017 pro-forma ones, in order to make the comparative values homogeneous.

As at June 30, 2018, the **net result** of Edison Spa was positive for 35 million euros, as compared with the negative 142 million euros realized in the first half of 2017 pro-forma.

Sales revenues totalled 3,309 million euros, up by 1.4% compared with the first half of 2017 pro-forma (3,264 million euros), while **costs for the consumption of materials and services** stood at 3,162 million euros, highlighting the same increasing trend of 2.7% (3,080 million euros in the first half of 2017 pro-forma).

The result was a positive **EBITDA** of 120 million euros, down with respect to the first half of 2017 pro-forma (161 million euros). More specifically:

- in the **hydrocarbons operations**, the EBITDA stood at 73 million euros, compared with 147 million euros in the first half of 2017 on a pro-forma basis;
- in the **electric power operations**, the EBITDA is positive for 100 million euros (65 million euros in the first half of 2017 pro-forma);
- in the **corporate activities**, which incorporated the central and cross-company management activities, i.e. not directly connected to specific business, the contribution to the EBITDA was a negative 53 million euros, a slight deterioration compared with the first half of 2017 pro-forma.

EBIT is positive for 42 million euros (negative for 76 million euros in the first half of 2017 pro-forma) and includes, in addition to the effects described previously, also:

- 1 million euros being the positive impact connected with the **net change in fair value of derivatives on commodities and exchanges** (negative for 158 million euros in the first half of 2017 pro-forma);
- 66 million euros for **depreciation, amortization and write-downs of fixed assets and hydrocarbon concessions** (74 million euros in the first half of 2017 pro-forma);
- 13 million euros for **other net expenses** (5 million euros other net expenses in the first half of 2017 pro-forma) connected with legal expenses not directly related to industrial and financial operations.

In addition to the industrial margin trends discussed above, the following factors affected the performance:

- for 5 million euros, **net financial income** (11 million euros in net financial expense in the first half of 2017 pro-forma). The balance benefits from lower net financial expenses deriving from a decrease in average net financial debt and a lower financial cost due to a different mix of financial resources, as well as the positive change, with respect to the first half of 2017, in net foreign exchange gains as a result of trends in the reference currency scenario;
- for 10 million euros, **net income on equity investments** (57 million euros in net expenses in the first half of 2017 pro-forma), which mainly include dividends from subsidiaries (45 million euros) net of the write-down of equity investments (35 million euros);
- **income taxes** for 22 million euros (positive for 2 million euros in the first half of 2017 pro-forma) include, in particular, current taxes, of which 11 million euros for IRES and 2 million euros for IRAP.

1. Sales revenues – 3,309 million euros

<i>(in thousands of euros)</i>	First half 2018	First half 2017 (*) pro-forma	Change	% Change	First half 2017 (*)
Natural gas	2,158	1,949	209	10.7%	1,949
Electricity	972	1,027	(55)	(5.4%)	30
Power exchange services market	84	77	7	9.1%	35
Oil	36	35	1	2.9%	22
Steam	23	22	1	4.5%	-
Other	-	5	(5)	n.m.	3
Total sales	3,273	3,115	158	5.0%	2,039
Realized commodity derivatives	13	127	(114)	n.m.	118
Sundry service revenues	23	20	3	15.0%	22
Margin on physical trading activities	(1)	(6)	5	n.m.	-
Margin on financial trading activities	1	8	(7)	n.m.	-
Total trading margin	-	2	(2)	n.m.	-
Total sales revenues	3,309	3,264	45	1.4%	2,179
breakdown by business segment:					
Hydrocarbons operations	2,211	2,114	97	4.6%	2,114
Electric power operations	1,087	1,139	(52)	(4.6%)	54
Corporate activities	11	11	-	n.m.	11
Total sales revenues	3,309	3,264	45	1.4%	2,179

(*) Sales revenues and raw materials and service used for the first half of 2017 were restated following the application of IFRS 15 "Revenue from contracts with customers" without any impact on the EBITDA.

More specifically:

- in the **hydrocarbons operations**, gas sales saw a decline in volumes sold benefitted from the positive price trend in oil and natural gas.
It is worth to mention that the change in the commodity derivatives transactions realised (-114 million euros) is associated with a reduction in the relative cost item (-70 million euros, note 3), and essentially concerns the results of hedges entered into for the purpose of mitigating the risk of fluctuation in the cost of natural gas and the risk relating to the prices of the commodities sold;
- in the **electric power operations**, the reduction of roughly 5% compared with the first half of 2017 was attributable primarily to the decline in volumes sold in particular on the Power Exchange, offset in part by the higher margins deriving from the increase in hydroelectric generation and in sale prices;
- in the **corporate activities**, sales revenues refer for the most part to services provided to third parties, consisting mainly of coordination activities provided by Edison to Group companies and engineering services.

2. Other revenues and income – 42 million euros

<i>(in millions of euros)</i>	First half 2018	First half 2017 pro-forma	Change	% Change	First half 2017
Recovery of costs from partners in hydrocarbon exploration projects	3	3	-	n.m.	3
Insurance indemnities	6	11	(5)	n.m.	11
Recovery of costs, out-of-period income and sundry items	33	34	(1)	(2.9%)	19
Total other revenues and income	42	48	(6)	(12.5%)	33

Recovery of costs, out-of-period income and sundry items include, in particular, the use of risk funds recognised in previous years for which there are no longer any assumptions, in addition to out-of-period income carried out in the face of settlements related to previous years both in the hydrocarbons that electric sectors.

3. Materials and services used – 3,162 million euros

(in millions of euros)	First half 2018	First half 2017 (*) pro-forma	Change	% Change	First half 2017 (*)
- Natural gas	2,043	1,875	168	9.0%	1,875
- Electric power	557	543	14	2.6%	44
- Exchange services market	33	38	(5)	(13.2%)	-
- Utilities and other materials	16	12	4	33.3%	12
- CO ₂ emissions rights	16	19	(3)	(15.8%)	19
Total	2,665	2,487	178	7.2%	1,950
- Transmission of natural gas	320	326	(6)	(1.8%)	321
- Derivatives on commodity realized	(17)	53	(70)	n.m.	50
- Regasification fee	59	59	-	n.m.	59
- Facilities maintenance	24	35	(11)	(31.4%)	35
- Professional services	23	20	3	15.0%	20
- Cost of leased assets	25	21	4	19.0%	21
- Change in inventories	(13)	7	(20)	n.m.	7
- Accruals to provisions for risks	8	13	(5)	(38.5%)	13
- Sundry charges	68	59	9	15.3%	53
Total materials and services used	3,162	3,080	82	2.7%	2,529
breakdown by business segment:					
Hydrocarbons operations	2,432	2,351	81	3.4%	2,351
Electric power operations	672	676	(4)	(0.6%)	125
Corporate activities	58	53	5	9.4%	53
Total	3,162	3,080	82	2.7%	2,529

(*) Sales revenues and raw materials and services used for the first half of 2017 were restated following the application of IFRS 15 "Revenue from contracts with customers" without any impact on the EBITDA.

More specifically:

- the increase in purchases of **natural gas**, despite the insubstantial change in volumes purchased, was due to the increase in the pricing scenario. The higher cost was more than offset in the item gas sales revenues;
- purchases for **electricity** are basically aligned with the previous half-year;
- the increase in the cost of **carriage** refers in particular to the change in the tariffs applied;
- charges on **realized commodity derivatives** are represented by revenues of 17 million euros and, as outlined in note 1 in relation to income, reflect the hedges entered into to mitigate the risk of fluctuation in the cost of natural gas. They include costs of 13 million euros due to EDF Trading Limited;
- **regasification fees** relate to the expense for the regasification of liquefied gas from Qatar by the company Terminale GNL Adriatico Srl.

