

Quarterly Report

AT SEPTEMBER 30, 2022



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Quarterly Report at September 30, 2022

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

Highlights



(*) Effect on indebtedness as described in paragraph Total financial indebtedness and cash flows. The value of the first 9 months of 2021 does not include the effect of the relevant operations in the renewables sector (acquisition of 70% of E2i Energie Speciali, now Edison Rinnovabili) and the sale of non-core activities (sale of Edison Norge and Infrastrutture Distribuzione Gas (IDG)).

(**) TFI Total Financial Indebtedness; the ratio at September 30, 2022 was calculated using an EBITDA based on the last twelve months.

Highlights 9 months 2022 (in millions of euros)	Electric Power Operations	Gas Operations (*)	Corporate	Eliminations	Edison Group
EBITDA	497	504	(63)	-	938
EBIT	263	367	(135)	-	495
Gross Investments (**)	310	27	8	-	345

(*) Including E&P business activities in Algeria

(**) Relating to increases of property, plant and equipment and of intangible assets during the period

Rating	Standard & Poor's		Moody's	
	09.30.2022	12.31.2021	09.30.2022	12.31.2021
Medium/long-term rating	BBB	BBB	Baa3	Baa2
Credit Watch/Outlook	Watch Negative	Stable	Negative	Stable
Short-term rating	A-3	A-3		

Introduction

The preparation criteria of quarterly information

It should be noted that the Company provides the market with voluntary quarterly consolidated information, more concise and focused on its business performance. This report therefore includes a comment on the reference economic context, on the performances of the Group and the main operating sectors and provides the presentation formats with economic and financial data comparable with those of the Annual and Semiannual Reports.

For quantitative data, the equivalent figures of the previous reference period are also given.

Newly applied standards

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

The Board of Directors, met on October 26, 2022, authorized the publication of Edison's Group Quarterly Report at September 30, 2022, which was not audited.

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

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

The main changes in the period involved:

- the acquisition, executed on January 20, 2022, of 100% of the company **Energia Italia**, operating in the mini-hydro sector, which at the closing date owned 50% of Idroelettrica Dogana and 50% of Idroelettrica Restituzione. Later, on May 26, 2022, Energia Italia acquired a further stake of 20% of the company **Idroelettrica Dogana** which therefore is now owned at 70% and consolidated line-by-line, whereas the company **Idroelettrica Restituzione** continues to be evaluated by equity method; the considerations paid for such acquisitions amount to about 23 million euros;
- the acquisition, on April 7, 2022, of 55% of **Sistrol**, a digital company operating in Spain in the energy services for the tertiary sector and consolidated line-by-line, for a consideration of about 7 million euros;
- the acquisition, executed on May 4, 2022, of 70% of **Gaxa**, a company operating in the retail gas market in Sardinia, through the supply of natural gas, LPG and propane-air for civil uses and consolidated line-by-line, for a consideration at the closing of 6 million euros (earn-out subject to the occurring of some conditions precedent are provided by contract);
- the acquisition, on May 10, 2022, by Fenice Qualità per l'Ambiente (now Edison Next) of 100% of **Citelum Italia**, a company operating in the segment of lighting services for the Public Administration and already owned by EDF Group, for a total consideration of about 81 million euros; the transaction is treated as Business Combination between companies under common control and therefore is excluded from the scope of IFRS 3 revised;
- the acquisition, on July 19, 2022, of 55% of **Biotech**, a company operating in the energy and environmental services sector, for a consideration of about 4 million euros;
- the acquisition, on July 28, 2022, of 100% of the company **Winbis**, which in its turn owns 100% of the company **Cerbis**, for a consideration of about 115 million euros; both the companies operate in the wind sector;
- the sale, on September 15, 2022, of the 100% shareholding in the company **Sunflower**, with proceeds of about 15 million euros.

It should also be noted:

- the merger, occurred on January 1, 2022, of the companies **Idroelettrica Cervino** and **Idroelettrica Brusson** into **Energie Rinnovabili Arpitane**;
- the acquisitions, executed on February 18, April 26 and September 1, 2022, of 100% respectively of the companies **REN 153**, **REN 141** and **REN 147**, operating in the photovoltaic sector and which have been valued as Group of assets acquisition pursuant to IFRS 3 revised;
- the merger of the company **Edison Renewables** into **Edison Rinnovabili**.

In May 2022 Edison signed an agreement to sell the 11.25% stake in the North Reggane licence in Algeria, held by its subsidiary **Edison Reggane** to Wintershall Dea Algeria GmbH. The agreement is based on a value for Edison's participating interest in Reggane Nord of approximately 100 million dollars at January 1, 2022. Subsequently, on June 29, 2022, following the exercise of the pre-emption right by the other partner in the concession, Repsol, on the basis of the related Joint Operating Agreement, Edison announced that it had signed an amendment to the agreement to provide for the sale of the shareholding, partly to Repsol (6.75%) and partly to Wintershall Dea (4.50%). All other contractual conditions remain unchanged. However, the finalization of the sale transaction is not foreseeable at the moment, as it is subject to the approval of the competent authorities.

Key Events

Snam and Edison sign an agreement for the joint development of Small-Scale LNG projects in Italy

July 25, 2022 - Snam and Edison have signed a Memorandum of Understanding (MoU) with the aim of collaborating on the development of the Small-Scale LNG market in Italy to foster the decarbonization of land, sea and rail transport, as well as off-grid industrial and domestic users.

The initiative aims to leverage the development of the Italian liquefied natural gas sector, also thanks to planned new infrastructure investments, to encourage the progressive replacement of diesel and at the same time support the use of liquid biomethane (Bio-LNG). The shared vision of the two companies is that LNG is the most effective and practical energy carrier to decarbonize transport on a large scale, reducing its environmental impact by replacing diesel. The LNG market in heavy duty transport in Italy even now has about 4,000 trucks, roughly 130 filling stations and annual consumption of around two hundred thousand tons. With the development of small-scale infrastructure and the penetration of LNG in the ship bunkering sector, the market will more than double by 2025, with potential of up to 1.5 million tons in annual consumption by 2030.

Edison acquires a 66 MW wind farm in Campania from Axpo

July 28, 2022 - Edison announced that it has acquired a 66 MW wind farm in Campania, in the province of Avellino, from Axpo, continuing with its growth strategy in the renewables sector, which calls for increasing installed green capacity from the current 2 GW to 5 GW by 2030, through investments totalling 3 billion euros. In the same area, Edison is already present with another 70 MW wind farm and, following this acquisition, created one of Italy's largest wind farms, with total power of 136 MW. The new wind hub meets the energy needs of about 96,000 households and prevents the emission of about 90,000 tons of CO₂ per year into the atmosphere. The Bisaccia wind farm consists of 22 Vestas-type wind turbines of 3 MW each and is capable of producing an average of 100 GWh of electricity per year.

Edison Next, Federmetano and Greenfuel together to promote the use of hydrogen for sustainable mobility

August 2, 2022 - Edison Next, Federmetano and Greenfuel have entered into a partnership in the field of sustainable mobility for the joint development of a pilot project that leverages hydrogen production for the decarbonization of the existing car fleet. The project involves the construction of a green hydrogen production plant and its use at the methane/biomethane filling station of Greenfuel - a Federmetano member company - in Brescia, through mixing with natural gas. Hydrogen blended with methane/biomethane in automotive applications represents an important resource for sustainable mobility as it is a solution that can already be used in the short term and can offer a significant contribution and improvement in terms of the carbon footprint of transport, enabling the automotive sector to gradually transition towards the use of hydrogen.

Edison joins Musa to transform Milan into a hub for sustainability, urban redevelopment and innovation

September 6, 2022 - Edison announced its investment in MUSA s.c.a.r.l (Multilayered Urban Sustainability Action), an innovation ecosystem funded by the Ministry of University and Research as part of the NRRP initiatives and promoted by the University of Milan-Bicocca. The Musa project involves the collaboration of twenty-nine public and private stakeholders and aims to transform the Milan metropolitan area into a hub for sustainability, urban redevelopment and innovation. The Project has been awarded ministerial funding of 110 million euros over three years and involves a total investment of nearly 116 million euros. Musa aims to develop smart solutions for renewable energy and waste management, study new green mobility models, create an incubation and acceleration hub for start-ups, optimize the use of big data for citizen health and well-being, develop new sustainable finance solutions and create the conditions for an increasingly inclusive society.

Edison and Saipem invest in the special purpose company for the implementation of the Puglia Green Hydrogen Valley project

September 8, 2022 - Following the agreements signed in September 2021, Edison and Saipem acquired 50% and 10% respectively of the company Alboran Hydrogen Brindisi Srl for the implementation of the Puglia Green Hydrogen Valley project. Saipem also holds an exclusive right for the implementation of the project.

The project calls for the construction of three green hydrogen production plants in Brindisi, Taranto and Cerignola (FG), with a total electrolysis capacity of 220 MW, fuelled by around 400 MW of photovoltaic solar energy. Once fully operational, the three plants will be able to produce a total of up to about 300 million normal cubic meters of renewable hydrogen per year, which will be used to fuel industries in the area and sustainable mobility, including through injection into the local gas network. The Brindisi plant, which is at an advanced stage of development, calls for the construction of a green hydrogen production plant through electrolyzers with a capacity of 60 MW powered by a dedicated photovoltaic plant. The project was proposed, among others, for the European IPCEI (Important Projects of Common European Interest) funding call.

Edison: launch of commercial operations of the Greece-Bulgaria interconnection gas pipeline (IGB) to contribute to European diversification

October 1, 2022 - Edison announced that it has launched commercial operations of the Greece - Bulgaria interconnection gas pipeline (IGB). The infrastructure, developed by IGI-Poseidon (50% Edison 50% Depa joint venture) and Bulgarian Energy Holding (BEH), was inaugurated in Sofia. The pipeline has a capacity of 3 billion cubic meters, enough to Bulgaria's entire gas requirement, and in a second phase it can be increased to approximately 5 billion cubic meters of natural gas. Its entry into operation opens up a new supply route for South East European countries, which is strategic in terms of security and diversification, while providing access to sources alternative to Russia's. Along with the Poseidon and Eastmed projects, this project is part of an infrastructure system promoted by IGI Poseidon that contributes to the expansion of the "Southern Gas Corridor" and the diversification of routes and sources for Europe.

External Context

Economic Framework

In the first nine months of 2022, the global scene was dominated by the energy crisis, especially in Europe, and high and persistent levels of inflation, especially in the United States, both of which will not end in the short term, but will continue for the rest of this year and in the year to come, casting long shadows on the resilience of the global economy, which is expected to deteriorate sharply compared to last year.