4. Labour cost – 69 million euros

The labour cost is substantially unchanged with respect to the first half of 2017 pro-forma. At period end, there are 1,469 employees (1,471 as at June 30, 2017 pro-forma).

5. EBITDA – 120 million euros

(in millions of euros)	First half 2018	as a % of sales revenues	First half 2017 pro- forma	as a % of sales revenues	% Change	First half 2017	as a % of sales revenues
Hydrocarbons operations	73	3.3%	147	7.0%	(50.3%)	147	7.0%
Electric power operations	100	9.2%	65	5.7%	53.8%	(34)	(63.0%)
Corporate activities	(53)	n.m.	(51)	n.m.	(3.9%)	(51)	n.m.
Total	120	3.6%	161	4.9%	(25.5%)	62	2.8%

As regards the EBITDA for the first half of 2018, with respect to the same period in the previous year, following up and supplementing the considerations reached up to this point, the following should be noted:

- a decline of roughly 74 million euros in the **hydrocarbons operations** related to the results recorded by the buying/selling of natural gas, and partially offset by the margin realised by Exploration & Production activities which, although reflecting a natural decline in production, benefitted from a more favourable oil scenario;
- an increase of 35 million euros in the **electric power operations** attributable to higher margins caused by the increase in hydroelectric production, as well as the increase in average sale prices connected to the reference scenario;
- a slight downturn of 2 million euros in the **corporate activities** due mainly to rental fee of Foro Buonaparte buildings sell in November 2017 and to a different costs phasing.

For the sake of complete information, please note that EBITDA includes the allocated purchase costs related to the procurement of gas incurred by the hydrocarbons segment to the electricity segment based on the volumes used.

6. Net change in fair value of derivatives (commodities and exchanges) – 1 million euros

(in millions of euros)	First half 2018	First half 2017 pro-forma	Change	% Change	First half 2017
Change in fair value in hedging the price risk on energy products:	19	(184)	203	n.m.	(187)
- definable as hedges pursuant to IFRS 9 (CFH) (*)	-	(4)	4	n.m.	(4)
- definable as hedges pursuant to IFRS 9 (FVH)	10	(52)	62	n.m.	(52)
- contracts that do not qualify as hedges in accordance with IFRS 9	9	(128)	137	n.m.	(131)
Change in fair value in hedging the foreign exchange risk on commodities:	27	(78)	105	n.m.	(78)
-- definable as hedges pursuant to IFRS 9 (CFH) (*)	1	(3)	4	n.m.	(3)
- definable as hedges pursuant to IFRS 9 (FVH)	39	(55)	94	n.m.	(55)
- contracts that do not qualify as hedges in accordance with IFRS 9	(13)	(20)	7	n.m.	(20)
Change in fair value on physical contracts	(45)	104	(149)	n.m.	104
Total	1	(158)	159	n.m.	(161)

(*) Referred to the ineffective portion.

Please note that on January 1, 2018 the new IFRS 9 entered into force, which replaced IAS 39 and, inter alia, amended provisions on hedge accounting. These new provisions also made amendments to the rules for the management of accounting hedges, bringing the relative recognition criteria more into line with a risk management approach. The application of these new rules, possible only on a prospective basis, therefore entailed a review of the hedges on contracts in place at January 1, 2018.

This review resulted in the extension of the application of hedge accounting, as a result reducing the effects of volatility. The value in the first half of 2017 pro-forma, a negative 158 million euros, was instead linked primarily to the derivatives that, by virtue of the economic hedging strategies protecting margins and the significant price changes in commodities, had determined, in previous years, starting from 2014, a positive fair value that was then reversed into the income statements of subsequent years until 2017, with an essentially nil effect over the time period concerned.

7. Depreciation, amortization and write-downs – (66) million euros

(in millions of euros)	First half 2018	First half 2017	Changes	% changes
Depreciation of property, plant and equipment	59	67	(8)	(11.9%)
Amortization of hydrocarbon concessions	1	1	-	n.m.
Amortization of other intangible assets	6	6	-	n.m.
Total amortization	66	74	(8)	(10.8%)
breakdown by business segment:				
Electric power operations	52	53	(1)	(1.9%)
Hydrocarbons operations	12	18	(6)	(33.3%)
Corporate activities	2	3	(1)	(33.3%)
Total	66	74	(8)	(10.8%)

8. Other income (expense), net – (13) million euros

Net expense represents items that are not directly related to the company core industrial operations. Legal costs concerning the former Montedison Group make up most of the balance and are referred to litigations for please see paragraph “Provision for Risk and Charges” and the section entitled “Commitments, Risks and Contingent Assets” provided in 2017 Separate Financial Statements.

9. Financial income (expense), net – 5 million euros

(in millions of euros)	First half 2018	First half 2017 pro-forma	Change	First half 2017
Financial income				
Financial income from Group companies	16	19	(3)	19
Financial income from financial derivatives	-	4	(4)	4
Other financial income	1	2	(1)	2
Total financial income	17	25	(8)	25
Financial expense				
Interest paid on bond issues	-	(12)	12	(12)
Fair value adjustment on bond issues	-	7	(7)	7
Financial expense on financial derivatives	-	(4)	4	(4)
Financial expense paid to EDF	-	(1)	1	(1)
Financial expense on decommissioning projects	(9)	(9)	-	(9)
Financial expense paid to Group companies	-	(1)	1	(1)
Bank charges	(2)	(2)	-	(1)
Interest paid to banks	(1)	-	(1)	-
Other financial expense	(4)	(5)	1	(4)
Total financial expense	(16)	(27)	11	(25)
Exchange gains/(losses)				
Foreign exchange translation gains:				
- amount with EDF	14	4	10	4
- amount with others	21	18	3	18
Foreign exchange translation losses:				
- amount with EDF	(12)	(9)	(3)	(9)
- amount with others	(19)	(22)	3	(22)
Total exchange gains/(losses)	4	(9)	13	(9)
Total net financial income (expense)	5	(11)	16	(9)

The balance benefits from lower net financial expenses deriving from the decrease in average net financial debt and a lower financial cost due to a different mix of financial resources, as well as the positive change, with respect to the first half of 2017, in **net foreign exchange gains** as a result of trends in the reference currency scenario. **Other financial expense** includes 2 million euros for the adjustment of the provisions for other risks.

10. Income from (expense on) equity investments – 10 million euros

(in millions of euros)	First half 2018	First half 2017 pro-forma	Changes	First half 2017
Income from equity investments				
Dividends	45	35	10	105
Gains on the sale of equity investments	-	8	(8)	8
Total income from equity investments	45	43	2	113
Expense on equity investments				
Write-downs of equity investments	(35)	(57)	22	(57)
Write-downs of assets held for sale	-	(43)	43	(43)
Total expense on equity investments	(35)	(100)	65	(100)
Income from (Expense on) equity investments, net	10	(57)	67	13

We would hereby point out that:

- **dividends** specifically include those regarding Edison Stocaggio (20 million euros), Edison Energia (10 million euros) and Ibiritermo (7 million euros);
- the **write-downs of equity investments** reflect the valuations resulting from the impairment test performed on such equity investments. The impairment test on the book value of the equity investment involves comparing the carrying amount and the respective shareholders' equity and profit (loss) of the investee, which includes the effects of the impairment test it has conducted on its own assets. Following this comparison, the company determines the impacts on the book value of the equity investment adjusting, if necessary, its carrying amount. The write-downs accounted for in the first half of 2018 regard in particular:
 - Edison International Spa for 30 million euros in relation to Exploration & Production activities, which the latter carries out in Egypt, Algeria and Croatia and, through one of its subsidiaries, in Norway;
 - Edison International Holding NV for 5 million euros which, through its investees, has activities in Greece as well as Exploration & Production activities in the UK.

11. Income taxes – 22 million euros

(in millions of euros)	First half 2018	First half 2017 pro-forma	Change	First half 2017
Current taxes	13	(4)	17	(31)
Net deferred tax liabilities (assets)	7	(2)	9	(2)
Previous years' taxes and other taxes	2	4	(2)	4
Total	22	(2)	24	(29)

Current taxes are composed of IRES amounting to 11 million euros and IRAP amounting to 2 million euros.

Deferred tax liabilities/assets show a negative balance, including reversal, and reflect the recognition of the deferred tax expenses.

Previous years' taxes include provisions for taxes referring to tax disputes.

NOTES TO THE BALANCE SHEET

Assets

12. Property, plant and equipment – 1,474 million euros

(in millions of euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Payments on account and assets under construction	Total
Opening balances at 12.31.2017 (A)	232	1,166	2	2	114	1,516
Changes at June 30, 2018:						
- additions	-	3	-	-	16	19
- disposals (-)	-	(1)	-	(1)	-	(2)
- depreciation (-)	(4)	(55)	-	-	-	(59)
- other changes	1	1	-	-	(2)	-
Total changes (B)	(3)	(52)	-	(1)	14	(42)
Figures as at 06.30.2018 (A+B)	229	1,114	2	1	128	1,474

Fixed assets under construction and advances mainly relate to the **hydrocarbons segment** and primarily the development of some gas and oil fields in the territory, both on-shore and off-shore.

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

- **additions**, equal to 19 million euros, of which:
 - 6 million euros in the **electricity segment** mainly relating to the replacement of parts of some hydroelectric and thermoelectric plants;
 - 12 million euros in the **hydrocarbons segment**, related to acquisitions, recognised in particular in other intangibles assets and advance, includes for 10 million euros the down-payment paid for the acquisition from Gas Natural Fenosa of the contract for the supply of gas from the Shah Deniz II field in Azerbaijan. The effectiveness of the contract is conditional on the implementation of the Trans Adriatic Pipeline (TAP) and the import of gas is planned to start at the end of 2020, the down payment was therefore considered as an ongoing immobilization, it is not amortized but subject to impairment. Starting from 2021, with the first delivery of gas to Italy through TAP, will be recognized to the counterpart additional 20 million euros.
- **disposals**, equal to 2 million euros, without significant effects in the income statements;
- **depreciation** of 59 million euros were down with respect to the balance of 67 million euros in the first half of 2017. For a more detailed analysis, please refer to note 7 "Depreciation, amortization and write-downs".

During the period, financial expense was capitalized amongst property, plant and equipment, in accordance with IAS 23 revised.

13. Investment property – 5 million euros

The value, which refers to land and buildings that are not instrumental to production, has basically not changed with respect to December 31, 2017.

14. Goodwill – 1,707 million euros

This has not changed on December 31, 2017. The residual value represents an intangible asset with an undefined useful life and, therefore, it is not subject to systematic amortization, but rather to impairment testing at least once a year in the balance sheet at the end of the year. It is noted that in the period no indicators of loss of value on goodwill were identified.

15. Hydrocarbon concessions – 15 million euros

Concessions for the cultivation of hydrocarbons and the exploitation of hydrocarbon deposits, represented by 54 mining certificates in Italy, record, as compared with December 31, 2017, a reduction of around 1 million euros following period amortization.

16. Other intangible fixed assets – 70 million euros

The value mainly includes 51 million euros in the intangible booked in 2014 with reference to the value of the electricity off take contract with a total term of 10 years (6 years remaining) stemming from the establishment of the new renewable energy pole and for the remainder, patents, licenses and similar rights.

Impairment Test in Accordance with IAS 36

As required by IAS 36, in the first half of 2018 the company performed an update of impairment test analysis both of the individual Cash Generation Units (CGUs) which have shown specific impairment indicators that may change the recoverable value both of some subsidiaries for total writedowns in the semester for 35 million euros.

Specifically, with regard to the goodwill, waiting for the Group to draw up a new industrial plan, the short /medium-term economic and scenario variables were analyzed which haven't shown any trigger to require a semiannual impairment test.

17. Equity investments and Investments at fair value through profit and loss – 2,047 million euros

(in millions of euros)	Equity investments	Investments at fair value through profit and loss	Total
Opening balances at 12.31.2017 (A)	1,032	1	1,033
Changes at June 30, 2018:			
- additions	196	-	196
- changes in share capital and reserves	850	-	850
- rev. (+) / write-down (-) on income statement	(35)	-	(35)
- other changes	-	3	3
Total changes (B)	1,011	3	1,014
Figures as at 06.30.2018 (A+B)	2,043	4	2,047

They amount to 2,047 million euros and are represented by:

- for 2,043 million euros by **equity investments** of which 2,023 million euros from subsidiaries and 20 million euros from associates and joint ventures;
- **investments at fair value through profit and loss** for 4 million euros, referred to less relevant equity investments, the most significant value of which refers to the investment in ACSM for 4 million euros. IFRS 9 "Financial instruments", which replaced IAS 39 effective as of years beginning on January 1, 2018, entailed an amendment in the recognition of and accounting for some minority investments: they have been reclassified from "Available-for-sale investments" and "Trading investments" to "Investments at fair value through profit and loss".

For details on equity investments please refer to Separate financial statement at December 31, 2017.

The main changes in the first half of 2018 are reviewed below:

- **additions** referring in particular to the equity investment in Gas Natural Vendita Italia (GNVI), subsequently renamed Edison Energie Spa;
- the **change in share capital and reserves** refers to the capital contribution with respect to the subsidiary Edison International Spa, through the partial conversion of the loan granted to the company in 2016. This transaction was approved by the Edison Spa Board of Directors at its meeting on May 24, 2018;
- **write-downs on income statement** reflect the adjustment of the carrying value of some subsidiaries; in the valuation of the equity investment, consideration is taken of the booked shareholders' equity and result of the subsidiary, as already commented on in note 10 "Income from (Expense on) equity investments";
- **other changes** include in particular the reclassification of the equity investments in ACSM Spa and American Superconductor, which until December 31, 2017 were classified under "trading investments".

18. Other financial assets – 15 million euros

This item, the balance of which was up by 3 million euros compared with December 31, 2017, includes loans receivable with a maturity of more than 12 months.

In particular, the increase refers to the investment in the FPCI Electranova - Iinvest Smart City Venture Fund, which concentrates on unlisted companies experiencing rapid growth (from the initial phase to the advanced phase) in the Energies & Cities sector, primarily at EU level. It invests mainly in Energies, Mobility, Smart Cities and Technologies activities. The Fund may invest in other sectors on an exceptional basis in light of investment opportunities, provided the activities carried out are connected to the Energies & Cities sector. The value of the investment is assessed at fair value and any changes in value are recorded in the income statement of the period.

19. Deferred tax assets – 244 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Deferred-tax assets:			
- Tax assets for tax losses	21	21	-
- Taxed provisions for risks	49	45	4
- Adoption of the standard on financial instruments (IFRS 9), with impact on:			
- the income statement	-	-	-
- shareholders' equity	-	-	-
- Differences in the valuation of property, plant and equipment	172	181	(9)
- Other prepaid taxes	2	2	-
Total deferred tax assets	244	249	(5)

The table above provides a breakdown based on the type of temporary differences, taking into account the fact that, since deferred-tax assets met the requirements of IAS 12, they were offset against deferred tax liabilities, where permitted. The valuation reflects the assumption of probable realisation and recoverability for tax purposes, based on the realisation time horizon.