On the energy front, the temperature in Europe is hotter than ever: one reading of the situation is the performance of the TTF (Title Transfer Facility) - one of continental Europe's largest reference markets for trading natural gas - which has continued to mark record prices this year, fuelled by a variety of factors: in addition to the Russia-Ukraine conflict and the consequences of the sanctions imposed on Russia, the drought, which affected the European continent for most of the summer, technical problems at French nuclear power plants and the growth in energy consumption associated with high temperatures, well above seasonal averages, also created fertile ground for the price rises observed in July and August. Methane thus reached a record price of 350 dollars per megawatt-hour on August 25 (at the same time as the temporary shutdown, which later became permanent, of Nord Stream 1). Although the price returned to below 200 euros in September, thanks to rumours of possible price controls by the EU, it is still difficult to imagine a significant reduction in gas prices from current highs, also in view of the fact that, to compensate for the lower inflow of methane from Russia, European regasification terminals will have to pay a substantial premium to Asian Liquefied Natural Gas (LNG) importers in the coming months in order to continue attracting LNG cargoes, in a world market where there is no margin to increase supply, which is already at maximum capacity. However, the scenario for oil is less tense, given the worsening growth outlooks for the world economy and a more buoyant than expected supply, both of which have contributed to the downward trend in prices.

The energy shock that is shaking Europe has a range of implications. In addition to those purely related to supply difficulties, which also make it possible to imagine future rationing (Europe has reduced its gas imports from Russia by 30-35%), there are first and foremost the repercussions on the inflation rate trend in the main Eurozone countries, where increases in energy costs are being transferred to the entire production chain, leading to a sharp rise not only in energy-driven inflation, but also in core inflation. A further implication concerns the trend of the current account balance of the balance of payments of the euro area, which in 2022, after the years of strong structural surpluses following the sovereign debt crisis of 2012, will record a slight deficit if the negative trend of the first 7 months of 2022 is confirmed (mainly due to the sharp increase in the cost of imported energy and partly due to the substantial reduction in the German surplus), affecting the exchange rate of the euro, which in September, after twenty years, returned below parity with the dollar, also due to interest rate differentials between the US and the EMU.

Europe is thus in the midst of a storm, grappling with energy shortages alongside rising inflation and interest rates: the uncertainty surrounding the availability of energy, both this winter and next, is putting the brakes on investment; while inflation, which has even surpassed that of the US, driven up by energy costs, has prompted the ECB to embark upon the path of normalizing monetary policy so as not to further fuel inflationary expectations. The euro area is therefore heading for a fall in economic activity, the intensity of which will also depend on the extent to which governments are able to put measures in place to support households and businesses, and which can only be overcome when energy independence from Russia is achieved. It poses the dilemma of how to reconcile an expansive fiscal policy to tackle higher energy prices (currently pursued at national level due to the European Union's difficulty in putting into place a shared approach to tackle this problem) with the restrictive monetary policy at European level necessary to contain inflationary pressures.

Areas outside Europe are undoubtedly less affected by the energy crisis, but there is no shortage of weaknesses and problems, including persistent inflation, well above central bank targets, not only in emerging countries but also in industrialized countries where, in particular, it had not been expected that such price index increases would be seen again.

The framework of high and persistent inflation is a central issue for the global economy, as it fuels the risk of a deep recession due to both the deflationary effects linked to the erosion of households' purchasing power and the uncertainty of prospective demand faced by businesses, as well as the severe tightening of monetary policies. With a few exceptions (e.g. Japan and Turkey), the central banks of the main countries are indeed tightening credit conditions with continuous increases in monetary policy rates in order to bring inflation back to desirable levels, even at the cost of a contraction in economic activity, although at global level monetary tightening began well before the FED and ECB interventions (dated March and July of this year): in emerging countries, with the exception of China, the tightening of monetary policies had in fact started as early as 2021; the fact that the US has also taken a more aggressive stance in terms of monetary policy "changes the game".

Indeed, the Federal Reserve's response to US inflation trends continues to be the nexus for global economic development. This is because the FED's monetary policy impacts not only on the US economy, but also on the world economy. Amongst the most important effects of the change of pace in US monetary policy is the strengthening of the dollar not only against the currencies of emerging countries (especially those with a high level of debt denominated in foreign currencies), but also those of China and industrialized countries.

In the context of high inflation and low unemployment that characterizes the United States, and which feeds a dangerous price / wage spiral (a mechanism by which low unemployment increases the nominal wage to which firms respond with an increase in prices due to higher labor cost, thus creating a vicious circle that can make the growth of inflation last for a long time), the FED has therefore intervened with a decisive change of pace of monetary policy (increases of 0.75 basis points were not seen in fact since 1994).

Expectations are for stagnation or a slight decline in economic activity in the coming quarters, but not such as to dampen inflation and bring the labour market back into balance. Indeed, companies continue to hire to meet the post-COVID-19 increase in demand; but it is likely that the ongoing reduction in real incomes and the sharp slowdown in the construction market (as well as a likely stalemate in fiscal policy after the mid-term elections in November) will create the conditions for a moderate slowdown that will in turn lead to a reduction in inflation, but it remains to be seen whether this reduction will be sufficient and will not instead require a greater contraction of the economy than the FED expects.

The situation is different for China, where the sharp slowdown appears to be caused by other factors, including COVID-19 containment measures, which have led to the lockdown of vast areas of the country, necessitated by the low coverage of the vaccines used and the limitations of the Chinese healthcare system; from this perspective, the revision of certain policies and the decision to relax the COVID-19 restrictions could give a boost, at least in the short term, to economic activity but, at the same time, could be accompanied by a sharp increase in infections. Secondly, the decline in the housing market, which highlighted the problems of a model based on credit, which is too often excessive. Finally, energy supply issues due to the collapse of hydroelectric production caused by the drought should not be overlooked.

In this scenario, in Prometeia's forecasts for 2022, global GDP will grow by 2.3%; inflation by 9.7%; international trade by 2.8%. In particular, thanks to the better-than-expected economy in the first half of the year, the GDP estimates for 2022 for the US and, above all, the Eurozone were revised upwards compared to July (from +1.3% to +1.4% for the former; from +2.6% to +3.1% for the latter); on the contrary, those for China were revised downwards (from 3.1% to 2.5%) due to the numerous problems afflicting the country. However, for the United States and Europe the downward revisions were only shifted to 2023: from +0.5% to +0.2% for the United States, due to the highly restrictive tone of monetary policy initiated by the FED; and, above all, from +1.6% to -0.1% for the Eurozone, mainly due to the energy crisis, but also because of the weakness of the euro against the dollar, which entails higher outlays for raw material payments (settled in US currency) and thus "imports inflation" from abroad. As for the price index, Prometeia expects inflation in 2022 to be higher in the Eurozone (+8.1%, falling to +5.0% in 2023) than in the United States (+7.9%, falling to 3.7% in 2023), driven upwards by energy costs, thus upsetting the expectations of a few months ago; inflation in China, forecast at +4.0%, is much lower than in other major areas.

As concerns the Italian economy in particular, for 2022 Prometeia forecasts growth of 3.4%, well above the expectations at the beginning of the year, while for 2023 the rise in gas prices and soaring inflation lead to a downward economic scenario, cutting the GDP growth estimate by almost two percentage points, from +1.9% in July to +0.1% in September.

Despite high utility bills and the war in Ukraine, in the course of the year the strong desire of Italian households to return to normal emerged, also thanks to the lifting of the COVID-19 restrictions, generating a rebound in leisure and tourism-related expenditure, which positively influenced national consumption in both quarterly and annual terms.

The results of the manufacturing industry were also positive, with investments continuing their strong growth driven by the extension of the 110% superbonus to the end of the year, which allowed for a substantial increase in the component linked to construction. Exports in the January-June period (latest available) were up 22.5% year-on-year. In the months to come, our exporting companies will continue to benefit from the weaker euro, which makes our goods attractive; but at the same time they will have to cope with higher costs of imported raw materials and the slowdown in global trade expected in 2023, which will thus reduce foreign demand, primarily from Germany.

On the labour market front, the growth recorded in the first half of the year was far from even: households with a medium-high income tended to maintain their employment and increase their savings, but at the same time an increasing number of households found themselves in serious difficulty, suffering heavy losses in purchasing power.

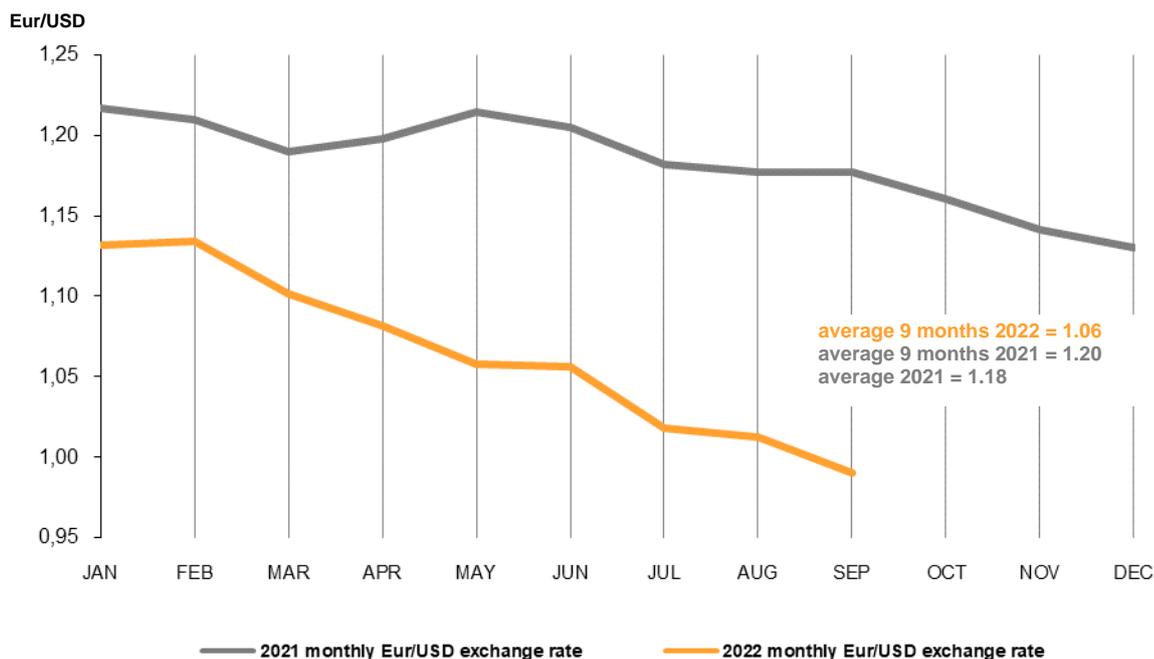
It is estimated that inflation will reach 7.3%, driven by higher food and energy prices, and will remain at high levels in the coming year as well.

Cuts in consumption, coupled with an increasingly uncertain economic outlook and sharply rising production costs, will curb business investment. In 2022, the weight of the costs borne by companies for electricity and gas on the value of production was in fact around 2.4%, a marked increase compared to 2019 (1.1%), with dramatic peaks (unsustainable in the long run) close to 15% for some sectors such as water collection and supply, fishing and aquaculture, non-metallic mineral processing (tiles, ceramics, glass, etc.) and metallurgical activities.

First with the pandemic and now with expensive energy, our country currently finds itself with a public debt to GDP ratio more than 15 basis points higher than in the pre-COVID-19 period and with forecasts pointing to a further increase in the ratio to over 149% by 2023. The level of public debt and its refinancing thus remain amongst the main risks for our economy.

In the current context of limited fiscal space, the question arises as to how support measures against high energy prices can continue. And it becomes even more indispensable to continue with the necessary efforts to implement the NRRP according to schedule, both to manage the climate transition and to support growth.