20. Other assets – 462 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Fair value on the industrial portfolio and trading assets of which:			
- amount owed by outsiders	154	55	99
- EDF Trading	123	89	34
Total fair value of industrial portfolio and trading activities	277	144	133
Tax receivables requested as reimbursement	169	128	41
Guarantee deposits	5	5	-
Other receivables	11	11	-
Total other assets	462	288	174

Tax receivables include VAT receivables of 146 million euros (104 million euros as at December 31, 2017). Please note that in the period, some receivables for VAT refunds requested in 2016 were partially collected for about 58 million euros.

21. Current assets – 2,652 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Inventories	120	105	15
Trade receivables	664	938	(274)
Other receivables	854	542	312
Current financial assets (*)	824	1,704	(880)
Cash and cash equivalents	190	166	24
Total current assets	2,652	3,455	(803)

(*) Since January 1, 2018, following the application of the new accounting principle IFRS 9 the "Equity investments held for trading" (here included for about 3 million of euros at December 31, 2017) were reclassified in "Investments at fair value through profit and loss".

More specifically:

- **inventories**, for which it was not necessary to make adjustments of value since the net value is higher than the estimated realisable value, consist primarily of:
 - 94 million euros (78 million euros at the end of 2017) from hydrocarbon inventories;
 - 16 million euros (15 million euros at the end of 2017) from materials and equipment used for the maintenance and operation of operating plants;
 - 6 million euros (10 million euros at the end of 2017) for advances to suppliers;
 - 3 million euros relating to the 12,744 Energy Efficiency Certificates.

Lastly, please note that inventories also include 36 million euros (14 million euros at the end of 2017) in quantities of natural gas stored subject to restricted use, both as a strategic reserve and as a guarantee of the balancing regime.

- **Trade receivables**, specifically refer to electricity and steam supply contracts and natural gas supply contracts, with Group companies and Terna, GSE and GME. The reduction with respect to December 31, 2017 relates primarily to the optimisation of the expiries of collections and seasonal effects, and should be compared with the analogous item of trade payables; the table below shows the breakdown by segment:

(in millions of euros)	06.30.2018	12.31.2017	Change
Hydrocarbons operations	451	603	(152)
Electric power operations	213	335	(122)
Total trade receivables	664	938	(274)
<i>Broken down as follows:</i>			
- amount owed by outsiders	460	657	(197)
- amount owed by subsidiaries and affiliated companies	204	281	(77)
Total trade receivables	664	938	(274)
of which provision for doubtful debt (*)	(49)	(46)	(3)

(*) Amounts at June 30, 2018 include changes related to first time application of IFRS 9 for 5 million euros.

Additions to the allowance reflect the assessment, consistent with Edison Group policy, of the credit status of various customers, taking into account customer segment, receivables in arrears and the ageing of receivables. Please note that Edison Spa carries out, on a regular basis, transactions irrevocably assigning receivables without recourse, both on a revolving monthly and quarterly basis and on a spot basis; for additional details please see the special disclosure provided in the "Financial Risk Management" section.

- A breakdown of **other receivables** is provided below:

(in millions of euros)	06.30.2018	12.31.2017	Change
Measurement at fair value of physical trading portfolio contracts net of credit risk	8	9	(1)
Fair value of industrial portfolio and trading activities			
- amount owed by outsiders	388	178	210
- subsidiaries	4	-	4
- EDF Trading	260	128	132
Total fair value of industrial portfolio and trading activities	652	306	346
Provision of technical, admin. and financial services to Group companies	24	18	6
VAT receivable from the tax administration	94	105	(11)
VAT pool receivables	4	22	(18)
Advance account receivables	14	8	6
Others	58	74	(16)
Total other receivables	854	542	312
<i>Broken down as follows:</i>			
- amount owed by outsiders	826	516	310
- amount owed by subsidiaries and affiliated companies	28	26	2
Total other receivables	854	542	312
amount of allowance for doubtful accounts	(8)	(6)	(2)

The period change in **current receivables deriving from the fair value measurement of derivative contracts** stipulated to hedge the industrial portfolio should be analysed together with the related debt item

included in current liabilities (increased from 249 million euros to 505 million euros - note 28). These items are reflected both on the income statement under the item "Net change in fair value of derivatives" (ref. note 6) and shareholders' equity under the item "Cash flow hedge reserve".

A comprehensive description of the impact of derivatives is provided in a separate disclosure included in the section of this Report entitled "Financial Risk Management of the Group's Parent Company."

- A breakdown of **current financial assets** is as follows:

(in millions of euros)	06.30.2018	12.31.2017	Change
Financial receivables from subsidiaries, affiliated companies and joint ventures	824	1,701	(877)
Trading investments	-	3	(3)
Total current financial assets	824	1,704	(880)

More specifically:

- **financial receivables** refer to financial transactions with subsidiaries and associates and represent the balances of infra-group current accounts, the main change is related to the capital contribution with respect to the subsidiary Edison International Spa, through the partial conversion of the loan (see note 18);
 - **trading investments** changed following the reclassification of the equity investments in ACSM Spa and American Superconductor to "Investments at fair value through profit and loss" (see note 18).
- **Cash and cash equivalents** totalled 190 million euros (166 million euros at December 31, 2017) and consist of readily available assets with a three-month maturity, including:
 - for 173 million euros, the available current account funds of EDF Sa (140 million euros as at December 31, 2017);
 - 17 million euros in cash, sight deposits in bank and postal accounts (26 million euros as at December 31, 2017), including amounts deposited in bank current accounts through which the financial items linked to the buying/selling on foreign Power Exchanges are settled.

Liabilities

22. Shareholders' equity – 5,362 million euros

Edison's shareholders' equity is up 112 million euros on the 5,250 million euros recorded at December 31, 2017.

The **breakdown and changes to shareholders' equity** are shown in the "changes in shareholders' equity", whose main changes include, in addition to the coverage of the previous year's losses, resolved by the Shareholders' Meeting of March 29, 2018, also for:

- 81 million euros the positive change, net of tax, of the cash flow hedge reserve;
- 35 million euros the gain for the period;
- 4 million euros the negative effects of the first application of the new accounting standard (IFRS 9 "Financial instruments") concerning the valuation of credits and more specifically a new method for the write-down of receivables which takes into account expected losses (so-called expected credit losses). The value recognised in shareholders' equity at January 1, 2018 was quantified on the situation at December 31, 2017.

The table below shows the breakdown of **share capital**:

Share class	Share capital		
	Amounts in millions of euros	No. shares	N.V. Unit. Euro
Ordinary Shares	5,267	5,266,845,824	1.00
Savings shares	110	110,154,847	1.00
Total	5,377	5,377,000,671	1.00

The table below provides a breakdown of the change that occurred in the cash flow hedge reserve due to the adoption of IFRS 9 for the accounting of derivatives. The change refers to the provisional recognition in equity of the effective portion of derivatives executed to hedge price and foreign exchange risks on energy commodities. The amounts recognised directly in equity will be reflected in the income statement concurrently with the economic effects produced by the hedged items.

Reserve for cash flow hedge transactions

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Opening value as at 12.31.2017	126	(36)	90
- Period changes	113	(32)	81
Value as at 06.30.2018	239	(68)	171

Please note that the **reserve for actuarial gains and losses (IAS 19)** remains substantially unchanged with respect to December 31, 2017.

23. Reserve for employee severance indemnities and provisions for pensions – 19 million euros

The value, which is down 1 million euros on December 31, 2017, reflects the severance indemnities and other benefits accrued in the period in favour of employees. The actuarial gains and losses entered directly as shareholders' equity total around 1 million euros. An actuarial valuation in accordance with IAS 19 was performed only for the liability corresponding to the provision for employee severance indemnities that is still held by the Company. The parameters used for this valuation are as follows:

	06.30.2018	12.31.2017
- Technical annual discounting rate	1.90%	1.90%
- Annual inflation rate	1.30%	1.00%
- Global salary annual increase rate	2.00%	2.00%
- Estimated annual increase in employee severance indemnities	2.48%	2.25%

24. Provision for Deferred Taxes - 67 million euros

Since the requirements of IAS 12 were satisfied, this item was offset against available deferred tax assets, to which reference should be made for the relevant comments, with the exception of taxes recognised directly in equity relating to cash flow hedges.

(in millions of euros)	06.30.2018	12.31.2017	Change
Provisions for deferred taxes:			
- Adoption of the standard on financial instruments (IFRS 9), with impact on:			
- the income statement	-	-	-
- shareholders' equity	67	35	32
Total provisions for deferred taxes	67	35	32

25. Provisions for risks and charges – 896 million euros

(in millions of euros)	12.31.2017	Provisions	Utilizations	Other changes	06.30.2018
- Risks for disputes, litigation and contracts	131	3	-	-	134
- Charges for contractual guarantees on sale of equity investments	75	-	-	-	75
- Environmental risks	70	1	(2)	-	69
- Other judicial risks	10	5	-	-	15
- Disputed tax items	80	7	(18)	-	69
Total for judicial and tax-related disputes	366	16	(20)	-	362
- Provisions for decommissioning and remediation of industrial sites	442	9	(1)	-	450
- Other risks and charges	57	-	(11)	38	84
Total	865	25	(32)	38	896

It should be noted that the variation is mainly due to:

- **other judicial risks**, rising by 5 million euros, reflect the judgment of first degree of the Court of Milan, concerning the litigation for a contract of natural gas with Axpo Italia, condemning Edison to the overall compensation of about 15 million euros to Axpo;
- **funds for tax litigation** principally include disbursements during the first half of approximately 14 million euro for certain tax disputes and for 4 million euros relating to ICI litigations of previous years, while provisions are related to already existing disputes;
- **funds for decommissioning and remediation of industrial sites**, which include the valuation, actualized at the financial statement date, of the decommissioning costs which are expected to be supported with reference to industrial sites and mining facilities;
- provisions of **other risks and charges** to the potential environmental costs of thermoelectric power plants.

For more information on the contents that led to the current formation of these funds, reference is made to the comments given in the paragraph "Risks and potential liabilities linked to legal and tax disputes" reported in the separate financial statements as at December 31, 2017.

26. Financial payables and other financial liabilities – 232 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Banks	167	143	24
EDF Sa	65	70	(5)
Total	232	213	19

The **amount due to banks** is substantially represented by medium/long-term credit lines granted by the European Investment Bank (EIB), for the financing of development projects.

For more details, please refer to the chapter "Financial Risk management", paragraph "Liquidity Risk".

27. Other liabilities – 154 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Fair value of industrial portfolio and trading activities			
- amount owed to outsiders	125	39	86
- subsidiaries	-	3	(3)
- EDF Trading	29	25	4
Other liabilities	154	67	87

28. Current liabilities – 1,961 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Current financial payables	412	325	87
Trade payables	928	1,205	(277)
Current taxes payable	8	13	(5)
Other liabilities	613	353	260
Total current liabilities	1,961	1,896	65

- The table below provides a breakdown by counterparty of **short-term financial debt**:

(in millions of euros)	06.30.2018	12.31.2017	Change
Subsidiaries and affiliated companies	294	259	35
Banks	95	34	61
EDF Group	5	-	5
Transalpina di Energia Spa	-	4	(4)
Factoring companies	12	20	(8)
Other	6	8	(2)
Total short-term financial debt	412	325	87

- trade payables** mainly referring to power, natural gas and other utilities purchases and to services received relating plants maintaining, show the following breakdown by segment:

(in millions of euros)	06.30.2018	12.31.2017	Change
Hydrocarbons operations	577	765	(188)
Electric power operations	307	401	(94)
Corporate activities	44	39	5
Total trade payables	928	1,205	(277)
Broken down as follows:			
- amount owed to outsiders	885	1,186	(301)
- amount owed to subsidiaries and affiliated companies	43	19	24
Total trade payables	928	1,205	(277)

- current taxes payable** amounted to 8 million euros and represent the amount due to the tax office for IRAP (regional business tax);

- A breakdown of **other liabilities** is provided below:

(in millions of euros)	06.30.2018	12.31.2017	Change
Measurement at fair value of physical trading portfolio contracts	10	10	-
Fair value of industrial portfolio and trading activities			
- amount owed to outsiders	306	181	125
- EDF Trading	199	68	131
Total fair value of industrial portfolio and trading activities	505	249	256
Transalpina di Energia Spa - tax consolidation	20	8	12
Employees	21	25	(4)
Social security and welfare institutions	18	18	-
Pool VAT for subsidiaries	1	1	-
Other	38	42	(4)
Total other liabilities	613	353	260
Broken down as follows:			
- amount owed to outsiders	612	352	260
- amount owed to subsidiaries and affiliated companies	1	1	-
Total	613	353	260

The period change in **payables deriving from the fair value measurement of derivative contracts** stipulated to hedge the industrial portfolio should be analysed together with the related credit item included in **current assets** (increased from 306 million euros to 652 million euros - note 21). As noted previously, these items are reflected both on the income statement under the item "Net change in fair value of derivatives" (ref. note 6) and shareholders' equity under the item "Cash Flow Hedge reserve".

NET FINANCIAL DEBT (AVAILABLE FUNDS)

(in millions of euros)	Note	06.30.2018	12.31.2017	Changes
Amounts due to other lenders – non-current portion	26	65	70	(5)
Non-current bank loans	26	167	143	24
Net long-term financial debt		232	213	19
Current financial payables	28	412	325	88
Current financial assets (*)	21	(824)	(1,704)	880
Cash and cash equivalents	21	(190)	(166)	(24)
Current net financial debt (available funds)		(602)	(1,545)	943
Total net financial debt (available funds)		(370)	(1,332)	962

(*) As at December 31, 2017, "Current financial assets" included "Trading investments" of roughly 3 million euros, while as at January 1, 2018 they are included in "Investments at fair value through profit and loss" following the application of the new IFRS 9 Financial Instruments.

The net available funds as at June 30, 2018 came to 369 million euros, compared with net available funds of 1,332 million euros as at December 31, 2017.

This change is related mainly to the capital contribution of 850 million euros for the subsidiary Edison International Spa, the outlay for the acquisition of 100% of Gas Natural Vendita Italia (196 million euros) and working capital trends.

The effects deriving from the outlays connected with net investments made in property, plant and equipment, intangible assets (30 million euros) are also included, partly offset by net financial income collected (12 million euros), the collection of dividends (45 million euros) and the collection of VAT receivables (58 million euros).

Net financial debt includes the following items:

- 103 million euros in **net receivables due from EDF Group companies**, of which the following are booked:
 - 65 million euros in non-current debt owed to other lenders (70 million euros as at December 31, 2017), plus 5 million euros recognised under current financial debt, reclassified in the period from non-current debt;
 - 173 million euros in cash and cash equivalents (140 million euros as at December 31, 2017).
- The **debt owed to the parent company Transalpina di Energia**, carried as current financial debt, is less than 1 million euros (4 million euros as at December 31, 2017).

These amounts are also listed in a special table included in the section of these notes entitled "Intercompany and Related-Party Transactions."