In the first nine months of 2022, the euro depreciated significantly against the US dollar compared with the same period in 2021, with the average EUR/USD exchange rate sitting at 1.06, marking a decline of 11%. Looking at the monthly trend of 2022, it can be seen that since March there has been a progressive weakening of the single currency, which became more pronounced during the third quarter with the euro falling below parity and in September hitting a 20-year low. This was mainly driven by the more restrictive monetary policy of the FED, which moved earlier and more aggressively than the ECB to counter the strong growth in inflation. In the United States, the FED began a cycle of interest rate hikes in March, which have intensified since June with three consecutive increases of 75 basis points. In September, the US central bank raised the main benchmark rate to the 3-3.25% range, its highest level since 2008, and signalled that rates will remain at high levels for a long time, providing further support for the dollar. In the euro area, the ECB was confronted with a difficult environment characterized on one hand by a continued rise in inflation, the annual rate of which reached a new record high of 10% in September, and on the other hand by increased uncertainty about economic growth prospects due to geopolitical tensions. After a more cautious policy in the first half of the year, the Frankfurt institution raised interest rates in July and September, with the main rate reaching 1.25%. The depreciation of the euro in the third quarter was also influenced by the slowdown in the European economy and downward revisions of the growth forecast for the remainder of this year and for 2023. Very high energy prices and the difficult geopolitical situation due to the repercussions of the war in Ukraine had a negative impact on economic activity and on business and consumer confidence.



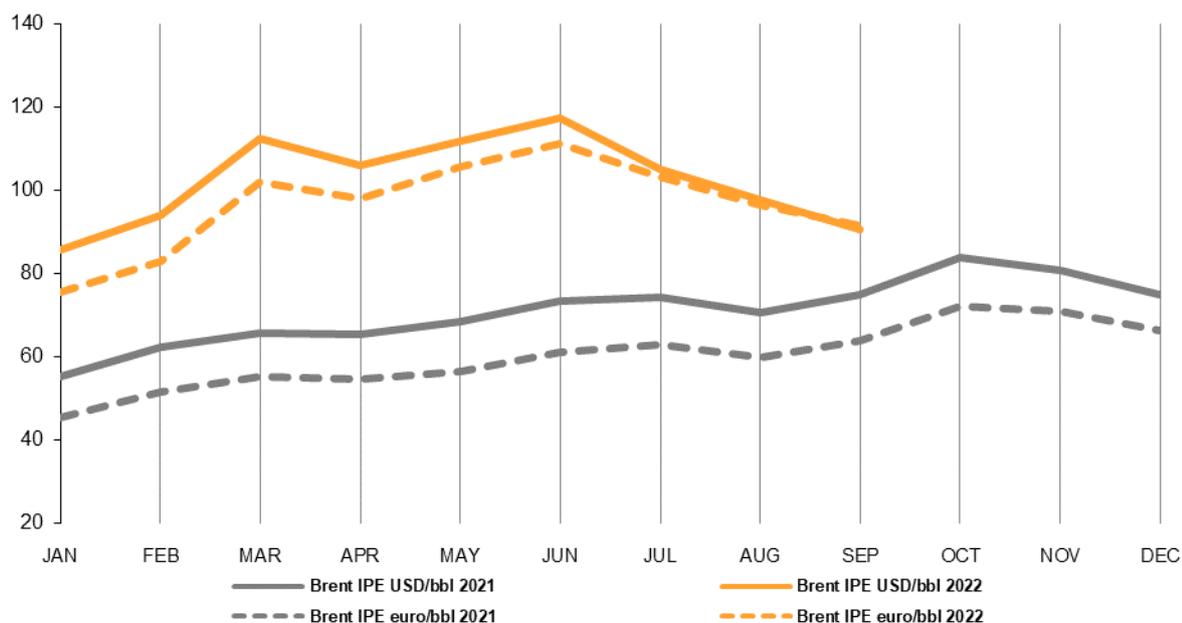
With regard to oil markets, the average Brent price for the first nine months of 2022 was 102.2 USD/barrel, 50.8% higher than the average recorded for the same period of 2021. During the first half of the year, prices showed an upward trend, supported by supply tensions following the international sanctions imposed on Russia, a major oil producing country. In addition, OPEC+ supply increases have consistently fallen short of agreed targets due to a lack of adequate investment by several alliance members. In the third quarter, on the other hand, prices showed a downward trend, returning to levels similar to those observed at the start of the year before the war in Ukraine. Since the summer, concerns about reduced global supply have taken a back seat in the wake of growing uncertainty about the development of demand, which has lost the momentum seen at the beginning of the year. In China, oil consumption declined due to tight restrictions as part of the Zero COVID strategy, which led to recurring lockdowns in several areas of the country. The hike in interest rates by the FED and several other central banks has fuelled the prospects of a slowdown in the world economy and thus a downturn in oil demand. The price contraction over the past three months was also driven by the significant strengthening of the dollar, which made it more expensive for operators using other currencies to purchase crude oil. The price of crude oil in Euro stood at an average of 96.2 EUR/barrel, up by 69.7% over the first nine months of 2021. This growth was higher than that recorded in US dollars due to the significant weakening of the euro.

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

	9 months 2022	9 months 2021	Change %	Q3 2022	Q3 2021	Change %
Oil price in USD/bbl ⁽¹⁾	102.2	67.7	50.8%	97.7	73.2	33.4%
USD/EUR exchange rate	1.06	1.2	(11.0%)	1.01	1.18	(14.6%)
Oil price in EUR/bbl	96.2	56.7	69.7%	96.9	62.1	56.1%

(1) Brent IPE

USD/barrel



The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

TWh	9 months 2022	9 months 2021	Change %	Q3 2022	Q3 2021	Change %
Net production:	210.3	205.7	2.2%	72.5	72.4	0.1%
- Thermoelectric	144.0	128.5	12.0%	49.5	45.7	8.3%
- Hydroelectric	23.2	37.2	(37.6%)	8.6	13.2	(34.9%)
- Photovoltaic	23.5	21.4	9.8%	9.0	8.2	9.8%
- Wind power	15.5	14.4	7.5%	3.9	3.8	3.2%
- Geothermal	4.1	4.1	(1.3%)	1.4	1.4	(2.9%)
Net imports	32.6	34.1	(4.6%)	11.1	12.2	(9.0%)
Pumping consumption	(2.0)	(2.0)	(1.8%)	(0.7)	(0.6)	20.8%
Total demand	240.9	237.9	1.3%	82.9	84.0	(1.4%)

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

Gross electricity demand in Italy in the third quarter of 2022 decreased by 1.4% compared to the same period of 2021, settling at 82.9 TWh (TWh = billion kWh). Despite the 2.3% increase (+0.7 TWh) recorded in July on a yearly basis, more pronounced reductions were observed in the other two months of the quarter: -2.6% (-0.7 TWh) in August and -3.9% (-1 TWh) in September.

A breakdown of the contribution provided by each source of energy in the third quarter of the year first of all shows that the contribution provided by thermoelectric power plants rose by 8.3% (+3.8 TWh), with the most significant increases occurring in July (+1.9 TWh) and August (+2.3 TWh), with a slight decline in September (-0.3 TWh). Among renewable sources, the contribution from hydroelectric power plants to the national generation mix contracted once again in the third quarter (-34.9%, -4.6 TWh), while wind and photovoltaic sources reported increases of +3.2% (+0.1 TWh) and +9.8% (+0.8 TWh), respectively. Overall, net energy production at national level remained more or less stable over the third quarter (+0.1 TWh), while over the first nine months of the year it increased by approximately 2.2% (+4.6 TWh) compared to the same period last year.

Completing the picture are net imports, which in the third quarter declined by 9% (-1.1 TWh) compared to the same period of 2021.

For this reason, on the overall balance of the quarter, domestic production increased its contribution by accounting for about 87% of demand, up 1% compared to 2021 (+0.1 TWh).

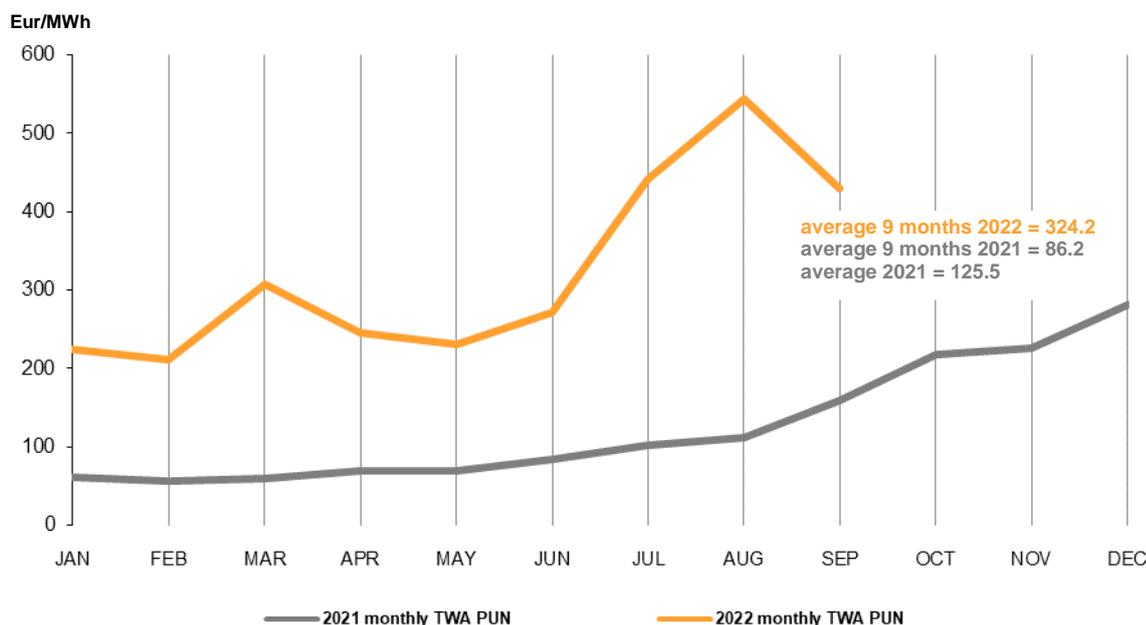
With reference to the price scenario at September 30, 2022, the average listing in the first nine months of 2022 of the time weighted average (TWA) of the single national price (abbreviated as "PUN" in Italian), came in at 324.2 euro/MWh, a significant increase, nearly quadrupling the figure recorded in the same period of the previous year (86.2 euro/MWh). In the third quarter of 2022, the average price was 472.0 euro/MWh, up significantly both on a year-on-year basis (+280.1%) and compared with the second quarter of 2022 (+89.6%).

The price increase compared to 2021 was mainly driven by the increase in generation costs, impacted by the geopolitical instability generated on the European continent after the Russian invasion of Ukrainian territory. In addition, extremely low levels of precipitation led to a severe drought for the entire summer period, causing prices to soar to the peak of 543.2 euro/MWh in August. In September, the European Commission defined a number of measures to combat high

energy prices in the coming months: a cap of 180 euro/MWh on the revenues earned by inframarginal power generators and a binding demand reduction target of 5% during peak consumption hours, equal to at least 10% across all hours in the month.