It should be underlined that, as at June 30, 2018, as at December 31, 2017, the two revolving credit lines provided to Edison Spa in 2017 totalling 900 million euros (with EDF Sa for 600 million euros) and with a pool of banks on a Club Deal basis for a nominal amount of 300 million euros, are fully available.

The table below provides the changes of liabilities resulting from financing activities as required by IAS 7 "Statement of Cash Flow":

(in millions of euros)	12.31.2017	Cash Flow (*)	Non cash flow			06.30.2018
			Currency differences	Changes in fair value	Other changes	
Non-current financial debt	213	35	-	-	(16)	232
Short-term financial debt	325	72	-	-	15	412
Current financial assets	(1,704)	880	-	-	-	(824)
Net liabilities resulting from financing activities	(1,166)	987	-	-	(1)	(180)
Cash and cash equivalents (*)	(166)	(24)	-	-	-	(190)
Net Financial debt	(1,332)	963	-	-	(1)	(370)

(*) Flows showed in the Cash Flow Statement.

The changes that occurred during the period, recognised in the column "Other changes" include in particular the reclassification of the share of non-current financial debts in current financial debts.

COMMITMENTS, RISKS AND CONTINGENT ASSETS

Commitments – 1,308 million euros

(in millions of euros)	06.30.2018	12.31.2017	Change
Guarantees provided	1,114	1,139	(25)
Other commitments and risks	194	401	(207)
Total	1,308	1,540	(232)

Guarantees provided were determined based on the undiscounted amount of contingent commitments on the balance sheet date. In particular, the guarantees provided include:

- guarantees provided by the Company or by banks and counter guarantees on its own behalf and on behalf of subsidiaries and affiliated companies mainly to secure the performance of contractual obligations;
- guarantees issued to third parties concerning activities on the Power Exchange, in particular to the GME, plus sureties issued to the individual operators with which the Company carries out electricity buying/selling activities;
- guarantees provided to the Milan tax office on behalf of subsidiaries for offsetting VAT credits.

Other commitments and risks are decremented with respect to December 31, 2017, mainly for the cancellation of the commitment on the purchase by Edison Spa of GNVI completed on February 22, 2018, the residual value specifically includes:

- 121 million euros, in compliance with IAS 17, for the 12-year lease agreement (expiring on November 21, 2029 and which can be extended for a further 6 years under the same conditions) of the Milan buildings of Foro Buonaparte nos. 31 and 35;
- 18 million euros for the completion of investment projects in progress.

Please note that on January 1, 2019, the new IFRS 16 "Leases" will enter into force, which will amend the method of accounting for operating leases; in this regard, a dedicated working group has been established to handle the adaptation project, with the ultimate goal of quantifying the impacts of the initial application of that standard.

At June 30, 2018, no commitments were recognised, consistently with the previous year, with regard to long-term contracts to import natural gas with take-or-pay clauses, pursuant to which the buyer must pay for volumes that could not take delivery of up to a predetermined level.

Please also note the following:

- with regard to the procurement of CO₂ certificates and Certified Emission Reductions (CERs)/Emission Reduction Units (ERUs), for the 2013-2020 period, Edison Spa signed Amended Agreements modifying the original Emission Reductions Purchase Agreements (ERPA) to purchase CERs in China for up to 26 million euros. These new agreements represent extensions of contracts already held by Edison Spa and originally signed for the 2008-2013 period;
- an option was issued to Petrobras exercisable in 2022 to buy its interest in Ibiritermo Sa at a predetermined price.

Unrecognised Commitments and Risks

As regards significant commitments and risks not included in the amounts listed above, in the hydrocarbons segment, the Company is a party to long-term contracts for the importation of natural gas from Russia, Libya, Algeria and Qatar, for a total maximum nominal supply of 14.4 billion cubic meters of natural gas a year. These contracts have terms ranging from 1 to 16 years. The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

	U.M.	within 1 year	from 2 to 5 years	beyond 5 years	Total
Natural gas (*)	Billions of m3	13.6	41.4	92.0	147.0

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

Risks and Contingent Liabilities Associated with Legal and Tax Disputes

For comments on the main legal and tax disputes in progress, reference is made to the comments given in the paragraph "Risks and potential liabilities linked to legal and tax disputes" reported in the separate financial statements as at December 31, 2017 and the related update given in the abridged interim consolidated financial statements as at June 30, 2018.

FINANCIAL RISK MANAGEMENT

This Section includes information on the nature of the risks relating to the parent company Edison Spa; as regards the **policies and procedures for managing these risks** as well as the **method used for the fair value measurement** of derivatives, reference is made to the notes in the corresponding paragraphs of the "Separate Financial Statements as at December 31, 2017".

1. Commodity Price Risk and Exchange Rates Risk Related to Commodity Transactions

The management and control of the commodity price risk and foreign exchange rate risk connected with commodities, regulated by the Energy Risk Policy, envisage the use of hedging derivatives with a view to reducing or mitigating the risk in question, balancing the changes in the economic value of the underlying that is hedged with those resulting from the use of these instruments.

From an operative standpoint, for the entire portfolio of Edison Spa assets and contracts (the "Industrial Portfolio"), are implemented operative hedges aimed at blocking the margin of an individual transaction or a limited set of related transactions, or strategic hedges, aimed at hedging the risk if the level of economic capital should exceed the maximum limit approved by the Board of Directors.

For hedging derivatives of the Industrial Portfolio, a simulation is carried out to measure the potential impact of market price oscillations on the fair value of the derivatives in place.

The simulation is carried out for a length of time equal to the residual lives of outstanding derivative contracts, the farthest maturity of which is currently 2021.

The following table shows the maximum expected negative variance in the fair value of the outstanding hedging derivatives by the end of 2018 compared with the fair value determined at June 30, 2018.

Change in fair value (in millions of euros)	06.30.2018	06.30.2017
Maximum negative variance in the fair value (*)	305.9	186.2

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

In other words, compared with the fair value determined for hedging derivatives outstanding June 30, 2018 the probability of a negative variance greater than 306 million euros by the end of 2018 is limited to 2.5% of the scenarios.

Considering for the derivatives qualified as Fair Value Hedge also the changes in fair value of the contracts object of hedge, the above-mentioned amount of maximum negative variance in the fair value decreases from 306 million euros to 145 million euros. Of this amount:

- about 15 million euros refer to derivatives qualified as Economic Hedge and to the ineffective portion of derivatives qualified as Cash Flow Hedge and Fair Value Hedge; therefore, this potential change would be recognized in income statement;
- about 130 million euros refer to the effective portion of derivatives qualified as Cash Flow Hedge and would be recognized in balance sheet in the specific equity's reserve.

The hedging strategy deployed during the period enabled the company to comply with its risk management objectives, reducing the Industrial Portfolio's commodity price risk profile within the approved limit of Economic Capital. The Industrial Portfolio's commodity price risk profile in terms of absorption of economic capital is the following:

Industrial portfolio Economic capital absorption	First half 2018		First half 2017	
	without derivatives	with derivatives	without derivatives	with derivatives
Average absorption of the approved economic capital limit	163%	57%	71%	46%
Maximum absorption	187% - Jan'18	67% - Jan'18	105% - Jan. 17	83% - Jan. 17

In 2018 the trading activities of Edison is carried out under the joint venture agreement with EDF Trading: in fact, the MASA (Trading Joint Venture and Market Access Services Agreement) is in force between EDF Trading and Edison Trading (merged in Edison since December 31, 2017) as from September 1, 2017. Thus, the trading portfolios are no longer monitored based on limit risks, but Edison manages solely the physical and financial position until maturity. For further information please refers to the paragraph "Non-recurring transactions" in the section "Accounting Principles and valuation Criteria" of the 2017 Separate Financial Statement.