Looking at the monthly trend of the PUN with respect to 2021, a predominantly upward trend can be observed, with the PUN repeatedly meeting new all-time highs. In particular, during the summer, low levels of precipitation led to a severe drought, reducing production from renewable sources and also limiting the availability of some thermoelectric power plants along the Po River due to cooling constraints. In addition, the low availability of French nuclear capacity has led to a reduction in import flows. During September, news of possible interventions at European level to limit price growth triggered a decrease in the PUN, in line with the decline in the gas market, although it remained at levels well above those observed in 2021.

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



As far as zonal prices are concerned, the bullish trend in the first nine months of 2022 was confirmed in all zones, with prices more than tripling compared to the first nine months of last year. The largest increase occurred in the North Zone, which is more impacted by the shortfall in hydroelectric production. The F1, F2 and F3 hourly groups showed increases across the board compared with the first nine months of 2021 (+271.6%, +275.5% and +282.2%, respectively), in line with the PUN.

As was the case in Italy, prices were up in other countries: in Germany, quotations increased by 261.1%, reaching 249.8 euro/MWh. The increase was smaller than that observed in neighbouring markets due to higher generation from renewable sources than in the first nine months of 2021 and an increase in production from coal and lignite, which were more cost effective than gas-fired generation. The French market saw quotations quadruple, reaching an average of 296.7 euro/MWh; this growth was driven by the limited availability of nuclear plants, which was below the average of the last three years.

Demand for Natural Gas in Italy and Market Environment

in billions of cubic meters	9 months 2022	9 months 2021	Change %	Q3 2022	Q3 2021	Change %
Services and residential customers	19.1	19.9	(3.9%)	2.0	2.1	(2.8%)
Industrial use	11.6	13.2	(11.6%)	3.3	4.1	(18.8%)
Thermoelectric fuel use	19.1	18.5	2.9%	6.3	6.6	(4.3%)
Consumptions and system losses	1.5	1.6	(4.7%)	0.6	0.6	(8.4%)
Total demand	51.3	53.2	(3.5%)	12.2	13.4	(8.7%)

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

In the third quarter of 2022, demand for natural gas at national level lost about 1.2 billion cubic meters (-8.7%) compared with the same period in 2021, particularly in September, which marked a decline of 0.8 billion cubic meters. The drop in consumption was weighed down by rising commodity prices and the inflationary environment, which mainly impacted the industrial segment, which lost approximately 0.8 billion cubic meters (-18.8%) compared with the same period last year. Thermoelectric uses also showed a reduction in natural gas consumption of about 0.3 billion cubic meters (-4.3%), while civil uses basically remained stable.

As for supply sources, the following developments characterized the third quarter of 2022:

- stable domestic production;
- higher gas imports (+0.8 billion cubic meters compared to 2021);
- a sharp increase in the volumes injected into storage (+2.1 billion cubic meters vs. 2021), the fill level of which was 90% (before strategic storage) at the end of September.

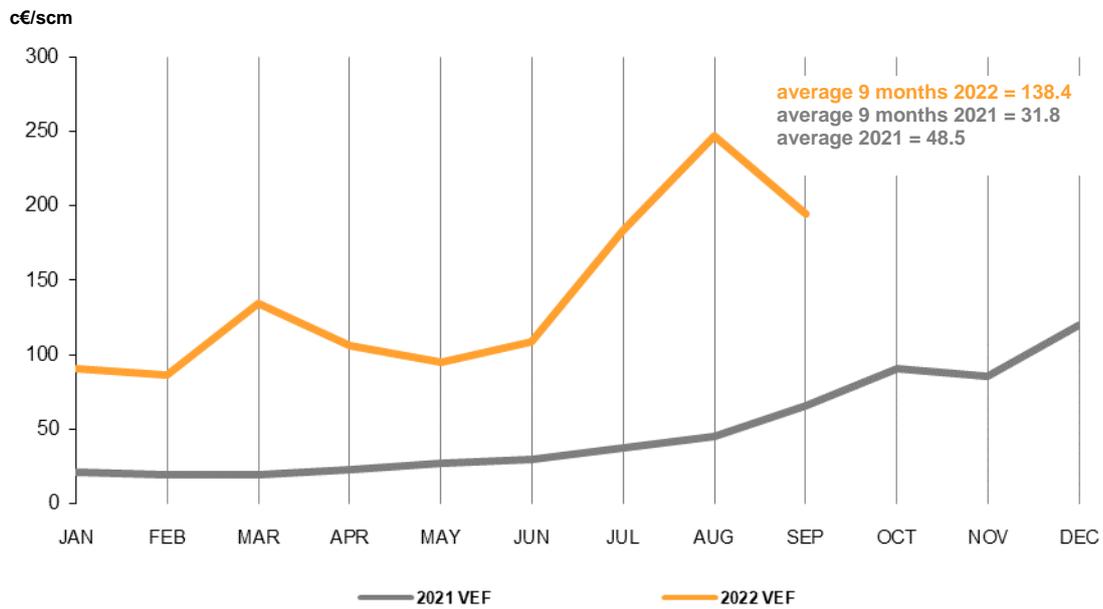
The spot gas price in Italy in the first nine months of 2022 more than quadrupled compared with quotations in the same period of 2021, coming in at an average of 138.4 c€/scm. During the third quarter, an average value of 208.1 c€/scm was recorded, up from an average of 49.3 c€/scm in the same period last year.

The strong volatility in European gas markets since the fourth quarter of 2021 was exacerbated by the Russian invasion of Ukraine in late February and drove gas prices to record highs in the wake of strong concerns about the security of European supplies. Import flows from Russia via Nord Stream 1 were reduced starting in June, until stopping completely in the final days of August. European countries have intensified their efforts to reduce their dependence on Russian gas by introducing a Europe-wide regulation setting targets for filling storage facilities before the onset of winter, diversifying import sources through international agreements for alternative gas supplies from other countries and through the construction of new regasification facilities (FSRUs). Prices in September then backtracked from the highs reached in August, influenced by discussions concerning the possible introduction of a temporary cap on gas prices at European level. In addition, the fill level of storage sites reached the 80% target imposed by the European Union well before the November 1 deadline, thanks to robust LNG cargo arrivals, mild temperatures during the spring, and incentives from national governments to support injection flows.

The VEF-TTF spread recorded an average of +1.7 c€/scm in the first nine months, up by 1.9 c€/scm on the average value of -0.2 c€/scm observed in the first nine months of 2021. In the third quarter, the average spread was +0.4 c€/scm, up with respect to the average of -0.9 c€/scm of the same period of 2021. This trend is influenced by the fact that last year there was an inversion of the differential in some months in the context of the commissioning of the new TAP pipeline in late 2020. In the first nine months of 2022, a reduction in import flows from Russia contributed towards expanding the VEF-TTF spread, in a context of increasing imports from northern Europe via the Gries Pass entry point.

In September, however, an inversion of the differential to -6.0 c€/scm was observed, the Dutch hub being the most impacted by the indefinite closure of the Nord Stream pipeline.

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



Legislative and Regulatory Framework

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

Electric Power

Environment

Agrisolare and NRRP call for tenders - The Decree of the Ministry of Agricultural and Forestry Policies of July 14, 2022 (Official Gazette n.193 of August 19, 2022) supplemented the Ministerial Decree of March 25, 2022 (NRRP contributions in favour of agricultural enterprises for the construction of photovoltaic systems on the roofs of production buildings, Mission 2 - Green Revolution and Ecological Transition, Component 1, Investment 2.2). The sum, drawn from NRRP funds of 1,500,000,000 euros, is intended not only for producers, but also for companies that process agricultural products and intend to install PV panels on the roofs of their buildings. The Agrisolare call for tenders for the assignment of NRRP incentives opened on September 27, 2022.

National Strategy for the Circular Economy - The Ministry of Ecological Transition issued with the Decree n. 342 of September 19, 2022 the time schedule for the implementation of the measures set forth in the National Strategy for the Circular Economy (SEC) referred to in Ministerial Decree n.259 of June 24, 2022 (Mission 2, Component 1, Reform 1.1 of the NRRP).

Wholesale Market

Capacity Mechanisms - Following MITE Decree of October 28, 2021, the auction for the 2024 delivery year was held on February 21, 2022. A total of 41.541 GW was allocated, including 37.931 GW of domestic capacity (including 3.778 GW of new capacity) and 3.61 GW of foreign capacity. Edison was awarded 2,275 MW of existing capacity at a premium of 33,000 euro/MW/year and 7 MW of new unlicensed capacity at a premium of 33,467 euro/MW/year for 15 years¹.

The continuation of the mechanism for future years, particularly 2025, is not a foregone conclusion. The MITE first highlighted this in 2021, in the deed of address of June 30, stressing that, downstream of the auctions for 2024 and 2025, a phase of in-depth analysis will follow to assess whether - based on the evolution of the system - it is still necessary to repeat further auctions. The feasibility of a possible auction of the Capacity Market for the 2025 delivery period will therefore probably be assessed next year, taking into account the results of the 2024 auction and following a new adequacy analysis by Terna. Uncertainties remain about the actual continuation of the mechanism post-2025 and how it will be implemented.

Regarding the appeals pending with the Regional Administrative Court and the Court of First Instance of the European Union against the Capacity Market, the Lombardy Regional Administrative Court postponed its decision following the ruling of the Court of First Instance, which was published on September 7, 2022 and rejected the two appeals of SET and Tirreno Power. After the deadline for filing a possible appeal with the Court of Justice of the European Union (November 18, 2022), the litigants will have 45 days to apply to the Regional Administrative Court to resume the case.

In the meantime, the Tirreno Power and Axpo companies have appealed to the Lombardy Regional Administrative Court against the various legislative and regulatory acts relating to the 2024 auction, as well as against the results of the auction itself.

Edison has a strong interest in the continued implementation of the Capacity Market for delivery years subsequent to 2023, which would make it possible to leverage its likely available capacity (CDP) relating to existing plants (roughly 2.8 GW awarded in the 2022 and 2023 auctions for this capacity category at a premium of 33,000 €/MW/year) and any new capacity to be developed.

¹ Referred to the battery installed at the Bussi plant.

Retail Market

Further facilitations to mitigate the impacts of the emergency context - In implementation of the provisions of Decree-Law no. 21 of March 21, 2022 ("Cut Prices Decree-Law") and Decree-Law 50/22 ("Aiuti Decree-Law"), the Authority established that the 2022 electricity and gas bonuses granted to new beneficiaries (households with an ISEE between euros 8,265 and 12,000, with less than four children and that are not recipients universal basic income or pension) will run from April 1, 2022 or, if later, from the date of activation of the supply providing eligibility for the incentive until December 31, 2022. In the event that one of the members of the ISEE household is a beneficiary of a bonus pertaining to the year 2021 and still ongoing, the 2022 bonus shall take effect without interruption from the day following the end of the 2021 social bonus period. With regard to any amounts already accrued pertaining to 2022 due to those already entitled (households with less than four dependent children and an ISEE of less than or equal to 8,265 euros, or households with at least four dependent children and an ISEE less than or equal to 20,000 euros, or households receiving universal basic income or pension), the bonuses run from January 1, 2022 or, if later, from the date of activation of the supply providing eligibility for the incentive identified by the Integrated Information System (IIS) for an ordinary duration of 12 months. Furthermore, it gives instructions to the Single Buyer and the operators concerned in order to ensure the timely implementation of the new legal and regulatory framework, taking into account the technical timing required to adapt the associated IT systems.

Gradual Protection Service for Micro-enterprises - In compliance with Decree-Law no. 183 of December 31, 2020, which further extended to January 1, 2023 the deadline for phasing out protected prices for protection services for micro-enterprises, ARERA (or Authority) defined the regulation of the gradual protection service for micro-enterprises and the methods for its assignment. With a subsequent measure, ARERA then completed the rules for the assignment of the gradual protection service for micro-enterprises by establishing the value of the C_{Sem} fee, the initial value of the current price and the relative levels of reduction between rounds, as well as the values of the ceiling to be applied to the bids made at auction, including the percentage increase in such ceiling during follow-up auctions; in the same month, Ministerial Decree of August 31, 2022 was published on the institutional website of the Ministry of Ecological Transition concerning the criteria and procedures for knowledgeable entry into the natural gas and electricity market of end customers affected by the phase-out of regulated price systems, with the publication of the relative notice in the Official Gazette. The measure governs the gradual protection service for the supply of electricity to January 1, 2023 for micro-enterprises and the implementation of information campaigns for micro-enterprises and household customers. Due to the cyber attack that knocked out the GSE systems and those of the Single Buyer that depend on them, in September it was decided to postpone the timing of the auctions for the assignment of the Gradual Protection Service for micro-enterprises in the electricity sector, and the Single Buyer was instructed to publish as soon as possible the updated Tender Regulation with the new deadlines, which should be set in such a way so as to ensure the same minimum timing between the various activities required for the assignment of the service.

New method for determining the economic conditions for the supply of natural gas for the protection service - In consideration of the further deterioration of the wholesale market price context and critical supply issues, the Authority intervened, as a matter of urgency, with Resolution 374/2022/R/gas, defining a new method for determining the supply component (C_{MEM}) of the protection service, which allows for an increased alignment of such component with the price trend in the wholesale market. This action was necessary to pursue the dual objective of: (i) ensuring that sellers are able to obtain the necessary volumes in the wholesale markets to meet demand for gas for domestic use in the next Thermal Year (TY), and (ii) passing on the benefit of any European energy price containment initiatives to customers in a timely manner, which is not possible under the current methodology. ARERA therefore established, as of October 1, 2022, that the C_{MEM} will be defined as equal to the monthly average of the day-ahead VEF price reported by ICIS-Heren, thus superseding the current quantification methodology on the basis of the quarterly OTC gas quotations for the t-th quarter, at the TTF hub, reported with reference to the second calendar month prior to the quarter being updated, thus

transitioning from a quarterly calculation defined prior to the start of each quarter to a monthly calculation defined at the end of each month of a quarter.

In addition, with a recent measure, ARERA confirmed the new commodity calculation method in gas protection services, while introducing some refinements: among others, the possibility for sellers of gas in the protection service to issue monthly bills, as an exception to the rules on billing frequency, and the detailed definition of the timeframe within which this component should be published by the Authority.

Gas Operations

Tariffs and market

Gas storage auctions for thermal year 2022-2023 - Edison Stocaggio offered to market users its available capacity, conferring, at September 30, 2022, about 819 MScm for the seasonal Peak Modulation service and an additional 60 MScm for the "Constant Peaks" Modulation service.

Approval of Edison Stocaggio's 2023 reference revenues - Resolution 384/2022 approved Edison Stocaggio's 2023 tariff proposal.

Issues affecting multiple business segments

2021 Annual Market and Competition Law - Law no. 118 of August 5, 2022, published in the Official Gazette of August 12, 2022 and in force as of August 27, 2022. The law introduces amendments to the regulations on large-scale hydroelectric concessions, establishing that assignment procedures will be carried out according to competitive, fair and transparent parameters, defining the duration of the concessions on the basis of economic criteria based on the size of the proposed investments. These procedures must be sent within two years of the entry into force of the regional law and no later than December 31, 2023. For concessions with an expiry date prior to December 31, 2024, including those that have already expired, the Regions may allow the continuation of operations in favour of the former concessionaire for the period of time necessary to complete the procedures (in any case, no more than 3 years from the entry into force of the law). In addition, the measure contains provisions on state concessions, charging infrastructure, local public services and waste management. Lastly, the law introduced a delegation to the Government to adopt, within 12 months of its entry into force, one or more legislative decrees that will provide for the survey, reorganization and rationalization of the regulations in force on renewable sources, as well as the adoption of provisions amending or supplementing Presidential Decree no. 31 of February 13, 2017, on the interventions excluded from the landscape authorization.

"Infrastructure/MIMS-bis" Decree-Law on "Urgent provisions for the safety and development of infrastructure, transport and sustainable mobility, as well as on the matter of major events and for the functioning of the Ministry of Sustainable Infrastructure and Mobility" - Decree-Law no. 68 of June 16, 2022, published in Official Gazette no. 139 of June 16, 2022, converted into Law no. 108 of August 5, 2022, published in Official Gazette no. 182 of August 5, 2022. The measure calls for the adoption of a Ministerial Decree by the Ministry of Sustainable Infrastructure and Mobility, containing regulations governing the procedure for the approval of projects and the control of the construction, operation and decommissioning of dams. In addition, it introduces provisions on suitable areas for the installation of renewable energy plants and procedural simplifications for public works of particular complexity or significant impact.

"Aiuti-bis" Decree-Law on "Urgent measures on energy, water emergency, social and industrial policies" - Decree-Law of August 9, 2022, no. 155, published in Official Gazette no. 185 of August 9, 2022 and converted with amendments into Law no. 142 of September 21, 2022, published in Official Gazette no. 221 of September 21, 2022.

Among the main provisions of interest, the measure provides for the suspension of unilateral amendments to electricity and natural gas supply contracts, the extension and amendment of the compensation mechanism introduced by Article 15-bis of DL 4/2022, the tightening of penalties in the event of non-payment of the extraordinary solidarity contribution introduced by Article 37 of DL 21/2022, as well as the extension and expansion of measures to support households and businesses, in addition to provisions for the definition of vulnerable gas customers and the introduction of a tariff mechanism dedicated to them.

“Aiuti-ter” Decree-Law on “Further urgent measures on the national energy policy, business productivity, social policies and for the implementation of the National Recovery and Resilience Plan (NRRP)” - Decree-Law no. 144 of September 23, 2022, published in Official Gazette no. 223 of September 23, 2022. The Decree-Law must be converted into law by November 22, 2022.

The measure introduces provisions on floating regasification capacity, renewable energy production plants within state-owned property or in use by the Ministry of the Interior, and provides for the allocation of the proceeds from the compensation mechanism referred to in Article 15-bis of the Sostegni-ter Decree-Law to the extension and updating of tax credits for the purchase of electricity and gas for businesses. Lastly, in addition to the measures in favour of the implementation of the measures set forth in the NRRP, it introduces some provisions concerning the guarantees offered by SACE Spa.

Taxonomy complementary delegated act on gas and nuclear - On July 15, 2022, the Taxonomy Complementary Delegated Act on gas and nuclear was published in the Official Journal of the European Union (OJEU), which defines the conditions under which these activities can be defined as sustainable. It will enter into force in January 2023. The text states that, in order to qualify for the taxonomy, gas-fired generation must have (life cycle) Green House Gas (GHG) emissions of less than 100 g CO₂e/kWh, with different criteria applying over a transition period. Plants for which a construction permit is granted by December 31, 2030, in fact: a) must have direct emissions of less than 270g CO₂e/kWh or annual direct emissions of less than 550kgCO₂e/kW (as an average over twenty years); b) must demonstrate that the energy cannot be generated from renewable sources; c) replace an existing operation that uses oil or coal; d) have a production capacity that does not exceed the capacity of the replaced plant by more than 15%; e) are designed to use renewable and/or low-carbon gases with a transition to full use by 2035; f) replace a more polluting plant, lead to a reduction in GHG emissions of at least 55% (calculated over the lifetime of the new plant's production capacity); g) are located in a Member State that, if it still produces electricity from coal, has committed to a coal phase-out plan. Similar criteria apply to cogeneration, with some differences: a) the alternative criterion of annual direct emissions is not present; b) the new capacity cannot exceed the replaced capacity; c) the activity must achieve primary energy savings of at least 10% with respect to separate production of electricity and gas.

Regulation on coordinated demand-reduction measures for gas - On August 5, 2022, Council Regulation (EU) 2022/1369 on coordinated demand-reduction measures for gas was published in the Official Journal of the European Union (OJEU). The regulation establishes a gas supply voluntary demand reduction phase, in which Member States have to make their best efforts to reduce gas demand by 15% between August 1, 2022 and March 31, 2023 compared to the August-March average over the 2016-2021 five-year period. A Union reaction level - called an alert - is introduced, at which point the demand reduction target mentioned in the previous point becomes mandatory for all Member States. The state of alert is declared by the Council, and may be proposed by the European Commission in the event of a serious supply shortage or at the request of at least five Member States that have already declared an alert at national level. A partial derogation from the obligations is permitted in the following cases: a) Member States which are not interconnected with the European system or whose electricity systems are not synchronized with the European electricity system and are highly dependent on gas for electricity generation; b) Member States with limited interconnections and which

demonstrate that their export capacities are used to best redirect gas to other Member States; c) Member States which have exceeded their gas storage fill targets, or which are highly dependent on gas as a raw material for critical industries or which have seen their gas consumption increase by at least 8% in the last year. The regulation will apply for one year, and the Commission will conduct a review to assess a possible extension by May 2023.

Presentation formats

Consolidated income statement

(in millions of euros)	9 months 2022	9 months 2021
Sales revenues	22,842	6,849
Other revenues and income	100	133
Total net revenues	22,942	6,982
Commodity and logistic costs (-)	(21,131)	(5,565)
Other costs and services used (-)	(548)	(428)
Labor costs (-)	(258)	(245)
Receivables (writedowns) / reversals	(24)	(21)
Other costs (-)	(43)	(47)
EBITDA	938	676
Net change in fair value of derivatives (commodity and exchange rate risk)	(102)	25
Depreciation and amortization (-)	(288)	(268)
(Writedowns) and reversals	-	-
Other income (expense) non Energy activities	(53)	(137)
EBIT	495	296
Net financial income (expense) on debt	(7)	(7)
Other net financial income (expense)	70	2
Net financial income (expense) on assigned trade receivables without recourse	(17)	(8)
Income from (Expense on) equity investments	1	13
Profit (Loss) before taxes	542	296
Income taxes	(228)	142
Profit (Loss) from continuing operations	314	438
Profit (Loss) from discontinued operations	6	(2)
Profit (Loss)	320	436
Broken down as follows:		
Minority interest in profit (loss)	55	1
Group interest in profit (loss)	265	435