2. Foreign Exchange Risk

The guidelines relative to governance and foreign exchange risk mitigation strategies are unchanged as compared with December 31, 2017.

3. Interest Rate Risk

Edison, exposed to fluctuations in interest rates specifically with regard to the measurement of debt service costs, values on a regular basis its exposure to the risk of fluctuations in interest rates, which it manages with the negotiation of the loans, if necessary, also with financial hedging instruments

Gross Financial Debt	06.30.2018			12.31.2017		
	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
Mix fixed and variable rate: (in millions of euros)						
- fixed rate portion (included structures with CAP)	-	-	0%	-	-	0%
- variable rate portion	645	645	100%	538	538	100%
Total gross financial debt	645	645	100%	538	538	100%

Edison has negotiated loans at variable tax rates (mainly the Euribor rate). The lower level of indebtedness result in limited exposure to interest rate risk, even if the debt is almost entirely indexed to variable rate: this resulted, until today, in a significant saving in financial expenses. The table below provides a sensitivity analysis that shows the impact on the income statement of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2018 and provides a comparison with the 2017.

Sensitivity analysis (in millions of euros)	First half 2018			First half 2017		
	Impact on financial expense (P&L)			Impact on financial expense (P&L)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa	1.2	0.8	0.8	5	5	4

4. Credit Risk

Credit risk is the exposure of the company to potential losses deriving from the failure by commercial or financial counterparties to fulfil the obligations accepted. In order to control this risk, the company has implemented procedures and actions to assess customer credit standing including through suitable scoring grids through which to monitor the related forecast cash flows and any collection actions. The company is currently disposing of trade receivables without recourse on a monthly revolving basis and through the transfer without recourse of the credit risk. In the period these transactions were carried out for a total value of 434 million euros (443 million euros as at June 30, 2017). As at June 30, 2018, no receivables were subject to the risk of recourse. In choosing the counterparties to manage temporary surpluses of financial resources and in stipulating financial hedges (derivatives), the company only uses interlocutors of high credit standing. In this regard, please note that, as at June 30, 2018 there is no significant exposure to risks connected with a potential deterioration of the comprehensive financial context nor significant levels of concentration with individual non-institutional counterparties. The table below shows an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees held to secure its receivables:

(in millions of euros)	06.30.2018	12.31.2017
Gross trade receivables	713	703
Allowance for doubtful accounts (-)	(49)	(47)
Trade receivables	664	656
Guarantees in portfolio (*)	189	268
Past-due receivables:		
- within 6 months	3	8
- 6 to 12 months	-	2
- beyond 12 months	12	36

(*) Of which to hedge receivables in place as at June 30, 2018 for 15 million euros (27 million euros as at December 31, 2017).

The amount of the allowance for doubtful accounts is determined based on the different statuses of the underlying receivables - particularly for retail customer receivables - taking into account the aging of past-due receivables and on

the methodology required by the new accounting principle IFRS 9 applicable from January 1, 2018 (so-called expected credit losses model).

5. Liquidity Risk

The liquidity risk is the risk that Edison may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The table that follows, representing the *worst case scenario*, provides a prudential evaluation of liabilities, in fact:

- includes, in addition to principal and accrued interest, all future interest payments estimated for the entire length of the underlying debt obligation and the effect of interest rate derivatives;
- assets (cash and cash equivalents, trade receivables, etc.) are not taken into account;
- financing facilities are treated as if repayable on demand, in the case of revocable lines of credit, or on the first due date when repayment can be demanded, in other cases.

Therefore, the aggregate liability thus calculated is larger than the gross financial debt amount used to determine the net financial debt of Edison spa.

Worst case scenario (in millions of euros)	06.30.2017			12.31.2017		
	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Bonds						
Long-term financial debt and other financial liabilities	74	29	252	14	23	228
Payables to suppliers	874	54	-	1,148	57	-
Total	948	83	252	1,162	80	228
Personal guarantees issued to third parties (*)	61	798	255	805	346	389

(*) These guarantees, mainly of a commercial nature and related to the Group's core businesses, are shown based on their remaining contractual maturity. For further details, see the "Commitments, Risks and Contingent Assets" section of this Report.

The financial debt maturing within one year, totalling 103 million euros (37 million euros as at December 31, 2017) included principal and accrued interest falling due related to long-term debt. To ensure financial flexibility and guarantee the coverage of the cash requirements for the next few months, in addition to the credit facility (199 million euros) on the treasury current account with EDF Sa, there are two revolving two-year credit lines, both subscribed in 2017 and fully available as at June 30, 2018:

- with EDF SA for a nominal value of 600 million euros,
- with a pool of banks on a Club Deal basis for a nominal value of 300 million euros.

It should be noted that as at June 30, 2018, Edison, in addition to the above revolving facilities fully available for a total of 900 million euros, has cash and cash equivalents for 190 million euros, of which 173 million euros held in the treasury current account with EDF Sa.

Financial debt expiring after one year (252 million euros) the change compared with the financial debt at December 31, 2017 (228 million euros) is mainly related to the financing drawn down 35 million euros related to the credit line for a total amount of 150 million euros provided by EIB to Edison is intended to finance the execution of wind project (capacity of 165 MW) through the company E2i Energie Speciali.

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures executed by Edison Spa may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" section above).

Outstanding debt obligations of Edison include non-syndicated facilities totalling 870 million euros, the unused portion of which was 600 million euros at June 30, 2018 and Club Deal facility for 300 million euros fully available at June 30, 2018. In regard to Edison Spa there have been no changes to the transactions in place and the related regulations, or indeed to the associated covenants with respect to December 31, 2017; reference is therefore made to that extensively commented on in the 2017 Financial Statements.

At present, the company is not aware of the existence of any default situation or non-compliance with covenants.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Below is a summary, in line with the related company policies, of the economic, equity and financial transactions in place as at June 30, 2018, with related parties, in accordance with the disclosure required by IAS 24. These transactions are implemented under the scope of normal operations and regulated at contractual conditions established by the parties in line with ordinary market practice.

For more details and an analysis, reference is made to the information given in the Notes to the separate financial statements at December 31, 2017 at the paragraph entitled "Intercompany and Related-party transactions".

The table below summarizes the Company's related-party transactions:

(in millions of euros)	Related parties in accordance with IAS 24				Total for financial statem. line item	% impact
	With Edison Group companies	With controlling companies	With other EDF Group companies	Total for related parties		
Balance sheet transactions						
Investments in associates	2.043	-	-	2.043	2.043	100%
Trade receivables	276	-	72	348	664	52.4%
Other receivables	32	9	12	53	854	6.2%
Current financial assets	824	-	-	824	824	100%
Cash and cash equivalents	-	173	-	173	190	91.1%
Long-term financial debt and other financial liabilities	-	65	-	65	232	28.0%
Current financial payables	294	5	-	299	412	72.6%
Payables to suppliers	83	6	41	130	928	14.0%
Other payables	1	24	-	25	613	4.1%
Income statement transactions						
Sales revenues	1.316	3	411	1.730	3.309	52.3%
Other revenues and income	8	-	-	8	42	19.0%
Materials and services used	74	8	253	335	3.162	10.6%
Financial income	16	-	-	16	17	94.1%
Financial expense	-	1	-	1	16	6.3%
Net foreign exchange translation gains (losses)	-	1	-	1	4	n.m.
Income from equity investments	44	-	-	44	45	97.8%
Expense on equity investments	35	-	-	35	35	100.0%

In particular, the following main variations are reported:

A) Transactions with unconsolidated Edison Group companies

Consolidated VAT return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT settlement for June 30, 2018 showed a credit of 94 million euros.