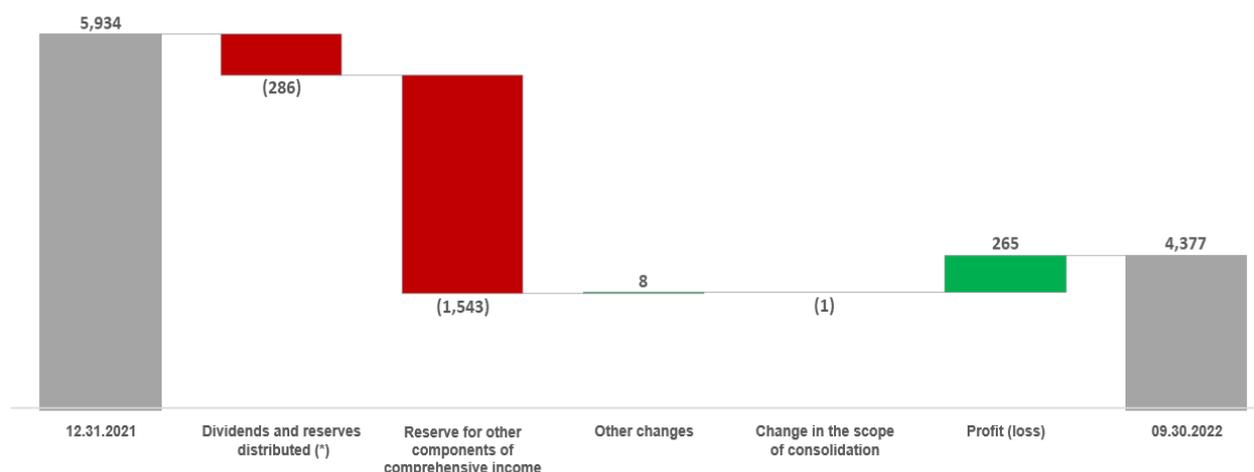
Consolidated balance sheet

	09.30.2022	12.31.2021
(in millions of euros)		
ASSETS		
Property, plant and equipment	3,880	3,744
Intangible assets	363	339
Goodwill	2,231	2,184
Investments in companies valued by the equity method	174	160
Other non-current financial assets	90	33
Deferred-tax assets	1,006	329
Non-current tax receivables	2	2
Other non-current assets	132	71
Fair value	2,809	863
Assets for financial leasing	2	2
Total non-current assets	10,689	7,727
Inventories	481	176
Trade receivables	4,848	3,542
Current tax receivables	34	6
Other current assets	672	432
Fair value	10,095	3,843
Current financial assets	18	3
Cash and cash equivalents	362	910
Total current assets	16,510	8,912
Assets held for sale	77	69
Total assets	27,276	16,708
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	4,736	4,736
Reserves and retained earnings (loss carryforward)	1,114	980
Reserve for other components of comprehensive income	(1,738)	(195)
Group interest in profit (loss)	265	413
Total shareholders' equity attributable to Parent Company shareholders	4,377	5,934
Shareholders' equity attributable to minority shareholders	477	419
Total shareholders' equity	4,854	6,353
Employee benefits	39	37
Provisions for decommissioning and remediation of industrial sites	197	188
Provisions for risks and charges	465	239
Provisions for risks and charges for non Energy activities	413	396
Deferred-tax liabilities	54	44
Non-current tax payables	-	17
Other non-current liabilities	27	15
Fair value	4,450	891
Non-current financial debt	690	614
Total non-current liabilities	6,335	2,441
Trade payables	3,989	2,872
Current tax payables	291	136
Other current liabilities	386	402
Fair value	10,788	4,092
Current financial debt	602	382
Total current liabilities	16,056	7,884
Liabilities held for sale	31	30
Total liabilities and shareholders' equity	27,276	16,708

Changes in consolidated shareholders' equity

(in millions of euros)	Share capital	Reserves and retained earnings (loss carry-forward)	Reserve for other components of comprehensive income	Group interest in profit (loss)	Total shareholders' equity attributable to Parent Company shareholders	Shareholders' equity attributable to minority shareholders	Total shareholders' Equity
Balance at December 31, 2021	4,736	980	(195)	413	5,934	419	6,353
Appropriation of the previous year's profit (loss)	-	413	-	(413)	-	-	-
Dividends and reserves distributed (*)	-	(286)	-	-	(286)	-	(286)
Change in the scope of consolidation	-	(1)	-	-	(1)	3	2
Other changes	-	8	-	-	8	-	8
Total comprehensive profit (loss)	-	-	(1,543)	265	(1,278)	55	(1,223)
of which:							
- Change in comprehensive income	-	-	(1,543)	-	(1,543)	-	(1,543)
- Profit (loss) at September 30, 2022	-	-	-	265	265	55	320
Balance at September 30, 2022	4,736	1,114	(1,738)	265	4,377	477	4,854

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



The change in the Reserve for other components of comprehensive income is mainly related to the Cash Flow Hedge Reserve, as described afterwards.

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



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

Economic & Financial Results at September 30, 2022

Revenues and EBITDA of the Group and by Business Segment

(in millions of euros)	9 months 2022	9 months 2021	Change %	Q3 2022	Q3 2021	Change %
Electric Power Operations						
Sales revenues	7,321	3,106	135.7%	2,836	1,100	157.8%
EBITDA	497	473	5.1%	129	136	(5.1%)
Gas Operations						
Sales revenues	17,930	4,214	325.5%	7,599	1,826	316.2%
EBITDA	504	249	102.4%	209	75	178.7%
Corporate Activities ⁽¹⁾						
Sales revenues	56	57	(1.8%)	18	19	(5.3%)
EBITDA	(63)	(46)	(37.0%)	(22)	(7)	(214.3%)
Eliminations						
Sales revenues	(2,465)	(528)	(366.9%)	(833)	(216)	(285.6%)
Edison Group						
Sales revenues	22,842	6,849	233.5%	9,620	2,729	252.5%
EBITDA	938	676	38.8%	316	204	54.9%
as a % of sales revenues	4.1%	9.9%		3.3%	7.5%	

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

Revenues in the first nine months of 2022 rose compared with the previous year to 22,842 million euros, attributable to both Operations. This increase, which mostly affected the Gas Operations, reflects primarily an increase in sales prices caused by a rise in the benchmark scenario.

EBITDA amounted to 938 million euros, with an upward trend in both business segments.

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

Electric Power Operations

Sources

(GWh) ⁽¹⁾	9 months 2022	9 months 2021	Change %	Q3 2022	Q3 2021	Change %
Edison's production:	14,604	12,722	14.8%	3,975	4,549	(12.6%)
- <i>thermoelectric</i>	12,104	9,234	31.0%	3,229	3,431	(5.9%)
- <i>hydroelectric</i>	1,058	2,124	(50.2%)	354	752	(52.9%)
- <i>wind power and other renewables</i>	1,442	1,364	5.7%	392	366	7.1%
Other purchases (wholesalers, IPEX, etc.) ⁽²⁾	12,245	13,700	(10.6%)	4,211	4,307	(2.2%)
Total sources	26,849	26,422	1.6%	8,186	8,856	(7.6%)
EESM activities Production	480	465	3.2%	152	127	19.7%

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

(2) Before line losses.

Uses

(GWh) ⁽¹⁾	9 months 2022	9 months 2021	Change %	Q3 2022	Q3 2021	Change %
End customers ⁽²⁾	10,774	9,978	8.0%	3,724	3,448	8.0%
Other sales (wholesalers, IPEX, etc.)	16,075	16,444	(2.2%)	4,462	5,408	(17.5%)
Total uses	26,849	26,422	1.6%	8,186	8,856	(7.6%)
EESM activities Sales	480	465	3.2%	152	127	19.7%

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

(2) Before line losses.

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

Within this model, Edison production amounted to 14,604 GWh, up 14.8% from the same period of 2021. The positive trend is dictated in particular by the trend in thermoelectric production, which shows an increase of 31%, linked to the shutdown in early 2021 of a power plant due to failure and the evolution of the reference scenario. This increase compensated for the lack of hydroelectric production, which, on the contrary, showed a decrease of 50.2% mainly attributable to lower water levels. As for wind power and other renewables, there was an increase of 5.7%, substantially due to the change in the scope of consolidation linked to the acquisition of Vibinum Srl and Aerochetto Srl in the middle of the third quarter of 2021 and of Winbis Srl and Cerbis Srl in July 2022.

Sales to end customers increased by 8% due to increased Business customer consumption and growth in the Retail segment.

Other purchases are down 10.6% on the same period of the previous year, while other sales are down 2.2%; it should be noted that, however, these items include not only purchases and sales on the wholesale market but also purchases and sales on IPEX, connected with the balancing of portfolios.

There was an increase in volumes relating to Energy & Environmental Services Market activities.

Income Statement Data

(in millions of euros)	9 months 2022	9 months 2021	Change %	Q3 2022	Q3 2021	Change %
Sales revenues	7,321	3,106	135.7%	2,836	1,100	157.8%
EBITDA	497	473	5.1%	129	136	(5.1%)

Sales revenues in the first 9 months of 2022 came in at 7,321 million euros, up 135.7% compared to the same period of last year, mainly due to the rise in the price scenario.

The EBITDA is 497 million euros, up 24 million euros.

The thermoelectric sector shows a strong growth compared to last year, thanks to particularly positive performance of the MGP market and the contribution of the capacity market which more than offset some one-off components recorded in 2021, such as the contribution of CIP6 incentives linked to the years 2003-2004 and the release of a provision for risks.

The renewables sector achieved a lower result than last year:

- hydroelectric power was highly penalised by low water levels, resulting in lower production volumes, which were partially offset by the positive effect of Edison's waiver of the option provided by Decree Law no. 145/2013 (referred to as "Spalma Incentivi") consisting of an extension of the incentive period for power plants, with a reduction in such incentives. Indeed, Edison obtained approval from the GSE of the reimbursement of the difference between the incentive originally due to the plants and the lower amounts received as of 2015 as a result of the remodulation of the incentives;
- wind power saw a contraction in margins, largely attributable to lower incentives, despite the increase in the consolidation scope;
- photovoltaics recorded a slightly higher result than the previous year;
- the entire renewables sector was penalised by the effects of the Sostegni-ter Decree Law.

On the commercial side, there was also a marked decline in results, particularly in the Retail segment, linked to a reduction in unit margins and despite an increase in sales volumes. On the other hand, sales of value-added services (VAS) increased slightly compared to last year.

Electric Power Operations also includes the results of activities relating to the Energy & Environmental Services Market which, in the first 9 months of 2022, showed EBITDA growth of 50% compared to the same period of last year, partly due to improved industrial performance, and partly due to the change in the consolidation scope following the acquisition of Citelum's activities in Italy and Spain.

Gas Operations

Sources of Gas

(Gas in millions of m ³)	9 months 2022	9 months 2021 ^(*)	Change %	Q3 2022	Q3 2021 ^(*)	Change %
Production ⁽¹⁾	7	7	5.4%	3	3	(22.7%)
Production outside Italy ⁽²⁾	116	111	4.5%	36	42	(14.3%)
Long Term purchases and other imports	10,489	10,510	(0.2%)	3,360	3,761	(10.7%)
Other purchases	5,258	2,944	78.6%	1,418	690	105.5%
Change in stored gas inventory ⁽³⁾	(150)	(81)	(85.2%)	(113)	(134)	15.7%
Total sources	15,720	13,491	16.5%	4,704	4,362	7.8%

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

(2) Production related to the concession in Algeria.

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

(*) 2021 figure reclassified.

Uses of Gas

(Gas in millions of m ³)	9 months 2022	9 months 2021	Change %	Q3 2022	Q3 2021	Change %
Residential use	1,370	1,294	5.9%	128	154	(16.9%)
Industrial use	3,872	4,204	(7.9%)	1,074	1,266	(15.2%)
Thermoelectric fuel use	4,311	3,707	16.3%	1,303	1,279	1.9%
Sales of production outside Italy	116	111	4.5%	36	42	(14.3%)
Other sales	6,051	4,175	44.9%	2,163	1,621	33.4%
Total uses	15,720	13,491	16.5%	4,704	4,362	7.8%

Gas long term purchases and the other import at September 30, 2022 are in line with last year, while other purchases on the wholesale market grew very significantly; Edison's portfolio exposure to imports from Russia is limited. Natural gas in storage recorded higher input than last year.

With regard to uses of 15,720 million cubic meters, there was an increase in sales, particularly for thermoelectric uses and in the wholesale market. Sales in the industrial segment declined due to the reduction in contracted volumes and lower consumption, also as a result of the price scenario, while volumes in the civil segment increased slightly, partly due to an increase in the customer base.

Income Statement Data

(in millions of euros)	9 months 2022	9 months 2021	Change %	Q3 2022	Q3 2021	Change %
Sales revenues	17,930	4,214	325.5%	7,599	1,826	316.2%
EBITDA	504	249	102.4%	209	75	178.7%

Sales revenues in the first 9 months of 2022 amounted to 17,930 million euros, up 325.5% compared to the same period of last year, mainly due to the price scenario.

EBITDA, which includes the result from regulated activities, amounted to 504 million euros, an increase of 102.4% compared to the same period of last year. This increase is partly attributable to non-recurring events, the impact of which will be partially reabsorbed by year-end, and partly to portfolio optimization actions and new import agreements. On the commercial side, the results were down on the previous year, in particular due to lower margins in the Retail segment.

Corporate Activities

Income Statement Data

(in millions of euros)	9 months 2022	9 months 2021	Change %	Q3 2022	Q3 2021	Change %
Sales revenues	56	57	(1.8%)	18	19	(5.3%)
EBITDA	(63)	(46)	(37.0%)	(22)	(7)	(214.3%)

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

EBITDA for the first 9 months of 2022 shows a downward trend from the same period of last year and reflects the lack of one-off income related to the favourable conclusion in 2021 of a dispute concerning registration taxes.

Other components of the Group's Income Statement

(in millions of euros)	9 months 2022	9 months 2021	% change
EBITDA	938	676	38.8%
Net change in fair value of derivatives (commodity and exchange rate risk)	(102)	25	<i>n.m.</i>
Depreciation and amortization	(288)	(268)	(7.5%)
(Writedowns) and reversals	-	-	<i>n.m.</i>
Other income (expense) non Energy activities	(53)	(137)	61.3%
EBIT	495	296	67.3%
Net financial income (expense) on debt	(7)	(7)	0.0%
Other net financial income (expense)	70	2	<i>n.m.</i>
Net financial income (expense) on assigned trade receivables without recourse	(17)	(8)	(112.5%)
Income from (Expense on) equity investments	1	13	(92.3%)
Income taxes	(228)	142	<i>n.m.</i>
Profit (Loss) from continuing operations	314	438	(28.3%)
Profit (Loss) from discontinued operations	6	(2)	<i>n.m.</i>
Minority interest in profit (loss)	55	1	<i>n.m.</i>
Group interest in profit (loss)	265	435	(39.1%)

The **Profit (Loss) from continuing operations** is positive for 314 million euros (positive for 438 million euros in the first 9 months of 2021).

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

- a net negative change in the fair value of derivatives amounting to 102 million euros (positive for 25 million euros in the first 9 months of 2021);
- depreciation and amortization for 288 million euros (268 million euros in the first 9 months of 2021);
- net expenses non Energy activities for 53 million euros (137 million euros in the first 9 months of 2021) which include, inter alia, additions to risk provisions for remediation;
- the financial items, which record a significant improvement compared to the first 9 months of 2021, mainly attributable to exchange rates effects;
- the income taxes, significantly worsening mainly due to the inclusion of the extraordinary contribution 'extra-profits' (effects D.L. 21/2022 "Cut prices" and D.L. 50/2022 "Aiuti") for 74 million euros and the lack of the non-recurring positive effect of 2021 linked to the option to realign the fiscal values of some industrial assets and the goodwill for 230 million euros.

Profit (Loss) from discontinued operations, a profit for 6 million euros, includes mainly an income determined by the revision of the estimated present value of the additional consideration set forth in the agreement with Energean (up to 100 million USD subject to the commissioning of Cassiopea gas field in Italy).

After the allocation of minority interest in profit (loss), for a profit of 55 million euros, in increase following the sale of 49% of Edison Renewables and its subsidiaries occurred in December 2021, **Group interest in profit (loss)** is positive for 265 million euros (positive for 435 million euros in the first 9 months of 2021).

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

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

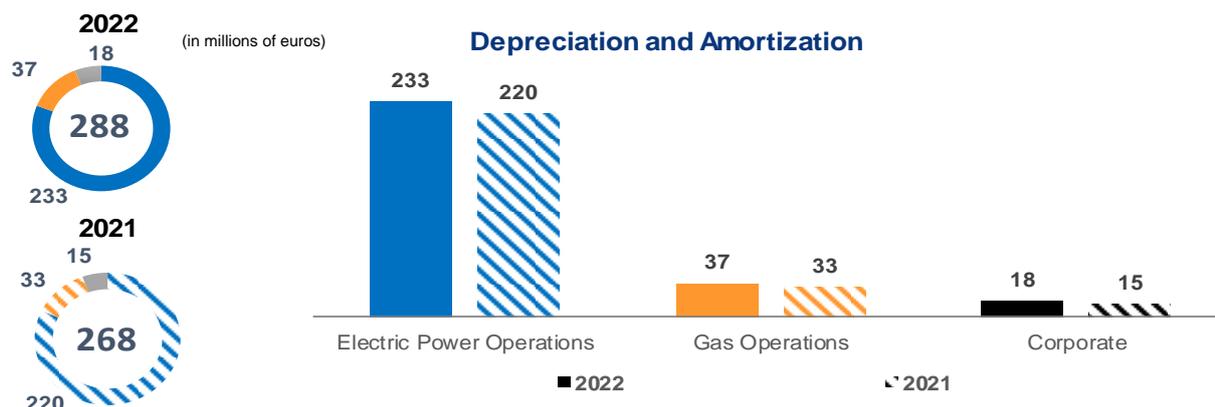
Net change in fair value of derivatives (commodity and exchange rate risk) (in millions of euros)	Definable as hedges (CFH) (*)	Definable as hedges (FVH)	Not definable as hedges	Total net change in fair value
2022				
Hedges of price risk on energy products	(82)	(2,761)	51	(2,792)
Hedges of foreign exchange risk on commodities	-	133	(1)	132
Change in fair value in physical contracts (FVH)	-	2,558	-	2,558
9 months 2022	(82)	(70)	50	(102)
2021				
Hedges of price risk on energy products	(4)	(222)	(5)	(231)
Hedges of foreign exchange risk on commodities	-	57	-	57
Change in fair value in physical contracts (FVH)	-	199	-	199
9 months 2021	(4)	34	(5)	25

(*) It refers to the ineffective portion.

Net change in fair value recorded in the first 9 months of 2022 is linked to the change in correlation between TTF and VEF and in reference price scenarios.

Depreciation and Amortization

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



Other net financial income (expense)

(in millions of euros)	9 months 2022	9 months 2021	Change
Financial expenses on provisions	(8)	(8)	-
Net foreign exchange translation gains (losses) (*)	84	1	83
Reversal of provision for doubtful accounts	-	5	(5)
Other	(6)	4	(10)
Other net financial income (expense)	70	2	68

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

The item Net foreign exchange translation gains (losses) in the first 9 months of 2022 includes net gains realized on hedging operations on exchange risk outstanding with EDF SA.

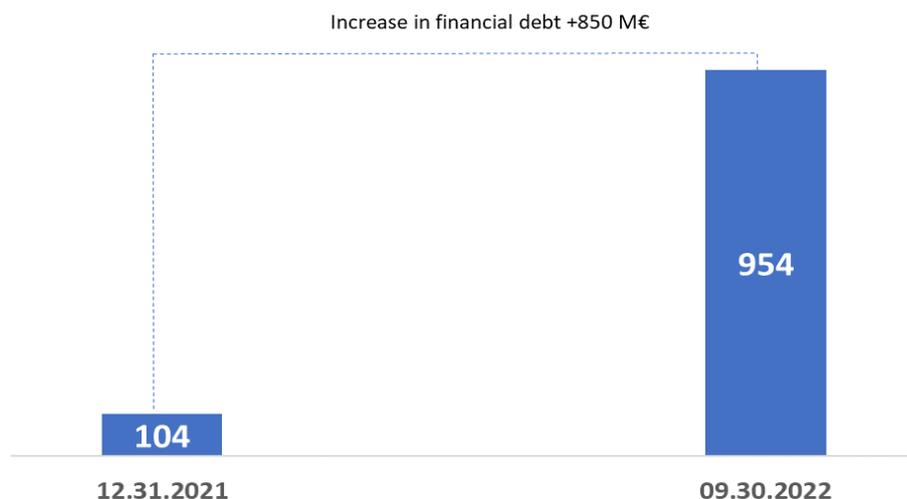
The item Reversal of provision for doubtful accounts, positive for 5 million euros in the first 9 months of 2021, reflected the cancellation of the provision relating to the financial receivable towards Elpedison Sa, following its reimbursement.

Total financial indebtedness and cash flows

Total financial indebtedness at September 30, 2022 amounts to 954 million euros (104 million euros at December 31, 2021). The increase in debt reflects, despite a marked improvement in industrial performance, the higher cash needs linked to the general rise in the commodities price scenario as well as significant investments in businesses deemed strategic.