B) Transactions with controlling companies

Intercompany current account by Transalpina di Energia Spa (TdE)

Please note that current account established by TdE with Edison Spa at June 30, 2018 has a debit balance lower than 1 million euros (4 million euros at December 31, 2017).

Centralized Cash Management System by EDF Sa

Please note that at June 30, 2018, the current account established by EDF Sa with Edison Spa had a credit balance for 173 million euros (140 million euros at December 31, 2017).

Loans by EDF Sa

The credit line, granted by EDF Sa to Edison Spa in 2017 face amount of 600 million euros; with a maturity date of two years, is totally available at June 30, 2018.

It should be noted that, in December 2015, EDF Sa provided to Edison Spa with a new medium/long-term credit facility for a maximum amount of 200 million euros, earmarked for investment projects and originating from a credit facility provided by the EIB to EDF Sa; a total of 70 million euros had been drawn against this line at June 30, 2018, as at December 31, 2017. It should be noted that 5 million euros have been reclassified in current financial debt in the period.

Other intercompany transactions with EDF Sa

With regard to contracts for services rendered by EDF Sa (mainly financial and insurance) and other recharges of expenses, the costs for the period amounted to about 9 million euros. It is worth mentioning that in the context of financial transactions Edison entered into transactions to hedge the exchange rate risk that, affected by the currencies' trend, generated net realized gain for 2 million euros.

C) Transactions with other EDF Group companies

With regard to the transactions with EDF Trading, it is worth of mentioning that the MASA cooperation agreement is effective starting from September 1, 2017; for further information please refers to the paragraph "Non-recurring transactions" in the section "Accounting Principles and Consolidation Criteria" of the 2017 Separate Financial Statement.

OTHER INFORMATION

Significant Non-recurring Events and Transactions

In accordance with Consob Communication no. DEM/6064293 of July 28, 2006, during the first half of 2018, no significant non-recurring events and transactions are reported.

Transactions Resulting from Atypical and/or Unusual Activities

Pursuant to Consob Communication no. DEM/6064293 of July 28, 2006, it should be noted that, in first half 2018, Edison Spa did not enter into any atypical and/or unusual transactions, as defined by said Communication, according to which the atypical and/or unusual transactions are as such that, owing to their significance/relevance, nature of the counterparties, object of the transaction, method of determination of transfer pricing and timing of the event (proximity to close of the year), they may raise doubts regarding the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguarding of company assets and protection of minority shareholders.

SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2018

Edison Spa, contribution of business unit consisting of E&P Division activities to the new company Edison Exploration & Production Spa, wholly owned and subject to management and coordination by Edison Spa.

The governance bodies of Edison Spa and Edison Exploration & Production Spa (Edison E&P) approved, as of July 1, 2018, the contribution of the business unit consisting of Edison Spa's E&P Division activities to the new company Edison E&P Spa.

Edison E&P thus became the main corporate vehicle within which the Group's Oil & Gas Exploration & Production activities are concentrated.

Once the E&P portfolio (currently held by Edison) corporate restructuring process is complete, it will include all E&P activities, mineral leases and corporate shareholdings in the Hydrocarbons Operations sector, in Italy and abroad.

In particular, Edison E&P will hold the equity investments relating to *Edison Idrocarburi Sicilia srl* and the Italian and international joint ventures of Edison Spa, Edison International Spa and the relative branches and international joint ventures *Edison Norge*, *Edison E&P UK Ltd* and *Euroil Exploration Ltd*, therefore becoming a sub-holding company responsible for the corporate shareholdings in the Hydrocarbons Operations sector, coordinating the relative activities in compliance with the autonomous powers of the relative governance bodies.

Within the Edison Group's overall organisation, the E&P Division continues to act with the same operating methods, without prejudice to the forms and methods for the management of contractual transactions and intercompany services connected to the new corporate dimension.

Milan, July 27, 2018

On behalf of the Board of Directors
The Chief Executive Officer
Marc Benayoun

Certification of the condensed semiannual financial statements, in accordance with Art. 81-ter of Consob Regulation no. 11971 dated May 14, 1999 as amended

1. The undersigned Marc Benayoun, as “Chief Executive Officer”, Didier Calvez and Roberto Buccelli, as “Dirigenti Preposti alla redazione dei documenti contabili societari” of Edison Spa, also taking into account that specified by article 154-*bis*, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of February 24, 1998, hereby certify the following:

- the adequacy in relation of the characteristics of the business and
- the effective application,

of administrative and accounting procedures for the preparation of the abridged interim financial statements for the period January 1 - June 30, 2018.

2. We further certify that:

2.1. the condensed semiannual financial statements (condensed semiannual consolidated financial statements and condensed semiannual financial statements of the parent company Edison Spa):

- a) were prepared in accordance with the applicable international accounting standards recognized in the European Community under the terms of Regulation (EC) no. 1606/2002 of the European Parliament and Council of July 19, 2002;
- b) are consistent with the figures in the accounting books and documents;
- c) are appropriate to providing a true and fair view of assets and liabilities, results and financial position of the issuer and of the companies included in the consolidation;

2.2 the semiannual report on operations includes a reliable analysis of the reference made to the important events that took place during the first six months of the year, and their incidence on the condensed semiannual financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The semiannual report on operations also includes a reliable analysis of information provided on relevant related party transactions.

Milan, July 27, 2018

Chief Executive Officer

Marc Benayoun

“Dirigenti Preposti alla redazione dei documenti contabili societari”

Didier Calvez
Roberto Buccelli

REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed consolidated semiannual financial statements of Edison S.p.A. and subsidiaries (the "Edison Group"), which comprise the balance sheet as of June 30, 2018 and the income statement, the other components of the comprehensive income statement, the cash flow statement, the statement of changes in consolidated Shareholder's equity for the six month period then ended and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange (CONSOB) for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ("ISA Italia") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated semiannual financial statements of the Edison Group as of June 30, 2018 are not prepared, in all material respects, in accordance with the International Accounting Standard IAS 34 as adopted by the European Union.

Emphasis of Matter

We draw attention to paragraph "Accounting Principles and Consolidation Criteria", in the explanatory notes to condensed consolidated semiannual financial statements, which reports that in the period two new accounting standards have been applied, applicable as from January 1, 2018, IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" as adopted by the European Union describing the effects. Our conclusion is not qualified in respect of this matter.

DELOITTE & TOUCHE S.p.A.

Signed by
Matteo Ogliari
Partner

Milan, Italy
July 30, 2018

*This report has been translated into the English language solely
for the convenience of international readers.*

REPORT ON REVIEW OF THE CONDENSED SEMIANNUAL FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed semiannual financial statements of Edison S.p.A., which comprise the balance sheet as of June 30, 2018 and the income statement, the other components of the comprehensive income statement, the statement of cash flow, the statement of changes in Shareholder's equity for the six month period then ended and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange (CONSOB) for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ("ISA Italia") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed semiannual financial statements of Edison S.p.A. as of June 30, 2018 are not prepared, in all material respects, in accordance with the International Accounting Standard IAS 34 as adopted by the European Union.

Emphasis of Matter

We draw attention to paragraph "Accounting Principles and Consolidation Criteria", in the explanatory notes to condensed semiannual financial statements, which reports that in the period two new accounting standards have been applied, applicable as from January 1, 2018, IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" as adopted by the European Union describing the effects. Our conclusion is not qualified in respect of this matter.

DELOITTE & TOUCHE S.p.A.

Signed by
Matteo Ogliari
Partner

Milan, Italy
July 30, 2018

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