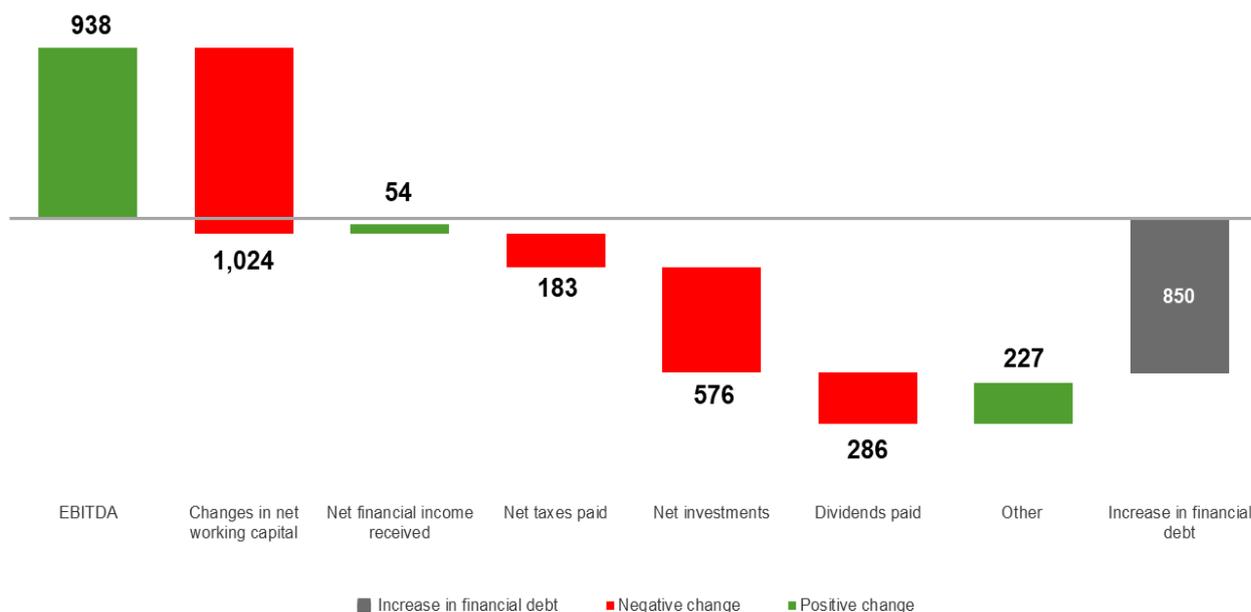
Change in financial debt

(in millions of euros)



Below the analysis of changes in financial debt is provided:

(in millions of euros)



The main cash flows of the period derive from the positive operating performance described above, the cash absorption of working capital, which was penalized by the significant rise in the reference scenario, the payment of dividends to shareholders, the payment of taxes and net investments for 576 million euros, which include:

- net capital expenditures (350 million euros), mainly for the construction of combined cycle gas turbines in the thermoelectric plants of Marghera Levante (67 million euros) and Presenzano (65 million euros), the environmental and energy services (85 million euros), the wind and photovoltaic sectors (45 million euros), as well as the commercial sector (42 million euros) mainly related to incremental costs incurred to obtain new contracts;
- acquisition operations with an overall impact on debt of about 238 million euros, relating to the acquisition of the companies Winbis-Cerbis (95 million euros), Citelum Italia (90 million euros), Energia Italia (19 million euros), Gaxa (23 million euros), Sistrol (7 million euros) and Biotech (4 million euros);
- the acquisition of the equity investments of 50% in Alboran Hydrogen Brindisi for about 1 million euros;
- the sale of the equity investment in Sunflower, which determined a positive effect on debt of 13 million euros and a negative effect on income statement of about 3 million euros.

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

Total financial indebtedness (in millions of euros)	09.30.2022	12.31.2021	Change
Non-current financial debt	690	614	76
- Due to banks	449	372	77
- Due to EDF Group companies	-	-	-
- Debt for leasing	226	241	(15)
- Due to other lenders	15	1	14
Other non-current liabilities	27	15	12
Non-current financial indebtedness	717	629	88
Current financial debt (excluding current portion of non-current financial debt)	537	330	207
- Due to banks	31	135	(104)
- Due to EDF Group companies	404	8	396
- Debt for valuation of Cash Flow Hedge derivatives	-	6	(6)
- Due to other lenders	102	181	(79)
Current portion of non-current financial debt	65	58	7
- Due to banks	27	24	3
- Debt for leasing	38	34	4
Current financial assets	(3)	(3)	-
Cash and cash equivalents	(362)	(910)	548
Net current financial indebtedness	237	(525)	762
Net financial debt Assets held for sale	-	-	-
Total financial indebtedness	954	104	850
of which:			
Gross financial indebtedness	1,319	1,017	302
of which Other non-current liabilities	27	15	12
Liquidity	(365)	(913)	548

The increase in **non-current financial indebtedness**, compared to December 31, 2021, is mainly due to the first drawdown of the Green Framework Loan with the EIB for about 94 million euros. The allocations covered almost equally both renewable energy and energy efficiency projects to support energy transition investments. This increase was partially offset by reimbursements under the repayment plans and the early repayment of certain loans held by companies within the renewables perimeter (Edison Rinnovabili and Aerochetto), which were refinanced intra-group at more competitive conditions.

The increase in **current financial debt**, compared to December 31, 2021, is mainly due to the temporary drawdown for 300 million euros of the revolving credit line with EDF Sa and the temporary increase in the deposit of the controlling company Transalpina di Energia (TdE) with Edison.

Cash and cash equivalents, amounting to 362 million euros, show a decrease and are mainly represented by available funds held in the current account with EDF Sa for 314 million euros (850 million euros at December 31, 2021). It should be noted that treasury current account overdraft with EDF Sa, amounting to 199 million euros, was not used at September 30.

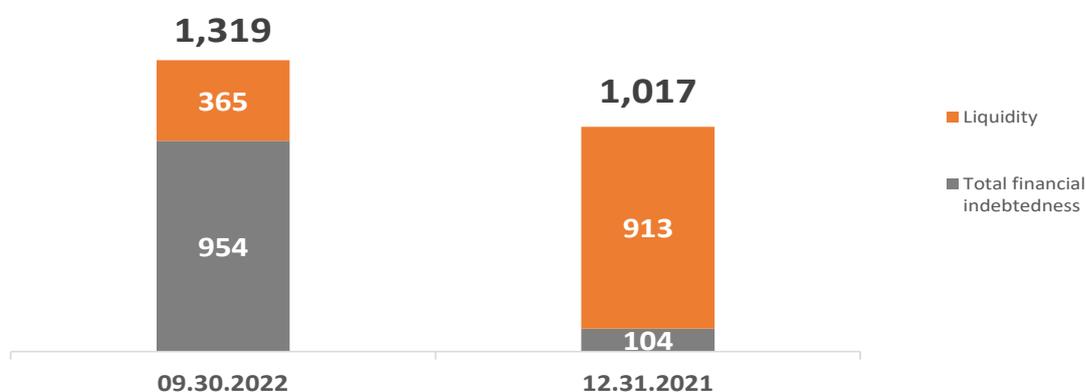
The decrease in cash and the drawdown of the revolving credit line with EDF Sa are essentially of a transitory nature and reflect the increased working capital needs due to the exceptional increase and volatility of commodity prices.

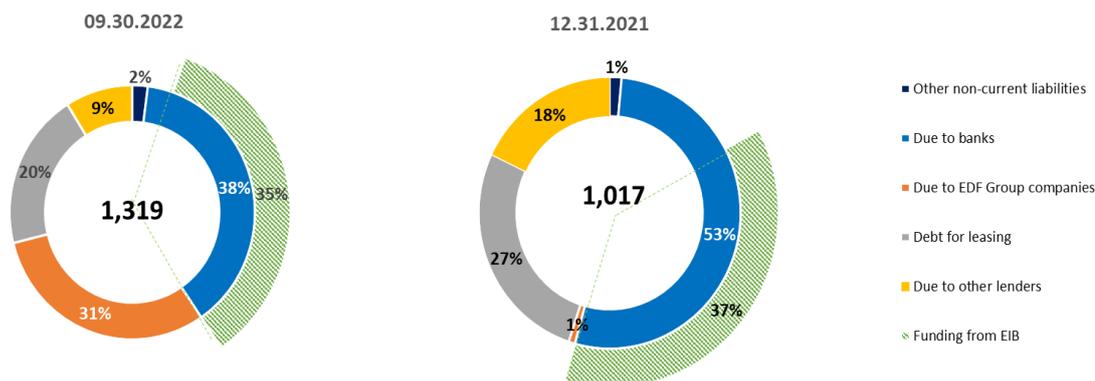
At September 30, 2022, Edison Group has unused committed lines of credit totalling 506 million euros, represented:

- by the two-year revolving credit line (available for 300 million euros), signed with EDF Sa on April 29, 2021, the amount of which was amended in June and September, up to a maximum of 600 million euros. The temporary increase in the line, which remains regulated by the contractual terms already in force, provided Edison with the greater financial flexibility needed to securely face more difficult market conditions due to the rise in prices, primarily energy prices, and the strong volatility and uncertainty linked to macroeconomic and geopolitical scenarios;
- by the Green Framework Loan (206 million euros) granted by the EIB at the end of June 2020 to finance the creation of a portfolio of projects throughout Italy for energy efficiency and for the construction of renewable energy plants. The line of credit has a duration of 15 years and may be used until June 2024.

Gross financial indebtedness and breakdown by financial source

(in millions of euros)





The composition of gross financial indebtedness at September 30, 2022 reflects the temporary drawdown of the revolving credit line with EDF Sa.

Bank debt appears to be substantially explained by recourse to the EIB, a form of financing with the best market conditions and long duration.

Fair value recorded in Balance Sheet and Cash Flow Hedge Reserve

Fair Value recorded in Balance Sheet

(in millions of euros)	09.30.2022			12.31.2021		
Broken down as follows:	Receivables	Payables	Net	Receivables	Payables	Net
- Financial assets (liabilities)	-	-	-	-	(6)	(6)
- Non-current assets (liabilities)	2,809	(4,450)	(1,641)	863	(891)	(28)
- Current assets (liabilities)	10,095	(10,788)	(693)	3,843	(4,086)	(243)
Fair Value recognized as assets or liabilities (a)	12,904	(15,238)	(2,334)	4,706	(4,983)	(277)
of which of (a) related to:						
- Interest Rate Risk Management	-	-	-	-	(6)	(6)
- Exchange Rate Risk Management	336	(14)	322	45	(12)	33
- Commodity Risk Management	6,334	(12,267)	(5,933)	2,493	(3,516)	(1,023)
- Fair value on physical contracts	6,234	(2,957)	3,277	2,168	(1,449)	719

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

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

Cash Flow Hedge Reserve

(in millions of euros)	Gross reserve	Taxes	Net reserve
Reserve at 12.31.2021	(256)	73	(183)
Changes in the period	(2,159)	606	(1,553)
Reserve at 09.30.2022	(2,415)	679	(1,736)

The change that occurred during the period and the reserve at September 30, 2022 are essentially related to the net fair value of the derivatives outstanding to hedge the commodity and foreign exchange risk associated with the formulas used both in sales and procurement contracts entered into by Edison to manage its physical and contractual assets. The figures, a worsening compared to December 31, 2021, reflect the price increase recorded in the period with reference to all commodity markets in comparison to the prices fixed with the outstanding hedges. Nevertheless, the effectiveness of the hedge, both in terms of risk factors and volumes hedged, guarantees an equivalent positive variation on the expected cash flows associated with the underlying contracts or physical assets (unless the portion of ineffectiveness appropriately reflected in the income statement). Finally, it should be noted that the value of these financial derivatives, read together with the expected cash flows related to the contracts or physical assets hedged, maintains expectations of positive margins.

Outlook

In the context of current price scenario, still characterised by high volatility, and based on the existing regulatory framework, the company expects to close 2022 with an EBITDA in the range of 1,100 and 1,200 million euros, against an EBITDA of 989 million euros in 2021.

Significant events occurring after September 30, 2022

No significant events occurred after September 30, 2022.

Milan, October 26, 2022
The Board of Directors
By Nicola Monti
Chief Executive Officer

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

Ronan Lory and Roberto Buccelli, in their capacity as “Dirigenti preposti alla redazione dei documenti contabili societari” of Edison Spa, declare that the accounting information contained in this Quarterly Report at September 30, 2022 is consistent with the data in documents, accounting records and other records.

Milan, October 26, 2022

**“Dirigenti Preposti alla redazione
dei documenti contabili societari”**

**Ronan Lory
Roberto Buccelli**